

Enhancing Resilience

Annual Report 2019





Enhancing Resilience



InterContinental Singapore

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About Frasers Hospitality Trust

Frasers Hospitality Trust (“FHT”) is a global hotel and serviced residence trust listed on the Mainboard of the Singapore Exchange on 14 July 2014.

Established with the principal strategy of investing globally (excluding Thailand) on a long-term basis in income-producing real estate assets used predominantly for hospitality purposes, we provide investors exposure to one of the largest global hospitality portfolios, with a total of 3,913 rooms comprising 3,071 hotel rooms and 842 serviced residence units.

Our well-diversified portfolio of 15 quality assets are in prime locations in 9 key cities in Asia, Australia and Europe. With a combined appraised value of approximately SGD2.33 billion, these 9 hotels and 6 serviced residences are: Novotel Melbourne on Collins, Novotel Sydney Darling Square, Sofitel Sydney Wentworth, Fraser Suites Sydney, InterContinental Singapore, Fraser Suites Singapore, ibis Styles London Gloucester Road, Park International London, Fraser Place Canary Wharf London, Fraser Suites Edinburgh, Fraser Suites Glasgow, Fraser Suites Queens Gate London, ANA Crowne

Plaza Kobe, The Westin Kuala Lumpur and Maritim Hotel Dresden.

Our properties are managed by reputable international hotel chains such as AccorHotels, InterContinental Hotels Group and Marriott International, as well as Frasers Hospitality, one of the largest serviced residence operators globally.

FHT is sponsored by Frasers Property Limited (“Frasers Property” or the “Sponsor”), a multi-national company that owns, develops and manages a diverse, integrated portfolio of properties. Our strategic partner, TCC Group Investments Limited (“TCCG”), is one of the largest conglomerates in Southeast Asia engaging in a variety of businesses including real estate. While we enjoy full flexibility in sourcing for acquisitions from third parties, both Frasers Property and TCCG have granted FHT the right of first refusal to a pipeline of hospitality assets. This further provides FHT with access to future acquisition opportunities.

A stapled group comprising Frasers Hospitality Real Estate Investment Trust (“FH-REIT”) and Frasers Hospitality Business Trust (“FH-

BT”), FHT is managed by Frasers Hospitality Asset Management Pte. Ltd., the REIT Manager of FH-REIT (the “REIT Manager”) and Frasers Hospitality Trust Management Pte. Ltd., the Trustee-Manager of FH-BT (the “Trustee-Manager”) (collectively known as the “Managers”).

Experience Matters

As a member of the Frasers Property Group, we believe that our customers’ experience matters.

When we focus on our customers’ needs, we gain valuable insights which guide our products and services. We create memorable and enriching experiences for our customers.

We believe our experience matters.

Our legacy is valuable and inspires our future successes. We bring the right expertise to create value for our customers. We celebrate the diversity of our people and the expertise they bring, and we commit ourselves to enabling their professional and personal development.



ibis Styles London Gloucester Road

Growth Strategy

Acquisition Growth

The Managers actively pursue asset acquisitions that will provide attractive cash flows and yields to satisfy their investment mandate, so as to enhance returns to FHT's Stapled Securityholders and improve the future income and capital growth prospects of FHT.

The Managers seek opportunities in key cities with sound economic fundamentals, favourable hospitality market conditions, and a good mix of both business and leisure guests. With FHT's global investment mandate (excluding Thailand), the Managers have maximum flexibility in scanning various regions for opportunities in the hotels and serviced residence asset classes.

FHT's acquisition strategy is further complemented by the right of first refusal granted by Frasers Property and TCCG, which provides access to future opportunities to acquire income-producing properties that are primarily used for hospitality purposes.

Active Asset Management and Enhancement Strategy

The Managers will continue to identify opportunities and implement strategies to improve the operational cash flow of the properties. Working closely with the hotel and serviced residence operators, the Managers focus on the areas of revenue optimisation, cost control and operating efficiency, prioritising strategies that have the highest impact on the overall performance of the properties.

In addition to active asset management of the properties, the Managers actively identify opportunities to undertake asset enhancement initiatives that successfully reposition the properties, generate incremental cash flows and increase the value of the properties.

Capital and Risk Management Strategy

The Managers endeavour to maintain a strong balance sheet and manage exposure to risks prudently by employing various strategies and measures to optimise returns to FHT's Stapled Securityholders. These measures may involve employing an appropriate mix of debt and equity in financing acquisitions; securing diversified funding sources by accessing both financial institutions and capital markets; and utilising interest rate and foreign exchange hedging strategies, where appropriate, to minimise exposure to market volatility.



Novotel Melbourne on Collins

Our Portfolio

FHT has a well-diversified portfolio of 15 quality assets. Most of them are located in key gateway cities across Asia, Australia and Europe.



SGD2.33B
Total Portfolio Value

9
Key Cities

15
Properties

3,913
Keys



Germany

- **Dresden**
Maritim Hotel Dresden



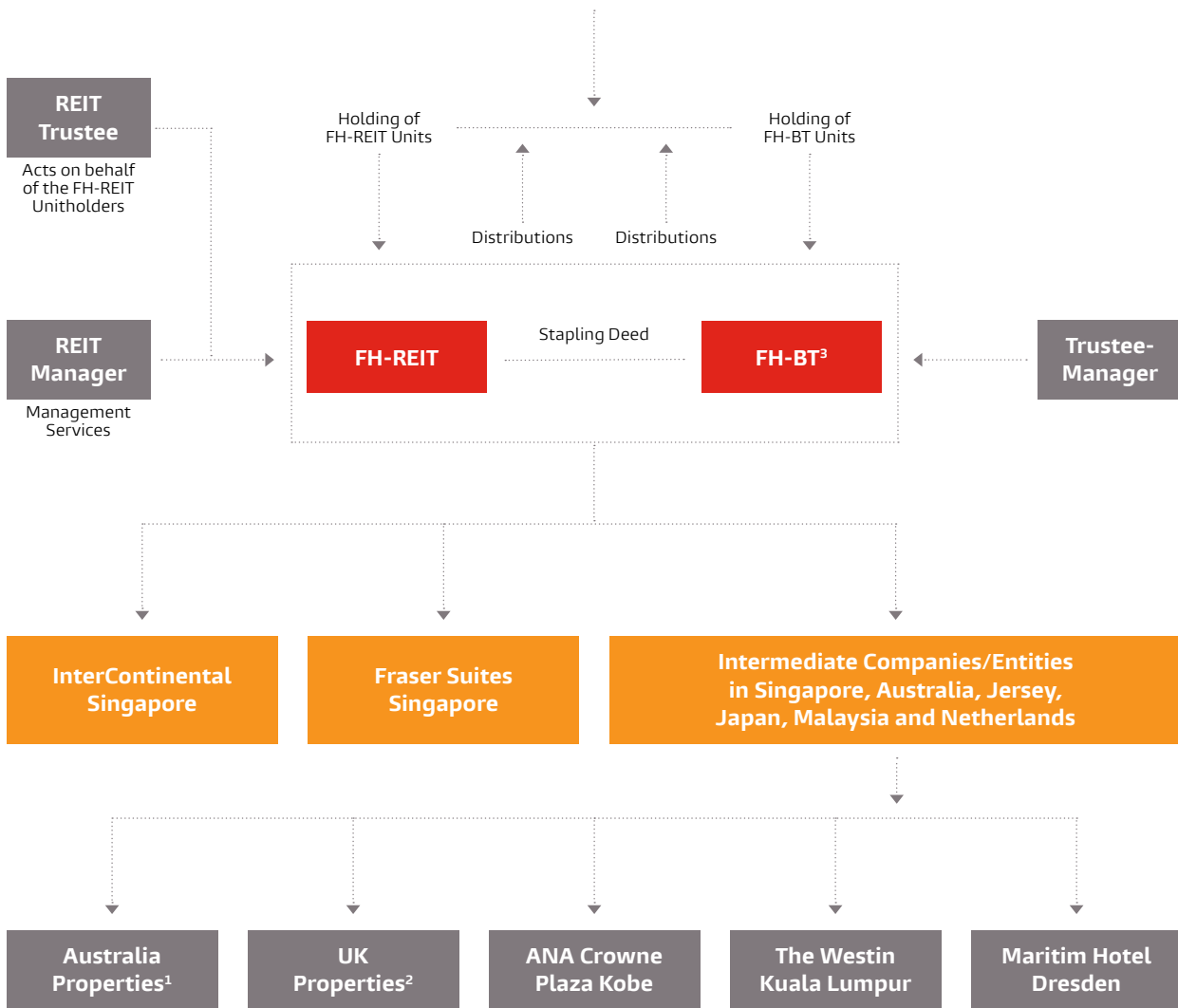
United Kingdom

- **Glasgow**
Fraser Suites Glasgow
- **Edinburgh**
Fraser Suites Edinburgh
- **London**
ibis Styles London Gloucester Road
Park International London
Fraser Place Canary Wharf London
Fraser Suites Queens Gate London



Trust Structure

Stapled Securityholders



Notes:

- 1 "Australia Properties" refer to Novotel Melbourne on Collins, Novotel Sydney Darling Square, Sofitel Sydney Wentworth and Fraser Suites Sydney.
- 2 "UK Properties" refer to ibis Styles London Gloucester Road, Park International London, Fraser Place Canary Wharf London, Fraser Suites Edinburgh, Fraser Suites Glasgow and Fraser Suites Queens Gate London.
- 3 FH-BT is the master lessee of "Novotel Melbourne on Collins" under the Master Lease Agreement.

Corporate Information

REIT Manager of FH-REIT
Frasers Hospitality Asset Management Pte. Ltd.

Trustee-Manager of FH-BT
Frasers Hospitality Trust Management Pte. Ltd.

Registered Address of REIT Manager and Trustee-Manager

438 Alexandra Road
 #21-00 Alexandra Point
 Singapore 119958
 Tel: (65) 6276 4882 | Fax: (65) 6276 6328
 Website: www.frasershospitalitytrust.com

Directors of the REIT Manager and Trustee-Manager

Mr Law Song Keng
 Chairman and Independent Director

Mr Chua Phuay Hee
 Independent Director

Mr Liew Choon Wei
 Independent Director

Dr David Wong See Hong
 Independent Director

Mr Panote Sirivadhanabhakdi
 Non-Executive Director

Mr Koh Teck Chuan
 Non-Executive Director

Audit, Risk and Compliance Committee of the REIT Manager

Audit, Risk and Compliance Committee of the Trustee-Manager

Dr David Wong See Hong, Chairman¹
 Mr Law Song Keng²
 Mr Liew Choon Wei

Nominating and Remuneration Committee of the REIT Manager

Nominating and Remuneration Committee of the Trustee-Manager

Mr Law Song Keng, Chairman
 Mr Liew Choon Wei
 Dr David Wong See Hong
 Mr Panote Sirivadhanabhakdi

Company Secretary
 Ms Catherine Yeo

Trustee
 Perpetual (Asia) Limited
 16 Collyer Quay #07-01
 Singapore 049318
 Tel: (65) 6908 8203
 Fax: (65) 6438 0255

Stapled Security Registrar and Stapled Security Transfer Office

Boardroom Corporate & Advisory Services Pte. Ltd.
 50 Raffles Place #32-01
 Singapore Land Tower
 Singapore 048623
 Tel: (65) 6536 5355
 Fax: (65) 6536 1360

Auditor
 KPMG LLP
 16 Raffles Quay #22-00
 Hong Leong Building
 Singapore 048581
 Tel: (65) 6213 3388
 Fax: (65) 6225 0984
 Partner-in-charge: Mr Ronald Tay Ser Teck
 Appointed: 9 December 2015

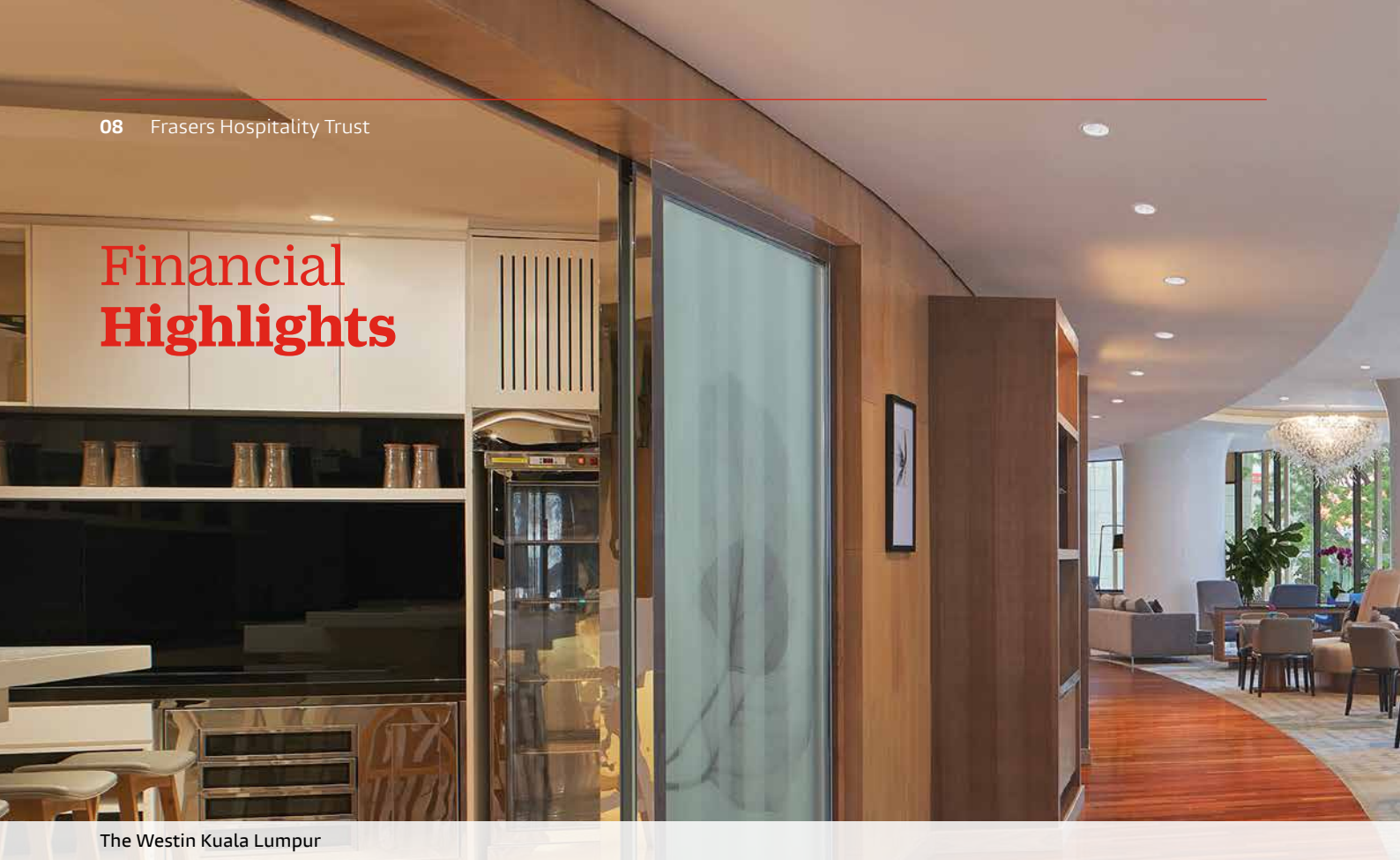
Principal Bankers

Bank of China Limited, Singapore Branch
 DBS Bank Ltd
 Malayan Banking Berhad, Singapore Branch
 Oversea-Chinese Banking Corporation Limited
 United Overseas Bank Limited
 United Overseas Bank Limited, Tokyo Branch
 Maybank Investment Bank Berhad
 Australia and New Zealand Banking Group Limited,
 Sydney Branch

Notes:

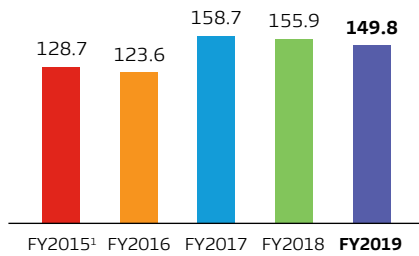
1. Appointed as Chairman of the Audit, Risk and Compliance Committee with effect from 1 April 2019, following the cessation of Mr Law Song Keng's appointment as Chairman of the Audit, Risk and Compliance Committee of each of the REIT Manager and Trustee-Manager with effect from 1 April 2019.
2. Ceased as Chairman of the Audit, Risk and Compliance Committee of each of the REIT Manager and Trustee Manager with effect from 1 April 2019 and remains as a member of the Audit, Risk and Compliance Committee of each of the REIT Manager and Trustee Manager.

Financial Highlights

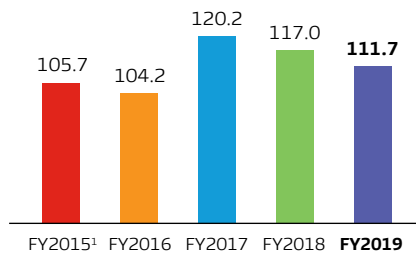


The Westin Kuala Lumpur

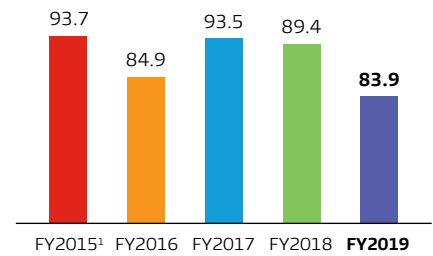
Gross Revenue
(SGD Million)



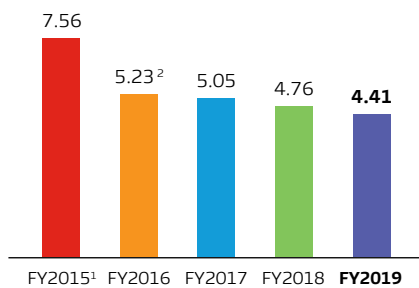
Net Property Income
(SGD Million)



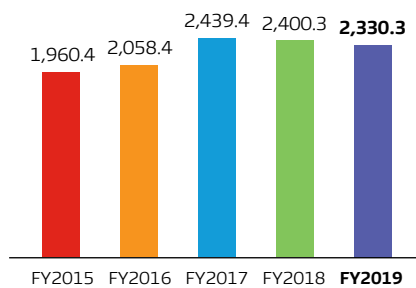
Distributable Income Attributable to Stapled Securityholder
(SGD Million)



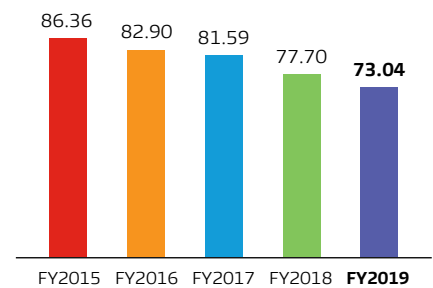
Distribution per Stapled Security
(SGD Cents)



Total Portfolio Valuation
(SGD Million)



Net Asset Value per Stapled Security
(SGD Cents)





	FY2015 ¹	FY2016	FY2017	FY2018	FY2019
Statement of Total Return (SGD million)					
Gross Revenue	128.7	123.6	158.7	155.9	149.8
Net Property Income	105.7	104.2	120.2	117.0	111.7
Distributable Income Attributable to Stapled Securityholders	93.7	84.9	93.5	89.4	83.9
Balance Sheet Highlights (as at 30 September) (SGD million)					
Total Assets	2,031.7	2,161.0	2,533.9	2,494.7	2,446.5
Total Portfolio Valuation	1,960.4	2,058.4	2,439.4	2,400.3	2,330.3
Total Liabilities	859.4	916.8	927.7	942.2	962.7
Total Borrowings (gross)	790.6	814.0	813.7	837.3	858.0
Net Assets	1,172.3	1,244.2	1,606.2	1,552.5	1,483.7
Key Financial Indicators					
Distribution per Stapled Security (SGD cents)	7.56	5.23 ²	5.05	4.76	4.41
Net Asset Value per Stapled Security (SGD cents)	86.36	82.90	81.59	77.70	73.04
Gearing (%)	38.9%	37.7%	32.1%	33.6%	35.1%
Interest Cover (times)	5.3	4.9	5.1	5.0	4.7
Effective Cost of Borrowing (%)	2.4%	2.6%	2.6%	2.6%	2.5%
Borrowings on Fixed Rates (%)	73.0%	86.0%	74.7%	73.3%	68.9%
Unsecured Debt (%)	96.1%	96.2%	96.2%	96.1%	96.2%
Unencumbered Assets as a % of Property Portfolio	92.6%	93.4%	94.3%	94.2%	94.1%

1. For the financial period from 14 July 2014 to 30 September 2015.

2. FY2016 Distribution per Stapled Security includes the effect of the Rights Issue.

Letter to Stapled Securityholders



From left to right:
Mr Colin Low and Mr Law Song Keng

The Power of Resilience

There are opportunities for us to rebalance our portfolio and create value for our Stapled Securityholders.

Coupled with our debt headroom, we continue to have the financial flexibility to pursue assets with better returns by acquiring from the right of first refusal pipeline from our sponsor, Frasers Property, and/or from third parties.

Dear Stapled Securityholders,

The financial year ended 30 September 2019 ("FY2019") has been a challenging year for FHT as some of our properties continued to face similar headwinds as in the year before. Nevertheless, we are heartened to close our last quarter of FY2019 with improved operating results, underpinned by better overall portfolio performance.

Financial Performance

For FY2019, we reported gross revenue ("GR") of SGD149.8 million and net property income ("NPI") of SGD111.7 million. While our Singapore and UK portfolios recorded better performances, GR and NPI declined year-on-year ("yoy") by 3.9% and 4.6% respectively due mainly to foreign exchange impact and the weaker performances of our Australia and Malaysia portfolios.

With a lower NPI, our distributable income decreased 6.1% yoy to SGD83.9 million and our distribution per stapled security ("DPS") was 7.3% lower at 4.41 cents. This translated to a distribution yield of 6.2% based on FHT's closing price of SGD0.715 as at 30 September 2019.

Continuing our practice of paying distributable income in full to our Stapled Securityholders, we have distributed 2.24 cents as interim DPS in June 2019 and will be paying the final DPS of 2.17 cents on 27 December 2019.

Portfolio Performance

FHT has a global portfolio of 15 quality assets which are in prime locations of gateway cities across Asia, Australia and Europe.

As at 30 September 2019, our portfolio valuation stood at SGD2.33 billion, down from SGD2.40 billion in FY2018. The 2.9% decline was due to the depreciation of all functional currencies against SGD, except JPY. In local currency terms, the valuations of all country portfolios were higher than a year ago, with the exception of Australia, while the valuation of the Malaysia portfolio was unchanged yoy.

For the year in review, our country portfolios reported mixed results.

Our Australia portfolio continued to record lower revenue and profit on the back of the tough trading environment and increased room supply in Sydney and Melbourne. As a result, some of our properties, which have enjoyed high occupancies of above 90% in prior years, experienced decreased occupancies at the high 80% levels in FY2019. This, together with lower rates, led to a 2.9% decline in the portfolio revenue per available room ("RevPAR").

We monitored each property's performance, working very closely with the operators to drive efficiency and enhance our competitiveness vis-à-vis our peers.

In Singapore, increased room and food and beverage ("F&B") revenue contributed to the higher portfolio revenue. With higher occupancies at InterContinental Singapore, driven

largely by a strong transient segment, and at Fraser Suites Singapore which secured more new accounts for long stay, the portfolio RevPAR improved yoy by 1.3%.

The increase in our Singapore portfolio profit was steeper due to better cost control and an improvement in operational efficiency.

Our portfolio in the UK continued to benefit from the weaker GBP which led to all properties recording higher revenue and profit. The portfolio RevPAR increased by 9.2% yoy, underpinned by healthy gains in both occupancy and average daily rate ("ADR").

The full refurbishment of ibis Styles London Gloucester Road started in August 2018 and was completed in February 2019. In spite of some disruption to the business due to the renovation, the hotel achieved a strong RevPAR growth of 14.0% for FY2019, on the back of higher ADR and occupancy.

In Japan, ANA Crowne Plaza Kobe reported higher room and banquet revenue for the full year, boosted by events including the Rugby World Cup 2019. This was despite its lacklustre performance in the first quarter in the aftermath of 2 severe typhoons. For FY2019, the hotel registered a RevPAR growth of 1.8% yoy but its profit declined marginally.

The Westin Kuala Lumpur continued to report weaker performance in FY2019, led by softer corporate demand and increased room supply. Its RevPAR declined 2.3% yoy on the back of lower ADR and its F&B revenue was also lower. However, the hotel consistently outperformed its peers and the market in terms of RevPAR growth for the year in review.

Maritim Hotel Dresden in Germany, which is master-leased on a long-term basis to the Maritim Hotel Group, reported higher revenue but lower profit for FY2019. Despite that, we continued to receive a variable rent on top of the high fixed rent from the lease structure.

Prudent Risk and Capital Management

To deliver long-term growth in distribution and net asset value to our Stapled Securityholders, our principal strategic objective is to manage and expand our portfolio within our risk capacity and risk appetite.

Taking a disciplined and prudent approach in managing our capital structure and financial risks, we continue to maintain a healthy balance sheet that ensures continual access to funding at optimal cost.

In May 2019, Moody's Investors Service kept its Baa2 rating with a stable outlook for FHT in its credit analysis update.

In July 2019, we successfully refinanced maturing loans, notes and bonds of SGD385.8 million, thereby further strengthening our financial position from net current liabilities of SGD337.8 million as at 30 September 2018 to net current assets of SGD54.4 million as at 30 September 2019.

As a result, our weighted average debt-to-maturity has been extended from 2.91 years to 4.63 years, and we have no debt maturities until 2022. The loans are also more widely spread out from 2022 to 2026, with no more than 30% of our outstanding debt due in any given year, thus mitigating concentration of refinancing risk. In addition, the refinancing at very competitive rates lowered our effective cost of borrowing from 2.6% to 2.5%. As at 30 September 2019, our gross borrowings stood at SGD858.0 million and our gearing remained healthy at 35.1%.

In managing foreign currency risks associated with the capital values of our overseas assets, we create a natural hedge by borrowing in the same currency as the underlying asset. This has been achieved either through direct borrowing in the foreign currency, or via cross currency swaps which can be at a lower cost of funding. As at 30 September 2019, the ratios of loan-to-valuation (in local currencies) for our overseas assets have remained in accordance with our established policy.

To mitigate the risk of increasing interest rates, approximately 68.9% of our borrowings have been secured on fixed interest rates while 96.2% of our borrowings consist of unsecured debt, providing greater flexibility for future financing.

Sustainability Reporting

On the sustainability front, we remain committed to promoting good environmental, social and governance ("ESG") practices. We continue to work closely with our hotels and serviced residence operators, business partners, employees and other key stakeholders to monitor and enhance our portfolio's ESG performance.

This year, we participated in the GRESB Real Estate Assessment 2019 for the first time. A global ESG benchmark for the real estate industry used by property companies, REITS (real estate investment trusts), funds, developers and institutional investors, the GRESB assessment has given us insights of how we have performed against our industry peers and which areas we can work on to improve our ESG performance.

As we progress in our sustainability journey, we strive to improve our sustainability disclosures and commitment. In line with the mandatory reporting under the Singapore Exchange Listing Rules, we have set and articulated our sustainability targets for FY2020 in this report. These targets are aligned with our growth strategy and we will work towards achieving them in partnership with our stakeholders.

Awards & Accolades

In recognition of our continued efforts to maintain timely and transparent communications with our Stapled Securityholders and the investment community, FHT was conferred the bronze award for Best Investor Relations under the REIT and Business Trust category at the prestigious 2019 Singapore Corporate Awards.

Over the course of the year, many of our properties have also been recognised as the preferred accommodation for business and leisure travellers across the globe.

At the World Travel Awards 2019, Fraser Suites Singapore was bestowed the title of Singapore's Leading Serviced Apartments for the 4th consecutive year while Fraser Suites Edinburgh was named Scotland's Leading Serviced Apartments for the 3rd consecutive year. Fraser Suites Sydney was recognised as Oceania's Leading Serviced Apartments at the same award, while also bagging the Best Serviced Apartment/Suite Hotel of the Year title at the Tourism Accommodation Australia NSW Awards for Excellence 2019.

InterContinental Singapore was proudly ranked 5th amongst the top 25 luxury hotels in Singapore for the TripAdvisor Traveller's Choice 2019 award while ANA Crowne Plaza Kobe won the 2019 Experts' Choice Award by TripExpert.

Outlook for FY2020

Moving forward, the hotel markets in Sydney and Melbourne are expected to remain challenging due to increased room supply. According to CBRE, Sydney has about 2,000 rooms currently under construction and a further 4,000 rooms which have received development approval. If all projects come to fruition, the potential increase in overall stock levels may limit rates increase.

In Melbourne, over 5,000 rooms are expected to be added over the next few years if all developments proceed as planned. The new supply is substantial for a market that has already seen limited growth over the last few years because of additions of new room supply.

In Singapore, outlook for the tourism sector is turning more upbeat as the hotel market is expected to benefit from both robust demand and benign supply fundamentals.

In 2020, the city will be hosting more MICE (meetings, incentive, conferences and exhibitions) events alongside biennial events including the Singapore Airshow and Food&HotelAsia. Sizeable inaugural events such as the iconic 103rd Lions Clubs International Convention, the 142nd Annual Meeting of the International Trademark Association and gamescom asia are each expected to draw over tens of thousands of overseas and local attendees.

Furthermore, the government's infrastructure investments and new tourism initiatives including the expansion of Changi Airport, a new integrated tourism development at the Jurong Lake District and new attractions at the Greater Southern Waterfront, are expected to continue supporting Singapore as an attractive tourist destination in the medium to longer term.

London has thus far weathered the Brexit storm and proven its resilience, having achieved an impressive trading performance despite the quantum of new hotels opening. The ongoing Brexit and economic uncertainty and the volatility of GBP, however, continue to paint an unclear outlook for UK tourism.

Japan is expected to be a moderately positive market for us, with the 2020 Tokyo Olympic Games being the anticipated tailwind that drives inbound tourism growth, leading the country to reach its 2020 goal of 40 million inbound tourists.

The hotel trading performance in Kuala Lumpur, Malaysia is expected to remain subdued in the near term due to the ongoing supply glut. However, the new supply may be partially absorbed by the continued growth in tourist arrivals.

The outlook for Dresden, Germany remains stable as the capital of the state of Saxony continues to be a leisure, business and MICE destination, underpinned by modest tourism demand.

Looking ahead, aside from continuing to improve the competitive positioning of our properties through various initiatives, there are opportunities for us to rebalance our portfolio and create value for our Stapled Securityholders.

Coupled with our debt headroom, we continue to have the financial flexibility to pursue assets with better returns by acquiring from the right of first refusal pipeline from our sponsor, Frasers Property, and/or from third parties.


Acknowledgements

On behalf of the Board and Management, we would like to express our heartfelt appreciation to Mr Choe Peng Sum, who retired from the Board on 21 May 2019, and to Ms Eu Chin Fen, our former Chief Executive Officer who has been appointed as Chief Investment Officer of Frasers Hospitality, for their invaluable contributions since the inception of FHT.

We would also like to welcome Mr Koh Teck Chuan to the Board as a Non-Executive and Non-Independent Director.

Finally, we want to thank our Stapled Securityholders, hotel and serviced residence guests, business partners, advisers, bankers and the Trustee for their continued support and trust. We also thank FHT's Board of Directors for their guidance, and Management for their dedication and hard work.

We remain committed to delivering sustainable returns and creating value for our Stapled Securityholders.



Law Song Keng
Chairman



Colin Low
Chief Executive Officer

Financial Review

SGD million unless otherwise indicated	FY 2018	FY 2019	Change
Gross Revenue ("GR")	155.9	149.8	(3.9%)
Net Property Income ("NPI")	117.0	111.7	(4.6%)
Distributable Income attributable to Stapled Securityholders ("DI")	89.4	83.9	(6.1%)
Distribution per Stapled Security ("DPS") (SGD cents)	4.76	4.41	(7.3%)

GR and NPI

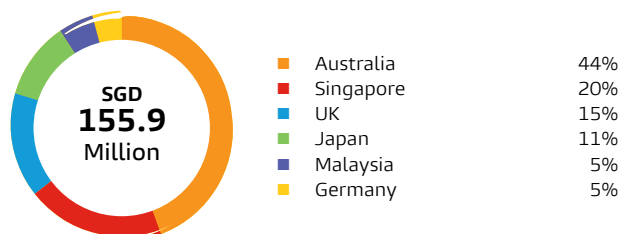
In FY2019, FHT reported GR¹ and NPI of SGD149.8 million and SGD111.7 million respectively, 3.9% and 4.6% lower as compared to FY2018.

The declines in GR and NPI were mainly due to weaker operating performance of the Australia and Malaysia portfolios, partially mitigated by improved operating performance from the Singapore and UK portfolios. With

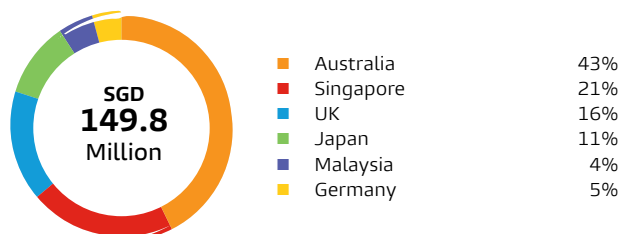
the exception of JPY that had strengthened against SGD, all the other foreign currencies (AUD, GBP, MYR and EUR) had depreciated in the range of 1.1% to 6.0% against SGD in FY2019. As such, the foreign exchange impact accounted for approximately 80% and 60% of the declines in GR and NPI respectively.

The breakdown of GR and NPI by country is as follows:

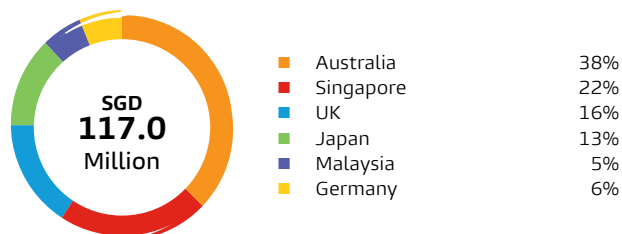
FY2018 GR



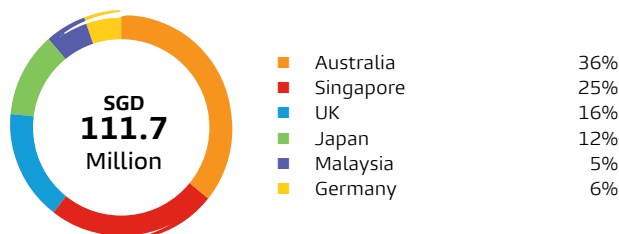
FY2019 GR



FY2018 NPI



FY2019 NPI



1. GR comprised master lease rental income and Gross Operating Revenue from managed hotel (Novotel Melbourne on Collins)

The overall contribution to GR and NPI from the country portfolios remained comparable to FY2018, except the Singapore and Australia portfolios.

The Singapore portfolio had higher contribution of 1 percentage point and 3 percentage points in GR and NPI respectively.

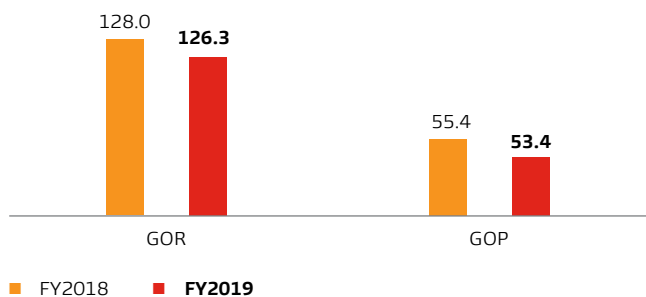
On the other hand, the Australia portfolio recorded a decline of 1 percentage point and 2 percentage points in GR and NPI respectively from FY2018. The declines were due to the challenging operating environment in Sydney and Melbourne, resulting in lower revenue and profitability. The weakening of AUD against SGD by approximately 6.0% yoy lowered the portfolio's contribution to FHT further. Despite that, the Australia portfolio remained a major contributor to FHT's GR and NPI and contributed 43% to GR and 36% to NPI for FY2019.

The remaining assets in the portfolio reported relatively stable operating results but GR and NPI were impacted by movements in foreign currencies against SGD. In general, MYR, GBP and EUR had depreciated against SGD yoy, while JPY had appreciated against SGD yoy.

The operating performance – gross operating revenue ("GOR") and gross operating profit ("GOP") – by geographical portfolio (in local currencies) is as follows:

Australia Portfolio

(AUD Million)



The slowing Australia economy in FY2019 has prompted the Reserve Bank of Australia to undertake 3 interest rate cuts to boost the economy. Soft corporate demand in a weak economy and increased room supply in Sydney and Melbourne markets further exacerbated the challenges faced by the hospitality sector, resulting in decline of room rates and occupancy.

With the challenging operating environment and fewer events, our Australia portfolio continued to record lower revenue and profit. Some of our properties which have

enjoyed high occupancies of above 90% in prior years, experienced decreased occupancies at the high 80% levels in FY2019. This, together with lower rates, led to a 2.9% decline in the portfolio revenue per available room ("RevPAR").

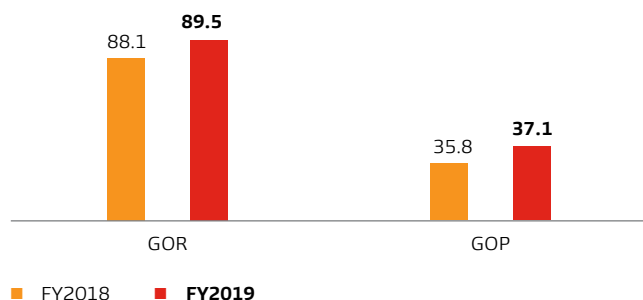
In tandem with the weak market resulting in lower occupancy and lower room rates, and compounded by higher operating costs, both Sofitel Sydney Wentworth and Fraser Suites Sydney recorded lower operating performance yoy. Novotel Sydney Darling Square bucked the trend with a 2.4% RevPAR growth. Since the completion of its renovation in February 2018, Novotel Sydney Darling Square has achieved an improvement of 6.4% and 9.8% in GOR and GOP respectively in FY2019.

In Melbourne, although citywide market recorded a decline in RevPAR, Novotel Melbourne on Collins continued to achieve RevPAR growth. In FY2019, its RevPAR grew 0.2% yoy. Additionally, the hotel received income top-up from the hotel operator to achieve the minimum guaranteed GOP. Recognised as GOR, the income top-up was a direct flow through to GOP. Consequently, Novotel Melbourne on Collins achieved a growth of 2% and 3% in GOR and GOP respectively in FY2019.

Overall, the Australia portfolio recorded a marginal decline amidst a challenging operating environment in Australia. The improved operating performance in Novotel Sydney Darling Square and Novotel Melbourne on Collins helped mitigate the decline in operating performance in Sofitel Sydney Wentworth and Fraser Suites Sydney.

Singapore Portfolio

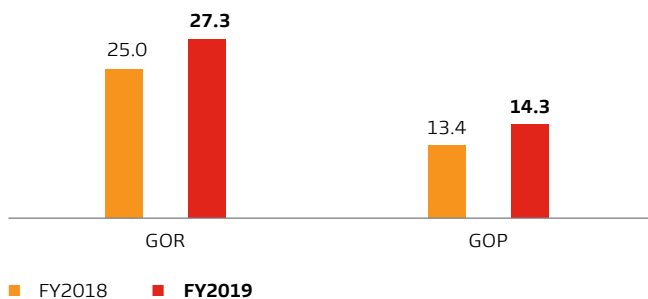
(SGD Million)



In line with the reported stronger growth in tourist arrivals and visitor days, the Singapore portfolio recorded improvements in GOR and GOP with higher RevPAR, as well as improvement in food and beverage sales. Additionally, initiatives on improvement in operational efficiencies further contributed to higher profit flow through to GOP.

UK Portfolio

(GBP Million)

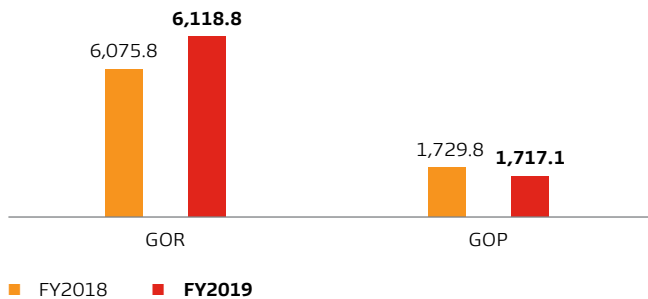


The UK portfolio achieved improvements in occupancy and room rates due to strong demand from leisure segment based on empirical evidence that the weak GBP boosts tourism into the UK.

In FY2019, the UK portfolio achieved growth of 9.1% in GOR and 6.9% in GOP, supported by RevPAR growth across the portfolio of 9.2% yoy. These achievements were in spite of ibis Styles London Gloucester Road being under renovation from August 2018 to February 2019. The GOP flow-through was however lower primarily due to the increase in minimum wages in the UK.

Japan Portfolio

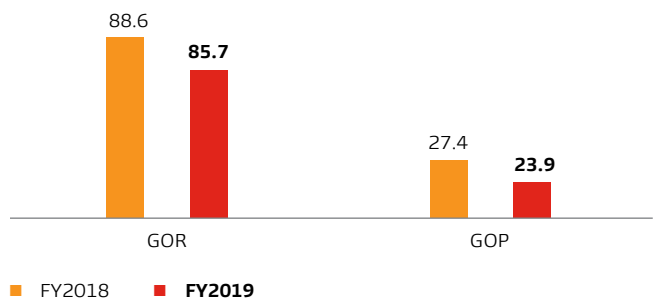
(JPY Million)



The year started off with a lacklustre performance in Kobe in the aftermath of 2 severe typhoons, which resulted in cancellation of rooms and banquet events in ANA Crowne Plaza Kobe. As the year progressed, its operating performance improved with higher room and banquet revenue, partially attributed to the hotel hosting selected teams and fan clubs of Rugby World Cup 2019. Notwithstanding the higher GOR and an improvement in operating costs through efficiency, the hotel recorded lower GOP yoy in the absence of write-back of over provision for operating expenses which were no longer required.

Malaysia Portfolio

(MYR Million)



The hospitality sector in Kuala Lumpur continued to be challenging in FY2019. In a soft demand and room rate sensitive market, compounded by increased competition from new room supply in Kuala Lumpur, The Westin Kuala Lumpur achieved an improvement in occupancy to 81.7% albeit at a lower room rate. Notwithstanding the hotel recorded lower GOR with a decline of 2.3% in RevPAR, it continued to outperform its peers and the market in terms of RevPAR growth.

Distributions

In FY2019, FHT recorded DI of SGD83.9 million, a decline of 6.1% yoy as a result of lower NPI and the absence of write-back of overprovision of tax in 4Q 2019 (4Q 2018: SGD1.2 million). DPS for FY2019 of 4.41 cents was lower 7.3% yoy, in line with lower DI.

Prudent Capital and Risk Management

In managing its capital structure and financial risks, FHT's key objectives are to maintain a strong balance sheet through prudent and dynamic capital and financial management, to ensure continual access to funding at optimal cost, and to maintain stable distributions to its Stapled Securityholders.

Underpinning these objectives, the Managers have developed a framework of policies and guidelines to actively manage FHT's capital structure and loan portfolio mix, which has a direct impact on its gearing and distributions to Stapled Securityholders. When funding acquisitions, the Managers consider the most appropriate mix of debt and equity and manage the costs of funds by ensuring that FHT has access to diversified sources of funding in both the debt and capital markets.

The policies and guidelines also ensure that the Managers are prudent in managing the interest rate risk arising from FHT's borrowings and foreign exchange risk arising mainly from foreign sourced income. By hedging the

interest rate risk and foreign exchange risk using suitable derivative financial instruments, the income available for distribution will be less exposed to fluctuations in market interest rates and exchange rates.

FHT has a Baa2 rating accorded by Moody's Investors Service.

The Managers continue to tap on different sources of financing for FHT's funding requirements.

On 27 June 2019, FH-REIT secured SGD370 million bank loan facilities comprising (i) term loan facility in aggregate of SGD350 million, made up of (a) SGD100 million 5-year term loan; (b) SGD150 million 6-year term loan; and (c) SGD100 million 7-year term loan; and (ii) a committed revolving credit facility of SGD20 million.

On 5 July 2019, FH-REIT fully repaid the outstanding term loans of SGD325 million under the SGD500 million 5-year term loan facility granted pursuant to the SGD615 million facility agreement dated 19 June 2014. The full repayment of SGD325 million was ahead of its maturity on 14 July 2019.

On 12 July 2019, FH-REIT (through Notable Vision Sdn. Bhd.) issued MYR477.48 million new 5-year Medium Term Notes ("MTNs") pursuant to the MYR750 million 20-year MTNs Programme, to refinance MYR467.48 million MTNs with maturity on the same day. The MYR477.48 million new 5-year MTNs consist of (i) MYR95 million 4.85% Class A Senior MTNs; (ii) MYR95 million variable coupon rate (capped at 12%) Class B Junior MTNs; and (iii) MYR287.48 million variable coupon rate Class C Junior MTNs.

On 16 July 2019, FH-REIT (through its wholly-owned subsidiary Kobe Excellence Tokutei Mokuteki Kaisha, which owns ANA Crowne Plaza Kobe) issued JPY2.35 billion 3-year Series 1 Bond to refinance JPY2.35 billion 5-year Series 1 Bond with maturity on the same date.

Based on the foregoing successful refinancing of term loans, MTNs and bonds, FHT's financial position has strengthened from net current liabilities of SGD337.8 million as at 30 September 2018, to net current assets of SGD54.4 million as at 30 September 2019. FHT's weighted average debt-to-maturity has also been extended from 2.91 years to 4.63 years, with no loan maturities due until 2022, and the loans are more widely spread out across 2022 to 2026 to mitigate concentration of refinancing risk.

As at 30 September 2019, the gross borrowings were SGD858.0 million (30/9/2018: SGD837.3 million), with

an interest rate averaging 2.5% per annum for FY2019 (FY2018: 2.6% per annum). The marginally lower finance costs have been achieved despite longer tenure term loans and higher borrowings to finance capital expenditure on asset enhancement initiatives.

FHT still has undrawn revolving credit facilities of SGD110 million. It also has the ability to tap on the unutilised balance of SGD660 million from the SGD1 billion Multicurrency Debt Issuance Programme that was established in January 2016.

Its leverage ratio as at 30 September 2019 was 35.1% (30/9/2018: 33.6%). The higher leverage ratio was attributed to increased borrowings to partially refinance maturing term loans and to finance capital expenditure on asset enhancement initiatives.

As at 30 September 2019, approximately 68.9% (30/9/2018: 73.3%) of FHT's borrowings were on fixed rates, safeguarding against interest rate volatility and providing certainty of interest expense. In addition, 94.1% (30/9/2018: 94.2%) of FHT's assets were unencumbered, thus providing for operational and financial flexibility. FHT maintained a healthy interest cover of 4.7 times (FY2018: 5.0 times).

When managing the foreign currency risks associated with the capital values of FHT's overseas assets, to the extent possible, FHT's borrowings are made in the same currency as the underlying asset as a natural hedging strategy. As of 30 September 2019, FHT achieved between 23% to 74% natural hedging for its portfolio of assets denominated in foreign currencies.

The Managers will continue to actively manage the capital structure and the financial risks of FHT to meet the stated objectives.

Portfolio Valuation

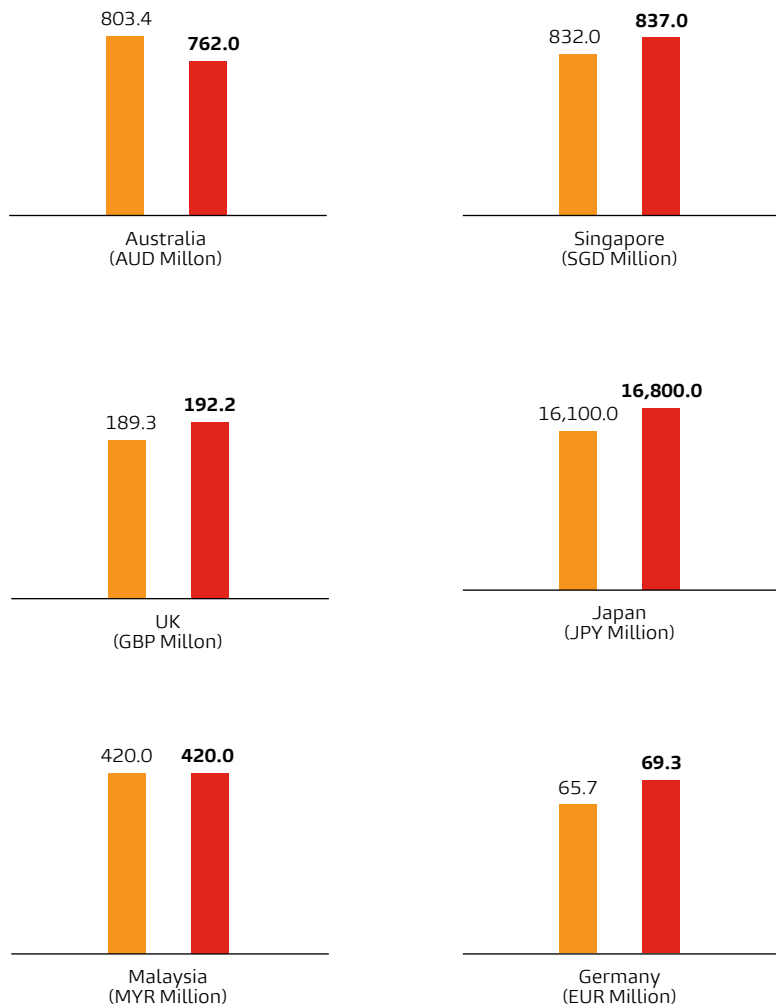


Park International London

Frasers Hospitality Trust (“FHT”) has a portfolio of 9 hotels and 6 serviced residences with a total of 3,913 rooms in Australia, Singapore, the UK, Japan, Malaysia, and Germany. As at 30 September 2019, the portfolio’s valuation was SGD2.33 billion, 2.9% lower than that as at 30 September 2018. The decline is mainly due to a decline in value of the Australia portfolio as well as unfavorable foreign exchange rate movements of AUD, GBP, EUR and MYR against SGD.

In local currency terms, the total valuation for Singapore, Japan, UK and Germany increased by 0.6%, 4.3%, 1.5% and 5.5% respectively. Valuation of Malaysia property remained flat. The continued market weakness in Australia led to an overall decline in the portfolio’s trading performance which resulted in a decline of 5.2% in valuation for Australia portfolio.

Valuation in Local Currency by Geography



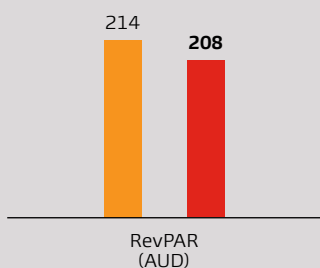
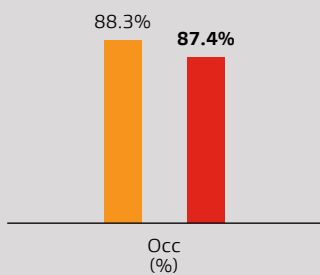
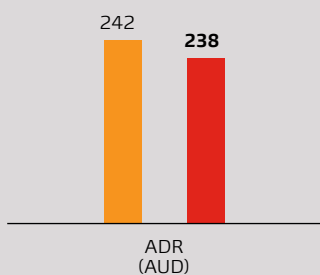
■ FY2018 ■ FY2019

Operations Review¹

Australia



Sofitel Sydney Wentworth



■ FY2018 ■ FY2019

Melbourne is recognised as Australia's cultural and sporting centre, attracting domestic and international visitors for its food and wine, café culture, thriving arts scene and the plethora of major national and international sporting events. For the year ended June 2019, Melbourne received a total of 93.8 million visitor nights, an increase of 10.5% year-on-year ("yoy"). International visitor arrivals recorded an increase of 4.3% yoy to 3.1 million while domestic visitor arrivals increased 12.4% to 11.0 million. The hotel performance for Melbourne market registered a decline of 0.8% in revenue per available room ("RevPAR"), for the year ended June 2019. This was mainly due to the decline in occupancy while average daily rate ("ADR") remained flat.

Significant new supply is expected to enter Melbourne market, over the next 3 years. Should all projects proceed, the total supply will increase by 19.8% (5,983 rooms). Supply growth is expected to outstrip demand growth in the next 3 years, and is likely to result in overall negative growth until the end of 2022.

Sydney, being the capital city of New South Wales housed 48% of top 500 companies, by revenue, in Australia. It is a leading tourist destination with a unique blend of Australian culture that appeals to a wide range

of visitors. The tourism segment contributes more than AUD20 billion to the Sydney economy annually. For the year ended June 2019, Sydney received a total of 115.5 million visitor nights, an increase of 10.1% yoy. International visitor arrivals increased 0.3% to 4.4 million while domestic visitor arrivals increased 13.6% to 12.0 million. The Sydney 5-star hotel market has consistently achieved occupancies in the high 80% levels.

The city's supply is expected to increase by approximately 20.2% up till 2023. However, a number of projects may not eventuate, and as such, in the short to medium term, occupancy levels could remain high. ADR is expected to show modest improvements, with a CAGR growth of 2.5% up to 2023.

FHT's 4 hotels in Australia, namely Novotel Melbourne on Collins ("NMOC"), Novotel Sydney Darling Square ("NSDS"), Sofitel Sydney Wentworth, and Fraser Suites Sydney, performed in line with the market in FY2019. Amongst them, NMOC's and NSDS' RevPAR increased yoy.

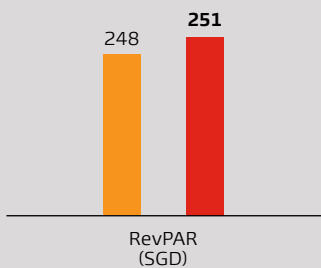
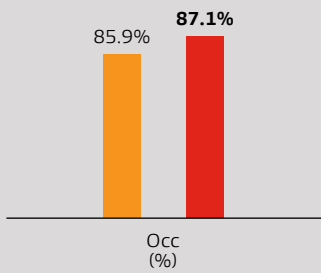
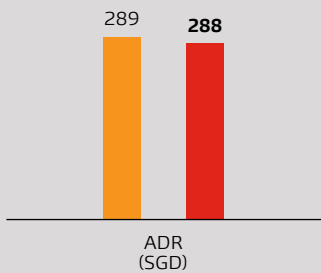
The portfolio's RevPAR declined 2.9% yoy to AUD208. Gross revenue ("GR") for the portfolio decreased 1.8% to AUD66.6 million while net property income ("NPI") declined 4.6% to AUD41.5 million.

1. Source of market data in Operations Review: Market Overview Report by CBRE, pages 26 to 43.

Singapore



InterContinental Singapore



■ FY2018 ■ FY2019

Tourist arrivals in Singapore continued to increase, and as at YTD August 2019, arrivals to Singapore totalled 12.8 million, an increase of 1.9% over the same period last year. This growth was supported by markets such as Saudi Arabia, USA and New Zealand.

Singapore Tourism Board (“STB”) also pushed out several initiatives including strategic partnership with Changi Airport Group and Alipay to provide attractive stopover packages, thereby enhancing visitor experience and driving tourism spending. However, based on latest statistics made available by STB, tourism receipts in 1Q 2019 totalled SGD6.5 billion, representing a decline of 4.8% over the same period in 2018. Despite the challenging global economic outlook, the city’s RevPAR continued to hold at SGD228 as at YTD August 2019, supported by an increase in occupancy.

A total of 2,300 rooms are expected to enter the market in 2019, including the Raffles Hotel, Outpost Hotel and Citadines Rochor. However, the pipeline for new properties remains limited. This could potentially help to rebalance the supply and demand dynamics and allow room for growth in the performance metrics.

FHT’s Singapore portfolio recorded a moderate increase in RevPAR of 1.3% yoy in FY2019.

At InterContinental Singapore, the hotel’s RevPAR remained flat and its performance was in line with the market. The Singapore hotel market has managed to absorb the additional supply of rooms that came in over last 2 years.

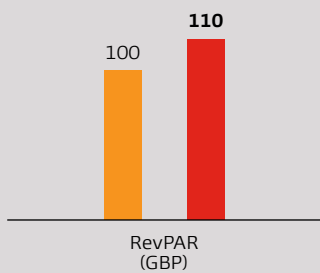
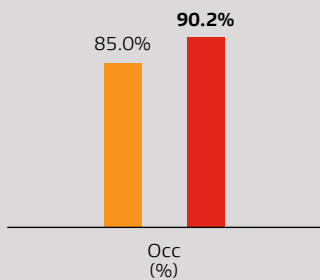
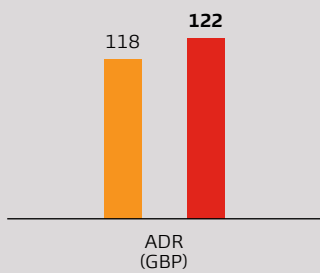
Fraser Suites Singapore, on the other hand, reported a RevPAR growth of 3.0%. Even though serviced residence market continued to be soft, the property has been able to secure business in other industries such as Information Technology, and build relationships with relocation agencies to increase long-stay room nights.

The Singapore portfolio’s GR increased 3.2% to SGD32.2 million while its NPI increased 4.2% to SGD27.3 million, as compared to FY2018.

UK



ibis Styles London Gloucester Road



■ FY2018 ■ FY2019

In 1Q 2019, London inbound visitor numbers increased 4.7% yoy, from 4.0 million to 4.2 million. International arrivals grew 1.3% in 1Q 2019 while domestic travels declined 3.2% yoy. International arrivals were spurred by the weak GBP in 2019.

Average room supply growth is projected to be 2.9% per year from 2019 to 2022, led by an estimated 3.4% increase in 2019. The development pipeline is focused on Inner London although Outer London has experienced strong growth in recent years due to limited development opportunities available within the Inner-London boroughs. Serviced Apartment sector remains popular in London as it saw a 5.9% rise in room numbers in 2018 and a further 2,126 rooms expected to open by the end of 2021. RevPAR looks to remain resilient with increasing ADR. Between 2019 and 2023, STR – a provider of data benchmarking, analytics and marketplace insights for global hospitality sectors – expects both ADR and RevPAR to grow yearly, at an above inflation rate of 2.7% and 2.3% respectively on average.

Scotland’s capital city, Edinburgh, continues to be one of the most popular destinations for domestic city breaks, while international visitors often see it as the gateway to Scotland and use it as base from which to explore the wider territory. Edinburgh’s rooms supply has increased at an average rate of 3.6% per annum since 2011, with 9 new openings and approximately 1,299 rooms added in 2018 and 2019.

RevPAR has shown yoy growth since 2016, rising from GBP62 to GBP67 in 2018. This trend has continued into 2019 with YTD August 2019 RevPAR growth of 4.1% yoy recorded.

Glasgow has experienced significant growth in recent years as the city has been able to attract large sporting events and co-host the European Athletic Championships in 2018 with Berlin.

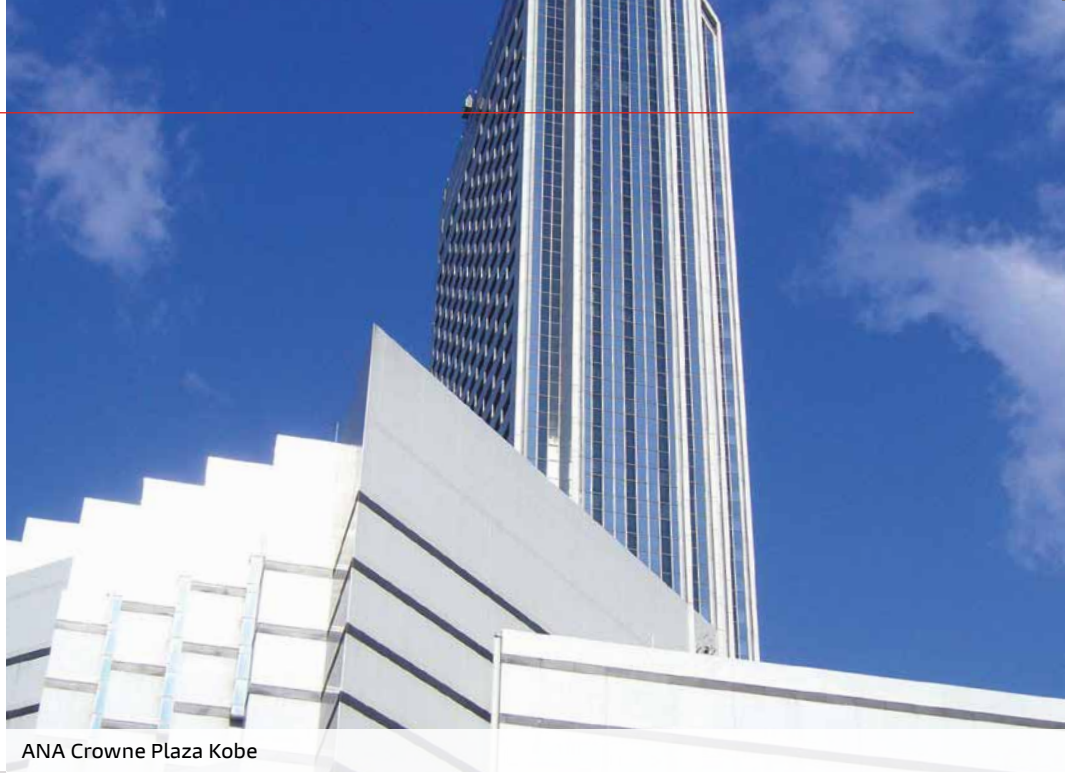
SSE Hydro, a 13,000 capacity concert, sporting and special events arena, has also been proven to be a great success with a spike in revenue and occupancy evident at nearby hotels when the venue plays host to larger acts and events. However, the lack of events in 2019 led to a 7.7% decline in ADR and 1.8% drop in occupancy, as at YTD August 2019.

FHT’s 4 London properties outperformed their respective competitors in FY2019. ibis Styles London Gloucester Road completed its re-branding renovation in February 2019, which resulted in a positive contribution to the portfolio. The RevPAR of the London properties improved 8.8% yoy.

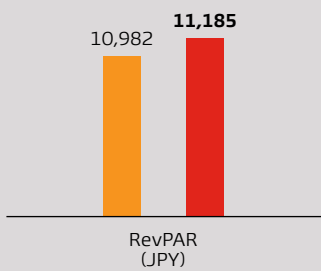
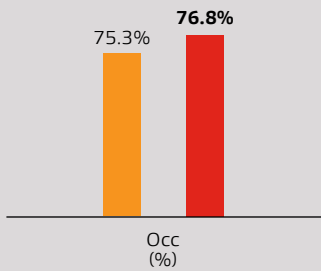
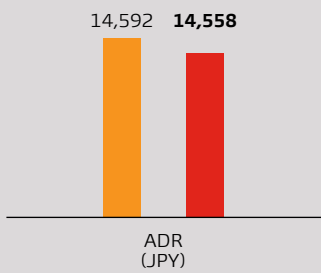
The Edinburgh property recorded an increase in RevPAR of 15.5% while the Glasgow property outperformed the market to record a yoy growth of 5.6% in RevPAR.

GR for the UK portfolio increased 4.7% to GBP13.8 million and NPI increased 4.3% to GBP10.5 million.

Japan



ANA Crowne Plaza Kobe



■ FY2018 ■ FY2019

The number of visitors to Kobe remained almost at the same levels as the period from 2013 to 2016. However, the city recorded fewer visitors in 2018 than in 2017. The main reason for the decline was due to the effects of natural disasters such as earthquakes, typhoons, heavy rains and heatwaves.

For the first 8 months of August 2019, the number of visitor nights in Kobe has increased 10.0% yoy to 2.7 million. According to the tourist trend survey by Kobe City, approximately 80% of tourists were on a day trip and a large percentage of those were from the Kansai region.

As for the new supply of hotels in Kobe City that can be confirmed, 5 new openings have been planned. They are limited-service hotels located in the surrounding area of Sannomiya Station.

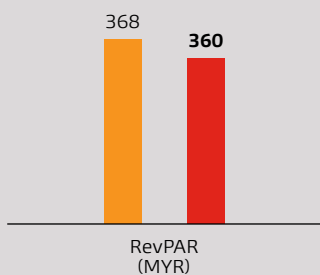
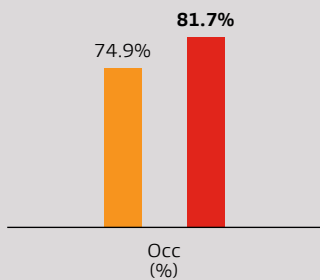
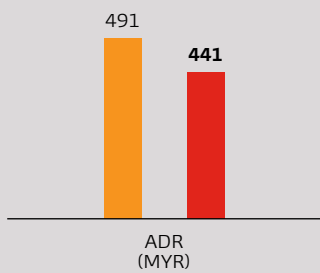
Historically, Kobe with its proximity to Osaka benefited from spill-over demand. The occupancy of Kobe City was rising until 2015, as guests flowed in when the supply in Osaka City could not meet the overwhelming demand. In addition, along with the increased hotel supply in Osaka City, occupancy in Kobe City has been on a downward trend since 2016. The average occupancy of Kobe City up to June 2019 was 76.2%, similar to the same period in 2018.

The performance of ANA Crowne Plaza Kobe was impacted by the absence of a write-back of over provision for operating expenses which were no longer required. This led to a decline in GR of 8.0% yoy to JPY1.3 billion while NPI declined 9.6% yoy to JPY1.1 billion.

Malaysia



The Westin Kuala Lumpur



■ FY2018 ■ FY2019

For 1H 2019, there were approximately 13.4 million international tourist arrivals, an increase of almost 5.0% yoy. This was due to various measures undertaken by the government.

2018 saw an increase of 3,500 new rooms, and more than one-third of the supply were in the luxury segment. These hotels are well distributed in areas such as Bukit Bintang and the Kuala Lumpur City Centre (“KLCC”). Over 70% of the pipeline was in the upper upscale and luxury segments, including Crowne Plaza Hotel, Kempinski @ 8 Conlay, Fairmont Hotel, Park Hyatt, Jumeirah and Sofitel. Other mid to upscale hotel brands such as Four Point by Sheraton, Ascott Star KLCC and Capri by Fraser Bukit Bintang also added on to the total room stock in Kuala Lumpur.

In FY2019, The Westin Kuala Lumpur managed to increase its key corporate accounts which expanded its base business. However, the lacklustre results in the first 6 months of FY2019 impacted the property significantly. Overall, GR declined by 12.9% yoy to MYR18.8 million while NPI decreased 13.3% to MYR17.0 million.

Notwithstanding, the hotel consistently outperformed its peers and the market in terms of RevPAR growth.

Germany



Maritim Hotel Dresden

As the state capital of Saxony, Dresden continues to be a popular business and leisure destination in Germany. The city's strength of the chemical, pharmaceutical, nanotechnology and life science industries helps drive corporate demand while its history and focus on art and culture provide a balance of leisure demand.

Between 2013 and 2018, the city saw a CAGR of 1.2% in arrivals and 0.5% in overnights in hotels. YTD August 2019, ADR increased 2.7% to EUR78, while occupancy declined 1.0% to 67.1%. This resulted in a rise in RevPAR of 1.6% to EUR52.

The federal state of Saxony has set its "Tourism Strategy 2020" with a particular focus on Dresden and its surroundings. This strategy aims at promoting the unique selling

point of an attractive city with an appealing surrounding area to serve as a competitive advantage; and at making the entire area a comprehensive and well-performing destination with mutual benefits for both the city of Dresden and the Elbeland.

Maritim Hotel Dresden is a triple-net leased property which was acquired in June 2016. In FY2019, its GR and NPI were EUR4.6 million and EUR4.5 million respectively.

Key Events

October 2018

- FHT declared a final distribution of 2.34 cents per Stapled Security for the period from 1 April 2018 to 30 September 2018. The distribution was paid on 28 December 2018.

January 2019

- FHT's Fourth Annual General Meeting was held on 22 January 2019 and all resolutions proposed were duly passed.
- Mr Eric Gan Chee Teik has been appointed as Chief Financial Officer of the Managers.

February 2019

- The asset enhancement initiative to rebrand ibis Styles London Gloucester Road – covering all 84 guestrooms, the breakfast room, gymnasium, lobby and bar – was fully completed.

April 2019

- Dr David Wong See Hong has been appointed as Chairman of the Audit, Risk and Compliance Committee for each of the Managers.
- FHT declared an interim distribution of 2.24 cents per Stapled Security for the period from 1 October 2018 to 31 March 2019. The distribution was paid on 28 June 2019.

May 2019

- Mr Choe Peng Sum retired as Non-Executive and Non-Independent Director of the Managers.

On the same day, Mr Koh Teck Chuan was appointed as Non-Executive and Non-Independent Director of the Managers.

- As part of succession planning and leadership renewal, the Managers announced that Mr Colin Low Hsien Yang would succeed Ms Eu Chin Fen as Chief Executive Officer with effect from 1 July 2019.

June 2019

- RAM Rating Services Berhad ("RAM") assigned preliminary ratings to the proposed MYR477.48 million Medium Term Notes ("MTNs") Series 2019-A to be issued by Notable Vision Sdn. Bhd. ("Notable Vision") under its MYR750 million MTNs Programme.

- Perpetual (Asia) Limited, in its capacity as trustee of FH-REIT, entered into SGD370 million bank loan facilities – comprising term loan facilities in the aggregate amount of SGD350 million and a revolving credit facility of SGD20 million – with DBS Bank Ltd., Malayan Banking Berhad, Singapore Branch and Bank of China Limited, Singapore Branch.

July 2019

- RAM affirmed final ratings for Notable Vision's MYR477.48 million MTNs Series 2019-A. RAM assigned a AAA rating with stable outlook for the Class A Senior MTNs, and B2 and C3 ratings, with stable outlook, for the Class B and Class C Junior MTNs respectively.
- FHT successfully refinanced maturing loans, MTNs and bonds of SGD385.8 million due in July 2019.
- FHT won the bronze award for Best Investor Relations under the REIT and Business Trust category at the 2019 Singapore Corporate Awards.

Market Overview

Report by CBRE

Melbourne, Australia

Melbourne Tourism Market

Melbourne is recognised as Australia's pre-eminent cultural and sporting centre. The cosmopolitan city is located just a few kilometres inland from Port Phillip Bay, with the CBD situated on the northern banks of the Yarra River, with its historic Victorian bridges and major sporting precincts. Melbourne attracts domestic and international visitors for its food and wine, café culture, thriving arts scene and the plethora of major national and international sporting events.

China is Melbourne's largest international source market while residents from New South Wales are the largest group of domestic visitors. In total, Melbourne received some 93.8 million total visitor nights for the year ended ("YE") June 2019, an increase of 10.5% from the previous year.

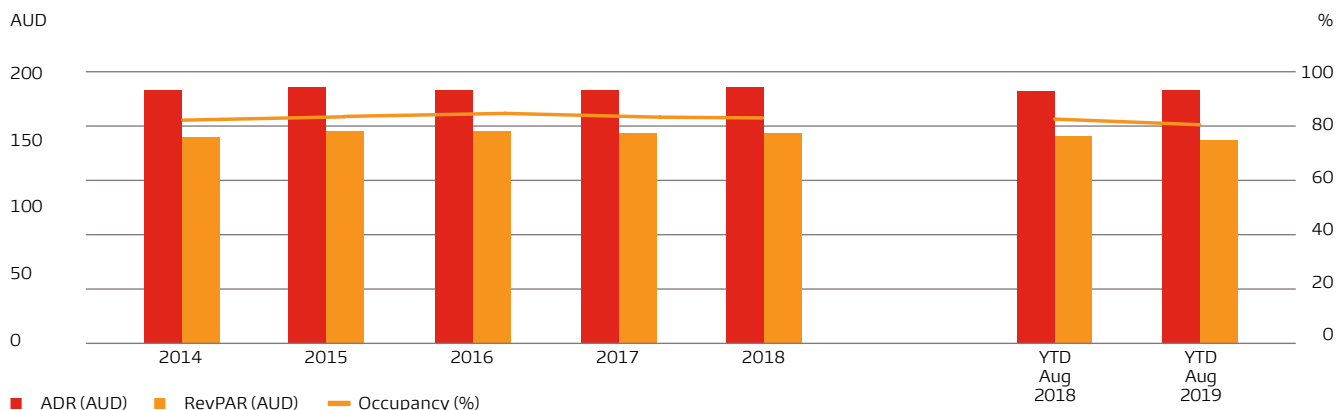
As at YE June 2019, international visitor arrivals to Melbourne were recorded at 3.1 million, an increase of 4.3% from the previous year, and equating to 21.0% of all visitation to the region (and 68.0% of visitor nights to the region). Domestic visitor arrivals to Melbourne were recorded at 11.0 million, equivalent to a 12.4% increase on the same period last year, and equating to 79.0% of all visitations to the region.

Existing Supply

The Inner Melbourne market comprises all hotel properties in Melbourne CBD, St Kilda Road, Fitzroy, Southbank, Docklands, Carlton, Parkville, North Melbourne, South Yarra, Prahran, Windsor, South Melbourne, West Melbourne, Richmond, St Kilda, Albert Park and Toorak.

This market has expanded considerably in recent years and now contains some 198 establishments across all hotel segments. There are approximately 25,570 existing rooms, with an average establishment size of approximately 130 rooms.

Melbourne Annual Hotel Performance



Source: STR, CBRE Hotels

Future Supply

There are an estimated 8,049 new guest rooms mooted to be delivered into the Inner Melbourne market between September 2019 and 2024 across 33 projects. As at August 2019, there are 20 hotels which are currently under construction comprising some 4,690 guest rooms. These hotels include a mix of freestanding property and strata property whereby the hotel is situated within a mixed-use development, along with residential apartments and in some cases, offices. If all projects proceed as planned, the total supply in the region is expected to increase by approximately 19.8% or 5,983 new rooms between 2020 to 2022.

The remaining hotels, whilst mooted, have no certainty of development completion. In the first half of 2019, several of the hotel development sites have obtained a change in the use-type of development to non-hotel. This points to a softening of market appetite for hotels as a result of the very strong new supply pipeline for Inner Melbourne.

Hotel Market Performance

The Inner Melbourne market's performance has been on a gentle decline since late 2016. This is due, at least in part, to the increased levels of competition in the market via the entry of new room supply. For the 12 months ended June 2019, occupancy fell 0.8% while Average Daily Rate ("ADR") remained flat.

For year-to-date ("YTD") August 2019, occupancy fell 2.1% year-on-year ("yoy") to 79.9% while ADR registered a nominal increase of 0.6% yoy to reach AUD184.

Stabilised occupancy over a 12-month period in Inner Melbourne is typically circa 85%. However given the current state of the supply cycle, occupancy is expected to be softer in the medium term.

Whilst Melbourne has historically been able to absorb supply increases and maintain occupancy growth, the magnitude of the supply increase between 2020 and 2022 are likely to prove excessive for the market to absorb. Should all planned projects eventuate, occupancies are likely to decline which will have a dampening effect on room rate growth as the market reacts to inevitable competitive pressures.

Hotel Market Outlook

In the medium term, we anticipate occupancy falling to some 81%. In respect of ADR, the additional supply is expected to prompt some discounting from some existing hotels, whilst the new hotels are likely to push for strong ADR levels. The overall ADR is therefore expected to be flat until the end of 2022 with the market then re-entering a growth phase.



Sydney, Australia

Sydney Tourism Market

Sydney, the capital of New South Wales, is the most prestigious city in Australia. It has earned the reputation as the “Gateway to Asia”, especially as Sydney is Australia’s biggest carrier, Qantas’ most significant domestic and international operations hub. As the business capital of Australia, it houses 48% of the top 500 companies by revenue in Australia.

The city is also one of the world’s premier tourist destinations for attractions which include the Sydney Opera House, Harbour Bridge, world famous beaches and the Blue Mountains. As a leading tourist destination with a unique blend of Australian culture that appeals to a wide range of visitors, the tourism segment contributes over AUD20 billion to the Sydney economy annually.

China is Sydney’s largest international source market while residents from New South Wales are the largest group of domestic visitors to the Sydney market. In total, Sydney received some 115.5 million visitor nights for the YE June 2019, an increase of 10.1% from the previous year.

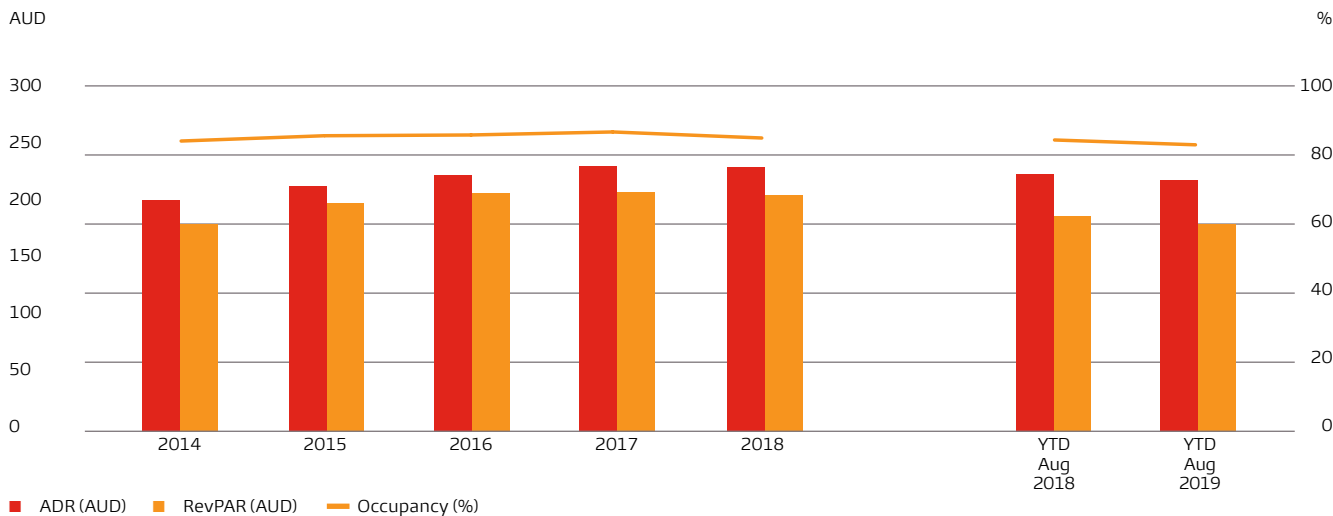
As at YE June 2019, international visitor arrivals to Sydney registered an increase of 0.3% from the previous year to reach 4.4 million. This equates to 25.5% of all visitation to the region (and 71.9% of visitor nights to the region). Domestic visitor arrivals to Sydney were recorded at 12.0 million, a 13.6% increase on the same period last year, and represents 74.5% of all visitations to the region.

Existing Supply

Hotel room supply in Sydney has been relatively stable over recent years with little opportunity for growth given the high barriers to entry.

There has been a scattering of new properties, generally in metropolitan locations and limited service in style, which has seen occupancy levels easing slightly from their historical high of 86.0% as reported by STR for November 2017 to 83.4% for YE August 2019.

Sydney Annual Hotel Performance



Source: STR, CBRE Hotels

Future Supply

Based on the STR data and additional sources from Cordell and CBRE’s research, there are a number of hotels under construction and proposed to be developed over the next 5 years that could see supply increase considerably. An estimate of over 6,000 rooms could be added to the CBD and a further 3,000 rooms to the metropolitan area from 2019 to 2023 equating to 20.2% of the existing supply.

Hotel Market Performance

Until 2018, there has been minimal new supply entering the Sydney CBD market.

Occupancy peak in 2017, with levels being fairly stable in the high 80% range. Whilst the market has now softened marginally, due to the mix of the market and the weekly and annual seasonality, current levels are still considered as representing a close to maximum achievable occupancy levels.

Owing to an influx of room supply in the suburban areas that are in proximity to the CBD, the ADR and revenue per available room (“RevPAR”) are forecasted to decline in 2019.

The Sydney 5-star market has consistently achieved occupancies in the high 80% range, with forecasts that the market could achieve rates above 90% due to limited new supply and strong demand levels.

However, operators have not been aggressive in lifting room rates, even with occupancy levels in the 90% range, which would see the 5-star market operating near full capacity mid-week. Historic evidence suggests that operators within Sydney appear to focus on driving business volume while adopting a cautious pricing approach.

Hotel Market Outlook

In the short to medium term, we expect that a number of the proposed projects may not eventuate, which should help maintain occupancy levels.

Whilst Sydney has historically been able to absorb supply increases and maintain occupancy growth, the recent supply of rooms in the fringe CBD area has caused some softening of the room rate growth. Should most of these new projects eventuate, it may also put a short term downward pressure on occupancy which will have a dampening effect on the overall market performance.

Over the longer term, we anticipate occupancy to increase marginally to some 88%. Notwithstanding the increase in supply, the overall market ADR is forecast to increase by compounded annual growth rate (“CAGR”) of approximately 2.5% from 2019 to 2023.



Singapore

Singapore Tourism Market

The city-state continues to record a steady growth of 6.2% yoy, welcoming 18.5 million visitors for FY 2018. This exceeded the forecast set by the Singapore Tourism Board (“STB”) in early 2018.

Nine out of the top 10 source markets supported the growth in 2018, of which markets like India, UK and USA recorded double-digit growth of 13.4%, 13.5% and 13.8% respectively. China continues to dominate the market with a market share of 18.5%, followed by Indonesia 16.3% and India contributing to 7.8% of the total visitor arrivals.

Strong visitor arrival growth was on the back of Singapore hosting world-class events such as Singapore Airshow 2018 and Trump-Kim Summit. Also, greater connectivity to Singapore via new air routes bolstered the rise in inbound arrivals. STB and the relevant authorities have also pushed out several initiatives such as strategic partnerships with Changi Airport Group (“CAG”) and Alipay to provide attractive stopover packages, enhance the visitor experience, and drive tourism spending.

As at YTD August 2019, visitor arrivals to Singapore totalled 12.8 million, up 1.9% over the preceding period in 2018. The growth was supported by markets such as Saudi Arabia, USA and New Zealand which reported a yoy growth of 34.9%, 12.2% and 10.8% respectively.

Changi Airport, which has been named the world’s best airport for a 7th consecutive year in 2019, continues to record remarkable growth in passenger movements. CAG handled a total of 45.0 million passenger movements as at YTD August 2019, a 3.6% growth over the preceding period. The upward trend is likely to continue in the coming years, with CAG’s continual efforts to drive passenger traffic into Singapore. This includes partnerships with industry partners such as established cruise companies, airlines and travel agents to enhance fly-cruise travel to Singapore.

On the back of robust growth in international visitor arrivals, tourism receipts reached SGD26.9 billion in 2018, recording a yoy marginal growth of 0.5%. Based on latest statistics made available by STB, tourism receipts in 1Q 2019 totalled SGD6.5 billion which represents a decline of 4.8% over a similar period in 2018. All components reported a decline in 1Q 2019 except Other Tourism Receipts¹ Components, which saw a marginal yoy increase of 2.0%.

1. Other Tourism Receipts Components include expenditure on airfares on Singapore-based carriers, port taxes, local transportation, as well as expenditure by business, medical, education and transfer/transit visitors.

While the latest economic indicators pose a challenging global economic outlook and risk of a looming global recession which could trigger global business and consumer confidence, Singapore’s tourism market is expected to hold on the back of continued marketing efforts by STB and local developments which include the Greater Southern Waterfront, Jurong Lake District, Mandai Makeover and the expansion of both Integrated Resorts (“IR”).

STB has launched a slew of initiatives and collaborations with industry partners to ensure the sustainability of visitor arrival growth to Singapore in the coming years. This includes In Singapore Incentives & Rewards (INSPIRE) globally launched in September 2019, an incentive programme that aims and enriches the experience of Business Travel and Meetings, Incentives, Conventions and Events (“BTMICE”) tourists and a partnership with Traveloka to promote Singapore as a preferred destination. Further, Singapore is expected to play host to notable events such as Vidcon Asia, Asia Pacific Life Insurance Congress and Million Dollar Round Table Global Conference and Lions Clubs International Convention in the coming years.

All of the abovementioned will likely help to induce demand into Singapore, strengthening its position within the region.

Existing Supply

The number of hotel rooms totalled approximately 67,500 rooms as at end 2018. Supply growth has been steady in the last decade, seeing approximately 2,700 rooms added each year between 2009 to 2018. This represents a CAGR of 5.3% increase in hotel rooms over the last 10 years.

Notably, supply growth for 2018 was limited due to the implementation of the Urban Redevelopment Authority’s moratorium on hotel developments that lasted between 2014 to late 2018. Some 500 rooms entered the market in 2018 with notable openings such as 157-key Kempinski Capitol Singapore, 49-key Six Senses Duxton and 138-key Six Senses Maxwell.

Future Supply

Following a subdued supply in 2018, new hotel supply in Singapore is expected to remain limited, with close to 3,400 rooms in the pipeline up until 2021.

Of the 3,400 rooms, an estimated 2,300 rooms are expected to enter the market in 2019. Hotels that have opened include the 130-key YOTELAIR Changi Airport, 606-key Village Hotel Sentosa, 193-key The Outpost Hotel and the reopening of newly-renovated 115-key Raffles Hotel. A further 40-key Barracks Hotel and 320-key Citadines Rochor (operating under a hotel license) are slated to open in 4Q 2019.

Moving forward, the pipeline is expected to remain limited in 2020 and 2021, with key planned openings comprising Dusit Thani, The Clan by Far East Hospitality and the reintroduction of Pan Pacific Orchard located along Claymore Road. This could potentially help to rebalance the supply and demand dynamics and allow room for growth in the performance metrics.

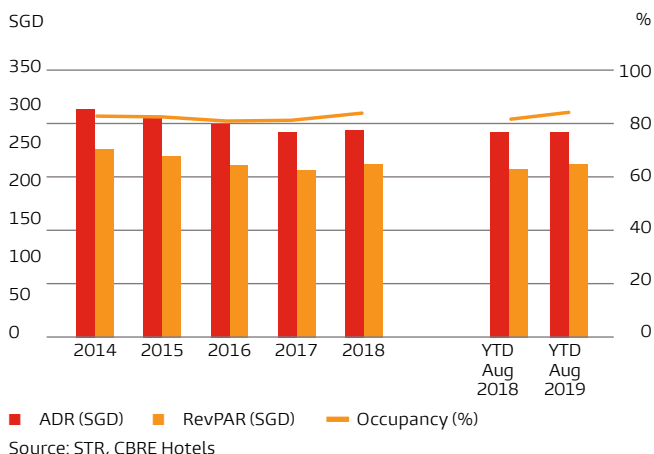
Looking beyond 2021, additional rooms entering Singapore market is expected to be driven by the hotel site at Club Street which was awarded in January 2019, Fragrance Group’s hotel development after the collective sale of 2 residential developments along Waterloo Street, and the expansion of the 2 IRs, along with other projects. All of the above signifies a positive outlook for the tourism market as more investments continue to get injected into this sector.

Hotel Market Performance

2018 has been undoubtedly one of the better years for Singapore in the last decade. The city-state achieved an occupancy rate of 83.8% and ADR of SGD271 in 2018, representing a yoy growth of 250 basis points and 0.5% respectively. This led to a RevPAR of SGD227, signifying a yoy growth of 3.5% over 2017.

Amidst a challenging global economic outlook, the hotel sector remains resilient with YTD August 2019 RevPAR at SGD228, an increase of 3.3% from the previous year. It is underpinned by growth in occupancy even though ADR was flat.

Singapore Annual Hotel Performance



Hotel Market Outlook

Singapore continues to be one of the top destinations worldwide, with a fifth placement and second placement ranking for global and Asia Pacific region respectively, according to Mastercard Global Destination Cities Index 2019. While we note that growth has decelerated as at YTD August 2019 compared to the preceding period and amidst the escalating global economic uncertainties, CBRE remains positive about Singapore’s mature tourism landscape and expects its performance to hold due to the addition of quality tourist attractions and continued marketing efforts made by STB and industry partners.

Despite slower global economic growth and ongoing US-China trade war which may pose uncertainties in the global economy, CBRE expects the Singapore hotel market to remain steady, as one of the top hospitality markets in the region.



Edinburgh, United Kingdom

Edinburgh Tourism Market

Edinburgh has a well-established global reputation as a tourist destination and centre for commerce that supports strong trading patterns in the hotel sector.

Edinburgh's tourism market has experienced a transformation in scale over the last 25 years with substantial new infrastructure helping to support more established international events.

The Edinburgh International Conference Centre, Festival Theatre Edinburgh, Dynamic Earth and Royal Yacht Britannia which attract an estimated 4.0 million visitors per annum, are ensuring those visiting the city for its year-round festival programme and historical importance, stay longer and spend more throughout the year.

Edinburgh Fringe Festival, which takes place across 323 venues in August, attracted around 3.0 million visitors in 2019 alone. Edinburgh Castle attracted an average of 2.1 million visitors in 2018.

The city continues to be one of the most popular destinations for domestic city breaks, while international visitors often see it as the gateway to Scotland and use it as a base from which to explore the wider territory. The growing number of domestic and international visitors to Edinburgh continues to outperform other parts of Scotland.

Leisure travellers make up 71.0% of Edinburgh's overseas visitors, which is more than in any other UK city, including Glasgow and London. Compared to Glasgow, Edinburgh had 1 million more overseas visitors per year between 2015 and 2017.

Apart from a tourism market, Edinburgh is a historically important financial and business centre, having a major presence from Royal Bank of Scotland, Lloyds Banking Group, Aegon, Aberdeen Standard, Virgin Money and Tesco Bank.

The Scottish capital is the top conference destination in the UK, after London and the sector is estimated to generate around GBP300 million a year for the city region.

Event organisers from around the world continue to be inspired by the city, which offers venues with an elusive 'wow' factor.

Leisure and corporate demand have traditionally outstripped supply in the city and this has not gone unnoticed by international hotel operators with most still having active requirements for the city.

While the majority are now represented, the local hotel market is still dominated by independent operators, accounting for approximately 60% of the total room supply in Edinburgh.

Existing Supply

According to CBRE, the existing hotel supply in Edinburgh comprises approximately 15,820 rooms across 238 hotels, averaging 67 rooms per hotel. The current supply comprises a range of accommodation from budget to 5-star options.

Supply has increased at an average rate of 3.6% per annum since 2011, with 9 new openings and approximately 1,299 rooms added in 2018 and 2019 alone. The most recent, and largest, of which was the Yotel Edinburgh on Queen Street within the city centre. A boutique budget offering, the Yotel has added 276 bedrooms to the current supply.

Other notable openings include the 240-bedroom Hampton by Hilton Edinburgh Airport, the 230-bedroom Moxy Edinburgh Airport and the 150-bedroom hub by Premier Inn Edinburgh Haymarket.

Future Supply

In terms of future supply, there is a substantial number of hotels in the pipeline. However, it is unlikely that all of them will progress to the construction stage.

We have identified a total development pipeline of 76 projects which if completed would add 6,702 rooms to the current supply. Of these, there are currently 20 projects due to complete by December 2021, bringing 2,377 to the market.

Edinburgh has an undersupply of 5-star accommodation. However, 2 new developments will go some way to rectify this. Forming part of the St James Centre redevelopment, the W Hotel Edinburgh which is due to complete in May 2021, will bring an additional 244 luxury bedrooms into the capital while the Virgin Hotel, due to complete late 2021, will bring a further 225 rooms to the market.

The aparthotel market remains strong in Edinburgh as well, with the 128-bedroom Wilde by Staycity due to complete in end 2019.

Hotel Market Performance

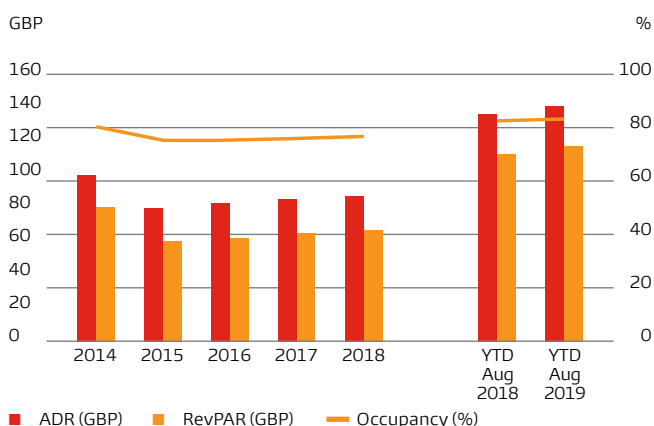
The diverse demand drivers in Edinburgh assist in limiting seasonality, with high occupancy levels all year round, and only dropping below 80% for 4 months of the year, which falls typically between December to March.

RevPAR has shown yoy growth since 2016, rising from GBP62 to GBP67 in 2018. This trend has continued into 2019 with YTD August 2019 RevPAR growth of 4.1% over the same period last year. The increase has been driven by growth in all areas, including a 0.7 percentage points yoy increase in Occupancy to 83.1% and a 3.3% yoy increase in ADR to GBP141.

The market has enjoyed robust levels of revenue and profit growth over the last 5 years despite increasing cost pressures.

Hotel Market Outlook

Edinburgh Annual Hotel Performance



Source: STR, CBRE Hotels

Across all regions including Edinburgh, the hotel market looks to be more challenging in 2019 and 2020 than it had been in previous years.

This coupled with a substantial development pipeline due to come by December 2021 indicates that occupancy and ADR growth is likely to be more subdued than in the previous 24 months although, in Edinburgh, this is likely to be minimal in comparison to other regional cities.

Despite uncertainties around Brexit, Edinburgh is likely to remain the dominant force in the regional hotel market over the coming years with solid fundamentals making it desirable for both visitors and operators alike.



Glasgow, United Kingdom

Glasgow Market Overview

Glasgow has experienced significant growth in recent years, building on the success of the 2014 Commonwealth Games. Utilising the infrastructure that was created, the city has managed to attract other large sporting events and played joint hosts to the European Athletic Championships in 2018 with Berlin.

The 13,000-capacity SSE Hydro has also been proven to be a great success with a spike in revenue and occupancy evident at nearby hotels when the venue plays host to larger acts and events.

The city is also home to the Royal Conservatoire of Scotland, the Theatre Royal and scores of smaller internationally famous music and event venues which help to drive leisure demand.

Building upon solid foundations, the city of Glasgow has reinvented itself as a modern and vibrant cultural hub which is attracting not only new leisure custom but also new corporate occupiers.

Major corporate institutions such as Barclays Bank are bringing jobs to the city through the creation of a new hub on the southside of the Clyde. Further, KPMG has plans to create a new hub within its existing office on St Vincent Street which is expected to generate up to 400 new jobs.

Coupled with good existing demand from corporate clients for room nights and conference and events space, the Glasgow hotel market has been a key target market for a number of operators and this has led to a surge in supply in recent years.

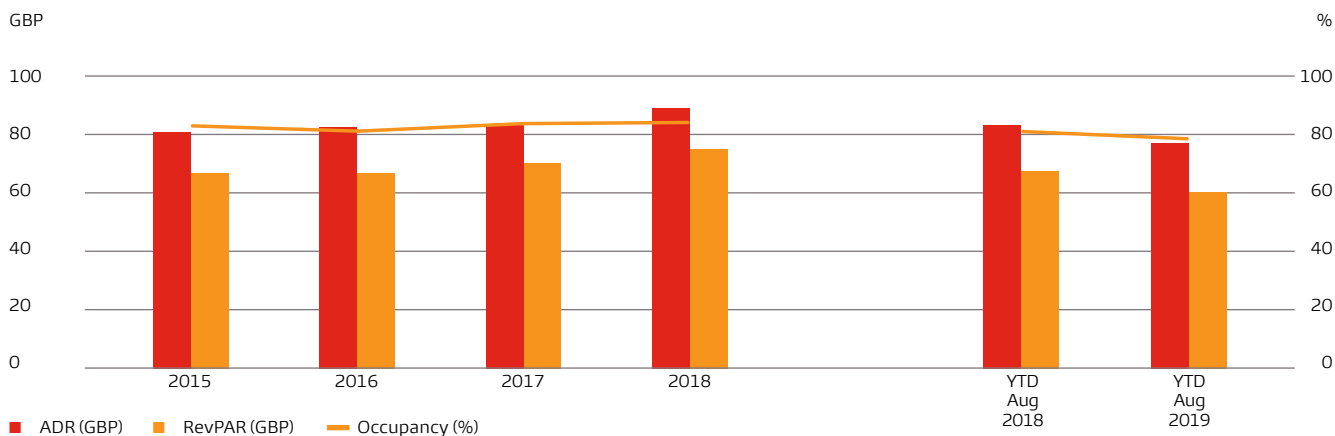
Supply and Pipeline Overview

Supply in Glasgow has grown by some 2,176 bedrooms across 19 hotels since 2014. The largest opening to date is the 374-bedroom Motel One which commenced trading in 2018, followed by the 229-bedroom Premier Inn Glasgow Pacific Quay SECC Hotel in 2014.

Other openings of late include the 174-bedroom Radisson Red and the 181-bedroom Moxy Glasgow Merchant City in 2018, and the 83-bedroom Dakota Deluxe in 2016.

The development pipeline remains strong with 59 hotel projects identified. Of this, a number have either been deferred or are still awaiting planning. There

Glasgow Annual Hotel Performance



Source: STR, CBRE Hotels

are, however, 11 projects which are confirmed to open by November 2021. Once completed they will provide an additional 2,732 bedrooms across a variety of brands. These include the AC by Marriot Glasgow City Centre, Courtyard Glasgow SECC, MOXY Glasgow SECC, Premier Inn Glasgow City Centre St Enoch Square, Premier Inn Glasgow Pacific Quay SECC, Yotel Glasgow and Adagio City Aparthotel Glasgow St Enoch Quarter.

The development pipeline is seeing a large number of new hotel operators and a mix of independent and branded operators in Glasgow. Of the 11 hotels to be launched in the next 2 years, 3 are independent and 8 are from international operators.

The increase in supply has had an impact on occupancy and ADR. However, a rise in overseas visitor numbers is expected in 2020 and this should hopefully offset any decline.

Hotel Market Performance

The Glasgow hotel market between 2016 and 2018 grew faster than any other UK city, with the average cost of an overnight stay in Scotland’s largest city climbing 8.1% over that period.

A testament to the success of the Glasgow market, occupancy increased from 81.0% in 2016 to 84.2% in 2018 while ADR increased from GBP82 to GBP89 over the same period. This resulted in RevPAR growing from GBP67 to GBP75.

Whilst 2018 was a very successful year for Glasgow and in turn, the wider hotel market, the general consensus between most operators is that there will be limited events to drive rates in the same way in 2019.

This has been borne out in reality as YTD August 2019 occupancy was down 1.8% yoy to 82.7%. ADR was

also showing a sharper decline of 7.7% to GBP82 for YTD August 2019. Consequently, this has led to a 9.6% reduction in RevPAR to GBP68 for the first 8 months of 2019.

Contrary to general market sentiment, Glasgow has experienced a yoy drop in Undistributed Operating Expenses (“UOE”) and payroll on a PAR basis. UOE has fallen by 1.5% YTD August 2019 compared to YTD May 2018 and payroll was down 1.0% over the same period.

These yoy savings, however, have not been enough to offset the fall in turnover, leading to the average Gross Operating Profit (“GOP”) margin dropping by 11.1% and Gross Operating Profit Per Available Room (“GOPPAR”) by 17.6%.

Hotel Market Outlook

While there have been several good news stories of late for Glasgow, including the news of the city being chosen to host the 26th Conference of the Parties in 2020 and an anticipated rise in overseas visitor numbers, the outlook for the hotel market looks more challenging than it has been in previous years.

This coupled with a substantial development pipeline of over 2,700 bedrooms due to come on line by November 2021 indicates that trading will remain subdued through the remainder of 2019 and in to 2020 although occupancy, ADR and RevPAR are likely to level off in the short to medium term.

There will be greater pressure on existing operations to maintain assets to a high standard and proactively employ capital expenditure to keep themselves competitive.



London, United Kingdom

London Tourism Market

The UK economy is enduring challenging conditions, affected by the slowdown in world trade and ongoing uncertainty around the prospects of a no-deal Brexit. The Governor of the Bank of England has suggested that a no-deal Brexit would result in an instant shock to the UK economy and the Bank has downgraded growth forecasts for 2019 from 1.5% to 1.3%.

UK GDP grew by 1.4% in 2018, the weakest it has been since 2009, and is expected to grow by 1.3% in 2019 and 2.0% in 2020. According to the Office for National Statistics (ONS), UK GDP experienced quarter-on-quarter growth in 2018 which has continued into 2019 with 0.5% growth recorded in 1Q.

Inbound tourism was spurred by the weak Pound in 2018, which Visit Britain suggests has had a favourable impact on the intent to travel to the UK from a range of countries.

In 1Q 2019, London inbound visitor numbers, have increased 4.7% over the same period, from 4.0 million to 4.2 million, despite the length of visitor stay falling from 5.5 days to 5.3 days. However, the average inbound visitor spend per visit increased by 0.8% yoy to GBP639.9 per visitor.

In terms of inbound visitor nights, it increased by 1.3% in 1Q 2019 with visitor spend increasing by 5.6% over the same period to GBP2.7 billion. On the domestic front, YTD March 2019 visitor numbers decreased yoy by 3.2% as compared to the same period in 2018. However, the average domestic visitor spend per visit grew by 13.0%.

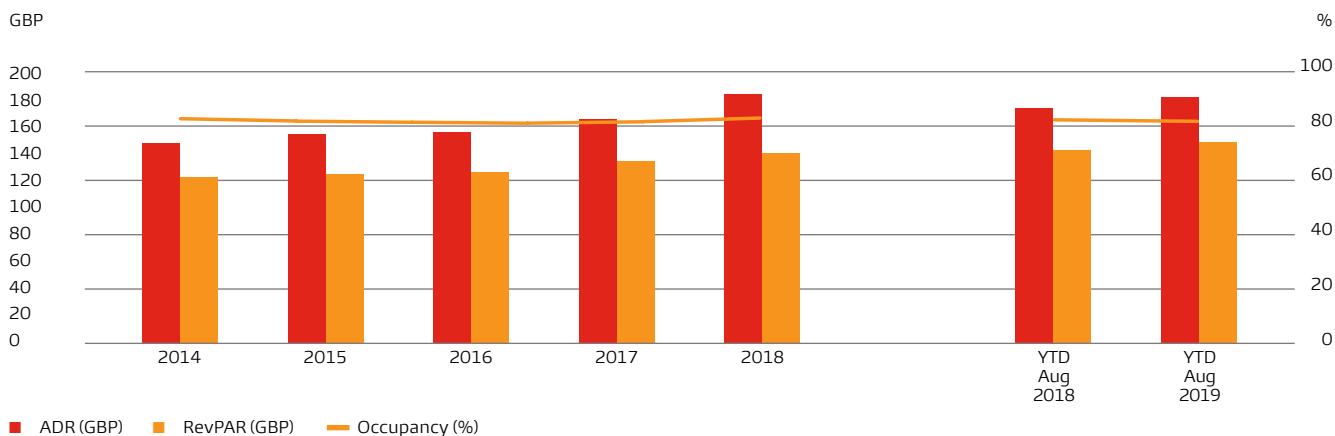
Existing Supply

The London hotel market comprises an estimated 1,779 hotels with 158,048 bedrooms, representing around 23.2% of the overall UK room supply. The average room supply growth was around 2.8% per annum from 2013 to 2018. Inner London, including the City of London, still has the greatest concentration of stock, being home to 114,548 bedrooms across 1,295 hotels.

London has a greater weight of branded properties than the UK regions. Premier Inn and hub by Premier Inn are now the most ubiquitous brand having grown to a total of 91 hotels providing some 14,028 bedrooms, which form 8.9% of the entire room supply within the capital.

Development in the branded budget sector continued apace in 2018 accounting for around 34.6% of the total London supply increase, which

London Annual Hotel Performance



Source: STR, CBRE Hotels

included 971 bedrooms operated by Whitbread. Economy and Midscale hotel brands have seen the most significant increase in the last 10 years, driven by the rapid growth of branded budget hotels.

Between 2014 and 2016, increasing room supply across London outpaced demand. However, this trend was reversed in 2017/2018. Despite supply growing by 4.0% in 2017 and 3.4% in 2018, demand increased by 4.3% and 5.5% respectively, pushing average occupancy up to 82.9% last year.

Future Supply

Average room supply growth is projected to be 2.9% per annum for the period from 2019 to 2022, led by an estimated 3.4% increase in 2019. The development pipeline is focused on Inner London although Outer London has experienced strong growth in recent years due to limited development opportunities available within the Inner-London boroughs. Serviced Apartment sector remains popular in London as it saw a 5.9% rise in room numbers in 2018 and another 2,126 rooms are expected to open by the end of 2021. New openings include the 106-room Wilde Aparthotels by Staycity on The Strand, the 87-room Roomzzz London Stratford and the 75-room Native Bankside.

Hotel Market Performance

Between 2014 and 2016, increasing levels of supply combined with a falling demand led to London seeing occupancy reducing from 82.6% to 81.0%. This declining trend reversed in 2017 and 2018 as the uplift in demand pushed occupancy to 81.2% and 82.9% respectively.

London hotels have experienced a strong start to the year resulting in a yoy RevPAR increase of 4.2% YTD August 2019.

Whilst RevPAR has increased, escalating payroll costs have seen profit margins across the industry being squeezed. London is not exempted from this, with payroll costs rising by 5.9% for YTD August 2019.

Despite lower margins, the 2.3% increase in GOPPAR from GBP83 YTD August 2018 to GBP85 YTD August 2019 per available room suggests that London hotels still remain profitable. GOPPAR is substantially ahead of regional UK hotels, driven in part by higher room rates and rooms revenue accounting for a higher proportion of total revenue.

Hotel Market Outlook

London achieved an average occupancy of 83.3% in 2018, which is broadly in line with STR projections of 82.8%. Occupancy is projected to remain static in 2019 before declining marginally in 2020.

RevPAR is likely to remain resilient with increasing ADR. STR expects both ADR and RevPAR to grow annually at an above inflation rate of 2.7% and 2.3% respectively between 2019 and 2023.

Whilst the expected considerable growth in hotel supply in London remains a threat to future performance, the capital continues to be a key target market for hotel operators and investors. Significant supply additions is expected to be absorbed by increasing demand from the rise in tourist arrivals and it is predicted that the operating fundamentals of the UK capital will remain strong with growth projected to 2023 despite uncertainties around Brexit.

The UK and EU have now agreed on a flexible delay to Brexit with a long stop date of 31 January 2020 and a general election has been called in the UK for 12 December 2019. This does mean that the market is more difficult to predict and will remain so until such times as these issues are resolved.



Kobe, Japan

Japan Tourism Market

The number of inbound tourists to Japan in 2018 totalled 31.2 million, surpassing 30.0 million for the first time. Japan now ranks third in Asia Pacific in terms of visitor arrivals, after China and Thailand. The rate of increase in visitor arrivals in 2018 slowed to 8.7% yoy, compared to an average yoy 20.0% increase seen in 2016 and 2017. However, given that 2018 was a year in which Japan experienced heavy snowfall and rainfall, typhoons and earthquakes, the pace of growth continued to be strong. The number of inbound tourists to Japan is set to increase further in the coming years, with the Rugby World Cup taking place in 2019 and the Tokyo Olympics and Paralympics in 2020. This should ensure the government reaches, or comes very close to, its target of attracting 40.0 million inbound tourists in 2020.

The increase in inbound tourists to Japan is resulting in a growing demand for accommodation. The total number of inbound visitor nights in 2018 rose by 11.2% yoy to 88.6 million, an increase of approximately 9 million guest nights. At the same time, the total number of domestic guest nights in Japan fell by 2.2% yoy to 420.0 million, a decrease of approximately 9 million guest nights, partly due to more Japanese travelling overseas. The increase in accommodation demand among inbound tourists is therefore offsetting the fall in domestic accommodation demand among Japanese travellers.

The number of inbound tourists from January to May in 2019 has increased by 4.2% compared to the same period of the previous year and reached the highest-ever level.

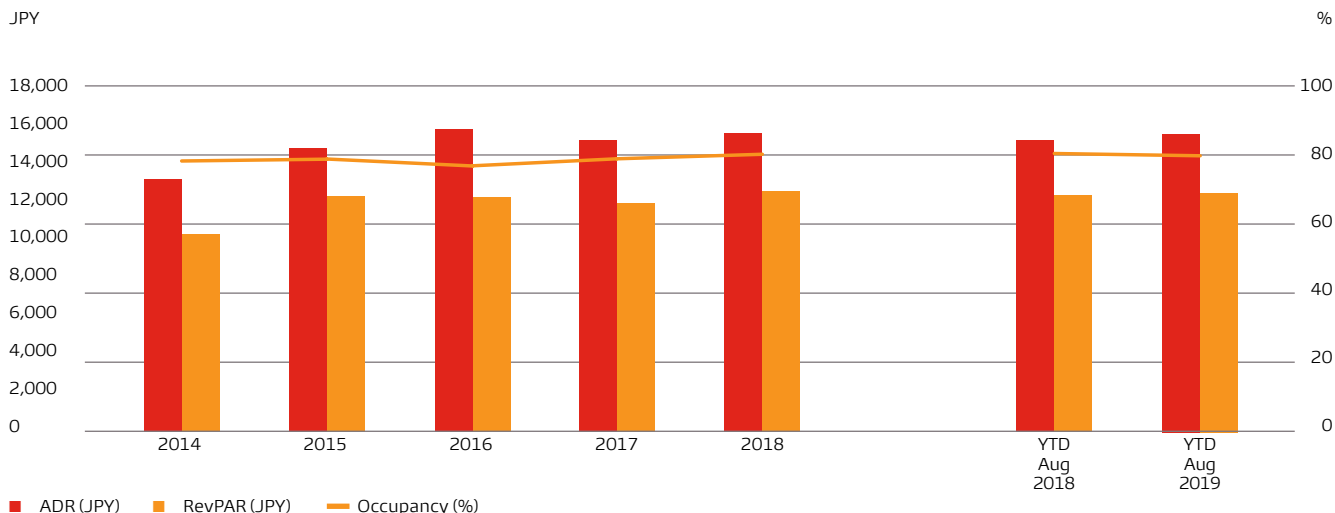
Kobe Tourism Market

Although there were fewer visitors in 2018 than in 2017, the number of visitors remained almost at the same level from 2013 to 2016. The main reason for the decrease in 2018 from the previous year is due to the effects of disasters such as earthquakes, and weather such as typhoons, heavy rain and heatwaves.

For the first 8 months of 2019, the number of visitor nights in Kobe City has increased by 10.0% yoy to 2.7 million, according to the lodging statistics survey of Japan Tourism Agency.

According to the tourist trend survey by Kobe City, approximately 80% of tourists were on a 1-day trip and a large percentage of those were from the Kansai area. As for the age composition, tourists aged 40 and above accounted for approximately 50% collectively, while tourists between the age range of 30 to 40 accounted for 23.6%.

Kobe Annual Hotel Performance



Source: STR, CBRE Hotels

Most of the guests were Japanese. While we note that the age composition to Kobe City has changed over the years, tourist arrivals to Kobe City remain flat since 2015.

Existing Supply

Both the numbers of hotels and guest rooms in Kobe city have been on a slightly upward trend since 2011. Most of the recent new supply has been limited-service hotels.

Future Supply

Rapid growth in inbound tourist is spurring the development of new hotels across Japan. The number of rooms scheduled to open in Japan’s 9 major cities between 2019 and 2021 has increased 2.5-fold over the past year. A total of 80,000 rooms are expected to be supplied in the 9 major cities by 2021, which equates to 24.0% of existing stock at the close of 2018.

According to STR, there are approximately 50 hotels with some 9,000 rooms in the Kobe market. A further 5 new limited service hotels located in the surrounding area of Sannomiya station are planned for and expected to add on to existing supply in the next few years. There is no plan for a full-service hotel, which may pose as a competitor to the subject hotel.

Hotel Market Performance

According to the “Weekly Hotel and Restaurant” published by Ohta Publications Co., Ltd., the occupancy of Kobe City had been rising until 2015 as guests flowed into Kobe City from Osaka City because Osaka City’s supply could not meet the demand. However, along with the increased hotel supply in Osaka City, it has been on a downward trend since 2016.

For YTD August 2019, the average occupancy of Kobe City was 79.9%, a mere 0.7% decline from 80.6% in the same period in 2018. . In addition, the market ADR had

grown steadily from JPY 13,168 to JPY 15,540 in 2018, a CAGR of 4.2%. For YTD September 2019, the market ADR registered JPY 15,510, a 2.0% increase yoy.

The average occupancy of Kobe City up to June 2019 was 76.2%, similar to the same period in 2018. The occupancy from January to March in 2019 exceeded the 2018 level due to the earlier than usual Cherry Blossom season in March 2019.

Hotel Market Outlook

Kobe market has not sufficiently benefited from the growing number of inbound tourists to Japan as Kobe Airport caters primarily to domestic flights and very few selective charter international flights. However, the operation rights of the airport were privatised in 2018 with Kansai Airport taking over the entire operation of the 3 airports, namely Kansai International Airport, Itami Airport and Kobe Airport. Accordingly, the regulatory controls over Kobe Airport were eased and frequency restrictions on the number of departures and arrivals of the national airline have been relaxed.

Considering the limited capacity at Kansai International Airport which may not be able to accommodate all the visitors to the Osaka Expo, the authority will also increase the hours for takeoffs and landings at Kobe Airport by 2025. Furthermore, discussions on the details of international flight operations at Kobe Airport were underway, ahead of the Osaka Expo in 2025. It is almost certain that the number of inbound tourists to Kobe City will increase if international airlines start to fly direct into Kobe.



Kuala Lumpur, Malaysia

Malaysia Tourism Market

Tourist arrivals to Malaysia have been growing at a CAGR of 1.6% in the last 10 years with the exception of 2015 due to the impact of the twin aviation tragedies. The tourism market reached a peak at 27.4 million tourists in Visit Malaysia Year 2014 under the continual promoting efforts by the Tourism Malaysia.

In 2018, Malaysia welcomed about 25.8 million tourist arrivals with total tourist receipts of RM84.1 billion, representing yoy change of -0.5% and 2.8% respectively. For 1H 2019, there were approximately 13.4 million international tourist arrivals, an increase of almost 5% yoy. This was largely due to the increase in visitors from short-haul and medium-haul markets by 4.7% and 1.8% yoy respectively, although this was partially offset by a marginal decline from long-haul market impacted by reduced direct flights as Malaysia Airlines cut unprofitable routes in the past years.

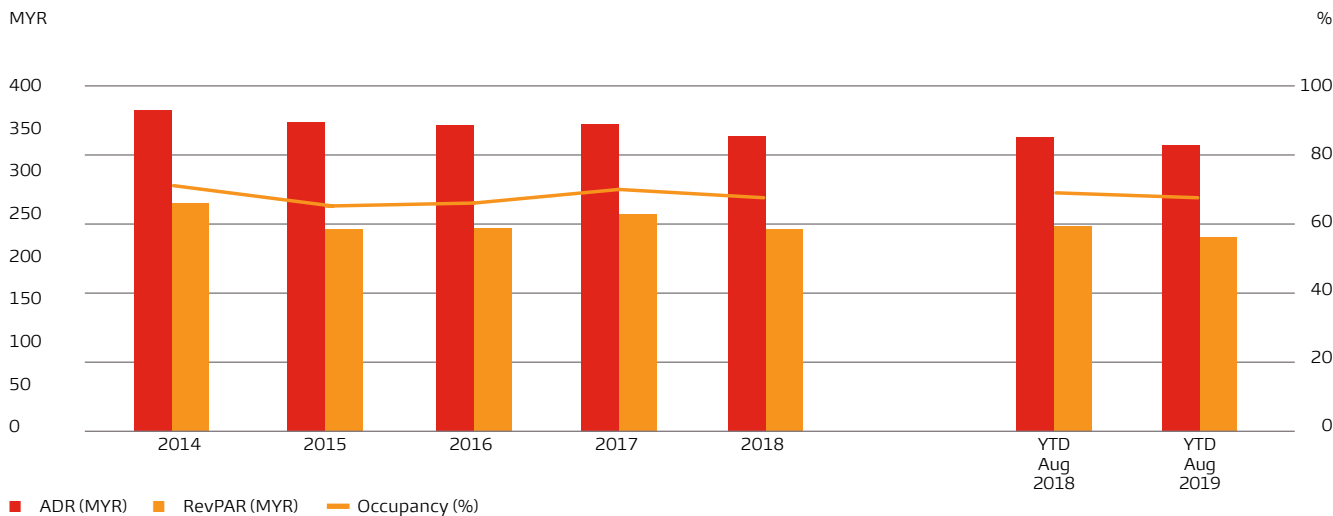
As the tourism sector is the third highest contributor in terms of foreign exchange receipts after manufacturing and commodities, the government has allocated funds to Ministry of Tourism, Arts and Culture and various tourism enterprises, such as organisers of cultural activities and investors in international theme parks in Budget 2020, and has actively promoted Malaysia as a destination.

Connectivity to Kuala Lumpur is set to improve as new airlines such as Condor Airlines and British Airway start to call on Kuala Lumpur. Improved flight connectivity within regional destinations bodes well for Malaysia and in particular Kuala Lumpur. These are expected to improve tourist arrivals and receipts for the tourism sector as Malaysia government is targeting to bring in 30.0 million international tourists and MYR100.0 billion tourist receipts in coming Visit Malaysia Year 2020.

Existing Supply

According to CBRE|WTW Research, the Kuala Lumpur market has around 41,927 rooms as at 4Q 2018, reflecting a 4.9% yoy increase. More than 41% of these hotels are located within Kuala Lumpur primary area and are well distributed amongst tourist destination areas such as Bukit Bintang and Kuala Lumpur City Centre ("KLCC") area. Upscale (36%) and Midscale (24%) accounted for the majority of the hotel rooms in Kuala Lumpur, followed by Luxury (12%) segment.

Kuala Lumpur Annual Hotel Performance



Source: STR, CBRE Hotels

2018 saw a significant supply growth of approximately 3,500 rooms, almost doubled the room completions in 2017. The luxury segment itself accounted for around one-third (approximately 1,000 rooms) of the new supply. Notable new Luxury openings include W Hotel Kuala Lumpur, Four Seasons Hotel Kuala Lumpur, Ruma Kuala Lumpur, Banyan Tree Kuala Lumpur and Alila Bangsar. Other midscale and upscale range such as Hilton Garden Inn, Ibis and Travelodge continue its expansion within Kuala Lumpur secondary area.

With the opening of Equatorial Hotel and CitizenM in 1H 2019, the total hotel rooms stock in Kuala Lumpur will reach more than 42,000 rooms.

Future Supply

Approximately 6,200 rooms are expected to open in Kuala Lumpur by 2021. These are mainly well-integrated mixed-used development located within Kuala Lumpur primary area.

Over 70% of the pipeline is in the upper-upscale and luxury segment, including Crowne Plaza Hotel, Kempinski @8 Conlay, Fairmont Hotel, Park Hyatt, Jumeirah and Sofitel. Other mid to upscale hotel brands such as Four Point by Sheraton, Ascott Star KLCC and Capri by Fraser Bukit Bintang also continue to add on to the total room stock in Kuala Lumpur City.

Hotel Market Performance

As Kuala Lumpur faces short-term pressure to absorb the new supply, average occupancy rates for the hotels in the city centre has remained subdued at 67.9% with ADR of MYR331 as at YTD August 2019 in comparison to

occupancy of 69.2% and ADR of MYR342 of similar period in 2018. However, the Luxury segment saw a significant rise since 2015, due to the weak currency exchange and higher room rate benchmarked by new hotels to achieve ADR of MYR600 as at 1H 2019.

The influx of supply will continue to put a short term downward pressure on the hotel trading performance level.

Hotel Market Outlook

Looking forward, the weakened Ringgit backed by government promotional activities and efforts to upgrade the local infrastructure and introduction of new tourist attractions such as River of Life, Alor Enclave, cultural alleys in Chinatown would augment a long-term growth of tourist arrivals.

Budget 2019 supported the tourism sector by allocating half of the collection from tourism tax to private companies.

In terms of supply trend, more lifestyle and themed hotels are expected to cater to millennial travellers. Well-located Midscale hotels continue to present as the best investment opportunity for rebranding and refurbishments.

In the short term, the influx of room supply will continue to put short term downward pressure on the hotel trading performance. We expect a recovery after 2021 when the market absorbs most of the new supply of rooms.



Dresden, Germany

Dresden Tourism Market

As the state capital of Saxony, Dresden's demand is driven by its status as the political, administrative, educational and economic focus for Saxony. The strength of the chemical, pharmaceutical, nanotechnology and life science industries in this area helps drive corporate demand while the city's history and focus on art and culture provides a balance of leisure demand.

Between 2013 and 2018, the city saw a CAGR of 1.2% in arrivals and 0.5% overnights in hotels, which are significantly lower than the CAGR of 3.1% in arrivals and 2.5% in overnights in hotels between 2008 and 2018. Demand peaked in 2018 at 1.6 million arrivals and 3.2 million overnights in hotels, after the nationalist, far-right Pegida demonstrations that detained tourists from travelling to Dresden caused a significant decrease in demand in 2015 and 2016. Although 2018 overnight numbers show a decrease yoy, 2017 and 2018 clearly show a recovery from the previous 2 years.

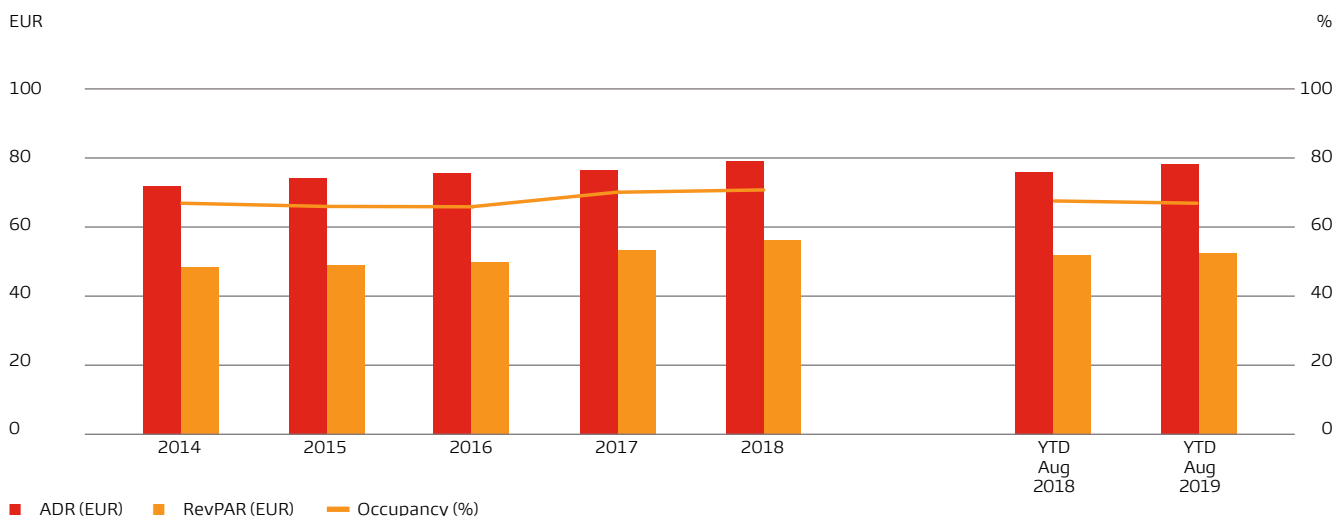
The majority of visitors to Dresden are domestic, while the share of international visitors has remained rather stable at approximately 20% in recent years. Important source markets include the USA and Austria. Poland registered the largest increase in overnight stays compared to the previous year (+25.5%), followed by the Czech Republic (+13.3%).

Existing Supply

According to the Statistical Office of Saxony, the total number of beds in Dresden amounted to 15,400 in 68 hotels in 2018, a rather stable development with a slight yoy decrease of 2.9% in hotels and 0.5% in beds. With increased competition from international hotels operators, small and independent hotels were either converted to alternative use or closed during this period accounting for the decrease in beds. Between 2013 and 2018, the number of hotels and beds in Dresden recorded a CAGR of -3.9% and -1.3% respectively. YTD July 2019, the number of hotels has seen a slight decrease of 1.4% to 69 from 70, while hotel bed supply has risen to 15,900, representing a 2.2% increase yoy.

2019 saw a number of hotel refurbishments including the Penck Hotel (former Art'otel) with 174 rooms, the 243-room Dorint Hotel and the 200-room Steigenberger Hotel de Saxe, as well as the extension of the Hotel Suites to a total of 50 rooms.

Dresden Annual Hotel Performance



Source: STR, CBRE Hotels

In 2018, the Indigo Hotel and The Student Hotel added a total of 438 rooms to the market, and 2019 saw the opening of the new 176-room Super 8 Dresden. The refurbishment of the a&o Dresden is currently underway and scheduled to be completed in 4Q 2019.

Future Supply

Similar to many other German cities, the development pipeline represents a significant increase in room count. Approximately 1,000 rooms are currently under construction or in the planning phase in Dresden, scheduled to be added to the market by the end of 2022. This represents approximately 13% increase from 2018.

For a location such as Dresden, the percentage of new supply vs. existing supply at that level entails the risk that the hotel market might not be able to absorb the high number of rooms adequately, particularly when demand is developing at a relatively low rate. The new supply will be a mixture of Economy, Midscale and Upscale hotels, with Economy and Midscale hotels making up almost 70% of new supply.

Scheduled key openings in Dresden include 2 Prizeotels, the 125-room Dresden Mitte and the 214-room Dresden City, to be opened in 1Q 2021 and 4Q 2022 respectively. In addition, a Meininger Hotel with 65 rooms is planned to open in 2Q 2021. A hostel at Neumarkt and a conversion of parts of the Wöhrle Plaza into a hotel are in the planning phase.

Hotel Market Performance

Dresden’s hotel market has seen positive development and considerable growth in recent years. Occupancy

and ADR recorded a CAGR of 2.1% and 1.8% respectively between 2013 and 2018. Over this period under review, Dresden has witnessed 5 years of consecutive RevPAR growth with a CAGR of 3.9% between 2013 and 2018, resulting in a peak period in 2018 and 2019. The average length of stay remained stable at an average of 2.1 days in hotels between 2013 and 2018.

YTD August 2019, ADR has increased by 2.7% yoy to EUR78, while occupancy has seen a decrease of 1.0% yoy to 67.1%. This results in a rise in RevPAR of 1.6% yoy to EUR52.

Hotel Market Outlook

The hotel trend for the remaining months in 2019 is expected to remain positive as the important annual Spielraum trade fair and the Christmas season are expected to attract many visitors. For 2020, a slight decrease in market-wide occupancy levels is expected due to the scheduled addition of approximately 500 rooms by end 2020. In terms of the rate growth, we anticipate a similar pattern of modest growth as evident in recent years.

The federal state of Saxony has developed its “Tourism Strategy 2020” with a particular focus on Dresden and its surroundings, known as “Sächsisches Elbland”, a dense tourist area. The strategy aims at promoting this unique selling point of an attractive city with an appealing surrounding area to serve as a competitive advantage; and at making the entire area a comprehensive and well-performing destination with mutual benefits for both the city of Dresden and the Elbland.

Board of Directors



Mr Law Song Keng, BBM

Chairman and Independent Director



Mr Chua Phuay Hee

Independent Director



Mr Liew Choon Wei

Independent Director

1 LAW SONG KENG, BBM, 74 Chairman and Independent Director

REIT Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Trustee-Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Board committees served on

- Nominating & Remuneration Committee (Chairman)
- Audit, Risk & Compliance Committee

Academic & Professional Qualifications

- Bachelor of Science in Mathematics (First Class Honours), University of Singapore
- Master of Science in Actuarial Science, Northeastern University, Boston, USA
- Advanced Management Programme at Harvard University
- Fellow of the Society of Actuaries, USA

Present directorships in other companies (as at 30 September 2019)

Listed companies

- IFS Capital Ltd
- Great Eastern Holdings Ltd

Listed REITs/Trusts

- Nil

Others

- Asia Capital Reinsurance Malaysia Sdn Bhd
- Concord Insurance Company Limited

Major appointments (other than Directorships)

- Nil

Past directorships in listed companies held over the preceding 3 years (from 1 October 2016 to 30 September 2019)

- Nil

Past major appointments

- Managing Director and CEO, Overseas Assurance Corporation Ltd
- Deputy Managing Director (Administration and Insurance) and Insurance Commissioner, Monetary Authority of Singapore
- Chairman of Singapore Insurance Institute, and President of Singapore Actuarial Society, Life Insurance Association and the General Insurance Association
- Board member of Inland Revenue Authority of Singapore, Singapore Deposit Insurance Corporation, Central Provident Fund Board and Manulife (Singapore) Pte Ltd

Others

- Awarded Public Service Star (BBM)

2 CHUA PHUAY HEE, 66 Independent Director

REIT Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Trustee-Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Board committees served on

- Nil

Academic & Professional Qualifications

- Bachelor of Science in Mathematics (First Class Honours), Nanyang University
- Master of Science in Actuarial Science, Northeastern University, Boston, USA

Present directorships in other companies (as at 30 September 2019)

Listed companies

- Perennial Real Estate Holdings Limited

Listed REITs/Trusts

- Nil

Others

- Temasek Life Sciences Laboratory Limited
- Lu International (Singapore) Financial Asset Exchange Pte Ltd
- Yihai Kerry Arawana Oils, Grains & Food Co., Ltd

Major appointments (other than Directorships)

- Nil

Past directorships in listed companies held over the preceding 3 years (from 1 October 2016 to 30 September 2019)

- Armada Holdings Limited – listed on the Stock Exchange of Hong Kong

Past major appointments

- Executive Director for finance, risk management, IT and corporate services, Wilmar International Limited
- Board Member, Wilmar International Limited
- Board Member, Industrial Bank Co., Ltd. – listed on Shanghai Stock Exchange
- Independent Director, Eltech Electronics Limited
- Chief Financial Officer and Chief Risk Officer, Keppel TatLee Bank
- Executive Vice President, Tat Lee Bank
- Director of Securities Industry, Monetary Authority of Singapore

Others

- Nil

3 LIEW CHOON WEI, 65 Independent Director

REIT Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Trustee-Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Board committees served on

- Nominating & Remuneration Committee
- Audit, Risk & Compliance Committee

Academic & Professional Qualifications

- Fellow of the Association of Chartered Certified Accountants, UK (Retired)
- Chartered Accountant of Singapore

Present directorships in other companies (as at 30 September 2019)

Listed companies

- Halcyon Agri Corporation Ltd
- F J Benjamin Holdings Ltd
- The Hour Glass Limited

Listed REITs/Trusts

- Nil

Others

- Nil

Major appointments (other than Directorships)

- Nil

Past directorships in listed companies held over the preceding 3 years (from 1 October 2016 to 30 September 2019)

- Nil

Past major appointments

- Retired Partner of Ernst & Young Singapore. Head of Ernst & Young Singapore's Real Estate Industry Group
- Chairman of Internal Audit Committee, Kuok (Singapore) Ltd

Others

- Nil



Dr David Wong See Hong

Independent Director



Mr Koh Teck Chuan

Non-Executive Director



Mr Panote Sirivadhanabhakdi

Non-Executive Director

4 DR DAVID WONG SEE HONG, 66 Independent Director

REIT Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Trustee-Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Board committees served on

- Audit, Risk & Compliance Committee (Chairman)
- Nominating & Remuneration Committee

Academic & Professional Qualifications

- Bachelor of Business Administration, University of Singapore
- Master of Science in Investment Management, Hong Kong
- University of Science and Technology
- Doctor in Transformational Leadership from Bethel Bible Seminary
- Financial Industry Certified Professional, Institute of Banking and Finance, Singapore

Present directorships in other companies (as at 30 September 2019)

Listed companies

- China Merchants Bank Co., Ltd

Listed REITs/Trusts

- EC World Asset Management Pte Ltd, Manager of EC World REIT

Others

- Tahoe Life Assurance Company Limited (formerly known as Dah Sing Life Assurance Company Limited)

Major appointments (other than Directorships)

- Chairman, Halftime Hong Kong Limited
- Finance Management Committee Member, Hong Kong Management Association

Past directorships in listed companies held over the preceding 3 years (from 1 October 2016 to 30 September 2019)

- Nil

Past major appointments

- Deputy Chief Executive, Bank of China (Hong Kong) Group
- Director, BOC Group Life Assurance Company Limited
- Chairman, BOC International-Prudential Trustee Limited
- Chairman, BOCHK Asset Management Limited
- Board Member, Civil Service College, Singapore
- Board Member, Energy Market Authority
- Customer Advisory Board Member, Thomson Reuters

Others

- Held various senior positions in ABN AMRO Bank, including Corporate Executive Vice President and Country Executive; Regional Head of Financial Markets; Country Executive in Singapore; and Managing Director of the Hong Kong Branch

5 PANOTE SIRIVADHANABHAKDI, 41 Non-Executive Director

REIT Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Trustee-Manager

Date of appointment as Director:

10 June 2014

Length of service as Director (as at 30 September 2019): 5 years 3 months

Board committees served on

- Nominating & Remuneration Committee

Academic & Professional Qualifications

- Master of Science in Analysis, Design and Management of Information Systems, The London School of Economics and Political Science, UK
- Bachelor of Science in Manufacturing Engineering, Boston University, USA
- Certificate in Industrial Engineering and Economics, Massachusetts University, USA

Present directorships in other companies (as at 30 September 2019)

Listed companies

- Frasers Property Limited
- Golden Land Property Development Public Company Limited (Vice Chairman)
- Frasers Property (Thailand) Public Company Limited (formerly known as Ticon Industrial Connection Public Company Limited)
- Thai Beverage Public Company Limited
- Univentures Public Company Limited

Listed REITs/Trusts

- Frasers Logistics & Industrial Asset Management Pte. Ltd., Manager of Frasers Logistics & Industrial Trust

Others

- Beer Thip Brewery (1991) Co., Ltd.
- Blairmhor Distillers Limited
- Blairmhor Limited
- Frasers Property Australia Pty Limited
- InterBev (Singapore) Limited
- International Beverage Holdings (China) Limited
- International Beverage Holdings Limited
- International Beverage Holdings (UK) Limited
- Sura Bangyikhan Group of Companies

Major appointments (other than Directorships)

- Frasers Property Limited (Group Chief Executive Officer)
- Singapore Management University (Director/Board of Trustees)
- Real Estate Developers' Association of Singapore (REDAS) (Management Committee)

Past directorships in listed companies held over the preceding 3 years (from 1 October 2016 to 30 September 2019)

- Berli Jucker Public Company Limited

Past major appointments

- Chief Executive Officer of Univenture Public Company Limited

Others

- Nil

6 KOH TECK CHUAN, 59 Non-Executive Director

REIT Manager

Date of appointment as Director:

21 May 2019

Length of service as Director (as at 30 September 2019): 4 months

Trustee-Manager

Date of appointment as Director:

21 May 2019

Length of service as Director (as at 30 September 2019): 4 months

Board committees served on

- Nil

Academic & Professional Qualifications

- Master of Business Administration, National University of Singapore
- Bachelor of Engineering (Civil), 2nd Class Upper Division, National University of Singapore

Present directorships in other companies (as at 30 September 2019)

Listed companies

- Nil

Listed REITs/Trusts

- Nil

Others

- ALPS Pte. Ltd. (formerly known as Agency for Healthcare Supply Chain Pte. Ltd.)
- Blingsq Pte Ltd

Major appointments (other than Directorships)

- Chief Executive Officer, Frasers Hospitality, Frasers Property Limited
- Chief Executive Officer, Frasers Hospitality Pte. Ltd.
- Chief Executive Officer, Frasers Hospitality International Pte. Ltd.

Past directorships in listed companies held over the preceding 3 years (from 1 October 2016 to 30 September 2019)

- Nil

Past major appointments

- CEO and Executive Director, MCL Land Limited

Others

- Nil

Management Team



Standing from left: Ms Caris Ang, Mr Jason Leong, Mr Colin Low, Ms Christine Chua, Mr Paavan Patel and Ms Sandy Leng
Seated from left: Ms Rita Kaonang, Ms Lim Wai Quan and Mr Eric Gan
(Not in photo: Ms Sherly Veronica)

Mr Colin Low Chief Executive Officer

Mr Low is Chief Executive Officer of the Managers. He is responsible for FHT's overall business, investment and operational strategies.

Mr Low has 18 years of experience in investment and corporate business development, covering the hospitality, retail and other real estate asset classes. Prior to his current appointment, he was with CBRE, a global commercial real estate

services company, as Head of Hotel Investment Properties for EMEA (Europe, the Middle East and Africa). Based at CBRE's London office, he was in charge of its hotel transactional business across the EMEA region.

Before that, Mr Low was Senior Vice President, Head of Investment at FHT, responsible for identifying and evaluating potential acquisitions of hotels and serviced residences, and for related investments and divestments. He was also Director of Business Development at Frasers

Hospitality Pte. Ltd., overseeing its business development and investments across the Asia-Pacific region.

Previously, Mr Low has held other management positions relating to investments and business development at CapitaLand Mall Asia Limited, AIG Global Real Estate Investments and The Ascott Group Limited. He started his career with United Overseas Bank's corporate banking division, specialising in real estate lending.

Mr Low holds a Bachelor of Social Science (Honours) degree in Economics from the National University of Singapore.

Mr Eric Gan
Chief Financial Officer

Mr Gan is responsible for FHT's financial and capital management. He has over 20 years of experience in financial reporting, corporate finance, treasury management, audit, taxation and company secretarial matters.

Prior to joining FHT, Mr Gan was Chief Financial Officer of OUE Hospitality REIT Management Pte. Ltd., the REIT Manager of OUE Hospitality Real Estate Investment Trust, from August 2014 to September 2018. Before that, he was Chief Financial Officer of Meritus Hotels & Resorts (Hospitality Division) of OUE Limited.

Mr Gan commenced his professional career with international accounting firms and later moved on to public listed companies in real estate, manufacturing and food businesses. He has held key positions such as Senior Vice President, Company Secretary and Chief Financial Officer in these companies, and has extensive experience in the field of financial management.

Mr Gan is a Fellow of The Association of Chartered Certified Accountants (United Kingdom) and a member of the Institute of Singapore Chartered Accountants.

Mr Jason Leong
Senior Vice President,
Head of Investment

Mr Leong heads the investment function and is responsible for optimising FHT's portfolio through asset acquisitions and portfolio rebalancing. His experience in hospitality real estate investment and business development spans more than 12 years.

Mr Leong was previously FHT's Deputy Head of Investment. Prior to the formation of FHT, he was Deputy Director of Business Development at Frasers Hospitality Pte. Ltd., heading its business development and investments across the Southeast Asia and Australia regions.

Mr Leong has extensive overseas working experience. He was stationed in New York, USA with the Overseas Singaporean Unit at the National Population and Talent Division, Prime Minister's Office. Before that, he worked for The Ascott Group Limited in business development and investment. He started his career with International Enterprise Singapore and had a 3-year stint as its Center Director in Manila, Philippines.

Mr Leong holds a Bachelor of Social Science (Honours) degree in Economics from the National University of Singapore.

Ms Caris Ang
Vice President,
Head of Asset Management

Ms Ang is responsible for the asset management of FHT's portfolio. Her role includes optimising and executing asset management strategies to improve the income for the portfolio through working with the various hotels and service residence operators. She is also responsible for identifying and implementing asset enhancement initiatives that are yield accretive.

Prior to her current appointment, Ms Ang was Senior Manager of Business Development at Frasers Hospitality Pte. Ltd., responsible for its business development and investments across the Asia-Pacific region. Previously at Mapletree Logistics Trust Management Ltd., the manager of SGX-listed Mapletree Logistics Trust, she was the asset manager for a portfolio of logistics properties in Singapore and Malaysia. She started her career at City Developments Limited,

focusing on property management of commercial assets.

Ms Ang holds a Bachelor of Science (Honours) degree in Building from the National University of Singapore.

Ms Sandy Leng
Vice President, Head of Investor
Relations

Ms Leng is FHT's key point of contact for the investment community and the media. She is responsible for developing and presenting a consistently applied investment message to the investment community on behalf of FHT. She also monitors, analyses and presents to the Board and management the opinions of the investment community on FHT's performance and corporate actions.

Ms Leng has 20 years of experience in investor relations and corporate communications. Prior to her current appointment, she was Vice President, Corporate Relations at SATS Ltd, overseeing its investor and media relations functions. Before that, she has also assumed investor relations positions in other public listed companies in Singapore including The Ascott Group Limited (before it was delisted), Singapore Technologies Engineering Ltd, SembCorp Industries Ltd and Singapore Technologies Industrial Corporation Ltd.

Ms Leng holds a Bachelor of Business Administration degree from the National University of Singapore.

Ms Christine Chua
Vice President, Deputy Head of
Investment

Ms Chua is responsible for the implementation of FHT's investment strategies, including the identification and evaluation of potential acquisitions and divestments of hospitality assets. Prior to her current appointment,

she was Director of Business Development at Frasers Hospitality Pte. Ltd., leading the investments and management business of Frasers Property Limited's hospitality division in Southeast Asia and Australia regions.

Previously, Ms Chua was with Keppel Land Limited, overseeing investment and divestment activities in the Regional Investments division. She has over 15 years of experience in various real estate functions including development, investment, hospitality management business, and marketing and leasing. She started her career in International Enterprise Singapore, working closely with industry clusters to promote overseas investments and was part of the Free Trade Area negotiations team.

Ms Chua holds a Master of Science in Real Estate and a Bachelor of Social Science (Economics) from National University of Singapore.

Ms Lim Wai Quan
Vice President, Finance

Ms Lim is responsible for the financial matters of the REIT Manager and FHT.

Prior to her current appointment, Ms Lim was Finance Manager at Internet Technology Group Limited (formerly listed on the Singapore Exchange). She was responsible for the group's financial and management reporting, and accounting operations. Before that, she was Audit Manager with Ernst & Young LLP, Singapore.

Ms Lim is a Chartered Accountant with the Institute of Singapore Chartered Accountants and a fellow member of Association of Chartered Certified Accountants. She holds a Bachelor of Accountancy (Honours) degree from University of Hertfordshire, United Kingdom.

Ms Sherly Veronica
Deputy Director, Asset Management

Ms Veronica is responsible for the asset management of FHT's portfolio. Her role includes working with property management teams and operators to optimise and improve overall portfolio performance. She is also responsible for identifying and implementing yield accretive asset enhancement initiatives.

Prior to her current appointment, Ms Veronica was Cluster Financial Controller for AccorHotels Australia, responsible for managing finance and accounting operations for all properties within the portfolio. She also was with Shangri-La Hotels, overseeing group consolidation reporting for Australia. She started her career at Ernst & Young Indonesia with the Assurance Service team.

Ms. Veronica is a Certified Public Accountant and member of CPA Australia. She holds a Masters in Applied Finance from the Macquarie University, Australia and a Bachelor of Economic degree (Cum Laude) from Universitas Pelita Harapan, Indonesia.

Mr Paavan Patel
Assistant Vice President, Asset Management

Mr Patel is responsible for the asset management of FHT's portfolio. His role includes working with the hotel management teams to optimise and improve overall operating performance as well as identifying and executing asset enhancement initiatives that will have an accretive effect on the cash flows generated by the properties.

Prior to his current appointment, Mr Patel was Director of Rooms and Director of Revenue for

InterContinental Singapore, responsible for its room operations and revenue strategy. He joined InterContinental Singapore from The Westin Kuala Lumpur, where he was Director of Revenue Management. Before that, he held management positions in revenue strategy and room operations at Grand Hyatt in Singapore and Kuala Lumpur.

Mr Patel holds a Bachelor of International Hotel Management degree from International College of Hotel Management in Adelaide Australia.

Ms Rita Kaonang
Senior Manager, Investment

Ms Kaonang is part of the investment team responsible for growing FHT's portfolio size through acquisition of new hospitality assets.

Before her current appointment, Ms Kaonang was Investment Analyst at Lendlease Investment Management Pte. Ltd. where she was involved in investment and asset management of private equity funds invested primarily in retail assets in Singapore. During her time there, Ms Kaonang was responsible for running commercial analysis for various asset enhancement initiatives for the funds' portfolio and ensuring the funds optimised their long-term returns.

Prior to Lendlease, Ms Kaonang was at Carlson Rezidor Hotel Group, covering business strategy and development. She started her career as an Economist in the Ministry of Trade and Industry.

Ms Kaonang holds a double degree in Economics and Business Management (Finance) from Singapore Management University.



Portfolio Summary

Property	Purchase Price (million)	Valuation as at 30 September 2019	FY2019 Occupancy (%)	FY2018 Occupancy (%)
Novotel Melbourne on Collins	AUD237.0	AUD240.0	89.7%	89.7%
Novotel Sydney Darling Square	AUD66.0	AUD114.0	83.8%	81.4%
Sofitel Sydney Wentworth	AUD224.0	AUD280.0	86.7%	89.8%
Fraser Suites Sydney	AUD103.5	AUD128.0	88.9%	90.0%
InterContinental Singapore	SGD497.1	SGD532.0	86.1%	85.1%
Fraser Suites Singapore	SGD327.0	SGD305.0	88.7%	87.1%
ibis Styles London Gloucester Road	GBP17.0	GBP20.7	85.6%	79.7%
Park International London	GBP39.3	GBP43.3	91.5%	88.1%
Fraser Place Canary Wharf London	GBP31.5	GBP42.0	87.7%	83.2%
Fraser Suites Edinburgh	GBP11.5	GBP15.4	94.5%	83.3%
Fraser Suites Glasgow	GBP7.5	GBP10.9	89.5%	85.2%
Fraser Suites Queens Gate London	GBP46.3	GBP59.9	92.0%	87.5%
ANA Crowne Plaza Kobe	JPY11,200.0	JPY16,800.0	76.8%	75.3%
The Westin Kuala Lumpur	MYR455.0	MYR420.0	81.7%	74.9%
Maritim Hotel Dresden	EUR58.4	EUR69.3	NA ¹	NA ¹

Top 10 Tenants	Industry	Percentage of Gross Revenue ⁴
BCH Hotel Investment Pte Ltd	Hotel	16.8%
K.K. Shinkobe Holding	Hotel	14.5%
Ananke Holdings Pty Ltd	Hotel	11.7%
River Valley Apartments Pte Ltd	Serviced residence	11.2%
Frasers Townhall Residences Operations Pty Ltd	Serviced residence	8.0%
Fairdace Limited	Serviced residence	6.6%
P I Hotel Management Limited	Hotel	6.2%
Maritim Hotelgesellschaft mbH	Hotel	6.1%
39QGG Management Limited	Serviced residence	5.8%
JBB Hotels Sdn Bhd	Hotel	5.4%

Gross Revenue for FY2019 (million)	Gross Revenue for FY2018 (million)	Master Lessee	Fixed Rent per Annum (million)	Variable Rent per Annum
AUD36.1	AUD35.3	FH-BT NMCS Operations Pty Ltd	AUD 5.88	86.0% GOP less Fixed Rent plus FF&E reserve ²
AUD6.8	AUD6.2	Frasers Sydney ML Hotel Pty Ltd	AUD 2.5	84.0% GOP less Fixed Rent plus FF&E reserve ²
AUD14.1	AUD15.9	Ananke Holdings Pty Ltd	AUD 6.0	83.0% GOP less Fixed Rent plus FF&E reserve ²
AUD9.6	AUD10.4	Frasers Townhall Residences Operations Pty Ltd	AUD 4.2	20.0% GOR + 54.5% GOP less Fixed Rent plus FF&E reserve ²
SGD19.3	SGD18.9	BCH Hotel investment Pte Ltd	SGD 8.0	76.0% GOP less Fixed Rent plus FF&E reserve ²
SGD12.9	SGD12.3	River Valley Apartments Pte Ltd	SGD 7.7	20.0% GOR + 59.0% GOP less Fixed Rent plus FF&E reserve ²
GBP1.0	GBP0.8 ⁵	P I Hotel Management Limited	GBP 0.6	91.5% GOP less Fixed Rent plus FF&E reserve ²
GBP3.1	GBP3.1 ⁵	P I Hotel Management Limited	GBP 1.3	91.5% GOP less Fixed Rent plus FF&E reserve ²
GBP3.3	GBP3.2 ⁵	Fairdace Limited	GBP 1.4	20.0% GOR + 65.0% GOP less Fixed Rent plus FF&E reserve ²
GBP1.4	GBP1.2 ⁵	Frasers (St Giles Street) Management Limited	GBP 0.5	20.0% GOR + 45.0% GOP less Fixed Rent plus FF&E reserve ²
GBP1.0	GBP1.0 ⁵	Fairdace Limited	GBP 0.4	20.0% GOR + 50.0% GOP less Fixed Rent plus FF&E reserve ²
GBP3.9	GBP3.7 ⁵	39QGG Management Limited	GBP 1.8	20.0% GOR + 67.0% GOP less Fixed Rent plus FF&E reserve ²
JPY1,341.1	JPY1,458.2	Hotel: K.K. Shinkobe Holding Retail: Y.K. Toranomom Properties	JPY 600.0	77.8% GOP less Fixed Rent plus FF&E reserve ²
MYR18.8	MYR21.5	JBB Hotels Sdn Bhd	MYR 14.8	78.5% GOP less Fixed Rent plus FF&E reserve ²
EUR4.6	EUR4.3	Maritim Hotelgesellschaft mbH	NA ¹	

Tenancy

As at 30 September 2019, there are 15 master leases for FHT's investment properties³.

The weighted average lease expiry ("WALE") of FHT's investment properties (excluding the master lease for Novotel Melbourne on Collins) is 14.3 years. The WALE was computed based on the gross annual revenue from each of the investment properties.

The WALE did not assume the renewal of the master leases after the initial lease term, although some of the master lease agreements are renewable at the option of the master lessee on the same terms and conditions (save for amendments required due to any change in law) for an additional lease term.

As at 30 September 2019, 3 of the 15 master leases would be maturing in the next 5 years.

1 Maritim Hotel Dresden's occupancy and fixed rent have been excluded due to limitations imposed by master lease agreement.

2 Furniture, fixtures and equipment ("FF&E") reserve not utilised and carried forward to the following year, if any.

3 This includes a retail master lease for the retail space in ANA Crowne Plaza Kobe. As the retail master lessee assumes all the economic benefits and losses attributable to the retail component, the rental received by FHT for the financial year is the amount equivalent to property and damage insurance premiums and property taxes relating to the retail space. The master lease for Novotel Melbourne on Collins is excluded as it is an internal master lease arrangement between FH-REIT and FH-BT.

4 Based on gross revenue derived from the 15 master leases and excludes the gross revenue from the Novotel Melbourne on Collins management contract for FY2019.

5 Rounding differences.

Asset Profiles

Novotel Melbourne on Collins

Australia

No. of Rooms
380

Address
270 Collins Street
Melbourne VIC3000
Australia



Located in the heart of Melbourne CBD, Novotel Melbourne on Collins is minutes away from the city's main shopping district. The hotel is within walking distance to Melbourne's theatre district, including Her Majesty's Theatre and Princess Theatre, and The National Gallery of Victoria. It is also within a few minutes drive from renowned sporting venues such as the Melbourne Cricket Ground and the Rod Laver Arena. The hotel is approximately 25km from Melbourne International Airport and is easily accessible by tram and other forms of public transport.

Novotel Melbourne on Collins features 380 guest rooms, ranging from 26 sqm to 40 sqm, with all rooms overlooking either the hotel's glass atrium or the bustling Collins Street. It offers 9 conference and event spaces, a fully equipped business centre, restaurant, bar and fitness centre. It is situated directly above the newly refurbished St. Collins Lane mall.



Novotel Sydney Darling Square

Australia

No. of Rooms
230

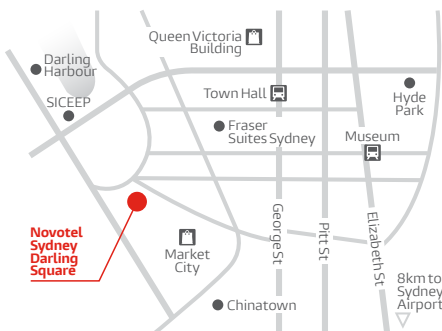
Address
17 Little Pier Street,
Darling Harbour, NSW
2000, Australia



Novotel Sydney Darling Square is located in the heart of the newly developed Darling Square urban neighbourhood which is the connection between Ultimo, Darling Harbour and Haymarket, and a new playground for retailers, residents, shoppers and working professionals in the precinct.

The hotel has an all-day dining restaurant and a lobby bar, and 6 meeting rooms, providing an ideal setting for corporate luncheons and business meetings. It also has a restaurant, PumpHouse, which is a heritage-listed microbrewery offering a list of more than 100 craft and premium brews and Australian cuisine.

The hotel is within walking distance of many shops and restaurants at Darling Harbour, Cockle Bay, King Street Wharf and the International Convention Centre.





Sofitel Sydney Wentworth

Australia

No. of Rooms

436

Address

61-101 Phillip Street,
Sydney, NSW 2000,
Australia

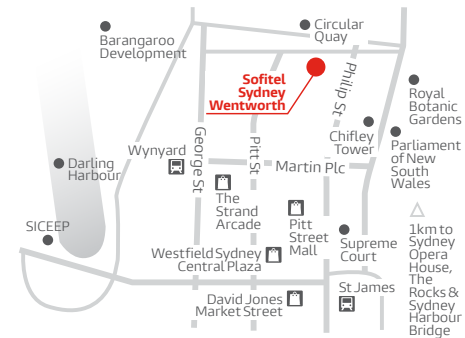
Sofitel Sydney Wentworth is an iconic heritage-listed hotel located in the heart of Sydney's CBD. It is nestled among the city's prominent buildings, retail and commercial spaces, including the Australian Stock Exchange and Chifley Tower. The hotel is also within walking distance of major tourist attractions such as the Royal Botanic Gardens, Sydney Opera House, Sydney Harbour Bridge, Circular Quay, Hyde Park and Pitt Street Mall.

Built in 1966, Sofitel Sydney Wentworth was the city's first international hotel. Its distinctive horseshoe design is a familiar and significant architectural landmark in Sydney. Its huge copper canopy over

the entrance was one of the largest completely fabricated copper awnings in the world, at the time of its construction.

Sofitel Sydney Wentworth also offers easy access to public transport. Located approximately 200 metres away is Martin Place train station, which provides services to Bondi Junction, Town Hall, and Central Station. The Circular Quay bus, rail, and ferry terminuses are also within walking distance.

Sofitel Sydney Wentworth features 436 guest rooms and suites, a lobby bar, restaurant, club lounge and substantial conference facilities, including one of the largest pillarless ballrooms in Sydney.



Fraser Suites Sydney

Australia

No. of Rooms

201

Address

488 Kent Street, Sydney,
NSW 2000, Australia

Fraser Suites Sydney is situated within the western corridor of the city's CBD in close proximity to Sydney Town Hall, Chinatown, Darling Harbour and World Square retail, office and entertainment precinct. The serviced residence is also within walking distance of Cockle Bay Wharf, which features the IMAX theatre, the SICC and numerous restaurants and entertainment facilities.

Sydney's Kingsford Smith Airport is approximately a 20-minute drive away. The serviced residence is designed by the internationally renowned architects Foster and Partners and it is directly connected to Regent Place,

a 3-storey retail plaza with a myriad of F&B outlets. Fraser Suites Sydney features 201 apartments comprising studio and 1-bedroom apartments and 2 penthouses. Each unit is fully furnished with spacious living areas and affords panoramic views of the city's skyline.

Fraser Suites Sydney offers a wide range of recreational and business facilities. Its leisure centre features a gym, a heated lap pool, and spa and sauna facilities. Conference facilities include conference rooms with internet access and secretarial services. The serviced residence also has a secure covered car park.



InterContinental Singapore

Singapore

No. of Rooms

406

Address

80 Middle Road,
Singapore 188966



InterContinental Singapore is nestled in a retail and commercial area comprising Bugis Junction Shopping Mall, Bugis+ Shopping Mall and other commercial complexes along Victoria Street, Middle Road and North Bridge Road.

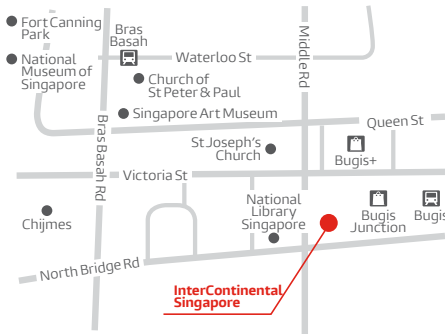
a shophouse style setting, preserving its Peranakan heritage. The 16-storey hotel was completely refurbished in 2016 and offers 406 guest rooms, meeting rooms, a gym, swimming pool, an all-day-dining restaurant, a Chinese restaurant and a Japanese restaurant.

Situated approximately 2 km from the CBD, the hotel is close to key tourist hubs such as Orchard Road, Chinatown and Marina Bay. It sits above the Bugis Mass Rapid Transit station, which provides convenient access to attractions around Singapore.

The hotel has also renovated and opened a new cocktail bar, Idlewild, in March 2019, offering cocktails with a live band and mid-century modern, retro-luxe interiors that give an intimate, yet energetic atmosphere.

InterContinental Singapore is the only luxury hotel in Singapore with rooms in

The hotel has ample parking, which is a shared facility within Bugis Junction.



Fraser Suites Singapore

Singapore

No. of Rooms

255

Address

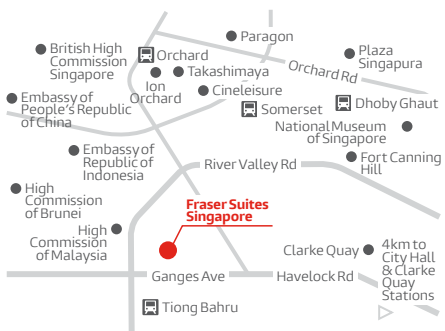
491A River Valley Road,
Singapore 248372



Situated in River Valley, a prime residential district, Fraser Suites Singapore is approximately 2 km from the Orchard Road shopping belt and approximately 3.5 km from the CBD. The serviced residence is also close to the Dempsey, Boat Quay and Clarke Quay entertainment areas.

Fraser Suites Singapore offers a wide range of recreational and business facilities, including an extensive indoor and outdoor playzone, a 24-hour fully equipped gym, a jet pool, a swimming pool, steam and sauna facilities.

Its unit sizes range from 50 sqm for a 1-bedroom to 350 sqm for a penthouse. Each unit is fully furnished with separate living, dining, kitchen and bedroom areas, as well as a state-of-the-art home entertainment system.





ibis Styles London Gloucester Road

UK

No. of Rooms

84

Address

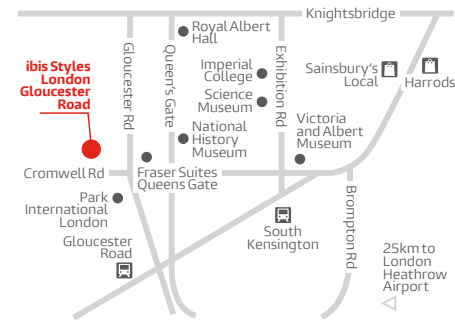
108, 110 and 112 Cromwell Road, London, SW7 4ES, UK

ibis Styles London Gloucester Road, formerly known as Best Western Cromwell London, was rebranded on 1 January 2018. As part of its rebranding to the ibis Styles brand, the guest rooms, restaurant and lobby have been completely refurbished.

The hotel is set in a Victorian-style building on Cromwell Road in the South Kensington borough, with the Gloucester Road Underground Station, served by the Piccadilly, Circle and District lines, in close proximity. Nearby attractions include the Science Museum, the Natural History Museum, the Victoria & Albert Museum, as well as shopping

destinations such as Harrods and Harvey Nichols.

The hotel's strategic location allows it to capture demand from both business and leisure travellers. Offering a variety of double rooms, the hotel also has a breakfast area on the lower ground and a lobby bar serving drinks and snacks throughout the day.



Park International London

UK

No. of Rooms

171

Address

117-129 Cromwell Road, South Kensington, London, SW7 4DS, UK

Park International London is an elegant hotel with 171 guest rooms. Set in a Victorian-style building in the heart of Kensington and Chelsea, it is in close proximity to London's leading tourist attractions such as the Natural History Museum, Royal Albert Hall, South Kensington, and Earl's Court Exhibition Centre. The Gloucester Road Underground Station is also nearby. The hotel's strategic location allows it to capture demand from both business and leisure travellers.

Park International London offers a variety of room options, from single rooms to junior suites. The hotel also

offers a wide range of recreational and business facilities, including a gym and a business centre.



Fraser Place Canary Wharf London

UK

No. of Rooms

108

Address

80 Boardwalk Place,
London E14 5SF,
UK



Fraser Place Canary Wharf London is located by the River Thames in Canary Wharf, London's modern financial centre, with a concentration of chic restaurants, bars and shops. It is a 5-minute stroll from the lively Canary Wharf shopping and entertainment complex, as well as a 10-minute walk from Canary Wharf Underground Station (Jubilee Line) and Docklands Light Railway. The London City Airport is also within an easy 10 minutes ride.

units range from 21 sqm for a studio apartment to 200 sqm for a penthouse. Each unit is fully furnished with spacious living areas and all units afford views of Canary Wharf, the River Thames and The O2 in Greenwich.

Fraser Place Canary Wharf London also has a 24-hour gym and a full-service business centre.

Refurbished in 2014, Fraser Place Canary Wharf London comprises 14-storeys with each floor having only 4 to 8 units. The sizes of the serviced residence



Fraser Suites Edinburgh

UK

No. of Rooms

75

Address

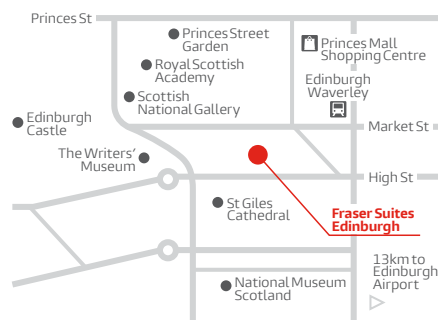
12-26 St Giles Street,
Edinburgh EH1 1PT,
Scotland, UK



Set in a 1750s sandstone building, Fraser Suites Edinburgh is located on the historic St Giles Street, off the Royal Mile in Edinburgh's Old Town and within walking distance of Princes Street and Edinburgh Castle. It is surrounded by restaurants, bars, cafes and shops, and is in close proximity to attractions such as Holyrood Palace, National Gallery of Art, National Museum of Scotland and Arthur's Seat. The serviced residence is located about 13 km from Edinburgh Airport.

sizes range from 24 sqm for a studio apartment to 47 sqm for an executive suite. The serviced residence also has a fitness suite that opens 24 hours.

Fraser Suites Edinburgh comprises 8 storeys and offers 75 rooms. The unit





Located in Merchant City, Glasgow’s historic centre, Fraser Suites Glasgow offers convenient access to restaurants, boutiques, theatres and pavement cafes. It is also in close proximity to George Square, Glasgow Cathedral, the Gallery of Modern Art and the shopping destinations of Buchanan Street and St Enoch Centre.

The serviced residence is set in a restored 1850s building, once the city bank, which has a classic Victorian Scottish façade. It comprises 5 storeys and offers 98 rooms.

The unit sizes range from 41 sqm for a studio apartment to 59 sqm for

a 2-bedroom and each unit is fully furnished with a kitchenette. The serviced residence has a 24-hour gym and a meeting room.

Fraser Suites Glasgow

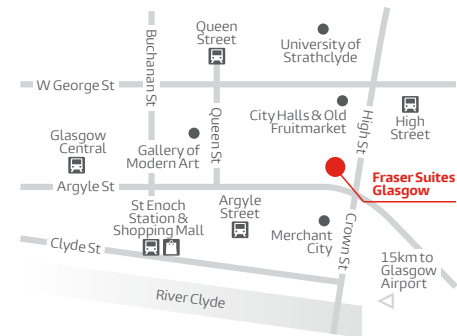
UK

No. of Rooms

98

Address

No 1-19 Albion Street, Glasgow G1 1LH, Scotland, UK



Fraser Suites Queens Gate London is conveniently situated within walking distance of Knightsbridge, Chelsea, Hyde Park, Royal Albert Hall and Harrods. It is located close to Gloucester Road Underground Station (Piccadilly, District and Circle lines) and about 23 km from London Heathrow Airport.

The 7-storey serviced residence is housed in a preserved 19th century historical building and offers 105 rooms. It underwent an extensive renovation in 2014 and now features elegant interiors and a dining conservatory.

The unit sizes at Fraser Suites Queens Gate London range from studio deluxe units to 2-bedroom deluxe units.

Fraser Suites Queens Gate London offers a range of recreational and business facilities, such as a gym and a meeting room that can accommodate up to 30 people. There is also a guest laundry on the lower ground floor and a business zone with internet workstations.

Fraser Suites Queens Gate London

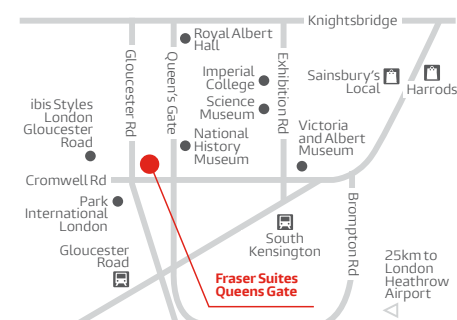
UK

No. of Rooms

105

Address

39B Queens Gate Gardens, London SW7 5RR, UK



ANA Crowne Plaza Kobe

Japan

No. of Rooms

593

Address

1-Chome,
Kitano-Cho Chuo-Ku,
Kobe, 650-0002, Japan

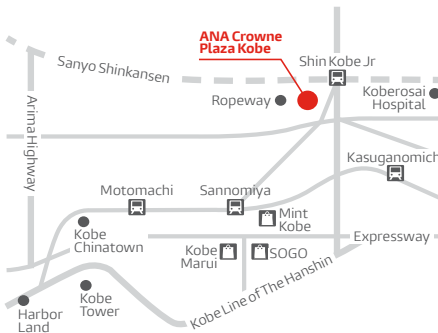


ANA Crowne Plaza Kobe is located close to the centre of Kobe City, the biggest city in Hyogo Prefecture. Situated above Shin-Kobe Subway Station, 1 subway stop from downtown Kobe, the hotel also has direct access to JR Shin-Kobe Shinkansen Station, which offers easy access to Tokyo and Osaka. It is approximately 8 km from Kobe Airport and 71 km from Kansai International Airport.

The health and fitness centre is equipped with a gym and features an all-season indoor swimming pool and a sauna bath.

ANA Crowne Plaza Kobe has event spaces covering 3,298 sqm which include exhibit areas and a ballroom. The ballroom can accommodate up to 2,000 persons. The hotel has 7 restaurants and a bar, offering a wide range of dining options and a total seating capacity of 968 persons. It also offers a 70-seat chapel, spa facilities, a beauty salon, a florist and a gift shop on its premises.

ANA Crowne Plaza Kobe offers a variety of room options, ranging from 15 sqm single-bedrooms to 125 sqm club suites, and a wide range of recreational and business facilities, including a health and fitness centre and a business services



The Westin Kuala Lumpur

Malaysia

No. of Rooms

443

Address

199, Jalan Bukit Bintang,
Kuala Lumpur, 55100,
Malaysia



The Westin Kuala Lumpur, located in the bustling Golden Triangle, offers convenient access to the city's shopping malls and nightlife. The hotel is directly opposite the Pavilion mall, which has more than 500 retail shops. It is also in close proximity to Kuala Lumpur City Centre, where multinational corporations and leading financial institutions are located.

Italian and International cuisines as well as a bar lounge.

The Westin Kuala Lumpur has 20 meeting rooms and conference facilities, all equipped with state-of-the-art audio-visual equipment. The hotel's grand ballroom can accommodate up to 50 round tables. In 2014, the hotel renovated the Westin Executive Club Lounge, which has 2 small meeting rooms catering to corporate travellers.

The 35-storey hotel offers 380 hotel rooms and 63 residential suites. It has a wide range of recreational and business facilities, including a gym, swimming pool, F&B outlets serving Chinese,





Maritim Hotel Dresden

Germany

No. of Rooms

328

Address

Devrientstrasse 10-12,
01067 Dresden,
Germany

Maritim Hotel Dresden is located between the International Congress Centre to the north and Saxon Parliament to the south. In close proximity to the city centre as well as the Dresden Zwinger and Semper Opera, the hotel can easily be reached from the Dresden International Airport, located just 10 km away.

adjoining to the congress centre which has a capacity of 8,600 sqm for up to 6,800 delegates.

The hotel features 328 guest rooms, a restaurant, bar, gymnasium and underground car park. The hotel does not have any conference space as it is



Sustainability Report

In FY2019, we continued to make good progress in our sustainability efforts. We participated in the GRESB Real Estate Assessment 2019 for the first time and have set our ESG goals for the forthcoming year. These goals are meant to support our business growth strategy, and we intend to build upon them to further define our longer-term direction and ensure that we remain on track to fulfil our sustainability commitments.

About this Report

FHT's Sustainability Report follows the financial reporting period from 1 October 2018 to 30 September 2019 ("FY2019"). Focusing on our material environmental, social and governance ("ESG") factors, this report describes our approach towards sustainability and our progress thus far.

We have prepared this report in accordance with the sustainability reporting requirements of the SGX-ST Listing Manual (Rules 711A and 711B) and the Global Reporting Initiative ("GRI") Standards: Core Option. Additionally, we have aligned our reporting with the GRI Reporting Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness, Balance, Comparability, Accuracy and Reliability, Timeliness and Clarity.

The GRI Standards: Core Option, which is internationally recognised, has been selected as the reporting framework as it provides guiding principles on report content and quality, and suggests specific performance disclosures relevant to our material ESG topics.

Report scope

This report covers sustainability activities and performance relating to energy, water¹, waste management², customer experience, and employee health and safety of our 14 properties located across Asia, Australia and the UK³. It also includes sustainability information relating to anti-corruption, talent recruitment and retention, and the well-being and empowerment of employees of Frasers Hospitality Asset Management Pte Ltd (the "REIT Manager"). Information related to economic performance is detailed in other parts of FHT's FY2019 Annual Report.

Besides our material ESG factors, this report provides additional information around our environmental awareness-building programmes and contribution to the communities, to give a comprehensive account of our ESG impact.

The information in this report has been disclosed in good faith and to the best of our knowledge. While we have not sought independent assurance for this report, we will continue to take this into consideration as our sustainability reporting matures over time.

Feedback

We welcome any feedback that will help us improve our sustainability reporting and performance. Suggestions and feedback can be sent to: ir@frasershospitality.com.

- 1 Water data covers all properties except Fraser Place Canary Wharf London, which does not report water consumption.
- 2 Waste data is available from 8 out of the 14 properties covered in this report. For details of scope, please refer to "Waste" section of the report.
- 3 Maritim Hotel Dresden has been excluded from the report scope due to limitations imposed by the master lease agreement.

Board Statement

It is our pleasure to present to you FHT's FY2019 Sustainability Report.

We strongly believe that for FHT to remain relevant in this disruptive landscape, there is a need to develop strategic responses to ESG issues and implement sustainability practices anchored on strong corporate governance. With this approach, we can be confident that we are well-positioned to protect and enhance our business value through active management of ESG risks and opportunities.

In FY2019, we continued to make good progress in our sustainability efforts. We participated in the GRESB Real Estate Assessment 2019 for the first time. A global ESG benchmark for the real estate industry used by property companies, real estate investment trusts, funds, developers, and institutional investors, the GRESB assessment has given us insights of how we have performed vis-à-vis our global industry peers and has helped us identify opportunities to improve our ESG performance.

We also conducted a target-setting exercise to set clear ESG goals for the forthcoming year. These goals are meant to support our business growth strategy, and we intend to build upon them to further define our longer-term direction and ensure that we remain on track to fulfil our sustainability commitments.

As a responsible property owner, we continued to work closely with our hotels and serviced residence operators, business partners, employees and other key stakeholders to enhance the ESG performance of our portfolio and create shared value.

In discharging our responsibilities around sustainability, the Board is supported by a Sustainability Task Force ("STF") comprising the management team of the REIT Manager. With the assistance of the STF, the Board identifies and reviews those ESG issues that are critical to our business, and oversees the management and monitoring of FHT's ESG performance.

The Board would like to thank those who are onboard with us along our sustainability journey and we look forward to sharing our future achievements with you.

Our Sustainability Framework

FHT’s sustainability strategy is closely aligned with that of our Sponsor. We are guided by Frasers Property’s (the “Group”) unifying idea “experience matters” and Sustainability Framework.

Setting out the Group’s sustainability priorities towards 2030, the Sustainability Framework is driven by 3 pillars, namely Acting Progressively, Consuming Responsibly and Focusing on People. These pillars guide the Group’s multidisciplinary approach towards sustainability with 13 ESG focus areas. The Sustainability Framework also offers flexibility for FHT to tailor our sustainability undertakings to our hospitality business and operations.

Group Sustainability Framework



Managing Sustainability

Sustainability Governance

As a sponsored REIT, our sustainability approach and practices are in line with those of our Sponsor. Frasers Property’s Sustainability Steering Committee (“SSC”) guides and drives the Group’s sustainability agenda. The SSC is chaired by the Group CEO, Mr. Panote Sirivadhanabhakdi, and comprises senior management staff of Frasers Property.

The SSC meets regularly to review and assess the performance of the Group’s sustainability priorities and performance. It is supported by the Sustainability Working Committee (“SWC”), in which FHT is represented. Comprising members from the senior and middle management of various business units and corporate functions, the SWC implements action plans endorsed by the SSC, and monitors the Group’s sustainability performance against key performance indicators.

Within FHT, we have a dedicated STF in discharge of duty for the Board. The STF comprises the CEO and the heads of departments of the REIT Manager to push forth our sustainability agenda. As a substantial part of our ESG impact takes place in our properties, our Asset Management team works closely with each property’s General Manager to track and assess the property’s sustainability performance against indicators identified by the STF.

Stakeholder Engagement

To increase accountability and transparency, we have identified the key stakeholder groups that are impacted by our business and sustainability activities. We continue to engage and interact with them through multiple platforms. Their feedback and concerns have been carefully considered to ensure that our decisions would effectively contribute to the continual improvement of our operational and sustainability performance.

Key Stakeholders	Key Topics of Concern
Customers and Guests	<ul style="list-style-type: none"> • Customer satisfaction • Quality of facilities and services • Health and safety
Investment Community and Stapled Securityholders	<ul style="list-style-type: none"> • Financial and operational performance • Business strategy and outlook • Acquisitions and divestments • Capital and risk management • Corporate governance
Serviced Residence and Hotel Operators	<ul style="list-style-type: none"> • Asset management and enhancement initiatives • Business opportunities • Property maintenance programmes • ESG practices
Employees	<ul style="list-style-type: none"> • Employee development and retention • Employee satisfaction • Occupational health and safety • Impact on the environment • Employee well-being • Organisation updates
Suppliers and Business Partners	<ul style="list-style-type: none"> • Appropriate cost and budgeting • Adherence to terms and conditions of purchasing policies
Local Community	<ul style="list-style-type: none"> • Social and community projects • Business impact on the environment and society
Media	<ul style="list-style-type: none"> • Financial and operational performance • FHT’s latest developments, including acquisitions, equity fund raising, and divestments
Regulators and Non-governmental Organisations	<ul style="list-style-type: none"> • Regulatory compliance • Regulatory and industry updates and trends • Corporate governance













Mode of Engagement	Frequency of Engagement
<ul style="list-style-type: none"> Bilateral communications Guest satisfaction surveys Events 	<ul style="list-style-type: none"> Throughout the year Throughout the year Throughout the year
<ul style="list-style-type: none"> Results briefings, earnings calls and post-results luncheons Annual General Meeting Local and overseas investor conferences and roadshows Bilateral communications via emails, calls, company visits and site visits Corporate website 	<ul style="list-style-type: none"> Quarterly Annually Throughout the year As and when requested Throughout the year
<ul style="list-style-type: none"> Regular site meetings Discussions via calls and emails ESG performance data collection and review 	<ul style="list-style-type: none"> Throughout the year Throughout the year Monthly
<ul style="list-style-type: none"> Performance appraisals Training, including courses and orientation programme for new staff Employee satisfaction survey Frasers Property Health and Safety Month and Environment Month Team bonding activities, sports, volunteering, Family Day, Annual Dinner and Dance and other social events Internal communications via emails, the intranet, newsletters and townhall meetings 	<ul style="list-style-type: none"> Annually: all employees received reviews in FY2019 Throughout the year: in FY2019, each staff of the REIT Manager clocked an average of 100 hours of training Annually: in FY2019, 84% of the REIT Manager staff participated in Voices of Frasiens Survey Annually Throughout the year Throughout the year
<ul style="list-style-type: none"> Quotations, proposals and tenders Regular meetings Discussions via calls and emails 	<ul style="list-style-type: none"> As and when requested As and when requested As and when requested
<ul style="list-style-type: none"> Community engagement activities 	<ul style="list-style-type: none"> Throughout the year
<ul style="list-style-type: none"> Luncheons with relevant journalists Media releases 	<ul style="list-style-type: none"> Throughout the year Throughout the year
<ul style="list-style-type: none"> Briefings, discussions and consultations Participation in relevant industry associations 	<ul style="list-style-type: none"> Throughout the year Member of the REIT Association of Singapore (“REITAS”) Member of Securities Investors Association (Singapore) CEO of the REIT Manager, Mr. Colin Low, is a Board Member of the Singapore Hotel Association and a Member of the Regulatory Sub-Committee of REITAS

Materiality Assessment

During FY2019, the REIT Manager reviewed the material factors of FHT. The review process referenced GRI Principles of Materiality, global and local sustainability hot topics, and the landscape of the hospitality industry. Key ESG issues that have surfaced from our ongoing interactions with both internal and external stakeholders were also taken into consideration.

As there was no significant change to the nature of our business, we have determined that the material factors identified in FY2018 remain relevant to FHT.

The table below shows how our material ESG factors correspond to the 3 pillars of the Group Sustainability Framework and the relevant United Nations Sustainable Development Goals (“SDGs”). It also shows our material factor boundaries, progress towards SDG and ESG targets for the forthcoming year.

Group Sustainability Framework Pillars	Corresponding SDGs	FHT’s Material Factors	Materiality Rationale
Acting Progressively 	  	Economic Performance Anti-corruption	<p>Our strategic objective is to manage and expand our portfolio, within our risk capacity and appetite, to deliver long-term growth in distribution and net asset value to our Stapled Securityholders.</p> <p>The foundation of our reputation lies in ethical and fair dealings. We maintain high standards of governance and accountability to earn the trust and confidence of our stakeholders.</p>
	   	Energy and GHG Emissions Management Water Management Waste Management	<p>Considering that energy consumption is one of the largest environmental impact that our operations generate, we continue to actively monitor and manage energy consumption at our properties.</p> <p>As water is a limited natural resource, it is essential for us to manage our consumption to reduce unnecessary usage.</p> <p>As the operations of our properties generate various types of waste, proper waste management is key in preventing adverse impact on the local environment and public health.</p>
Focusing on People 	  	Customer Experience Talent Recruitment and Retention Employee Well-being and Empowerment	<p>Customer experience is a vital aspect in determining the success of our business. It is our utmost priority to meet and even exceed the expectations of our customers and guests.</p> <p>It is important that the REIT Manager has the capacity to manage and expand FHT’s portfolio to create value for our stakeholders. We seek to attract, develop and retain the right people who are the cornerstone of our success.</p> <p>Employees are at the heart of hospitality operations. It is vital to ensure our hotel and serviced residence operators value staff well-being by providing a conducive and safe working environment. In turn, a motivated workforce can better deliver positive, memorable experiences to our customers and guests.</p>

Material Factor Boundaries			FHT's FY2019 Progress Towards SDGs	FHT's FY2020 Targets
FHT/REIT Manager	Suppliers/Contractors	Properties		
✓			<ul style="list-style-type: none"> Developed Board Diversity and Investor Relations policies which are effective from 1 October 2019. No confirmed incidents of bribery and corruption. FHT is a constituent of both iEdge Singapore ESG Leaders Index and iEdge Singapore ESG Transparency Index since March 2019. 	<ul style="list-style-type: none"> Maintain zero confirmed incidents of bribery and corruption.
✓	✓	✓	<ul style="list-style-type: none"> Achieved: <ul style="list-style-type: none"> 5.6% year-on-year ("yoy") decline in electricity intensity. 4.9% yoy reduction in carbon emission intensity. 2.9% yoy decline in water intensity. Waste recycling rate of 11.8% for FY2019. 	<ul style="list-style-type: none"> Reduce energy intensity from FY2019 levels through ongoing replacement of more energy-efficient appliances and equipment in our properties whenever applicable. Reduce water intensity from FY2019 levels through ongoing replacement of water-efficient devices and equipment in our properties whenever applicable. Expand reporting to cover beyond the current 8 properties.
		✓	<ul style="list-style-type: none"> Achieved: <ul style="list-style-type: none"> Zero incidents of non-compliance with regulations concerning customer health and safety. Average of 100 training hours per employee in FY2019, up from 70 hours in FY2018 and higher than the internal target of 40 hours. Zero incidents of non-compliance with health and safety regulations. 	<ul style="list-style-type: none"> Maintain zero incidents of non-compliance with regulations concerning customer health and safety across our properties. Maintain that all properties continue to have customer satisfaction evaluation mechanism in place. Formally engage operators at asset management review meetings on guest satisfaction evaluation and enhancement of guest experience. Continue to achieve an annual average of at least 40 hours of training per employee. Achieve 100% response rate for Voices of Frasiars Survey. Maintain zero incidents of non-compliance with health and safety regulations.
✓				
✓		✓		

Acting Progressively

Embracing good corporate governance and best practices in our business increases stakeholders' trust and confidence in FHT and enhances our value over time. We strive to maintain high standards of integrity, accountability and governance by establishing policies and having robust internal processes in place.

Risk-Based Management

At FHT, we adopt a risk-based management approach to sustainability. We regularly review our policies and compliance levels, in line with our zero tolerance approach towards corruption and fraud. We also ensure that our communications with the investment community are transparent, timely, accurate and clear.

In recognition of our ongoing efforts to maintain timely and transparent communications with our Stapled Securityholders and the investment community, we were conferred the bronze award for Best Investor Relations under the REIT and Business Trust category at the prestigious 2019 Singapore Corporate Awards.

We continued to pledge our commitment to uphold high standards in corporate governance by being a signatory to the 2019 Corporate Governance Statement of Support initiated by the Securities Investors Association (Singapore) (SIAS).

We complied with all relevant laws, rules and regulations, including the Code of Corporate Governance 2018, the Singapore Code of Advertising Practice, listing rules and other regulations of the SGX and the Securities and Futures Act of Singapore. We are pleased to note

that there were zero confirmed incidents of bribery and corruption in FY2019 and we strive to maintain this good performance in the coming year.

Guided by our Sponsor, we subscribe to the following corporate policies:

- Code of Business
- Whistle-Blowing
- Anti-Bribery
- Competition Act Compliance
- Personal Data Protection Act
- Legal and Regulatory Compliance
- Environment, Health and Safety
- Dealing in Stapled Securities of FHT and Reporting Procedures
- Prevention of Money Laundering and Countering the Financing of Terrorism
- Outsourcing
- Treasury
- Board Diversity (effective from FY2020)
- Investor Relations (effective from FY2020)
- Continuing Education (effective from FY2020)

In addition, the Group's Internal Audit independently examined and evaluated the REIT Manager's activities, focusing on adequacy of internal controls, risk management and corporate governance processes. Its audit findings and recommendations were presented to the Board for appropriate follow-up actions by the management. The Head of Group Internal Audit reports directly to the Chairman of the Audit, Risk and Compliance Committee of the REIT Manager.



As part of the Group, we support the following initiatives to align our business with the global sustainability movement:

- A signatory to the United Nations Global Compact (UNGC)
- Global Real Estate Sustainability Benchmark (GRESB)
- Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC)
- Tripartite Guidelines on Fair Employment Practices (TAFEP)

At the asset level, some of our properties have proactively participated in the hotel chains’ sustainability schemes or launched their own initiatives, in their efforts to continually improve their ESG performance.

Green Tourism Programme

Green Tourism Programme is one of the most well-recognised sustainable tourism certification programmes in the world. It aims to help companies develop their road map to become a more sustainable business in the tourism industry. Its awards certification programme acknowledges the commitment of business in caring for local communities, promoting a sense of place and conserving local areas, and adopting environmentally-friendly practices.

A member of the programme receives an assessment visit once every 2 years. Following the assessment, a detailed recommendation report will be provided to facilitate future improvement.

Our properties in the UK, namely Park International London, Fraser Place Canary Wharf London, Fraser Suites Edinburgh, Fraser Suites Glasgow and Fraser Suites Queens Gate London are participants of the Green Tourism Programme.

Planet 21

Planet 21 is AccorHotels Group’s global sustainable development programme, which lays out its sustainability goals for 2020 around 4 strategic priorities: working with employees, involving customers, innovating with partners and working with local communities.

Our properties managed by AccorHotels – Novotel Melbourne on Collins, Novotel Sydney Darling Square, Sofitel Sydney Wentworth and ibis Styles London Gloucester Road – actively participate in the Planet 21 programme. To acknowledge its sustainability efforts, ibis Styles London Gloucester Road has been named a Planet 21 Champion.

We are pleased to highlight that the following properties have been recognised for their sustainability achievements:

Green Awards

- InterContinental Singapore
 - Building and Construction Authority of Singapore (“BCA”) Green Mark GOLD^{PLUS} Award (2018-2020)
- Park International London
 - Green Tourism Bronze Award
- Fraser Place Canary Wharf London
 - Green Tourism Bronze Award
- Fraser Suites Edinburgh
 - VisitScotland Green Tourism Business Certification Silver Award
- Fraser Suites Glasgow
 - VisitScotland Green Tourism Business Certification Bronze Award
- Fraser Suites Queens Gate London
 - Green Tourism Bronze Award

Consuming Responsibly

There is increasing awareness of the environmental impact of the hospitality business and higher expectations on resource conservation among our global customers and guests. To reduce our resource consumption, we engage our property operators to practise good energy, water and waste management. We have also put in place a reliable process to capture these environmental data which are reported on a monthly basis to FHT.

Furthermore, we take an active role to promote environmentally-friendly practices by raising awareness among our staff and guests, through which we hope to bring about mindset and behavioral changes in support of environmental sustainability. We also encourage sustainable practices when working with our suppliers and property operators. Some examples of these practices include:

- Replacement of equipment with more efficient and environmentally-friendly alternatives as and when the need arises;
- Practice of appropriate and adequate risk management procedures in the sourcing and selection of materials process;
- Inclusion of environmental considerations in our procurement contracts; and
- Consideration of green features when reviewing and developing asset enhancement plans.

Energy and Carbon

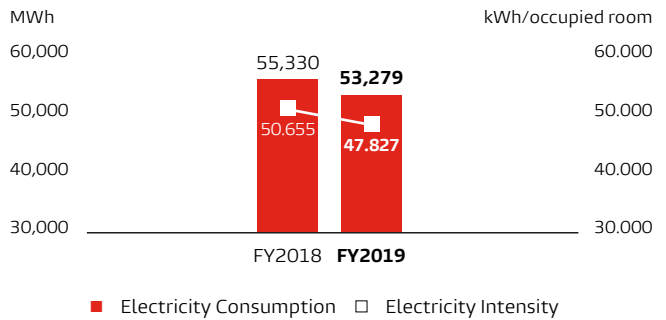
We work jointly with our operators and guests to do our part in conserving energy and reducing carbon emissions. In FY2019, our properties consumed a total of 53,279,206 kWh of electricity, down 3.7% from 55,329,650 kWh in FY2018. The reduction was attributed to various initiatives by our properties to improve energy efficiency.

Our electricity consumption contributed to 32,237 tonnes of CO₂ equivalent (tCO₂e) emissions, 3.1% lower than the 33,252 tCO₂e Scope 2 indirect emissions in FY2018³.

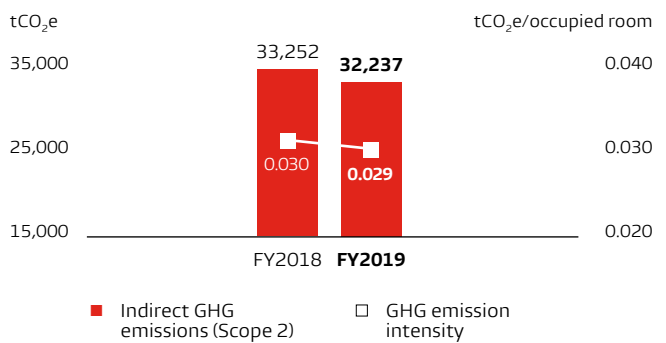
Our electricity intensity was 47.827 kWh per occupied room, 5.6% lower than FY2018 levels. Our carbon emission intensity was 0.029 tCO₂e per occupied room, 4.9% lower than FY2018 levels.

In FY2020, we aim to reduce our energy intensity from FY2019 levels through ongoing replacement of more energy-efficient appliances and equipment in our properties whenever applicable.

Electricity Consumption and Intensity



Indirect GHG Emissions (Scope 2) and Intensity



Energy Saving Initiatives Implemented in FY2019

- 1) To conserve energy, ibis Styles London Gloucester Road took the opportunity to install energy-efficient chiller system and LED lights in all the bedrooms and public areas during its renovation. Its new air conditioning system has a central control function that enables the air-conditioning in out-of-service rooms to be remotely switched off.
- 2) The Westin Kuala Lumpur invested in new, energy-efficient heat pumps which help to reduce its energy consumption.
- 3) Fraser Suites Sydney upgraded its HVAC (heating, ventilation and air conditioning) system for all the suites and installed energy-efficient lights in all the guestrooms.
- 4) ANA Crowne Plaza Kobe and Fraser Suites Singapore continued to progressively convert lightings in their guestrooms and public areas to LED for greater energy efficiency.

³ Scope 2 indirect emissions from electricity consumption for FY2018 has been restated from 32,699 tCO₂e to 33,252 tCO₂e due to updates in the grid emission factor in Malaysia.

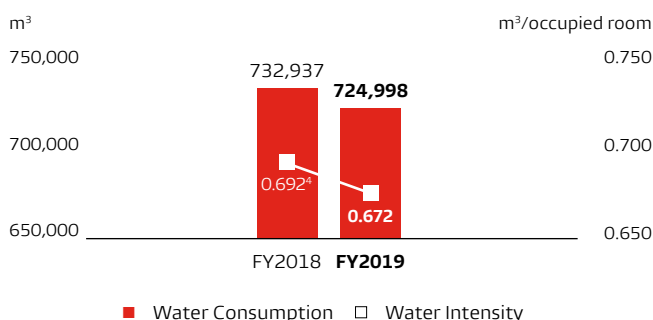
Water

With water scarcity being a global environmental issue, we continually engage our operators and guests to improve water management at our properties.

In FY2019, the total water consumption at our properties was 724,998 m³, all of which came from municipal water supply. This was a 1.1% decline from 732,937 m³ in FY2018. Our water intensity was 0.672 m³ per occupied room, representing a 2.9% decrease from FY2018 levels. The reductions were mainly due to our ongoing efforts in water management.

In FY2020, we aim to reduce water intensity from FY2019 levels through ongoing replacement of water-efficient devices and equipment in our properties whenever applicable.

Water Consumption and Intensity



Water Saving Initiatives Implemented in FY2019

- 1) During its renovation, ibis Styles London Gloucester Road installed flow restrictors in all its bathroom taps and water-efficient showerheads to reduce water consumption. Water pressure has also been adjusted from 4.5 bars to 3.75 bars across the property.
- 2) For better water conservation, The Westin Kuala Lumpur upgraded its cooling towers during the year. The towers were made from recyclable high-density polyethylene (HDPE) which is more durable and creates no harmful emissions during its use.

Waste

With topics around reduction of single-use plastics and management of food waste gaining considerable public interest, we continue to explore and implement initiatives to reduce our waste footprint.

Beyond abiding by local regulatory guidelines on waste management, we also worked with our operators to continue improving our waste measurement systems. We have for the first time disclosed our waste data for 8 properties which represent approximately 57% of our portfolio covered in this report. In FY2019, these 8 properties generated 3,120 tonnes of non-hazardous waste⁵, of which 11.8% was sent for recycling. Going forward, we aim to expand our reporting beyond the current 8 properties.

Waste Management Initiatives Implemented in FY2019

- 1) Cognisant of the negative environmental impact of plastics, we have embarked on a journey to progressively phase out single-use plastics at our properties. This includes replacing plastic straws, stirrers and bags with alternative biodegradable materials, removing dry amenities plastic packaging, and using pump bottles in place of single-use shower toiletry bottles.
- 2) In line with FHT's drive, all Frasers Hospitality-managed properties have embarked on this journey with us, by phasing out single-use plastics since May 2019.
- 3) To abolish small bottle amenities from hotel rooms, the procurement team at Novotel Sydney Darling Square has been engaging suppliers to explore large-sized, secure in-room solutions which will reduce both product and packaging wastage. The hotel has been confirmed for trial in 2020, a first for the Novotel brand globally.
- 4) ANA Crowne Plaza Kobe exceeded its waste recycling/landfill diversion target of 10% set by the hotel chain by introducing various initiatives to reduce packaging waste.
- 5) Fraser Suites Sydney achieved an impressive 43% year-on-year reduction in paper usage in its drive to go paperless for check-ins. This translates to saving 17 trees a year.

4 FY2018 water intensity has been restated as the number of occupied room nights which was used as the denominator for calculating water intensity should have excluded Fraser Place Canary Wharf London, which does not report water consumption.
 5 This included waste from Novotel Melbourne on Collins, Novotel Sydney Darling Square, Sofitel Sydney Wentworth, InterContinental Singapore, Fraser Suites Singapore, Fraser Suites Edinburgh, Fraser Suites Glasgow and The Westin Kuala Lumpur.

Focusing on People

Across the Frasers Group, we are driven by one unifying idea that “experience matters” – our customers’ and guests’ experience matters, and our experience matters.

Customer Experience

Good customer experience is key to our business. At FHT,

we strive to stay attuned to the needs of our customers and guests and exceed their expectations through safe operations and excellent service.

We take a 3-pronged approach to continually improve our service quality and enhance our guests’ experience:

Monitor Customer Feedback and Satisfaction	Provide Training Targeted at Customer Service Excellence	Engage External Parties to Evaluate Service Quality
<ul style="list-style-type: none"> We collate guests’ feedback through various channels such as in-room surveys, post-stay surveys and reviews on major travel service platforms. We have met our targets on response rate for online reviews and direct guest communications. Procedures are in place to ensure guest complaints are treated with upmost care and service delivered is consistent. 	<ul style="list-style-type: none"> Staff at Frasers Hospitality-managed properties attend Front-Office Excellence Training, and Epitome Training and Grooming. At InterContinental Singapore, new and existing staff are trained on the hotel chain’s approach to hospitality. New hires at Novotel Melbourne on Collins undergo Peopleology Service training before they start their employment. 	<ul style="list-style-type: none"> We deploy independent mystery shopper audits to assess the service quality at our properties. At InterContinental Singapore, annual audits on brand standards are conducted to ensure the hotel operates under the same service standards as the chain. The audits also include an assessment of the hotel’s approach to customer health and safety. At Sofitel Sydney Wentworth, annual audits such as the Leading Quality Assurance Brand and Luxury Benchmark are conducted to provide insights on the hotel’s performance against other luxury hotels and identify areas for improvement.

We are also committed to safeguarding our guests’ health and safety during their stay at our properties. All our properties have in place related management policies and procedures and we require our operators to report all incidents promptly. We also work closely with our operators to identify and rectify any potential safety risks in our properties.

There were no incidents of non-compliance with regulations concerning customer health and safety in FY2019. Furthermore, many of our properties continued to be recognised as the preferred accommodation for business and leisure travellers across the globe with the numerous prestigious industry awards won during the year.

For FY2020, we aim to maintain zero incidents of non-compliance with regulations concerning customer health and safety, and require all properties to maintain their customer satisfaction evaluation mechanism. We will also formally engage our operators on guest satisfaction evaluation and experience enhancement during our asset management review meetings with them.

Industry Awards and Accolades

Fraser Suites Singapore

- Singapore’s Leading Serviced Apartments 2019 at the World Travel Awards

Fraser Suites Edinburgh

- Scotland’s Leading Serviced Apartments 2019 at the World Travel Awards

Fraser Suites Sydney

- Oceania’s Leading Serviced Apartments 2019 at the World Travel Awards
- Best Serviced Apartment/Suite Hotel of the Year at the Tourism Accommodation Australia NSW Awards for Excellence 2019

InterContinental Singapore

- Ranked 5th amongst the top 25 luxury hotels in Singapore by TripAdvisor at the Traveller’s Choice 2019 Award

ANA Crowne Plaza Kobe

- 2019 Experts’ Choice Award by TripExpert

Skills and Leadership

The REIT Manager embraces workforce diversity and equal employment opportunity based on merit. We seek to attract and retain a diverse talent pool to bring in different ideas and perspectives and in turn encourage innovation, inclusivity and growth.

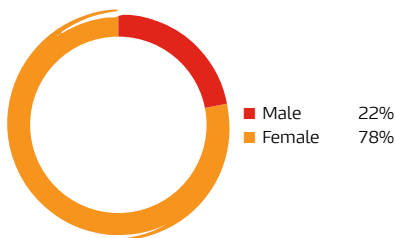
In support of the Group’s commitment to fair employment practices, we subscribe to the Tripartite Alliance for Fair and Progressive Employment Practices (TAFEP) in

Singapore and adopts the Group’s Code of Business Conduct.

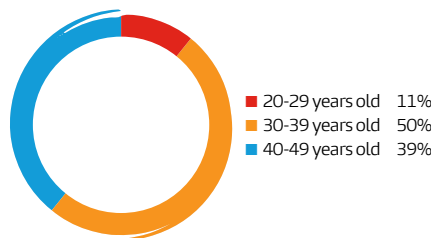
The employee data disclosed in this report relates to the REIT Manager. As at 30 September 2019, we have a team of 18 full-time and permanent employees⁶ who are based in Singapore, Australia and the UK. During the year, 6 employees left while 7 were recruited. These translate to a turnover rate of 33% and a hiring rate of 39%.

Employee Profile of the REIT Manager

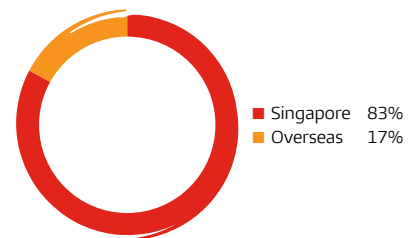
By Gender



By Age Group

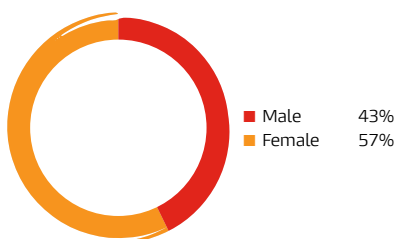


By Region

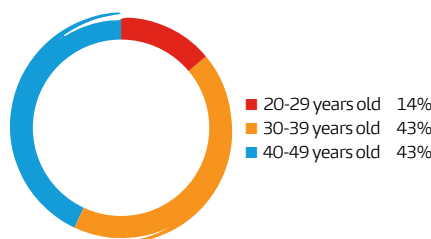


New Hires

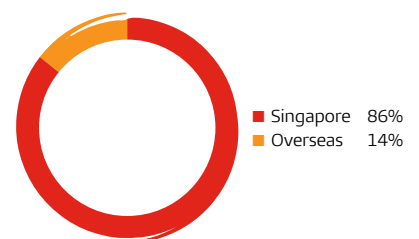
By Gender



By Age Group

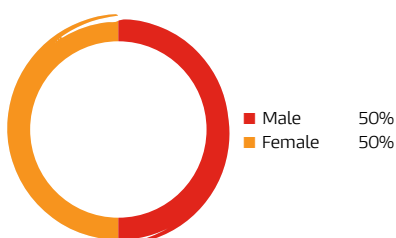


By Region

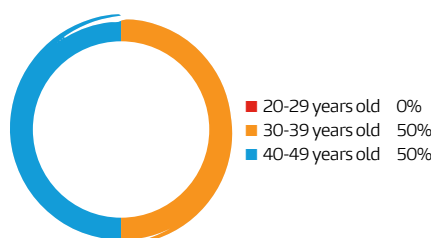


Employee Turnover

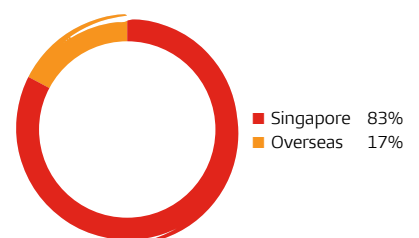
By Gender



By Age Group



By Region



6 Employee categories at the REIT Manager are executive and non-executive. For FY2019, all employees of the REIT Manager are executives.

We are committed to empowering our staff with skills and experience for future career growth. We encourage a learning culture by providing a comprehensive range of learning and development programmes which are coordinated by the Group's Human Resource department.

Through the annual staff performance appraisal, we are able to identify any knowledge or skills gaps of our employees and address thereafter through our learning and development programmes. Additionally, from 1 January 2019, staff who are representatives and holders of the Capital Markets Services (CMS) Licence are to comply with the new training regulations administered by the Monetary Authority of Singapore which mandates minimum continuing professional development training hours per annum as part of their licensing requirements.

During FY2019, our staff attended development courses, seminars and conferences, and clocked a total of 1,796 training hours. On average, each employee received 100 hours of training, which was above the annual average of 70 hours for FY2018 and the internal training target of 40 hours per employee. For FY2020, we aim to continue achieving the annual average of at least 40 training hours per employee.

Health and Well-being

For employees, health and well-being is a baseline expectation. The REIT Manager remains committed to providing staff with a secure and conducive working environment, and joining hands with our operators to safeguard the health and well-being of our property staff.

In our properties, stringent health and safety policies have been set up and relevant safety equipment has been installed. Each property operator has been tasked to set up a designated committee responsible for conducting regular risk reviews and assessments to monitor and improve the overall health and safety performance of the property. Regular training is provided to ensure our property staff are able to follow safety procedures and operate safety equipment. At the same time, we also conduct such sessions with our vendors to promote health and safety along our supply chain.

Health and Safety Training

In FY2019, safety training covered include the following:

- Workplace health and safety for new and existing employees
- Incident reporting and emergency response
- Occupational first aid, CPR (cardiopulmonary resuscitation) and AED (automated external defibrillator)
- Fire evacuation
- Terrorism preparedness

A business continuity plan ("BCP") is in place at each of the Frasers Hospitality-managed properties to minimise the impact that a potential disruptive scenario, such as a pandemic disease, fire or power failure, could cause. To ensure that the BCP is effective, the properties will establish a BCP test schedule yearly to carry out the procedures and drills for different scenarios. Results of the drills are reported quarterly and any points for improvement will be discussed and put in place.

To gain additional assurance on our health and safety management, we also conduct regular internal inspections and engage third-party audits to confirm that our safety equipment is effective. We are pleased to inform that in FY2019, there were zero incidents of non-compliance with health and safety regulations.

Going forward, we will continue to work closely with property operators to review and evaluate our safety performance so as to maintain our record of zero incidents of non-compliance with health and safety regulations for FY2020.

Aside from workplace safety, the REIT Manager has been promoting staff well-being by encouraging team bonding activities such as office get-togethers and outings. To better understand employees' concerns and expectations, we communicate with them regularly, through both formal and informal channels such as staff briefings, newsletters and emails.

In FY2019, 84% of our employees participated in our annual employee satisfaction survey, Voices of Frasers, and in the coming year, we aim to improve the response rate for this survey to 100%.

Staff Engagement Activities in FY2019

- In support of a better work-life balance, every last Friday of the school semester has been designated as Eat With Your Family Day, where our staff are encouraged to leave work early at 5 pm to spend quality time over dinner with their families.
- Our staff enjoyed a fun day of games and learning with their families during Frasers Property Annual Family Day held at Alexandra Technopark on 15 June 2019.
- Frasers Property Health and Safety Month in August saw active participation by our staff in various activities. The theme for 2019 was "Live. Work. Play. Safe.", which sought to enable and empower employees to stay safe at all times.

Community Connectedness

Across our properties, we recognise ourselves in connection with the local communities and appreciate their kind support. We seek to contribute back to the local communities through donation-in-kind and staff volunteering.

Community Involvement Projects in FY2019

- In support of AmCham Singapore’s “Walk for Rice” fundraising event in October 2018, staff from Fraser Suites Singapore joined over 500 participants to raise 22,125 bowls of rice to benefit low-income families. For every 100 metres covered by each participant, a bowl of rice would be donated to needy families in the Southeast Community District of Singapore.
- Staff from Novotel Sydney Darling Square started a charity sneaker drive and collected shoes for donation to Shoes for Planet Earth, a non-profit organisation which provides recycled running shoes to the underprivileged around the world. The initiative not only provided sports apparels to those in need, but also conserved earth’s non-renewable resources through recycling.
- Staff from ibis Styles London Gloucester Road volunteered with the Refugee Women Association to mentor and assist refugee women in getting employed. One of the mentees has been recruited to work in the hotel’s food and beverage department.
- The REIT Manager staff returned to St Hilda’s Community Services Centre to interact with the elderly beneficiaries in an afternoon of games including Bingo. A total of 39 man-hours was clocked by the volunteers.



GRI Content Index

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Universal Standards			
GRI 102: General Disclosures	Organisational Profile		
	102-1	Name of the organisation	About Frasers Hospitality Trust, p.02
	102-2	Activities, brands, products, and services	About Frasers Hospitality Trust, p.02
	102-3	Location of headquarters	Corporate Information, p.07
	102-4	Location of operations	About Frasers Hospitality Trust, p.02
	102-5	Ownership and legal form	About Frasers Hospitality Trust, p.03 Trust Structure, p.06
	102-6	Markets served	Our Portfolio, p.04-05 Asset Profiles, p.54-61
	102-7	Scale of the organisation	About Frasers Hospitality Trust, p.02 Financial Highlights, p.08 Focusing on People – Skills and Leadership, p.75
	102-8	Information on employees and other workers	Focusing on People – Skills and Leadership, p.75-76
	102-9	Supply chain	Consuming Responsibly, p.72 Managing Sustainability – Stakeholder Engagement, p.66-67
	102-10	Significant changes to organisation and its supply chain	Key Events, p.25
	102-11	Precautionary principle or approach	FHT does not specifically refer to the precautionary approach when managing risk; however, our management approach is risk-based, and underpinned by our internal audit framework.
	102-12	External initiatives	Acting Progressively – Risk-Based Management, p.70-71
	102-13	Membership of associations	Managing Sustainability – Stakeholder Engagement, p.66-67 Acting Progressively – Risk-Based Management, p.70-71
Strategy			
102-14	Statement from senior decision-maker	Board Statement, p.64	
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	About Frasers Hospitality Trust, p.02 Acting Progressively – Risk-Based Management, p.70-71	
Governance			
102-18	Governance structure	Corporate Information, p.07 Board of Directors, p.44-47 Management Team, p.48-51 Corporate Governance, p.88-120 Managing Sustainability – Sustainability Governance, p.66-67	

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
GRI 102: General Disclosures	Stakeholder Engagement		
	102-40	List of stakeholder groups	Managing Sustainability – Stakeholder Engagement, p.66-67
	102-41	Collective bargaining agreements	There are no collective bargaining agreements in place.
	102-42	Identifying and selecting stakeholders	Managing Sustainability – Stakeholder Engagement, p.66-67
	102-43	Approach to stakeholder engagement	Managing Sustainability – Stakeholder Engagement, p.66-67
	102-44	Key topics and concerns raised	Managing Sustainability – Stakeholder Engagement, p.66-67
	Reporting Practice		
	102-45	Entities included in the consolidated financial statements	Trust Structure, p.06 Financial Statements, p.122-267
	102-46	Defining report content and topic Boundaries	About This Report – Report Scope, p.63 Materiality Assessment, p.68-69
	102-47	List of material factors	Materiality Assessment, p.68-69
	102-48	Restatements of information	Consuming Responsibly – Energy and Carbon, p.72 Consuming Responsibly – Water, p.73
	102-49	Changes in reporting	There were no significant changes in reporting period, list of material factors and topic boundaries.
	102-50	Reporting period	About This Report, p.63
	102-51	Date of most recent report	December 2018
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	About This Report – Feedback, p.63
	102-54	Claims of reporting in accordance with GRI Standards	About This Report, p.63
	102-55	GRI content index	GRI Content Index, p.78-81
	102-56	External assurance	We have not sought external assurance on this data; however we intend to review this stance in the future.
Management Approach			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Materiality Assessment, p.68-69
Topic-specific Standards			
Economic Performance			
GRI 103: Management Approach	103-2	The management approach and its components	Growth Strategy, p.03
	103-3	Evaluation of the management approach	

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Economic Performance			
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	Financial Review, p.14 Financial Statements, p.122-267
Anti-Corruption			
GRI 103: Management Approach	103-2	The management approach and its components	Acting Progressively – Risk-Based Management, p.70-71
	103-3	Evaluation of the management approach	
GRI 205: Anti-Corruption	205-3	Confirmed incidents of corruption and actions taken	Materiality Assesment, p.68-69 Acting Progressively – Risk-Based Management, p.70-71
Energy and GHG Emissions Management			
GRI 103: Management Approach	103-2	The management approach and its components	Consuming Responsibly – Energy and Carbon, p.72
	103-3	Evaluation of the management approach	
GRI 302: Energy	302-1	Energy consumption within the organization	
	302-3	Energy intensity	
GRI 305: Emissions	305-2	Energy indirect (Scope 2) GHG emissions	
	305-4	GHG emissions intensity	
Water Management			
GRI 103: Management Approach	103-2	The management approach and its components	Consuming Responsibly – Water, p.73
	103-3	Evaluation of the management approach	
GRI 303: Water	303-1	Water withdrawal by source	
Waste Management			
GRI 103: Management Approach	103-2	The management approach and its components	Consuming Responsibly – Waste, p.73
	103-3	Evaluation of the management approach	
GRI 306: Effluents and Waste	306-2	Waste by type and disposal method	Consuming Responsibly – Waste, p.73 Information on harzardous waste and its disposal methods is unavailable. We plan to collect such data in future reporting.
Customer Experience			
GRI 103: Management Approach	103-2	The management approach and its components	Focusing on People – Customer Experience, p.74
	103-3	Evaluation of the management approach	
Talent Recruitment and Retention			
GRI 103: Management Approach	103-2	The management approach and its components	Focusing on People – Skills and Leadership, p.75-76
	103-3	Evaluation of the management approach	
GRI 401: Employment	401-1	New employee hires and employee turnover	

GRI Standards 2016	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
Talent Recruitment and Retention			
GRI 404: Training and Education	404-1	Average hours of training per year per employee	Focusing on People – Skills and Leadership, p.75-76
	404-2	Programmes for upgrading employee skills and transition assistance programmes	
GRI 404: Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews	
Employee Well-Being and Empowerment			
GRI 103: Management Approach	103-2	The management approach and its components	Focusing on People – Health and Well-Being, p.76
	103-3	Evaluation of the management approach	
GRI 403: Occupational Health and Safety	403-1	Workers representation in formal joint management-worker health and safety committees	FHT is represented in the Sponsor's Health and Safety Committee.
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	As a REIT, we require all of our properties to report health and safety incidents on a prompt and regular basis.
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic areas	Focusing on People – Health and Well-Being, p.76

Investor Relations

Fair, Transparent and Prompt Communications

The Managers of FHT are committed to maintaining regular, timely, accurate and fair communications with our Stapled Securityholders, the investment community and the media.

To keep our stakeholders up-to-date on pertinent information relevant for their decisions, we strive to make our announcements, news releases, presentation slides, annual report, circulars and all other disclosures publicly available by promptly releasing them via SGXNET, and subsequently on FHT's website at www.frasershospitalitytrust.com.

FHT's quarterly financial results are publicly released no later than 30 days from the end of each quarter. Two weeks prior to the announcement of the quarterly results and 1 month prior to the announcement of the full-year results, the Managers will issue a notification on the date of release of the results via SGXNet and post on FHT's website, which is updated regularly.

Active Engagements via Multiple Platforms

The Managers actively engage the investment community through investor meetings, conference calls, non-deal roadshows, investor conferences and retail investor events. Such interactions not only help raise the profile of FHT and provide the investment community access to management, they also enable

the Managers to gain insights into the market perceptions and expectations of FHT.

The Managers also conduct quarterly results briefings for analysts via face-to-face meetings for the first half and full year, and conference calls for the first and third quarters. Property visits are arranged upon request to help the investment community better understand FHT's operations and performance.

FHT's Fourth Annual General Meeting ("AGM") was convened on 22 January 2019. The Board of Directors and management of the Managers were present to engage Stapled Securityholders and address their queries and concerns. Updates on FHT's performance, market outlook and growth strategies were covered at the AGM which was well attended. Resolutions for the AGM were then put to the vote by way of electronic polling. The results, showing the number of votes cast for and against each resolution, were announced after the meeting and the minutes of the AGM were subsequently uploaded on FHT's website for greater transparency.

In recognition of our continued efforts to maintain timely and transparent communications with our Stapled Securityholders and the investment community, FHT was conferred the bronze award for Best Investor Relations under the REIT and Business Trust category at the 2019 Singapore Corporate Awards.

Investor Relations Calendar for FY2019

First Quarter FY2019 (1 October 2018 – 31 December 2018)	
Analyst briefing for FY2018 results	October 2018
Second Quarter FY2019 (1 January 2019 – 31 March 2019)	
DBS Pulse of Asia Conference, Singapore	January 2019
AGM	January 2019
Analyst earnings call for 1Q 2019 results	January 2019
Third Quarter FY2019 (1 April 2019 – 30 June 2019)	
Analyst briefing for 2Q 2019 results	May 2019
REITS Symposium 2019, Singapore	May 2019
Fourth Quarter FY2019 (1 July 2019 – 30 September 2019)	
Analyst earnings call for 3Q 2019 results	July 2019
Citi-REITAS-SGX C-Suite Sponsors and SREITs Forum, Singapore	August 2019
Frasers Corporate Day, Kuala Lumpur	September 2019

Financial Calendar for FY2019

22 January 2019
Fourth AGM

30 January 2019
Release of 1Q 2019 results

30 April 2019
Release of 2Q 2019 results

28 June 2019
Payment of interim distribution for FY2019

30 July 2019
Release of 3Q 2019 results

30 October 2019
Release of 4Q and FY2019 results

27 December 2019
Payment of final distribution for FY2019

Financial Calendar for FY2020

(subject to changes by the Managers without prior notice)

14 January 2020
Fifth AGM

23 January 2020
Release of 1Q 2020 results

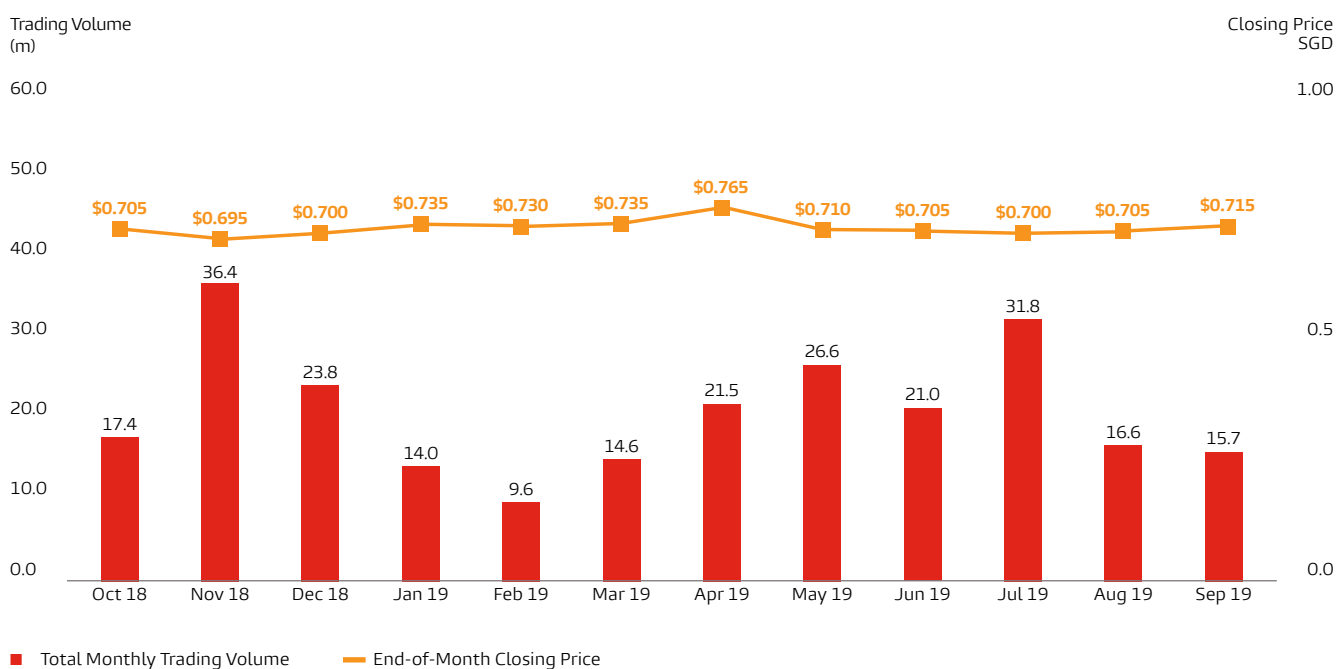
April 2020
Release of 2Q 2020 results

June 2020
Payment of interim distribution for FY2020

July 2020
Release of 3Q 2020 results

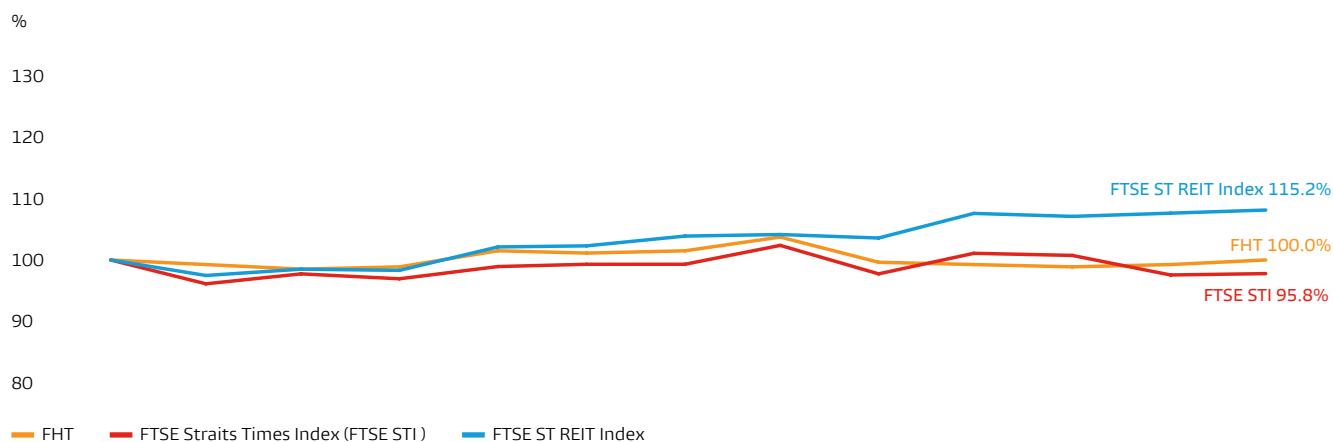
October 2020
Release of 4Q and FY2020 results

December 2020
Payment of final distribution for FY2020

FHT Monthly Trading Performance for FY2019

Source: Bloomberg

Comparative Trading Performance for FY2019



Source: Bloomberg

Note: Data extracted are not adjusted for any cash adjustments, capital changes or corporate actions (including but not limited to cash dividend, rights offering, warrants and stock splits). For dates that fall on non-trading days, share price data is extracted from the corresponding previous trading day.

FHT 5-Year Stock Trading Information

	FY2015	FY2016	FY2017	FY2018	FY2019
Opening price (SGD)	0.890	0.730	0.69	0.755	0.715
Closing price (SGD)	0.730	0.690	0.750	0.700	0.715
Highest price (SGD)	0.920	0.820	0.765	0.825	0.770
Lowest price (SGD)	0.690	0.685	0.630	0.665	0.675
Total volume of Stapled Securities traded (million)	118.3 million	79.0 million	214.3 million	279.0 million	249.0 million
Average daily volume of Stapled Securities traded (million)	0.5 million	0.3 million	0.9 million	1.1 million	1.0 million
Market capitalisation as at 30 September (SGD)	990.9 million	952.1 million	1,384.2 million	1,308.4 million	1,354.4 million

Source: Bloomberg.

Note: Data extracted are not adjusted for any cash adjustments, capital changes or corporate actions (including but not limited to cash dividend, rights offering, warrants and stock splits).

Total Returns

	1 Year ¹		3 Years ¹		5 Years ¹	
	Price Change	Total Return ²	Price Change	Total Return ²	Price Change	Total Return ²
	%	%	%	%	%	%
FHT	0.0	6.6	3.6	26.5	-15.8	16.7
FTSE ST REIT Index	15.2	21.8	19.8	43.1	22.5	66.3
FTSE Straits Times Index	-4.2	-0.5	8.7	21.1	-4.4	14.4

Source: Bloomberg

1 1-year return is for period 1 October 2018 to 30 September 2019; 3-year return is for period 3 October 2016 to 30 September 2019; and 5-year return is for period from 14 July 2014 to 30 September 2019.

2 Assumes dividends are reinvested.

Equity Research Coverage

FHT is covered by sell-side analysts from:

- DBS Vickers Securities
- Maybank Kim Eng Research
- SooChow CSSD Capital Markets

Feedback

To promote open and transparent communication, FHT values and welcomes feedback which may be made via: ir@frasershospitality.com.

Risk Management

Enterprise-Wide Management

The objective of enterprise-wide risk management ("ERM") is to safeguard Stapled Securityholders' interests and FHT's assets. Management adopts an ERM framework to identify key risks, put in place controls, and allocate appropriate resources to proactively manage the identified risks. The ERM framework covers key areas such as investment, financial management and operating activities. Enterprise-wide risk reporting is facilitated through a web-based Corporate Risk Scorecard system which enables the reporting of risks and risk status on a common platform in a consistent and cohesive manner. Risks are reported and monitored using a Risk Scorecard which captures risks, mitigating measures, timeline for action items and risk ratings. Where applicable, Key Risk Indicators ("KRIs") are established to monitor risks. The Risk Scorecard and KRIs are presented in the form of a Key Risk Dashboard and reviewed by the Management and the Managers' Audit, Risk and Compliance ("ARC") Committees on a regular basis.

Risk tolerance statements setting out the nature and extent of significant risks which the Managers are willing to take in achieving their strategic objectives in respect of FHT, have been formalised and adopted. The risk tolerance statements are reviewed annually according to the business plan. Risk limits, which set the risk boundaries in strategic and operational areas, support the risk tolerance statements. The risk limit status is monitored by the Management and reported to the ARC Committees quarterly.

The Managers have implemented a Comfort Matrix Framework, which provides an overview of the mitigating measures, and assurance

processes for managing key financial, compliance, IT and operational risks.

Key Risks in 2019

Investment Risk

All investment proposals are evaluated against a comprehensive set of investment criteria and due diligence is carried out to mitigate potential investment risks. The acquisition must be aligned with FHT's investment mandate. The evaluation process for all investment activities includes consideration of the location, guests mix, building condition, competitive conditions, expected investment return, long-term sustainability of asset performance and growth potential.

Regulatory and Compliance Risk

FHT has global operations and is subject to the laws and regulations of the markets it operates in. FHT comprises FH-REIT, a Singapore-based REIT, and FH-BT, a Singapore-based business trust registered under the Business Trust Act. The REIT Manager and the Trustee-Manager, being the responsible entities of FH-REIT and FH-BT, respectively, each has its own Board of Directors (which comprises the same persons) and its own set of procedures in relation to corporate governance.

Due to the different legislative and regulatory requirements in relation to a REIT as compared with a business trust, the corporate governance procedures and disclosure requirements in relation to the REIT Manager are different from those in relation to the Trustee-Manager.

The Managers have put in place policies and procedures to facilitate compliance with applicable laws and regulations. They keep abreast of the latest developments in relevant laws and regulations through training and

attending talks and briefings. Where necessary, the Managers will consult external legal counsel for advice.

Foreign Currency Risk

The entities within the stapled group normally conduct their business in their respective functional currencies.

FHT's foreign currency risk mainly relates to its AUD, GBP, JPY, MYR and EUR denominated investments and distribution income and interest income from its foreign subsidiaries. The Managers monitor FHT's foreign currency exposures on an ongoing basis and limit its exposure to fluctuations in exchange rates by using derivative financial instruments or other suitable financial products.

It is the Managers' policy to fix FHT's anticipated foreign currency exposure in respect of distribution income, net of anticipated payments required in the same currency from its foreign subsidiaries at least 6 months forward by using foreign currency forward exchange contracts and certain currency derivatives.

Investment in overseas assets are hedged naturally to the extent that borrowings are taken up in their respective foreign currencies. It is the Managers' policy to hedge at least 20% of its investments denominated in foreign currencies, either through borrowings in the same foreign currencies or using cross currency swap contracts. The net position of the foreign exchange risk of these investments in overseas assets are not hedged as such investments are long term in nature.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of the FHT's financial instruments will

fluctuate because of changes in market interest rates. FHT's exposure to changes in interest rates relate primarily to its interest-bearing borrowings. Interest rate risk is actively managed by the Managers on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. The Managers adopt a policy of fixing the interest rates for at least 50% of their outstanding borrowings via the use of derivative financial instruments or other suitable financial products.

Interest rate derivatives in respect of FHT's borrowings have been entered into to achieve an appropriate mix of fixed and floating rates exposures within FHT's policy. Generally, the maturities of these interest rate derivatives follow the maturities of the related borrowings.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations with FHT, as and when they fall due.

FHT's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The REIT Manager has established credit limits for lessees and monitors their balances on an ongoing basis. Credit evaluations are performed by the REIT Manager before lease agreements are entered into with the lessees. Credit risk is also mitigated by the security deposits collected from lessees.

The security deposits, equivalent to 8 months of the monthly fixed rent, have been received in cash under the Master Lease Agreements entered into during FHT's IPO as well as the

Master Lease Agreement for Sofitel Sydney Wentworth.

In addition, Frasers Property Limited ("Frasers Property") and TCC Land International Limited (the "Corporate Guarantors") have granted a corporate guarantee to FH-REIT for the performance of the master lessees and retail master lessee respectively (excluding Maritim Hotel Dresden and Novotel Melbourne on Collins). Upon default, the Corporate Guarantors will pay the rent and other sums payable under the Master Lease Agreements and the Retail Master Lease Agreement respectively.

Cash and cash equivalents are placed with financial institutions which are regulated. Derivative financial instruments are only entered into with banks with sound credit ratings.

At the end of the reporting period, approximately 56.8% of FHT's trade and other receivables were due from related companies of the REIT Manager. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statements of Financial Position.

Liquidity Risk

Liquidity risk is the risk arising in the event that FHT encounters difficulty in meeting its financial obligations due to shortage of funds. The Managers monitor and maintain a level of cash and cash equivalents deemed adequate to finance FHT's operations for a reasonable period, including the servicing of financing obligations, and to mitigate the effects of fluctuations in cash flows.

In addition, the REIT Manager monitors and observes the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore concerning limits on total borrowings.

The Managers also ensure that FHT has access to revolving credit lines from financial institutions to fund its working capital needs and capital expenditure requirements in the short to medium term.

As at the end of FY2019, FHT still has undrawn revolving credit facilities of SGD110 million and SGD660 million of untapped facility under its SGD1 billion Multicurrency Debt Issuance Programme which was established in January 2016.

It is the Managers' intention to ensure that the maturities of the borrowings are spread out to mitigate financing risks. In FY2019, FHT successfully refinanced SGD325 million term loans, MYR467.48 million MTNs and JPY2.35 billion bonds that matured in July 2019. Following the refinancing, FHT's weighted average debt maturity has been extended from 2.91 years to 4.63 years. There are no borrowings with maturities due until 2022 and the borrowings are more widely spread out across 2022 to 2026 to mitigate concentration of refinancing risk. As at 30 September 2019, FHT's gross borrowings stood at SGD858.0 million.

Operational Risks

FHT relies on its appointed serviced residence and hotel operators for the day-to-day running of its properties. It reduces its operational risks through the engagement of reputable hotel and serviced residence operators with strong experience in the respective markets. The Asset Managers actively oversee the performance of the assets and the operators and perform benchmarking of the assets' performance vis-à-vis their competitors. Regular meetings are scheduled between the Asset Managers and the operators in which the performance is reviewed

and actions to improve the operating performance are agreed. The interests of these operators are aligned with FHT's through a 100% variable fee model which links performance of the assets to fees payable to operators.

Global terrorism risk poses a threat to the operations of the serviced residences and hotels. Where physical controls at the properties are inadequate, events such as terrorist attacks could result in physical damage to FHT's assets and injury to guests and employees at the properties. The serviced residence and hotel operators have implemented business continuity and crisis management procedures at the properties, to reduce the risk of loss of lives and damage to property. The REIT Manager has procured adequate insurance coverage for property damage, business interruption and political violence.

Information Technology Risk

The Frasers Property Group, of which the Managers are a part of, places a high priority on information availability, information technology (IT) governance and IT security. Group-wide IT policies and procedures have been put in place to address evolving IT security threats, such as hacking, malware, privileged access, phishing, mobile threats and data-loss. Disaster recovery plans and incident management procedures are developed and tested annually.

Measures and considerations have also been taken to enable effective privileged access monitoring, patch management, data security, data protection and prolonged service unavailability of critical IT systems. Periodic training is also conducted for new and existing employees to raise IT security awareness. External professional services are engaged to

conduct independent vulnerability assessment and penetration tests to further strengthen the IT systems.

Fraud Risk

A Whistle Blowing Policy and a Manual of Authority, in particular for the approval of purchases and payments, are in place to mitigate fraud risk. FHT and its Managers are subject to regular internal audit reviews scheduled based on the internal audit work plans approved by the Managers' ARC Committees.

Human Capital Risk

The REIT Manager has in place a career planning and development system for its staff, and conducts regular remuneration and benefits benchmarking to attract and retain appropriate talent for the business. Regular training and development opportunities are also provided to upgrade the skills and knowledge of the staff.

Corporate Governance

INTRODUCTION

Frasers Hospitality Trust (“FHT”) is a stapled group comprising Frasers Hospitality Real Estate Investment Trust (“FH-REIT”) and Frasers Hospitality Business Trust (“FH-BT”).

The units in FH-REIT and the units in FH-BT are stapled together under the terms of a stapling deed dated 20 June 2014 (“**Stapling Deed**”) entered into between Frasers Hospitality Asset Management Pte. Ltd., as manager of FH-REIT (“**REIT Manager**”), Perpetual (Asia) Limited, as trustee of FH-REIT (“**REIT Trustee**”), and Frasers Hospitality Trust Management Pte. Ltd., as trustee-manager of FH-BT (“**Trustee-Manager**”, and together with the REIT Manager, the “**Managers**” and each, the “**Manager**”), to form stapled securities in FHT (“**Stapled Securities**”, and each a “**Stapled Security**”). Each Stapled Security, consisting of one FH-REIT unit and one FH-BT unit, is treated as a single instrument. The Stapled Securities are listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

FH-REIT is a real estate investment trust (“**REIT**”) constituted in Singapore by a trust deed dated 12 June 2014 made between the REIT Manager and the REIT Trustee (as amended and restated by a first amending and restating deed dated 20 June 2014, and as further amended, restated and/or supplemented from time to time) (the “**FH-REIT Trust Deed**”). FH-REIT is a collective investment scheme under the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”).

FH-BT is a business trust constituted in Singapore by a trust deed dated 20 June 2014 (as further amended, restated and/or supplemented from time to time) (the “**FH-BT Trust Deed**”, and together with the FH-REIT Trust Deed and the Stapling Deed, the “**Trust Deeds**”). FH-BT is registered as a business trust under the Business Trusts Act, Chapter 31A of Singapore (the “**BTA**”).

FH-BT was activated on 19 October 2016 to act as master lessee of “Novotel Melbourne on Collins” under a master lease agreement (the “**Melbourne Master Lease Agreement**”) entered into between FH-BT NMCS Operations Pty Ltd (an indirectly wholly-owned subsidiary of FH-BT) and The Trust Company (PTAL) Limited, as trustee for FHT Melbourne Trust 1 (an indirectly wholly-owned sub-trust of FH-REIT). The Melbourne Master Lease Agreement is an internal arrangement within the FHT stapled group.

The Managers comply with the principles of the Code of Corporate Governance 2018 (the “**CG Code**”) in line with their obligations under the listing rules of the SGX-ST (the “**Listing Rules**”). The REIT Manager also complies with the CG Code in accordance with its obligations under the Guidelines to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Guideline No: SFA04-G07) issued by the Monetary Authority of Singapore (“**MAS**”). Even though the CG Code applies to annual reports covering financial years commencing from 1 January 2019, the Managers have elected to early adopt and comply with the amended Rule 710 of the listing manual of the SGX-ST (the “**SGX-ST Listing Manual**”) to describe its corporate governance practices with specific reference to the principles and the provisions of the CG Code. The practices and activities of the Board of Directors of each of the Managers (collectively the “**Boards**”) and the management of the Managers (collectively the “**Management**”) adhere closely to the provisions under the CG Code.

To the extent the practices may vary from any provision of the CG Code, the Managers will explain the reason for the variation and how the practices nevertheless are consistent with the intent of the relevant principle of the CG Code. The Managers are also guided by the voluntary Practice Guidance which was issued to complement the CG Code and which sets out best practices for issuers; as this will build investor and stakeholder confidence in FHT and the Managers. A summary of compliance with the express disclosure requirements in the principles and provisions of the CG Code is set out on pages 119 to 120.

Due to the different legislative and regulatory requirements in relation to a REIT as compared to a business trust, the corporate governance procedures and disclosure requirements in relation to the REIT Manager are different from those in relation to the Trustee-Manager, and where appropriate, we have highlighted them below.

FHT is a signatory to the 2019 Corporate Governance Statement of Support initiated by the Securities Investors Association (Singapore) where FHT has pledged its continued commitment to uphold high standards in corporate governance.

Corporate Governance

The Managers

The Managers are wholly-owned subsidiaries of Frasers Property Limited (“**FPL**”, and together with its subsidiaries, “**Frasers Property Group**”). Each of the REIT Manager and the Trustee-Manager has general powers of management over the business and assets of FH-REIT and FH-BT, respectively.

As a manager of a REIT, the REIT Manager holds a Capital Markets Services Licence issued by the Monetary Authority of Singapore (the “**MAS**”) as required under the licensing regimes for real estate investment trust managers to carry out REIT management activities. The REIT Manager’s main responsibility is to manage FH-REIT’s assets and liabilities for the benefit of unitholders of FH-REIT. To this end, the REIT Manager is able to set the strategic direction of FH-REIT and make recommendations to the REIT Trustee, on acquisitions, divestments and enhancement of the assets of FHT. The role of the REIT Manager includes the pursuit of a business model that sustains the growth and enhances the value of FH-REIT and is focused on delivering regular and stable distribution to Stapled Securityholders. Other functions and responsibilities of the REIT Manager include preparing annual asset plans, undertaking regular individual asset performance analysis and market research analysis, and managing finance functions relating to FH-REIT (which includes financial and tax reporting, capital management, treasury, and preparation of consolidated budgets). The Trustee-Manager performs similar functions for FH-BT.

The MAS has granted the Trustee-Manager an exemption from compliance with Sections 10(2)(a) and 11(1)(a) of the BTA to act in the best interests of the holders of FH-BT unitholders only, subject to:

- (a) the FH-BT units remaining stapled to the FH-REIT units; and
- (b) the directors of the Trustee-Manager (“**Trustee-Manager Directors**”) and the Trustee-Manager acting in the best interests of all holders of the stapled securities (“**Stapled Securityholders**”) as a whole.

The Values of the REIT Manager and the Trustee-Manager

1. Each of the REIT Manager and the Trustee-Manager is committed to upholding and maintaining high standards of corporate governance, corporate transparency and sustainability, and instituting sound corporate practices and controls to facilitate their respective roles in safeguarding and enhancing FHT’s asset value so as to maximise returns from investments, and ultimately the total return to Stapled Securityholders. Each of the REIT Manager and the Trustee-Manager believes that a robust and sound governance framework is an essential foundation on which to build, evolve and innovate a business which is sustainable over the long term and one which is resilient in the face of the demands of a dynamic, fast-changing environment.
2. Each of the REIT Manager and the Trustee-Manager adheres to corporate policies, business practices and systems of risk management and internal controls, which are designed to ensure that it maintains consistently high standards of integrity, accountability and governance in FH-REIT and FH-BT (as the case may be) and its own daily operations.
3. Each of the REIT Manager and the Trustee-Manager ensures that the business and practices of FH-REIT and FH-BT (as the case may be) are carried out in a manner that comply with applicable laws, rules and regulations, including the BTA, the SFA, their respective subsidiary legislation, the SGX-ST Listing Manual, the CG Code, the Code on Collective Investment Schemes (the “**CIS Code**”) issued by the MAS (including Appendix 6 of the CIS Code, the “**Property Funds Appendix**”), the Trust Deeds, as well as the written directions, notices, codes and other guidelines that the MAS and other regulators may issue from time to time.

The Boards work with Management to ensure that these values underpin its leadership of the REIT Manager and the Trustee-Manager.

The REIT Manager and the Trustee-Manager are staffed by an experienced and well-qualified team who manage the operational matters of FH-REIT and FH-BT (as the case may be). The REIT Manager can be removed by notice in writing given by the REIT Trustee in favour of a corporation appointed by the REIT Trustee under certain circumstances outlined in the FH-REIT Trust Deed, including where the unitholders of FH-REIT, by a resolution duly passed by a simple majority of

Corporate Governance

unitholders of FH-REIT present and voting (with no unitholder of FH-REIT being disenfranchised) at a unitholders' meeting, decide that the REIT Manager is to be removed. The Trustee-Manager may be removed, by a resolution by the unitholders of FH-BT holding in the aggregate not less than three-fourths of the voting rights of all the unitholders of FH-BT.

BOARD MATTERS

The Board

Each of the REIT Manager and the Trustee-Manager has its own Board.

So long as the FH-REIT units remain stapled to the FH-BT units, in order to avoid any conflict between FH-REIT and FH-BT and to act in the best interests of FHT, the Board of FH-REIT ("**REIT Manager Board**") and the Board of FH-BT ("**Trustee-Manager Board**") will comprise the same persons.

The REIT Manager Board is responsible for the overall leadership and oversight of both FH-REIT's and the REIT Manager's business, financial, investment and material operational affairs and performance objectives, and FH-REIT's long-term success. The REIT Manager Board sets the strategic direction of FH-REIT and the REIT Manager and the REIT Manager's approach to corporate governance, including the organisational culture, values and ethical standards of conduct, and works with Management on its implementation across all levels of the organisation.

The key roles of the Trustee-Manager Board are to: (a) guide the corporate strategy and directions of the Trustee-Manager; (b) ensure that senior Management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; (c) oversee the proper conduct of the Trustee-Manager; and (d) ensure that measures relating to corporate governance, financial regulations and other required policies are in place and enforced. Further information on the roles and responsibilities of the Trustee-Manager Board can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 128 to 134.

The Managers also focus on value creation, innovation and sustainability. The Boards, supported by Management, ensure necessary resources are in place for FHT and the Managers to meet their strategic objectives. Through the enterprise-wide risk management framework of FHT and its subsidiaries (the "**Group**"), the Boards establish and maintain a sound risk management framework to effectively monitor and manage risks. The Managers oversee Management to ensure transparency and accountability to key stakeholder groups.

The Chairman

The chairman of the Board (the "**Chairman**") leads the Board¹. The Chairman sets the right ethical and behavioural tone and ensures the Board's effectiveness by, among other things, encouraging active and effective engagement, participation by and contribution from all directors of the REIT Manager (also the Trustee-Manager Directors, collectively, the "**Directors**") and facilitating positive relations among and between them and Management. The Chairman promotes a culture of openness at Board meetings and encourages Directors to engage in productive and thorough discussions and constructive debate on strategic, business and other key issues pertinent to the business and operations of the Group, the REIT Manager and the Trustee-Manager, leading to better decision-making and enhanced business performance.

Role of Management

The Management is led by the Chief Executive Officer (the "**CEO**") of the REIT Manager (also the CEO of the Trustee-Manager). Senior Management, comprising the CEO and the Chief Financial Officer ("**CFO**") of the Managers, (collectively, the "**Key Management Personnel**") are responsible for executing the Boards' strategies and policies, and are accountable to the Boards for the planning, direction, control, conduct and performance of the business operations of the Managers.

¹ In this Corporate Governance Report, references to the "**Board**", "**Chairman**", "**Directors**" and similar words and expressions are intended to mean the Board, Chairman, Directors, etc. of each of the REIT Manager and the Trustee-Manager (save where the context otherwise requires), as during FY2019, the Boards and Management comprised the same persons.

Corporate Governance

Division of Responsibilities between the Chairman and the CEO

The Chairman and the CEO are separate persons and the division of responsibilities between the Chairman and the CEO is clearly demarcated. This avoids concentration of power and ensures a degree of checks and balances, an increased accountability, and greater capacity of the Board for independent decision-making. Such separation of roles between the Chairman and the CEO promotes robust deliberations by the Boards and Management on the business activities of FHT.

Relationships between the Boards and the CEO

None of the members of the Boards and the CEO are related to one another, and none of them has any business relationships among them.

Board Committees

Each of the REIT Manager Board and the Trustee-Manager Board has formed committees of their respective boards (the “**Board Committees**”) to oversee specific areas, for greater efficiency. Each of the REIT Manager Board and the Trustee-Manager Board has constituted two Board Committees, namely, the Audit, Risk and Compliance Committee (“**ARCC**”), and the Nominating and Remuneration Committee (“**NRC**”).

The ARCC of FH-REIT (“**REIT Manager ARCC**”) and the ARCC of FH-BT (“**Trustee-Manager ARCC**”) as well as the NRC of FH-REIT (“**REIT Manager NRC**”) and the NRC of FH-BT (“**Trustee-Manager NRC**”) comprise the same persons.

Minutes of all Board Committee meetings are circulated to the respective Boards so that Directors are aware of and kept updated on the proceedings, matters discussed and decisions made during such meetings, and to enable the Directors to weigh in on any key points under consideration.

AUDIT, RISK AND COMPLIANCE COMMITTEE ⁽¹⁾	
MEMBERSHIP	KEY OBJECTIVES
Dr David Wong See Hong, <i>Chairman</i> ⁽²⁾ Mr Law Song Keng, <i>Member</i> ⁽³⁾ Mr Liew Choon Wei, <i>Member</i>	<ul style="list-style-type: none"> Assist the Boards in fulfilling responsibility for overseeing the quality and integrity of the accounting, auditing, internal controls, risk management and financial practices of the Managers

Notes:

- (1) Unless otherwise stated, the information provided herein is as of 30 September 2019.
 (2) Appointed as chairman of the ARCC of each of the REIT Manager and the Trustee-Manager with effect from 1 April 2019, following the cessation of Mr Law Song Keng's appointment as chairman of the ARCC of each of the REIT Manager and the Trustee-Manager with effect from 1 April 2019.
 (3) Mr Law Song Keng stepped down as chairman of the ARCC of each of the REIT Manager and the Trustee-Manager with effect from 1 April 2019 and remains as a member of the ARCC of each of the REIT Manager and the Trustee-Manager.

As at 30 September 2019, each of the ARCCs² is made up of non-executive Directors, all of whom, including the chairman of the ARCC, are independent Directors. The members of the ARCCs, including the chairman of each of the ARCCs, are appropriately qualified and collectively possess relevant accounting and related financial management expertise or experience. Their collective wealth of experience and expertise enables them to discharge their responsibilities competently.

Under the Terms of Reference of each of the ARCCs, a former partner or director of FHT's existing auditing firm or auditing corporation should not act as a member of the ARCC: (a) within a period of two years commencing on the date of his ceasing to be a partner of the auditing firm or a director of the auditing corporation; and in any case, (b) for as long as he has any financial interest in the auditing firm or auditing corporation. None of the members of the ARCCs is a former partner of FHT's external auditors, KPMG LLP and none of the members of the ARCCs holds any financial interest in FHT's external auditors, KPMG LLP.

² In this Corporate Governance Report, references to the “**ARCC**” are intended to mean each of the REIT Manager ARCC and the Trustee-Manager ARCC, and references to the “**NRC**” are intended to mean each of the REIT Manager NRC and the Trustee-Manager NRC (save where the context otherwise requires).

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Audit Functions

The Terms of Reference of the ARCCs provide that some of the key responsibilities of the ARCCs include:

- **External Audit Process:** reviewing and reporting to the Board, the scope, quality, results and performance of the external audit(s), its cost effectiveness and the independence and objectivity of the external auditors. It shall also review the nature and extent of non-audit services performed by external auditors;
- **Internal Audit:** establishing an effective internal audit function which shall be adequately qualified to perform an effective role, adequately resourced, independent of the activities which it audits and able to discharge its duties objectively, and to approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- **Financial Reporting:** reviewing and reporting to the Boards the significant financial reporting issues and judgements so as to ensure the integrity of the respective financial statements of FHT, FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager and any announcements relating to FHT's financial performance, and to review the assurance provided by the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of each of FHT's, FH-REIT's, the REIT Manager's, FH-BT's and/or the Trustee-Manager's respective operations and finances;
- **Internal Controls and Risk Management:** reviewing and reporting to the Board at least annually, its assessment of the adequacy and effectiveness of each of the REIT Manager's and the Trustee-Manager's internal controls for FHT, and FH-REIT and the REIT Manager and FH-BT and the Trustee-Manager (as the case may be), including financial, operational, compliance and information technology controls (including those relating to compliance with existing legislation and regulations), and risk management policies and systems established by Management;
- **Interested Person Transactions:** reviewing interested person transactions³ and/or interested party transactions⁴ (collectively referred to herein as "**Related/Interested Person Transactions**" (save where the context otherwise requires)) entered into from time to time and the internal audit reports to ensure compliance with the applicable legislation, the SGX-ST Listing Manual and/or the Property Funds Appendix (where applicable);
- **Conflicts of Interests:** deliberating on resolutions relating to conflicts of interest situations involving FHT, FH-REIT and/or FH-BT (as the case may be);
- **Whistle-blowing:** reviewing the policy and arrangements by which employees of the REIT Manager and any other persons may, in confidence, safely raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken; and
- **Investigations:** reviewing the findings of internal investigations into any suspected fraud or irregularity, or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority in Singapore, which the ARCCs becomes aware of, and which has or is likely to have a material impact on FHT's operating results or financial position.

In carrying out its role, the ARCCs are empowered to investigate any matter within its Terms of Reference, with full access to, and cooperation by, Management, to seek information they may require from any Director and/or employee of the Managers (as the case may be). The ARCCs also have full discretion to invite any Director or executive officer to attend its meetings, and obtain reasonable resources to enable them to discharge their functions properly. The Chairman of the Board, non-executive Directors, the CEO, the CFO, the head of the internal audit function, representatives of the external auditor(s), or other person with relevant experience and expertise may attend the meetings of the ARCCs at the

³ Refers to "interested person transactions" under the SGX-ST Listing Manual. In the case of a REIT, the definition of "interested person" refers to the definition of "interested party" used in the Property Funds Appendix. In the case of a business trust, an "**Interested Person**" means (a) a director, CEO, or controlling shareholder of the trustee-manager of the business trust; (b) the trustee-manager or controlling unitholder of the business trust; or (c) an associate of any of the persons or entities in (a) and (b).

⁴ Refers to "interested party transactions" under the Property Funds Appendix wherein an "**Interested Party**" means (a) a director, CEO or controlling shareholder of the manager, or the manager, trustee or controlling unitholder of the property fund; or (b) an associate of any director, CEO or controlling shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of the property fund.

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invitation of the respective ARCCs. The meetings serve as a forum to review and discuss material risks and exposures of the Managers' businesses and strategies to mitigate risks. The ARCCs meet with internal auditors and external auditors without the presence of Management at least once a year to review various audit matters, including reviewing the audit plans, and evaluating the internal accounting controls, the audit reports and the assistance given by Management to the internal and external auditors. In carrying out its function, the ARCCs may also obtain independent or external legal or other professional advice or appoint external consultants as it considers necessary at the Managers' cost.

Periodic updates on changes in accounting standards and treatment are prepared by external auditors and circulated to members of the ARCCs so that they are kept abreast of such changes and its corresponding impact on the financial statements, if any.

Risk Management

The ARCCs shall review the framework and processes established by Management to comply with applicable laws, regulations, standards, best practice guidelines and the REIT Manager's and/or the Trustee-Manager's policies and procedures. The ARCCs shall assist the Boards in ensuring that Management maintains a sound system of risk management and internal controls to safeguard the interests of the Managers or the interests of Stapled Securityholders (as the case may be) and the assets of FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager. The ARCCs also assist the Boards in their determination of the nature and extent of significant risks which the Boards are willing to take in achieving the Managers' strategic objectives and the overall levels of risk tolerance and risk policies. Further information on the key activities conducted by the ARCCs can be found in the sections titled "Financial Performance, Reporting and Audit" on pages 107 to 108 and "Governance of Risk and Internal Controls" on pages 109 to 113.

NOMINATING AND REMUNERATION COMMITTEE ⁽¹⁾	
MEMBERSHIP	KEY OBJECTIVES
Mr Law Song Keng, <i>Chairman</i> Mr Liew Choon Wei, <i>Member</i> Dr David Wong See Hong, <i>Member</i> Mr Panote Sirivadhanabhakdi, <i>Member</i>	<ul style="list-style-type: none"> Establish a formal and transparent process for appointment and re-appointment of Directors Develop a process for evaluation of the performance and annual assessment of the effectiveness of the Boards as a whole and each of its board committees and individual Directors Review succession plans Assist the Boards in establishing a formal and transparent process for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel Review and recommend to the Boards, for endorsement of the Boards, a general framework of remuneration for the Board and Key Management Personnel and specific remuneration packages for each Director and Key Management Personnel

Note:

(1) Unless otherwise stated, the information provided herein is as of 30 September 2019.

As at 30 September 2019, all the members of the NRCs are non-executive and the majority of whom, including the chairman of each of the NRCs, are independent.

The NRCs are guided by written Terms of Reference approved by the Board which set out the duties and responsibilities of the NRCs. The NRCs' responsibilities, in relation to their functions as a nominating committee, include reviewing the structure, size and composition and independence of the Boards and its Board Committees, reviewing and making recommendations to the Boards on the succession plans for Directors, the Chairman and Key Management Personnel, making recommendations to the Boards on all Board appointments and re-appointments, and determining the independence of Directors. The NRCs also propose for the Boards' approval, the objective performance criteria and process for the evaluation of the effectiveness of the Boards, the Board Committees and individual Directors, and ensures that proper disclosures of such process is made. The NRCs are also responsible for making recommendations to the Boards on training and professional development programmes for the Board and the Directors.

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Further information on the main activities of the NRCs, in relation to their functions as a nominating committee, are outlined in the following sections:

- “Training and development of Directors” on pages 96 to 97
- “Board Composition” on pages 97 to 100
- “Directors’ Independence” on pages 99 to 100
- “Board Performance Evaluation” on pages 101 to 102

The NRCs’ responsibilities, in reviewing remuneration matters, include reviewing and recommending to the Boards, a framework of remuneration for the Boards and Key Management Personnel. Pursuant to the MAS Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Notice No: SFA04-N14), the REIT Manager NRC’s responsibilities also include ensuring the remuneration of executive Directors shall not be linked in any way to FH-REIT’s gross revenue.

On an annual basis, the NRCs also review and recommend, for the respective Boards’ approval, the respective Managers’ remuneration and benefits policies and practices (including long-term incentive schemes), and the performance and specific remuneration packages for each Director and Key Management Personnel, in accordance with the approved remuneration policies and processes.

The NRCs also propose, for the respective Boards’ approval, criteria to assist in the evaluation of the performance of Key Management Personnel and (where applicable) reviews the obligations of the Managers arising in the event of the termination of the service agreements of executive Directors and Key Management Personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The NRCs also administer and approve awards under the Restricted Stapled Securities Plan (“**RSSP**”) and/or other long-term incentive schemes to senior executives of the Managers.

In carrying out their review on remuneration matters, the Terms of Reference of the NRCs provide that the NRC shall consider all aspects of remuneration, including Directors’ fees, special remuneration to Directors who render special or extra services to the Managers, salaries, allowances, bonuses, options, unit-based incentives and awards, benefits-in-kind and termination payments, and shall aim to be fair and to avoid rewarding poor performance.

If necessary, the NRCs can seek expert advice on remuneration within the Frasers Property Group Human Resources Department or from external sources. Where such advice is obtained from external sources, the NRCs ensure that existing relationships, if any, between the REIT Manager, the Trustee-Manager and the appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

Delegation of authority framework

As part of the REIT Manager’s internal controls, the Board has adopted a framework of delegated authorisations in its Manual of Authority (the “**MOA**”). The MOA sets out the levels of authorisation required for particular types of transactions to be carried out, and specifies whether REIT Manager Board approval needs to be sought. It also sets out approval limits for operating and capital expenditure as well as investments, divestments and asset enhancement initiatives.

While day-to-day operations of the business are delegated to Management, in the REIT Manager Board’s exercise of its leadership and oversight of FH-REIT, the MOA contains a schedule of matters specifically reserved for approval by the REIT Manager’s Board. These include approval of annual budgets, financial plans, material transactions, namely, acquisitions, divestments, funding and investment proposals and asset enhancement initiatives.

The Trustee-Manager Board implemented a similar MOA in the financial year ended 30 September 2019 (“**FY2019**”).

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Meetings of the Boards and Board Committees

The Boards meet regularly, at least once every quarter, and also as required by business needs or if the members deem it necessary or appropriate to do so.

The following table summarises the number of meetings of the Boards and Board Committees and general meetings held and attended by the Directors in FY2019:

	Board Meetings	Audit, Risk and Compliance Committee Meetings	Nominating and Remuneration Committee Meetings	Annual General Meeting ⁽⁵⁾
Meetings held in FY2019	5	4	1	1
Mr Law Song Keng	5 (C) ⁽¹⁾	4	1 (C) ⁽¹⁾	1 (C) ⁽¹⁾
Mr Chua Phuay Hee	5			1
Mr Liew Choon Wei	5	4	1	1
Dr David Wong See Hong	5	4 (C) ⁽¹⁾⁽²⁾	1	1
Mr Panote Sirivadhanabhakdi	3		1	1
Mr Choe Peng Sum ⁽³⁾	4			1
Mr Koh Teck Chuan ⁽⁴⁾	1			⁽⁴⁾

Notes:

- (1) C refers to chairman
- (2) Dr David Wong See Hong was appointed as chairman of the REIT Manager ARCC as well as the chairman of the Trustee-Manager ARCC with effect from 1 April 2019. Upon such appointment taking effect, Mr Law Song Keng stepped down from his appointment as chairman of the REIT Manager ARCC as well as the chairman of the Trustee-Manager ARCC.
- (3) Mr Choe Peng Sum retired as a Director with effect from 21 May 2019.
- (4) Mr Koh Teck Chuan was appointed as a Director with effect from 21 May 2019.
- (5) There were no extraordinary general meetings held in FY2019.

A calendar of activities is scheduled for the Boards a year in advance.

The Constitutions of both the REIT Manager and the Trustee-Manager provide for Board members who are unable to attend physical meetings to participate through telephone conference, video conference or similar communications equipment.

Directors are provided with Board papers setting out relevant information on the agenda items to be discussed at Board and Board Committee meetings around a week in advance of the meeting (save in cases of urgency), to give Directors sufficient time to prepare for the meeting and review and consider the matters being tabled so that discussions can be more meaningful and productive and Directors have the necessary information to make sound and informed decisions.

Senior members of the Management attend Board meetings, and where necessary, Board Committee meetings, to brief and make presentations to the Directors, provide input and insight into matters being discussed, and respond to queries and take any follow up instructions from the Directors. At least once a year and if required, time is set aside after scheduled Board meetings for discussions amongst the Board without the presence of Management.

Where required by the Directors, external advisers may also be present or available whether at Board and Board Committee meetings or otherwise, and (if necessary), at the Managers' expense where applicable, to brief the Directors and provide their advice.

For matters which require the Boards' and/or Board Committees' decision outside such meetings, Board and/or Board Committee papers will be circulated through the Company Secretary for the Directors' consideration with further discussions taking place between the Directors and Management (if required) before a decision is made.

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Matters discussed by Boards and Board Committees in FY2019

BOARD

- Strategy
- Business and Operations Update
- Financial Performance
- Governance
- Feedback from Board Committees
- Networking

Audit, Risk and Compliance Committee

- External and Internal Audit
- Financial Reporting
- Internal Controls and Risk Management
- Related/Interested Person Transactions
- Conflicts of Interests

Nominating and Remuneration Committee

- Board Composition and Renewal
- Board, Board Committees and Director Evaluations
- Training and Development
- Remuneration Policies and Framework
- Succession Planning

Board Oversight

Outside of Board and Board Committee meetings, Management also provides Directors with reports on major operational matters, business development activities, financial performance, potential investment opportunities and budgets periodically, as well as such other relevant information on an on-going and timely basis to enable them to discharge their duties and responsibilities properly. Where required or requested by Directors, site visits are also arranged for Directors to have an intimate understanding of the key business operations of each division and to promote active engagement with Management.

Directors are provided with sufficient information to enable them to ensure that they prepare adequately for Board and Board Committee meetings, and devote sufficient time and attention to the affairs of FHT and the Managers. At Board and Board Committee meetings, the Directors actively participate, discuss, deliberate and appraise matters requiring their attention and decision. Where necessary for the proper discharge of their duties, the Directors may seek and obtain independent professional advice at the Managers' expense.

The Company Secretary

The Company Secretary of the Managers (the "**Company Secretary**"), who is legally trained and familiar with company secretarial practices, is responsible for overseeing compliance with Board and Board Committee procedures, and the relevant guidelines, notices, rules and regulations, including disclosure requirements under the BTA, the SFA, their respective subsidiary legislation, applicable MAS guidelines and notices, the CIS Code, the SGX-ST Listing Manual and the Trust Deeds, and provides advice and guidance on corporate governance practices and processes.

The Company Secretary attends Board and Board Committee meetings and drafts and reviews the minutes of proceedings thereof, and facilitates and acts as a channel of communication for the smooth flow of information to and within the Boards and their various Board Committees, as well as between and with senior Management.

The Company Secretary solicits and consolidates Directors' feedback and evaluation, facilitates induction and orientation programmes for new Directors, and assists with Directors' professional development matters. The Company Secretary also acts as the REIT Manager's and the Trustee-Manager's primary channel of communication with the SGX-ST.

The appointment and removal of the Company Secretary is subject to the approval of the Boards.

Training and development of Directors

The NRCs are tasked with identifying and developing training programmes for the Boards and Board Committees for the Boards' approval and ensuring that Directors have the opportunity to develop their skills and knowledge.

Upon appointment, each new Director is issued a formal letter of appointment setting out his or her duties and obligations, including his or her responsibilities as fiduciaries and on the policies relating to conflicts of interest. An induction and

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orientation programme is also conducted to provide new appointees with information on the business activities, strategic direction, policies and corporate governance practices of the Managers, as well as their statutory and other duties and responsibilities as Directors.

The Directors are continually and regularly updated on FHT's business and the regulatory and industry specific environments in which the entities of the Group operate. The Managers ensures that the Boards are regularly updated on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards which are relevant to or may affect the FHT, FH-REIT, the REIT Manager, FH-BT and/or the Trustee-Manager and such updates may be in writing, by way of briefings held by the Managers' lawyers and external auditors or disseminated by way of presentations and/or handouts. During FY2019, the Directors were updated on (a) changes in Financial Reporting Standards, (b) directors' independence, (c) changes in tax regulations in relevant jurisdictions and (d) recent changes to the CG Code and Listing Rules.

To ensure that the Directors can fulfil their obligations and continually improve the performance of the Boards, all Directors are encouraged to undergo continual professional development during the term of their appointment, and are provided with opportunities to develop and maintain their skills and knowledge at the Managers' expense. The Managers maintain a training record to track Directors' attendance at training and professional development courses.

Directors are encouraged to be members of the Singapore Institute of Directors ("SID") for them to receive updates and training from SID to stay abreast of relevant developments in financial, legal and regulatory requirements and business trends.

BOARD COMPOSITION

The following table shows the composition of the Board and the various Board Committees as at 30 September 2019:

		Audit, Risk and Compliance Committee	Nominating and Remuneration Committee
Mr Law Song Keng	Chairman, Non-Executive (Independent) Director	•	• (Chairman)
Mr Chua Phuay Hee	Non-Executive (Independent) Director		
Mr Liew Choon Wei	Non-Executive (Independent) Director	•	•
Dr David Wong See Hong	Non-Executive (Independent) Director	• (Chairman)	•
Mr Panote Sirivadhanabhakdi	Non-Executive (Non-Independent) Director		•
Mr Koh Teck Chuan	Non-Executive (Non-Independent) Director		

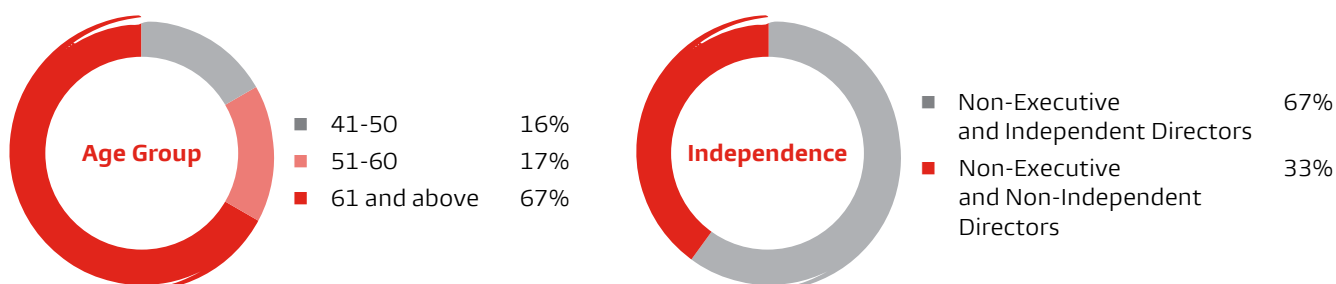
Profiles of each of the Directors can be found at pages 44 to 47.

As at 30 September 2019, all of the Directors are non-executive, majority of whom are independent.

The NRCs have assessed that the current structure, size and composition of each of the REIT Manager Board and the Trustee-Manager Board are appropriate for the scope and nature of FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's operations (as the case may be). No individual or group dominates the REIT Manager Board's and/or the Trustee-Manager Board's decision-making process or has unfettered powers of decision-making. The NRCs are of the opinion that the Directors, with their diverse backgrounds and experience (including core competencies and expertise and experience in wide-ranging fields which include banking, accounting and finance, and real estate, coupled with relevant industry knowledge, entrepreneurial and management experience), provide the appropriate balance and mix of skills, knowledge, experience, competencies and other aspects of diversity that fosters constructive debate and ensures the effectiveness of the Boards and the Board Committees. The Boards concur with the views of the NRCs.

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Board Composition in terms of Age Group, Independence and Tenure (as at 30 September 2019)



Tenure as at 30 September 2019

	Number of Years as a Director
Non-Executive, Independent Directors	5.3
Non-Executive, Non-Independent Directors	0.3 to 5.3

Directors are not subject to periodic retirement by rotation. Under their Terms of Reference, the NRCs are tasked with reviewing the succession plans for Directors, the Chairman and Key Management Personnel.

Under the NRCs' Terms of Reference, NRCs are tasked with making recommendations to the Boards on all Board appointments and re-appointments, taking into account, among other things, the scope and nature of the operations of the Group, the requirements of the business, whether Directors who have multiple board representations are able to carry out and have been carrying out their duties as Directors and whether the Directors have given sufficient time and attention to the affairs of FHT, FH-REIT and the REIT Manager, and/or FH-BT and the Trustee-Manager (as the case may be). The process for the selection, appointment and re-appointment of Directors also takes into account the composition and progressive renewal of the Board and Board Committees, each Director's experience, education, expertise, judgment, personal qualities and general and sector specific knowledge in relation to the needs of the Board as well as whether the candidates will add diversity to the Board and whether they are likely to have adequate time to discharge their duties. The NRCs consider a range of different channels to source and screen candidates for Board appointments, depending on the requirements, including tapping on existing networks of contacts and recommendations. Instead of prescribing a maximum number of directorships and/or other principal commitments that each Director may have, the NRCs adopt a holistic assessment of each Director's individual capacity and circumstances to carry out his or her duties, taking into consideration not only the number of other board and other principal commitments held by each Director, but also the nature and complexity of such commitments.

Board Diversity Policy

The Boards have adopted, with the recommendation of the respective NRCs, board diversity policies for FH-REIT and FH-BT. The NRCs will monitor and implement this policy, and will take the principles of the policy into consideration when determining the optimal composition of the Board, the appointment and re-appointment of Directors and when recommending any proposed changes to the Board. On the recommendation of its respective NRC, the Boards may set certain measurable objectives/specific diversity targets, with a view to achieving an optimal Board composition, and these objectives/specific diversity targets may be reviewed by the NRCs from time to time to ensure their appropriateness.

The Boards view diversity at the Board level as an essential element for driving value in decision-making and proactively seeks as part of their diversity policy, to maintain an appropriate balance of expertise, skills and attributes among the Directors. This is reflected in the diversity of backgrounds and competencies of the Directors, whose competencies range from banking, accounting and finance and real estate, coupled with relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. This is beneficial to FHT, the REIT Manager, the Trustee-Manager and Management as decisions by and discussions with the Boards would be enriched by the broad range of views and perspectives and the breadth of experience of the Directors.

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Directors' Independence

The Directors exercise their judgment independently and objectively in the interests of all Stapled Securityholders as a whole. The Directors complete a declaration of independence annually which is reviewed by the NRCs. The NRCs determine annually, and as and when circumstances require, if a Director is independent. Based on the declarations of independence of the Directors, and having regard to the circumstances set forth in Provision 2.1 of the CG Code, Rule 210(5)(d) of the SGX-ST Listing Manual, the MAS Guidelines No. SFA04-G07 "Guidelines to all Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management" dated 1 January 2016 and Regulations 13D to 13H of the Securities and Futures (Licensing and Conduct of Business) Regulations ("**SFLCB Regulations**"), Regulation 12 of the Business Trust Regulations, the NRCs and the Boards have determined that there are four independent Directors on the Board, namely: Mr Law Song Keng, Mr Chua Phuay Hee, Mr Liew Choon Wei, and Dr David Wong See Hong.

The REIT Manager Board has considered the relevant requirements under the SFLCB Regulations and its views in respect of the independence of each Director is as follows:

The Director:	Mr Law Song Keng ⁽¹⁾	Mr Chua Phuay Hee ⁽³⁾	Mr Liew Choon Wei ⁽²⁾	Dr David Wong See Hong ⁽⁴⁾	Mr Panote Sirivadhanabhakdi ⁽⁵⁾	Mr Koh Teck Chuan ⁽⁶⁾
(i) had been independent from the management of the REIT Manager and FH-REIT during FY2019	✓	✓	✓	✓		
(ii) had been independent from any business relationship with the REIT Manager and FH-REIT during FY2019					✓	✓
(iii) had been independent from every substantial shareholder of the REIT Manager and every substantial Stapled Securityholder of FHT during FY2019						
(iv) had not been a substantial shareholder of the REIT Manager or a substantial Stapled Securityholder of FHT during FY2019	✓	✓	✓	✓		✓
(v) has not served as a director of the REIT Manager for a continuous period of nine years or longer as at the last day of FY2019	✓	✓	✓	✓	✓	✓

Notes:

- (1) Mr Law Song Keng is a director of the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder of FHT. As such, during FY2019, Mr Law Song Keng is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Law Song Keng was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Mr Law Song Keng should be treated as an independent Director of the REIT Manager. As at the last day of FY2019, Mr Law Song Keng was able to act in the best interests of all Stapled Securityholders as a whole.

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- (2) Mr Liew Choon Wei is a director of the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder of FHT. As such, during FY2019, Mr Liew Choon Wei is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Liew Choon Wei was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Mr Liew Choon Wei should be treated as an independent Director of the REIT Manager. As at the last day of FY2019, Mr Liew Choon Wei was able to act in the best interests of all Stapled Securityholders as a whole.
- (3) Mr Chua Phuay Hee is a director of the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder of FHT. As such, during FY2019, Mr Chua Phuay Hee is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Chua Phuay Hee was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Mr Chua Phuay Hee should be treated as an independent Director of the REIT Manager. As at the last day of FY2019, Mr Chua Phuay Hee was able to act in the best interests of all Stapled Securityholders as a whole.
- (4) Dr David Wong See Hong is a director of the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder of FHT. As such, during FY2019, Dr David Wong See Hong is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, Dr David Wong See Hong was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Dr David Wong See Hong should be treated as an independent Director of the REIT Manager. As at the last day of FY2019, Dr David Wong See Hong was able to act in the best interests of all Stapled Securityholders as a whole.
- (5) Mr Panote Sirivadhanabhakdi is currently a director and the Group Chief Executive Officer of FPL and a director of other entities within the Frasers Property Group other than the REIT Manager. FPL wholly-owns the REIT Manager and is a substantial Stapled Securityholder of FHT. Mr Panote Sirivadhanabhakdi is also a director of various entities within the TCC Group⁵ (which is the controlling shareholder of the Frasers Property Group) and holds 20.0% of the issued share capital of TCC Group Investments Limited, a substantial Stapled Securityholder of FHT. Mr Panote Sirivadhanabhakdi is also the son of Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi. In addition, Mr Panote Sirivadhanabhakdi is a director of the Trustee-Manager. As such, during FY2019, Mr Panote Sirivadhanabhakdi is deemed (a) to have a management relationship with the REIT Manager and FH-REIT; (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT; and (c) to be a substantial Stapled Securityholder of FHT. The REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Panote Sirivadhanabhakdi was able to act in the best interests of all Stapled Securityholders as a whole. As at the last day of FY2019, Mr Panote Sirivadhanabhakdi was able to act in the best interests of all Stapled Securityholders as a whole.
- (6) Mr Koh Teck Chuan is currently employed by a related corporation of the REIT Manager and is a director of various subsidiaries and / or associated companies of FPL, which is a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. In addition, Mr Koh Teck Chuan a director of the Trustee-Manager. As such, during FY2019, Mr Koh Teck Chuan is deemed (a) to have a management relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder of FHT. The REIT Manager Board is satisfied that, as at the last day of FY2019, Mr Koh Teck Chuan was able to act in the best interests of all Stapled Securityholders as a whole. As at the last day of FY2019, Mr Koh Teck Chuan was able to act in the best interests of all Stapled Securityholders as a whole.

Each of the Directors is a member of each of the REIT Manager Board and the Trustee-Manager Board. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial Stapled Securityholder. As such, during FY2019, each of the Directors is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and substantial Stapled Securityholder. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2019, each of the Directors was able to act in the best interests of all the Stapled Securityholders as a whole. The REIT Manager Board is of the view that Mr Law Song Keng, Mr Chua Phuay Hee, Mr Liew Choon Wei, and Dr David Wong See Hong should be treated as an independent Director of the REIT Manager. Each of Mr Panote Sirivadhanabhakdi and Mr Koh Teck Chuan was able to act in the best interests of the Stapled Securityholders as a whole as at the last day of FY2019.

Further information on the independence of the Trustee-Manager Directors under the BTA and the related exemption granted by the MAS from the requirement under Regulation 12(1) of the Business Trusts Regulations can be found in the Statement on Composition of the Board of Directors of FH-BT on pages 135 to 136.

The independent Directors lead the way in upholding good corporate governance at the Board level and their presence facilitates the exercise of objective independent judgement on corporate affairs. Their participation and input also ensure that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into account the long-term interests of FHT and its Stapled Securityholders. As of 30 September 2019, none of the independent Directors have been on the Board for more than nine years.

As at least half of the Board comprises independent Directors, the REIT Manager will not be subjecting any appointment or re-appointment of Directors to voting by Stapled Securityholders under Regulation 13D of the SFLCB Regulations.

The Chairman is presently an independent Director.

No alternate directors have been appointed on the Board for FY2019.

⁵ "TCC Group" refers to the companies and entities in the TCC Group which are controlled by Mr Chaoron Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi.

Corporate Governance

Conflict Policy

To address and manage possible conflicts of interest (including in relation to Directors, officers and employees) that may arise in managing FH-REIT, the REIT Manager has put in place procedures which, among other things, specify that: (a) the REIT Manager shall be dedicated to the management of FH-REIT and will not directly or indirectly manage other REITs; (b) all executive officers will be employed by the REIT Manager; (c) all resolutions in writing of the directors of the REIT Manager (“**REIT Manager Directors**”) in relation to matters concerning FH-REIT must be approved by a majority of the REIT Manager Directors, including at least one director independent from management and business relationships with the REIT Manager; (d) at least a majority of the REIT Manager Board shall comprise REIT Manager independent Directors; (e) on matters where Frasers Property Group has an interest (directly or indirectly), Directors nominated by Frasers Property Group shall abstain from voting. On such matters, the quorum must comprise a majority of the REIT Manager’s independent Director and must exclude nominee Directors of Frasers Property Group; and (f) an interested Director is required to disclose his interest in any proposed transaction with FH-REIT and is required to abstain from voting on resolutions approving the transaction.

Further information on the conflict policy the Trustee-Manager has instituted to deal with conflicts of interest that may arise in managing FH-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 128 to 134.

The Managers do not have a practice of extending loans to Directors, and as at 30 September 2019, there were no loans granted by the Managers to Directors. If there are such loans, each of the Managers will comply with its obligations under the Companies Act (Chapter 50 of Singapore) in relation to loans, quasi-loans, credit transactions and related arrangements to Directors.

Board Performance Evaluation

Each of the REIT Manager NRC and the Trustee-Manager NRC is tasked with developing a process for the evaluation of the performance and annual assessment of its respective Boards as a whole, each of the Board Committees and individual Directors.

For FY2019, the NRCs recommended and the Board approved the process of conducting a Board evaluation survey facilitated by an independent external consultant, Ernst & Young LLP. The external consultant has no connection with FH-REIT, the REIT Manager, FH-BT and/or the Trustee-Manager or any of the Directors, apart from being the consultant in previous financial year(s).

The survey was designed to provide an evaluation of current effectiveness of each of the REIT Manager Board and the Trustee-Manager Board and to support the Chairman and the Boards to proactively consider what can enhance the readiness of the Boards to address emerging strategic priorities for FHT, FH-REIT and/or FH-BT (as the case may be) as a whole. As part of the survey, questionnaires were sent by the external consultant to the Directors to obtain feedback, and interviews would be conducted to clarify the responses where required. The objective performance criteria covered in the Board evaluation exercise translated into the following key segments in the questionnaires: (a) the Boards’ contribution to the overall development of the Managers’ strategic and performance orientation; (b) Board composition and skills; (c) governance of the Boards and organisation focus; (d) Board functions and dynamics, including the Boards’ internal operations, as well as engagement with key investors, Stapled Securityholders and strategic stakeholders; (e) the Boards’ relations with Management; (f) Boards’ role in respect of Director development and succession planning for the Boards and Management; (g) Director performance; (h) the Boards’ governance in the management of a REIT or a business trust (as the case may be); and (i) the effectiveness of the Board Committees. The responses would be summarised by the external consultant and a report would be submitted to the NRCs. Findings and recommendations of the external consultants which included feedback from Directors would be taken into consideration and any necessary follow-up actions would be undertaken with a view to improving the overall effectiveness of the Boards in fulfilling their roles and meeting their responsibilities to Stapled Securityholders.

Corporate Governance

In addition to the survey, the contributions and performance of each Director would be assessed by the NRCs as part of its periodic reviews of the composition of the Boards and the various Board Committees. Based on the NRC's review, the Boards and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Boards.

REMUNERATION MATTERS

The remuneration of the staff of the Managers and Directors' fees are paid by the REIT Manager and the Trustee-Manager from the management fees received from FH-REIT and FH-BT respectively, and not by FH-REIT and FH-BT (as the case may be). With the recommendations of the NRCs, the Boards have put in place a formal and transparent process for developing policies on remuneration of Directors and Key Management Personnel and for fixing the remuneration packages of individual Directors and Key Management Personnel.

Compensation Philosophy

The Managers seek to incentivise and reward consistent and sustained performance through market competitive, internally equitable, performance-orientated and Stapled Securityholder-aligned compensation programmes. This compensation philosophy serves as the foundation for the Managers' remuneration framework, and guides the Managers' remuneration framework and strategies. In addition, the Managers' compensation philosophy seeks to align the aspirations and interests of its employees with the interests of FHT and its Stapled Securityholders, resulting in the sharing of rewards for both employees and Stapled Securityholders on a sustained basis. The Managers' comprehensive human capital strategy serves to attract, retain and motivate employees. The Managers aim to connect employees' desire to develop and fulfil their aspirations with the growth opportunities afforded by the Managers' strategic vision and corporate initiatives.

Compensation Principles

All compensation programme design, determination and administration are guided by the following principles:

(a) Pay-for-Performance

The Managers' Pay-for-Performance principle encourages excellence, in a manner consistent with the Managers' core values. The Managers take a total compensation approach, which recognises the value and responsibility of each role, and differentiates and rewards performance through its incentive plans.

(b) Stapled Securityholder Returns

Performance measures for incentives are established to drive initiatives and activities that are aligned with both short-term value creation and long-term Stapled Securityholder wealth creation, thus ensuring a focus on delivering Stapled Securityholder returns.

(c) Sustainable Performance

The Managers believe sustained success depends on the balanced pursuit and consistent achievement of short-term and long-term goals. Hence, variable incentives incorporate a significant pay-at-risk element to align employees with sustainable performance for the Managers.

(d) Market Competitiveness

The Managers aim to be market competitive by benchmarking its compensation levels with relevant comparators accordingly. However, the Managers embrace a holistic view of employee engagement that extends beyond monetary rewards. Recognising each individual as unique, the Managers seek to motivate and develop employees through all the levers available to the Managers through its respective comprehensive human capital platform.

Corporate Governance

Engagement of External Consultants

The NRCs may from time to time, and where necessary or required, engage external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Managers to stay competitive in their remuneration packages. During FY2019, Korn Ferry was appointed as the Managers' remuneration consultant. The remuneration consultant does not have any relationship with FHT, the REIT Manager, the Trustee-Manager, its controlling shareholders, its related entities and/or Directors which would affect its independence and objectivity.

Remuneration Framework

The NRCs review and make recommendations to the Boards on the remuneration framework for the independent Directors and other non-executive Directors and the Key Management Personnel. The remuneration framework is endorsed by the Boards.

The remuneration framework covers all aspects of remuneration including salaries, allowances, performance bonuses, grant of awards of Stapled Securities and incentives for the Key Management Personnel and fees for the independent Directors and other non-executive Directors.

Remuneration Policy in respect of Management and other employees

The NRCs review the level, structure and mix of remuneration and benefits policies and practices (where appropriate) of the Managers, to ensure that they are appropriate and proportionate to the sustained performance and value creation of FHT and the Managers, taking into account the strategic objectives of FHT and the Managers, and designed to attract, retain and motivate the Key Management Personnel to successfully manage FHT and the Managers for the long-term. The NRCs take into account all aspects of remuneration, including termination terms, to ensure that they are fair.

The remuneration framework comprises fixed and variable components, which include short-term and long-term incentives. When conducting their review of the remuneration framework, the NRCs take into account the performance of FHT and individual performance. The performance of FHT is measured based on pre-set financial and non-financial indicators. Individual performance is measured via the employee's annual appraisal based on indicators such as core values, competencies and key performance indicators.

Fixed Component

The fixed component in the Managers' remuneration framework is structured to remunerate employees for the roles they perform, and is benchmarked against relevant industry market data. It comprises base salary, fixed allowances and any statutory contribution. The base salary and fixed allowances for Key Management Personnel are reviewed annually by NRCs and approved by the Boards.

Variable Component

An appropriate proportion of the remuneration of key executives of the Managers comprises a variable component which is structured so as to link rewards to corporate and individual performance and incentivise sustained performance in both the short and long-term. The variable incentives are measured based on quantitative and qualitative targets, and overall performance will be determined at the end of the year and approved by the NRCs.

(1) Short-Term Incentive Plans

The short-term incentive plans ("**STI Plans**") aim to incentivise excellence in performance in the short-term. All Key Management Personnel are assessed through either a balanced scorecard or annual performance review with pre-agreed financial and non-financial key performance indicators ("**KPIs**"). The financial KPIs are based on the performance of FHT. Non-financial KPIs may include measures on People, Corporate Governance, Sustainability or specified projects. These targets are established at the beginning of each financial year. At the end of the financial year, the achievements are measured against the pre-agreed targets and the short-term incentives of each Key Management Personnel are determined.

Corporate Governance

The NRCs recommend the final short-term incentives that are awarded to the Key Management Personnel for the Boards' approval, taking into consideration any other relevant circumstances.

(2) Long-Term Incentive Plans

The NRCs administer the Managers' long-term incentive plan, namely, the RSSP. The RSSP was approved by the Boards and adopted on 8 December 2017. Through the RSSP, the Managers seek to foster a greater ownership culture within the Managers by aligning more directly the interests of senior executives (including the CEO) with the interests of Stapled Securityholders and other stakeholders, and for such employees to participate and share in FHT's growth and success, thereby ensuring alignment with sustainable value creation for Stapled Securityholders over the long-term.

The RSSP is available to selected senior executives of the Managers. Its objectives are to increase the Managers' flexibility and effectiveness in its continuous efforts to attract, retain and motivate talented senior executives and to reward these executives for the future performance of FHT and the Managers. The RSSP applies to senior executives who shoulder the responsibility of FHT's future performance and who are able to drive the growth of FHT and the managers through superior performance. It serves as further motivation to the participants in striving for excellence, promoting FHT's and the Managers' long-term success and delivering long-term Stapled Securityholder value.

Under the RSSP, the Managers grant Stapled Security-based awards ("**Initial Awards**") with pre-determined performance targets being set at the beginning of the performance period. The NRCs recommend the Initial Awards granted to Key Management Personnel to the Boards for approval, taking into consideration the executives' individual performance. The performance period for the RSSP is two years. The pre-set targets are net property income and distribution per Stapled Security. Such performance conditions are generally performance indicators that are key drivers of Stapled Securityholders' value creation and aligned to FHT's business objectives. The RSSP awards represent the right to receive fully paid Stapled Securities, their equivalent cash value or a combination thereof, free of charge, provided certain prescribed performance conditions are met. The final number of Stapled Securities to be released ("**Final Awards**") will depend on the achievement of the pre-determined targets at the end of the performance period. If such targets are exceeded, more Stapled Securities than the Initial Awards can be delivered, subject to a maximum multiplier of the Initial Awards. The Final Awards will vest to the participants in three tranches over two years after the two-year performance period. The obligation to deliver the Stapled Securities is expected to be satisfied out of the Stapled Securities held by the Managers.

The NRCs have absolute discretion to decide on the Final Awards, taking into consideration any other relevant circumstances.

Approach to Remuneration of Key Management Personnel

The Managers advocate a performance-based remuneration system that is highly flexible and responsive to the market, which also takes into account FHT's performance and that of its employees.

In designing the compensation structure, the NRCs seek to ensure that the level and mix of remuneration are competitive, relevant and appropriate in finding a balance between current versus long-term compensation and between cash versus equity incentive compensation.

Executives who have a greater ability to influence outcomes within the Managers have a greater proportion of overall reward at risk. The NRCs exercise broad discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of Stapled Securityholders and other stakeholders and promote the long-term success of FHT.

Corporate Governance

Performance Indicators for Key Management Personnel

As set out above, the Managers' variable remuneration comprises short-term and long-term incentives, taking into account both FHT's and individual performance. This is to ensure employee remuneration is linked to performance. In determining short-term incentives, both FHT's financial and non-financial performance as per the balanced scorecard are taken into consideration. The performance targets align the interests of the Key Management Personnel with the long-term growth and performance of FHT and the Managers. The financial performance indicators on which the Key Management Personnel are evaluated comprise (a) FHT's net property income (b) distribution per Stapled Security and (c) Premium to Unit price/NAV per unit versus peers. These performance indicators are quantitative and are objective measures of FHT's performance. The non-financial performance indicators on which Key Management Personnel are evaluated include (i) people development, (ii) corporate governance and compliance, (iii) sustainability, (iv) branding, (v) business process, and (vi) investor relations. These qualitative performance indicators will align the Key Management Personnel's performance with FHT's strategic objectives.

In relation to long-term incentives, the Managers have implemented the RSSP with effect from the financial year ended 30 September 2018 as set out above. The release of long-term incentive awards to Key Management Personnel are conditional upon the performance targets being met. The performance targets of the KPIs align the interests of Key Management Personnel with the long-term growth and performance of FHT. In FY2019, the pre-determined target performance levels for the RSSP grant were met.

Currently, the Managers do not have claw-back provisions which allow them to reclaim incentive components of remuneration from the Key Management Personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss.

Remuneration Packages of Key Management Personnel

The NRCs review and make recommendations on the specific packages and service terms for the Key Management Personnel for endorsement by the respective Board. The NRCs will review the short-term and long-term incentives in the Key Management Personnel remuneration package to ensure its compliance with the substance and spirit of the directions and guidelines from the MAS.

No Director or Key Management Personnel is involved in deciding his or her remuneration.

The NRCs align the CEO's leadership, through appropriate remuneration and benefit policies, with FHT's and the Managers' strategic objectives and key challenges. Performance targets are also set for the CEO and his performance is evaluated yearly.

Remuneration Policy in respect of Non-Executive Directors

The remuneration of non-executive Directors has been designed to be appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities, on the Board and Board Committees, and to attract, retain and motivate the Directors to provide good stewardship of FHT.

Non-Executive Directors do not Receive Bonuses, Options or Stapled Security-Based Incentives and Awards

The Managers engage consultants to review Directors' fees by benchmarking such fees against the amounts paid by listed industry peers. Each non-executive Director's remuneration comprises a basic fee and attendance fees for attending Board and Board Committee meetings. In addition, non-executive Directors who perform additional services in Board Committees are paid an additional fee for such services. The chairman of each Board Committee is also paid a higher fee compared with the members of the respective Board Committees in view of the greater responsibility carried by that office.

Corporate Governance

Disclosure of Remuneration of Directors and Key Executives

Information on the remuneration of Directors and key executives of the Managers for FY2019 is set out below.

Directors of the Managers	Remuneration S\$
Mr Law Song Keng	159,000
Mr Chua Phuay Hee	52,500
Mr Liew Choon Wei	86,000
Dr David Wong See Hong	99,000
Mr Panote Sirivadhanabhakdi	57,000
Mr Choe Peng Sum	34,669 ⁽²⁾
Mr Koh Teck Chuan	17,831 ⁽³⁾

Notes:

- (1) Directors' fees are paid to Frasers Property Corporate Services Pte. Ltd. or each of Mr Panote Sirivadhanabhakdi, Mr Choe Peng Sum and Mr Koh Teck Chuan.
 (2) Mr Choe Peng Sum retired as a Director with effect from 21 May 2019.
 (3) Mr Koh Teck Chuan was appointed as a Director with effect from 21 May 2019.

Remuneration of CEO for FY2019	Salary %	Bonus %	Allowances and Benefits %	Long-Term Incentives %	Total %
Between S\$500,001 to S\$750,000					
Ms Eu Chin Fen ⁽¹⁾	42	23	5	30	100
Between S\$250,001 to S\$500,000					
Mr Colin Low Hsien Yang ⁽²⁾	18	34 ⁽³⁾	2	46 ⁽⁴⁾	100
Remuneration of Key Executives of the Managers ⁽⁷⁾ (excluding CEO) for FY2019	Salary %	Bonus %	Allowances and Benefits %	Long-Term Incentives %	Total %
Ms Valerie Foo Meei Foon ⁽⁵⁾					
Mr Eric Gan Chee Teik					
Mr Mark Rohner ⁽⁶⁾	68 ⁽⁸⁾	15 ⁽⁸⁾	6 ⁽⁸⁾	11 ⁽⁸⁾	100
Mr Jason Leong Say Boon					
Ms Sandy Leng Wei Woon					
Aggregate Total Remuneration (including CEO)					S\$2,282,187

Notes:

- (1) Ms Eu Chin Fen was the CEO from 1 October 2018 to 30 June 2019, as such, the remuneration disclosed is for the aforementioned period.
 (2) Mr Colin Low was appointed as the CEO on 1 July 2019, as such, the remuneration disclosed is for the period from 1 July 2019 to 30 September 2019.
 (3) Includes a one-time sign on bonus.
 (4) Includes a one-time award of long-term incentives as part of sign-on bonus.
 (5) The remuneration of Ms Valerie Foo Meei Foon, who was appointed acting Chief Financial Officer from 9 March 2018 to 28 January 2019, was borne by Frasers Property Group (other than the Managers).
 (6) Mr Mark Rohner ceased to be employed by the Managers as of 11 August 2019, as such, the remuneration disclosed is for the period from 1 October 2018 to 11 August 2019.
 (7) The key executives of the Managers (excluding the CEO) listed in this table are the CFO and the division heads of the Managers.
 (8) Derived on the aggregation of the respective remuneration components of each key executives (excluding the CEO) and represented as percentages against total remuneration for these key executives.

There are no existing or proposed service agreements entered into or to be entered into by the REIT Manager and/or the Trustee-Manager or any of its respective subsidiaries with Directors, the CEO or other Key Management Personnel which provide for compensation in the form of stock options, or pension, retirement or other similar benefits, or other benefits, upon termination of employment.

Corporate Governance

Pursuant to MAS Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Notice No: SFA04-N14), REIT managers are required to disclose the remuneration of the CEO and each individual Director on a named basis, and the remuneration of at least the top five executive officers (which shall not include the CEO and executive officers who are Directors), on a named basis, in bands of S\$250,000. The REIT manager may provide an explanation if it does not wish to or is unable to comply with such requirement. The REIT Manager has decided (a) to disclose the CEO's remuneration in bands of S\$250,000 (instead of on a quantum basis), (b) not to disclose exact details of the remuneration of the key executives of the REIT Manager (excluding the CEO) in bands of S\$250,000 and (c) to disclose the aggregate remuneration of all key executives of the REIT Manager (including the CEO), for the following reasons:

- (i) competition for talent in the REIT management industry is very keen and the REIT Manager has, in the interests of Stapled Securityholders, opted not to disclose the exact remuneration of key executives of the Managers (including the CEO) as this may give rise to recruitment and talent retention issues as well as the risk of unnecessary key Management turnover;
- (ii) the composition of the current management team has been stable and to ensure the continuity of business and operations of FH-REIT, it is important that the REIT Manager continues to retain its team of competent and committed staff;
- (iii) due to the confidentiality and sensitivity of staff remuneration matters, the REIT Manager is of the view that such disclosure could be prejudicial to the interests of Stapled Securityholders; and
- (iv) the remuneration of key executives of the Managers (including the CEO) are paid by the REIT Manager and there is full disclosure of the total amount of fees paid to the REIT Manager set out at page 188 of this Annual Report.

As at 30 September 2019, there are no employees within the Managers who is a substantial Stapled Securityholder or who is an immediate family member of a Director, the CEO or a substantial Stapled Securityholder.

FINANCIAL PERFORMANCE, REPORTING AND AUDIT

The Boards, with the support of Management, is responsible for providing a balanced and understandable assessment of FHT's performance, position and prospects. Financial reports are provided to the Boards on a quarterly basis and monthly accounts are made available to the Directors on request.

The REIT Manager prepares the financial statements of FH-REIT in accordance with the Singapore Financial Reporting Standards (International) prescribed by the Accounting Standards Council, the recommendations of the Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the CIS Code and the provisions of the FH-REIT Trust Deed and the Stapling Deed.

The Trustee-Manager prepares the financial statements of FH-BT in accordance with the principles of the Singapore Financial Reporting Standards (International) and the provisions of the BTA and FH-BT Trust Deed.

The Boards releases FHT's quarterly and full year financial results, other price sensitive information and material corporate developments through announcements to the SGX-ST and, where appropriate, press releases, FHT's website, and/or media and analysts' briefings.

Corporate Governance

External Audit

The ARCCs conduct an assessment of the external auditors of FHT, and recommends its appointment, re-appointment and removal to the Board. The assessment is based on factors such as the performance and quality of its audit, the cost effectiveness and the independence and objectivity of the external auditors.

At the annual general meeting (“AGM”) held on 22 January 2019, KPMG LLP was re-appointed by Stapled Securityholders as the external auditors of FHT for FY2019. Pursuant to the requirements of the SGX-ST, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current KPMG LLP audit partner for the Group was appointed at the AGM held on 9 December 2015 and has held this appointment for less than five consecutive audits, thereby meeting the requirement.

During FY2019, the ARCCs conducted a review of the scope, quality, results and performance of audit by the external auditors of FHT and its cost effectiveness, as well as the independence and objectivity of the external auditors. They also reviewed all non-audit services provided by the external auditors during the financial year, and the aggregate amount of fees paid and payable to them for such services. Details of fees paid and payable to the external auditors in respect of audit and non-audit services as at 30 September 2019 are set out in the table below:

Fees relating to external auditors as at 30 September 2019	S\$ (Million)
For audit and audit-related services	0.39
For non-audit services	0.27
Total	0.66

The ARCCs have conducted a review of all non-audit services provided by KPMG LLP during the financial year. The ARCCs are satisfied that given the nature and extent of non-audit services provided and the fees for such services, neither the independence nor the objectivity of KPMG LLP is put at risk. KPMG LLP has attended the ARCCs meeting held every quarter for FY2019, and where appropriate, has met with the ARCCs without the presence of Management to discuss their findings, if any.

Each of the REIT Manager and the Trustee-Manager confirms that FH-REIT and FH-BT respectively has complied with Rule 712 of the SGX-ST Listing Manual which requires, amongst others, that a suitable auditing firm should be appointed by the Group having regard to certain factors. Each of FH-REIT and FH-BT has also complied with Rule 715 of the SGX-ST Listing Manual which requires that the same auditing firm of the Group based in Singapore audits its Singapore-incorporated subsidiaries and significant associated companies, and that a suitable auditing firm be engaged for its significant foreign-incorporated subsidiaries and associated companies.

In the review of the financial statements of FHT for FY2019, the ARCCs discussed the following key audit matters identified by the external auditors with Management:

Key audit matter	Review by the ARCCs
Valuation of properties	The ARCCs considered the independence and competency of the external valuers, as well as the methodologies applied by them to the valuation of the properties. The ARCCs reviewed the outcomes of the annual external valuation process and discussed the details of the valuation with the Management and the external auditors. The ARCCs noted that the valuation of properties was an area of focus for the external auditors as a key audit matter in its auditors' report and also noted their assessment of the appropriateness of the valuation models, data and assumptions used. The ARCCs concur with the basis and conclusions included in the auditors' report with respect to the audit matter.

Corporate Governance

GOVERNANCE OF RISK AND INTERNAL CONTROLS

The Boards are responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls.

Enterprise Risk Management and Risk Tolerance

The Managers have established a sound system of risk management and internal controls comprising procedures and processes to safeguard FHT's assets and the interests of FHT and its Stapled Securityholders. The ARCCs review and report to the Boards on the adequacy and effectiveness of such controls, including financial, compliance, operational and information technology controls, and risk management procedures and systems, taking into consideration the recommendations of both internal and external auditors.

Internal Controls

Each of the ARCCs, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy and effectiveness of the REIT Manager's and/or the Trustee-Manager's (as the case may be) system of controls, including financial, compliance, operational and information technology controls. In assessing the effectiveness of internal controls, each of the ARCCs ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors (if any) in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

Risk Management

The Boards, through the ARCCs review the adequacy and effectiveness of the Managers' risk management framework to ensure that robust risk management and mitigating controls are in place. The Managers have adopted an enterprise-wide risk management ("ERM") framework to enhance its risk management capabilities. Key risks, control measures and management actions are continually identified, reviewed and monitored as part of the ERM process. Financial and operational key risk indicators are in place to track key risk exposures. Apart from the ERM process, key business risks are thoroughly assessed by Management and each significant transaction is comprehensively analysed so that Management understands the risks involved before it is embarked upon. An outline of the Managers' ERM framework and progress report is set out on pages 85 to 87.

Periodic updates are provided to the REIT Manager ARCC and the Trustee-Manager ARCC (as the case may be) on FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's risk profiles. These updates would involve an assessment of FHT's, FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's key risks by risk categories, current status, the effectiveness of any mitigating measures taken, and the action plans undertaken by Management to manage such risks.

In addition to the ERM framework, a comfort matrix of key risks, by which relevant material financial, compliance and operational (including information technology) risks of FHT, FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager have been documented to assist the Boards to assess the adequacy and effectiveness of the existing internal controls. The comfort matrix is prepared with reference to the strategies, policies, processes, systems and reporting processes connected with the management of such key risks and presented to the Boards and the ARCCs. Risk tolerance statements setting out the nature and extent of significant risks which the REIT Manager and/or Trustee-Manager is willing to take in achieving its strategic objectives have been formalised and adopted.

The Boards have received assurance from the CEO and the CFO that as at 30 September 2019:

- (a) the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances;
- (b) the system of internal controls in place for FHT is adequate and effective to address financial, operational, compliance and information technology risks which the Managers consider relevant and material to FHT's operations; and

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- (c) the risk management system in place for FHT is adequate and effective to address risks which the Managers consider relevant and material to FHT's operations.

Boards' Comment on Internal Controls and Risk Management Framework

Based on the internal controls established and maintained by the Managers, work performed by internal and external auditors, reviews performed by Management and the ARCCs, and assurance from the CEO and the CFO, the Boards are of the views that the internal controls in place for FHT were adequate and effective as at 30 September 2019 to address financial, operational, compliance and information technology risks, which the Managers consider relevant and material to FHT's operations.

Based on the risk management framework established and adopted by the Managers, review performed by Management and assurance from the CEO and the CFO, the Boards are of the view that the risk management system in place for FHT was adequate and effective as at 30 September 2019 to address risks which the Managers consider relevant and material to FHT's operations.

The Boards note that the system of internal controls and risk management provides reasonable, but not absolute, assurance that FHT will not be adversely affected by any event that could be reasonably foreseen as the Managers work to achieve their business objectives for FHT. In this regard, the Boards also note that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The ARCCs concur with the Boards' view that as at 30 September 2019, the internal controls of FHT (including financial, operational, compliance and information technology controls) and the risk management system in place for FHT were adequate and effective to address risks which the Managers consider relevant and material to FHT's operations.

Internal Audit

The internal audit function of each of the REIT Manager and the Trustee-Manager is performed by FPL's internal audit department ("**FPL Group IA**"). FPL Group IA is responsible for conducting objective and independent assessments on the adequacy and effectiveness of the REIT Manager's and the Trustee-Manager's system of internal controls, risk management and governance practices. The Head of the FPL Group IA, who is a Certified Fraud Examiner and a Fellow of the Institute of Singapore Certified Accountants, CPA Australia and ACCA reports directly to the chairman of the ARCCs, and administratively to the Group Chief Executive Officer of FPL or such other officer as may be charged with this responsibility from time to time. The appointment and removal of the FPL Group's internal audit department as the service provider of the Managers, internal audit function requires the approval of the ARCCs. In performing internal audit services, FPL Group IA has adopted and complies with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

As at 30 September 2019, FPL Group IA comprises 23 professional staff. The Head of the FPL Group IA and the Singapore-based FPL Group IA staff are members of The Institute of Internal Auditors, Singapore. To ensure that the internal audit activities are effectively performed, FPL Group IA recruits and employs suitably qualified staff with the requisite skills and experience. Such staff are given relevant training and development opportunities to update their technical knowledge and auditing skills. All staff members of FPL Group IA also receive relevant technical training and attend seminars organised by The Institute of Internal Auditors, Singapore and other professional bodies. FPL Group IA operates within the framework of a set of terms of reference as contained in the Internal Audit Charter approved by the ARCCs. It adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of FHT. The results of the risk assessments determine the level of focus and the review intervals for the various activities audited (i.e. greater focus and appropriate review intervals are set for higher risk activities and material internal controls). FPL Group IA conducts its audit reviews based on internal audit plans approved by the ARCCs. FPL Group IA has unfettered access to all of FHT's and the REIT Manager's and the Trustee-Manager's documents, records, properties and personnel, including access to the ARCC members. All audit reports detailing audit findings and recommendations are provided to Management who would respond with the actions to be taken.

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Each quarter, FPL Group IA will submit reports to the ARCCs on the status of the audit plans and on audit findings and actions taken by Management on such findings. Key findings are highlighted at ARCC meetings for discussion. The ARCCs monitor the timely and proper implementation of the required follow-up measures undertaken by Management. Each of the ARCCs is satisfied that for FY2019, the internal audit function is independent, effective and adequately resourced to perform its functions and has appropriate standing within FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager to perform its functions effectively. Quality assurance reviews on FHT's internal audit function are periodically carried out by qualified professionals from an external organisation. The last review was performed in the financial year ended 30 September 2018.

Related/Interested Person Transactions

In general, in the case of FH-REIT and/or the REIT Manager, transactions between:

- an entity at risk (in this case, the REIT Trustee (acting in its capacity as the trustee of FH-REIT) or any of the subsidiaries or associated companies of FH-REIT); and
- any of the Interested Party, namely, the REIT Manager, the REIT Trustee (acting in its personal capacity), an associate of the REIT Manager or REIT Trustee, a Director, CEO or controlling shareholder of the REIT Manager, a controlling Stapled Securityholder or an associate of any such Director, CEO or controlling shareholder or controlling Stapled Securityholder,

would constitute an interested party transaction.

In general, in the case of FH-BT and/or the Trustee-Manager, transactions between:

- an entity at risk (in this case, the Trustee-Manager (acting in its capacity as the trustee-manager of FH-BT) or any of the subsidiaries or associated companies of FH-BT); and
- any of the Interested Persons, namely, the Trustee-Manager (acting in its personal capacity), a related corporation or related entity of the Trustee-Manager (other than a subsidiary or subsidiary entity of FH-BT), an associated company or associated entity of the Trustee-Manager (other than an associated company or associated entity of FH-BT) (as defined in the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005), a Director, CEO or controlling shareholder of the Trustee-Manager, a controlling Stapled Securityholder or an associate of any such Director, CEO or controlling shareholder or controlling Stapled Securityholder,

would constitute an interested person transaction.

The Managers have established internal processes such that the Boards, with the assistance of the ARCCs, is required to be satisfied that all Related/Interested Person Transactions are undertaken on normal commercial terms, and are not prejudicial to the interests of FHT and Stapled Securityholders. This may entail obtaining (where practicable) quotations from parties unrelated to the Managers, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Appendix). Directors who are interested in any proposed Related/Interested Person Transaction to be entered into by FHT are required to abstain from any deliberations or decisions in relation to that Related/Interested Person Transaction.

All Related/Interested Person Transactions are entered in a register maintained by the each of the REIT Manager and the Trustee-Manager. The Managers incorporate into their internal audit plan a review of the Related/Interested Person Transactions recorded in the register to ascertain that internal procedures and requirements of the SGX-ST Listing Manual and Property Funds Appendix have been complied with. The ARCCs review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related/Interested Person Transactions have been complied with. The review includes the examination of the nature of the Related/Interested Person Transactions and its supporting documents or such other data deemed necessary by the ARCCs. In addition, the REIT Trustee also has the right to review any such relevant internal audit reports to ascertain that the Property Funds Appendix has been complied with.

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Any Related/Interested Person Transaction proposed to be entered into by (a) the REIT Trustee for and on behalf of FH-REIT with a Related Person, and/or (b) the Trustee-Manager for and on behalf of FH-BT with an Interested Person, would require the REIT Trustee and/or the Trustee-Manager (as the case may be) to satisfy itself that such Related/Interested Person Transaction is conducted on normal commercial terms, is not prejudicial to the interests of FHT, FH-REIT and/or FH-BT (as the case may be) and its Stapled Securityholders, and is in accordance with all applicable requirements of the SGX-ST Listing Manual, the BTA and/or CIS Code (where applicable) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to business trusts or property funds.

Further, the following procedures will be undertaken by the ARCCs:

- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Interested Parties or Interested Persons (collectively, the “**Related Parties**”) during the same financial year) equal to or exceeding S\$100,000 in value but less than 3.0% of the value of FH-REIT’s or FH-BT’s net tangible assets (based on the latest audited accounts) will be subject to review by the respective ARCCs at regular intervals;
- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of FH-REIT’s or FH-BT’s net tangible assets (based on the latest audited accounts) will be subject to the review and prior approval of the ARCCs. Such approval shall only be given if such transaction is on normal commercial terms and not prejudicial to the interests of FH-REIT and/or FH-BT and the minority Stapled Securityholders; and
- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of FH-REIT’s and/or FH-BT’s net tangible assets (based on the latest audited accounts) will be reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the ARCCs which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and/or the Property Funds Appendix (where applicable), such transaction would have to be approved by Stapled Securityholders at a meeting duly convened.

Save for the transactions described under the sections “Management and Corporate Governance – FH-REIT – Related Transactions – Related Party Transactions in connection with the Setting Up of FH-REIT” and “Management and Corporate Governance – FH-REIT – Related Party Transactions – Future Related Party Transactions” in FHT’s Prospectus dated 30 June 2014, FH-REIT will comply with Rule 905 of the Listing Manual by announcing any IPTs in accordance with the Listing Manual if such transaction, by itself or when aggregated with other IPTs entered into with the same interested person during the same financial year, is 3.0% or more of the value of FH-REIT’s latest audited net tangible assets.

Save for the transactions described under the sections “Management and Corporate Governance – FH-BT – Interested Person Transactions and Potential Conflicts of Interest – Interested Person Transactions in connection with the Setting Up of FH-BT” in FHT’s Prospectus dated 30 June 2014, FH-BT will comply with Rule 905 of the Listing Manual by announcing any IPTs in accordance with the Listing Manual if such transaction, by itself or when aggregated with other IPTs entered into with the same interested person during the same financial year, is 3.0% or more of the value of FH-BT’s latest audited net tangible assets.

Information on the measures and procedures put in place by the Trustee-Manager to manage potential IPTs can also be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 128 to 134.

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Whistle-Blowing Policy

The Managers have put in place a whistle-blowing policy (the **"Whistle-Blowing Policy"**). The Whistle-Blowing Policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting, suspected fraud and corruption or other matters may be raised by employees and any other persons in confidence and in good faith, without fear of reprisal. Whistle-blowers may report any matters of concern by email, by post or by calling a hotline, details of which are provided in the Whistle-Blowing Policy, which is available on FHT's website. Any report submitted through this channel would be received by the Head of the FPL Group IA. For employees, the Whistle-Blowing Policy provides assurance that employees will be treated fairly, and protected from reprisals or victimisation for whistle-blowing in good faith.

The improprieties that are reportable under the Whistle-Blowing Policy include: (a) financial or professional misconduct; (b) improper conduct, dishonest, fraudulent or unethical behaviour; (c) any irregularity or non-compliance with laws/regulations or the Managers' policies and procedures, and/or internal controls; (d) violence at the workplace, or any conduct that may threaten health and safety; (e) corruption or bribery; (f) conflicts of interest; and (g) any other improprieties or matters that may adversely affect Stapled Securityholders'/shareholders' interest in, and assets of, FHT, the REIT Manager and/or the Trustee-Manager and the reputation of these entities. The Whistle-Blowing Policy is covered during staff training. All whistle-blowing complaints raised and independently investigated, and if appropriate, an independent investigation committee will be constituted. The outcome of each investigation and any action taken is reported to the ARCCs. The ARCCs review and ensure that independent investigations and any appropriate follow-up actions are carried out.

STAPLED SECURITYHOLDER MATTERS

The Managers treat all Stapled Securityholders fairly and equitably, and strive to establish and maintain regular interaction and dialogue with Stapled Securityholders to generate awareness and understanding of FHT's strategic business model, competitive strengths, growth strategy, and investment merits, as well as to garner feedback and views for consideration.

Investor Relations

The Managers pride themselves on their high standards of disclosure and corporate transparency. To enable Stapled Securityholders and the investment community to make informed investment decisions, the Managers endeavour to provide them with fair, relevant, comprehensive and timely information regarding FHT's performance and progress and matters concerning FHT and its business which are likely to materially affect the price of the Stapled Securities and other securities of FHT.

The Managers' dedicated Investor Relations ("**IR**") personnel is tasked with, and focuses on, facilitating communications between FHT and its Stapled Securityholders, as well as with the investment community and the media.

Continuous and informed dialogue between the Managers and Stapled Securityholders is a central tenet of good corporate governance. Regular engagement between these parties promotes greater transparency. Material and other pertinent information such as press releases and presentation slides are released to the SGX-ST via SGXNET and uploaded on FHT's website on a timely basis. They are the principal media of communication between FHT and its Stapled Securityholders. The Head of IR, together with Management, also participates in conferences, roadshows, and other investor meetings to keep the investment community informed of FHT's corporate developments, financial and operational performance and strategies. Analyst briefings, earnings calls and investor luncheons are conducted after the announcement of quarterly results.

Further details on the various activities organised by IR during the year can be found in the Investor Relations section of this Annual Report on pages 82 to 84.

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A copy of FHT's Annual Report 2019 has been sent to all Stapled Securityholders. The electronic version is available on FHT's website at <https://fht.frasersproperty.com/publications.html>.

Conduct of general meetings

The Boards support and encourage active Stapled Securityholder participation at AGMs as they believe that general meetings serve as an opportune forum for Stapled Securityholders to meet the Boards and senior Management, and to interact with them. To encourage participation, FHT's general meetings are held at convenient locations. Stapled Securityholders are given the opportunity to participate effectively and vote at FHT's general meetings, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated prior to the start of the meeting.

At general meetings, the Managers set out separate resolutions on each substantially separate issue. Stapled Securityholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions sought to be passed.

For greater transparency, the Managers have implemented electronic poll voting at general meetings. This entails Stapled Securityholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hands), thereby allowing all Stapled Securityholders present or represented at the meeting to vote on a one Stapled Security, one vote basis. The voting results of all votes cast for, against, or abstaining from each resolution is then screened at the meeting and announced to the SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. The Managers will continue to use the electronic poll voting system at the forthcoming AGM. As the authentication of Stapled Securityholder identity and other related security and integrity issues still remain a concern, the Managers have decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax.

At the AGM, a presentation is made to Stapled Securityholders to update on FHT's financial and operational performance, and prospects. The links to the presentation materials are made available on SGXNET and FHT's website before the commencement of the AGM for the benefit of Stapled Securityholders.

Board members and senior Management are present at each Stapled Securityholders' meeting to respond to any questions from Stapled Securityholders, unless they are unable to attend due to exigencies. Certain external consultants including FHT's external auditors are also present to address queries about the conduct of audit and the preparation and content of the auditors' report.

The minutes of Stapled Securityholders' meetings which capture the attendance of Board members at the meetings, matters approved by Stapled Securityholders, voting results and substantial and relevant comments or queries from Stapled Securityholders relating to the agenda of the general meeting together with responses from the Boards and Management, are prepared by the Managers. These minutes are published on FHT's website as soon as practicable.

Distributions

Distributions of FHT comprise distributions from FH-REIT and FH-BT.

FH-REIT's distribution policy is to distribute at least 90.0% of its distributable income and such distributions are typically paid on a semi-annual basis.

FH-BT's distribution policy is to distribute as much of its income as practicable, and the declaration and payment of distributions by FH-BT will be at the sole discretion of the Trustee-Manager Board.

For FY2019, FHT made two distributions to Stapled Securityholders.

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STAKEHOLDER ENGAGEMENT

The Boards adopt an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of their overall responsibility to ensure that the best interests of FHT are served.

The conduct of employees of the Managers is governed by the FPL Code of Business Conduct. Its key objectives are to provide clear guidelines on ethics and relationships, in order to safeguard the reputation and interests of Frasers Property Group. The Code of Business Conduct sets out the policies and procedures dealing with various issues such as conflicts of interests, the maintenance of records and reports, equal employment opportunities and sexual harassment. Where applicable/appropriate, the Code of Business Conduct is also made available to other stakeholders such as the Managers' agents, suppliers, business associates and customers.

In order to review and assess the material factors relevant to FHT's business activities, the Managers from time to time proactively engages with various stakeholders (including employees), vendors and tenants, and the investment community, to gather feedback on the sustainability matters which have significant impact to the business and operations of FHT and its stakeholders. Please refer to the Sustainability Report on pages 62 to 81 of this Annual Report, which sets out information on the Managers' arrangements to identify and engage with its material stakeholder groups and to manage its relationships with such groups, and the Managers' strategy and key areas of focus in relation to the management of stakeholder relationships during FY2019.

POLICY ON DEALINGS IN SECURITIES

The REIT Manager and the Trustee-Manager have adopted a dealing policy on regarding securities trading ("**Dealing Policy**") setting out the procedure for dealings in FHT's securities by its Directors, officers and employees. In compliance with Rule 1207(19) of the SGX-ST Listing Manual on best practices on dealing in securities, the Group issues quarterly reminders to the Directors, officers and employees on the restrictions in dealings in listed securities of the Group during the period commencing (a) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (b) one month before the announcement of full year results, and ending on the date of such announcements ("**Prohibition Period**"). Directors, officers and employees are also reminded not to trade in listed securities of FHT at any time while in possession of unpublished price sensitive information and to refrain from dealing in FHT's securities on short-term considerations. Outside of the Prohibition Period, Directors and the CEO are also required to report their dealings in FHT's securities within two business days.

Every quarter, each Director, officer and employee is required to complete and submit a declaration form to the designated compliance officer to report any trades he or she made in Stapled Securities in the previous quarter and confirm that no trades were made during the Prohibition Period. A quarterly report will be provided to the ARCCs. Any non-compliance with the Dealing Policy will be reported to the ARCCs for their review and instructions.

In compliance with the Dealing Policy in relation to the Managers, prior approval from the each of the Boards is required before the Managers deals or trades in Stapled Securities. The Managers have undertaken that it will not deal in Stapled Securities:

- (a) during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full year results and (where applicable) property valuations, and ending on the date of such announcements; or
- (b) whenever it is in possession of unpublished material price sensitive information.

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ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS

Pursuant to the FH-REIT Trust Deed, the REIT Manager is entitled to receive the following fees:

Type of Fee	Computation and Form of Payment	Rationale and Purpose
Base Fee	<p>Pursuant to Clause 15.1.1 of the FH-REIT Trust Deed, the REIT Manager is entitled to receive a Base Fee of 0.3% per annum (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) of the value of the deposited property of FH-REIT ("FH-REIT Deposited Property").</p> <p>The Base Fee is payable quarterly in the form of cash and/or Stapled Securities as the REIT Manager may elect. The Base Fee payable in Stapled Securities will be issued at the volume weighted average price for a Stapled Security for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the FH-REIT Trust Deed) immediately preceding the relevant Business Day.</p>	<p>The primary role of the REIT Manager includes managing and optimising the portfolio of properties held by FH-REIT. The REIT Manager is committed to delivering value to the stakeholders of FHT, in addition to its key responsibilities in managing and maintaining the long-term interests of all Stapled Securityholders.</p> <p>The Base Fee covers the operational and administrative overheads incurred by the REIT Manager for formulating strategies and business plans, monitoring the performance of the assets to optimise the portfolio of properties and implementing proactive measures to enhance the returns from these properties so as to achieve optimal distribution to Stapled Securityholders, ensuring that FH-REIT and its subsidiaries comply with the applicable reporting and regulatory requirements and legislation in each of the countries that FH-REIT operates in.</p> <p>The Base Fee represents the compensation to the REIT Manager for executing its core responsibilities and is based on a percentage of the value of the FH-REIT Deposited Property, which is an appropriate metric that commensurates with the complexity of FH-REIT's operations and the efforts required of the REIT Manager in managing FH-REIT. As the portfolio grows in size and/or geographical diversity, it is expected that the degree and complexity of the REIT Manager's responsibilities will correspondingly increase.</p> <p>The Performance Fee methodology, which is based on Distributable Income, is an objective benchmark and incentivises the REIT Manager to achieve higher income yields for Stapled Securityholders over the long-term through proactive management, which may include but are not limited to asset enhancement initiatives, repositioning or rebranding of a property, re-segmentation of a property's customer base and driving cost efficiencies to improve profit margin.</p>
Performance Fee	<p>Pursuant to Clause 15.1.2 of the FH-REIT Trust Deed, the REIT Manager is entitled to receive a Performance Fee, being a fee not exceeding the rate of 5.5% per annum (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) in arrears of the aggregate of the Distributable Income of FHT and the distributable income of FH-BT in the relevant financial year (calculated before accounting for the Performance Fee payable to the REIT Manager and the performance fee payable to the Trustee-Manager but after accounting for the Base Fee payable to the REIT Manager and the base fee payable to the Trustee-Manager).</p> <p>The Performance Fee is payable in the form of cash and/or Stapled Securities as the REIT Manager may elect. The Performance Fee payable in Stapled Securities will be issued at the volume weighted average price for a Stapled Security for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the FH-REIT Trust Deed) immediately preceding the relevant Business Day.</p>	

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Type of Fee	Computation and Form of Payment	Rationale and Purpose
Acquisition Fee	<p>Pursuant to Clause 15.2.1(i) of the FH-REIT Trust Deed, the REIT Manager is entitled to receive an Acquisition Fee (as defined under Clause 15.1.2(i) of the FH-REIT Trust Deed) at the rate of 0.5% for acquisitions from Related Parties as defined in the FH-REIT Trust Deed and 1.0% for all other cases (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) of any of the following as is applicable (subject to no double-counting):</p> <p>(a) the acquisition price of any real estate purchased by FH-REIT, whether directly or indirectly through one or more special purpose vehicles (“SPVs”), plus any other payments⁽²⁾ in addition to the acquisition price made by FH-REIT or its SPV to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of FH-REIT’s interest);</p> <p>(b) the underlying value⁽³⁾ of any real estate which is taken into account when computing the acquisition price payable for the equity interests of any vehicle holding directly or indirectly the real estate, purchased by FH-REIT whether directly or indirectly through one or more SPVs plus any other payments made by FH-REIT or its SPVs to the vendor in connection with the purchase of such equity interests (pro-rated, if applicable to the proportion of FH-REIT’s interest); or</p>	<p>Such fee methodology aligns the interests between the REIT Manager and Stapled Securityholders and also takes into account the Stapled Securityholders’ long-term interests as the REIT Manager receives an amount that is commensurate with the value it delivers to the Stapled Securityholders.</p> <p>Since the listing of FHT on the Mainboard of the SGX-ST, the REIT Manager has received 100% of the Base Fee and Performance Fee in the form of Stapled Securities, further aligning the interests between the REIT Manager and Stapled Securityholders.</p> <p>To continue delivering long-term sustainable distributable income to Stapled Securityholders, the REIT Manager regularly reviews its portfolio of properties and considers the recycling of capital, where appropriate, to optimise its portfolio. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of the acquisition or divestment to FH-REIT’s existing portfolio and future growth expectations. When the transaction is completed, the REIT Manager receives the Acquisition Fee or, as the case may be, the Divestment Fee, based on the acquisition price or sale price respectively.</p> <p>The Acquisition Fee is higher than the Divestment Fee because the time and efforts undertaken in terms of sourcing, evaluating and conducting due diligence, and fund raising for an acquisition, are higher as compared to a divestment.</p> <p>The Acquisition Fee and Divestment Fee payable to the REIT Manager serve as a form of compensation of the time, effort and resources spent by the REIT Manager’s team of skilled and experienced executives in sourcing, evaluating and executing of potential opportunities to acquire new properties or in unlocking the underlying value of existing properties within its asset portfolio to optimise Stapled Securityholders’ returns. The REIT Manager provides these services over and above the provision of ongoing management services with the aim of ensuring income sustainability, achieving the investment objectives of FH-REIT and generating long term benefits for Stapled Securityholders.</p>

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Type of Fee	Computation and Form of Payment	Rationale and Purpose
	<p>(c) the acquisition price of any investment purchased by FH-REIT whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate</p>	
Divestment Fee	<p>Pursuant to Clause 15.2.1(ii) of the FH-REIT Trust Deed, the REIT Manager is entitled to receive a Divestment Fee (as defined under Clause 15.1.2(ii) of the FH-REIT Trust Deed) at the rate of 0.5% (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) of each of the following as is applicable (subject to no double-counting):</p> <p>(a) the sale price of any real estate sold or divested by FH-REIT, whether directly or indirectly through one or more SPVs, plus any other payments⁽²⁾ in addition to the sale of price received by FH-REIT or its SPVs from the purchaser in connection with the sale or divestment of the real estate (pro-rated if applicable to the proportion of FH-REIT's interest);</p> <p>(b) the underlying value⁽³⁾ of any real estate which is taken into account when computing the sale price for the equity interests in any vehicle holding directly or indirectly the real estate, purchased by FH-REIT whether directly or indirectly through one or more SPVs, plus any other payments received by the FH-REIT or its SPVs from the purchaser in connection with the sale or divestment of such equity interests (pro-rated, if applicable to the proportion of FH-REIT's interest); or</p> <p>(c) the sale price of any investment sold or divested by FH-REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate</p>	

Notes:

- (1) Capitalised terms used in this section shall have the same meanings ascribed to them in the FH-REIT Trust Deed.
- (2) "other payments" refer to additional payments to the vendor of the real estate, for example, where the vendor has already made certain payments for enhancements to the real estate, and the value of the asset enhancements is not reflected in the acquisition price as the asset enhancements are not completed, but "other payments" do not include stamp duty or other payments to third party agents and brokers.
- (3) For example, if FH-REIT acquires a special purpose company which holds real estate, such underlying value would be the value of the real estate derived from the amount of equity paid by FH-REIT as purchase price and any debt of the special purpose company.

Corporate Governance

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Corporate Governance

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Report of the Trustee of Frasers Hospitality Real Estate Investment Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Perpetual (Asia) Limited (the "REIT Trustee") is under a duty to take into custody and hold the assets of Frasers Hospitality Real Estate Investment Trust ("FH-REIT") held by it or through its subsidiaries (collectively the "FH-REIT Group") in trust for the holders ("Stapled Securityholders") of units in FH-REIT. In accordance with the Securities and Futures Act (Chapter 289) of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes and the Listing Manual (collectively referred to as the "Regulations"), the REIT Trustee shall monitor the activities of Frasers Hospitality Asset Management Pte. Ltd. (the "REIT Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the Amended and Restated Trust Deed ("Trust Deed") dated 20 June 2014 as amended or supplemented from time to time between the REIT Manager and the REIT Trustee in each annual accounting period and report thereon to Stapled Securityholders in an annual report.

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed FH-REIT during the financial year covered by these financial statements set out on pages 142 to 243, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the REIT Trustee,
Perpetual (Asia) Limited

Sin Li Choo
Director

Singapore
22 November 2019

Statement by the Manager of Fraser's Hospitality Real Estate Investment Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

In the opinion of the directors of Fraser's Hospitality Asset Management Pte. Ltd., the financial statements of FH-REIT and its subsidiaries (collectively "FH-REIT Group"), and Fraser's Hospitality Trust (the "Stapled Group"), comprising the FH-REIT Group and Fraser's Hospitality Business Trust ("FH-BT") and its subsidiaries (collectively, the "FH-BT Group") set out on pages 142 to 243, comprising the Statements of Financial Position and Portfolio Statement as at 30 September 2019, the Statements of Total Return, Distribution Statements, Statements of Changes in Stapled Securityholders' Funds and Statements of Cash Flows for the financial year then ended, and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio position of FH-REIT Group and the Stapled Group as at 30 September 2019, the total returns, changes in Stapled Securityholders' funds, distributable income and cash flows of the FH-REIT Group and the Stapled Group for the financial year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed dated 20 June 2014 (as amended) between the REIT Manager and the REIT Trustee, and the stapling deed of Fraser's Hospitality Trust between the REIT Trustee, the REIT Manager and Fraser's Hospitality Trust Management Pte. Ltd. (the "Trustee-Manager") dated 20 June 2014. At the date of this statement, there are reasonable grounds to believe that the FH-REIT Group and the Stapled Group will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Board of Directors of the REIT Manager,
Fraser's Hospitality Asset Management Pte. Ltd.

Panote Sirivadhanabhakdi
Director

Koh Teck Chuan
Director

Singapore
22 November 2019

Report of the Trustee-Manager of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors of Frasers Hospitality Trust Management Pte. Ltd., the trustee-manager of Frasers Hospitality Business Trust ("FH-BT") and its subsidiaries (collectively, the "FH-BT Group"), (the "Trustee-Manager"), are pleased to present their report to the Stapled Securityholders of Frasers Hospitality Trust (the "Trust" or "FHT") for the financial year ended 30 September 2019, together with the audited financial statements of FH-BT Group for the financial year ended on that date.

DIRECTORS

The directors of the Trustee-Manager in office at the date of this report are:

Mr Law Song Keng (Chairman)
 Mr Chua Phuay Hee
 Mr Liew Choon Wei
 Dr David Wong See Hong
 Mr Panote Sirivadhanabhakdi
 Mr Koh Teck Chuan (Appointed on 21 May 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE STAPLED SECURITIES AND DEBENTURES

Neither at the end of nor at any time during the financial year ended 30 September 2019 was the Trustee-Manager a party to any arrangement whose objective is to enable any or all directors of the Trustee-Manager to acquire benefits by means of the acquisition of Stapled Securities, or debentures, of FH-BT.

DIRECTORS' INTEREST IN STAPLED SECURITIES OR DEBENTURES OF FHT

According to the register kept by the Trustee-Manager for the purpose of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "BTA"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in Stapled Securities of FHT are as follows:

Name of Director	Number of Stapled Securityholdings					
	1 October 2018		30 September 2019		21 October 2019	
	Direct	Deemed	Direct	Deemed	Direct	Deemed
Mr Law Song Keng	549,900	Nil	549,900	Nil	549,900	Nil
Mr Panote Sirivadhanabhakdi	Nil	707,310,200	Nil	707,310,200	Nil	707,310,200

Except as disclosed in this statement, there were no changes in any of the above mentioned interests in FHT between the end of the financial year and 21 October 2019.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the last financial year, no director of the Trustee-Manager has received or become entitled to receive a benefit in FH-BT by reason of a contract made by the Trustee-Manager, on behalf of FH-BT or a related corporation with the director, or with a firm of which such director is a member or with a company in which such director has a substantial financial interest, except that the directors served as directors or employees of related corporations and received remuneration in that capacity from related corporations.

Report of the Trustee-Manager of Fraser's Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

STAPLED SECURITY OPTIONS

During the financial year, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued Stapled Securities in FHT; and
- (ii) no Stapled Securities issued by virtue of any exercise of option to take up unissued Stapled Securities in FHT.

There were no unissued Stapled Securities in FHT under option as at the end of the financial year.

AUDIT COMMITTEE

The Trustee-Manager had established an Audit, Risk and Compliance Committee for the Trustee-Manager (the "Trustee-Manager Audit, Risk and Compliance Committee") on 17 October 2016.

The composition of the Trustee-Manager Audit, Risk and Compliance Committee comprise the following independent directors from the Board of Directors of the Trustee-Manager:

- (i) Dr David Wong See Hong (Chairman) (Appointed on 1 April 2019);
- (ii) Mr Law Song Keng (Member); and
- (iii) Mr Liew Choon Wei (Member).

The composition of the Trustee-Manager Audit, Risk and Compliance Committee is identical to the composition of the Audit, Risk and Compliance Committee of the REIT Manager.

AUDITOR

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

For and on behalf of the Board of Directors of the Trustee-Manager,
Fraser's Hospitality Trust Management Pte. Ltd.

Panote Sirivadhanabhakdi
Director

Koh Teck Chuan
Director

Singapore
22 November 2019

Statement by the Trustee-Manager of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

In the opinion of the directors,

- (a) The financial statements of FH-BT Group as set out on pages 142 to 243 are drawn up so as to give a true and fair view of the financial position of FH-BT Group as at 30 September 2019, and of the financial performance, changes in Stapled Securityholders' funds and cash flows of FH-BT Group, for the financial year then ended in accordance with the provisions of the BTA and Singapore Financial Reporting Standards (International); and
- (b) At the date of this statement, there are reasonable grounds to believe that FH-BT Group will be able to pay its debts as and when they fall due.

In accordance with Section 86(2) of the BTA, the directors of the Trustee-Manager further certify that:

- fees or charges paid or payable out of the trust property of FH-BT Group to the Trustee-Manager are in accordance with the FH-BT Trust Deed dated 20 June 2014;
- the interested person transactions are not detrimental to the interests of all the Stapled Securityholders as a whole based on the circumstances at the time of the transactions; and
- the Board of Directors is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of FH-BT or the interests of the Stapled Securityholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

For and on behalf of the Board of Directors of the Trustee-Manager,
Frasers Hospitality Trust Management Pte. Ltd.

Panote Sirivadhanabhakdi
Director

Koh Teck Chuan
Director

Singapore
22 November 2019

Statement by the Chief Executive Officer of the Trustee-Manager

FOR THE YEAR ENDED 30 SEPTEMBER 2019

In accordance with Section 86 of the BTA, I, the Chief Executive Officer of Frasers Hospitality Trust Management Pte. Ltd., as Trustee-Manager of Frasers Hospitality Business Trust (“FH-BT”) (the “Trustee-Manager”), in my personal capacity, certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of FH-BT or on the interests of all the Stapled Securityholders of the FH-BT as a whole.

Colin Low Hsien Yang
Chief Executive Officer

Singapore
22 November 2019

Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Frasers Hospitality Business Trust (“FH-BT”) was dormant from the listing of Frasers Hospitality Trust (“FHT”) on 14 July 2014 on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) until it was activated on 19 October 2016.

The key roles of the Trustee-Manager Board are as follows:

- guide the corporate strategy and directions of the Trustee-Manager;
- ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise;
- oversee the proper conduct of the Trustee-Manager; and
- ensure that measures relating to corporate governance, financial regulations and other required policies are in place and enforced.

The Trustee-Manager has the dual responsibilities of safeguarding the interests of the holders of FH-BT units (the “FH-BT Unitholders”), and managing the business conducted by FH-BT. The Trustee-Manager has general powers of management over the business and assets of FH-BT and its main responsibility is to manage FH-BT’s assets and liabilities for the benefit of the FH-BT Unitholders as a whole.

The Trustee-Manager, in exercising its powers and carrying out its duties as FH-BT’s trustee-manager, is required to:

- treat the FH-BT Unitholders in the same class fairly and equally and FH-BT Unitholders who hold FH-BT units in different classes (if any) fairly;
- ensure that all payments out of the FH-BT Trust Property are made in accordance with the BTA, the FH-BT Trust Deed and the Stapling Deed;
- report to the MAS any contravention of the BTA or the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005 by any other person that:
 - relates to FH-BT; and
 - has had, has or is likely to have, a material adverse effect on the interests of all the FH-BT Unitholders, or any class of FH-BT Unitholders;

as a whole, as soon as practicable after the Trustee-Manager becomes aware of the contravention; and

- ensure that the FH-BT Trust Property is properly accounted for and ensure that the FH-BT Trust Property is kept distinct from the property held in its own capacity.

Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Trustee-Manager has the following duties under the BTA:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as FH-BT's trustee-manager in accordance with the BTA, the FH-BT Trust Deed;
- act in the best interests of all FH-BT Unitholders as a whole and give priority to the interests of all FH-BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all FH-BT Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as FH-BT's trustee-manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the FH-BT Unitholders;
- hold the FH-BT Trust Property on trust for all FH-BT Unitholders as a whole in accordance with the terms of the FH-BT Trust Deed;
- adhere with the business scope of FH-BT as set out in the FH-BT Trust Deed;
- review interested person transactions in relation to FH-BT;
- review expense and cost allocations payable to the Trustee-Manager in its capacity as trustee-manager of FH-BT out of the Trust Property of FH-BT, and ensure that fees and expenses charged to FH-BT are appropriate and in accordance with the FH-BT Trust Deed; and
- comply with the BTA and the Listing Manual.

The MAS has granted the Trustee-Manager waivers from compliance with Sections 10(2)(a) and 11(1)(a) of the BTA to the extent that Sections 10(2)(a) and 11(1)(a) of the BTA require the Trustee-Manager and the Trustee-Manager Directors to act in the best interests of the FH-BT Unitholders as a whole only, subject to the conditions that:

- (i) the FH-BT Units remain stapled to the FH-REIT Units; and
- (ii) the Trustee-Manager and the Trustee-Manager Directors shall act in the best interests of all the Stapled Securityholders as a whole.

Trust Property is Properly Accounted For

The Trustee-Manager ensures that the Trust Property of FH-BT shall be properly accounted for and kept distinct from the property of the Trustee-Manager in its own capacity. Different bank accounts shall be maintained for the Trustee-Manager in its personal capacity and its capacity as trustee-manager of FH-BT.

Adherence to the Business Scope of FH-BT

The Trustee-Manager Board shall review and approve all authorised businesses undertaken by FH-BT so as to ensure its adherence to the business scope as set out in the FH-BT Trust Deed.

Such authorised businesses include:

- (i) the acquisition, disposition and ownership of Authorised Investments (as defined in the FH-BT Trust Deed) and all activities, concerns, functions and matters reasonably incidental thereto;
- (ii) ownership of subsidiaries which are engaged in the acquisition, disposition and ownership of Authorised Investments of FH-BT and all activities, concerns, functions and matters reasonably incidental thereto; and
- (iii) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (i) and (ii), including the management and leasing of the Authorised Investments of FH-BT.

Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Management of Business Risk

The following procedures have been put in place by the Trustee-Manager to manage business risk:

- The Trustee-Manager Board will meet quarterly or more frequently if necessary and will review the financial performance of FH-BT against a previously approved budget or other applicable performance benchmark and indicators. The Trustee-Manager Board will also review the business risks of FH-BT, examine liability management and will act upon any comments from both the internal and external auditors of FH-BT.
- In assessing business risk, the Trustee-Manager Board will consider the economic environment and risks relevant to the property industry. It will review management reports and feasibility studies on individual development projects prior to approving major transactions. The management will meet regularly to review the operations of the Trustee-Manager and FH-BT and discuss any disclosure issues.

Interested Person Transactions and Potential Conflicts of Interest

In general, transactions between:

- an entity at risk (in this case, the Trustee-Manager (acting in its capacity as the trustee-manager of FH-BT) or any of the subsidiaries or associated companies of FH-BT); and
- any of the Interested Persons (namely the Trustee-Manager (acting in its personal capacity), a related corporation or related entity of the Trustee-Manager (other than a subsidiary or subsidiary entity of FH-BT), an associated company or associated entity of the Trustee-Manager (other than an associated company or associated entity of FH-BT) (as defined in the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005), a Director, Chief Executive Officer or controlling shareholder of the Trustee-Manager, a controlling Stapled Securityholder or an associate of any such Director, Chief Executive Officer, controlling shareholder or controlling Stapled Securityholder);

would constitute an Interested Person Transaction.

The Trustee-Manager's Internal Control System

The Trustee-Manager has established an internal control system to ensure that all Interested Person Transactions:

- will be undertaken on normal commercial terms; and
- will not be prejudicial to the interests of FH-BT and Stapled Securityholders.

The Trustee-Manager maintains a register to record all Interested Person Transactions which are entered into by FH-BT and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into.

The Trustee-Manager also incorporates into its internal audit plan a review of all Interested Person Transactions entered into by FH-BT.

Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Where matters concerning FH-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of FH-BT with a Related Party of the Trustee-Manager (which would include relevant associates thereof) or FH-BT, the Trustee-Manager is required to consider the terms of such transactions to satisfy itself that such transactions are conducted:

- on normal commercial terms;
- are not prejudicial to the interests of FH-BT and Stapled Securityholders; and
- in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question.

If the Trustee-Manager is to sign any contract with a Related Party of the Trustee-Manager or FH-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to business trusts.

Save for the Interested Person Transactions as disclosed in the IPO prospectus of FHT under "Management and Corporate Governance – FH-BT – Interested Person Transactions and Potential Conflicts of Interest – Interested Person Transactions in Connection with the Setting up of FH-BT", FH-BT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person during the same financial year, is 3.0% or more of FH-BT's latest audited net tangible assets. The aggregate value of all Interested Person Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in FHT's annual report for the relevant financial year.

Potential Conflicts of Interest

The Trustee-Manager has instituted the following procedures to deal with conflict of interest issues:

- all resolutions in writing of the Trustee-Manager Directors in relation to matters concerning FH-BT must be approved by a majority of the Trustee-Manager Directors, including at least one Independent Trustee-Manager Director;
- save for the corresponding executive positions held in the REIT Manager, all key executive officers will be employed by the Trustee-Manager and will not hold executive positions in other entities;
- in respect of matters in which a Trustee-Manager Director or his associate (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Trustee-Manager Directors and must exclude such interested director;
- in respect of matters in which the Sponsor has an interest, direct or indirect, any nominees appointed by the Sponsor to the Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Trustee-Manager Directors and must exclude any nominee directors of the Sponsor; and

Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

- where matters concerning FH-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of FH-BT with a Related Party of the Trustee-Manager (which would include relevant associates thereof) or FH-BT, the Trustee-Manager Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of FH-BT and Stapled Securityholders and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question. If the Trustee-Manager is to sign any contract with a Related Party of the Trustee-Manager or FH-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the MAS and SGX-ST that apply to business trusts.

It should be noted that under Section 6(3) of the BTA, the Trustee-Manager is prohibited from carrying on any business other than the management and operation of FH-BT as its trustee-manager.

Expenses Charged to FH-BT

The Trustee-Manager Board will carry out quarterly reviews to ensure that the expenses payable to the Trustee-Manager out of the FH-BT Trust Property are appropriate and in accordance with the FH-BT Trust Deed.

Fees Payable to the Trustee-Manager

Management Fee

The Trustee-Manager shall be entitled under the FH-BT Trust Deed to the following management fees:

- (i) a Base Fee of 0.3% per annum of the value of the FH-BT Trust Property; and
- (ii) a Performance Fee of 5.5% of the aggregate Distributable Income of FHT in the relevant financial year (calculated before accounting for the REIT Performance Fee and the BT Performance Fee).

There should be no double-counting of fees. In the event that both the Trustee-Manager and the REIT Manager are entitled to the Performance Fee, such fees payable to both the Trustee-Manager and the REIT Manager will be apportioned based on the respective proportionate contributions of FH-REIT and FH-BT in the Performance Fee. For the avoidance of doubt, the maximum Performance Fee payable to both the Trustee-Manager and the REIT Manager collectively is 5.5% per annum of the aggregate Distributable Income of FHT in the relevant financial year (calculated before accounting for the Performance Fee but after accounting for the Base Fee).

For the purpose of calculating the management fee, if FH-BT holds only a partial interest in an investment from which such profit is derived, such profit shall be pro-rated in proportion to the partial interest held.

The management fee is payable to the Trustee-Manager in the form of cash and/or Stapled Securities or, as the case may be, FH-BT Units as the Trustee-Manager may elect.

In the current financial year, approximately SGD 48,000 of management fees were paid to the Trustee-Manager.

Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Trustee Fee

Under the FH-BT Trust Deed, 0.1% per annum of the value of the FH-BT Trust Property and subject to a minimum fee of SGD 10,000 per month, if any, shall be paid to the Trustee-Manager as trustee fees, provided that the value of the FH-BT Trust Property is at least SGD 50.0 million and FH-BT is active.

In the current financial year, no trustee fee was paid to the Trustee-Manager as the value of the FH-BT Trust Property was below SGD 50.0 million.

Acquisition Fee and Divestment Fee

The Trustee-Manager is entitled to:

- an acquisition fee of 0.5% for acquisitions from Related Parties and 1.0% for all other cases (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of any of the following as is applicable (subject to there being no double counting):
 - (i) in the case of an acquisition of real estate, the acquisition price of any real estate purchased by FH-BT, whether directly or indirectly through one or more SPVs, plus any other payments in addition to the acquisition price made by FH-BT or its SPVs to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of FH-BT's interest);
 - (ii) in the case of an acquisition of the equity interests of any vehicle holding directly or indirectly the real estate, the underlying value of any real estate which is taken into account when computing the acquisition price payable for the equity interests of any vehicle holding directly or indirectly the real estate, purchased by FH-BT, whether directly or indirectly through one or more SPVs, plus any other payments made by FH-BT or its SPVs to the vendor in connection with the purchase of such equity interests (pro-rated if applicable to the proportion of FH-BT's interest); or
 - (iii) the acquisition price of any investment purchased by FH-BT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate.
- a divestment fee of 0.5% of any of the following as is applicable (subject to there being no double-counting):
 - (i) the sale price of any real estate sold or divested, whether directly or indirectly through one or more SPVs, by FH-BT, plus any other payments in connection with the sale or divestment of the real estate (pro-rated if applicable to the proportion of FH-BT's interest);
 - (ii) the underlying value of any real estate which is taken into account when computing the sale price for the equity interests in any vehicle holding directly or indirectly the real estate, sold or divested by FH-BT, whether directly or indirectly through one or more SPVs, plus any other payments received by the FH-BT or its SPVs from the purchaser in connection with the sale or divestment of such equity interests (pro-rated if applicable to the proportion of FH-BT's interest); or
 - (iii) the sale price of the investment sold or divested by FH-BT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate.

Statement on the Policies and Practices in Relation to the Management and Governance of **Frasers Hospitality Business Trust**

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The acquisition fee and divestment fee are payable to the Trustee-Manager in the form of cash and/or Stapled Securities or, as the case may be, FH-BT Units as the Trustee-Manager may elect, and in such proportion as may be determined by the Trustee-Manager provided that in respect of any acquisition and sale or divestment of real estate assets from/to Related Parties, such a fee should be in the form of Stapled Securities at prevailing market price(s) instead of cash. The Stapled Securities issued to the Trustee-Manager as its acquisition or divestment fee should not be sold within one year from the date of their issuance.

Compliance with the BTA and the Listing Manual

The Trustee-Manager has an internal compliance manual which sets out the rules and regulations applicable to FH-BT.

The Trustee-Manager will engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual.

Statement on Composition of the Board of Directors of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Under Regulation 12(1) of the Business Trust Regulations 2005 (the “BTR”), the Trustee-Manager Board is required to comprise:

- at least a majority of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager;
- at least one-third of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager; and
- at least a majority of Trustee-Manager Directors who are independent from any single substantial shareholder of the Trustee-Manager.

The Trustee-Manager Board consists of six members, four of whom are Independent Directors for the purposes of the BTA, being independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager.

They are:

Mr Law Song Keng	(Chairman)
Mr Chua Phuay Hee	(Independent Director)
Mr Liew Choon Wei	(Independent Director)
Dr David Wong See Hong	(Independent Director)
Mr Panote Sirivadhanabhakdi	(Non-Executive Director)
Mr Koh Teck Chuan	(Non-Executive Director)

In addition to compliance with requirements under the BTA, the composition of the Trustee-Manager Board is determined using the following principles:

- the Chairman of the Trustee-Manager Board should be a Non-Executive Director; and
- the Trustee-Manager Board should consist of Directors with a broad range of commercial experience.

None of the Trustee-Manager Directors would, by definition under the BTR, be independent from a substantial shareholder as the Managers are wholly-owned subsidiaries of Frasers Property Limited (the “Sponsor”).

However, due to the structure of FHT, appointing a Trustee-Manager Board which is the same as the REIT Manager Board would avoid any differences or deadlock in the operation of FHT. Operationally, the structure of FHT would require a high degree of co-operation between the REIT Manager and the Trustee-Manager (collectively, the “Managers”).

Statement on Composition of the Board of Directors of Frasers Hospitality Business Trust

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The MAS has granted an exemption from the requirement under Regulations 12(1)(a) and 12(1)(b) of the BTR to the extent that Regulations 12(1)(a) and 12(1)(b) require the Trustee-Manager Directors to (a) be independent from management and business relationships with the Trustee-Manager and (b) be independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager, namely, the Sponsor, subject to the following conditions:

- (i) the Trustee-Manager shall ensure that the FH-BT Units remain stapled to the FH-REIT Units;
- (ii) the Trustee-Manager shall ensure that, in relation to the composition of the Trustee-Manager Board:
 - (1) the Trustee-Manager Directors are also the REIT Manager Directors;
 - (2) at least a majority of the Trustee-Manager Directors shall be independent from management and business relationships with the Managers; and
 - (3) at least one-third of the Trustee-Manager Directors shall be independent from management and business relationships with the Managers and from every substantial shareholder of the Managers; and
- (iii) the Stapling Deed shall contain covenants binding the Managers to exercise all due diligence and vigilance to safeguard the rights and interests of the Stapled Securityholders in the event of a conflict between the interests of the Managers and their respective shareholders, and that of the Stapled Securityholders.

The composition of the Trustee-Manager Board will be reviewed regularly to ensure that the Trustee-Manager Board has the appropriate mix of expertise and experience.

Grant of Exemption in respect of the establishment of the Trustee-Manager Audit, Risk and Compliance Committee

In connection with the establishment of the Trustee-Manager Audit, Risk and Compliance Committee, the Managers had applied to the MAS for, and the MAS had, pursuant to a letter dated 14 October 2016, granted an exemption to the Trustee-Manager from the requirement to comply with Regulations 13(1)(b)(i) and (ii) of the BTR (the "ARCC Exemption"). The MAS has granted the ARCC Exemption subject to the following conditions:

- (a) the Trustee-Manager shall ensure that the units of FH-BT remain stapled to the units of FH-REIT;
- (b) the Trustee-Manager shall ensure that, in relation to the composition of the Trustee-Manager Audit, Risk and Compliance Committee, it shall be composed of 3 or more members:
 - (i) all of whom are independent of management and business relationships with the Managers; and
 - (ii) at least a majority of whom, including the Chairman of the Trustee-Manager Audit, Risk and Compliance Committee, are independent of management and business relationships with the Managers and independent from every substantial shareholder of the Managers; and
- (c) the Trustee-Manager shall ensure that the Trustee-Manager Audit, Risk and Compliance Committee and REIT Manager Audit, Risk and Compliance Committee comprise identical directors.

Independent Auditors' Report

TO THE STAPLED SECURITYHOLDERS OF FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST AND FRASERS HOSPITALITY BUSINESS TRUST
CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO THE TRUST DEEDS DATED 12 JUNE 2014 AND 20 JUNE 2014 RESPECTIVELY (AS AMENDED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited:

- (i) the consolidated financial statements of Frasers Hospitality Real Estate Investment Trust ("FH-REIT") and its subsidiaries ("FH-REIT Group"), which comprise the Statement of Financial Position and Portfolio Statement as at 30 September 2019, the Statement of Total Return and Statement of Comprehensive Income, Distribution Statement, Statement of Changes in Stapled Securityholders' Funds and Statement of Cash Flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies;
- (ii) the consolidated financial statements of Frasers Hospitality Business Trust ("FH-BT") and its subsidiaries ("FH-BT Group"), which comprise the Statement of Financial Position as at 30 September 2019, the Statement of Total Return and Statement of Comprehensive Income, Statement of Changes in Stapled Securityholders' Funds and Statement of Cash Flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies; and
- (iii) the consolidated financial statements of Frasers Hospitality Trust ("FHT"), which comprise the Statement of Financial Position and Portfolio Statement as at 30 September 2019, the Statement of Total Return and Statement of Comprehensive Income, Distribution Statement, Statement of Changes in Stapled Securityholders' Funds and Statement of Cash Flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies;

as set out on pages 142 to 243. Frasers Hospitality Trust, which comprises the FH-REIT Group and the FH-BT Group, is hereinafter referred to as the "Stapled Group".

In our opinion:

- (a) the accompanying consolidated financial statements of the FH-REIT Group and the Stapled Group present fairly, in all material respects, the financial position and portfolio holdings of the FH-REIT Group and the Stapled Group as at 30 September 2019 and the financial performance, changes in stapled securityholders' funds, and cash flows of the FH-REIT Group and the financial performance, distributable income, changes in stapled securityholders' funds and cash flows of the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants ("ISCA"); and
- (b) the accompanying consolidated financial statements of the FH-BT Group are properly drawn up in accordance with the provisions of the Business Trust Act, Chapter 31A of Singapore (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the state of affairs of the FH-BT Group as at 30 September 2019 and the financial performance, changes in stapled securityholders' funds and cash flows of the FH-BT Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the FH-REIT Group, the FH-BT Group and the Stapled Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code"), together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report

TO THE STAPLED SECURITYHOLDERS OF FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST AND FRASERS HOSPITALITY BUSINESS TRUST
CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO THE TRUST DEEDS DATED 12 JUNE 2014 AND 20 JUNE 2014 RESPECTIVELY (AS AMENDED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of properties

(Refer to Note 10 and Note 11 to the financial statements)

Risk

The Stapled Group has properties comprising serviced residences and hotel properties located in Australia, Japan, Malaysia, Singapore, Germany and United Kingdom. Properties that are leased under a master lease are classified as investment properties whereas a property that is operated under a hotel management contract is classified as property, plant and equipment. Investment properties and a property operated under a hotel management contract represent significant asset items on the Statements of Financial Position, at SGD 2.11 billion and SGD 0.22 billion respectively as at 30 September 2019.

The Stapled Group's accounting policy is to state investment properties and freehold land and building included as part of property, plant and equipment, at fair value based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions applied and a change in assumptions could have significant impact to the financial statements.

Our response

We evaluated the qualifications and competence of the external valuers and held discussions with the valuers to understand their valuation methods, assumptions and basis used, where appropriate. We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We evaluated the appropriateness of the discount, terminal capitalisation and capitalisation rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers.

Our findings

We found the external values to be objective and competent. The values are members of generally-recognised professional bodies for valuers. The valuation methodologies and key assumptions used by the valuer are in line with generally accepted market practices and available market data.

Independent Auditors' Report

TO THE STAPLED SECURITYHOLDERS OF FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST AND FRASERS HOSPITALITY BUSINESS TRUST CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO THE TRUST DEEDS DATED 12 JUNE 2014 AND 20 JUNE 2014 RESPECTIVELY (AS AMENDED)

Other information

Fraser Hospitality Asset Management Pte. Ltd., the Manager of the FH-REIT (the "REIT Manager"), and Fraser Hospitality Trust Management Pte. Ltd., the Trustee-Manager of the FH-BT (the "Trustee-Manager") are responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the Statistics of Stapled Securityholders (the "Report"), which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the REIT Manager and the Trustee-Manager and take appropriate actions in accordance with SSAs.

Responsibilities of the REIT Manager for the financial statements

The REIT Manager is responsible for the preparation and fair presentation of the consolidated financial statements of the FH-REIT Group and the Stapled Group in accordance with the recommendations of RAP 7 issued by ISCA, and for such internal control as the REIT Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the REIT Manager is responsible for assessing the ability of the FH-REIT Group and the Stapled Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to terminate the FH-REIT Group and the Stapled Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the REIT Manager include overseeing the financial reporting process of the FH-REIT Group and the Stapled Group.

Responsibilities of the Trustee-Manager for the financial statements

The Trustee-Manager is responsible for the preparation of the consolidated financial statements of the FH-BT Group that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the Trustee-Manager is responsible for assessing the ability of the FH-BT Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee-Manager either intends to liquidate FH-BT Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the Trustee-Manager include overseeing the financial reporting process of the FH-BT Group.

Independent Auditors' Report

TO THE STAPLED SECURITYHOLDERS OF FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST AND FRASERS HOSPITALITY BUSINESS TRUST
CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO THE TRUST DEEDS DATED 12 JUNE 2014 AND 20 JUNE 2014 RESPECTIVELY (AS AMENDED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the FH-REIT Group, the FH-BT Group and the Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager and the Trustee-Manager.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the REIT Manager and the Trustee-Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the FH-REIT Group, the FH-BT Group and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the FH-REIT Group, the FH-BT Group and the Stapled Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the FH-REIT Group, the FH-BT Group and the Stapled Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the REIT Manager and the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the REIT Manager and the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report

TO THE STAPLED SECURITYHOLDERS OF FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST AND FRASERS HOSPITALITY BUSINESS TRUST
CONSTITUTED IN THE REPUBLIC OF SINGAPORE PURSUANT TO THE TRUST DEEDS DATED 12 JUNE 2014 AND 20 JUNE 2014 RESPECTIVELY (AS AMENDED)

Auditors' responsibilities for the audit of the financial statements (cont'd)

From the matters communicated with the REIT Manager and the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by Trustee-Manager on behalf of FH-BT have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Ronald Tay Ser Teck.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

22 November 2019

Statements of Total Return and Statements of Comprehensive Income

YEAR ENDED 30 SEPTEMBER 2019

	Note	FHT		FH-REIT Group		FH-BT Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Master lease rental	10	115,220	119,944	130,348	135,583	-	-
Room revenue		26,352	27,957	-	-	26,352	27,957
Food and beverage revenue		5,944	6,398	-	-	5,944	6,398
Other income		2,289	1,578	-	-	2,289	1,578
Revenue		149,805	155,877	130,348	135,583	34,585	35,933
Property tax		(10,642)	(9,615)	(10,642)	(9,615)	-	-
Property insurance		(1,241)	(1,313)	(1,149)	(1,224)	(92)	(89)
Property management fees		(5,448)	(5,499)	(5,448)	(5,499)	-	-
Other property expenses		(2,616)	(3,354)	(2,616)	(3,354)	-	-
Operations and maintenance expenses		(6,401)	(6,661)	(153)	(163)	(7,249)	(7,563)
Energy and utilities expenses		(779)	(630)	-	-	(779)	(630)
Hotel management fee		(974)	(1,059)	-	-	(974)	(1,059)
Rental expense		-	-	-	-	(15,128)	(15,639)
Staff costs	3	(6,760)	(7,291)	-	-	(6,760)	(7,291)
Marketing expenses		(2,479)	(2,588)	-	-	(2,479)	(2,588)
Administrative expenses		(799)	(827)	-	-	(799)	(827)
Property operating expenses		(38,139)	(38,837)	(20,008)	(19,855)	(34,260)	(35,686)
Net property income		111,666	117,040	110,340	115,728	325	247
Depreciation	11	(3,815)	(4,290)	-	-	(524)	(981)
REIT Manager's management fees	4(a)	(7,369)	(7,401)	(7,369)	(7,401)	-	-
Trustee-Manager's management fees	4(b)	(48)	(52)	-	-	(48)	(52)
Other management fees	4(c)	(4,603)	(5,008)	(4,603)	(5,008)	-	-
Trustees' fees	5	(496)	(504)	(496)	(504)	-	-
Other trust expenses	6	(3,246)	(3,199)	(3,182)	(3,137)	(64)	(62)
Other income		11	46	11	46	-	-
Finance income		332	473	299	441	109	109
Amortisation of debt upfront costs	7(a)	(1,107)	(1,916)	(1,107)	(1,916)	-	-
Finance costs	7(b)	(20,503)	(20,597)	(20,579)	(20,674)	-	-
Total return before foreign exchange differences, fair value changes and tax		70,822	74,592	73,314	77,575	(202)	(739)
Foreign exchange loss, net		(265)	(989)	(239)	(969)	(26)	(20)
Net change in fair value of investment properties	10	(15,574)	(1,386)	(26,435)	(186)	-	-
Net change in fair value of derivative financial instruments		(114)	473	(114)	473	-	-
Realised gain/(loss) on derivative financial instruments, net		842	(304)	842	(304)	-	-
Total return for the year before tax		55,711	72,386	47,368	76,589	(228)	(759)
Taxation	8	(3,954)	(5,866)	(2,376)	(6,028)	(6)	(19)
Total return for the year after tax		51,757	66,520	44,992	70,561	(234)	(778)

The accompanying notes form an integral part of these financial statements.

Statements of Total Return and Statements of Comprehensive Income

YEAR ENDED 30 SEPTEMBER 2019

	Note	FHT		FH-REIT Group		FH-BT Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Total return attributable to:							
Stapled Securityholders and Perpetual Securities holders		51,757	66,520	44,992	70,561	(234)	(778)
Total return for the year after tax attributable to:							
- Stapled Securityholders		47,307	62,070	40,542	66,111	(234)	(778)
- Perpetual Securities holders		4,450	4,450	4,450	4,450	-	-
		51,757	66,520	44,992	70,561	(234)	(778)
Other comprehensive income							
Items that will not be reclassified to total return:							
Revaluation of property, plant and equipment	20(c)	(6,652)	3,476	-	-	-	-
Items that may be reclassified subsequently to total return:							
Effective portion of changes in fair value of cash flow hedges	20(a)	(3,152)	4,522	(3,152)	4,522	-	-
Net change in fair value of cash flow hedges reclassified to total return	20(a)	136	(1,545)	136	(1,545)	-	-
Foreign currency translation differences	20(b)	(37,075)	(47,713)	(36,486)	(47,260)	(345)	(506)
Total comprehensive income for the year, net of tax		5,014	25,260	5,490	26,278	(579)	(1,284)
Earnings per Stapled Security (cents)							
Basic	9	2.50	3.32				
Diluted	9	2.47	3.29				

The accompanying notes form an integral part of these financial statements.

Distribution Statements

YEAR ENDED 30 SEPTEMBER 2019

	Note	FHT		FH-REIT Group		FH-BT Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Reconciliation of total return to income available for distribution							
Total return for the year after tax, attributable to Stapled Securityholders and Perpetual Securities holders		51,757	66,520	44,992	70,561	(234)	(778)
Non-tax deductible/(non-taxable) items and other adjustments:							
Amortisation of debt upfront costs		1,107	1,916	1,107	1,916	-	-
Amortisation of other assets		31	73	31	73	-	-
Depreciation		3,815	4,290	-	-	524	981
Foreign exchange loss, net		243	985	217	966	26	19
Net change in fair value of investment properties		15,574	1,386	26,435	186	-	-
Net change in fair value of derivative financial instruments		114	(473)	114	(473)	-	-
Other management fees paid and payable in Stapled Securities		4,297	4,705	4,297	4,705	-	-
Property management fees paid and payable in Stapled Securities, net of withholding tax		5,420	5,470	5,420	5,470	-	-
REIT Manager's management fees paid and payable in Stapled Securities		7,369	7,401	7,369	7,401	-	-
Trustee-Manager's management fees paid and payable in Stapled Securities		48	52	-	-	48	52
Trustee's fee in relation to FH-REIT		296	300	296	300	-	-
Deferred tax	8	(941)	2,248	(2,296)	2,547	(217)	(118)
Other adjustments		(754)	(1,026)	215	1	32	38
Net effect of non-tax deductible/(non-taxable) items and other adjustments		36,619	27,327	43,205	23,092	413	972
Income available for distribution		88,376	93,847	88,197	93,653	179	194
Income available for distribution attributable to:							
- Stapled Securityholders		83,926	89,397	83,747	89,203	179	194
- Perpetual Securities holders		4,450	4,450	4,450	4,450	-	-
		88,376	93,847	88,197	93,653	179	194

The accompanying notes form an integral part of these financial statements.

Distribution Statements

YEAR ENDED 30 SEPTEMBER 2019

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amount available for distribution to Stapled Securityholders at the beginning of the year	44,088	46,771	43,982	46,346	106	425
Income available for distribution attributable to Stapled Securityholders	83,926	89,397	83,747	89,203	179	194
Distribution to Stapled Securityholders						
Distribution of 2.5137 cents per Stapled Security for the period from 1 April 2017 to 30 September 2017	-	(46,785)	-	(46,362)	-	(423)
Distribution of 2.4233 cents per Stapled Security for the period from 1 October 2017 to 31 March 2018	-	(45,295)	-	(45,205)	-	(90)
Distribution of 2.3380 cents per Stapled Security for the period from 1 April 2018 to 30 September 2018	(44,087)	-	(43,981)	-	(106)	-
Distribution of 2.2388 cents per Stapled Security for the period from 1 October 2018 to 31 March 2019	(42,408)	-	(42,386)	-	(22)	-
	(86,495)	(92,080)	(86,367)	(91,567)	(128)	(513)
Amount available for distribution to Stapled Securityholders at the end of the year	41,519	44,088	41,362	43,982	157	106
Distribution per Stapled Security (cents)	4.4129	4.7613	4.4035	4.7509	0.0094	0.0104

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

AS AT 30 SEPTEMBER 2019

	Note	FHT		FH-REIT Group		FH-BT Group		
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	1 Oct 2017 \$'000
Non-current assets								
Investment properties	10	2,106,964	2,151,867	2,328,354	2,397,657	-	-	-
Property, plant and equipment	11	223,368	248,432	-	-	1,978	2,642	3,886
Derivative financial instruments	17	18,572	4,895	18,572	4,895	-	-	-
Rental deposits		-	-	-	-	1,765	1,796	1,853
Deferred expense	15(a)	-	-	-	-	1,783	2,003	2,277
Deferred tax assets	8	738	560	-	-	738	560	479
		2,349,642	2,405,754	2,346,926	2,402,552	6,264	7,001	8,495
Current assets								
Inventories		30	34	-	-	30	34	58
Other assets		17	48	17	48	-	-	-
Prepayments		2,063	1,758	1,685	1,504	378	254	247
Trade and other receivables	12	9,518	9,554	10,015	9,959	1,501	1,132	3,253
Derivative financial instruments	17	208	462	208	462	-	-	-
Cash and cash equivalents	13	84,995	77,080	80,175	72,541	4,820	4,539	2,959
		96,831	88,936	92,100	84,514	6,729	5,959	6,517
Total assets		2,446,473	2,494,690	2,439,026	2,487,066	12,993	12,960	15,012
Current liabilities								
Trade and other payables	14	14,986	15,616	10,736	11,338	7,223	6,687	7,160
Deferred income		21	686	21	686	-	-	-
Derivative financial instruments	17	6	-	6	-	-	-	-
Borrowings	16	25,000	408,132	25,000	408,132	-	-	-
Income tax payables		2,450	2,332	2,252	2,219	198	113	-
		42,463	426,766	38,015	422,375	7,421	6,800	7,160
Net current assets/(liabilities)		54,368	(337,830)	54,085	(337,861)	(692)	(841)	(643)
Non-current liabilities								
Rental deposits		22,272	21,893	24,037	23,689	-	-	-
Other payables	14	293	221	-	-	293	221	168
Deferred income	15(b)	7,881	8,837	9,664	10,840	-	-	-
Derivative financial instruments	17	10,893	4,474	10,893	4,474	-	-	-
Borrowings	16	829,199	426,884	829,199	426,884	-	-	-
Deferred tax liabilities	8	49,739	53,085	49,739	53,085	-	-	-
		920,277	515,394	923,532	518,972	293	221	168
Total liabilities		962,740	942,160	961,547	941,347	7,714	7,021	7,328
Net assets		1,483,733	1,552,530	1,477,479	1,545,719	5,279	5,939	7,684
Represented by:								
Stapled Securityholders' funds								
Stapled Securities in issue and to be issued	18	1,531,826	1,514,692	1,522,261	1,505,175	9,565	9,517	9,465
Issue costs		(25,764)	(25,764)	(25,759)	(25,759)	(5)	(5)	(5)
Revenue reserves		53,383	92,571	58,276	104,100	(3,604)	(3,241)	(1,950)
Hedging reserve	20(a)	(2,443)	573	(2,443)	573	-	-	-
Foreign currency translation reserve	20(b)	(176,007)	(138,932)	(175,135)	(138,649)	(677)	(332)	174
Revaluation reserve	20(c)	2,459	9,111	-	-	-	-	-
		1,383,454	1,452,251	1,377,200	1,445,440	5,279	5,939	7,684
Perpetual Securities holders' funds	19	100,279	100,279	100,279	100,279	-	-	-
		1,483,733	1,552,530	1,477,479	1,545,719	5,279	5,939	7,684
Number of Stapled Securities in issue ('000)								
	18	1,894,217	1,869,165	1,894,217	1,869,165	1,894,217	1,869,165	1,845,574
Net asset value per Stapled Security (cents)								
	30	73.04	77.70	72.71	77.33	0.28	0.32	0.42

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Stapled Securityholders' Funds

YEAR ENDED 30 SEPTEMBER 2019

	Attributable to Stapled Securityholders									
	Note	Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
FHT										
At 1 October 2018		1,514,692	(25,764)	92,571	573	(138,932)	9,111	1,452,251	100,279	1,552,530
Total return for the year		-	-	51,757	-	-	-	51,757	-	51,757
Total return for the year, attributable to Perpetual Securities holders		-	-	(4,450)	-	-	-	(4,450)	-	(4,450)
<u>Other comprehensive income</u>										
Effective portion of changes in fair value of cash flow hedges	20(a)	-	-	-	(3,152)	-	-	(3,152)	-	(3,152)
Net change in fair value of cash flow hedges reclassified to total return	20(a)	-	-	-	136	-	-	136	-	136
Foreign currency translation differences	20(b)	-	-	-	-	(37,075)	-	(37,075)	-	(37,075)
Revaluation of property, plant and equipment	20(c)	-	-	-	-	-	(6,652)	(6,652)	-	(6,652)
Total other comprehensive income for the year, net of tax		-	-	-	(3,016)	(37,075)	(6,652)	(46,743)	-	(46,743)
Total comprehensive income for the year, net of tax		-	-	47,307	(3,016)	(37,075)	(6,652)	564	-	564
<u>Contributions by and distributions to Stapled Securityholders</u>										
REIT Manager's management fees paid and payable in Stapled Securities		7,369	-	-	-	-	-	7,369	-	7,369
Trustee-Manager's management fees paid and payable in Stapled Securities		48	-	-	-	-	-	48	-	48
Other management fees paid and payable in Stapled Securities		4,297	-	-	-	-	-	4,297	-	4,297
Property management fees paid and payable in Stapled Securities		5,420	-	-	-	-	-	5,420	-	5,420
Distributions to Stapled Securityholders		-	-	(86,495)	-	-	-	(86,495)	-	(86,495)
Total contributions by and distributions to Stapled Securityholders		17,134	-	(86,495)	-	-	-	(69,361)	-	(69,361)
Stapled Securityholders' funds at 30 September 2019		1,531,826	(25,764)	53,383	(2,443)	(176,007)	2,459	1,383,454	100,279	1,483,733

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Stapled Securityholders' Funds

YEAR ENDED 30 SEPTEMBER 2019

	Attributable to Stapled Securityholders						Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
	Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000			
FHT									
Contributions by and distributions to Perpetual Securities holders									
Total return for the year, attributable to Perpetual Securities holders	-	-	-	-	-	-	-	4,450	4,450
Distributions to Perpetual Securities holders	-	-	-	-	-	-	-	(4,450)	(4,450)
Total contributions by and distributions to Perpetual Securities holders, representing Perpetual Securities holders' funds as at 30 September 2019	-	-	-	-	-	-	-	-	-
At 30 September 2019	1,531,826	(25,764)	53,383	(2,443)	(176,007)	2,459	1,383,454	100,279	1,483,733

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Stapled Securityholders' Funds

YEAR ENDED 30 SEPTEMBER 2019

	Attributable to Stapled Securityholders									
	Note	Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
FHT										
At 1 October 2017		1,497,064	(25,764)	122,581	(2,404)	(91,219)	5,635	1,505,893	100,279	1,606,172
Total return for the year		-	-	66,520	-	-	-	66,520	-	66,520
Total return for the year, attributable to Perpetual Securities holders		-	-	(4,450)	-	-	-	(4,450)	-	(4,450)
<u>Other comprehensive income</u>										
Effective portion of changes in fair value of cash flow hedges	20(a)	-	-	-	4,522	-	-	4,522	-	4,522
Net change in fair value of cash flow hedges reclassified to total return	20(a)	-	-	-	(1,545)	-	-	(1,545)	-	(1,545)
Foreign currency translation differences	20(b)	-	-	-	-	(47,713)	-	(47,713)	-	(47,713)
Revaluation of property, plant and equipment	20(c)	-	-	-	-	-	3,476	3,476	-	3,476
Total other comprehensive income for the year, net of tax		-	-	-	2,977	(47,713)	3,476	(41,260)	-	(41,260)
Total comprehensive income for the year, net of tax		-	-	62,070	2,977	(47,713)	3,476	20,810	-	20,810
<u>Contributions by and distributions to Stapled Securityholders</u>										
REIT Manager's management fees paid and payable in Stapled Securities		7,401	-	-	-	-	-	7,401	-	7,401
Trustee-Manager's management fees paid and payable in Stapled Securities		52	-	-	-	-	-	52	-	52
Other management fees paid and payable in Stapled Securities		4,705	-	-	-	-	-	4,705	-	4,705
Property management fees paid and payable in Stapled Securities		5,470	-	-	-	-	-	5,470	-	5,470
Distributions to Stapled Securityholders		-	-	(92,080)	-	-	-	(92,080)	-	(92,080)
Total contributions by and distributions to Stapled Securityholders		17,628	-	(92,080)	-	-	-	(74,452)	-	(74,452)
Stapled Securityholders' funds at 30 September 2018		1,514,692	(25,764)	92,571	573	(138,932)	9,111	1,452,251	100,279	1,552,530

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Stapled Securityholders' Funds

YEAR ENDED 30 SEPTEMBER 2019

	Attributable to Stapled Securityholders						Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
	Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000			
FHT									
<u>Contributions by and distributions to Perpetual Securities holders</u>									
Total return for the year, attributable to Perpetual Securities holders	-	-	-	-	-	-	-	4,450	4,450
Distributions to Perpetual Securities holders	-	-	-	-	-	-	-	(4,450)	(4,450)
Total contributions by and distributions to Perpetual Securities holders, representing Perpetual Securities holders' funds as at 30 September 2018	-	-	-	-	-	-	-	-	-
At 30 September 2018	1,514,692	(25,764)	92,571	573	(138,932)	9,111	1,452,251	100,279	1,552,530

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Stapled Securityholders' Funds

YEAR ENDED 30 SEPTEMBER 2019

	Attributable to Stapled Securityholders								
	Note	Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
FH-REIT Group									
At 1 October 2018		1,505,175	(25,759)	104,100	573	(138,649)	1,445,440	100,279	1,545,719
Total return for the year		-	-	44,992	-	-	44,992	-	44,992
Total return for the year, attributable to Perpetual Securities holders		-	-	(4,450)	-	-	(4,450)	-	(4,450)
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges	20(a)	-	-	-	(3,152)	-	(3,152)	-	(3,152)
Net change in fair value of cash flow hedges reclassified to total return	20(a)	-	-	-	136	-	136	-	136
Foreign currency translation differences	20(b)	-	-	-	-	(36,486)	(36,486)	-	(36,486)
Total other comprehensive income for the year, net of tax		-	-	-	(3,016)	(36,486)	(39,502)	-	(39,502)
Total comprehensive income for the year, net of tax		-	-	40,542	(3,016)	(36,486)	1,040	-	1,040
Contributions by and distributions to Stapled Securityholders									
REIT Manager's management fees paid and payable in Stapled Securities		7,369	-	-	-	-	7,369	-	7,369
Other management fees paid and payable in Stapled Securities		4,297	-	-	-	-	4,297	-	4,297
Property management fees paid and payable in Stapled Securities		5,420	-	-	-	-	5,420	-	5,420
Distributions to Stapled Securityholders		-	-	(86,366)	-	-	(86,366)	-	(86,366)
Total contributions by and distributions to Stapled Securityholders		17,086	-	(86,366)	-	-	(69,280)	-	(69,280)
Stapled Securityholders' funds at 30 September 2019		1,522,261	(25,759)	58,276	(2,443)	(175,135)	1,377,200	100,279	1,477,479
Contributions by and distributions to Perpetual Securities holders									
Total return for the year, attributable to Perpetual Securities holders		-	-	-	-	-	-	4,450	4,450
Distributions to Perpetual Securities holders		-	-	-	-	-	-	(4,450)	(4,450)
Total contributions by and distributions to Perpetual Securities holders, representing Perpetual Securities holders' funds as at 30 September 2019		-	-	-	-	-	-	-	-
At 30 September 2019		1,522,261	(25,759)	58,276	(2,443)	(175,135)	1,377,200	100,279	1,477,479

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Stapled Securityholders' Funds

YEAR ENDED 30 SEPTEMBER 2019

	Note	Attributable to Stapled Securityholders						Perpetual Securities holders' funds \$'000	Total \$'000
		Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000		
FH-REIT Group									
At 1 October 2017		1,487,599	(25,759)	129,556	(2,404)	(91,389)	1,497,603	100,279	1,597,882
Total return for the year		-	-	70,561	-	-	70,561	-	70,561
Total return for the year, attributable to Perpetual Securities holders		-	-	(4,450)	-	-	(4,450)	-	(4,450)
<u>Other comprehensive income</u>									
Effective portion of changes in fair value of cash flow hedges	20(a)	-	-	-	4,522	-	4,522	-	4,522
Net change in fair value of cash flow hedges reclassified to total return	20(a)	-	-	-	(1,545)	-	(1,545)	-	(1,545)
Foreign currency translation differences	20(b)	-	-	-	-	(47,260)	(47,260)	-	(47,260)
Total other comprehensive income for the year, net of tax		-	-	-	2,977	(47,260)	(44,283)	-	(44,283)
Total comprehensive income for the year, net of tax		-	-	66,111	2,977	(47,260)	21,828	-	21,828
<u>Contributions by and distributions to Stapled Securityholders</u>									
REIT Manager's management fees paid and payable in Stapled Securities		7,401	-	-	-	-	7,401	-	7,401
Other management fees paid and payable in Stapled Securities		4,705	-	-	-	-	4,705	-	4,705
Property management fees paid and payable in Stapled Securities		5,470	-	-	-	-	5,470	-	5,470
Distributions to Stapled Securityholders		-	-	(91,567)	-	-	(91,567)	-	(91,567)
Total contributions by and distributions to Stapled Securityholders		17,576	-	(91,567)	-	-	(73,991)	-	(73,991)
Stapled Securityholders' funds at 30 September 2018		1,505,175	(25,759)	104,100	573	(138,649)	1,445,440	100,279	1,545,719
<u>Contributions by and distributions to Perpetual Securities holders</u>									
Total return for the year, attributable to Perpetual Securities holders		-	-	-	-	-	-	4,450	4,450
Distributions to Perpetual Securities holders		-	-	-	-	-	-	(4,450)	(4,450)
Total contributions by and distributions to Perpetual Securities holders, representing Perpetual Securities holders' funds as at 30 September 2018		-	-	-	-	-	-	-	-
At 30 September 2018		1,505,175	(25,759)	104,100	573	(138,649)	1,445,440	100,279	1,545,719

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Stapled Securityholders' Funds

YEAR ENDED 30 SEPTEMBER 2019

	Attributable to Stapled Securityholders								
	Note	Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
FH-BT Group									
At 1 October 2018		9,517	(5)	(3,241)	-	(332)	5,939	-	5,939
Total return for the year		-	-	(234)	-	-	(234)	-	(234)
Other comprehensive income									
Foreign currency translation differences	20(b)	-	-	-	-	(345)	(345)	-	(345)
Total other comprehensive income for the year, net of tax		-	-	-	-	(345)	(345)	-	(345)
Total comprehensive income for the year, net of tax		-	-	(234)	-	(345)	(579)	-	(579)
Contributions by and distributions to Stapled Securityholders									
Trustee-Manager's management fees paid and payable in Stapled Securities		48	-	-	-	-	48	-	48
Distributions to Stapled Securityholders		-	-	(129)	-	-	(129)	-	(129)
Total contributions by and distributions to Stapled Securityholders		48	-	(129)	-	-	(81)	-	(81)
At 30 September 2019		9,565	(5)	(3,604)	-	(677)	5,279	-	5,279

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Stapled Securityholders' Funds

YEAR ENDED 30 SEPTEMBER 2019

	Attributable to Stapled Securityholders								
	Note	Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
FH-BT Group									
At 1 October 2017		9,465	(5)	(1,950)	-	174	7,684	-	7,684
Total return for the year		-	-	(778)	-	-	(778)	-	(778)
<u>Other comprehensive income</u>									
Foreign currency translation differences	20(b)	-	-	-	-	(506)	(506)	-	(506)
Total other comprehensive income for the year, net of tax		-	-	-	-	(506)	(506)	-	(506)
Total comprehensive income for the year, net of tax		-	-	(778)	-	(506)	(1,284)	-	(1,284)
<u>Contributions by and distributions to Stapled Securityholders</u>									
Trustee-Manager's management fees paid and payable in Stapled Securities		52	-	-	-	-	52	-	52
Distributions to Stapled Securityholders		-	-	(513)	-	-	(513)	-	(513)
Total contributions by and distributions to Stapled Securityholders		52	-	(513)	-	-	(461)	-	(461)
At 30 September 2018		9,517	(5)	(3,241)	-	(332)	5,939	-	5,939

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

YEAR ENDED 30 SEPTEMBER 2019

	Note	FHT		FH-REIT Group		FH-BT Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Total return before tax		55,711	72,386	47,368	76,589	(228)	(759)
Adjustments for:							
Amortisation of debt upfront costs	7(a)	1,107	1,916	1,107	1,916	-	-
Amortisation of other assets		31	73	31	73	-	-
Depreciation	11	3,815	4,290	-	-	524	981
Effect of recognising rental income on a straight-line basis over the lease term	10	(619)	(641)	(727)	(755)	-	-
Effect of recognising rental expense on a straight-line basis over the lease term	15(a)	-	-	-	-	108	114
Finance costs	7(b)	20,503	20,597	20,579	20,674	-	-
Finance income		(332)	(473)	(299)	(441)	(109)	(109)
Net change in fair value of derivative financial instruments		114	(473)	114	(473)	-	-
Net change in fair value of investment properties	10	15,574	1,386	26,435	186	-	-
Other management fees paid and payable in Stapled Securities		4,297	4,705	4,297	4,705	-	-
Property, plant and equipment written off		2	16	-	-	2	16
Property management fees paid and payable in Stapled Securities, net of withholding tax		5,420	5,470	5,420	5,470	-	-
REIT Manager's management fees paid and payable in Stapled Securities	4(a)	7,369	7,401	7,369	7,401	-	-
Trustee-Manager's management fees paid and payable in Stapled Securities	4(b)	48	52	-	-	48	52
Unrealised (gain)/loss on foreign exchange, net		(97)	437	(122)	424	25	13
Cash generated from operations before working capital changes		112,943	117,142	111,572	115,769	370	308
Changes in working capital:							
Inventories		4	24	-	-	4	24
Prepayments		(305)	(220)	(181)	(213)	(124)	(7)
Trade and other receivables		145	2,499	(202)	891	(369)	2,122
Trade and other payables		238	(643)	233	(678)	885	(160)
Deferred income		(665)	(389)	(665)	(389)	-	-
Cash generated from operations		112,360	118,413	110,757	115,380	766	2,287
Tax paid		(4,611)	(6,088)	(4,481)	(6,067)	(130)	(21)
Interest income received		332	473	299	441	33	32
Net cash generated from operating activities		108,081	112,798	106,575	109,754	669	2,298

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

YEAR ENDED 30 SEPTEMBER 2019

	Note	FHT		FH-REIT Group		FH-BT Group	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions to investment properties		(11,027)	(26,180)	(11,406)	(26,180)	-	-
Additions to property, plant and equipment	11	(1,216)	(746)	-	-	-	-
Net cash used in investing activities		(12,243)	(26,926)	(11,406)	(26,180)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES							
Distributions paid to Stapled Securityholders		(86,495)	(92,080)	(86,366)	(91,567)	(129)	(513)
Distributions paid to Perpetual Securities holders		(4,450)	(4,450)	(4,450)	(4,450)	-	-
Finance costs paid		(19,974)	(20,684)	(19,974)	(20,684)	-	-
Proceeds from borrowings, net of debt upfront costs		473,495	364,237	473,495	364,237	-	-
Repayment of borrowings		(450,139)	(334,079)	(450,139)	(334,079)	-	-
Net cash used in financing activities		(87,563)	(87,056)	(87,434)	(86,543)	(129)	(513)
Net increase/(decrease) in cash and cash equivalents		8,275	(1,184)	7,735	(2,969)	540	1,785
Cash and cash equivalents at the beginning of the financial year		77,080	79,755	72,541	76,796	4,539	2,959
Effect of exchange rate changes on cash and cash equivalents		(360)	(1,491)	(101)	(1,286)	(259)	(205)
Cash and cash equivalents at the end of the financial year	13	84,995	77,080	80,175	72,541	4,820	4,539

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

AS AT 30 SEPTEMBER 2019

Property	Acquisition date	Tenure	Location	Existing use	Latest valuation \$'000	Valuation date	FHT			
							30 September 2019		30 September 2018	
							At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
Investment properties										
InterContinental Singapore	14 July 2014	75 year leasehold expiring in 2089	80 Middle Road, Singapore 188966	Hotel	532,000	30 September 2019	532,000	35.86	527,000	33.94
Fraser Suites Singapore	14 July 2014	75 year leasehold expiring in 2089	491A River Valley Road, Singapore 248372	Serviced Residences	305,000	30 September 2019	305,000	20.56	305,000	19.65
The Westin Kuala Lumpur	14 July 2014	Freehold	199, Jalan Bukit Bintang, Kuala Lumpur, 55100, Malaysia	Hotel	138,180	30 September 2019	138,180	9.31	138,684	8.93
ANA Crowne Plaza Kobe	14 July 2014	Freehold	1-Chome, Kitano-Cho Chujo-Ku, Kobe, 650-0002, Japan	Hotel	214,973	30 September 2019	214,973	14.49	194,665	12.54
Sofitel Sydney Wentworth	7 July 2015	75 year leasehold expiring in 2090	61-101 Phillip Street, Sydney, NSW 2000, Australia	Hotel	260,596	30 September 2019	260,596	17.56	304,144	19.59
Novotel Sydney Darling Square	14 July 2014	84 year leasehold expiring in 2098	17 Little Pier Street, Darling Harbour, NSW 2000, Australia	Hotel	106,100	30 September 2019	106,100	7.15	114,091	7.35
Fraser Suites Sydney	14 July 2014	75 year leasehold expiring in 2089	488 Kent Street, Sydney, NSW 2000, Australia	Serviced Residences	119,130	30 September 2019	119,130	8.03	126,932	8.18
Park International London	14 July 2014	75 year leasehold expiring in 2089	117-129 Cromwell Road, South Kensington, London, SW7 4DS, United Kingdom	Hotel	73,541	30 September 2019	73,541	4.96	77,113	4.96

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

AS AT 30 SEPTEMBER 2019

Property	Acquisition date	Tenure	Location	Existing use	Latest valuation \$'000	Valuation date	FHT			
							30 September 2019		30 September 2018	
							At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
ibis Styles London Gloucester Road	14 July 2014	75 year leasehold expiring in 2089	108, 110 and 112 Cromwell Road, London, SW7 4ES, United Kingdom	Hotel	35,157	30 September 2019	35,157	2.37	33,481	2.15
Fraser Place Canary Wharf London	14 July 2014	75 year leasehold expiring in 2089	80 Boardwalk Place, London E14 5SF, United Kingdom	Serviced Residences	71,333	30 September 2019	71,333	4.81	74,620	4.81
Fraser Suites Queens Gate London	14 July 2014	75 year leasehold expiring in 2089	39B Queens Gate Gardens, London SW7 5RR, United Kingdom	Serviced Residences	101,734	30 September 2019	101,734	6.86	106,320	6.85
Fraser Suites Glasgow	14 July 2014	75 year leasehold expiring in 2089	1-19 Albion Street Glasgow G1 1LH, Scotland, United Kingdom	Serviced Residences	18,512	30 September 2019	18,512	1.24	19,412	1.25
Fraser Suites Edinburgh	14 July 2014	75 year leasehold expiring in 2089	12-26 St Giles Street, Edinburgh EH1 1 PT, Scotland, United Kingdom	Serviced Residences	26,155	30 September 2019	26,155	1.75	26,179	1.69
Maritim Hotel Dresden	15 June 2016	Freehold	Devrientstrasse 10-12, 01067 Dresden, Germany	Hotel	104,553	30 September 2019	104,553	7.05	104,226	6.71
Investment properties							2,106,964	142.00	2,151,867	138.60
Property, plant and equipment										
Novotel Melbourne on Collins	19 October 2016	Freehold	270 Collins Street and 233-239 Collins Street, Melbourne Victoria, Australia	Hotel	223,368*	30 September 2019	223,368*	15.05	248,432*	16.00
Property, plant and equipment							223,368	15.05	248,432	16.00
Other net liabilities							(846,599)	(57.05)	(847,769)	(54.60)
Net assets of FHT							1,483,733	100.00	1,552,530	100.00

* Includes the net book value of capitalised equipment, furniture and fittings.

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

AS AT 30 SEPTEMBER 2019

Property	Acquisition date	Tenure	Location	Existing use	Latest valuation \$'000	Valuation date	FH-REIT Group			
							30 September 2019		30 September 2018	
							At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
Investment properties										
InterContinental Singapore	14 July 2014	75 year leasehold expiring in 2089	80 Middle Road, Singapore 188966	Hotel	532,000	30 September 2019	532,000	36.01	527,000	34.10
Fraser Suites Singapore	14 July 2014	75 year leasehold expiring in 2089	491A River Valley Road, Singapore 248372	Serviced Residences	305,000	30 September 2019	305,000	20.64	305,000	19.73
The Westin Kuala Lumpur	14 July 2014	Freehold	199, Jalan Bukit Bintang, Kuala Lumpur, 55100, Malaysia	Hotel	138,180	30 September 2019	138,180	9.35	138,684	8.97
ANA Crowne Plaza Kobe	14 July 2014	Freehold	1-Chome, Kitano-Cho Chuo-Ku, Kobe, 650-0002, Japan	Hotel	214,973	30 September 2019	214,973	14.55	194,665	12.59
Sofitel Sydney Wentworth	7 July 2015	75 year leasehold expiring in 2090	61-101 Phillip Street, Sydney, NSW 2000, Australia	Hotel	260,596	30 September 2019	260,596	17.64	304,144	19.68
Novotel Sydney Darling Square	14 July 2014	84 year leasehold expiring in 2098	17 Little Pier Street, Darling Harbour, NSW 2000, Australia	Hotel	106,100	30 September 2019	106,100	7.18	114,091	7.38
Fraser Suites Sydney	14 July 2014	75 year leasehold expiring in 2089	488 Kent Street, Sydney, NSW 2000, Australia	Serviced Residences	119,130	30 September 2019	119,130	8.06	126,932	8.21
Park International London	14 July 2014	75 year leasehold expiring in 2089	117-129 Cromwell Road, South Kensington, London, SW7 4DS, United Kingdom	Hotel	73,541	30 September 2019	73,541	4.98	77,113	4.99

The accompanying notes form an integral part of these financial statements.

Portfolio Statement

AS AT 30 SEPTEMBER 2019

Property	Acquisition date	Tenure	Location	Existing use	Latest valuation \$'000	Valuation date	FH-REIT Group			
							30 September 2019		30 September 2018	
							At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
ibis Styles London Gloucester Road	14 July 2014	75 year leasehold expiring in 2089	108, 110 and 112 Cromwell Road, London, SW7 4ES, United Kingdom	Hotel	35,157	30 September 2019	35,157	2.38	33,481	2.17
Fraser Place Canary Wharf London	14 July 2014	75 year leasehold expiring in 2089	80 Boardwalk Place, London E14 5SF, United Kingdom	Serviced Residences	71,333	30 September 2019	71,333	4.83	74,620	4.83
Fraser Suites Queens Gate London	14 July 2014	75 year leasehold expiring in 2089	39B Queens Gate Gardens, London SW7 5RR, United Kingdom	Serviced Residences	101,734	30 September 2019	101,734	6.89	106,320	6.88
Fraser Suites Glasgow	14 July 2014	75 year leasehold expiring in 2089	1-19 Albion Street Glasgow G1 1LH, Scotland, United Kingdom	Serviced Residences	18,512	30 September 2019	18,512	1.25	19,412	1.26
Fraser Suites Edinburgh	14 July 2014	75 year leasehold expiring in 2089	12-26 St Giles Street, Edinburgh EH1 1 PT, Scotland, United Kingdom	Serviced Residences	26,155	30 September 2019	26,155	1.77	26,179	1.69
Maritim Hotel Dresden	15 June 2016	Freehold	Devrientstrasse 10-12, 01067 Dresden, Germany	Hotel	104,553	30 September 2019	104,553	7.08	104,226	6.74
Novotel Melbourne on Collins	19 October 2016	Freehold	270 Collins Street and 233-239 Collins Street, Melbourne Victoria, Australia	Hotel	221,390	30 September 2019	221,390	14.98	245,790	15.90
Investment properties							2,328,354	157.59	2,397,657	155.12
Other net liabilities							(850,875)	(57.59)	(851,938)	(55.12)
Net assets of FH-REIT Group							1,477,479	100.00	1,545,719	100.00

Independent valuation of the properties was undertaken by valuers mentioned in Note 10 and Note 11. The net changes in fair values of these investment properties and the net changes in revaluation of the property, plant and equipment have been recognised in the Statements of Total Return and Stapled Securityholders' funds respectively in accordance with the Stapled Group's accounting policies.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Trustee-Manager, the REIT Manager and the REIT Trustee on 22 November 2019.

1. GENERAL

Frasers Hospitality Trust (“FHT”) is a stapled trust comprising Frasers Hospitality Real Estate Investment Trust (“FH-REIT”) and its subsidiaries (collectively, “FH-REIT Group”) and Frasers Hospitality Business Trust (“FH-BT”) and its subsidiaries (collectively, “FH-BT Group”) (collectively, the “Stapled Group”).

FH-REIT is a Singapore-domiciled real estate investment trust constituted in Singapore pursuant to the Trust Deed dated 12 June 2014 which was amended by an amending and restating deed dated 20 June 2014 (collectively, the “FH-REIT Trust Deed”). The FH-REIT Trust Deed was entered between Frasers Hospitality Asset Management Pte. Ltd. (the “REIT Manager”) and Perpetual (Asia) Limited as trustee of FH-REIT (the “REIT Trustee”). The REIT Trustee is under a duty to take into custody and hold the assets of FH-REIT in trust for the Stapled Securityholders of FH-REIT.

FH-BT is a Singapore-domiciled business trust constituted in Singapore by a Trust Deed dated 20 June 2014 (“FH-BT Trust Deed”) and is managed by Frasers Hospitality Trust Management Pte. Ltd. (the “Trustee-Manager”).

The securities in each of FH-REIT and FH-BT are stapled together under the terms of a stapling deed dated 20 June 2014 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager (the “Stapling Deed”) and cannot be traded separately. Each stapled security in FHT (the “Stapled Security”) comprises a unit of FH-REIT (the “FH-REIT unit”) and a unit of FH-BT (the “FH-BT unit”).

FHT was formally admitted to the Official List of the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 14 July 2014 (the “Listing Date”).

The registered office of the REIT Manager and the Trustee-Manager (collectively, the “Managers”) is located at 438 Alexandra Road, #21-00 Alexandra Point, Singapore 119958 and principal place of business is located at 438 Alexandra Road, #17-01 Alexandra Point, Singapore 119958.

The principal activity of the FH-REIT Group is to invest in income-producing real estate which are used for hospitality purposes, with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth.

FH-BT functions as master lessee and may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for FH-REIT.

The consolidated financial statements of the FH-REIT Group relates to FH-REIT and its subsidiaries. The consolidated financial statements of the FH-BT Group relates to FH-BT and its subsidiaries. The consolidated financial statements of the Stapled Group relates to the FH-REIT Group and the FH-BT Group.

Several service agreements are in place in relation to the management of FH-REIT and FH-BT and its properties operations. The fee structures of these services are as follows:

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL (CONT'D)

(a) REIT Manager's fees

(i) Management fees

Pursuant to the FH-REIT Trust Deed, the REIT Manager is entitled to management fees comprising a Base Fee of 0.3% per annum of the value of the FH-REIT's Deposited Property (as defined in the FH-REIT Trust Deed) and Performance Fee of 5.5% per annum of the Distributable Income of FHT in the relevant financial year (calculated before accounting for the FH-REIT Performance Fee and the FH-BT Performance Fee but after accounting for the FH-REIT Base Fee and the FH-BT Base Fee).

For the purpose of calculating the Base Fee, if FH-REIT holds only a partial interest in any FH-REIT Deposited Property, such FH-REIT Deposited Property shall be pro-rated in proportion to the partial interest held.

The REIT manager may elect to receive the Base Fee and Performance Fee in cash or Stapled Securities, or a combination of cash and Stapled Securities. Any portion of management fees payable in the form of Stapled Securities shall be payable quarterly in arrears (in relation to the Base Fee) or annually (in relation to the Performance Fee) in arrears and any portion of management fees payable in cash shall be payable monthly in arrears (in relation to the Base Fee) or annually in arrears (in relation to the Performance Fee).

As provided for in the FH-REIT Trust Deed, the price of a Stapled Security issued shall be computed based on the volume weighted average price of a Stapled Security for the last 10 business days immediately preceding the relevant period in which the fees accrue.

Any increase in the rate or any change in the structure of the REIT Manager's management fees must be approved by an Extraordinary Resolution at a meeting of the holders of FH-REIT Units duly convened and held in accordance with the provisions of the FH-REIT Trust Deed.

The REIT Manager's change in its election to receive cash or Stapled Securities or a combination of cash and Stapled Securities is not considered as a change in the structure of the REIT Manager's management fees.

(ii) Acquisition fee and divestment fee

The REIT Manager is entitled to:

- an acquisition fee of 0.5% for acquisitions from related parties and 1.0% for all other cases (or such lower percentage as may be determined by the REIT Manager in its absolute discretion) of any of the following as is applicable (subject to there being no double-counting):
 - (i) the acquisition price of any real estate (excluding stamp duty) purchased by FH-REIT, whether directly or indirectly through a holding of shares, units or any other interests in one or more Special Purpose Vehicles ("SPVs"), plus any other payments in addition to the acquisition price made by FH-REIT or its SPVs to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of FH-REIT's interest);
 - (ii) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the equity interests of any vehicle holding directly or indirectly the real estate, purchased by FH-REIT, whether directly or indirectly through a holding of shares, units or any other interest in one or more SPVs, plus any other payments made by FH-REIT or its SPVs to the vendor in connection with the purchase of such equity interests (pro-rated, if applicable to the proportion of FH-REIT's interest); or

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL (CONT'D)

(a) REIT Manager's fees (cont'd)

(ii) Acquisition fee and divestment fee (cont'd)

- (iii) the acquisition price of any investment purchased by FH-REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate.
- a divestment fee of 0.5% of any of the following as is applicable (subject to there being no double-counting):
 - (i) the sale price of any real estate sold or divested by FH-REIT, whether directly or indirectly through one or more SPVs, plus any other payments in addition to the sale price received by FH-REIT or its SPVs from the purchaser in connection with the sale or divestment of the real estate (pro-rated if applicable to the proportion of FH-REIT's interest);
 - (ii) the underlying value of any real estate which is taken into account when computing the sale price for the equity interests in any vehicle holding directly or indirectly the real estate, sold or divested by FH-REIT, whether directly or indirectly through one or more SPVs, plus any other payments received by FH-REIT or its SPVs from the purchaser in connection with the sale or divestment of such equity interests (pro-rated if applicable to the proportion of FH-REIT's interest); or
 - (iii) the sale price of the investment sold or divested by FH-REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate.

The REIT Manager may elect to receive the acquisition fee and divestment fee in the form of cash and/or Stapled Securities provided that in respect of any acquisition and sale or divestment of real estate assets from/to related parties, such a fee should be in the form of Stapled Securities.

(iii) Development management fee

The REIT Manager is entitled to receive development management fee equivalent to 3.0% of the Total Project Costs incurred in a Development Project undertaken by the REIT Manager on behalf of FH-REIT.

Total Project Costs means the sum of the following (where applicable):

- (i) construction cost based on the project final account prepared by the project quantity surveyor;
- (ii) principal consultants fees, including payments to the project's architect, civil and structural engineer, mechanical and electrical engineer, quantity surveyor and project manager;
- (iii) the cost of obtaining all approvals for the project;
- (iv) site staff costs;
- (v) interest costs on borrowings used to finance project cash flows that are capitalised to the project in line with generally accepted accounting practices in Singapore; and

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL (CONT'D)

(a) REIT Manager's fees (cont'd)

(iii) Development management fee (cont'd)

- (vi) any other costs including contingency expenses which meet the definition of Total Project Costs and can be capitalised to the project in accordance with generally accepted accounting practices in Singapore.

Development Project means a project involving the development of land, or buildings, or part(s) thereof on land which is acquired, held or leased by FH-REIT, including major development, re-development, refurbishment, retrofitting, addition and alteration and renovations works, provided always that the Property Funds Appendix of the Code of Collective Investment Schemes ("CIS Code") issued by Monetary Authority of Singapore (the "MAS"), shall be complied with for the purposes of such development.

FH-REIT will only undertake development activities within the limits of the Property Funds Appendix.

When the estimated Total Project Costs are greater than SGD 200.0 million, the REIT Trustee and the REIT Manager's independent directors will first review and approve the quantum of the development management fee, whereupon the REIT Manager may be directed by its independent directors to reduce development management fee. Further, in cases where the market pricing for comparable services is, in the REIT Manager's view, materially lower than the development management fee, the REIT Manager will have the discretion to accept a development management fee which is less than 3.0% of the Total Project Costs incurred in a Development Project undertaken by the REIT Manager on behalf of FH-REIT.

No acquisition fee shall be paid when the REIT Manager receives the development management fee for a Development Project. For the avoidance of doubt, the REIT Manager shall be entitled to receive an acquisition fee on the land costs.

(b) Managed Investment Trust ("MIT") Manager's fees

(i) Management fees

Pursuant to the Investment Management Agreements for MIT Australia and each underlying MIT Sub-Trust, the MIT Manager is entitled to a management fee comprising a Base Fee of 0.3% per annum of the total value of MIT Australia's trust property and a Performance Fee of 5.5% of MIT Australia's aggregate earnings before interest, taxes, depreciation and amortisation in the relevant financial year.

There is no double-counting of management fees under the Investment Management Agreements.

(ii) Acquisition fee and divestment fee

In consideration for MIT Manager providing services under each of the Investment Management Agreements in connection with MIT Australia and the underlying sub-trusts, the MIT Manager will be entitled to:

- an acquisition fee of 0.5% for acquisitions from related parties and 1.0% for all other cases of:
 - (i) the acquisition price of any real estate purchased by MIT Australia whether directly or indirectly through one or more special purpose vehicles, plus any other payments in addition to the acquisition price made by MIT Australia or a special purpose vehicle to the vendor in connection with the purchase of the real estate (pro-rated, if applicable, to the proportion of MIT Australia's interest);

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL (CONT'D)

(b) Managed Investment Trust ("MIT") Manager's fees (cont'd)

(ii) Acquisition fee and divestment fee (cont'd)

- (ii) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the equity interests of any vehicle holding directly or indirectly the real estate purchased by MIT Australia whether directly or indirectly through one or more special purpose vehicles, plus any other payments made by MIT Australia or a special purpose vehicle to the vendor in connection with the purchase of such equity interests (pro-rated, if applicable, to the proportion of MIT Australia's interest); or
- (iii) the acquisition price of any investment purchased by MIT Australia, whether directly or indirectly through one or more special purpose vehicles, in any debt securities of any property corporation or other special purpose vehicle owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate.

- a divestment fee of 0.5% of:

- (i) the sale price of any real estate sold or divested by MIT Australia whether directly or indirectly through one or more special purpose vehicles, plus any other payments in addition to the sale price received by MIT Australia or a special purpose vehicle from the purchaser in connection with the sale or divestment of the property (pro-rated, if applicable, to the proportion of MIT Australia's interest);
- (ii) the underlying value of any real estate which is taken into account when computing the sale price for the equity interests in any vehicle holding directly or indirectly the real estate, sold or divested by MIT Australia, whether directly or indirectly through one or more special purpose vehicles, plus any other payments received by MIT Australia or its special purpose vehicles from the purchaser in connection with the sale or divestment of such equity interests (pro-rated, if applicable, to the proportion of the MIT Australia's interest); or
- (iii) the sale price of any investment sold or divested by MIT Australia, whether directly or indirectly through one or more special purpose vehicles, in any debt securities of any property corporation or other special purpose vehicle owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate; and

The MIT Manager will also be entitled to be reimbursed for certain expenses properly incurred in relation to performance of its role under the Investment Management Agreements. Except for the development management fee (which may only be paid in cash), the MIT Manager's fees may be paid out of the trust's income or capital, or by an issue of Stapled Securities, or by a combination of these sources as elected by the MIT Trustee subject to and in accordance with the direction of the REIT Manager and the Trustee-Manager.

For the avoidance of doubt, the base fee, performance fee, acquisition fee, divestment fee and development management fee payable to the REIT Manager shall be reduced by the amount of the relevant fee payable to the MIT Manager.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL (CONT'D)

(b) Managed Investment Trust ("MIT") Manager's fees (cont'd)

(iii) Development management fee

The MIT Manager is entitled to receive a development management fee of 3.0% of the Total Project Costs incurred in a Development Project undertaken on behalf of MIT Australia or a MIT Sub-Trust.

(c) Kobe Asset Manager's management fees

Pursuant to the Asset Management Agreements for Kobe Excellence TMK and Excellence Prosperity (Japan) K.K., the Kobe Asset Manager is entitled to an annual management fee of Japanese Yen ("JPY") 12.0 million and JPY 3.0 million respectively (exclusive of consumption tax), payable quarterly in arrears.

(d) Asset-Based Securities ("ABS") Servicer fees

Pursuant to the ABS Servicing Agreement for Notable Vision Sdn. Bhd., a Servicer Fee (exclusive of applicable service tax), of Malaysian Ringgit ("MYR") 360,000 per annum, is payable in arrears on a semi-annual basis to the REIT Manager for the provision of its services as Servicer.

(e) FH-REIT Trustee's fees

Pursuant to the FH-REIT Trust Deed, the FH-REIT Trustee's fee is charged to a scaled basis of up to 0.015% per annum of the value of the FH-REIT Deposited Property, subject to a minimum of SGD 15,000 per month, excluding out-of-pocket expenses and GST.

The FH-REIT Trustee's fees are payable monthly in arrears.

(f) MIT's and MIT Sub-Trustee's fees

Pursuant to the Investment Management Agreements,

- (i) MIT Trustee's fees are Australian Dollars ("AUD") 55,000 per annum; and
- (ii) MIT Sub-trustee's fees for FHT Sydney Trusts (i.e. FHT Sydney Trust 1, FHT Sydney Trust 2 and FHT Sydney Trust 3) and FHT Melbourne Trust 1, are AUD 15,000 per annum (per sub-trust) and AUD 13,500 per annum respectively, excluding out-of-pocket expenses and GST.

The Trustee's fees and the MIT Sub-trustee's fees are payable quarterly in arrears. The fees are adjustable yearly by reference to the Australian Consumer Price Index.

(g) Tokutei Mokuteki Kaisha ("TMK") Trustee's fees

Pursuant to the Japan Trust Agreement, the TMK Trustee's fee is JPY 5.4 million per annum and payable quarterly in arrears.

(h) Malaysian Bond Trustee's fees

Pursuant to the ABS Trust Deed, the Malaysian Bond Trustee's fee is MYR 60,000 per annum and payable in advance on an annual basis.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL (CONT'D)

(i) Property management fees

Property management fees payable to Serviced Residence operators, which are companies controlled by a substantial Stapled Securityholder, comprise:

(i) Management Services Fees

Pursuant to the Serviced Residences Management Agreements, the management services fees are as follows:

- a base management fee of 1.0% per annum of the gross operating revenue of the Serviced Residences;
- a marketing fee of 1.0% per annum of the gross operating revenue of the Serviced Residences; and
- an incentive fee of 8.0% per annum of gross operating profit of the Serviced Residences.

(ii) Trademark License Fees

Pursuant to the Serviced Residences Licence Agreement, trademark license fee is 1.0% per annum of the gross operating revenue of the Serviced Residences.

The Serviced Residences operators may receive the management services and trademark license fees in cash or Stapled Securities or a combination of both (as the REIT Manager or Trustee-Manager may elect).

(iii) Technical Services Fees

Pursuant to the Master Technical Services Agreement and the Individual Technical Services Agreement, the technical services fees will be an amount mutually agreed upon subject to a cap of United States Dollar ("USD") 1,500 per Serviced Residence unit which is exclusive of reimbursable expenses. The technical services fees shall be payable when technical services relating to conceptualising, planning, designing, decorating, furnishing and equipping Serviced Residences are provided in connection with any development, re-development, refurbishment, retrofitting, addition and alteration and renovation works.

(j) Trustee-Manager's fees

Pursuant to the FH-BT Trust Deed, the Trustee-Manager is entitled to the following fees:

- (i) a management fee comprising a Base Fee of 0.3% per annum of the value of the FH-BT's Trust Property and Performance Fee of 5.5% per annum of the Distributable Income of FHT in the relevant financial period, payable in the event that FH-BT becomes active; and

There should be no double-counting of fees. In the event that both the Trustee-Manager and the REIT Manager are entitled to the Performance Fee, such fees payable to both the Trustee-Manager and the REIT Manager will be apportioned based on the respective proportionate contributions of FH-REIT and FH-BT in the Performance Fee. For the avoidance of doubt, the maximum Performance Fee payable to both the Trustee-Manager and the REIT Manager collectively is 5.5% per annum of the aggregate Distributable Income of FHT in the relevant financial year (calculated before accounting for the Performance Fee but after accounting the Base Fee).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL (CONT'D)

(j) Trustee-Manager's fees (cont'd)

- (ii) a trustee fee of a maximum of 0.1% per annum of the value of the FH-BT Trust Property, subject to a minimum fee of SGD 10,000 per month provided that the value of the FH-BT Trust Property is at least SGD 50.0 million, payable in the event that FH-BT becomes active.
- (iii) an acquisition fee of 0.5% for acquisitions from Related Parties and 1.0% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of all other cases of any of the following (subject to there being no double-counting):
 - the acquisition price of any real estate purchased by FH-BT, whether directly or indirectly through one or more SPVs, plus any other payments in addition to the acquisition price made by FH-BT or its SPVs to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of FH-BT's interest);
 - the equity interest of any vehicle holding directly or indirectly the real estate, the underlying value of any real estate which is taken into account when computing the acquisition price payable for the equity interests of any vehicle holding directly or indirectly the real estate, purchased by FH-BT whether directly or indirectly through one or more SPVs, plus any other payments made by FH-BT or its SPVs to the vendor in connection with the purchase of such equity interests (pro-rated if applicable to the proportion of FH-BT's interest); or
 - the acquisition price of any investment purchased by FH-BT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate.
- (iv) a divestment fee of 0.5% for all other cases of any of the following (subject to there be no double-counting):
 - the sale price of any real estate sold or divested, whether directly or indirectly through one or more SPVs, by FH-BT, plus any other payments in connection with the sale or divestment of the real estate (pro-rated if applicable to the proportion of FH-BT's interest);
 - the underlying value of any real estate which is taken into account when computing the sale price for the equity interest in any vehicle holding, directly or indirectly the real estate, sold or divested by FH-BT, whether directly or indirectly through one or more SPVs, plus any other payments received by the FH-BT or its SPVs from the purchaser in connection with the sale or divestment of such equity interest (pro-rated if applicable to the proportion of FH-BT's interest);
 - the sale price of the investment sold or divested by FH-BT, whether directly or indirectly through one or more SPVs, in any debt securities of property corporation or other SPVs owning or acquiring real estate or any debt securities which are secured whether directly or indirectly by the rental income from real estate.

The acquisition fee and divestment fee are payable to the Trustee-Manager in the form of cash and/or Stapled Securities, provided that in respect of any acquisition and sale or divestment of real estate assets from/to related parties, such a fee should be in the form of Stapled Securities.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL (CONT'D)

(j) Trustee-Manager's fees (cont'd)

- (v) a development management fee equivalent to 3.0% of the Total Project Costs incurred in a Development Project undertaken by the Trustee-Manager on behalf of FH-BT. Development Project means a project involving the development of land, or buildings, or part(s) thereof on land which is acquired, held or lease by FH-BT, including major development, re-development, retrofitting, addition and alteration and renovations works.

When the estimated Total Project Costs are greater than SGD 200.0 million, the Trustee-Manager's independent directors will first review and approve the quantum of the development management fee, whereupon the Trustee-Manager may be directed to reduce the development management fee. Further, in cases where the market pricing for comparable services is, in the Trustee-Manager's view, materially lower than the development management fee, the Trustee-Manager will have the discretion to accept a development management fee which is less than 3.0% of the Total Project Costs incurred in a Development Project undertaken by the Trustee-Manager on behalf of FH-BT.

No acquisition fee shall be paid when the Trustee-Manager receives the development management fee for a Development Project. For the avoidance of doubt, the Trustee-Manager shall be entitled to receive an acquisition fee on the land costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the FH-REIT Group, the FH-BT Group and the Stapled Group consistently to all periods presented in these financial statements, and in preparing the opening SFRS(I) Statement of Financial Position at 1 October 2017 for the FH-BT Group for the purposes of transition to SFRS(I), unless otherwise stated.

2.1 Basis of preparation

The financial statements of the FH-REIT Group and the Stapled Group have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code of Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the FH-REIT Trust Deed and the Stapling Deed. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement under the Singapore Financial Reporting Standards in Singapore ("FRSs").

The financial statements of the FH-BT Group have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), the applicable requirements of the Business Trust Act, Chapter 31A of Singapore and the provisions of FH-BT Trust Deed. These are FH-BT Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements of the FH-BT Group were prepared in accordance with FRS. An explanation of how the transition to SFRS(I) has affected the FH-BT Group is provided in Note 31.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

Significant accounting judgements and estimates

The preparation of financial statements requires the Managers to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of properties

The Stapled Group's properties are stated at their fair values, which are determined annually. The fair values are based on independent professional valuations conducted annually. The fair value of properties is determined using discounted cash flow and capitalisation methods. These fair values may differ from the prices at which the Stapled Group's properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of factors not within the directors' control, such as overall market conditions. As a result, actual results of operations and realisation of these properties could differ from the estimates set forth in these financial statements, and the difference could be significant. The carrying amount of properties is disclosed in the Statements of Financial Position.

(b) *Judgements made in applying accounting policies*

In the process of applying the Stapled Group's accounting policies, the REIT Manager has made the following judgements, apart from those involving estimations, which have significant effects on the amounts recognised in the consolidated financial statements.

Income taxes

The Stapled Group has exposure to income taxes in numerous jurisdictions. Assumptions are required in determining the group-wide provision for income taxes. The ultimate determination of taxability of income and deductibility of expenses from certain transactions are uncertain during the ordinary course of business. The tax computations arising from business combinations would also be subjected to uncertainty and formal assessment by tax authorities. The Stapled Group recognises the liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of provision for taxation, deferred tax assets and liabilities are as disclosed in the Statements of Financial Position.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation and business combinations

(a) *Stapling*

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

(b) *Subsidiaries*

Subsidiaries are entities controlled by the FH-REIT Group or the FH-BT Group. The FH-REIT Group or the FH-BT Group control an entity when they are exposed to or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through its power over the entity.

(c) *Consolidation*

The financial year of the FH-REIT Group, the FH-BT Group and the Stapled Group ends on 30 September unless otherwise stated. The consolidated financial statements incorporate the financial statements of the FH-REIT Group, the FH-BT Group and the Stapled Group made up to 30 September. The financial statements of subsidiaries are prepared using consistent accounting policies. Adjustments are made to any dissimilar material accounting policies to conform to the FH-REIT Group, the FH-BT Group and the Stapled Group's significant accounting policies. A list of significant subsidiaries is shown in Note 21.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the FH-REIT Group or the FH-BT Group and the Stapled Group obtain control, and continue to be consolidated until the date that such control ceases.

(d) *Business combinations*

Business combinations are accounted for by applying the acquisition method in accordance with FRS 103/ SFRS(I) 3 *Business Combination* as at the date of acquisition, which is the date on which control is transferred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs, other than those associated with the issue of debt or equity securities, that the FH-REIT Group, the FH-BT Group and the Stapled Group incur in connection with a business combination are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is recognised as equity, it is not remeasured and settlement is accounted for within the Stapled Securityholders' Funds. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the Statement of Total Return.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the Statement of Total Return.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation and business combinations (cont'd)

(d) *Business combinations (cont'd)*

The FH-REIT Group, the FH-BT Group and the Stapled Group elect for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, at the date of acquisition. Other components of non-controlling interests are measured on their acquisition date at fair value, unless another measurement basis is required by another FRS/SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the FH-REIT Group, the FH-BT Group and the Stapled Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. Any goodwill that arises is tested annually for impairment. Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. When the excess is negative, a bargain purchase is recognised immediately in the Statement of Total Return.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Trust and are presented separately in the Statement of Total Return and Statement of Comprehensive Income, and within the Stapled Securityholders' Funds in the Statement of Financial Position, separately from the Stapled Securityholders' Funds attributable to Stapled Securityholders. Changes in the Stapled Group's ownership interest in a subsidiary that does not result in a loss of control are accounted for as transactions within Stapled Securityholders' Funds. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in Stapled Securityholders' Funds and attributable to Stapled Securityholders of the Trust.

(e) *Property acquisition and business combinations*

Where a property is acquired, via corporate acquisitions or otherwise, the Managers consider the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The FH-REIT Group, the FH-BT Group and the Stapled Group account for an acquisition as business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary (e.g. maintenance, cleaning, security, bookkeeping, hotel operations, etc.).

When acquisition of an asset or a group of assets that does not constitute a business, they are not treated as business combinations. In such cases, the acquirer shall identify and recognise the individual identifiable asset acquired and liabilities assumed. The cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currencies

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the FH-REIT Group, the FH-BT Group and the Stapled Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "functional currency"). The financial statements of the FH-REIT Group, the FH-BT Group and the Stapled Group are presented in Singapore dollars ("SGD"), which is the functional currency of the FH-REIT Group, the FH-BT Group and the Stapled Group and rounded to the nearest thousand (\$'000), unless otherwise stated.

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured in the respective functional currencies of each entity at rates of exchange approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are revalued to the functional currency at the rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items measured at historical cost in a foreign currency are recorded using the exchange rates ruling at the date of the initial transaction dates. Non-monetary assets and liabilities measured at fair value in a foreign currency are revalued using the exchange rates at the date that the fair value was measured. Foreign currency differences arising on the settlement of monetary items or revaluing monetary items are recognised in the Statement of Total Return, except for differences arising on the retranslation of qualifying cash flow hedges to the extent the hedge is effective, which are recognised in Stapled Securityholders' Funds directly.

(c) *Foreign currency translation*

The results and financial positions of foreign operations are translated into Singapore dollars using the following procedures:

- (i) Assets and liabilities are translated to Singapore dollars at exchange rates at the end of the reporting period; and
- (ii) Income and expenses are translated to Singapore dollars at the average exchange rates for the period, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in the Statement of Comprehensive Income and accumulated in the foreign currency translation reserve.

On the disposal of a foreign operation, the cumulative amount of exchange differences recognised in other comprehensive income relating to the foreign operation is recognised in the Statement of Total Return as a component of the gain or loss on disposal. When only part of the interest in a subsidiary that includes a foreign operation is disposed of while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Foreign currencies (cont'd)

(c) Foreign currency translation (cont'd)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised directly in the foreign currency translation reserve on consolidation in Stapled Securityholders' Funds.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the reporting date.

2.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are measured at cost on initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

Subsequent to initial recognition, investment properties are measured at fair value. Any gains or losses arising from changes in fair values of the investment properties are recognised in the Statement of Total Return in the period in which they arise.

Fair value is determined at each reporting date in accordance with the FH-REIT Trust Deed. In addition, the investment properties are to be valued by independent professional valuers at least once a year, in accordance with the CIS Code issued by MAS.

Investment properties are de-recognised when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Total Return in the year of retirement or disposal.

Subsequent expenditure relating to the investment properties that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the FH-REIT Group and the Stapled Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

2.5 Property, plant and equipment

All items of property, plant and equipment are measured at cost on initial recognition. Subsequent to the initial recognition, freehold land and buildings are measured at fair value less accumulated depreciation and accumulated impairment losses while equipment, furniture and fittings are measured at cost less accumulated depreciation and accumulated impairment losses.

Fair value of the land and buildings is determined at each reporting date. Any increase in valuation on revaluation shall be credited directly to the Stapled Securityholders' Funds. However, the increase shall be recognised in the Statement of Total Return to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Total Return. A revaluation deficit is recognised in the Statement of Total Return, except to the extent that it offsets an existing surplus on the same asset carried in the Stapled Securityholders' Funds.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Property, plant and equipment (cont'd)

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use and estimate of the costs of dismantling and removing the items and restoring the site on which they are located when the FH-BT Group and the Stapled Group has an obligation to remove the asset or restore the site. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repair are charged to the Statement of Total Return. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the Statement of Total Return.

Property, plant and equipment except freehold land, are depreciated on the straight line method so as to write-off the cost of the assets over their estimated useful lives. No depreciation is provided on freehold land. The estimated useful lives for the current year is as follows:

- Building 50 years
- Equipment, furniture and fittings 3 to 10 years

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, depreciation method and residual values are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

2.6 Financial assets

(a) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Stapled Group becomes a party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Policy applicable from 1 October 2018

On initial recognition, a financial asset is classified at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Stapled Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Financial assets (cont'd)

(b) *Classification and subsequent measurement (cont'd)*

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

'Principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Stapled Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in the Statement of Total Return. Any gain or loss on derecognition is recognised in the Statement of Total Return.

Policy applicable before 1 October 2018

Non-derivative financial assets were classified into loans and receivables category.

Loans and receivables

Non-derivative financial assets with fixed or determinable payment that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Gains and losses are recognised in the Statement of Total Return when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) ***Derecognition***

A financial asset is derecognised when the contractual rights to receive cash flow from the asset have expired, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial asset that is created or retained by the Stapled Group is recognised as a separate asset or liability.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Financial assets (cont'd)

(c) Derecognition (cont'd)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in the Statement of Total Return.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when, and only when, the Stapled Group has a legal right to offset and there is intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Receivables

Trade and other receivables, including amounts due from related companies are classified and accounted for as financial assets at amortised cost. The accounting policy is stated in Note 2.6.

An allowance is made for uncollectible amounts when there is objective evidence that the Stapled Group will not be able to collect the debt. Bad debts are written off when identified. Further details of accounting policy for impairment of financial assets are stated in Note 2.15.

2.8 Other assets

Other assets comprise operating supplies and equipment. They are stated at cost less accumulated amortisation.

2.9 Inventories

Inventories comprise mainly beverage stocks for the hotel operations.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in and first-out principle. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs.

2.10 Cash and cash equivalents

Cash on hand and in banks and fixed deposits which are held to maturity are classified and accounted for as financial assets at amortised cost. The accounting policy is stated in Note 2.6.

2.11 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Stapled Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial liabilities (cont'd)

(b) *Classification and subsequent measurement*

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Interest expense is recognised in Statement of Total Return.

(c) *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Total Return.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when, and only when, the Stapled Group has a legal right to offset and there is intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Rental deposits and deferred income and expense

Rental deposits are received from lessees or paid to the lessors of the properties (as the case may be). Deferred income (expense) relates to the difference between the considerations received (paid) for rental deposits and its fair value on initial recognition and it is credited (charged) to the Statement of Total Return as rental income (expense) on a straight-line basis over the individual lease term.

2.13 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in Statement of Total Return over the period of the borrowings using the effective interest method.

2.14 Derivative financial instruments and hedge accounting

The Stapled Group uses derivative financial instruments to hedge against risks associated with foreign currency and interest rate fluctuations. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the Statement of Total Return.

Foreign exchange forward contracts are used to hedge its risks associated primarily with foreign currency fluctuations. Interest rate swap contracts are used to hedge its risks associated with interest rate fluctuations. Cross-currency swaps are used to hedge its risks associated with foreign currency fluctuations. It is the Stapled Group's policy not to trade in derivative financial instruments.

Derivatives are initially recognised at fair value; any attributable transaction costs are recognised in the Statement of Total Return on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The changes in fair value of any derivative instruments that is not designated in a hedge relationship that qualifies for hedge accounting are recognised immediately in the Statement of Total Return.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Derivative financial instruments and hedge accounting (cont'd)

The Stapled Group designates certain derivatives financial instruments as hedging instruments in qualifying hedging relationships. At the inception of a hedge relationship, the Stapled Group formally designates and documents the hedge relationship to which the Stapled Group wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Stapled Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under FRS 39 that were still existing as at 30 September 2018 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of FRS 109/SFRS(I) 9.

(a) Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Statement of Total Return.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the Statement of Total Return in the same period or periods as the hedged expected future cash flows affect the Statement of Total Return.

(b) Net investment hedges

The Stapled Group designates certain derivatives as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in the foreign currency translation reserve within the Stapled Securityholders' Funds. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the Statement of Total Return. The amount recognised in foreign currency translation reserve is reclassified to the Statement of Total Return as a reclassification adjustment on disposal of the foreign operation. When the hedge net investment is disposed of, the cumulative amount in other comprehensive income is transferred to the Statement of Total Return.

2.15 Impairment

(a) Non-financial assets

The carrying amounts of the Stapled Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment (cont'd)

(a) *Non-financial assets (cont'd)*

The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the Statement of Total Return.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed in the Statement of Total Return only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(b) *Non-derivative financial assets*

Policy applicable from 1 October 2018

The Stapled Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

Loss allowances of the Stapled Group are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Stapled Group applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Stapled Group applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment (cont'd)

(b) *Non-derivative financial assets (cont'd)*

At each reporting date, the Stapled Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Stapled Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Stapled Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The Stapled Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Stapled Group in full, without recourse by the Stapled Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Stapled Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Stapled Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Stapled Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Stapled Group on terms that the Stapled Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment (cont'd)

(b) *Non-derivative financial assets (cont'd)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Stapled Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Stapled Group's procedures for recovery of amounts due.

Policy applicable before 1 October 2018

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be measured reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that debtors or issuers will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Stapled Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Stapled Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Stapled Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in Statement of Total Return and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Stapled Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through Statement of Total Return.

2.16 Stapled Securityholders' Funds

Stapled Securityholders' Funds represent the Stapled Securityholders' residual interest in the Stapled Group's net assets upon termination.

Expenses incurred in connection with the issuance and placement of Stapled Securities are deducted directly against Stapled Securityholders' Funds.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Perpetual Securities

The perpetual securities do not have a maturity date and distribution payment is optional at the discretion of the FH-REIT Group. As the FH-REIT Group does not have a contractual obligation to repay the principal nor make any distributions, perpetual securities are classified as equity.

Any distributions made are directly debited from equity. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

2.18 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

A lease where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item is classified as an operating lease.

As lessor

The accounting policy for rental income under operating leases is stated in Note 2.20(a). Variable rental are recognised as revenue in the period in which they are earned.

As lessee

Payments made under operating leases are recognised in the Statement of Total Return on a straight-line basis over the term of the lease.

2.19 Distribution policy

Distributions of FHT comprise distributions from FH-REIT and FH-BT.

FH-REIT's distribution policy is to distribute 100% of the Distributable Income ("DI") to the Stapled Securityholders for the period from the Listing Date (14 July 2014) to 30 September 2015, and at least 90% of the DI thereafter.

FH-BT's distribution policy is to distribute as much of its income as practicable, and the declaration and payment of distributions by FH-BT will be at the sole discretion of the Board of Directors of the Trustee-Manager.

Distributions are made on a semi-annual basis, with the amount calculated as at 31 March and 30 September each year for the six-month period ending on each of the said dates. In accordance with the Trust Deeds, the Managers are required to pay distributions within 90 days of the end of each distribution period. Distributions, when paid, will be in Singapore dollars.

2.20 Revenue

(a) *Master lease rental income from operating leases*

Fixed rental income receivable under operating leases is recognised in the Statement of Total Return on a straight-line basis. The aggregate costs of incentives provided to leases are recognised as a reduction of rental income over the lease term on a straight-line basis. Variable rent, which is based on gross turnover or gross operating profit is recognised as income in the accounting period on an accrual basis in the period in which it is earned and the amount can be measured reliably.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Revenue (cont'd)

(b) Room revenue and food and beverage revenue

Revenue from hotel operations is recognised when the relevant rooms and services are rendered to the customers.

(c) Dividend and distribution income

Dividend and distribution income is recognised in the Statement of Total Return on the date when the right to receive the payment is established.

2.21 Expenses

(a) Property operating expenses

Property operating expenses are recognised on an accrual basis in the period that expenses are incurred.

(b) REIT Manager's fees

Fees paid or payable to the REIT Manager are recognised on an accrual basis based on the applicable formula as set out in Note 1(a).

(c) Trustees' fees

Fees paid or payable to the Trustees are recognised on an accrual basis. Included in trust expenses are the REIT Trustee's fees, MIT's and MIT Sub-Trustee's fees, TMK Trustee's fees, Malaysian Bond Trustee's fees and Trustee-Manager's trustee fees which are based on the applicable formulae as set out in Notes 1(e), (f), (g), (h) and (j)(ii).

(d) Trustee-Manager's fees

Fees paid or payable to the Trustee-Manager are recognised on an accrual basis based on the applicable formula as set out in Note 1(j)(i).

(e) Employee benefits

Defined contribution plans

As required by law, the FH-BT Group and the Stapled Group make contributions to state pensions schemes in accordance with local regulatory requirements. The pension contributions are recognised as compensation expense in the same period as the employment that give rises to the contribution.

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Finance income and finance costs

Finance income comprises interest income on funds invested that are recognised in the Statement of Total Return.

Finance costs comprises interest expense on borrowings and amortisation of debt-related transaction costs that are recognised in the Statement of Total Return.

Interest income or all borrowing costs are recognised as it accrues, in the Statement of Total Return, using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

2.23 Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Total Return except to the extent that it relates to items recognised directly in Statement of Changes in Stapled Securityholders' Funds.

The Stapled Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37/SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financing reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Stapled Group expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Taxes (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Stapled Group take into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Stapled Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Stapled Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

FH-REIT has obtained tax rulings from the Inland Revenue Authority of Singapore ("IRAS") in respect of Singapore taxation on certain income from the Singapore investment properties and from the properties located overseas.

2.24 Earnings per Stapled Security

The Stapled Group presents basic and diluted earnings per Stapled Security. Basic earnings per Stapled Security is calculated by dividing the total return attributable to Stapled Securityholders of the Stapled Group by the weighted-average number of Stapled Securities outstanding, during the financial period adjusted for own Stapled Securities held. Diluted earnings per Stapled Security is determined by adjusting the total return attributable to Stapled Securityholders and the weighted-average number of Stapled Securities outstanding adjusted for own Stapled Securities held, for the effects of all dilutive potential Stapled Securities.

2.25 Segment reporting

An operating segment is a component of the FH-REIT Group's, the FH-BT Group's and the Stapled Group that engage in business activities from which they may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the FH-REIT Group's, the FH-BT Group's and the Stapled Group's other components.

Management determines the operating segments based on the reports reviewed by Chief Operating Decision Makers ("CODMs") that are used to make strategic decisions.

CODMs include the Chief Executive Officer, the Chief Financial Officer, the Asset Managers and the Investment Managers. CODMs review the FH-REIT Group's, the FH-BT Group's and the Stapled Group's internal reporting in order to assess performance and operations of the Stapled Group. Management has determined the operating segments based on these assessments. The CODMs consider the segments from a geographic and business perspective as it is based on the management and internal reporting structure.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Segment reporting (cont'd)

Segment results and asset include items directly attributable to a segment as well as those that are allocated on a reasonable basis. Unallocated items comprise mainly finance income, finance costs, trust expenses, non-capitalisable expenses in relation to asset acquisition, and net change in fair value of derivative financial instruments.

Segment capital expenditure is the total costs incurred on investment properties and property, plant and equipment during the financial year.

2.26 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Stapled Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the Statement of Financial Position of the Stapled Group, except for contingent liabilities assumed in a business combination (as the case may be) that are present obligations and which the fair values can be reliably determined.

2.27 Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that when the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

3. STAFF COSTS

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Salaries, bonuses and other costs	6,227	6,710	-	-	6,227	6,710
Contributions to defined contribution plans	533	581	-	-	533	581
	6,760	7,291	-	-	6,760	7,291

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. MANAGEMENT FEES

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) REIT Manager's management fees						
– Base fee	4,720	4,701	4,720	4,701	–	–
– Performance fee	2,649	2,700	2,649	2,700	–	–
	<u>7,369</u>	<u>7,401</u>	<u>7,369</u>	<u>7,401</u>	<u>–</u>	<u>–</u>
(b) Trustee-Manager's management fees						
– Base fee	38	41	–	–	38	41
– Performance fee	10	11	–	–	10	11
	<u>48</u>	<u>52</u>	<u>–</u>	<u>–</u>	<u>48</u>	<u>52</u>
(c) Other management fees						
– MIT Manager's base fee	2,340	2,499	2,340	2,499	–	–
– MIT Manager's performance fee	1,957	2,206	1,957	2,206	–	–
– Kobe Asset Manager's management fee	187	183	187	183	–	–
– ABS Servicer fee	119	120	119	120	–	–
	<u>4,603</u>	<u>5,008</u>	<u>4,603</u>	<u>5,008</u>	<u>–</u>	<u>–</u>

During the financial year, REIT Manager, Trustee-Manager and MIT Manager fees were paid or payable in Stapled Securities. An aggregate of 16,404,000 (2018: 16,977,000) units were issued or are issuable to the Managers as satisfaction of the management fees incurred, at unit prices ranging from 70.47 cents to 73.10 cents (2018: 68.25 cents to 78.54 cents) per Stapled Security.

5. TRUSTEES' FEES

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trustees' fees						
– FH-REIT Trustee's fees	296	300	296	300	–	–
– Other trustee fees	200	204	200	204	–	–
	<u>496</u>	<u>504</u>	<u>496</u>	<u>504</u>	<u>–</u>	<u>–</u>

6. OTHER TRUST EXPENSES

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Audit fees paid and payable to auditor of the Trusts	388	400	337	349	51	51
Non-audit fees paid and payable to auditor of the Trusts	271	328	267	319	4	9
Non-audit fees paid and payable to other auditors	5	40	5	40	–	–
Other expenses	2,582	2,431	2,573	2,429	9	2
	<u>3,246</u>	<u>3,199</u>	<u>3,182</u>	<u>3,137</u>	<u>64</u>	<u>62</u>

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

7. FINANCE COSTS

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial liabilities measured at amortised cost:						
(a) Amortisation of debt upfront costs	1,107	1,916	1,107	1,916	-	-
(b) Finance costs						
- interest expense on loans and borrowings	19,990	20,085	19,990	20,085	-	-
- others	513	512	589	589	-	-
	20,503	20,597	20,579	20,674	-	-

8. TAXATION

For Singapore income tax purposes, FHT is not a taxable entity. Instead, FH-REIT and FH-BT are subject to tax separately based on their own characteristics as a real estate investment trust and a registered business trust respectively.

FH-REIT has been granted tax transparency treatment in respect of certain income derived from the Singapore properties, as well as tax exemption under Section 13(12) of the Singapore Income Tax Act in respect of certain foreign-sourced income derived from their respective overseas subsidiaries, subject to meeting certain conditions.

FH-BT which is registered as a business trust in Singapore under the Business Trust Act will be treated like a company under the one-tier corporate tax system for Singapore income tax purposes. Consequently, FH-BT will be assessed to Singapore income tax on its taxable income, if any, at the prevailing corporate tax rate in accordance with the Singapore Income Tax Act.

The income tax expense is in respect of taxes paid by the Stapled Group's operations in Singapore, Australia, UK, Japan, Malaysia and Germany.

Subject to full compliance with the terms and conditions of the following Tax Rulings, the taxation of FH-REIT Group is as follows:

(i) Tax Ruling 1

FH-REIT has obtained the Tax Transparency Ruling from the Inland Revenue Authority of Singapore ("IRAS") in respect of the "Specified Taxable Income" (as defined herein) derived from the InterContinental Singapore and Fraser Suites Singapore (collectively the "Singapore investment properties"). Such income includes rent and income from or ancillary to the management or holding of the Singapore investment properties, as well as interest income from the placement of cash surpluses in bank deposits, but not gains from the disposal of the Singapore investment properties.

Subject to the terms and conditions of the Tax Transparency Ruling, FH-REIT will not be taxed on Specified Taxable Income distributed to the Stapled Securityholders in the year in which the income was derived. Instead, the REIT Trustee and the REIT Manager would undertake to deduct income tax at source at the prevailing corporate tax rate from distributions made to certain Stapled Securityholders out of such Specified Taxable Income.

The application of the Tax Transparency Ruling is conditional upon the REIT Trustee and the REIT Manager fulfilling certain terms and conditions including distribution of at least 90.0% of Specified Taxable Income by the REIT Trustee to the Stapled Securityholders in the year in which the income is derived by the REIT Trustee.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

8. TAXATION (CONT'D)

(ii) Tax Ruling 2

FH-REIT has obtained Foreign-Sourced Income Tax Exemption Rulings from the IRAS on the Singapore taxation of certain foreign-sourced income in respect of the properties located in Australia, UK, Malaysia, Japan and Germany. Such income will be regarded as Tax Exempt Income of FH-REIT under Section 13(12) of the Income Tax Act. The Foreign-Sourced Income Tax Exemption Rulings are granted subject to certain conditions.

(iii) Singapore sourced dividends

Dividend income received by FH-REIT from the Singapore subsidiaries will not be subject to Singapore income tax in the hands of the REIT Trustee. They will be regarded as Tax Exempt Income of FH-REIT.

(iv) Return of capital to FH-REIT

Any return of capital received by FH-REIT from its Singapore subsidiaries and/or MIT Australia is capital in nature and hence, is not taxable in the hands of the REIT Trustee.

Tax expense/(credit)

The major components of tax expense/(credit) for the financial year ended 30 September 2019 are:

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Statements of Total Return						
Current tax expense						
- Current year income tax	2,681	3,029	2,477	2,913	204	116
- Overprovision in respect of prior year	-*	(114)	-*	(114)	-	-
	2,681	2,915	2,477	2,799	204	116
Deferred tax (credit)/expense						
- Origination and reversal of deductible temporary differences	(217)	(118)	-	-	(217)	(118)
- Origination and reversal of taxable temporary differences	(724)	2,366	(2,296)	2,547	-	-
	(941)	2,248	(2,296)	2,547	(217)	(118)
Withholding tax expense	2,214	703	2,195	682	19	21
	3,954	5,866	2,376	6,028	6	19

* Denotes amount less than \$1,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

8. TAXATION (CONT'D)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the prevailing corporate tax rate for the financial year ended 30 September 2019 is as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Total return for the year before tax	55,711	72,386	47,368	76,589	(228)	(759)
Tax at the domestic rates applicable to profits in the countries where the Stapled Group operates	11,243	17,892	9,864	18,718	(78)	(241)
Adjustments:						
Expenses not deductible for tax purposes	10,585	11,297	11,473	9,910	569	803
Income not subject to tax	(15,875)	(20,968)	(16,943)	(20,312)	(504)	(476)
Tax transparency	(3,584)	(2,402)	(3,584)	(2,402)	-	-
Deferred tax assets not recognised	2	5	2	5	-	-
Utilisation of unrecognised tax losses	(46)	(125)	(46)	(37)	-	(88)
Overprovision of prior year tax	-*	(114)	-*	(114)	-	-
Withholding tax	2,214	703	2,195	682	19	21
Others	(585)	(422)	(585)	(422)	-	-
	3,954	5,866	2,376	6,028	6	19

* Denotes amount less than \$1,000

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Deferred tax assets

Deferred tax assets as at 30 September 2019 shown on the Statements of Financial Position (prior to offsetting of balances) are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred tax assets (non-current):						
Provision and accruals	35	43	-	-	35	43
Unabsorbed capital allowances	703	517	-	-	703	517
	738	560	-	-	738	560

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

8. TAXATION (CONT'D)

The movements in the deferred tax assets are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	(560)	(479)	-	-	(560)	(479)
Recognised in Statements of Total Return	(217)	(118)	-	-	(217)	(118)
Translation differences	39	37	-	-	39	37
At 30 September	(738)	(560)	-	-	(738)	(560)

Deferred tax liabilities

Deferred tax liabilities as at 30 September 2019 shown on the Statements of Financial Position (prior to offsetting of balances) are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities (non-current):						
Arising from acquisition of subsidiaries	4,726	4,466	4,726	4,466	-	-
Fair value gain on investment properties	39,411	43,104	38,569	43,832	-	-
Revaluation gain on property, plant and equipment	(842)	728	-	-	-	-
Others	6,444	4,787	6,444	4,787	-	-
	49,739	53,085	49,739	53,085	-	-

The movements in the deferred tax liabilities are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	53,085	52,746	53,085	52,746	-	-
Recognised in Statements of Total Return	(724)	2,366	(2,296)	2,547	-	-
Recognised in Stapled Securityholders' Funds	(1,528)	175	-	-	-	-
Translation differences	(1,094)	(2,202)	(1,050)	(2,208)	-	-
At 30 September	49,739	53,085	49,739	53,085	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

9. EARNINGS PER STAPLED SECURITY

The calculation of basic earnings per Stapled Security is based on:

	FHT	
	2019	2018
Total return for the year attributable to Stapled Securityholders (\$'000)	47,307	62,070
Issued Stapled Securities at beginning of the year ('000)	1,869,165	1,845,574
Effect of management fees and acquisition fee paid/payable in Stapled Securities ('000)	23,060	21,851
Weighted average number of Stapled Securities during the year ('000)	1,892,225	1,867,425
Basic Earnings per Stapled Security (cents)	2.50	3.32

The calculation of diluted earnings per Stapled Security is based on:

	FHT	
	2019	2018
Total return for the year attributable to Stapled Securityholders (\$'000)	47,307	62,070
Weighted average number of Stapled Securities (basic) ('000)	1,892,225	1,867,425
Effect of contingently issuable Stapled Securities ('000)	17,433	18,238
Weighted average number of Stapled Securities (diluted) ('000)	1,909,658	1,885,663
Diluted Earnings per Stapled Security (cents)	2.47	3.29

10. INVESTMENT PROPERTIES

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Statements of Financial Position:						
At 1 October	2,151,867	2,172,119	2,397,657	2,435,515	-	-
Capital expenditure	11,280	26,399	11,658	26,399	-	-
Net fair value change	(15,574)	(1,386)	(26,435)	(186)	-	-
Translation differences	(40,609)	(45,265)	(54,526)	(64,071)	-	-
At 30 September	2,106,964	2,151,867	2,328,354	2,397,657	-	-
Statements of Total Return:						
Rental revenue from investment properties:						
- Minimum lease payments	56,801	58,142	62,430	64,128	-	-
- Variable rent based on lessees' gross operating revenue and/or gross operating profit	57,800	61,161	67,191	70,700	-	-
- Effect of recognising rental income on a straight-line basis over lease term	619	641	727	755	-	-
	115,220	119,944	130,348	135,583	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

10. INVESTMENT PROPERTIES (CONT'D)

The investment properties as at 30 September 2019 are as follows:

	FHT Carrying value		FH-REIT Group Carrying value	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
InterContinental Singapore	532,000	527,000	532,000	527,000
Fraser Suites Singapore	305,000	305,000	305,000	305,000
The Westin Kuala Lumpur	138,180	138,684	138,180	138,684
ANA Crowne Plaza Kobe	214,973	194,665	214,973	194,665
Sofitel Sydney Wentworth	260,596	304,144	260,596	304,144
Novotel Sydney Darling Square	106,100	114,091	106,100	114,091
Fraser Suites Sydney	119,130	126,932	119,130	126,932
Park International London	73,541	77,113	73,541	77,113
ibis Styles London Gloucester Road	35,157	33,481	35,157	33,481
Fraser Place Canary Wharf London	71,333	74,620	71,333	74,620
Fraser Suites Queens Gate London	101,734	106,320	101,734	106,320
Fraser Suites Glasgow	18,512	19,412	18,512	19,412
Fraser Suites Edinburgh	26,155	26,179	26,155	26,179
Maritim Hotel Dresden	104,553	104,226	104,553	104,226
Novotel Melbourne on Collins	-	-	221,390	245,790
	2,106,964	2,151,867	2,328,354	2,397,657

Independent valuation of the investment properties was undertaken by the following independent valuers:

Country	2019	2018
Singapore	CBRE Pte. Ltd.	HVS Singapore
Malaysia	C H Williams Talhar & Wong Sdn Bhd	Henry Butcher Malaysia Sdn Bhd
Japan	CBRE K. K.	Japan Valuers Co. Ltd.
Australia	CBRE Valuations Pty Limited	HVS Singapore
UK	CBRE Hotels Limited	HVS London
Germany	CBRE GmbH	HVS London

In relying on the valuation reports, the REIT Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of market conditions prevailing at the end of the financial year. Details of valuation techniques and inputs used are disclosed in Note 26.

Investment property pledged as security

As at 30 September 2019 and 30 September 2018, The Westin Kuala Lumpur is mortgaged to secure the Medium Term Notes issued by a subsidiary (Note 16).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and Building \$'000	Equipment, furniture and fittings \$'000	Total \$'000
FHT			
Cost			
At 1 October 2017	263,047	6,886	269,933
Additions	-	746	746
Written off	-	(30)	(30)
Net change in revaluation	3,651	-	3,651
Elimination of accumulated depreciation on revaluation	(3,213)	-	(3,213)
Translation differences	(18,651)	(512)	(19,163)
At 30 September 2018	244,834	7,090	251,924
At 1 October 2018	244,834	7,090	251,924
Additions	379	837	1,216
Written off	-	(3)	(3)
Net change in revaluation	(8,180)	-	(8,180)
Elimination of accumulated depreciation on revaluation	(3,103)	-	(3,103)
Translation differences	(14,078)	(427)	(14,505)
At 30 September 2019	219,852	7,497	227,349
Accumulated depreciation			
At 1 October 2017	-	(2,651)	(2,651)
Depreciation	(3,213)	(1,077)	(4,290)
Written off	-	14	14
Elimination of accumulated depreciation on revaluation	3,213	-	3,213
Translation differences	-	222	222
At 30 September 2018	-	(3,492)	(3,492)
At 1 October 2018	-	(3,492)	(3,492)
Depreciation	(3,103)	(712)	(3,815)
Written off	-	1	1
Elimination of accumulated depreciation on revaluation	3,103	-	3,103
Translation differences	-	222	222
At 30 September 2019	-	(3,981)	(3,981)
Carrying amounts			
At 1 October 2017	263,047	4,235	267,282
At 30 September 2018	244,834	3,598	248,432
At 30 September 2019	219,852	3,516	223,368

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Equipment, furniture and fittings \$'000
FH-BT Group	
Cost	
At 1 October 2017	6,516
Additions	-
Written off	(30)
Translation differences	(464)
At 30 September 2018	<u>6,022</u>
At 1 October 2018	6,022
Additions	-
Written off	(3)
Translation differences	(348)
At 30 September 2019	<u>5,671</u>
Accumulated depreciation	
At 1 October 2017	(2,630)
Depreciation	(981)
Written off	14
Translation differences	217
At 30 September 2018	<u>(3,380)</u>
At 1 October 2018	(3,380)
Depreciation	(524)
Written off	1
Translation differences	210
At 30 September 2019	<u>(3,693)</u>
Carrying amounts	
At 1 October 2017	<u>3,886</u>
At 30 September 2018	<u>2,642</u>
At 30 September 2019	<u>1,978</u>

Independent valuation of the freehold land and building was undertaken by CBRE Valuations Pty Limited on 30 September 2019 (2018: HVS Singapore). In relying on the valuation report, the REIT Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of market conditions prevailing at the end of the financial year. Details of the valuation techniques and inputs used are disclosed in Note 26.

The carrying amount of the freehold land and buildings as at 30 September 2019 would be SGD 218.8 million (2018: SGD 235.1 million) if the property had been measured using the cost model.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

12. TRADE AND OTHER RECEIVABLES

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade receivables						
- related companies of the REIT Manager	5,404	4,952	5,403	4,952	1	-
- FH-BT Group	-	-	1,290	984	-	-
- third parties	684	725	-	-	684	725
	<u>6,088</u>	<u>5,677</u>	<u>6,693</u>	<u>5,936</u>	<u>685</u>	<u>725</u>
Other receivables						
- related parties	174	170	174	170	-**	-**
- FH-BT Group	-	-	708	553	-	-
- net VAT*/ GST receivable	854	1,119	854	1,119	-	-
- third parties	2,381	2,577	1,565	2,170	816	407
	<u>3,409</u>	<u>3,866</u>	<u>3,301</u>	<u>4,012</u>	<u>816</u>	<u>407</u>
Accrued interest income	11	1	11	1	-	-
Deposits	10	10	10	10	-	-
Total trade and other receivables	9,518	9,554	10,015	9,959	1,501	1,132

* VAT: value added tax

** Denotes amount less than \$1,000

Trade receivable from related companies of the REIT Manager and FH-BT Group are mainly relating to the master lessees of FH-REIT Group's properties. There is no impairment loss arising from these outstanding balances as the ECL is negligible.

Other receivables from related parties and from the FH-BT Group are unsecured, interest-free and repayable on demand. There is no impairment loss arising from these outstanding balances as the ECL is negligible.

The ageing of trade receivables at the end of the financial year is:

	FRS 109/ SFRS(I) 9 Gross 2019 \$'000	FRS 39 Gross 2018 \$'000
FHT		
Not past due	6,062	5,587
Past due 1 – 30 days	26	90
Past due 31 – 60 days	-	-*
Past due 61 – 90 days	-	-
	<u>6,088</u>	<u>5,677</u>
FH-REIT Group		
Not past due	<u>6,693</u>	<u>5,936</u>
FH-BT Group		
Not past due	659	635
Past due 1 – 30 days	26	90
Past due 31 – 60 days	-	-*
Past due 61 – 90 days	-	-
	<u>685</u>	<u>725</u>

* Denotes amount less than \$1,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

12. TRADE AND OTHER RECEIVABLES (CONT'D)

Based on historical default rates, the FH-REIT Group and the FH-BT Group believes that no impairment is necessary in respect of trade receivables not past due. These receivables related to customers that have a good credit record with the FH-REIT Group and the FH-BT Group.

13. CASH AND CASH EQUIVALENTS

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash and cash at bank	80,543	73,954	75,723	69,415	4,820	4,539
Fixed deposits	4,452	3,126	4,452	3,126	-	-
Total cash and cash equivalents	84,995	77,080	80,175	72,541	4,820	4,539

Cash and cash equivalents denominated in foreign currencies are disclosed in Note 25(a)(i).

14. TRADE AND OTHER PAYABLES

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables						
- related companies of the REIT Manager	-	180	-	180	-	-
- FH-REIT Group	-	-	-	-	1,290	984
- third parties	1,175	745	408	315	767	430
	1,175	925	408	495	2,057	1,414
Other payables						
- related companies of the REIT Manager	344	347	344	347	-	-
- FH-REIT Group	-	-	-	-	708	553
- advanced deposits	1,957	2,045	-	-	1,957	2,045
- net VAT/GST payable	2,451	3,455	2,352	3,320	99	135
- third parties	492	453	492	451	-	2
	5,244	6,300	3,188	4,118	2,764	2,735
Accruals						
- interest	3,828	3,840	3,828	3,840	-	-
- others	4,739	4,551	3,312	2,885	2,402	2,538
	8,567	8,391	7,140	6,725	2,402	2,538
Provision for employee benefits	293	221	-	-	293	221
Total trade and other payables	15,279	15,837	10,736	11,338	7,516	6,908
Represented by:						
- Current	14,986	15,616	10,736	11,338	7,223	6,687
- Non-current	293	221	-	-	293	221
	15,279	15,837	10,736	11,338	7,516	6,908

Amounts due to related companies of the REIT Manager and amount due to FH-REIT Group are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

14. TRADE AND OTHER PAYABLES (CONT'D)

Advanced deposits are contract liabilities under SFRS(I) 15 and they relate primarily to advanced consideration received from customers of hotel business. Advanced deposits are recognised as revenue when the FH-BT Group fulfils its performance obligation under the contract with the customer. Significant changes in the advanced deposits during the year are as follows:

	FH-BT Group	
	2019	2018
	\$'000	\$'000
Revenue recognised that was included in advanced deposits at the beginning of the year	(2,045)	(1,454)
Increase due to cash received, excluding amounts recognised as revenue during the year	1,957	2,045

15. DEFERRED EXPENSE AND INCOME

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Deferred expense (Non-current)						
Cost						
At 1 October	-	-	-	-	2,220	2,391
Translation differences	-	-	-	-	(128)	(171)
At 30 September	-	-	-	-	2,092	2,220
Accumulated amortisation						
At 1 October	-	-	-	-	(217)	(114)
Charge for the financial year	-	-	-	-	(108)	(114)
Translation differences	-	-	-	-	16	11
At 30 September	-	-	-	-	(309)	(217)
Net deferred expense	-	-	-	-	1,783	2,003
(b) Deferred income (Non-current)						
Cost						
At 1 October	11,285	11,765	13,505	14,155	-	-
Translation differences	(429)	(480)	(557)	(650)	-	-
At 30 September	10,856	11,285	12,948	13,505	-	-
Accumulated amortisation						
At 1 October	(2,448)	(1,888)	(2,665)	(2,001)	-	-
Charge for the financial year	(619)	(641)	(727)	(755)	-	-
Translation differences	92	81	108	91	-	-
At 30 September	(2,975)	(2,448)	(3,284)	(2,665)	-	-
Net deferred income	7,881	8,837	9,664	10,840	-	-

Deferred expense (non-current) relates to the difference between the considerations paid for a rental deposit arising from FH-BT Group master lease with FH-REIT Group and its fair value on initial recognition and is charged to the Statement of Total Return as rental expense on a straight-line basis over the individual lease term.

Deferred income (non-current) relates to the difference between the considerations received from related companies of the REIT Manager for rental deposits arising from FH-REIT Group master leases and its fair value on initial recognition and is credited to the Statement of Total Return as rental income on a straight-line basis over the individual lease term.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

16. BORROWINGS

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current						
Medium term notes (secured)	31,255	-	31,255	-	-	-
Fixed rate notes (unsecured)	240,000	240,000	240,000	240,000	-	-
Bonds (unsecured)	30,069	-	30,069	-	-	-
Bank loans (unsecured)	531,684	188,536	531,684	188,536	-	-
Less: unamortised transaction costs	(3,809)	(1,652)	(3,809)	(1,652)	-	-
	829,199	426,884	829,199	426,884	-	-
Current						
Medium term notes (secured)	-	31,369	-	31,369	-	-
Bonds (unsecured)	-	28,412	-	28,412	-	-
Bank loans (unsecured)	25,000	349,000	25,000	349,000	-	-
Less: unamortised transaction costs	-	(649)	-	(649)	-	-
	25,000	408,132	25,000	408,132	-	-
Total borrowings	854,199	835,016	854,199	835,016	-	-

Medium Term Notes (secured)

A Medium Term Note – Senior Bond of MYR 95.0 million (equivalent to SGD 31.3 million) (2018: MYR 95.0 million (equivalent to SGD 31.4 million)) is secured by The Westin Kuala Lumpur with a carrying amount of SGD 138.2 million (2018: SGD 138.7 million). At the end of the financial year, the Senior Bond has been fully issued.

Fixed Rate Notes (unsecured)

FH-REIT and its wholly-owned subsidiary, FH-REIT Treasury Pte. Ltd. (the “Issuers” and each an “Issuer”) have in place a SGD 1.0 billion Multicurrency Debt Issuance Programme (the “Programme”). Under the Programme, the Issuers may issue notes and/or perpetual securities (Note 19).

At the end of the financial year, an aggregate principal amount of SGD 240.0 million (2018: SGD 240.0 million) fixed rate notes have been issued by FH-REIT Treasury Pte. Ltd.. These comprise:

- SGD 120.0 million (2018: SGD 120.0 million) of 5-year fixed rate notes; and
- SGD 120.0 million (2018: SGD 120.0 million) of 7-year fixed rate notes.

SGD 660.0 million (2018: SGD 660.0 million) of the Programme remains unutilised.

Bonds (unsecured)

FH-REIT’s indirect subsidiary, Kobe Excellence TMK, issued unsecured Japanese Yen-denominated bonds Kobe Excellence TMK Series 1 Bond of JPY 2.35 billion (equivalent to SGD 30.1 million) (2018: JPY 2.35 billion (equivalent to SGD 28.4 million)). The bonds carry a variable interest rate. At the end of the financial year, the bonds have been fully issued.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

16. BORROWINGS (CONT'D)

Bank loans (unsecured)

As at the end of the financial year, the FH-REIT Group has the following facilities:

Facilities fully drawn down

- FH-REIT's indirect subsidiary, FHT Sydney Trust 3, secured a AUD 120.0 million (SGD 111.7 million) (2018: AUD 120.0 million (SGD 118.5 million)) term loan facility. FH-REIT has provided a corporate guarantee to the lending bank in respect of the AUD 120.0 million term loan. At the end of the financial year, this facility was fully drawn down.
- Term Loan Facility of SGD 70.0 million (2018: SGD 70.0 million) is unsecured. At the end of the financial year, this facility was fully drawn down.
- Term Loan Facility of SGD 350.0 million (2018: Nil) is unsecured and it comprised of Tranche A – up to SGD 100.0 million; Tranche B – up to SGD 150.0 million; and Tranche C – up to SGD 100.0 million. At the end of the financial year, Tranches A, B and C were fully drawn down.
- Term Loan Facility – Tranche B of SGD 500.0 million is unsecured and matured during the financial year. SGD 175.0 million and SGD 325.0 million of Tranche B were repaid in the financial years ended 30 September 2018 and 30 September 2019 respectively.

Facilities partially drawn down or available for utilisation

- Uncommitted Multi-Currency Short-Term Facilities of SGD 75.0 million (2018: SGD 25.0 million) of which SGD 50.0 million (2018: SGD 14.0 million) remained unutilised. At the end of the financial year, SGD 25.0 million (2018: SGD 11.0 million) was utilised.
- Revolving Credit Facility (the "RCF") of SGD 60.0 million of which SGD 20.0 million is committed (2018: uncommitted – SGD 50.0 million). At the end of the financial year, the RCF remained unutilised (2018: SGD 13.0 million).

Notes to the Financial Statements

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16. BORROWINGS (CONT'D)

Terms and debt repayment structure

	Currency	Nominal Interest rate	Year of maturity	Face Value \$'000	Carrying Value \$'000
FHT and FH-REIT Group 2019					
Medium term notes (secured)	MYR	4.85%	2024	31,255	31,104
Fixed rate notes (unsecured)	SGD	2.63% – 3.08%	2022 – 2024	240,000	239,382
Bonds (unsecured)	JPY	JPY TIBOR ⁽¹⁾ + 0.95%	2022	30,069	29,903
Bank loans (unsecured)	SGD	SOR ⁽²⁾ + 1.0% – 1.05%	2023 – 2026	420,000	417,545
Bank loans (unsecured)	AUD	BBSY ⁽³⁾ + 1.35%	2023	111,684	111,265
Bank loans (unsecured)	SGD	2.23% – 2.71%	2019	25,000	25,000
Total loan and borrowings				858,008	854,199

	Currency	Nominal Interest rate	Year of maturity	Face Value \$'000	Carrying Value \$'000
FHT and FH-REIT Group 2018					
Medium term notes (secured)	MYR	4.90%	2019	31,369	31,358
Fixed rate notes (unsecured)	SGD	2.63% – 3.08%	2022 – 2024	240,000	239,223
Bonds (unsecured)	JPY	JPY LIBOR ⁽⁴⁾ + 1.28%	2019	28,412	28,412
Bank loans (unsecured)	SGD	SOR ⁽²⁾ + 1.0%	2019 – 2023	395,000	394,050
Bank loans (unsecured)	AUD	BBSY ⁽³⁾ + 1.35%	2023	118,536	117,973
Bank loans (unsecured)	SGD	1.70% – 2.46%	2019	24,000	24,000
Total loan and borrowings				837,317	835,016

Included in the borrowings as at 30 September 2019 were borrowings of SGD 370.0 million (2018: SGD 325.0 million) which together with interest rate swaps have been designated as a cash flow hedges (Note 17).

⁽¹⁾ Tokyo interbank offered rate ("TIBOR")

⁽²⁾ Swap-offer rate ("SOR")

⁽³⁾ Australian dollar bank bill swap bid rate ("BBSY")

⁽⁴⁾ London interbank offered rate ("LIBOR")

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

16. BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	FHT			FH-REIT Group			FH-BT Group					
	Liabilities		Net assets	Liabilities		Net assets	Liabilities		Net assets			
	Loans and borrowings \$'000	Accrued Interest* \$'000	Revenue Reserves \$'000	Perpetual Securities holders' funds \$'000	Total \$'000	Loans and borrowings \$'000	Accrued Interest* \$'000	Revenue Reserves \$'000	Perpetual Securities holders' funds \$'000	Total \$'000	Revenue Reserves \$'000	Total \$'000
Balance at 1 October 2018	835,016	3,840	92,571	100,279	1,031,706	835,016	3,840	104,100	100,279	1,043,235	(3,241)	(3,241)
Changes from financing cash flows												
Distributions paid to Stapled Securityholders	-	-	(86,495)	-	(86,495)	-	-	(86,366)	-	(86,366)	(129)	(129)
Distributions paid to Perpetual Securities holders	-	-	-	(4,450)	(4,450)	-	-	-	(4,450)	(4,450)	-	-
Finance costs paid	-	(19,974)	-	-	(19,974)	-	(19,974)	-	-	(19,974)	-	-
Proceeds from borrowings, net of debt upfront costs	473,495	-	-	-	473,495	473,495	-	-	-	473,495	-	-
Repayment of borrowings	(450,139)	-	-	-	(450,139)	(450,139)	-	-	-	(450,139)	-	-
Total changes from financing cash flows	23,356	(19,974)	(86,495)	(4,450)	(87,563)	23,356	(19,974)	(86,366)	(4,450)	(87,434)	(129)	(129)
Effect of changes in foreign exchange rates	(5,280)	(28)	-	-	(5,308)	(5,280)	(28)	-	-	(5,308)	-	-
Other changes												
Amortisation of debt-upfront costs	1,107	-	-	-	1,107	1,107	-	-	-	1,107	-	-
Interest expense	-	19,990	-	-	19,990	-	19,990	-	-	19,990	-	-
Total liability-related other changes	1,107	19,990	-	-	21,097	1,107	19,990	-	-	21,097	-	-
Total equity related other changes	-	-	47,307	4,450	51,757	-	-	40,542	4,450	44,992	(234)	(234)
Balance as at 30 September 2019	854,199	3,828	53,383	100,279	1,011,689	854,199	3,828	58,276	100,279	1,016,582	(3,604)	(3,604)

* Included as part of trade and other payables

Notes to the Financial Statements

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16. BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

	FHT			FH-REIT Group			FH-BT Group					
	Net assets			Liabilities			Net assets					
	Loans and borrowings \$'000	Accrued Interest* \$'000	Revenue Reserves \$'000	Perpetual Securities holders' funds \$'000	Total \$'000	Loans and borrowings \$'000	Accrued Interest* \$'000	Revenue Reserves \$'000	Perpetual Securities holders' funds \$'000	Total \$'000	Revenue Reserves \$'000	Total \$'000
Balance at 1 October 2017	810,942	4,489	122,581	100,279	1,038,291	810,942	4,489	129,556	100,279	1,045,266	(1,950)	(1,950)
Changes from financing cash flows												
Distributions paid to Stapled Securityholders	-	-	(92,080)	-	(92,080)	-	-	(91,567)	-	(91,567)	(513)	(513)
Distributions paid to Perpetual Securities holders	-	-	-	(4,450)	(4,450)	-	-	-	(4,450)	(4,450)	-	-
Finance costs paid	-	(20,684)	-	-	(20,684)	-	(20,684)	-	-	(20,684)	-	-
Proceeds from borrowings, net of debt upfront costs	364,237	-	-	-	364,237	364,237	-	-	-	364,237	-	-
Repayment of borrowings	(334,079)	-	-	-	(334,079)	(334,079)	-	-	-	(334,079)	-	-
Total changes from financing cash flows	30,158	(20,684)	(92,080)	(4,450)	(87,056)	30,158	(20,684)	(91,567)	(4,450)	(86,543)	(513)	(513)
Effect of changes in foreign exchange rates	(8,000)	(50)	-	-	(8,050)	(8,000)	(50)	-	-	(8,050)	-	-
Other changes												
Amortisation of debt-upfront costs	1,916	-	-	-	1,916	1,916	-	-	-	1,916	-	-
Interest expense	-	20,085	-	-	20,085	-	20,085	-	-	20,085	-	-
Total liability-related other changes	1,916	20,085	-	-	22,001	1,916	20,085	-	-	22,001	-	-
Total equity related other changes	-	-	62,070	4,450	66,520	-	-	66,111	4,450	70,561	(778)	(778)
Balance as at 30 September 2018	835,016	3,840	92,571	100,279	1,031,706	835,016	3,840	104,100	100,279	1,043,235	(3,241)	(3,241)

* Included as part of trade and other payables

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17. DERIVATIVE FINANCIAL INSTRUMENTS

	Year of maturity	Nominal amount \$'000	Assets \$'000	Liabilities \$'000
FHT and FH-REIT Group				
2019				
<i>Non-hedging instrument</i>				
Currency forward (sell)	2019	AUD 2,574	55	-
Currency forward (sell)	2019	EUR 1,500	42	-
Currency forward (sell)	2019	GBP 1,217	111	-
Currency forward (sell)	2020	MYR 4,000	-*	(6)
			208	(6)
<i>Cash flow hedge</i>				
Interest rate swaps	2023 - 2026	SGD 370,000	-	(2,870)
<i>Net investment hedge</i>				
Cross-currency swap	2021	AUD 100,000	9,757	-
Cross-currency swap	2021	EUR 19,249	1,020	-
Cross-currency swap	2021	GBP 33,935	2,497	-
Cross-currency swap	2022	GBP 67,099	5,298	-
Cross-currency swap	2024	JPY 10,036,600	-	(8,023)
			18,572	(8,023)
Total			18,780	(10,899)
Represented by:				
Current			208	(6)
Non-current			18,572	(10,893)
			18,780	(10,899)
2018				
<i>Non-hedging instrument</i>				
Currency forward (sell)	2018	AUD 2,117	43	-
Currency forward (sell)	2018 - 2019	EUR 3,000	97	-
Currency forward (sell)	2018	GBP 1,217	20	-
Currency forward (sell)	2019	MYR 4,680	30	-
			190	-
<i>Cash flow hedge</i>				
Interest rate swaps	2019	SGD 325,000	272	-
<i>Net investment hedge</i>				
Cross-currency swap	2021	AUD 100,000	4,880	-
Cross-currency swap	2021	EUR 19,249	-	(736)
Cross-currency swap	2021	GBP 33,935	-	(449)
Cross-currency swap	2022	GBP 67,099	15	(463)
Cross-currency swap	2024	JPY 10,036,600	-	(2,826)
			4,895	(4,474)
Total			5,357	(4,474)
Represented by:				
Current			462	-
Non-current			4,895	(4,474)
			5,357	(4,474)

* Denotes amount less than \$1,000

Notes to the Financial Statements

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17. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

	2019	FHT 2018	2019	FH-REIT Group 2018
Derivative financial instruments as a percentage of net assets	0.53%	0.06%	0.53%	0.06%

(a) Currency forwards

Forward currency contracts are used by FH-REIT Group to hedge foreign currency risks arising from the receipts of net income from overseas subsidiaries where certainty exists over the amounts at the time of hedging.

(b) Interest rate swaps and cross-currency swaps are used by FH-REIT Group to hedge its exposure to interest rate risk and foreign exchange risk associated with movements in interest rates and foreign exchange rates.

(i) Interest rate swaps (cash flow hedge)

FH-REIT Group entered into interest rate swaps to exchange the floating-rate interest on Singapore dollar (2018: Singapore dollar) denominated loans into fixed rate loans. These interest rate swaps have been assessed to be highly effective and no material ineffectiveness have been recognised in the Statement of Total Return.

(ii) Cross-currency swaps (net investment hedge)

FH-REIT entered into cross-currency swaps to hedge foreign currency risks arising from net investments in the Australia, Japan, Netherlands and Jersey Channel Islands (2018: Australia, Japan, Netherlands and Jersey Channel Islands).

(c) As at 30 September 2019, the fixed interest rates of the outstanding interest rate swaps and cross-currency swaps range between 0.765% to 4.000% (2018: 0.765% to 4.000%) while the floating interest rates are linked to the Singapore dollar SOR (2018: Singapore dollar SOR) as applicable to FH-REIT Group's borrowings.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

18. STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	FHT		FH-REIT Group		FH-BT Group	
	Number of Stapled Securities '000	2019 \$'000	Number of Stapled Securities '000	2019 \$'000	Number of Stapled Securities '000	2019 \$'000
Stapled Securities in issue						
At 1 October 2018	1,869,165	1,503,290	1,869,165	1,493,803	1,869,165	9,487
REIT Manager's management fees paid in Stapled Securities	10,576	7,407	10,576	7,407	10,576	-
Trustee-Manager's management fees paid in Stapled Securities	70	49	70	-	70	49
Other management fees paid in Stapled Securities	6,636	4,638	6,636	4,638	6,636	-
Property management fees paid in Stapled Securities	7,770	5,461	7,770	5,461	7,770	-
At 30 September 2019	1,894,217	1,520,845	1,894,217	1,511,309	1,894,217	9,536
Stapled Securities to be issued						
REIT Manager's management fees payable in Stapled Securities	7,047	5,014	7,047	5,014	7,047	-
Trustee-Manager's management fees payable in Stapled Securities	40	29	40	-	40	29
Other management fees payable in Stapled Securities	4,359	3,104	4,359	3,104	4,359	-
Property management fees payable in Stapled Securities	3,995	2,834	3,995	2,834	3,995	-
At 30 September 2019	15,441	10,981	15,441	10,952	15,441	29
Total Stapled Securities in issue and to be issued	1,909,658	1,531,826	1,909,658	1,522,261	1,909,658	9,565

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FOR THE YEAR ENDED 30 SEPTEMBER 2019

18. STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (CONT'D)

	FHT		FH-REIT Group		FH-BT Group	
	Number of Stapled Securities '000	2018 \$'000	Number of Stapled Securities '000	2018 \$'000	Number of Stapled Securities '000	2018 \$'000
Stapled Securities in issue						
At 1 October 2017	1,845,574	1,485,536	1,845,574	1,476,117	1,845,574	9,419
REIT Manager's management fees paid in Stapled Securities	9,750	7,330	9,750	7,330	9,750	-
Trustee-Manager's management fees paid in Stapled Securities	91	68	91	-	91	68
Other management fees paid in Stapled Securities	6,497	4,873	6,497	4,873	6,497	-
Property management fees paid in Stapled Securities	7,253	5,483	7,253	5,483	7,253	-
At 30 September 2018	1,869,165	1,503,290	1,869,165	1,493,803	1,869,165	9,487
Stapled Securities to be issued						
REIT Manager's management fees payable in Stapled Securities	7,305	5,052	7,305	5,052	7,305	-
Trustee-Manager's management fees payable in Stapled Securities	43	30	43	-	43	30
Other management fees payable in Stapled Securities	4,976	3,445	4,976	3,445	4,976	-
Property management fees payable in Stapled Securities	4,174	2,875	4,174	2,875	4,174	-
At 30 September 2018	16,498	11,402	16,498	11,372	16,498	30
Total Stapled Securities in issue and to be issued	1,885,663	1,514,692	1,885,663	1,505,175	1,885,663	9,517

Each unit of FH-REIT is stapled together with a unit of FH-BT under the terms of the Stapling Deed entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in FH-REIT and FH-BT.

A holder of the Stapled Securities has no equitable or proprietary interest in the underlying assets of FHT and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of FHT.

Under the FH-REIT Trust Deed, every FH-REIT Stapled Security carries the same voting rights. Similarly, under the FH-BT Trust Deed, every FH-BT Stapled Security carries the same voting rights. Each Stapled Security carries one vote.

The holders of the Stapled Securities are entitled to receive distributions as and when declared by FHT.

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FOR THE YEAR ENDED 30 SEPTEMBER 2019

19. PERPETUAL SECURITIES IN ISSUE

On 12 May 2016, FH-REIT issued SGD 100.0 million of fixed rate subordinated perpetual securities with an initial distribution rate of 4.45% per annum with the first distribution rate reset falling on 12 May 2021 and subsequent resets occurring every five years thereafter.

The perpetual securities have no fixed redemption date and redemption is at the option of FH-REIT in accordance with the terms of issue of the securities. The distribution will be payable semi-annually at the discretion of FH-REIT and will be non-cumulative.

In the event of winding-up of FH-REIT, these perpetual securities rank pari passu with the most junior class of preferred units (if any) and rank ahead of the Stapled Securityholders of FHT, but junior to the claims of all other present and future creditors of FH-REIT.

FHT shall not declare or pay any dividends or make any payments to the Stapled Securityholders, or redeem, reduce, cancel, buy-back or acquire any Stapled Securities, unless FH-REIT pays all scheduled distributions to the holders of the perpetual securities.

These perpetual securities are classified as equity instruments and recorded in equity in the Statement of Changes in Stapled Securityholders' Funds.

20. RESERVE

(a) Hedging reserve

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 October	573	(2,404)	573	(2,404)	-	-
Effective portion of changes in fair value of cash flow hedges	(3,152)	4,522	(3,152)	4,522	-	-
Net change in fair value of cash flow hedges reclassified to total return	136	(1,545)	136	(1,545)	-	-
At 30 September	(2,443)	573	(2,443)	573	-	-

Hedging reserve represents the effective portion of the cumulative fair value changes of derivative financial instruments. The fair value changes that are recognised in other comprehensive income are not subjected to tax.

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20. RESERVE (CONT'D)**(b) Foreign currency translation reserve**

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 October	(138,932)	(91,219)	(138,649)	(91,389)	(332)	174
Net translation differences arising from translation of foreign operations	(27,156)	(47,922)	(26,567)	(47,469)	(345)	(506)
Net exchange differences on hedge of net investments in foreign operations	(9,919)	209	(9,919)	209	-	-
At 30 September	(176,007)	(138,932)	(175,135)	(138,649)	(677)	(332)

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from Singapore dollars, as well as effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

(c) Revaluation reserve

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 October	9,111	5,635	-	-	-	-
Net change in revaluation on property, plant and equipment (Note 11)	(8,180)	3,651	-	-	-	-
Related deferred tax (Note 8)	1,528	(175)	-	-	-	-
At 30 September	2,459	9,111	-	-	-	-

The revaluation reserve relates to the revaluation of property, plant and equipment, net of deferred tax.

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21. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of FH-REIT and FH-BT are as follows:

Name of subsidiaries	Country of constitution	Principal activities/ place of business	Effective equity held by FHT	
			2019 %	2018 %
Held by FH-REIT				
Excellence Prosperity TMK Pte. Ltd. ⁽¹⁾	Singapore	Investment holding Singapore	100	100
FHT Australia Pte. Ltd. ⁽¹⁾	Singapore	Investment holding Singapore	100	100
FHT Australia Trust ⁽²⁾	Australia	Investment holding Australia	100 ⁽³⁾	100 ⁽³⁾
FHT Japan Pte. Ltd. ⁽¹⁾	Singapore	Investment holding Singapore	100	100
FHT Malaysia Pte. Ltd. ⁽¹⁾	Singapore	Investment holding Singapore	100	100
FHT UK Pte. Ltd. ⁽¹⁾	Singapore	Investment holding Singapore	100	100
FH-REIT Treasury Pte. Ltd. ⁽¹⁾	Singapore	Investment holding Singapore	100	100
FHT Investment 1 Pte. Ltd. ⁽¹⁾	Singapore	Investment holding Singapore	100	100
Held by FH-REIT subsidiaries				
FHT Australia Trust ⁽²⁾	Australia	Investment holding Australia	100 ⁽³⁾	100 ⁽³⁾
FHT Sydney Trust 1 ⁽²⁾	Australia	Property holding Australia	100	100
FHT Sydney Trust 2 ⁽²⁾	Australia	Property holding Australia	100	100
FHT Sydney Trust 3 ⁽²⁾	Australia	Property holding Australia	100	100

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FOR THE YEAR ENDED 30 SEPTEMBER 2019

21. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of constitution	Principal activities/ place of business	Effective equity held by FHT	
			2019 %	2018 %
Held by FH-REIT subsidiaries				
FHT Melbourne Trust 1 ⁽²⁾	Australia	Property holding Australia	100	100
FHT London 1 Ltd ⁽²⁾	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT London 2 Ltd ⁽²⁾	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT London 3 Ltd ⁽²⁾	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT London 4 Ltd ⁽²⁾	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT Scotland 1 Ltd ⁽²⁾	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT Scotland 2 Ltd ⁽²⁾	Jersey Channel Islands	Property holding United Kingdom	100	100
Kobe Excellence TMK ⁽²⁾	Japan	Property holding Japan	100	100
Excellence Prosperity (Japan) KK ⁽²⁾	Japan	Investment holding Japan	100	100
Notable Vision Sdn. Bhd. ⁽²⁾	Malaysia	Property holding Malaysia	100 ⁽⁴⁾	100 ⁽⁴⁾
FHT Investment Holding 1 B.V. ⁽⁵⁾	Netherlands	Investment holding Netherlands	100	100
FHT Property 1 B.V. ⁽⁵⁾	Netherlands	Property holding Germany	100	100
Held by FH-BT				
FH-BT Australia Operations Pte. Ltd. ⁽¹⁾	Singapore	Investment holding Singapore	100	100
Held by FH-BT subsidiary				
FH-BT NMCS Operations Pty Ltd ⁽²⁾	Australia	Hotel Australia	100	100

⁽¹⁾ Audited KPMG LLP, Singapore.

⁽²⁾ Audited by other member firms of KPMG International.

⁽³⁾ Held by FH-REIT and FHT Australia Pte. Ltd. in shareholdings of 50.0% (2018: 50%) and 50.0% (2018: 50.0%) respectively.

⁽⁴⁾ This structured entity is consolidated in the financial statements in accordance with FRS 110 *Consolidated Financial Statements*.

⁽⁵⁾ Not required to be audited under laws of the country of incorporation.

Notes to the Financial Statements

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22. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those related party information elsewhere in the financial statements, the following significant transactions between the Stapled Group and related parties took place during the financial year at terms agreed between parties:

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
With related companies of the Managers						
- Rental income received and receivable	107,580	112,373	107,569	112,361	11	12
- Reimbursement of expenses paid on behalf	(958)	(1,358)	(958)	(1,358)	-	-
With the REIT Manager						
- Base management fee paid and payable	(4,720)	(4,701)	(4,720)	(4,701)	-	-
- Performance management fee paid and payable	(2,649)	(2,700)	(2,649)	(2,700)	-	-
- Reimbursement of expenses paid on behalf	(140)	(121)	(139)	(120)	(1)	(1)
- Servicer fee paid and payable	(119)	(120)	(119)	(120)	-	-
With the MIT Manager						
- Base management fee paid and payable	(2,340)	(2,499)	(2,340)	(2,499)	-	-
- Performance management fee paid and payable	(1,957)	(2,206)	(1,957)	(2,206)	-	-
With the Trustee-Manager						
- Base management fee paid and payable	(38)	(41)	-	-	(38)	(41)
- Performance management fee paid and payable	(10)	(11)	-	-	(10)	(11)
With the Property Managers						
- Property management fees paid and payable	(5,448)	(5,499)	(5,448)	(5,499)	-	-
With the Trustee						
- FH-REIT Trustee fees paid and payable	(296)	(300)	(296)	(300)	-	-
- Other trustee fees paid and payable	(200)	(204)	(200)	(204)	-	-
Between FH-REIT Group and FH-BT Group						
- Master lease rental received and receivable/(paid and payable)	-	-	15,128	15,639	(15,128)	(15,639)
- Reimbursement of expenses (paid on behalf)/received	-	-	(96)	(126)	96	126

Notes to the Financial Statements

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23. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – lessor

FH-REIT Group leases out its investment properties to related companies with the exception of Maritim Hotel Dresden which is leased to a third party lessee. The leases are for an initial lease term between 10 to 20 years with an option by the lessee to renew the lease for an additional lease term between 5 to 20 years. Future minimum lease receivables at the end of the reporting period are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Within one year	56,292	57,418	61,764	63,226	-	-
Between one to five years	222,778	229,671	244,668	252,904	-	-
More than five years	461,297	530,514	527,222	606,292	-	-
	<u>740,367</u>	<u>817,603</u>	<u>833,654</u>	<u>922,422</u>	-	-

(b) Operating lease commitments – lessee

FH-REIT Group has entered into ground leases for certain properties. The operating leases are based on a fixed component of rent payable under the ground lease agreement, adjusted for increases in ground lease where such increases have been provided for under the ground lease agreement.

FH-BT (through its subsidiary) has a master lease agreement with FH-REIT (through its subsidiary) for the lease of Novotel Melbourne on Collins with an initial lease term of 20 years and an option to renew the lease for an additional lease term of 20 years.

Future minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Within one year	-	-	-	-	5,473	5,808
Between one to five years	-	-	-	-	21,890	23,233
More than five years	19,518	20,792	19,518	20,792	65,925	75,778
	<u>19,518</u>	<u>20,792</u>	<u>19,518</u>	<u>20,792</u>	<u>93,288</u>	<u>104,819</u>

(c) Financial guarantee contracts

As at 30 September 2019, FH-REIT has provided a corporate guarantee of AUD 120.0 million (SGD 111.7 million) (2018: AUD 120.0 million (SGD 118.5 million)) in respect of the term loan of a subsidiary (Note 16). At the reporting date, FH-REIT Group and the Stapled Group do not consider it probable that a claim will be made against FHT under the guarantee.

(d) Capital commitments

Capital expenditures contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Commitments in respect of:						
- contracted capital expenditure for properties	9,836	5,270	9,645	5,250	191	20

Notes to the Financial Statements

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24. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below summarises the accounting classification of the Stapled Group's, FH-REIT Group's and FH-BT Group's financial assets and liabilities at the reporting date:

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets at amortised cost						
Trade and other receivables*	8,664	-	9,161	-	1,501	-
Cash and cash equivalents (Note 13)	84,995	-	80,175	-	4,820	-
Rental deposits	-	-	-	-	1,765	-
	<u>93,659</u>	<u>-</u>	<u>89,336</u>	<u>-</u>	<u>8,086</u>	<u>-</u>
Loans and receivables						
Trade and other receivables*	-	8,435	-	8,840	-	1,132
Cash and cash equivalents (Note 13)	-	77,080	-	72,541	-	4,539
Rental deposits	-	-	-	-	-	1,796
	<u>-</u>	<u>85,515</u>	<u>-</u>	<u>81,381</u>	<u>-</u>	<u>7,467</u>
Derivative assets at fair value through profit or loss						
Derivative financial instruments (Note 17)	208	190	208	190	-	-
Derivative assets at fair value – cash flow/net investment hedges						
Derivative financial instruments (Note 17)	18,572	5,167	18,572	5,167	-	-
Financial liabilities at amortised cost						
Trade and other payables**	10,871	10,337	8,384	8,018	5,460	4,728
Borrowings (Note 16)	854,199	835,016	854,199	835,016	-	-
Rental deposits	22,272	21,893	24,037	23,689	-	-
	<u>887,342</u>	<u>867,246</u>	<u>886,620</u>	<u>866,723</u>	<u>5,460</u>	<u>4,728</u>
Derivative liabilities at fair value through profit or loss						
Derivative financial instruments (Note 17)	6	-	6	-	-	-
Derivative liabilities at fair value – cash flow/net investment hedges						
Derivative financial instruments (Note 17)	10,893	4,474	10,893	4,474	-	-

* excluding net VAT/GST receivable

** excluding net VAT/GST payable and advanced deposits

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25. FINANCIAL RISK MANAGEMENT

Risk management is integral to the business of the Stapled Group. The Stapled Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Stapled Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Managers are responsible for setting the objectives and underlying principles of financial risk management for the Stapled Group. This is supported by comprehensive internal processes and procedures which are formalised in the Managers' organisational and reporting structure, operating manuals and delegation of authority guidelines.

The Audit, Risk and Compliance Committee of the Managers oversee how management monitors compliance with the Stapled Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Stapled Group. The Audit, Risk and Compliance Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Compliance Committee of the Managers. The Audit, Risk and Compliance Committee then reports to the Board of Directors of the Managers on any inadequacies, deficiencies or matters of concern of which the Audit, Risk and Compliance Committee becomes aware or that it suspects, arising from its review of the Stapled Group's risk management policies and procedures.

(a) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Stapled Group's total return and Stapled Securityholders' funds. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) *Foreign currency risk*

The entities within the Stapled Group normally conduct their business in their respective functional currencies.

The Stapled Group's foreign currency risk mainly relates to its AUD, Sterling Pound ("GBP"), MYR, JPY and Euro ("EUR") denominated investments, distribution income and interest income from its foreign subsidiaries. The Managers monitor the Stapled Group's foreign currency exposures on an ongoing basis and limit its exposure to fluctuations in foreign currency exchange rates by using derivative financial instruments or other suitable financial products.

It is the Managers' policy to hedge the Stapled Group's anticipated foreign currency exposure in respect of distribution income and interest income, net of anticipated payments required in the same currency from its foreign subsidiaries at least six months forward by using forward currency contracts (Note 17).

The FH-REIT's investments in Australia, Japan, Netherlands and Jersey Channel Islands subsidiaries are hedged by AUD, JPY, EUR and GBP denominated cross-currency swaps as disclosed in Note 17, which mitigate the currency risks relating to the subsidiaries' net assets. The cross-currency swaps are designated as net investment hedges and no ineffectiveness was recognised from these hedges. The Stapled Group's investments in its Australia, Japan and Malaysia subsidiaries are naturally hedged by taking offshore foreign currency denominated borrowings.

To assess hedge effectiveness, the Stapled Group, FH-REIT Group and FH-BT Group determine the economic relationship between the hedge instrument and the hedge item by comparing changes in the carrying amount of debts that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movement in the spot rate (the offset method). The Stapled Group, FH-REIT Group and FH-BT Group's policy is to hedge the net investment only to the extent of debt principal.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

The Stapled Group's exposures to foreign currencies are as follows:

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
FHT						
2019						
Financial assets						
Cash and cash equivalents	74	492	433	1,561	-	-
Trade and other receivables	-	46,113	6,540	21,964	1,929	5,813
Derivative financial instruments	-	9,812	1,062	7,906	-	-
	74	56,417	8,035	31,431	1,929	5,813
Financial liabilities						
Trade and other payables	-	(44,772)	(5,177)	(19,896)	-	(8,247)
Derivative financial instruments	-	-	-	-	(6)	(8,023)
	-	(44,772)	(5,177)	(19,896)	(6)	(16,270)
Net currency exposure	74	11,645	2,858	11,535	1,923	(10,457)
2018						
Financial assets						
Cash and cash equivalents	78	340	1,146	1,814	-	-
Trade and other receivables	-	19,536	721	6,379	2,082	5,489
Derivative financial instruments	-	4,923	97	35	30	-
	78	24,799	1,964	8,228	2,112	5,489
Financial liabilities						
Trade and other payables	(3)	(10,775)	-	(4,211)	-	-
Derivative financial instruments	-	-	(736)	(912)	-	(2,826)
	(3)	(10,775)	(736)	(5,123)	-	(2,826)
Net currency exposure	75	14,024	1,228	3,105	2,112	2,663
FH-REIT Group						
2019						
Financial assets						
Cash and cash equivalents	74	8	433	1,561	-	-
Trade and other receivables	-	46,100	6,540	21,964	1,929	5,813
Derivative financial instruments	-	9,812	1,062	7,906	-	-
	74	55,920	8,035	31,431	1,929	5,813
Financial liabilities						
Trade and other payables	-	(44,772)	(5,177)	(19,896)	-	(8,247)
Derivative financial instruments	-	-	-	-	(6)	(8,023)
	-	(44,772)	(5,177)	(19,896)	(6)	(16,270)
Net currency exposure	74	11,148	2,858	11,535	1,923	(10,457)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)**(a) Market risk (cont'd)****(i) Foreign currency risk (cont'd)**

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
FH-REIT Group						
2018						
Financial assets						
Cash and cash equivalents	78	7	1,146	1,814	-	-
Trade and other receivables	-	19,521	721	6,379	2,082	5,489
Derivative financial instruments	-	4,923	97	35	30	-
	78	24,451	1,964	8,228	2,112	5,489
Financial liabilities						
Trade and other payables	(3)	(10,775)	-	(4,211)	-	-
Derivative financial instruments	-	-	(736)	(912)	-	(2,826)
	(3)	(10,775)	(736)	(5,123)	-	(2,826)
Net currency exposure	75	13,676	1,228	3,105	2,112	2,663
FH-BT Group						
2019						
Financial assets						
Cash and cash equivalents	-	484	-	-	-	-
Trade and other receivables	-	13	-	-	-	-
Net currency exposure	-	497	-	-	-	-
2018						
Financial assets						
Cash and cash equivalents	-	333	-	-	-	-
Trade and other receivables	-	15	-	-	-	-
Net currency exposure	-	348	-	-	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

Sensitivity analysis

A 1% strengthening/weakening of the Singapore dollar against the following currencies during the financial year would (decrease)/increase the total return (before any tax effects) and Stapled Securityholders' funds by the amounts as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
FHT 2019						
Increase/(Decrease) in total return for the financial year						
- 1% weakening of the Singapore dollar	1	(6)	(5)	16	6	(24)
Decrease in Stapled Securityholders' funds						
- 1% weakening of the Singapore dollar	-	(990)	(304)	(1,788)	-	(1,367)
(Decrease)/Increase in total return for the financial year						
- 1% strengthening of the Singapore dollar	(1)	6	5	(16)	(6)	24
Increase in Stapled Securityholders' funds						
- 1% strengthening of the Singapore dollar	-	990	304	1,788	-	1,394

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)**(a) Market risk (cont'd)****(i) Foreign currency risk (cont'd)**

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
FHT 2018						
Increase in total return for the financial year						
- 1% weakening of the Singapore dollar	-*	112	67	62	163	55
Decrease in Stapled Securityholders' funds						
- 1% weakening of the Singapore dollar	-	(1,034)	(280)	(1,870)	-	(1,305)
Decrease in total return for the financial year						
- 1% strengthening of the Singapore dollar	-*	(112)	(67)	(62)	(163)	(55)
Increase in Stapled Securityholders' funds						
- 1% strengthening of the Singapore dollar	-	1,034	371	1,870	-	1,279

* Denotes amount less than \$1,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)**(a) Market risk (cont'd)****(i) Foreign currency risk (cont'd)**

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
FH-REIT Group						
2019						
Increase/(Decrease) in total return for the financial year						
- 1% weakening of the Singapore dollar	1	(11)	(5)	16	6	(24)
Decrease in Stapled Securityholders' funds						
- 1% weakening of the Singapore dollar	-	(990)	(304)	(1,788)	-	(1,367)
(Decrease)/Increase in total return for the financial year						
- 1% strengthening of the Singapore dollar	(1)	11	5	(16)	(6)	24
Increase in Stapled Securityholders' funds						
- 1% strengthening of the Singapore dollar	-	990	304	1,788	-	1,394
2018						
Increase in total return for the financial year						
- 1% weakening of the Singapore dollar	-*	108	67	62	163	55
Decrease in Stapled Securityholders' funds						
- 1% weakening of the Singapore dollar	-	(1,034)	(280)	(1,870)	-	(1,305)
Decrease in total return for the financial year						
- 1% strengthening of the Singapore dollar	-*	(108)	(67)	(62)	(163)	(55)
Increase in Stapled Securityholders' funds						
- 1% strengthening of the Singapore dollar	-	1,034	371	1,870	-	1,279

* Denotes amount less than \$1,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)**(a) Market risk (cont'd)****(i) Foreign currency risk (cont'd)**

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
FH-BT Group						
2019						
Increase in total return for the financial year						
- 1% weakening of the Singapore dollar	-	5	-	-	-	-
Decrease in total return for the financial year						
- 1% strengthening of the Singapore dollar	-	(5)	-	-	-	-
2018						
Increase in total return for the financial year						
- 1% weakening of the Singapore dollar	-	3	-	-	-	-
Decrease in total return for the financial year						
- 1% strengthening of the Singapore dollar	-	(3)	-	-	-	-

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Stapled Group's financial instruments will fluctuate because of changes in market interest rates.

The Stapled Group's exposure to changes in interest rates relate primarily to its interest-bearing borrowings. Interest rate risk is managed by the Managers on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. The Managers adopt a policy of fixing the interest rates for a portion of its outstanding borrowings via the use of derivative financial instruments or other suitable financial products.

Interest rate derivative financial instruments in respect of the Stapled Group's borrowings have been entered into to achieve an appropriate mix of fixed and floating rate exposures within the Stapled Group's policy. Generally, the maturities of these interest rate derivative financial instruments follow the maturities of the related borrowings.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

At the reporting date, the interest rate profile of the interest-bearing financial instruments were as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Nominal Amount Variable						
Rate Instruments						
Borrowings	(586,753)	(565,948)	(586,753)	(565,948)	-	-
Derivative financial instruments	370,000	325,000	370,000	325,000	-	-
	<u>(216,753)</u>	<u>(240,948)</u>	<u>(216,753)</u>	<u>(240,948)</u>	<u>-</u>	<u>-</u>

Sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rate at the end of the financial year would increase/ (decrease) the Stapled Group's total return (before any tax effects) and Stapled Securityholders' funds by the amounts below. This analysis assumes that all other variables remain constant.

FHT and FH-REIT Group Cash flow sensitivity	Total return		Stapled Securityholders' funds	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
2019	<u>(2,167)</u>	<u>2,167</u>	<u>18,367</u>	<u>(19,607)</u>
2018	<u>(2,409)</u>	<u>2,409</u>	<u>2,364</u>	<u>(2,402)</u>

(b) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations with the Stapled Group, as and when they fall due.

The Stapled Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The REIT Manager has established credit limits for lessees and monitor their balances on an ongoing basis. Credit evaluations are performed by the REIT Manager before lease agreements are entered into with the lessees. Credit risk is also mitigated by the rental deposits held for each lessee. The rental deposits were received in cash and were equivalent to eight months of the monthly fixed rent under the Master Lease Agreements.

In addition, Frasers Property Limited and TCC Land International Limited have granted a corporate guarantee to FH-REIT for the performance of certain master lessees and retail master lessee respectively. Upon default, the corporate guarantors will pay the rent and other sums payable under the Master Lease Agreement and the Retail Master Lease Agreement respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Credit risk (cont'd)*

Credit risk concentration profile

At the end of the reporting period, approximately 56.8% (2018: 51.8%) of the Stapled Group's trade and other receivables were due from related companies of the REIT Manager. Other than as disclosed herein, the Stapled Group has no significant concentration of credit risk at the reporting date. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

Expected credit loss assessment for individual lessees and customers as at 1 October 2018 and 30 September 2019

The Stapled Group uses either an allowance matrix or comparable industry historical default rate to measure the ECLs of trade receivables.

For the allowance matrix, loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments (geographic region) based on actual credit loss experiences, adjusted by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Stapled Group's view of economic conditions over the expected lives of the receivables.

There is no material impact on the allowance for impairment losses for the Stapled Group on adoption of FRS 109/SFRS(I) 9 on 1 October 2018. The ECLs of trade receivables is negligible.

Derivatives

Derivatives are only entered into with banks and financial institution counterparties with sound credit ratings. Details of the derivatives held by the FH-REIT Group, FH-BT Group and the Stapled Group are set out in Note 17.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Stapled Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

Liquidity risk is the risk that the Stapled Group will encounter difficulty in meeting its financial obligations due to shortage of funds. The Managers monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Stapled Group's operations for a reasonable period, including the servicing of financing obligations, and to mitigate the effects of fluctuations in cash flows. In addition, the REIT Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As at end of the financial year, the Stapled Group maintains several lines of credit (Note 16).

The Stapled Group has contractual commitments to incur capital expenditure at the reporting date (Note 23(d)).

The table below summarises the maturity profile of the Stapled Group's financial liabilities, including estimated interest payments and excluding the impact of netting arrangements at the reporting date based on contractual undiscounted repayment obligations:

	Carrying amount \$'000	Within one year \$'000	Between one and five years \$'000	More than five years \$'000	Total \$'000
FHT 2019					
Non-derivative financial liabilities					
Trade and other payables*	(7,043)	(6,749)	(30)	(264)	(7,043)
Borrowings (gross) (Note 16)	(858,008)	(25,000)	(463,008)	(370,000)	(858,008)
Interest payable on borrowings	(3,828)	(23,420)	(79,641)	(9,997)	(113,058)
Rental deposits	(22,272)	-	-	(30,801)	(30,801)
	(891,151)	(55,169)	(542,679)	(411,062)	(1,008,910)
Derivative financial instruments					
Interest rate swaps (net-settled)	(2,870)	(249)	(2,493)	(237)	(2,979)
Foreign exchange contracts (gross-settled)	(6)				
- outflow		(1,059)	-	-	(1,059)
- inflow		1,048	-	-	1,048
Cross-currency swaps (gross-settled)	(8,023)				
- outflow		(515)	(4,441)	(142,956)	(147,912)
- inflow		1,843	15,189	121,863	138,895
	(10,899)	1,068	8,255	(21,330)	(12,007)
	(902,050)	(54,101)	(534,424)	(432,392)	(1,020,917)

* excluding VAT/GST payable, interest payable and advanced deposits (as the case may be)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk (cont'd)

	Carrying amount \$'000	Within one year \$'000	Between one and five years \$'000	More than five years \$'000	Total \$'000
FHT					
2018					
Non-derivative financial liabilities					
Trade and other payables*	(6,497)	(6,276)	(56)	(165)	(6,497)
Borrowings (gross) (Note 16)	(837,317)	(408,781)	(308,536)	(120,000)	(837,317)
Interest payable on borrowings	(3,840)	(19,184)	(45,665)	(5,559)	(70,408)
Rental deposits	(21,893)	-	-	(31,303)	(31,303)
	(869,547)	(434,241)	(354,257)	(157,027)	(945,525)
Derivative financial instruments					
Cross-currency swaps (gross-settled)	(4,474)				
- outflow		(3,885)	(213,124)	(142,185)	(359,194)
- inflow		6,699	220,738	125,569	353,006
	(4,474)	2,814	7,614	(16,616)	(6,188)
	(874,021)	(431,427)	(346,643)	(173,643)	(951,713)
FH-REIT Group					
2019					
Non-derivative financial liabilities					
Trade and other payables*	(4,556)	(4,556)	-	-	(4,556)
Borrowings (gross) (Note 16)	(858,008)	(25,000)	(463,008)	(370,000)	(858,008)
Interest payable on borrowings	(3,828)	(23,420)	(79,641)	(9,997)	(113,058)
Rental deposits	(24,037)	-	-	(34,449)	(34,449)
	(890,429)	(52,976)	(542,649)	(414,446)	(1,010,071)
Derivative financial instruments					
Interest rate swaps (net-settled)	(2,870)	(249)	(2,493)	(237)	(2,979)
Foreign exchange contracts (gross-settled)	(6)				
- outflow		(1,059)	-	-	(1,059)
- inflow		1,048	-	-	1,048
Cross-currency swaps (gross-settled)	(8,023)				
- outflow		(515)	(4,441)	(142,956)	(147,912)
- inflow		1,843	15,189	121,863	138,895
	(10,899)	1,068	8,255	(21,330)	(12,007)
	(901,328)	(51,908)	(534,394)	(435,776)	(1,022,078)
2018					
Non-derivative financial liabilities					
Trade and other payables*	(4,178)	(4,178)	-	-	(4,178)
Borrowings (gross) (Note 16)	(837,317)	(408,781)	(308,536)	(120,000)	(837,317)
Interest payable on borrowings	(3,840)	(19,184)	(45,665)	(5,559)	(70,408)
Rental deposits	(23,689)	-	-	(35,175)	(35,175)
	(869,024)	(432,143)	(354,201)	(160,734)	(947,078)
Derivative financial instruments					
Cross-currency swaps (gross-settled)	(4,474)				
- outflow		(3,885)	(213,124)	(142,185)	(359,194)
- inflow		6,699	220,738	125,569	353,006
	(4,474)	2,814	7,614	(16,616)	(6,188)
	(873,498)	(429,329)	(346,587)	(177,350)	(953,266)

* excluding VAT/GST payable, interest payable and advanced deposits (as the case may be)

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25. FINANCIAL RISK MANAGEMENT (CONT'D)**(c) Liquidity risk (cont'd)**

	Carrying amount \$'000	Within one year \$'000	Between one and five years \$'000	More than five years \$'000	Total \$'000
FH-BT Group					
2019					
Non-derivative financial liabilities					
Trade and other payables*	(5,460)	(5,166)	(30)	(264)	(5,460)
2018					
Non-derivative financial liabilities					
Trade and other payables*	(4,728)	(4,507)	(56)	(165)	(4,728)

* excluding VAT/GST payable, interest payable and advanced deposits (as the case may be)

The maturity analyses above show the contractual undiscounted cash flows of the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity. Derivative financial instruments held are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

(d) Derivative financial assets and liabilities designated as cash flow hedges

The table below indicates the periods in which the cash flows associated with the cash flow hedges are expected to occur and the fair value of the related hedging instruments.

	Carrying amount \$'000	Within one year \$'000	Between one and five years \$'000	More than five years \$'000	Expected cash flows \$'000
FHT and FH-REIT Group					
2019					
Interest rate swaps					
Liabilities	(2,870)	(249)	(2,493)	(237)	(2,979)
2018					
Interest rate swaps					
Assets	272	275	-	-	275

Notes to the Financial Statements

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26. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Stapled Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable from the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs from the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between levels during the financial years ended 30 September 2019 and 30 September 2018.

(b) Classifications and fair values

The following tables show the carrying amounts and fair values of assets and liabilities, including their levels of hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value when the carrying amount is a reasonable approximation of fair value.

	Fair value			Carrying amount
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Total \$'000
FHT				
2019				
Assets and Liabilities measured at fair value:				
Financial assets				
Currency forward contracts	208	–	208	208
Cross-currency swaps	18,572	–	18,572	18,572
	<u>18,780</u>	<u>–</u>	<u>18,780</u>	<u>18,780</u>
Non-financial assets				
Investment properties	–	2,106,964	2,106,964	2,106,964
Property, plant and equipment*	–	219,852	219,852	219,852
	<u>–</u>	<u>2,326,816</u>	<u>2,326,816</u>	<u>2,326,816</u>
Financial liabilities				
Currency forward contracts	(6)	–	(6)	(6)
Interest rate swaps	(2,870)	–	(2,870)	(2,870)
Cross-currency swaps	(8,023)	–	(8,023)	(8,023)
	<u>(10,899)</u>	<u>–</u>	<u>(10,899)</u>	<u>(10,899)</u>
Liabilities not carried at fair value but for which fair value are disclosed:				
Financial liabilities				
Borrowings (non-current)	(272,796)	–	(272,796)	(270,486)
Rental deposits (non-current)	–	(20,122)	(20,122)	(22,272)
	<u>(272,796)</u>	<u>(20,122)</u>	<u>(292,918)</u>	<u>(292,758)</u>

* relates to freehold land and building

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26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Classifications and fair values (cont'd)

	Fair value			Carrying amount
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Total \$'000
FHT				
2018				
Assets and Liabilities measured at fair value:				
Financial assets				
Currency forward contracts	190	-	190	190
Interest rate swaps	272	-	272	272
Cross-currency swaps	4,895	-	4,895	4,895
	<u>5,357</u>	<u>-</u>	<u>5,357</u>	<u>5,357</u>
Non-financial assets				
Investment properties	-	2,151,867	2,151,867	2,151,867
Property, plant and equipment*	-	244,834	244,834	244,834
	<u>-</u>	<u>2,396,701</u>	<u>2,396,701</u>	<u>2,396,701</u>
Financial liabilities				
Cross-currency swaps	(4,474)	-	(4,474)	(4,474)
	<u>(4,474)</u>	<u>-</u>	<u>(4,474)</u>	<u>(4,474)</u>
Liabilities not carried at fair value but for which fair value are disclosed:				
Financial liabilities				
Borrowings (non-current)	(236,251)	-	(236,251)	(239,223)
Rental deposits (non-current)	-	(20,394)	(20,394)	(21,893)
	<u>(236,251)</u>	<u>(20,394)</u>	<u>(256,645)</u>	<u>(261,116)</u>

* relates to freehold land and building

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Classifications and fair values (cont'd)

	Fair value			Carrying amount
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Total \$'000
FH-REIT Group				
2019				
Assets and Liabilities measured at fair value:				
Financial assets				
Currency forward contracts	208	-	208	208
Cross-currency swaps	18,572	-	18,572	18,572
	<u>18,780</u>	<u>-</u>	<u>18,780</u>	<u>18,780</u>
Non-financial assets				
Investment properties	-	2,328,354	2,328,354	2,328,354
	<u>-</u>	<u>2,328,354</u>	<u>2,328,354</u>	<u>2,328,354</u>
Financial liabilities				
Currency forward contracts	(6)	-	(6)	(6)
Interest rate swaps	(2,870)	-	(2,870)	(2,870)
Cross-currency swaps	(8,023)	-	(8,023)	(8,023)
	<u>(10,899)</u>	<u>-</u>	<u>(10,899)</u>	<u>(10,899)</u>
Liabilities not carried at fair value but for which fair value are disclosed:				
Financial liabilities				
Borrowings (non-current)	(272,796)	-	(272,796)	(270,486)
Rental deposits (non-current)	-	(22,317)	(22,317)	(24,037)
	<u>(272,796)</u>	<u>(22,317)</u>	<u>(295,113)</u>	<u>(294,523)</u>
2018				
Assets and Liabilities measured at fair value:				
Financial assets				
Currency forward contracts	190	-	190	190
Interest rate swaps	272	-	272	272
Cross-currency swaps	4,895	-	4,895	4,895
	<u>5,357</u>	<u>-</u>	<u>5,357</u>	<u>5,357</u>
Non-financial assets				
Investment properties	-	2,397,657	2,397,657	2,397,657
	<u>-</u>	<u>2,397,657</u>	<u>2,397,657</u>	<u>2,397,657</u>
Financial liabilities				
Cross-currency swaps	(4,474)	-	(4,474)	(4,474)
	<u>(4,474)</u>	<u>-</u>	<u>(4,474)</u>	<u>(4,474)</u>
Liabilities not carried at fair value but for which fair value are disclosed:				
Financial liabilities				
Borrowings (non-current)	(236,251)	-	(236,251)	(239,223)
Rental deposits (non-current)	-	(22,637)	(22,637)	(23,689)
	<u>(236,251)</u>	<u>(22,637)</u>	<u>(258,888)</u>	<u>(262,912)</u>

* relates to freehold land and building

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Classifications and fair values (cont'd)

	Fair value			Carrying amount
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Total \$'000
FH-BT Group				
2019				
Assets not carried at fair value but for which fair value are disclosed:				
Financial assets				
Rental deposits (non-current)	-	2,195	2,195	1,765
2018				
Assets not carried at fair value but for which fair value are disclosed:				
Financial assets				
Rental deposits (non-current)	-	2,243	2,243	1,796

(c) Level 2 fair value measurements

Currency forward contracts, interest rate swaps and cross-currency swaps are valued using market comparison technique where the fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs

The following table presents the valuation techniques and key inputs that were used to determine the fair value of the properties categorised under Level 3 of the fair value hierarchy.

Countries	Valuation techniques	Unobservable input	2019 Range	2018 Range
Asia	Discounted cash flow method	Discount rate	4.30% – 8.00%	4.70% – 8.00%
		Terminal capitalisation rate	4.00% – 6.00%	3.50% – 6.50%
Australia	Discounted cash flow method	Discount rate	7.50% – 8.50%	8.75% – 9.00%
		Terminal capitalisation rate	5.75% – 6.50%	6.25% – 6.50%
	Capitalisation method	Capitalisation rate	5.50% – 6.25%	-
Europe	Discounted cash flow method	Discount rate	7.00% – 9.50%	7.25% – 9.25%
		Terminal capitalisation rate	5.00% – 7.50%	5.25% – 7.25%

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) *Level 3 fair value measurements (cont'd)*

(i) **Information about significant unobservable inputs (cont'd)**

Interrelationship between key unobservable inputs and fair value measurement

The estimated fair values vary inversely against the discount rate, terminal capitalisation rate and capitalisation rate.

(ii) **Movement in Level 3 assets measured at fair value**

The movements of Level 3 assets, which comprise investment properties and property, plant and equipment, have been disclosed in Note 10 and Note 11 respectively.

(iii) **Valuation policies and procedures**

The significant non-financial assets of the Stapled Group categorised within Level 3 of the fair value hierarchy are investment properties (Note 10) and property, plant and equipment (Note 11). Generally, the fair values of the properties are determined annually by independent professional valuers.

The independent professional valuers are experts who possess the relevant credentials and knowledge on the subject of property valuation and valuation methodologies to perform the valuation. For valuations performed by the independent professional valuers, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Stapled Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, the independent professional valuers are required to recalibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Stapled Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

In accordance with the Stapled Group's reporting policies, the valuation process and the results of the independent valuations are reviewed at least once a year by the Audit, Risk and Compliance Committee before the results are presented to the Board of Directors for approval.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(e) *Other financial assets and liabilities not measured at fair value*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values due to their short term nature.

The carrying amount of variable rate interest-bearing borrowings approximate their fair values as they are floating rate instruments that are re-priced to market interest rate on or near the reporting date.

The fair value of financial liabilities (including non-current rental deposits and non-current fixed rate interest-bearing borrowings) are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date or based on their quoted ask price at the reporting date, where appropriate.

27. CAPITAL MANAGEMENT

The primary objective of the Stapled Group's capital management is to ensure that it maintains an optimal capital structure to support the business and maximise Stapled Securityholders' value.

The Stapled Group is in compliance with all externally imposed capital requirements for the financial years ended 30 September 2019 and 30 September 2018. There are no substantial changes in the Stapled Group's approach to capital management during the year.

The FH-REIT Group is subject to the aggregate leverage limit as defined in the Property Fund Guidelines of the CIS Code. The CIS Code stipulates that borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the deposited property.

As at 30 September 2019, the FH-REIT Group's Aggregate Leverage stood at 35.18% (2018: 33.67%) of its deposited property, which is in compliance with the aggregate leverage limit.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

28. OPERATING SEGMENTS

Segment information is presented in respect of the Stapled Group's operating segments from two dimensions: (a) geographical; and (b) line of business.

The operations of each of the Stapled Group's geographical segments are separately managed because of the different economic environments in which they operate in. This forms the basis of identifying the geographical segments of the Stapled Group. There are six (2018: six) reportable geographical segments, as described below:

- Singapore – two investment properties are leased and one operated as a hotel, the other as a serviced residence
- Australia – three Sydney investment properties are leased, two operated as hotels, and one as a serviced residence
 - Novotel Melbourne on Collins is operated under a management contract
- Malaysia – one investment property is leased and operated as a hotel
- Japan – one investment property is leased and operated as a hotel
- United Kingdom – six investment properties are leased, four operated as serviced residences and the other two as hotels
- Germany – one investment property is leased and operated as a hotel

The operations of the Stapled Group under master leases and hotel under management contract have different risks and returns. This forms the basis of identifying the business segments of the Stapled Group. There are two (2018: two) reportable business segments, as described below:

- Master leases – the properties are leased to tenants/master lessees in the hospitality industry to operate as hotels or serviced residences for which the Stapled Group earns master lease rental income
- Hotel under management contract – the property is managed by a hotel operator who is paid a management fee to run the hotel operations for the Stapled Group

For the purpose of monitoring segment performance, CODMs monitor the non-financial assets as well as financial assets attributable to each segment.

Information regarding the Stapled Group's reportable segments is presented in the following tables.

Major Customers

Revenue from related companies of the Managers accounted for approximately SGD 107.6 million (2018: SGD 112.4 million) of the revenue of the FH-REIT Group. Such revenue is attributable to all geographical segments of the FH-REIT Group except for Germany.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

28. OPERATING SEGMENTS (CONT'D)

(a) By geographical segments

	Singapore \$'000	Australia \$'000	Malaysia \$'000	Japan \$'000	UK \$'000	Germany \$'000	Total \$'000
FHT							
1 October 2018 to 30 September 2019							
Revenue	32,195	63,764	6,190	16,717	23,907	7,032	149,805
Property operating expenses	(4,918)	(24,021)	(580)	(2,880)	(5,579)	(161)	(38,139)
Segment net property income	27,277	39,743	5,610	13,837	18,328	6,871	111,666
Depreciation	-	(3,815)	-	-	-	-	(3,815)
Net change in fair value of investment properties	1,591	(30,507)	(1,010)	7,334	1,578	5,440	(15,574)
Other income	-	-	-	11	-	-	11
Total reportable segment return							92,288
Unallocated items:							
- Finance income							332
- Trust expenses							(16,869)
- Finance costs							(20,503)
- Foreign exchange loss, net							(265)
- Net change in fair value of derivative financial instruments							(114)
- Realised gain on derivative financial instruments, net							842
Total return for the year, before tax							55,711
Taxation							(3,954)
Total return for the year							51,757
Reportable segmental non- current assets	855,572	709,932	138,180	214,973	326,432	104,553	2,349,642
Reportable segmental current assets	8,623	22,995	6,638	40,536	12,406	5,633	96,831
Total assets for reportable segments	864,195	732,927	144,818	255,509	338,838	110,186	2,446,473
Capital expenditure	3,409	3,104	1,010	1,400	3,476	97	12,496

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

28. OPERATING SEGMENTS (CONT'D)

(a) By geographical segments (cont'd)

	Singapore \$'000	Australia \$'000	Malaysia \$'000	Japan \$'000	UK \$'000	Germany \$'000	Total \$'000
FHT							
1 October 2017 to							
30 September 2018							
Revenue	31,202	69,046	7,185	17,761	23,742	6,941	155,877
Property operating expenses	(5,034)	(24,730)	(641)	(2,800)	(5,469)	(163)	(38,837)
Segment net property income	26,168	44,316	6,544	14,961	18,273	6,778	117,040
Depreciation	-	(4,290)	-	-	-	-	(4,290)
Net change in fair value of investment properties	(8,701)	(7,200)	(4,529)	156	11,703	7,185	(1,386)
Other income	-	46	-	-	-	-	46
Total reportable segment return							111,410
Unallocated items:							
- Finance income							473
- Trust expenses							(18,080)
- Finance costs							(20,597)
- Foreign exchange loss, net							(989)
- Net change in fair value of derivative financial instruments							473
- Realised loss on derivative financial instruments, net							(304)
Total return for the year, before tax							72,386
Taxation							(5,866)
Total return for the year							66,520
Reportable segmental non-current assets	836,895	794,160	138,684	194,665	337,124	104,226	2,405,754
Reportable segmental current assets	9,800	20,931	4,729	32,378	16,241	4,857	88,936
Total assets for reportable segments	846,695	815,091	143,413	227,043	353,365	109,083	2,494,690
Capital expenditure	701	18,831	1,198	4,750	1,656	9	27,145

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

28. OPERATING SEGMENTS (CONT'D)**(b) Reconciliation of reportable total return**

	FHT	
	2019 \$'000	2018 \$'000
Total return		
Total reportable segment return	92,288	111,410
Unallocated items	(40,531)	(44,890)
Consolidated total return	<u>51,757</u>	<u>66,520</u>

(c) By business segments

	Master leases \$'000	Hotel under management contract \$'000	Consolidation adjustments \$'000	Total \$'000
FHT				
1 October 2018 to 30 September 2019				
Revenue	130,348	34,585	(15,128)	149,805
Property operating expenses	(20,008)	(34,260)	16,129	(38,139)
Segment net property income	110,340	325	1,001	111,666
Depreciation	-	(524)	(3,291)	(3,815)
Net change in fair value of investment properties	(26,435)	-	10,861	(15,574)
Other income	11	-	-	11
Finance income	299	109	(76)	332
Trust expenses	(16,757)	(112)	-	(16,869)
Finance costs	(20,579)	-	76	(20,503)
Foreign exchange loss, net	(239)	(26)	-	(265)
Net change in fair value of derivative financial instruments	(114)	-	-	(114)
Realised gain on derivative financial instruments, net	842	-	-	842
Total return for the year, before tax				55,711
Taxation				(3,954)
Total return for the year				51,757
Reportable segmental non-current assets	2,346,926	6,264	(3,548)	2,349,642
Reportable segmental current assets	92,100	6,729	(1,998)	96,831
Total assets for reportable segments	2,439,026	12,993	(5,546)	2,446,473
Capital expenditure	11,280	1,216	-	12,496

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

28. OPERATING SEGMENTS (CONT'D)

(c) By business segments (cont'd)

	Master leases \$'000	Hotel under management contract \$'000	Consolidation adjustments \$'000	Total \$'000
FHT				
1 October 2017 to 30 September 2018				
Revenue	135,583	35,933	(15,639)	155,877
Property operating expenses	(19,855)	(35,686)	16,704	(38,837)
Segment net property income	115,728	247	1,065	117,040
Depreciation	-	(981)	(3,309)	(4,290)
Net change in fair value of investment properties	(186)	-	(1,200)	(1,386)
Other income	46	-	-	46
Finance income	441	109	(77)	473
Trust expenses	(17,966)	(114)	-	(18,080)
Finance costs	(20,674)	-	77	(20,597)
Foreign exchange loss, net	(969)	(20)	-	(989)
Net change in fair value of derivative financial instruments	473	-	-	473
Realised loss on derivative financial instruments, net	(304)	-	-	(304)
Total return for the year, before tax				72,386
Taxation				(5,866)
Total return for the year				66,520
Reportable segmental non-current assets	2,402,552	7,001	(3,799)	2,405,754
Reportable segmental current assets	84,514	5,959	(1,537)	88,936
Total assets for reportable segments	2,487,066	12,960	(5,336)	2,494,690
Capital expenditure	26,399	746	-	27,145

29. FINANCIAL RATIOS

	FHT		FH-REIT Group	
	2019 %	2018 %	2019 %	2018 %
Expense to weighted average net assets ⁽¹⁾				
- with performance fee of the Managers	1.04	1.03	1.03	1.02
- without performance fee of the Managers	0.73	0.72	0.73	0.71
Total operating expenses to net asset value ⁽²⁾	3.89	3.82	2.41	2.32
Portfolio turnover ratio ⁽³⁾	-	-	-	-

⁽¹⁾ The expense ratios are computed in accordance with the guidelines of the Investment Manager Association of Singapore. The expenses used in the computation relate to the expenses of the Stapled Group and the FH-REIT Group, excluding property expenses, interest expense and tax expense of each entity, where applicable.

⁽²⁾ The expense ratios are computed based on total operating expense of SGD 57,716,000 and SGD 35,659,000 (2018: SGD 59,291,000 and SGD 35,905,000) of the Stapled Group and the FH-REIT Group respectively, as a percentage of its respective net asset value as at the end of September (including all fees and charges paid/payable to the Managers and the interested parties).

⁽³⁾ The portfolio turnover ratios are computed based on the lesser of purchases or sales of underlying properties of the Stapled Group and the FH-REIT Group expressed as a percentage of daily average net asset value.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

30. NET ASSET VALUE PER STAPLED SECURITY

	FHT		FH-REIT Group		FH-BT Group	
	2019	2018	2019	2018	2019	2018
Net asset value per Stapled Security is computed based on:						
Net assets (\$'000)	1,383,454	1,452,251	1,377,200	1,445,440	5,279	5,939
Total issued Stapled Securities at 30 September ('000) (Note 18)	1,894,217	1,869,165	1,894,217	1,869,165	1,894,217	1,869,165

31. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council ("ASC") issued SFRS(I). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies and business trusts listed on the SGX-ST will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2.1, these are the first financial statements of FH-BT Group prepared in accordance with SFRS(I).

The FH-REIT Group and the Stapled Group continue to prepare their financial statements under RAP 7. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of FRS.

In addition to the adoption of SFRS(I) framework by the FH-BT Group as described above, a number of new FRSs or SFRS(I)s, amendments to and interpretations of FRS or SFRS(I) are mandatorily effective from the same date. Those of which are relevant to the Stapled Group, the FH-REIT Group and the FH-BT Group (collectively, "the Entities") are set out below:

- FRS 115/SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to FRS 115/ SFRS(I) 15 *Clarifications to FRS 115/SFRS(I) 15*
- FRS 109/SFRS(I) 9 *Financial Instruments*
- Requirements in FRS 40/SFRS(I) 1-40 *Investment Property* arising from the amendments to FRS 40 – *Transfers of investment property*
- INT FRS 22/SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

The application of the above standards do not have a material effect on the financial statements, except FRS 109/SFRS(I) 9.

Details of SFRS(I) 1 framework and the new accounting standards relevant to the Entities are set out below.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

31. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

The accounting policies set out in Note 2 have been applied in preparing the financial statements of FH-BT Group for the year ended 30 September 2019, the comparative information presented in these financial statements for the year ended 30 September 2018 and in the preparation of the opening SFRS(I) Statement of Financial Position at 1 October 2017 (the FH-BT Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) Statement of Financial Position, the FH-BT Group has applied the mandatory exceptions and the optional exemptions in SFRS(I) 1 which did not have any significant impact on the financial statements of FH-BT Group.

FRS 109/SFRS(I) 9 *Financial Instruments*

FRS 109/SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new ECL model and a new general hedge accounting model.

As a result of the adoption of FRS 109/SFRS(I) 9, the Entities have adopted consequential amendments to FRS 107/SFRS(I) 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

Changes in accounting policies resulting from the adoption of FRS 109/SFRS(I) 9 have been applied by the Entities retrospectively, except as described below.

- The Entities have used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2018 does not generally reflect the requirements of FRS 109/SFRS(I) 9, but rather those of FRS 39.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.
- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under FRS 39 at 30 September 2018 met the criteria for hedge accounting under FRS 109/SFRS(I) 9 at 1 October 2018 and are therefore regarded as continuing hedging relationships.

The impact upon the adoption of FRS 109/SFRS(I) 9 are described below.

(i) Classification and measurement of financial assets and financial liabilities

FRS 109/SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under FRS 109/SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109/SFRS(I) 9 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available for sale.

FRS 109/SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

31. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONT'D)

(i) Classification and measurement of financial assets and financial liabilities (cont'd)

The adoption of FRS 109/SFRS(I) 9 has not had a significant effect on the Entities's accounting policies related to financial liabilities.

For an explanation of how the Entities classify and measure financial instruments and account for related gains and losses under FRS 109/SFRS(I) 9, see Note 2.6.

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under FRS 39 have been classified at amortised cost under FRS 109/SFRS(I) 9 as at 1 October 2018.

There is no significant change to the measurement basis arising from the measurement model under FRS 109/SFRS(I) 9.

(ii) Impairment of financial assets

FRS 109/SFRS (I) 9 replaces the 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost.

Under FRS 109/SFRS(I) 9, credit losses are recognised earlier than under FRS 39. There is no significant impact to the Entities's allowance for impairment on its financial assets as a result of adopting FRS 109/SFRS(I) 9.

32. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new FRS or SFRS(I)s, amendments to and interpretations of FRS or SFRS(I) are not yet effective and have not been applied in preparing these financial statements. The new standard relevant to the Entities is set out below.

Applicable to FY2020 financial statements

- FRS 116/SFRS(I) 16 *Leases*
- IFRIC 23/SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Applicable to FY2022 financial statements

- FRS 117/SFRS(I) 17 *Insurance Contracts*

The Entities are still in the process of assessing the impact of the new FRSs/SFRS(I)s, amendments to and interpretations of FRSs/SFRS(I)s on the financial statements. The Entities' preliminary assessment of FRS 116/SFRS(I) 16, which is expected to have a more significant impact on their financial statements, is as described below.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

32. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

FRS 116/SFRS(I) 16 Leases

FRS 116/SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116/SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Entities plan to apply FRS 116/SFRS(I) 16 initially on 1 October 2019, using the modified retrospective approach. Therefore, the cumulative effect of adoption FRS 116/SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated profits at 1 October 2019, with no restatement of comparative information. The Entities plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116/SFRS(I) 16 to all contracts entered into before 1 October 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

(i) *The Entities as lessee*

The Entities expect to measure lease liabilities by applying a single discount rate to their portfolio of property leases with reasonably similar characteristics. Furthermore, the Entities are likely to apply the following practical expedient to account for ROU assets and lease liabilities at 1 October 2019, on a lease-by-lease basis:

- ROU assets shall be recognised at its carrying amount as if FRS 116/SFRS(I) 16 had been applied since the commencement date but discounted using the discount rate determined at the date of initial application; and lease liabilities shall be recognised at the present value of the remaining lease payments, discounted using the discount rate determined at the date of initial application ("Lease Liabilities"); or
- ROU assets equal to their Lease Liabilities.

For lease contracts that contain the option to renew, the Entities are expected to use hindsight in determining the lease term.

The Entities expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under the principles of FRS 116/SFRS(I) 16.

The Stapled Group, FH-REIT Group and FH-BT Group's operating lease commitments amounted to approximately SGD 19.5 million, SGD 19.5 million and SGD 93.3 million, respectively, as at 30 September 2019. Under FRS 116/SFRS(I) 16, remaining lease payments under the operating leases will be recognised at their present value discounted using an appropriate discount rate. In addition, the nature of expenses will now change as FRS 116/SFRS(I) 16 replaces straight-line operating lease expense with depreciation charge of ROU assets (where relevant) and interest expense on lease liabilities. The Entities are currently finalising the transition adjustments.

(ii) *The Entities as lessor*

FRS 116/SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Entities continue to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

33. SUBSEQUENT EVENTS

- On 30 October 2019, the REIT Manager and Trustee-Manager declared a distribution of 2.1741 cents per Stapled Security to Stapled Securityholders in respect of the period from 1 April 2019 to 30 September 2019.
- On 4 November 2019, the following Stapled Securities were issued:

In payment of	Period of fees accrual	VWAP ⁽¹⁾ for the relevant period	Number of Stapled Securities issued
REIT Manager base fee	1 April 2019 to 30 June 2019	70.47 cents	1,663,592
MIT Manager base fee	1 April 2019 to 30 June 2019	70.47 cents	829,233
Property management fees	1 April 2019 to 30 June 2019	70.47 cents	1,920,668
Trustee-Manager base fee	1 April 2019 to 30 June 2019	70.47 cents	12,763
REIT Manager base fee	1 July 2019 to 30 September 2019	71.37 cents	1,672,668
MIT Manager base fee	1 July 2019 to 30 September 2019	71.37 cents	786,881
Property management fees	1 July 2019 to 30 September 2019	71.37 cents	2,074,340
Trustee-Manager base fee	1 July 2019 to 30 September 2019	71.37 cents	13,371
REIT Manager performance fee	1 October 2018 to 30 September 2019	71.37 cents	3,711,241
MIT Manager performance fee	1 October 2018 to 30 September 2019	71.37 cents	2,742,616
Trustee-Manager performance fee	1 October 2018 to 30 September 2019	71.37 cents	13,784
		Total	15,441,157

⁽¹⁾ Volume weighted average price for all trades of FHT Stapled Securities on Singapore Exchange Securities Trading Limited in the ordinary course of trading for the last 10 business days of the relevant period in which the respective fees accrue.

Financial Statement of **Trustee-Manager**

Frasers Hospitality Trust Management Pte. Ltd.

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Directors' Statement

The directors have pleasure in presenting their statement to the member together with the audited financial statements of Frasers Hospitality Trust Management Pte. Ltd. (the "Company") for the financial year ended 30 September 2019.

In our opinion:

- (i) the financial statements set out on pages 249 to 267 are drawn up so as to give a true and fair view of the financial position of the Company as at 30 September 2019 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of the statement, authorised these financial statements for issue.

DIRECTORS

The directors of the Company in office at the date of this statement are:-

Mr Law Song Keng
 Mr Chua Phuay Hee
 Mr Liew Choon Wei
 Dr David Wong See Hong
 Mr Panote Sirivadhanabhakdi
 Mr Koh Teck Chuan (Appointed on 21 May 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of, nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, save as disclosed in this statement.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register required to be kept under Section 164 of the Companies Act (Chapter 50), no director who held office at the end of the financial year had interests in the shares in, debentures, warrants or share options of the Company, or its related corporations, either at the beginning of the financial year, at the date of appointment if later, or at the end of the financial year.

SHARE OPTIONS

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Directors' Statement

AUDIT COMMITTEE

The Company had established an Audit, Risk and Compliance Committee ("ARC Committee") on 17 October 2016.

The composition of the ARC Committee comprise the following independent directors from the Board of Directors of the Company:

- (i) Dr David Wong See Hong (Chairman) (Appointed on 1 April 2019)
- (ii) Mr Law Song Keng (Member); and
- (iii) Mr Liew Choon Wei (Member).

AUDITOR

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Panote Sirivadhanabhakdi
Director

Koh Teck Chuan
Director

Singapore
22 November 2019

Independent Auditors' Report

TO THE MEMBER OF FRASERS HOSPITALITY TRUST MANAGEMENT PTE. LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Frasers Hospitality Trust Management Pte. Ltd. ('the Company'), which comprise the statement of financial position as at 30 September 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 249 to 267.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the financial position of the Company as at 30 September 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Independent Auditors' Report

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

22 November 2019

Statement of Comprehensive Income

YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 \$'000	2018 \$'000
REVENUE	4	48	52
COSTS AND EXPENSES	5		
Administrative costs		(4)	(14)
Other operating costs		(2)	(2)
		(6)	(16)
PROFIT BEFORE TAXATION		42	36
Taxation	6	(2)	(1)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAXATION		40	35

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position

AS AT 30 SEPTEMBER 2019

	Note	2019 \$'000	2018 \$'000	1 October 2017 \$'000
NON-CURRENT ASSETS				
Investment in a subsidiary	7	3	3	3
Intangible asset	8	14	16	-
		17	19	3
CURRENT ASSETS				
Other receivables	9	28	29	58
Cash at bank		124	97	34
		152	126	92
TOTAL ASSETS		169	145	95
CURRENT LIABILITIES				
Other payables	10	6	23	4
Income tax payable		3	2	6
		9	25	10
NET CURRENT ASSETS		143	101	82
NET ASSETS		160	120	85
Financed by: -				
Share capital	11	10	10	10
Retained earnings		150	110	75
TOTAL EQUITY		160	120	85

The accompanying notes form an integral part of the financial statements.

Statement of Changes In Equity

YEAR ENDED 30 SEPTEMBER 2019

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
2018			
At 1 October 2017	10	75	85
Profit for the year	–	35	35
Total comprehensive income for the year	–	35	35
At 30 September 2018	10	110	120
2019			
At 1 October 2018	10	110	120
Profit for the year	–	40	40
Total comprehensive income for the year	–	40	40
At 30 September 2019	10	150	160

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows

YEAR ENDED 30 SEPTEMBER 2019

	2019 \$'000	2018 \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	42	36
Adjustment for:		
Amortisation of intangible asset	2	2
Operating cash flow before working capital changes	44	38
Changes in working capital:		
Other receivables	1	29
Other payables	(17)	1
Cash generated from operations	28	68
Income tax paid	(1)	(5)
Net cash generated from operating activities	27	63
Net increase in cash at bank	27	63
Cash at bank at beginning of the year	97	34
Cash at bank at end of the year	124	97

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

YEAR ENDED 30 SEPTEMBER 2019

The following notes form an integral part of the financial statements.

The financial statements for the financial year ended 30 September 2019 were authorised for issue in accordance with a resolution of the directors on 22 November 2019.

1. CORPORATE INFORMATION

Frasers Hospitality Trust Management Pte. Ltd. (the "Company") is a limited liability company. It is a wholly-owned subsidiary of Frasers Property Limited ("Frasers Property"). The two companies are domiciled and incorporated in Singapore. TCC Assets Limited, incorporated in the British Virgin Islands, is the ultimate holding company.

The registered office is located at 438 Alexandra Road, #21-00 Alexandra Point, Singapore 119958 and principal place of business of the Company is located at 438 Alexandra Road, #17-01 Alexandra Point, Singapore 119958.

The principal activities of the Company are those relating to investment advisory, property fund management and to act as Trustee-Manager for Frasers Hospitality Business Trust, a business trust which is part of Frasers Hospitality Trust ("FHT"), a stapled group comprising Frasers Hospitality Real Estate Investment Trust and its subsidiaries, and Frasers Hospitality Business Trust and its subsidiaries. FHT is listed on Singapore Exchange Securities Trading Limited ("SGX-ST").

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). These are the Company's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore ("FRS"). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* have affected the reported financial position, financial performance and cash flows is provided in Note 2.5.

2.2 Basis of measurement

The financial statements are prepared on a historical cost basis except as disclosed in the accounting policies below.

2.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "functional currency").

The financial statements of the Company are presented in Singapore Dollars ("S\$"), the functional currency of the Company. All financial information presented in Singapore Dollars has been rounded to the nearest thousand, unless otherwise stated.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.5 Changes in accounting policies

As stated in Note 2.1, these are the first financial statements of the Company prepared in accordance with SFRS(I). The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 30 September 2019, the comparative information presented in these financial statements for the year ended 30 September 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 October 2017 (the Company's date of transition), subject to mandatory exceptions and optional exemptions under SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements of Company.

In addition to the adoption of new framework, the Company also concurrently applied the following SFRS(I)s, interpretations and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes the amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first time adopters* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9.

SFRS(I) 9 *Financial instruments*

SFRS(I) 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss ("ECL") model and a new general hedge accounting model.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been applied by the Company retrospectively, except as described below.

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2018 does not generally reflect the requirements of SFRS(I) 9, but rather those of IFRS 39 *Financial Instruments: Recognition and Measurement*.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. BASIS OF PREPARATION (CONT'D)

2.5 *Changes in accounting policies (cont'd)*

The impact upon adoption of SFRS(I) 9 is described below.

Classification and measurement of financial assets and financial liabilities

SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available for sale.

SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities. The adoption of SFRS(I) 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under SFRS(I) 9, see Note 3.4 and Note 3.5.

Other receivables and cash at bank that were classified as loans and receivables under FRS 39 have been classified at amortised cost under SFRS(I) 9 as at 1 October 2018.

There is no significant change to the measurement basis arising from the measurement model under SFRS(I) 9.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss.

3.2 *Subsidiary*

A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in a subsidiary is stated in the Company's statement of financial position at cost less accumulated impairment losses.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Software

Software are initially capitalised at cost, which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use.

Subsequent to initial recognition, software are amortised to profit or loss on a straight line basis over their estimated useful lives of 3 to 10 years.

3.4 *Non-derivative financial assets*

Initial recognition and measurement

Financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Policy applicable from 1 October 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 *Non-derivative financial assets (Cont'd)*

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at amortised cost comprise of other receivables and cash at bank.

Policy applicable before 1 October 2018

The Company classifies non-derivative financial assets as loans and receivables.

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets were recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised of other receivables and cash at bank.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 *Non-derivative financial assets* (Cont'd)

Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in the profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.5 *Non-derivative financial liabilities*

Initial recognition and measurement

The Company classifies non-derivative financial liabilities as other financial liabilities. Other financial liabilities comprise of other payables.

All other financial liabilities are recognised initially on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument.

All other financial liabilities are initially measured at fair value plus directly attributable transaction costs.

Subsequent measurement

Subsequent to initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment

(a) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(b) Non-derivative financial assets

Policy applicable from 1 October 2018

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (Cont'd)

(b) Non-derivative financial assets (Cont'd)

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (Cont'd)

(b) Non-derivative financial assets (Cont'd)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 October 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 *Impairment (Cont'd)*

(b) **Non-derivative financial assets** *(Cont'd)*

Loans and receivables

The Company considered evidence of impairment for loans and receivables at specific asset level. All individually significant loans and receivables were assessed for impairment.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continued to be recognised. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

3.7 *Provisions*

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.8 *Share capital*

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.9 *Revenue*

Management fee

Management fee income is derived from the management of a business trust and it is recognised when the service is rendered.

Acquisition fee

Acquisition fee income relates to fees earned in relation to the acquisition or investment by the business trust managed by the Company. The fee is recognised when the service has been rendered.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Taxation

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements.

The following are the relevant new SFRS(I)s, amendments to and interpretations of SFRS(I)s effective for annual periods beginning on or after 1 January 2019.

Applicable to 2020 financial statements

- INT FRS 23 *Uncertainty over Income Tax Treatments*; and
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9).

The adoption of these new accounting standards, amendments to and interpretations to SFRS(I)s when they become effective are not expected to have any significant impact on the Company's financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. REVENUE

	2019 \$'000	2018 \$'000
Management fee	48	52

Revenue is derived from a related entity.

The Company generates fee income from providing property fund management services and it is recognised when services are provided. Payment is due on delivery of the services.

5. COSTS AND EXPENSES

	2019 \$'000	2018 \$'000
Included in costs and expenses:		
Administrative expenses		
– Professional fees	(4)	(4)
– Other administrative costs	– *	(10)
	(4)	(14)
Other operating costs		
– Amortisation of intangible asset	(2)	(2)
	(6)	(16)

* Denotes amount less than \$1,000

6. TAXATION

	2019 \$'000	2018 \$'000
Current tax expense		
– Current year income tax	3	2
– Overprovision in prior year	(1)	(1)
	2	1

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate is as follows:

	2019 \$'000	2018 \$'000
Profit before tax for the year	42	36
Tax at Singapore income tax rate of 17% (2018: 17%)	7	6
Adjustments:		
Non-deductible expenses	– *	1
Effect of partial tax exemption	(4)	(4)
Tax incentive	–	(1)
Overprovision in prior year	(1)	(1)
	2	1

* Denotes amount less than \$1,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

7. INVESTMENT IN A SUBSIDIARY

	2019 \$'000	2018 \$'000
Unquoted shares, at cost	3	3

Name of subsidiary	Country of incorporation	Principal activities	Effective equity held 2019 %	2018 %
Frasers Hospitality Japan Trust Management GK	Japan	Portfolio, asset and investment management	100	100

Consolidated financial statements have not been prepared as the Company is a wholly-owned subsidiary of Frasers Property, which prepares and publishes consolidated financial statements for public use. Frasers Property is a company incorporated in Singapore and its registered office is located at 438 Alexandra Road, #21-00 Alexandra Point, Singapore 119958.

8. INTANGIBLE ASSET

	Total \$'000
<u>Cost</u>	
At 1 October 2017	-
Additions	18
At 30 September 2018, 1 October 2018 and 30 September 2019	18
<u>Accumulated Amortisation</u>	
At 1 October 2017	-
Charge for the year	(2)
At 30 September 2018 and 1 October 2018	(2)
Charge for the year	(2)
At 30 September 2019	(4)
<u>Net Book Value</u>	
At 30 September 2018	16
At 30 September 2019	14

9. OTHER RECEIVABLES

	2019 \$'000	2018 \$'000
Accrued management fee	28	29

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

10. OTHER PAYABLES

	2019 \$'000	2018 \$'000
Accruals	4	4
Other creditor	2	-
Amount due to a related entity	-*	19
Total other payables	6	23

* Denotes amount less than \$1,000

Amount due to a related entity is non-trade nature, unsecured, interest-free, and repayable on demand.

11. SHARE CAPITAL

	2019 \$'000	2018 \$'000
Fully paid ordinary shares		
At beginning and end of the year	10	10

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. All shares rank equally with regard to the Company's residual assets.

12. SIGNIFICANT RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, there were no other significant related party transactions during the financial year.

Transactions with key management personnel

The directors of the Company are employees of either the immediate holding company or a related corporation and no consideration is paid to these companies for the services rendered by the directors.

13. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk.

The Company has risk management policies and guidelines governing all investments, which set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control hedging transactions in a timely and accurate manner. All investment opportunities are reviewed regularly by the Board of Directors to ensure that the Company's policies and guidelines are adhered to.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Company's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

As at 30 September 2019 and 30 September 2018, the Company's exposure to credit risk arises primarily from other receivables and cash at bank. There is no impairment loss arising from these balances as the ECL is insignificant. Except as disclosed, the Company does not have significant exposure to credit risk.

Cash is placed with banks and reputable financial institutions, which are regulated and with sound credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations due to a shortage of funds.

Consequently, the Company is dependent on the immediate holding company to provide funds to meet its obligations as and when they fall due.

The Company's financial liabilities at the reporting date as presented in the Company's statement of financial position represent the contractual undiscounted cash flow due within one year.

14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Estimation of fair value

Non-derivative financial assets and liabilities

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

15. CAPITAL MANAGEMENT

The Company defines capital as total shareholders' equity attributable to owners of the Company. The Company's capital management objective is to ensure that it maintains a healthy capital ratio. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital or issue new shares.

No changes were made in the objectives, policies or processes during the year.

The Company is not subject to externally imposed capital requirement.

Statistics of Stapled Securityholders

ISSUED AND FULLY PAID-UP STAPLED SECURITIES

As at 22 November 2019

1,909,658,067 Stapled Securities (voting rights: one vote per Stapled Security)

Market Capitalisation SGD1,346,308,937 (based on closing price of SGD0.705 per Stapled Security as at 22 November 2019).

20 LARGEST STAPLED SECURITYHOLDERS

As at 22 November 2019

No.	Name	No. of Stapled Securities	%
1	DB Nominees (Singapore) Pte Ltd	726,097,843	38.02
2	Frasers Property Hospitality Trust Holdings Pte Ltd	450,202,615	23.58
3	DBS Nominees (Private) Limited	192,630,174	10.09
4	Citibank Nominees Singapore Pte Ltd	107,618,746	5.64
5	Raffles Nominees (Pte) Limited	48,311,992	2.53
6	DBSN Services Pte. Ltd.	24,657,869	1.29
7	Frasers Hospitality Asset Management Pte Ltd	20,054,379	1.05
8	Meren Pte Ltd	14,504,800	0.76
9	Frasers Hospitality Pte Ltd	11,668,847	0.61
10	HSBC (Singapore) Nominees Pte Ltd	10,361,004	0.54
11	United Overseas Bank Nominees (Private) Limited	8,259,580	0.43
12	OCBC Securities Private Limited	8,250,826	0.43
13	BNP Paribas Nominees Singapore Pte. Ltd.	7,915,560	0.41
14	UOB Kay Hian Private Limited	7,819,143	0.41
15	RHB Securities Singapore Pte. Ltd.	5,934,359	0.31
16	Phillip Securities Pte Ltd	4,163,149	0.22
17	Jack Investment Pte Ltd	3,739,500	0.20
18	Maybank Kim Eng Securities Pte. Ltd.	3,385,313	0.18
19	Morgan Stanley Asia (Singapore) Securities Pte Ltd	3,093,345	0.16
20	Sunshine Ventures Pte Ltd	3,000,000	0.16
	Total	1,661,669,044	87.02

DISTRIBUTION OF STAPLED SECURITYHOLDINGS

As at 22 November 2019

Size of Holdings	No. of Stapled Securityholders	%	No. of Stapled Securities	%
1 - 99	55	0.44	2,379	0.00
100 - 1,000	1,325	10.58	1,226,283	0.07
1,001 - 10,000	6,329	50.56	32,838,153	1.72
10,001 - 1,000,000	4,777	38.16	189,102,599	9.90
1,000,001 and above	33	0.26	1,686,488,653	88.31
Total	12,519	100.00	1,909,658,067	100.00

Country	No. of Stapled Securityholders	%	No. of Stapled Securities	%
Singapore	12,242	97.79	1,902,138,346	99.61
Malaysia	198	1.58	5,256,729	0.27
Others	79	0.63	2,262,992	0.12
Total	12,519	100.00	1,909,658,067	100.00

Statistics of Stapled Securityholders

SUBSTANTIAL STAPLED SECURITYHOLDERS

As at 22 November 2019

Substantial Stapled Securityholders	Direct Interest		Deemed Interest		Total	
	Numbers of Stapled Securities	%	Numbers of Stapled Securities	%	Numbers of Stapled Securities Held	%
Frasers Property Hospitality Trust Holdings Pte. Ltd.	450,202,615	23.58	-	-	450,202,615	23.58
Frasers Property Limited ⁽¹⁾	-	-	481,925,841	25.24	481,925,841	25.24
Thai Beverage Public Company Limited ⁽²⁾	-	-	481,925,841	25.24	481,925,841	25.24
International Beverage Holdings Limited ⁽³⁾	-	-	481,925,841	25.24	481,925,841	25.24
InterBev Investment Limited ⁽⁴⁾	-	-	481,925,841	25.24	481,925,841	25.24
Siriwana Company Limited ⁽⁵⁾	-	-	481,925,841	25.24	481,925,841	25.24
Maxtop Management Corp. ⁽⁶⁾	-	-	481,925,841	25.24	481,925,841	25.24
Risen Mark Enterprise Ltd. ⁽⁷⁾	-	-	481,925,841	25.24	481,925,841	25.24
Golden Capital (Singapore) Limited ⁽⁸⁾	-	-	481,925,841	25.24	481,925,841	25.24
MM Group Limited ⁽⁹⁾	-	-	481,925,841	25.24	481,925,841	25.24
TCC Assets Limited ⁽¹⁰⁾	-	-	481,925,841	25.24	481,925,841	25.24
Charoen Sirivadhanabhakdi ⁽¹¹⁾	-	-	481,925,841	25.24	481,925,841	25.24
Khunying Wanna Sirivadhanabhakdi ⁽¹²⁾	-	-	481,925,841	25.24	481,925,841	25.24
TCC Group Investments Limited	707,310,200	37.04	-	-	707,310,200	37.04
Atinant Bijananda ⁽¹³⁾	-	-	707,310,200	37.04	707,310,200	37.04
Thapana Sirivadhanabhakdi ⁽¹³⁾	-	-	707,310,200	37.04	707,310,200	37.04
Wallapa Traisorat ⁽¹³⁾	-	-	707,310,200	37.04	707,310,200	37.04
Thapanee Techajareonvikul ⁽¹³⁾	-	-	707,310,200	37.04	707,310,200	37.04
Panote Sirivadhanabhakdi ⁽¹³⁾	-	-	707,310,200	37.04	707,310,200	37.04

Notes:

- ⁽¹⁾ Frasers Property Limited (“**Frasers Property**”) holds a 100% direct interest in each of Frasers Hospitality Asset Management Pte. Ltd. (“**FHAM**”), Frasers Hospitality Pte. Ltd. (“**FHPL**”) and Frasers Property Hospitality Trust Holdings Pte. Ltd. (“**FPHTH**”); and FHAM, FHPL and FPHTH hold Stapled Securities in FHT. Frasers Property therefore has a deemed interest in the Stapled Securities in FHT in which each of the FHAM, FHPL and FPHTH has an interest, by virtue of Section 4 of the Securities and Futures Act (Chapter 289 of Singapore) (“**SFA**”).
- ⁽²⁾ Thai Beverage Public Company Limited (“**ThaiBev**”) holds a 100% direct interest in International Beverage Holdings Limited (“**IBHL**”);
- IBHL holds a 100% direct interest in InterBev Investment Limited (“**IBIL**”);
 - IBIL holds a greater than 20% interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in each of the FHAM, FHPL and FPHTH; and
 - FHAM, FHPL and FPHTH hold Stapled Securities in FHT.
- ThaiBev therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- ⁽³⁾ IBHL holds a 100% direct interest in IBIL;
- IBIL holds a greater than 20% interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
 - FHAM, FHPL and FPHTH hold Stapled Securities in FHT.
- IBHL therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- ⁽⁴⁾ IBIL holds a greater than 20% interest in Frasers Property;
- Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
 - FHAM, FHPL and FPHTH hold Stapled Securities in FHT.
- IBIL therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- ⁽⁵⁾ Siriwana Company Limited (“**SCL**”) holds a greater than 20% interest in ThaiBev;
- ThaiBev holds a 100% direct interest in IBHL;
 - IBHL holds a 100% direct interest in IBIL;
 - IBIL holds a greater than 20% interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
 - FHAM, FHPL and FPHTH hold Stapled Securities in FHT.
- SCL therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- ⁽⁶⁾ Maxtop Management Corp. (“**MMC**”) together with Risen Mark Enterprise Ltd. (“**RM**”) and Golden Capital (Singapore) Limited (“**GC**”) collectively holds a greater than 20% interest in ThaiBev;
- ThaiBev holds a 100% direct interest in IBHL;
 - IBHL holds a 100% direct interest in IBIL;
 - IBIL holds a greater than 20% interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
 - FHAM, FHPL and FPHTH hold Stapled Securities in FHT.
- MMC therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.

Statistics of Stapled Securityholders

SUBSTANTIAL STAPLED SECURITYHOLDERS (CONT'D)

As at 22 November 2019

- (7) RM together with MMC and GC collectively holds a greater than 20% interest in ThaiBev;
- ThaiBev holds a 100% direct interest in IBHL;
 - IBHL holds a 100% direct interest in IBIL;
 - IBIL holds a greater than 20% interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPPTH; and
 - FHAM, FHPL and FPPTH hold Stapled Securities in FHT.
- RM therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- (8) GC together with MMC and RM collectively holds a greater than 20% interest in ThaiBev;
- ThaiBev holds a 100% direct interest in IBHL;
 - IBHL holds a 100% direct interest in IBIL;
 - IBIL holds a greater than 20% interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPPTH; and
 - FHAM, FHPL and FPPTH hold Stapled Securities in FHT.
- GC therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- (9) MM Group Limited ("MM") holds a 100% direct interest in each of MMC, RM and GC;
- MMC, RM and GC collectively holds a greater than 20% interest in ThaiBev;
 - ThaiBev holds a 100% direct interest in IBHL;
 - IBHL holds a 100% direct interest in IBIL;
 - IBIL holds a greater than 20% interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPPTH; and
 - FHAM, FHPL and FPPTH hold Stapled Securities in FHT.
- MM therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- (10) TCC Assets Limited ("TCCA") holds a majority interest in Frasers Property;
- Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPPTH; and
 - FHAM, FHPL and FPPTH hold Stapled Securities in FHT.
- TCCA therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- (11) Charoen Sirivadhanabhakdi and his spouse, Khunying Wanna Sirivadhanabhakdi, each owns 50% of the issued and paid-up share capital of TCCA;
- TCCA holds a majority interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in FHAM, FHPL and FPPTH; and
 - FHAM, FHPL and FPPTH hold Stapled Securities in FHT.
- Charoen Sirivadhanabhakdi therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- (12) Khunying Wanna Sirivadhanabhakdi and her spouse, Charoen Sirivadhanabhakdi, each owns 50% of the issued and paid-up share capital of TCCA;
- TCCA holds a majority interest in Frasers Property;
 - Frasers Property holds a 100% direct interest in FHAM, FHPL and FPPTH; and
 - FHAM, FHPL and FPPTH hold Stapled Securities in FHT.
- Khunying Wanna Sirivadhanabhakdi therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- (13) Each of Atinant Bijananda, Thapana Sirivadhanabhakdi, Wallapa Traisorat, Thapanee Techajareonvikul and Panote Sirivadhanabhakdi holds 20% of the issued share capital of TCC Group Investments Limited ("TCCG");
- TCCG holds Stapled Securities in FHT.
- Each of Atinant Bijananda, Thapana Sirivadhanabhakdi, Wallapa Traisorat, Thapanee Techajareonvikul and Panote Sirivadhanabhakdi therefore has a deemed interest in the Stapled Securities in FHT in which TCCG has an interest, by virtue of Section 4 of the SFA.

STAPLED SECURITYHOLDINGS OF DIRECTORS OF THE MANAGERS

As at 21 October 2019

Name of Director	No. of Stapled Securities Held	
	Direct Interest	Deemed Interest
Mr Law Song Keng	549,900	Nil
Mr Panote Sirivadhanabhakdi	Nil	707,310,200

FREE FLOAT

Based on information made available to the Managers as at 22 November 2019, approximately 38% of the Stapled Securities are held in the hands of the public. Rule 723 of the Listing Manual of the SGX-ST has accordingly been compiled with.

Interested Person Transactions

The transactions entered into with interested persons for the financial period from 1 October 2018 to 30 September 2019 (“FY2019”) which fall within the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the Property Funds Appendix of the Code on Collective Investment Schemes (excluding transactions of less than \$100,000 each) are as follows:

Names of Interested Persons	Aggregate value of all Interested Person Transactions during the financial period under review (excluding transactions of less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) \$’000	Aggregate value of all Interested Person Transactions during the financial year under review under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$’000
Frasers Hospitality Asset Management Pte. Ltd.		
– Management fees paid and payable ¹	(7,369)	–
– Reimbursement of expenses paid on behalf of FH-REIT	(139)	–
– Servicer fees paid and payable	(119)	–
Frasers Hospitality Trust Management Pte. Ltd.		
– Management fees paid and payable ¹	(48)	–
FHT Australia Management Pty Ltd		
– Management fees paid and payable ¹	(4,297)	–
Frasers Hospitality Pte. Ltd.		
– Management, marketing and trademark licence fees paid and payable ¹	(3,154)	–
Frasers Hospitality UK Ltd.		
– Management, marketing and trademark licence fees paid and payable ¹	(2,294)	–
BCH Hotel Investment Pte. Ltd.		
– Rental income from InterContinental Singapore ²	19,260	–
River Valley Apartments Pte. Ltd.		
– Rental income from Fraser Suites Singapore ²	12,816	–
Fairdace Limited		
– Rental income from Fraser Place Canary Wharf ²	5,778	–
– Rental income from Fraser Suites Glasgow ²	1,798	–
39QGG Management Limited		
– Rental income from Fraser Suites Queens Gate ²	6,658	–
P I Hotel Management Limited		
– Rental income from ibis Styles London Gloucester Road ²	1,693	–
– Rental income from Park International London ²	5,404	–

Interested Person Transactions

Names of Interested Persons	Aggregate value of all Interested Person Transactions during the financial period under review (excluding transactions of less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) \$'000	Aggregate value of all Interested Person Transactions during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$'000
Frasers (St. Giles Street) Management Limited		
- Rental income from Fraser Suites Edinburgh ²	2,406	-
Frasers Town Hall Residences Operations Pty Ltd		
- Rental income from Fraser Suites Sydney ²	9,114	-
- Reimbursement of expenses paid on behalf of FH-REIT	(312)	-
Frasers Town Hall Land Pty Ltd		
- Reimbursement of expenses paid on behalf of FH-REIT	(95)	-
Frasers Sydney ML Hotel Pty Ltd		
- Rental income from Novotel Sydney Darling Square ²	6,472	-
JBB Hotels Sdn Bhd		
- Rental income from The Westin Kuala Lumpur ²	6,189	-
K.K. Shinkobe Holding		
- Rental income from ANA Crowne Plaza Kobe ²	16,652	-
Y.K. Toranomom Properties		
- Rental income from ANA Crowne Plaza Kobe ²	1,866	-
- Reimbursement of expenses paid on behalf of FH-REIT	(1,301)	-
Ananke Holdings Pty Ltd		
- Rental income from Sofitel Sydney Wentworth ²	13,329	-
- Reimbursement of expenses paid on behalf of FH-REIT	(217)	-
Frasers Hospitality Australia Pty Ltd		
- Reimbursement of expenses paid on behalf of FH-REIT	(900)	-
Frasers Property (APG) Pty Limited		
- Reimbursement of expenses paid on behalf of FH-REIT	(1)	-
Perpetual (Asia) Limited		
- Trustee's fees	(296)	-
The Trust Company (Australia) Limited		
- Trustee's fees	(111)	-

Please also refer to Note 22 'Significant related party transactions' in FHT's financial statements.

Interested Person Transactions

Management fees, servicer fees and Trustee's fees payable to Frasers Hospitality Asset Management Pte. Ltd. (also referred to as "REIT Manager"), Frasers Hospitality Trust Management Pte. Ltd. (also referred to as "Trustee-Manager"), FHT Australia Management Pty Ltd (also referred to as "MIT Manager"), Frasers Hospitality Pte. Ltd. ("FHPL"), Frasers Hospitality UK Ltd. ("FHUK") and Trustee's fees payable to Perpetual (Asia) Limited and The Trust Company (Australia) Limited on the basis of, and in accordance with the terms and conditions set out in the FH-REIT Trust Deed dated 12 June 2014 (as amended), the FH-BT Trust Deed dated 20 June 2014 (as amended), the FHT Australia Trust Deed dated 20 June 2014 (as amended) and/or FHT's Prospectus dated 30 June 2014 are not subject to Rules 905 and 906 of the SGX-ST's Listing Manual. Accordingly, such fees are not subject to aggregation and other requirements under Rules 905 and 906 of the SGX-ST's Listing Manual.

Except as disclosed above, there were no other interested person transactions (excluding transactions of less than \$100,000 each) entered into during the financial year under review nor any material contracts entered into by FHT that involved the interests of the Chief Executive Officer, any Director or any controlling Stapled Securityholder of FHT.

Notes

- 1 A summary of the number of Stapled Securities issued for the payment of the REIT management fees, Trustee-Manager management fees and MIT management fees to the REIT Manager, the Trustee-Manager and the MIT Manager and serviced residence management fees to FHPL and FHUK in FY2019 is as follows:

	Issue date	Stapled Security Units issued	Value \$'000
Frasers Hospitality Asset Management Pte. Ltd.			
Base fees for the period from 1 April 2018 to 30 September 2018	31 Oct 2018	3,416,300	2,353
Performance fees for the period from 1 October 2017 to 30 September 2018	31 Oct 2018	3,887,974	2,700
Base fees for the period from 1 October 2018 to 31 March 2019	6 May 2019	3,271,744	2,354
Frasers Hospitality Trust Management Pte. Ltd.			
Base fees for the period from 1 April 2018 to 30 September 2018	31 Oct 2018	27,747	19
Performance fees for the period from 1 October 2017 to 30 September 2018	31 Oct 2018	15,326	11
Base fees for the period from 1 October 2018 to 31 March 2019	6 May 2019	27,228	19
FHT Australia Management Pty Ltd			
Base fees for the period from 1 April 2018 to 30 September 2018	31 Oct 2018	1,798,894	1,238
Performance fees for the period from 1 October 2017 to 30 September 2018	31 Oct 2018	3,177,357	2,206
Base fees for the period from 1 October 2018 to 31 March 2019	6 May 2019	1,659,170	1,194
Frasers Hospitality Pte. Ltd.			
Management fees for the period from 1 April 2018 to 30 September 2018	31 Oct 2018	2,303,777	1,586
Management fees for the period from 1 October 2018 to 31 March 2019	6 May 2019	2,199,480	1,583
Frasers Hospitality UK Ltd.			
Management fees for the period from 1 April 2018 to 30 September 2018	31 Oct 2018	1,870,479	1,289
Management fees for the period from 1 October 2018 to 31 March 2019	6 May 2019	1,396,679	1,003

Frasers Property Hospitality Trust Holdings Pte. Ltd. ("Frasers Property Hospitality Trust Holdings"), a wholly-owned subsidiary of Frasers Property Limited, has been nominated by the REIT Manager to receive 10,576,018 Stapled Securities which the REIT Manager is entitled to receive as payment of its fees and pursuant to the nomination agreement between the REIT Manager and Frasers Property Hospitality Trust Holdings dated 5 May 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings will pay to the REIT Manager approximately SGD7.4 million being an amount equal to the aggregate issue price of such Stapled Securities.

Frasers Property Hospitality Trust Holdings has been nominated by the Trustee-Manager to receive 70,301 Stapled Securities which the Trustee-Manager is entitled to receive as payment of its fees and pursuant to the nomination agreement between the Trustee-Manager and Frasers Property Hospitality Trust Holdings dated 30 December 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings will pay to the Trustee-Manager approximately SGD0.05 million being an amount equal to the aggregate issue price of such Stapled Securities.

Frasers Property Hospitality Trust Holdings has been nominated by the MIT Manager to receive 6,635,421 Stapled Securities which the MIT Manager is entitled to receive as payment of its fees and pursuant to the nomination agreement between the MIT Manager and Frasers Property Hospitality Trust Holdings dated 5 May 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings will pay to the MIT Manager approximately SGD4.6 million being an amount equal to the aggregate issue price of such Stapled Securities.

Frasers Property Hospitality Trust Holdings has been nominated by the FHPL to receive 4,503,257 Stapled Securities which FHPL is entitled to receive as payment of its fees and pursuant to the nomination agreement between FHPL and Frasers Property Hospitality Trust Holdings dated 5 May 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings will pay to FHPL approximately SGD3.2 million being an amount equal to the aggregate issue price of such Stapled Securities.

Frasers Property Hospitality Trust Holdings has been nominated by the FHUK to receive 3,267,158 Stapled Securities which FHUK is entitled to receive as payment of its fees and pursuant to the nomination agreement between FHUK and Frasers Property Hospitality Trust Holdings dated 5 May 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings will pay to FHUK approximately SGD2.3 million being an amount equal to the aggregate issue price of such Stapled Securities.

- 2 The rental income disclosed as Interested Person Transactions above were received pursuant to Master Lease Agreements which were entered into in connection with the IPO of FHT and are deemed to have been specifically approved by Stapled Securityholders and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect FH-REIT. (See pages 342 and 343 of FHT's Prospectus dated 30 June 2014)

Notice of Annual General Meeting

FRASERS HOSPITALITY TRUST

A stapled group comprising:

FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST

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

FRASERS HOSPITALITY BUSINESS TRUST

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 5th annual general meeting (the “**Annual General Meeting**”) of Frasers Hospitality Trust (“**FHT**”) (a stapled group comprising Frasers Hospitality Real Estate Investment Trust (“**FH-REIT**”) and Frasers Hospitality Business Trust (“**FH-BT**”)) will be held at 10.00 a.m. on Tuesday, 14 January 2020 at The Grand Ballroom, Level 2, InterContinental Singapore at 80 Middle Road, Singapore 188966, for the following purposes:

ROUTINE BUSINESS

Ordinary Resolution (1)

1. To receive and adopt the Report of the Trustee-Manager issued by Frasers Hospitality Trust Management Pte. Ltd., in its capacity as trustee-manager of FH-BT (the “**Trustee-Manager**”), the Statement by the Chief Executive Officer of the Trustee-Manager, the Report of the Trustee issued by Perpetual (Asia) Limited, in its capacity as trustee of FH-REIT (the “**REIT Trustee**”), the Statement by the Manager issued by Frasers Hospitality Asset Management Pte. Ltd., as manager of FH-REIT (the “**REIT Manager**”) and the Audited Financial Statements of FHT, FH-BT and FH-REIT for the financial year ended 30 September 2019 and the Auditors’ Report thereon.

Ordinary Resolution (2)

2. To re-appoint KPMG LLP as Auditors of FHT (a stapled group comprising FH-REIT and FH-BT) and to authorise the REIT Manager and the Trustee-Manager to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following Ordinary Resolution:

Ordinary Resolution (3)

3. That authority be and is hereby given to the REIT Manager and the Trustee-Manager, to:
 - (a) (i) issue new units in FH-REIT (“**FH-REIT Units**”) and new units in FH-BT (“**FH-BT Units**”, together with FH-REIT Units, the “**Stapled Securities**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities,

at any time and upon such terms and conditions and for such purposes and to such persons as the REIT Manager and the Trustee-Manager may in their absolute discretion deem fit; and

Notice of Annual General Meeting

- (b) issue Stapled Securities in pursuance of any Instrument made or granted by the REIT Manager and the Trustee-Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent. (50%) of the total number of issued Stapled Securities (excluding treasury FH-REIT Units and FH-BT Units, if any) as calculated in accordance with sub-paragraph (2) below, of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to holders of the Stapled Securities (“**Stapled Securityholders**”) does not exceed twenty per cent (20%) of the total number of issued Stapled Securities (excluding treasury FH-REIT Units and FH-BT Units, if any) as calculated in accordance with sub-paragraph (2) below;
- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities (excluding treasury FH-REIT Units and FH-BT Units, if any) shall be based on the number of issued Stapled Securities (excluding treasury FH-REIT Units and FH-BT Units, if any) at the time this Resolution is passed, after adjusting for:
- (a) any new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
- (b) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;
- (3) in exercising the authority conferred by this Resolution, the REIT Manager and Trustee-Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), the Business Trusts Act, Chapter 31A of Singapore for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore (the “**MAS**”), trust deed constituting FH-REIT (as amended) (the “**FH-REIT Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the MAS), the trust deed constituting FH-BT (as amended) (the “**FH-BT Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the MAS) and the stapling deed (the “**Stapling Deed**”) entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager for the time being in force (unless otherwise exempted or waived by the MAS);
- (4) unless revoked or varied by Stapled Securityholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next annual general meeting of FHT or (ii) the date by which the next annual general meeting of FHT is required by the applicable law or regulations to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the REIT Manager and the Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Stapled Securities are issued; and

Notice of Annual General Meeting

- (6) the REIT Manager, the Trustee-Manager, any director of the REIT Manager or the Trustee-Manager (each a “**Director**” and collectively, the “**Directors**”) and the REIT Trustee, be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the REIT Manager, the Trustee-Manager, such Director, or, as the case may be, the REIT Trustee may consider expedient or necessary or in the interest of FHT, FH-BT and FH-REIT to give effect to the authority conferred by this Resolution.

BY ORDER OF THE BOARD

Frasers Hospitality Asset Management Pte. Ltd.

(as manager of Frasers Hospitality Real Estate Investment Trust)
(Company Registration No. 201331351D)

Frasers Hospitality Trust Management Pte. Ltd.

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

19 December 2019

NOTES:

- (1) A Stapled Securityholder who is not a Relevant Intermediary entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote instead of the Stapled Securityholder. A proxy need not be a Stapled Securityholder. Where a Stapled Securityholder appoints more than one proxy, he/she must specify the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
- (2) A Stapled Securityholder who is a Relevant Intermediary entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote instead of the Stapled Securityholder, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Securityholder. Where such Stapled Securityholder appoints more than two proxies, the appointments shall be invalid unless the Stapled Securityholder specifies the number of Stapled Securities in relation to which each proxy has been appointed.

Notice of Annual General Meeting

“Relevant Intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Stapled Securities in that capacity; or
 - (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Stapled Securities purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (3) The instrument appointing a proxy or proxies (as the case may be) must be deposited with the Company Secretary of the REIT Manager and the Trustee-Manager (collectively, the “**Managers**”) at the offices of the Managers’ Stapled Security Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the Annual General Meeting.

EXPLANATORY NOTE:

Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the REIT Manager and the Trustee-Manager from the date of this Annual General Meeting until the date of the next annual general meeting, to issue Stapled Securities and to make or grant instruments (such as securities, warrants or debentures) convertible into Stapled Securities and issue Stapled Securities pursuant to such instruments, up to a number not exceeding 50% of the total number of issued Stapled Securities, of which up to 20% may be issued other than on a pro rata basis to Stapled Securityholders.

For determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the issued Stapled Securities at the time this Ordinary Resolution 3 is passed, after adjusting for new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Ordinary Resolution 3 is passed and any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Stapled Securityholders is required under the Listing Manual of the SGX-ST, the FH-REIT Trust Deed, the FH-BT Trust Deed and the Stapling Deed or any applicable laws and regulations in such instances, the REIT Manager and the Trustee-Manager will then obtain the approval of Stapled Securityholders accordingly.

Notice of Annual General Meeting

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Stapled Securityholder (i) consents to the collection, use and disclosure of the Stapled Securityholder's personal data by the Managers and the REIT Trustee (or their agents) for the purpose of the processing and administration by the Managers and the REIT Trustee (or their agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Managers and the REIT Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Stapled Securityholder discloses the personal data of the Stapled Securityholder's proxy(ies) and/or representative(s) to the Managers and the REIT Trustee (or their agents), the Stapled Securityholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Managers and the REIT Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Stapled Securityholder will indemnify the Managers and the REIT Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Stapled Securityholder's breach of warranty.

Important Notice

The value of the Stapled Securities and the income derived from them, if any, may fall or rise. The Stapled Securities are not obligations of, deposits in, or guaranteed by, the Managers, the REIT Trustee or any of 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.

The past performance of FHT and the Managers is not necessarily indicative of the future performance of FHT and the Managers.

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 2 of the notes to the Proxy Form for the definition of "relevant intermediary").
2. PLEASE READ THE NOTES TO THE PROXY FORM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Stapled Securityholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 19 December 2019.

FRASERS HOSPITALITY TRUST

A stapled group comprising:

FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST

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

FRASERS HOSPITALITY BUSINESS TRUST

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

Proxy Form Annual General Meeting

I/We _____ (Name) _____ (NRIC/Passport Number/ Company Registration Number, where applicable) of _____ (Address) being a holder/s of units in Frasers Hospitality Real Estate Investment Trust ("FH-REIT") and units in Frasers Hospitality Business Trust ("FH-BT") (collectively, "**Stapled Securities**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Stapled Securityholding (Note 2)	
			No. of Stapled Securities	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Stapled Securityholding (Note 2)	
			No. of Stapled Securities	%

or both of whom failing, the Chairman of the Annual General Meeting ("**AGM**") as my/our proxy/proxies to attend, to speak and to vote for me/us on my/our behalf at the AGM to be held at 10.00 a.m. on 14 January 2020 at The Grand Ballroom, Level 2, InterContinental Singapore at 80 Middle Road, Singapore 188966, and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion, as he/she/they may on any other matter arising at the AGM.

NO.	RESOLUTIONS RELATING TO:	No. of Votes For*	No. of Votes Against*
	ROUTINE BUSINESS		
1.	To receive and adopt the Trustee-Manager's Report, the Statement by the Chief Executive Officer of the Trustee-Manager, the REIT Trustee's Report, the REIT Manager's Statement and the Audited Financial Statements of FHT, FH-BT and FH-REIT for the financial year ended 30 September 2019 and the Auditor's Report thereon		
2.	To re-appoint KPMG LLP as Auditors of FHT comprising FH-REIT and FH-BT, and to authorise the REIT Manager and the Trustee-Manager to fix their remuneration		
	SPECIAL BUSINESS		
3.	To authorise the REIT Manager and the Trustee-Manager to issue Stapled Securities and to make or grant convertible instruments		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the relevant box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019/2020 (delete as appropriate)

Signature(s) of Stapled Securityholder(s)/Common Seal

Email (Optional) _____

Total number of Stapled Securities held (Note 4)

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IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

NOTES TO PROXY FORM

1. A stapled securityholder of Frasers Hospitality Trust (“FHT”, and a stapled securityholder of FHT, a “**Stapled Securityholder**”) who is not a relevant intermediary entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote instead of the Stapled Securityholder. A proxy need not be a Stapled Securityholder. Where a Stapled Securityholder appoints more than one proxy, he/she must specify the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Stapled Securityholder who is a relevant intermediary entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote instead of the Stapled Securityholder, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Securityholder. Where such Stapled Securityholder appoints more than two proxies, the appointments shall be invalid unless the Stapled Securityholder specifies the number of Stapled Securities in relation to which each proxy has been appointed.
“Relevant intermediary” means:
 - (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Stapled Securities in that capacity; or
 - (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Stapled Securities purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies (as the case may be) must be deposited with the Stapled Security Registrar of the manager of Frasers Hospitality Real Estate Investment Trust and the trustee-manager of Frasers Hospitality Business Trust (the “**Managers**”), Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the AGM.

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**BUSINESS REPLY SERVICE PERMIT
NO. 09195**



Company Secretary
Frasers Hospitality Asset Management Pte. Ltd.
(as manager of Frasers Hospitality Real Estate Investment Trust)
Frasers Hospitality Trust Management Pte. Ltd.
(as trustee-manager of Frasers Hospitality Business Trust)
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

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4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a Stapled Securityholder from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Stapled Securityholder attends the meeting in person, and in such event, the Managers reserve the right to refuse to admit any person or persons appointed under this instrument of proxy, to the meeting.
5. A Stapled Securityholder should insert the total number of Stapled Securities held. If the Stapled Securityholder has Stapled Securities entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited (“**CDP**”), he/she should insert that number of Stapled Securities. If the Stapled Securityholder has Stapled Securities registered in his/her name in the Register of Stapled Securityholders, he/she should insert that number of Stapled Securities. If the Stapled Securityholder has Stapled Securities entered against his/her name in the said Depository Register and registered in his/her name in the Register of Stapled Securityholders, he/she should insert the aggregate number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Stapled Securityholder.
6. If the Stapled Securityholder is shown to not have any Stapled Securities entered against his name as at 48 hours before the time fixed for the AGM, the instrument appointing a proxy or proxies (the “**Proxy Form**”) will be rejected.
7. The Proxy Form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
8. Where a Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (failing previous registration with the Managers) be lodged with the Proxy Form; failing which the instrument may be treated as invalid.
9. The Managers shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of Stapled Securities entered in the Depository Register, the Managers may reject a Proxy Form if the Stapled Securityholder, being the appointor, is not shown to have Stapled Securities entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by CDP to the Managers.
10. All Stapled Securityholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
11. On a poll, every Stapled Securityholder who is present in person or by proxy shall have one vote for every Stapled Security of which he/she is the Stapled Securityholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.

FRASERS HOSPITALITY ASSET MANAGEMENT PTE. LTD.

As REIT Manager of Frasers Hospitality Real Estate Investment Trust
Company Registration Number: 201331351D

FRASERS HOSPITALITY TRUST MANAGEMENT PTE. LTD.

As Trustee-Manager of Frasers Hospitality Business Trust
Company Registration Number: 201401270M

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