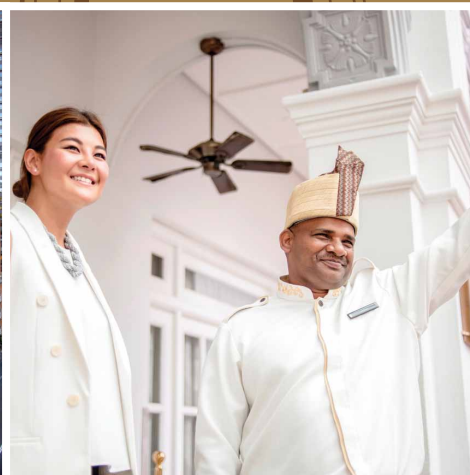
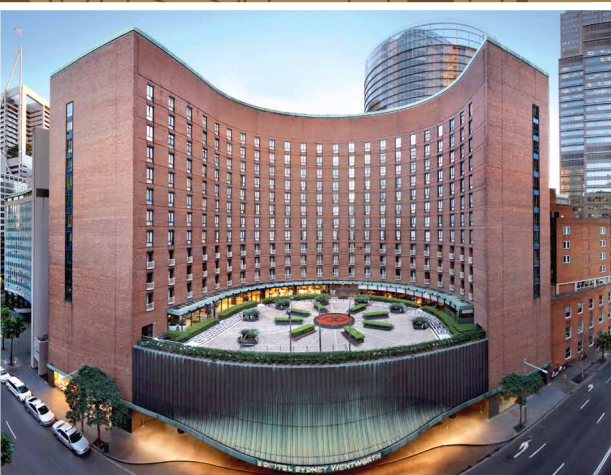


ANNUAL REPORT 2017

RESILIENCE & GROWTH



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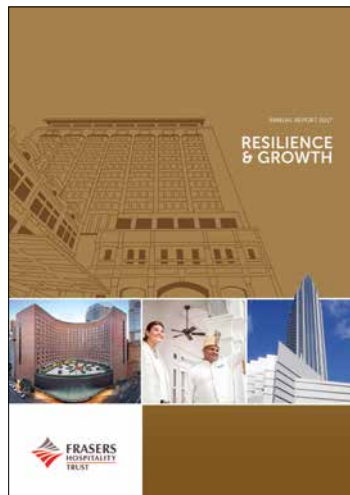
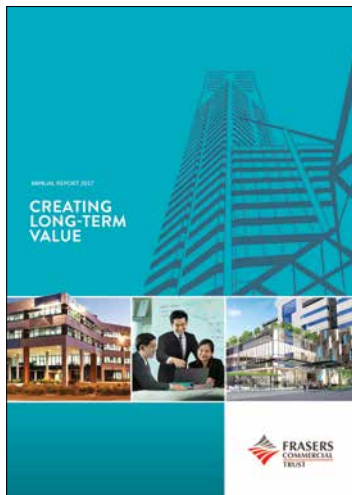
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RESILIENCE & GROWTH



Beyond providing physical space, a building represents the successful combination of thoughtful design, curated experiences, and respectful stewardship. Like a blueprint, these form the foundation of a building. For this year's annual report design, the Frasers Centrepoint group of companies chose to feature line drawings of our key properties – a symbolic representation of our role as designer, curator and steward, not only of our properties, but also of our group. It represents our continuous efforts to build on solid foundations to transform our blueprints of growth for the group into reality for our stakeholders.



Frasers Hospitality Trust continues to pursue growth by extending our footprint in Melbourne with the addition of Novotel Melbourne on Collins. This acquisition underscores our belief in diversifying our earnings base across geographies, especially in key cities with strong hospitality markets. By building on a resilient portfolio supported by a disciplined approach in managing our capital structure, we are on track to achieve our goal of delivering long-term growth to our stapled securityholders.





ABOUT FRASERS HOSPITALITY TRUST

Fraser's Hospitality Trust ("FHT") is a global hotel and serviced residence trust listed on the Mainboard of the Singapore Exchange on 14 July 2014. It has been 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. It provides investors with exposure to one of the largest global hospitality portfolios, with a total of 3,914 rooms comprising 3,072 hotel rooms and 842 serviced residence units.

FHT's well diversified portfolio of 15 quality assets are in prime locations across 9 key cities in Asia, Australia and Europe. With a combined appraised value of approximately SGD2.44 billion, these 9 hotels and 6 serviced residences are: Novotel Melbourne on Collins, Novotel Rockford Darling Harbour, Sofitel Sydney Wentworth, Fraser Suites Sydney, InterContinental Singapore, Fraser Suites Singapore, Best Western Cromwell London, 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. The properties are managed by reputable international hotel chains such as AccorHotels, InterContinental Hotels Group and Marriott International, as well as Fraser's Hospitality, one of the largest serviced residence operators globally.

FHT is sponsored by Fraser's Centrepont Limited ("FCL"), a full-fledged international real estate company and one of Singapore's top property companies with total assets of around SGD27.0 billion. Its strategic partner, the TCC Group Investments Limited ("TCCG"), is one of the largest conglomerates in Southeast Asia engaging in a variety of businesses including real estate. While FHT enjoys full flexibility in sourcing for acquisitions from third parties, both FCL and the 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.

FHT is a stapled group comprising Fraser's Hospitality Real Estate Investment Trust ("FH-REIT") and Fraser's Hospitality Business Trust ("FH-BT"). It is managed by Fraser's Hospitality Asset Management Pte. Ltd., the Manager of FH-REIT (the "REIT Manager") and Fraser's Hospitality Trust Management Pte. Ltd., the trustee-manager of FH-BT (the "Trustee Manager").

OUR UNIFYING IDEA

EXPERIENCE MATTERS.

FHT strives to be the leading owner of hospitality assets in key cities globally. This ambition is enabled by our unifying idea, which we share with our sponsor, FCL.

We believe 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 sponsor's legacy is valuable and inspires our approach. We bring the right expertise to create value for our

customers. We celebrate the diversity of our staff and the expertise they bring, and we commit ourselves to enabling their professional and personal development.

OUR PORTFOLIO

(AS AT 30 SEPTEMBER 2017)



SGD2.44B
TOTAL PORTFOLIO VALUE



9 KEY CITIES
IN ASIA, AUSTRALIA & EUROPE



15
PROPERTIES



3,914
KEYS

GROWTH STRATEGY



InterContinental Singapore – Bugis Grand



ACQUISITION GROWTH

The REIT Manager actively pursues asset acquisitions that will provide attractive cash flows and yields to satisfy its investment mandate, so as to enhance returns to FHT's stapled securityholders and improve the future income and capital growth prospects of FHT.

The REIT Manager seeks opportunities in key cities with sound economic fundamentals, favourable hospitality market conditions, and a good business and leisure guest mix. With FHT's global investment mandate, the REIT Manager has maximum flexibility in scanning various regions for opportunities in both the hotels and serviced residence asset classes.

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



ACTIVE ASSET MANAGEMENT AND ENHANCEMENT STRATEGY

The REIT Manager 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 REIT Manager focuses 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.

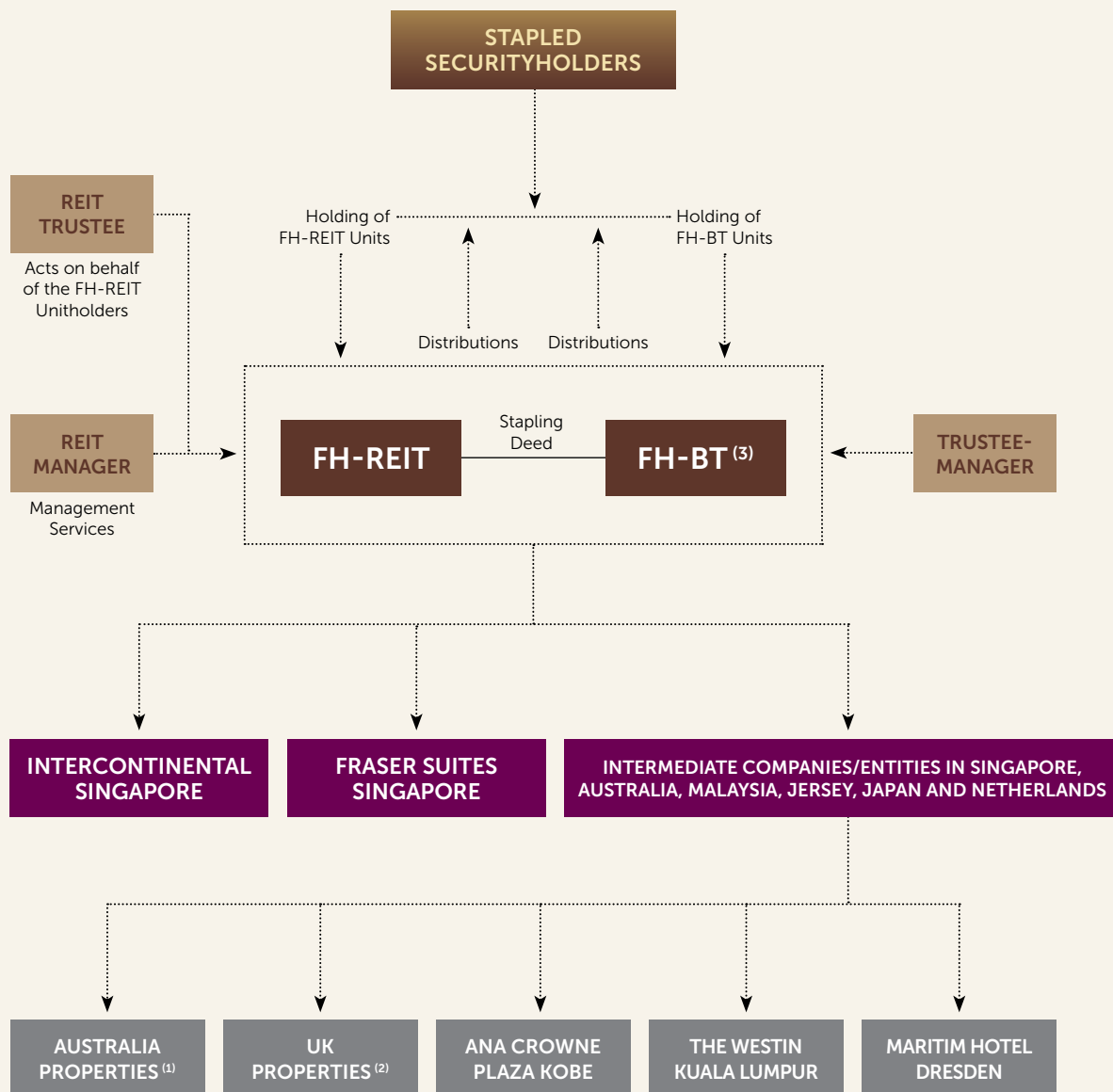
In addition to active asset management of the properties, the REIT Manager actively seeks opportunities to undertake asset enhancement initiatives that successfully reposition the properties, generate incremental cash flows and increase the value of the properties.



CAPITAL AND RISK MANAGEMENT STRATEGY

The REIT Manager endeavours 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 to access both financial institutions and capital markets; and utilising interest rate and foreign exchange hedging strategies, where appropriate, to minimise exposure to market volatility.

CORPORATE STRUCTURE



Notes:

⁽¹⁾ "Australia Properties" refer to Novotel Melbourne on Collins, Novotel Rockford Darling Harbour, Sofitel Sydney Wentworth and Fraser Suites Sydney.

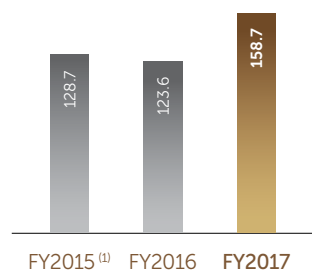
⁽²⁾ "UK Properties" refer to Best Western Cromwell London, Park International London, Fraser Place Canary Wharf London, Fraser Suites Edinburgh, Fraser Suites Glasgow and Fraser Suites Queens Gate London.

⁽³⁾ FH-BT is the master lessee of "Novotel Melbourne on Collins" under the Melbourne Master Lease Agreement.

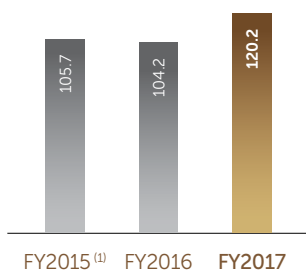
FINANCIAL HIGHLIGHTS



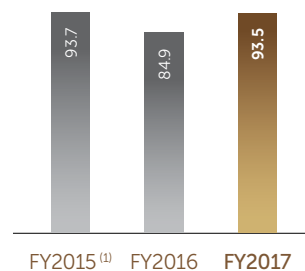
GROSS
REVENUE
(SGD MILLION)



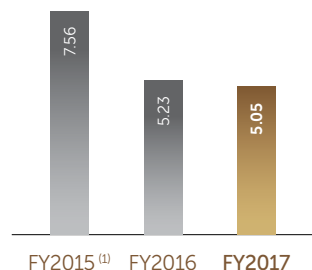
NET PROPERTY
INCOME
(SGD MILLION)



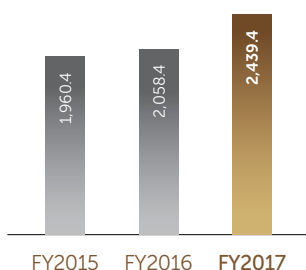
DISTRIBUTION
INCOME
(SGD MILLION)



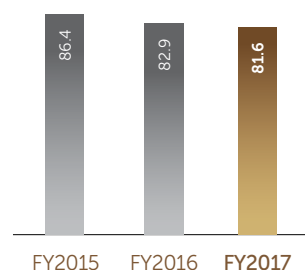
DISTRIBUTION PER
STAPLED SECURITY
(SGD CENTS)



TOTAL PORTFOLIO
VALUATION
(SGD MILLION)



NET ASSET VALUE
PER STAPLED SECURITY
(SGD CENTS)



Fraser Suites Sydney – Premier Suite



InterContinental Singapore – Presidential Suite

	FY2015 ⁽¹⁾	FY2016	FY2017
Statement of total return (SGD million)			
Gross revenue	128.7	123.6	158.7
Net property income	105.7	104.2	120.2
Distribution income	93.7	84.9	93.5
Balance sheet highlights (as at 30 September) (SGD million)			
Total assets	2,031.7	2,161.0	2,533.9
Portfolio valuation	1,960.4	2,058.4	2,439.4
Total liabilities	859.4	916.8	927.7
Total borrowings (gross)	790.6	814.0	813.7
Net assets	1,172.3	1,244.2	1,606.2
Key financial indicators			
Distribution per stapled security (SGD cents)	7.56	5.23	5.05
Net asset value per stapled security (SGD cents)	86.4	82.9	81.6
Gearing (%)	38.9	37.7	32.1
Interest cover (times)	5.3	4.9	5.1
Effective cost of borrowing (%)	2.4	2.6	2.6
Borrowings on fixed rates	73.0	86.0	74.7 ⁽²⁾
Unencumbered assets as a % of property portfolio (%)	92.6	93.4	94.3

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

⁽²⁾ Borrowings exclude multi-currency short-term loan facility and/or short-term revolving credit facility.

LETTER TO STAPLED SECURITYHOLDERS



LAW SONG KENG (RIGHT)
Chairman

EU CHIN FEN (LEFT)
Chief Executive Officer



DISTRIBUTION INCOME

SGD93.5
million
(+10.0%)

Dear Stapled Securityholders,

We are pleased to present to you Frasers Hospitality Trust's ("FHT") annual report for the financial year ended 30 September 2017 ("FY2017").

FY2017 was a fruitful year for FHT as we continued to drive the performance of our well-diversified portfolio to deliver a commendable set of financial results.

NEW ACQUISITION IN AUSTRALIA

In October 2016, we completed our acquisition of the 380-room Novotel Melbourne on Collins and the associated 72 carpark lots for a purchase consideration of AUD237.0 million. The acquisition was wholly funded through a 32-for-100 rights issue which was oversubscribed at 141.3%.

Situated along Collins Street, the financial heart and premier shopping street of Melbourne, this hotel represents our first

hospitality asset in the city and our fourth in Australia.

Its addition to our portfolio underscores our firm belief in diversifying our earnings base across geographies, particularly in key cities with strong, growing hospitality markets.

With Novotel Melbourne on Collins, our Australia portfolio's contribution to net property income ("NPI") climbed from 30.7% from a year ago to 40.5% in FY2017, and it remains the biggest contributor to NPI. Its contribution to our total portfolio value also grew from 23.5% to 34.5% in FY2017, surpassing our Singapore portfolio's contribution of 34.4%.

We are also happy to note that the valuation for Novotel Melbourne on Collins has since appreciated to AUD251.3 million as at 30 September 2017, 6.0% higher than our purchase consideration.



TOTAL
PORTFOLIO
VALUATION

SGD2.44
billion
(+18.5%)

IMPROVED FINANCIAL PERFORMANCE

For the year in review, FHT's gross revenue and NPI improved by 28.4% and 15.3% year-on-year ("yoy") to SGD158.7 million and SGD120.2 million respectively, lifted by the addition of Novotel Melbourne on Collins and Maritim Hotel Dresden which was acquired in June 2016. Consequent to the better overall portfolio performance, our distribution income increased 10.0% yoy to SGD93.5 million.

We continued to distribute 100% of our distribution income in FY2017. Our distribution per stapled security was 5.05 SGD cents, 3.5% lower yoy due to an enlarged stapled security base after the rights issue.

RESILIENT PORTFOLIO PERFORMANCE

FHT has a portfolio of 9 hotels and 6 serviced residences located across Asia, Australia and Europe, within prime locations of key cities. In FY2017, all country portfolios reported better yoy performance, except our Singapore portfolio which showed steady performance despite continued weakness in the market.

Our **Australia** portfolio, with the addition of Novotel Melbourne on Collins, continued to achieve robust performance for the year in review. This was despite the ongoing major refurbishment at Novotel Rockford Darling Harbour, which commenced in April 2017. Sydney and Melbourne, the key gateway cities of Australia, continued to benefit from a busy events calendar and enjoy strong corporate and leisure demand. Sydney, in particular, has benefited from the opening of the International Convention Centre since December 2016.

In **Singapore**, InterContinental Singapore reported better performance due to higher occupancy levels after the completion of its renovation in February 2016. Fraser Suites Singapore, on the other hand, continued to experience downward pressure on its average daily rates ("ADR") due to competition arising from the weak rental market.

Our portfolio in the **UK** performed better yoy as a result of improved market sentiment and a weaker British pound which supported leisure demand. While its trading performance was mostly unaffected by Brexit, higher costs arising from the increase in minimum wage rates limited the increase in its gross operating profit.

Our property in Kobe, **Japan** continued to enjoy healthy ADR gains in FY2017 but this was offset by the lower banquet revenue from weddings. Nonetheless, its gross operating profit improved yoy due to tighter cost control across all operating departments and lower overtime costs on the back of lower banquet demand.

The hospitality market in Kuala Lumpur, **Malaysia** posted strong growth in FY2017, with The Westin Kuala Lumpur reporting higher revenue per available room due to stronger transient and corporate demand, and higher food and beverage revenue on the back of improved market sentiment.

Our property in Dresden, **Germany** made its maiden full-year contribution in FY2017. Master-leased on a long-term basis to the established German hotel operator, the Maritim Hotel Group, our property received variable rent on top of the high fixed rent arising from the lease structure. This was attributed to the growing German economy as well as higher domestic and foreign visitorship in Dresden.

Our portfolio of properties has been revalued and we are pleased to report that the total portfolio valuation as at 30 September 2017 was SGD2.44 billion, up from SGD2.06 billion from a year ago. The 18.5% yoy growth was boosted by the addition of Novotel Melbourne on Collins as well as higher valuations (in local currencies) achieved across our portfolios in Australia, the UK, Japan, Malaysia and Germany, while the valuation for our Singapore portfolio remained unchanged. Excluding Novotel Melbourne on Collins, our portfolio value grew by 5.5% yoy, reflecting the quality of our assets in the portfolio.

LETTER TO STAPLED SECURITYHOLDERS

PRUDENT RISK AND CAPITAL MANAGEMENT

At FHT, our principal strategic objective is to manage and expand our portfolio, within our risk capacity and risk appetite, to deliver long-term growth in distribution and net asset value to our stapled securityholders.

We adopt a disciplined and prudent approach in managing our capital structure and financial risks to ensure our balance sheet remains strong so that we will have continual access to funding in both capital and debt markets at optimal cost. FHT has a Baa2 rating, with a stable outlook, accorded by Moody's Investors Service.

In July 2017, we issued SGD120 million, 2.63% fixed rate notes maturing in July 2022, which is our maiden notes issuance under our SGD1 billion Multicurrency Debt Issuance Programme. The success of this issuance demonstrated our ability to tap into different sources of funding and the net proceeds were mostly deployed to refinance our term loan of SGD115 million due in the same month.

On 8 November 2017, we successfully raised another SGD120 million fixed rate notes at 3.08% per annum with a 7-year tenure. The net proceeds from the notes issuance were used to partially prepay long-term borrowings which are due in July 2019. As a result, the weighted average years to maturity for our borrowings has been extended to approximately 2.74 years. The longer weighted average years to maturity provides more certainty to FHT's funding costs over a longer period.

In managing foreign currency risks associated with the capital values of our overseas assets, we use natural hedging by borrowing in the same currency as the underlying asset. This is achieved through direct borrowing in the foreign currency, or via a cross currency swap which can be at a lower cost of funding.

During the year in review, we swapped SGD180 million for fixed rate GBP obligations. As of 30 September 2017, the loan-to-valuation (in local currencies) for our overseas assets stood in the range of 15% to 55%.

Our gross borrowings stood at SGD813.7 million at the end of FY2017, with gearing at 32.1%, the lowest since our listing in July 2014. Our all-in cost of borrowing for FY2017 was 2.65% per annum, up from 2.55% from a year ago. The slight yoy increase in cost of borrowing was due to higher interest rates on floating rate loans and on the longer 5-year tenure notes issued to refinance the SGD115 million bank loan which had a shorter tenure of 3 years.

To safeguard against interest rate volatility and provide certainty to interest expenses, 74.7% of our borrowings are on fixed rates. In addition, 96.2% of our borrowings comprise unsecured debt which allows for greater flexibility in managing our loan portfolio.

OUTLOOK FOR FY2018

Looking ahead, we remain optimistic that our Australia portfolio will continue to benefit from the buoyant hospitality markets in Sydney and Melbourne, underpinned by strong corporate and leisure demand, inbound tourism growth as well as a busy year-round calendar of events. We are particularly excited about the potential ADR uplift after the targeted completion of Novotel Rockford Darling Harbour's renovation in December 2017.

In Singapore, the pressure on hotel trading performance is expected to ease from 2018 as the pipeline of new hotels in the medium term suggests substantially slower supply growth.

While we expect the near-term outlook for our UK properties to be stable, cost pressure remains as a further increase in minimum wage rates is expected in 2018. Brexit uncertainty could also be a potential dampener on corporate demand.

Japan is expected to remain a moderately positive market for us as key events such as the Rugby World Cup 2019, the 2020 Tokyo Olympic Games and the establishment of integrated resorts are likely to provide continued support for inbound tourism growth.

We maintain a cautiously optimistic outlook for our hotel in Kuala Lumpur. The improved economic indicators which continue to point to a recovery of the market as well as the city's tourism marketing efforts are expected to support demand in the near term.

As for our property in Dresden, Germany, the market outlook is expected to be stable as the capital of the state of Saxony remains relatively attractive as a domestic destination, drawing on its attractions and steady growth within the business sector.

Moving forward, we will continue to assess opportunities to optimise our portfolio value for stapled securityholders. We remain proactive in managing our properties and will maintain our disciplined approach towards pursuing value-creating acquisitions that will enhance the income diversification of our portfolio.

SUSTAINABILITY REPORTING

At FHT, we firmly believe that sustainability is important to our long-term viability. We continue to work with our hotel and serviced residence operators, employees and other stakeholders to adopt best practices in governance and social responsibility.

For FY2017, we are pleased to report that we have moved from preparing our Sustainability Report in accordance with the Global Reporting Initiative ("GRI") G4 Guidelines to the GRI Standards "Core".

Our Sustainability Report for FY2017 is covered on pages 70 to 86 of this annual report, with focus on our key material issues and how we managed them within our sustainability framework and policy. It also underscores our continued commitment to embracing and applying sustainability in every part of the value chain across our global portfolio.

AWARDS & ACCOLADES

In FY2017, our properties continued to be recognised as the preferred accommodation for corporate and leisure travellers around the world.

Fraser Suites Sydney was conferred the "Best Apartment/Suite Hotel of the Year" at the 2017 Tourism Accommodation Australia (NSW) Awards for Excellence.

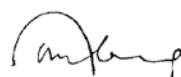
InterContinental Singapore won numerous prestigious awards during the year including "Singapore's Leading Conference Hotel 2017" and "Singapore's Leading Hotel 2017" at the 24th World Travel Awards as well as "Best Luxury Hotel of the Year" at the Corporate Travel Awards 2017.

Both Fraser Suites Singapore and Fraser Suites Edinburgh were named "Singapore's Leading Serviced Apartment 2017" and "Scotland's Leading Serviced Apartment 2017" respectively at the 24th World Travel Awards while The Westin Kuala Lumpur was voted the "Luxury Hotel & Restaurant of the Year 2017" at the Luxury Travel Guide Awards.

In August 2017, FHT clinched the silver award under the best hospitality REIT category at the Asia Pacific Best of The Breeds REITs Awards 2017. We were also ranked 13 out of the 42 trusts in the Singapore Governance and Transparency Index 2017 for the REIT and Business Trust Category.

ACKNOWLEDGEMENTS

We wish to express our appreciation to FHT's Board of Directors for their guidance and wise counsel, and to our staff for their continued dedication. We would also like to thank our stapled securityholders, hotel and serviced residence guests, business partners, advisers, bankers and the Trustee for their continued trust and support.



LAW SONG KENG
Chairman



EU CHIN FEN
Chief Executive Officer

29 November 2017

FINANCIAL REVIEW

SGD million unless otherwise indicated	FY2017	FY2016	Change
Gross revenue ("GR")	158.7	123.6	28.4%
Net property income ("NPI")	120.2	104.2	15.3%
Distributable income attributable to stapled securityholders ("DI")	93.5	84.9	10.0%
Distribution per stapled security ("DPS") (SGD cents)	5.05	5.23 ⁽¹⁾	(3.5%)

⁽¹⁾ On 14 October 2016, FHT issued 441,549,281 rights stapled securities pursuant to the underwritten and renounceable rights issue launched on 9 September 2016. DPS for FY2016 comprises the restated DPS of 2.8952 cents for the period 1 October 2015 to 31 March 2016 (1H FY2016 DPS), and DPS of 2.3347 cents for the period 1 April 2016 to 30 September 2016 (2H FY2016 DPS). The 1H FY2016 DPS, which was paid in June 2016, was restated for the effects of the rights issue. The 441,549,281 rights stapled securities were eligible for the 2H FY2016 DPS which was paid in December 2016.

GROSS REVENUE AND NET PROPERTY INCOME

GR and NPI achieved in FY2017 was 28.4% and 15.3% higher than FY2016 respectively. The growth was largely attributable to the first full year contribution from Maritim Hotel Dresden (which was acquired in June 2016), and the acquisition of Novotel Melbourne on Collins in October 2016. The increase in GR and NPI was also due to improved operating performances in all countries, except for Singapore, as well as favourable currency movements in AUD and JPY against SGD, which were partially offset by the weakening of GBP and MYR against SGD during the financial year. EUR remained stable against SGD year-on-year ("yoy").

In line with the increase in GR and NPI, DI for FY2017 increased by 10.0% yoy. As the number of stapled securities outstanding increased after the rights issue, this resulted in the yoy decline in DPS.

Driven by a busy events calendar in Melbourne and Sydney, the Australia properties recorded a high average occupancy rate of 89.4% in FY2017, despite Novotel Rockford Darling Harbour ("NRDH") undergoing refurbishment works during the year, which affected the occupancy of this hotel.

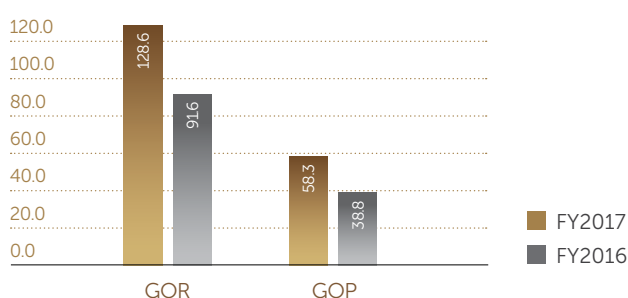
The acquisition of Novotel Melbourne on Collins at the beginning of FY2017 boosted the strong performance of the Australia portfolio. Continuing the strong momentum from FY2016, Sydney saw strong demand from corporate and leisure travellers. The Sydney properties recorded yoy improvements in gross operating profit ("GOR") and gross operating profit ("GOP") despite ongoing refurbishment works at NRDH which commenced in April 2017.

In FY2017, the opening of the International Convention Centre in the vicinity of NRDH helped to increase the average daily rate ("ADR") at the hotel significantly. Despite the lower occupancy rate due to the ongoing refurbishment works (which reduced the number of rooms available for sale), the increase in the ADR more

than offset the lower occupancy rate, resulting in a higher revenue per available room ("RevPAR") for the hotel in FY2017.

The GOR and GOP achieved by the Australia portfolio for FY2017 and FY2016 are shown in the chart below:

AUSTRALIA (AUD MILLION)

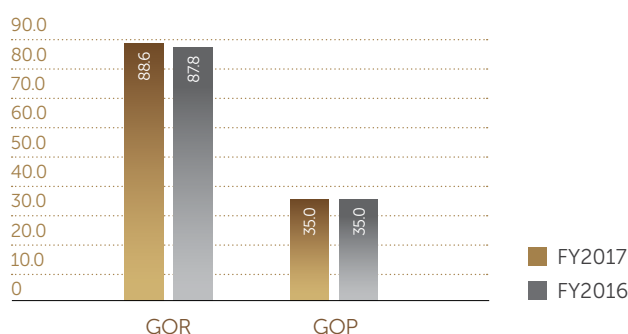


Following the completion of the renovation of InterContinental Singapore in February 2016, the hotel operated with a full room inventory in FY2017 and reported a yoy increase in occupancy. On the back of a higher occupancy, the RevPAR of this hotel increased yoy, despite a slightly lower ADR in FY2017. This resulted in a yoy increase in its GOR and GOP.

Fraser Suites Singapore's average occupancy rate increased yoy, but its RevPAR declined due to a lower ADR in FY2017 stemming from stiff competition in the market. Consequently, its GOR and GOP declined yoy in FY2017.

The GOR and GOP achieved by the Singapore portfolio in FY2017 and FY2016 are shown in the chart below:

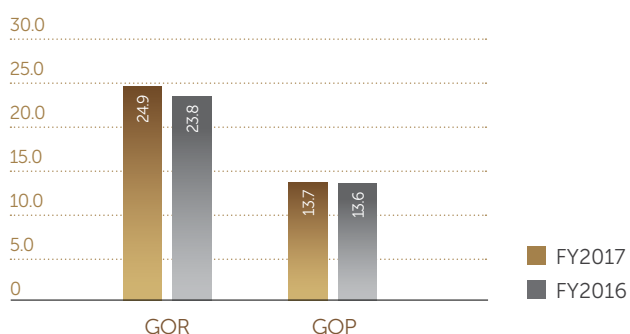
SINGAPORE (SGD MILLION)



With improved market sentiment in FY2017, the UK portfolio achieved higher ADR and average occupancy, which led to an 5.7% yoy improvement in RevPAR. GOR of the UK portfolio improved 4.8% yoy, but GOP growth was muted, at 0.9%, due to the increase in minimum wage rates in the UK.

The GOR and GOP achieved by the UK portfolio in FY2017 and FY2016 are shown in the chart below:

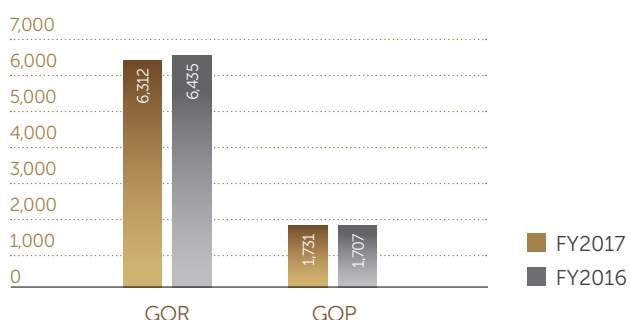
UK (GBP MILLION)



On the back of higher ADR which was partially offset by lower occupancy, ANA Crowne Plaza Kobe recorded a 0.3% increase in RevPAR in FY2017. A drop in food and beverage revenue (including revenue from banqueting) in FY2017 contributed to the yoy decline in GOR. Overall, the hotel achieved yoy growth of 1.4% in GOP due to tighter cost control in all operating departments and reduction in the food and beverage department payroll, as well as lower marketing expenses and energy costs.

The GOR and GOP achieved by ANA Crowne Plaza Kobe in FY2017 and FY2016 are shown in the chart below:

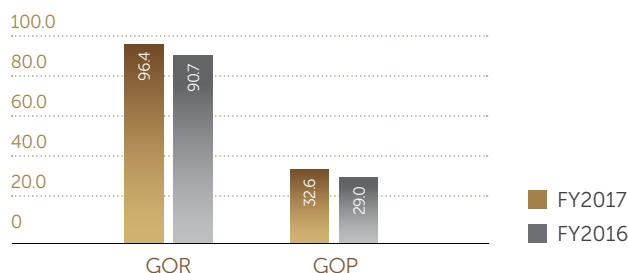
JAPAN (JPY MILLION)



The Westin Kuala Lumpur saw a strong recovery in FY2017. Stronger transient and corporate demand as well as ongoing renovation at a competing hotel led to higher occupancy at the hotel. Improved consumer sentiment led to an increase in food and beverage revenue (including revenue from banqueting) in FY2017.

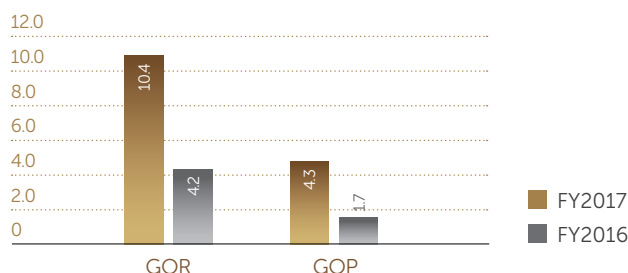
The GOR and GOP achieved by The Westin Kuala Lumpur in FY2017 and FY2016 are shown in the chart below:

MALAYSIA (MYR MILLION)



Maritim Hotel Dresden made a full year contribution in FY2017. During the year, FHT received variable rent on top of the high fixed rent under the master lease agreement with the German hotel operator.

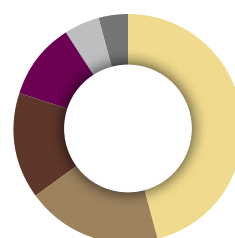
GERMANY (EUR MILLION)



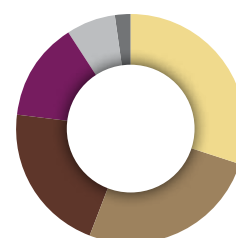
The acquisition of Novotel Melbourne on Collins marked FHT's first foray into Melbourne, a key gateway city in Australia. Post-acquisition of Novotel Melbourne on Collins, the Australia portfolio became the largest contributor to FHT's GR and NPI.

The composition of GR and NPI of FHT's diversified portfolio for FY2017 and FY2016 is shown in the charts below.

FY2017 GROSS REVENUE

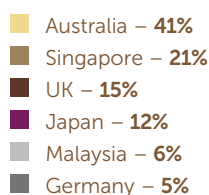
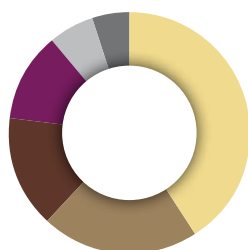


FY2016 GROSS REVENUE

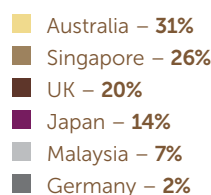
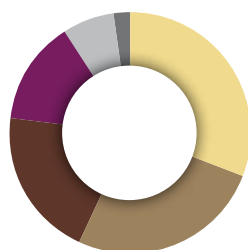


FINANCIAL REVIEW

FY2017
NET PROPERTY INCOME



FY2016
NET PROPERTY INCOME



DISTRIBUTIONS

In FY2017, FHT achieved DI of SGD93.5 million, translating to DPS of 5.05 SGD cents. The 3.5% yoy drop in DPS was due to the enlarged stapled security base post-rights issue.

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 continuous access to funding at optimal cost, and to maintain stable distributions to its stapled securityholders.

Underpinning these objectives, the REIT Manager has developed a framework of policies and guidelines for FH-REIT to actively manage its capital structure and loan portfolio mix, which has a direct impact on its gearing and distributions to stapled securityholders. When funding acquisitions, the REIT Manager considers the most appropriate mix of debt and equity and manages the cost of funds by ensuring that FH-REIT has access to diversified sources of funding in both the debt and capital markets.

The policies and guidelines also ensure that the REIT Manager is prudent in managing the interest rate risk arising from FH-REIT'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 REIT Manager continues to tap on different sources of financing for FH-REIT's funding requirements. On 6 July 2017, FH-REIT (through its wholly-owned subsidiary FH-REIT Treasury Pte. Ltd) issued SGD120 million 2.63% fixed rate notes with maturity date on 6 July 2022.

The net proceeds from the notes issuance were largely used to refinance FH-REIT's long-term bank loan amounting to SGD115 million. This was FH-REIT's maiden notes issuance under its SGD1 billion Multicurrency Debt Issuance Programme, and underscored FH-REIT's ability to tap into different sources of funding.

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. During the year, FHT also used cross currency swaps to hedge its investments. It entered into cross currency swaps to swap SGD180 million for fixed rate GBP obligations. As of 30 September 2017, FHT achieved between 15% to 55% natural hedging for its portfolio of assets denominated in foreign currencies.

As at 30 September 2017, FHT's gross borrowings was SGD813.7 million (FY2016: SGD814.0 million), with an interest rate averaging 2.65% per annum for FY2017 (FY2016: 2.55% per annum). The slight increase in cost of borrowing compared to FY2016 was due to higher interest rate on floating rate loans as well as refinancing of the 3-year SGD115 million bank loan taken at the initial public offering of FHT which became due in July 2017. This bank loan was refinanced with the issuance of SGD120 million 5-year fixed rate notes on 7 July 2017. Due to the longer tenure of these notes, the interest rate was higher compared to the SGD115m bank loan.

The gearing of FHT as at 30 September 2017 was 32.1% (FY2016: 37.7%). The lower gearing was achieved through the rights issue, as well as the higher valuation of the portfolio as at 30 September 2017.

Approximately 74.7% of FHT's borrowings were on fixed rates, thereby safeguarding FHT against interest rate volatility and providing certainty of interest expense. In addition, 94.3% of FHT's assets are unencumbered, providing it operational and financial flexibility.

Post year-end, on 8 November 2017, FHT also successfully raised SGD120 million 3.08% fixed rate notes with maturity date on 8 November 2024. The net proceeds from the notes issuance were largely used to partially prepay the long-term bank loan which is maturing on 14 July 2019. The longer weighted average years to maturity provides more certainty to FHT's finance costs over a longer period.

The REIT Manager will continue to actively manage the capital structure and the financial risks of FH-REIT to meet the stated objectives.

USE OF RIGHTS ISSUE PROCEEDS

On 9 September 2016, FHT launched an underwritten and renounceable rights issue in which 441,549,281 stapled securities in FHT were issued, raising gross proceeds of approximately SGD266.3 million.

As of 20 October 2016, proceeds of approximately SGD244.2 million and SGD1.7 million had been utilised to finance the aggregate net purchase consideration for the Property Acquisition⁽¹⁾ and Hotel Assets Acquisition⁽²⁾, and to pay for certain professional fees incurred in connection with the rights issue.

As of 27 October 2016, a further SGD0.6 million had been utilised to pay for professional and other fees and expenses incurred in connection with the Property Acquisition and Hotel Assets Acquisition.

As of 25 November 2016, a further SGD16.7 million of the remaining proceeds from the rights issue were utilised in the following manner:

- (a) approximately SGD13.8 million of the proceeds were utilised to pay the stamp duties for the Property Acquisition⁽¹⁾ and the Hotel Assets Acquisition⁽²⁾;
- (b) approximately SGD0.9 million of the proceeds were utilised to pay for certain of the professional fees and expenses and other fees and expenses incurred in connection with the rights issue; and
- (c) approximately SGD2.0 million of the proceeds were utilised for working capital purposes, which had been applied in the following manner: (i) hotel operating

costs of approximately SGD1.96 million, including payroll expenses of approximately SGD0.5 million; (ii) insurance and property tax of approximately SGD0.03 million; and (iii) professional fees of approximately SGD0.01 million.

As of 29 December 2016, a further SGD0.36 million of the remaining proceeds from the rights issue were utilised in the following manner:

- (a) approximately SGD0.06 million of the proceeds were utilised to pay certain of the professional fees and expenses and other fees and expenses for the Property Acquisition⁽¹⁾ and the Hotel Assets Acquisition⁽²⁾; and
- (b) approximately SGD0.3 million of the proceeds were utilised to pay for certain of the professional fees and expenses and other fees and expenses incurred in connection with the rights issue.

As of 3 July 2017, a further SGD2.74 million of the remaining proceeds from the rights issue were utilised in the following manner:

- (a) approximately SGD0.05 million of the proceeds were utilised to pay certain of the professional fees and expenses and other fees and expenses for the Property Acquisition⁽¹⁾ and the Hotel Assets Acquisition⁽²⁾;
- (b) approximately SGD0.13 million of the proceeds were utilised to pay for certain of the professional fees and expenses and other fees and expenses incurred in connection with the rights issue;
- (c) approximately SGD0.04 million of the proceeds were utilised for working capital purposes; and
- (d) approximately SGD2.52 million of the proceeds were utilised for capital expenditure.

Such use is in accordance with the stated use of proceeds for the rights issue as stated in the Launch Announcement.

With the use of proceeds from the rights issue stated above, the proceeds from the rights issue have been fully utilised.

Notes:

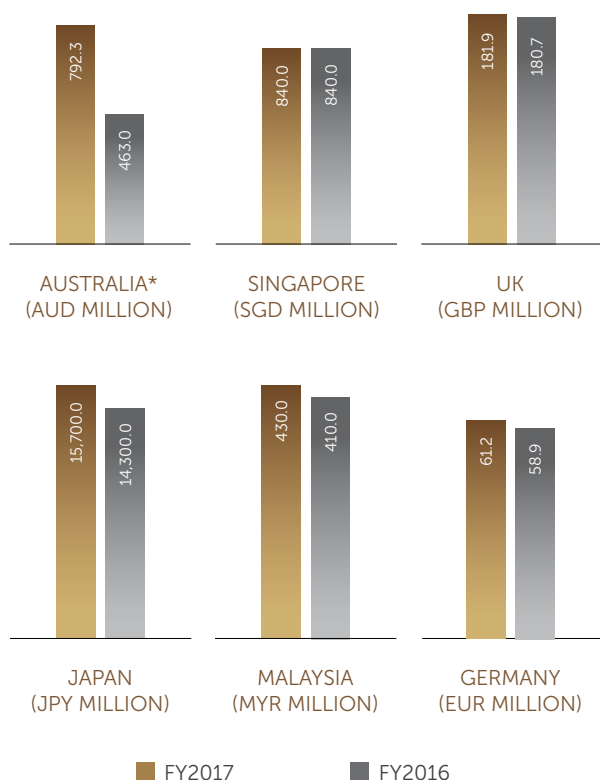
⁽¹⁾ "Property Acquisition" refers to the acquisition of the land and the buildings known as "Novotel Melbourne on Collins" which is located at 270 Collins Street, Melbourne, Victoria, Australia (the "Hotel") and the associated car park located at 233-239 Collins Street, Melbourne, Victoria, Australia by FH-REIT, details of which can be found in the Launch Announcement dated 9 September 2016 and the Completion Announcement dated 20 October 2016.

⁽²⁾ "Hotel Assets Acquisition" refers to the acquisition of the hotel assets relating to the Hotel by FH-BT, details of which can be found in the Launch Announcement dated 9 September 2016 and the Completion Announcement dated 20 October 2016.

ASSET PORTFOLIO VALUATION



VALUATION IN LOCAL CURRENCY BY GEOGRAPHY



* Novotel Melbourne on Collins was acquired on 20 October 2016 for AUD237.0 million.

Fraser Hospitality Trust ("FHT") has a portfolio of 9 hotels and 6 serviced residences with a total of 3,914 rooms in Australia, Singapore, the UK, Japan, Malaysia and Germany. As at 30 September 2017, the portfolio's valuation was SGD2.44 billion, 18.5% higher than that as at 30 September 2016. The increase was mainly due to the acquisition of the Novotel Melbourne on Collins in October 2016.

In local currency terms, the portfolio valuation was lifted by the properties in Australia and Japan, which increased by 71.1% and 9.8% respectively. The valuation of the Singapore properties remained stable. In Malaysia, the valuation increased by 4.9% on the back of the hotel's stronger trading performance in a recovering market. Valuations in the UK increased marginally by 0.7% while the valuation for the property in Germany increased by 3.9%.

OPERATIONS REVIEW



Sydney continues to be one of the strongest performing cities within the Australian lodging market. As at year-to-date ("YTD") June 2017, Sydney received over 32.8 million overnight and daytrip visitors, including 3.7 million international visitors. Resilient corporate and leisure demand continued to increase the city's occupancy to 89.1% as at YTD August 2017, up 1.7 percentage points year-on-year ("yoy") while average daily rate ("ADR") increased to AUD224, up 9.3% yoy.

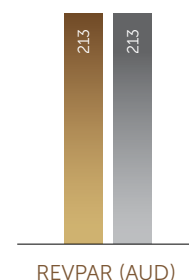
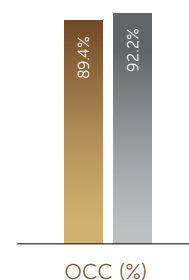
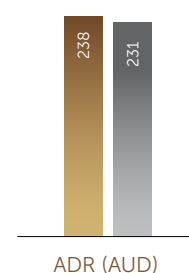
The Sydney market is expected to continue to record a strong performance going forward. Over the next five years, total visitor nights for the city are expected to grow at an average annual growth rate of 5.5% from 2017 to 2022, with major infrastructure projects stimulating the market.

As at YTD June 2017, Melbourne received the second highest number of visitors amongst all cities across Australia in terms of tourist arrivals and tourism receipts. Over the same period, Melbourne received over 25.6 million overnight and daytrip visitors, with total international visitor nights increasing by 14% to 59.2 million nights. Despite growth in visitation, revenue per available room ("RevPAR") for Melbourne hotels as at YTD August 2017 has declined by 1.1% yoy. This was driven

by supply growth in excess of demand over the same period.

The Melbourne market is anticipated to continue its growth and the forecast total visitation is expected to increase by 5% annually until 2027. Although there is new supply entering the market, Melbourne hotels still benefit from a year-round calendar of events and ongoing investment in the city's infrastructure. The Melbourne Convention and Exhibition Centre is currently being expanded and will have the largest conference facilities in Australia following its completion.

FHT's four properties in Australia, namely Novotel Melbourne on Collins, Novotel Rockford Darling Harbour, Sofitel Sydney Wentworth and Fraser Suites Sydney performed well in FY2017. All properties closed the year with occupancies above 85% and achieved an average RevPAR of AUD213, despite the ongoing renovations at the Novotel Rockford Darling Harbour. Gross revenue ("GR") for the Australia portfolio was boosted in particular by the acquisition of the Novotel Melbourne on Collins in October 2016. With the addition of this property and strong growth recorded by the existing properties, GR increased by 89.2% to AUD68.4 million while net property income ("NPI") increased by 45.1% to AUD45.8 million.



■ FY2017 ■ FY2016

OPERATIONS REVIEW



Arrivals to Singapore increased by 4.0% as at YTD August 2017. The increase was driven primarily by stronger visitation from North Asia (+14.6% yoy) and the Americas (+6.4% yoy). Overall, the Singapore Tourism Board's marketing efforts and initiatives such as continued relationship with F1 and infrastructure projects such as the opening of Changi Airport Terminal 4 are likely to continue to drive arrivals in the short to medium term.

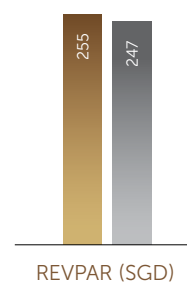
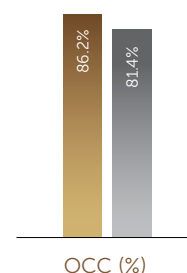
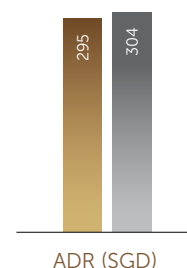
RevPAR declined by 2.5% to SGD197 as at YTD August 2017. While occupancy grew by 1.2% to 86.4% yoy, ADR declined by 0.7% yoy to SGD235. Continued growth in room supply in late 2017 and 2018 is expected to put pressure on occupancy and ADR in the short term.

Overall, FHT's Singapore portfolio performed in line with its peers. The repositioning efforts post-renovation of the InterContinental Singapore started to bear fruit from January 2017. While the

hotel continues to increase its ADR vis-à-vis its luxury competitors, it has achieved a high occupancy level, similar to the pre-renovation period. The performance of the food and beverage outlets also improved yoy, owing to the increased awareness and positive reviews in the local market. The RevPAR for the property grew 7.1% yoy.

Fraser Suites Singapore, on the other hand, continued to be affected by the soft residential market. With rising vacancy in the residential sector, landlords are increasingly lowering rentals and entering into shorter term leases thereby putting pressure on serviced residences. The property faced downward pressure on ADR but maintained its occupancy yoy, resulting in an overall decline of 3.1% in RevPAR for FY2017.

The Singapore portfolio's overall GR decreased by 4.4% to SGD31.0 million and NPI decreased by 5.5% to SGD25.6 million, as compared to FY2016.



■ FY2017 ■ FY2016



Fraser Suites Queens Gate London – Two Bedroom Deluxe, Living Room

London welcomed approximately 31.2 million visitors in 2016, a 1.0% decline from 2015. Despite the decline, arrivals from North America, London's biggest source market, increased by 8.0% yoy, while European arrivals increased by 3.0% yoy. This was partly attributed to the weaker British pound since the Brexit Referendum, which attracted more leisure visitors to London.

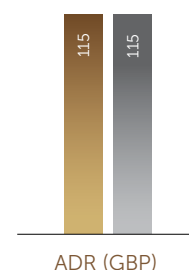
The weaker British pound continued to propel international travel in 2017 with international arrivals recording a 9.0% yoy growth as at YTD June 2017. As at YTD September 2017, London's occupancy increased by 1.3% yoy to 81.7%, and ADR increased by 5.2% yoy to GBP148. The weaker British pound, together with the strengthening of the Eurozone economies, led to the improved performance of London hotels despite security concerns and uncertainty surrounding Brexit.

Edinburgh benefits from a year-round appeal and multi-faceted business and

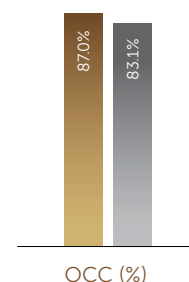
MICE demand. Edinburgh is also the UK's most popular conference destination outside of London, hosting 12 annual events that collectively attract more than 4 million visitors per year. Occupancy as at YTD August 2017 was 82.0%, a 1.0% increase yoy. ADR was GBP109, a 4.0% increase over the same period, resulting in a 6.0% increase in RevPAR. Glasgow had a 1.0% increase in RevPAR YTD August 2017, which was driven by a 2.0% increase in ADR for the same period.

FHT's four properties in London posted strong RevPAR gains yoy. Despite increasing cost pressure due to the increase in the minimum wage, the properties generated a 2.1% yoy increase in GOP. The Edinburgh property posted a strong 11.3% increase in RevPAR yoy but the property in Glasgow experienced a decline in RevPAR.

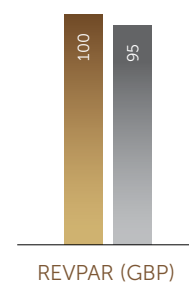
Overall, GR for the UK portfolio increased by 0.6% to GBP13.2 million while NPI decreased by 0.9% to GBP10.2 million.



ADR (GBP)



OCC (%)



REVPAR (GBP)

■ FY2017 ■ FY2016

OPERATIONS REVIEW



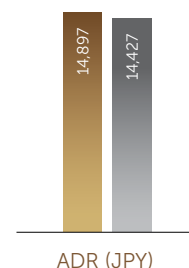
ANA Crowne Plaza Kobe – The Terrace

International arrivals in Japan as at YTD August 2017 grew 20.9% yoy, according to the Japan Tourism Agency. The Hyogo prefecture, in which Kobe is located, saw an increase of 6.2% in visitation yoy, translating to 13.8 million guests. Kobe, given its proximity to Osaka and Kyoto, continues to benefit from displaced demand from these destinations during peak periods. The city, although predominantly a business destination, is also a growing leisure destination and benefits from the spillover visitation from nearby cities.

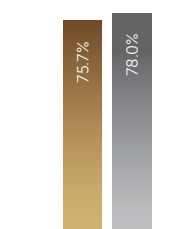
Over the past year, however, Kobe recorded a moderate decline in visitors. As at YTD August 2017, international visitors into Kobe City declined 11.0% and local visitors

declined 2.7%. In the medium term, Kobe is expected to benefit from hosting the 2019 Rugby World Cup and enjoy spillover visitation from the Tokyo 2020 Olympics. While these events will support tourism growth for Kobe, the city's growth is expected to remain closely correlated to Japan's economic performance.

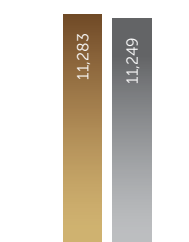
ANA Crowne Plaza Kobe recorded a strong performance in FY2017. RevPAR remained stable yoy on the back of a 3.3% gain in ADR which outweighed the decline in occupancy of 2.2%. However, weakness in banquet and wedding demand has caused the overall revenue to decline. GR decreased by 6.1% to JPY1.4 billion while NPI decreased by 7.4% to JPY1.1 billion.



ADR (JPY)



OCC (%)



RevPAR (JPY)

■ FY2017 ■ FY2016



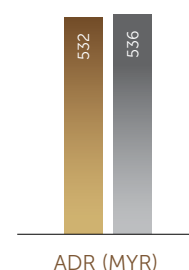
The Westin Kuala Lumpur – Premium City View Room

Tourist arrivals in Malaysia grew 7.5% in 2016 but declined by 1.5% as at YTD August 2017. This was despite the city hosting the Southeast Asian Games in August 2017, which potentially led to a decline in commercial visitation during this period. The top 5 source markets for 2016 and YTD August 2017 were Singapore, China, Indonesia, Thailand and Brunei.

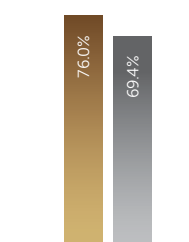
The city's continued tourism marketing efforts and easing of visa restrictions (especially for China and India) are likely to continue to drive demand in the short to medium term. Kuala Lumpur also receives over 7.0 million locals visiting the capital city each year.

As at YTD August 2017, the average occupancy of hotels across Kuala Lumpur was up by 6.8% to 69.5%, and ADR grew 1.6% yoy to MYR361. With an expected 11.1% increase in supply in the upcoming years, it is expected that the city will face pressure on occupancy and ADR in the short to medium term.

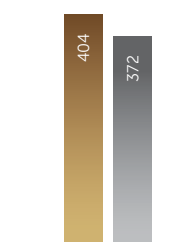
For FY2017, The Westin Kuala Lumpur recorded 8.7% increase in RevPAR, primarily on the back of gains in occupancy. Banquet and conference demand also increased yoy. Overall, GR increased by 2.1% to MYR26.0 million and NPI increased by 3.0% to MYR23.9 million, compared to FY2016.



ADR (MYR)



OCC (%)



RevPAR (MYR)

■ FY2017 ■ FY2016

OPERATIONS REVIEW

GERMANY



Maritim Hotel Dresden – Winter Garden Restaurant

Dresden, which is known as Silicon Saxony, manufactures 50% of Europe's microchips and is home to leading companies that are active in the areas of microelectronics, biotechnology and engineering. It is also the gateway city to Eastern Europe and is a major host for conferences and trade fairs in Germany.

According to Colliers International market research, Dresden saw 1.2 million arrivals in the first half of 2017, up 1.3% yoy. In the same period, there were 2.4 million overnight stays by both domestic and international guests, up 2.5% yoy. The average length of stay was approximately 2 days.

Overall visitation remains largely domestic, with approximately 30% of total visitation from international markets in the first half of 2017. Most international visitors to Dresden are from the US, Switzerland, Austria, the UK and Poland.

Maritim Hotel Dresden is a triple-net leased property which was acquired in June 2016. In FY2017, its GR and NPI were EUR4.2 million and EUR4.1 million respectively.



NOVOTEL ROCKFORD DARLING HARBOUR

The comprehensive renovation of Novotel Rockford Darling Harbour commenced during FY2017. The AUD20.7 million refurbishment encompasses all guest rooms, public areas, food and beverage outlets and meeting rooms of the 230-key property. As the hotel has not undergone any refurbishments since its opening in 1998, significant investments are needed to refresh the property to today's standards.

Refurbishment of the guest rooms consists of replacing soft furnishings and furniture, and re-modelling the bathrooms to improve the guestroom layout. A lobby bar is being added to the reception area while Ceezens Café, which is currently divided into two spaces, is being converted into one large space. New carpets and audio-video systems in the meeting rooms are being installed while the air-conditioning system and lifts are being replaced.

Upon completion of the renovation in December 2017, the hotel will be repositioned, enabling it to capitalise on

the strength of Sydney's lodging market and maximise its potential performance. The opening of the new International Convention Centre adjacent to the hotel has already increased demand from convention related business. With its newly renovated facilities, the hotel will be better able to capture this demand and increase its market share. Additionally, the increased footfall arising from the International Convention Centre is expected to positively impact the food and beverage revenues of the Pumphouse and Ceezens Café. Following heritage board approval, the heritage-listed Pumphouse is scheduled for renovation in 2018.

MARKET OVERVIEW

THIS REPORT HAS BEEN PREPARED BY COLLIERS INTERNATIONAL FOR FHT

MELBOURNE



TOURISM MARKET

Melbourne is the capital city of the state of Victoria on the east coast of Australia, and is just behind Sydney as a key entry point for visitors to Australia. For the year ended ("YE") June 2017, Melbourne received the second highest number of visitors amongst all cities across Australia in terms of both tourist arrivals and tourism receipts.

For YE June 2017, Melbourne received over 25.6 million overnight and daytrip visitors, including 2.6 million international visitors. Total international visitor nights rose by 14% from 51.9 million nights the previous year to 59.2 million nights in YE June 2017.

There were 16.2 million domestic daytrip visitors recorded in YE June 2017 representing a decline over YE June 2016 of 16.7 million domestic daytrips. Domestic overnight visitors grew to 8.7 million compared to 8.2 million recorded in YE June 2016. Total tourism expenditure for domestic overnight and daytrip visitors was AUD8.5 billion for YE June 2017, lower than the YE June 2016 figure.

Of all international overnight visitors in YE June 2017, 21% were in Melbourne for a holiday, 29% visited friends and relatives, while about 4% were there on business, with the remaining unclassified. Meanwhile, for all domestic overnight visitors to Melbourne in YE June 2017, 'visiting friends and relatives' (39%) was the largest sector, followed by 'holiday' (29%) and 'business' (23%).

There was growth in spend in Victoria overall by most key source markets from both the Western and Eastern Hemispheres in YE June 2017. Strong double-digit increases in spend were recorded from India (+35.6%) and China (+16.1%). Other key markets to grow strongly included Malaysia (+9.6%) and New Zealand (+7.6%), while declines were experienced from the UK (-11.8%), Singapore (-10.2%) and Indonesia (-7.3%).

Total visitor nights in Melbourne are likely to continue to grow. For the year 2017/18, visitor nights are predicted to rise by 5.1% to reach 89.3 million nights.

HOSPITALITY INDUSTRY PERFORMANCE

According to STR Global, occupancy for YTD September 2017 was 85.3%, down 1.1% from the same period last year. Annual occupancy for Melbourne hotels has remained steady at above 80% since 2011, finishing 2016 at 86.6%, a yoy growth of 0.2% from 2015.

The ADR for YTD September 2017 was AUD202, the same as the previous period of 2016 according to STR Global.

Driven by the slight decline in occupancy levels, the RevPAR for Melbourne hotels for YTD September 2017 was AUD172 translating to a 0.8% decrease from the same period of 2016.

For full-year 2016, there were only marginal increases of 0.2%, 0.1% and 0.3% in occupancy, ADR and RevPAR respectively. Based on the YTD performance, the market is projected to record a decline in performance in 2017.

EXISTING SUPPLY

According to the Australian Bureau of Statistics (ABS), as of June 2016, there were 326 accommodation properties in Greater Melbourne totalling 31,481 rooms. These included 153 establishments in Melbourne City with 21,777 rooms. These accommodation establishments include hotels, motels and serviced apartments.

We note that since the ABS data was released in June 2016, six major new accommodation properties with a total of 880 rooms have opened bringing Melbourne City total rooms inventory to 22,657 rooms. The recently opened and expanded hotels include the QT Hotel on Russell Street, Oaks Southbank, Stamford Plaza Melbourne expansion, Imagine Marco, The Jazz Corner Hotel and the Four Points by Sheraton Docklands.

Melbourne has been the focal point for transaction activity with assets worth close to AUD1 billion changing hands across the city in 2016/17. Hilton Melbourne South Wharf, bought for AUD246.0 million by Singaporean UOL Group, was the most recent and largest transaction to take place in the Melbourne CBD. Singaporeans have dominated the large Melbourne CBD sales, also purchasing the Novotel Melbourne on Collins for AUD237.0 million and the Travelodge in Melbourne Docklands for AUD107.0 million. We also note that Chinese company i-Prosperity bought the Novotel Glen Waverley in November 2016 and the Japanese Daisho Group purchased the W hotel to be part of the development at 447 Collins Street in February 2017.

FUTURE SUPPLY

Currently, nine accommodation properties are under construction in the Melbourne CBD which will add approximately 2,000 new rooms to the market over the next few years. A further 3,300 rooms are also anticipated to enter the Melbourne hotel market by 2022.

Some of the key new hotels under construction in the Melbourne CBD include the Novotel at the Convention Centre with 347 rooms anticipated to be opened by mid-2018, a combined Ibis and Novotel hotel on Little

Lonsdale Street with 483 rooms in total to be open by the end of 2018, the Shama Luxe Aurora Melbourne Central with 252 rooms in 2019 and the Ritz Carlton Melbourne with 263 rooms.

There is also notable new supply proposed for the Melbourne Metro area. Some of the key proposed new developments in the Melbourne Metro area include the Art Series Hotel in Box Hill with 100 rooms, Sage Hotel in Ringwood with 120 rooms, Mantra hotel in Epping and a proposed Aloft Melbourne in South Yarra.

MARKET OUTLOOK

The Melbourne hotel market continues to have strong market fundamentals. However, performance has been weak over the past year due to new supply entering the market. Despite that, Melbourne hotels still benefit from a year-round calendar of events and ongoing investments in infrastructure. The Melbourne Convention and Exhibition Centre is being expanded which will increase Melbourne's facilities to be larger than Sydney's once more. From the 2017 tourism forecasts prepared by Tourism Research Australia, it is anticipated that total visitation to Melbourne (including domestic and international visitors) will continue to grow strongly over the forecast period to 2026-27 by 5% annually.

MARKET OVERVIEW

SYDNEY



TOURISM MARKET

Sydney is the capital city of the state of New South Wales on the east coast of Australia, and is the key entry point for the majority (48%) of visitors to Australia. For YE June 2017, Sydney remained the top tourist destination amongst all cities across Australia in terms of tourist arrivals and tourism receipts.

Sydney received over 32.8 million overnight and daytrip visitors for YE June 2017, including 3.7 million international visitors. Total international visitor nights rose by 6.3% from 73.1 million nights for the YE June 2016 to 77.7 million nights for the YE June 2017.

There were 19.5 million domestic daytrip visitors recorded in YE June 2017 representing a 3% decrease over YE June 2016. Domestic overnight visitors grew 7.6% to 9.4 million compared to 8.8 million recorded in YE June 2016. Total tourism expenditure for domestic overnight and daytrip visitors was AUD8.5 billion for YE June 2017, lower than the YE June 2016 figure.

Of all international overnight visitors for YE June 2017, 57.7% were in Sydney for a holiday, 23.2% visited friends and relatives, while approximately 10.6% were there on business. For domestic overnight visitors to Sydney in YE June 2017, 'visiting friends and relatives' (37.0%) was the largest segment, followed by 'business' (29.5%) and 'holiday' (25.5%).

The top geographic source of visitors to Sydney is from China, accounting for 18% of international arrivals. New Zealand which historically took the second spot, went down to third position in 2017 with 10% of international arrivals, leaving the second spot to the US with 11%. UK arrivals were ranked fourth with a 9% share, followed by South Korea with almost 6%. The top ten markets amounted to more than 70% of total visitation.

Total visitor nights in Sydney are likely to continue to grow over the next five years. Domestic visitor nights in Sydney are expected to increase from over 24.9 million in 2014/15 to nearly 31.0 million in 2024/25, representing an average annual growth rate of 2.2%. International visitor nights in Sydney are expected to increase from over 67.3 million in 2014/15 to over 115.1 million in 2024/25, an average annual growth rate of 5.5%.

HOSPITALITY INDUSTRY PERFORMANCE

According to STR Global, occupancy for YTD September 2017 was 88.8%, up 1.3% from the same period last year. Annual occupancy for Sydney hotels has remained steady at above 80% since 2010, finishing 2016 at 88.1%, which was a yoy growth of 0.6% from 2015.

The ADR for YTD September 2017 was AUD250, 7.2% higher than the same period of 2016 according to STR Global.

Driven by occupancy and strong ADR growth, the RevPAR for Sydney hotels for YTD September 2017 was AUD222 translating to an 8.6% increase from the same period of 2016.

For full-year 2016, there were increases of 1.7%, 7.3% and 9.0% in occupancy, ADR and RevPAR respectively. Compared to this, YTD growth indicates an even better performance in 2017.

EXISTING SUPPLY

According to Destination NSW, as of June 2017, there were 359 accommodation properties in Greater Sydney totalling 39,678 rooms and 3.6 million room nights available. These included 145 establishments in Sydney City with 22,349 rooms and 2.0 million room nights. These accommodation establishments include hotels and serviced apartments.

FUTURE SUPPLY

Australia continues to attract foreign direct investments including those in the development of new hotels in Sydney. Some key examples of foreign investment include the Skye Hotel in Sydney CBD (Indonesian), the proposed W hotel Ribbon development at Darling Harbour (Chinese), and the proposed M Gallery Hotel by Shanghai United.

In Sydney CBD, approximately 800 rooms will be added to existing stock by the end of 2017. The next three years could potentially see 1,000 rooms open in 2018 and 500 rooms in 2019. Some of the key new hotels to open in the Sydney CBD include the Sofitel Darling Harbour by the end of 2017 with 590 rooms, Four Points by Sheraton Hotel near Broadway with 297 rooms in 2018, and Meriton Suites on Sussex Street in 2018.

There is also substantial new supply proposed for the Sydney Metro area (including the areas of Parramatta, Sydney Airport/ Mascot, Macquarie Park, Bankstown, North Sydney etc.). By the end of 2017, a total of 850 new rooms are proposed to enter the market, followed by 1,200 new rooms in 2018 and 800 new rooms in 2019.

Some of the key new developments in the Sydney Metro area include the recently opened Mantra Sydney Airport (136 rooms) and the Travelodge Sydney Airport (209 rooms) the Meriton Suites Sydney Airport and the

King Apartments and Veriu Green Square. Substantial activity is also occurring in Parramatta including the recently opened 242 unit Meriton Altitude Apartments and the Skye Hotel Parramatta with 72 rooms.

MARKET OUTLOOK

China will remain a key inbound tourist source market for Sydney, for both leisure and business travel as a result of the Free Trade Agreement of 2014 which has allowed greater flight availability.

Despite the rise in occupancy to a level that is comparable to that of key cities such as Singapore and Hong Kong, Sydney's hotel room rates remain below the high room rates that are achieved in those cities. It is anticipated that a shift may occur in the coming years as more luxury branded hotels enter the Sydney market. Further ADR growth will likely be a key focus of new and refurbished developments that will be occurring in Sydney CBD and in Greater Sydney over the next five years.

Next year, we anticipate that the performance of hotels in Sydney CBD will continue to be strong, with occupancy levels maintaining historic highs, providing further growth potential in room rates. With limited new supply entering the market (compared to the total size of the accommodation market) the opportunities for revenue retention and profitability are strong. Total visitor nights for the city are expected to grow at an average annual growth rate of 5.5% from 2016/17 to 2021/22 and with major new infrastructure further stimulating the market, Sydney will remain one of the strongest markets in Australia.

MARKET OVERVIEW



TOURISM MARKET

Tourism arrivals in Singapore exceeded forecasts to end at record levels in 2016, with the city state welcoming some 16.4 million international visitors. In 2016, visitor arrivals grew by 8%, with a further 5% forecast for 2017. This is a robust performance despite the Zika outbreak, and after the stagnant figures in 2015. Growth was mostly underpinned by an increase in visitation from North Asia (in particular China), India and Indonesia. Considering the previous five years, this represents a stable compound annual growth rate of 2.5% between 2012 and 2016. Over the period, the average length of stay at circa 3.5 days has remained constant.

International travel has continued to grow, with arrivals up 4.0% YTD August 2017 at 11.7 million (compared to the same period in 2016). The majority of this growth is derived from the North Asia (+14.6%) and Americas (+6.4%) markets, with Singapore continuing to be seen as secure and stable destination for international visitation.

The efforts of the Singapore Tourism Board's ("STB") marketing campaign and various initiatives such as partnering with Disney at Gardens by the Bay, are likely to continue to drive growth. The continued relationship with F1 and the opening of Singapore Changi Airport Terminal 4 are likely to continue to drive arrivals in the short to medium term.

HOTEL MARKET STRUCTURE

The existing hotel market in Singapore comprises 413 gazetted properties at the end of 2016, offering some 63,850 rooms. Some 2,942 rooms were added in 2016, an increase of 4.8% over the previous year, with the most notable openings being the Oasia Hotel Downtown, Hotel Indigo Katong, and Ascott Orchard.

As at Q2 2017, according to the STB, there were 5,569 rooms in the pipeline, of which 4,827 are currently under construction, a significant proportion of which are expected to open in late 2017, and 2018. The pipeline drops off significantly from 2019. New notable openings in 2017 include the Andaz Singapore (342 rooms), Sofitel City Centre (223 rooms), InterContinental Robertson Quay (225 rooms), and Yotel Singapore (610 rooms).

With an expected 7.6% increase in supply, and demand growth expected at slightly lower levels, this is expected to put some pressure on room occupancy and ADR in the short term. However, according to the STB, overall occupancy remained strong at 84.3% in 2016 indicating there was significant pent up demand. ADR dropped by 3.9% to SGD236 at the end of 2016, but this blended amount reflects the higher proportion of midscale and below properties entering the market in recent years.

According to the STB, for YTD August 2017, room occupancy at hotels across Singapore was up by 1.2% at 86.4%, when compared to the same period last year. The slide in ADR seems to be halted as at YTD August 2017, with only a 0.7% drop when compared to the previous period. The strong performance demonstrates the city's ability to absorb new rooms stock.

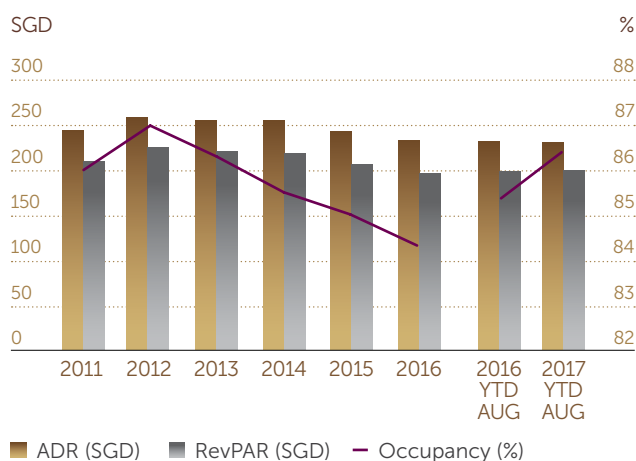
MARKET OUTLOOK

Singapore remains one of the most visited destinations in Asia and worldwide. It is the sixth most visited city in the world for overnight visitors (12.1 million) according to the 2017 Mastercard Global Destinations Cities Index, second only to Bangkok (21.47 million overnight visitors) in the region.

We expect growth to remain at current levels, with potential upside as Terminal 4 ramps up. The continuity of key events, such as the F1 over the next five years, whilst not expected to increase visitation, will most likely continue to underpin current trends. The city's safety and security, combined with its positioning as a strategic hub is likely to continue to underpin demand levels. However, the destination will face headwinds and must continue to adapt as competition from other regional hubs increases. Foreign currency movements, geo-political and economic risks will also continue to significantly influence performance.

Key operational challenges for the Singapore hotel industry in the short to medium term are likely to remain on the staffing and service side, especially as locals continue to perceive the sector as one of low prestige. The sector remains inherently manpower driven, especially at the top end, and whilst technology will be able to mitigate some of the challenges, much will depend on the ability to attract good talent especially from ASEAN. As such, this may well place additional costs on hotels.

SINGAPORE HOTELS KPI



MARKET OVERVIEW

EDINBURGH



TOURISM MARKET

Edinburgh is Scotland's capital city and is an established leisure destination for both international and domestic travellers. It is home to an extensive range of visitor attractions, holds UNESCO World Heritage Site status, and hosts the renowned Edinburgh festivals. It is also the UK's most popular conference destination outside of London, hosting 12 annual events that collectively attract more than 4 million visitors per year.

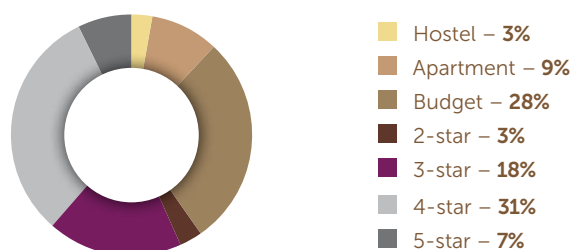
Tourism to Edinburgh has grown each year between 2010 and 2015, with the exception of 2013. In 2016, there were approximately 2.52 million UK visits to 'Lothians and Edinburgh'. This represented an 8.5% decrease over 2015. However, overseas arrivals to the capital city in 2016 have grown by a strong 9.4% when compared to 2015, reaching 1.69 million visits. In line with trends for the London market, a weaker British pound has attracted a higher number of leisure visitors to Edinburgh, with significant growth experienced from source markets such as Canada (+82%), Italy (+48%) and Germany (+22%).

The number of international passengers passing through Edinburgh Airport increased significantly in September 2017 by 14.1%, representing the busiest September on record at the terminal. In total, the airport handled 1.3 million passengers in September 2017, up 8.4% over the same month last year.

HOTEL MARKET STRUCTURE

The existing hotel market in Edinburgh comprises 205 properties, providing 13,907 bedrooms. The majority of this supply is concentrated within the 4-star (31%) and budget (28%) sectors, which collectively account for almost 60% of

EDINBURGH, MARKET SIZE (ROOMS)



Source: AM;PM Hotels

Edinburgh's hotel supply, while 3-star properties account for a further 18%. Supply at the top end (5-star) of the market is limited, providing only 7% of room supply.

Edinburgh's hotel supply predominantly comprises globally branded properties (28% of room supply), followed by national brands (21%) and independents (19%). International and regional brands account for a further 17% and 13%, respectively, and consortia at 2%.

Half of the 4-star room supply is globally branded, with brands such as Holiday Inn and DoubleTree by Hilton accounting for 27% of supply within this category, while 54% of supply within the budget sector comprises nationally branded properties, with Premier Inn and Travelodge accounting for nearly 90% of this hotel supply.

NET SUPPLY GROWTH

Between 2013 and July 2017, 25 new hotels have opened in Edinburgh providing an additional 1,923 bedrooms. During the same period, there have been 11 hotel closures, removing 340 bedrooms from the market.

The majority of net supply growth in the Edinburgh hotel market occurred in 2014 (+598 rooms), and 2016, which recorded the highest increase of 633 bedrooms. During YTD July 2017, one property has opened in Edinburgh (SACO's 72-unit Eden Locke aparthotel), while 68 rooms have closed.

In general, supply growth has largely been concentrated within the branded budget sector, which accounts for 54% of total hotel openings between 2013 and 2017.

HOTEL DEVELOPMENT PIPELINE

There are 75 hotels in the development pipeline for Edinburgh, representing a potential increase of a further 7,517 bedrooms. While 25% of the pipeline (2,440 rooms) is confirmed and due to open between 2017 and 2019, 75% of the schemes are either on hold or speculative. An additional 623 bedrooms are yet to open in 2017, bringing the total number of new hotel room openings for the year to 695, surpassing 2016 figures (633 rooms).

In line with historic trends, the confirmed pipeline predominantly comprises budget properties (c.40%) and 4-star properties (21%).

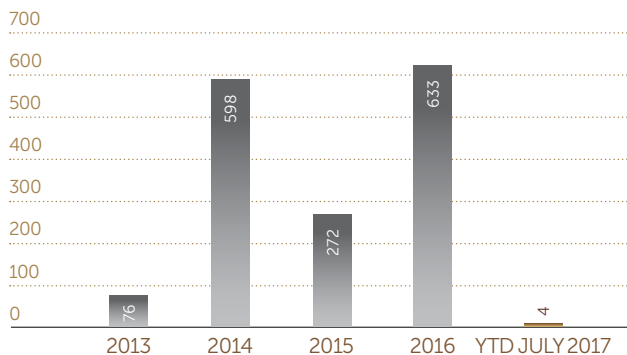
HOTEL MARKET PERFORMANCE

The Edinburgh hotel market has experienced strong performance over the last seven years, recording occupancy levels between 77% and 82%. Growth in occupancy for 2016 was particularly positive considering the significant increase in hotel supply for that year, highlighting the strength of the Edinburgh hotel market. Similarly, ADR performance has grown yoy (with the exception of 2012), representing an overall increase of GBP15 (+20%) during the seven-year period. As a result, strong occupancy levels and growth in the ADR have led to an upward RevPAR trend for the Edinburgh hotel market in this period, with the rooms yield increasing by GBP16 during the period (+27%).

Occupancy levels for Edinburgh reached a healthy 82% in 2016, representing a 1% improvement over 2015. The ADR in 2016 experienced an increase of GBP5 (+6%) over 2015, passing the GBP90 mark for the first time during the period.

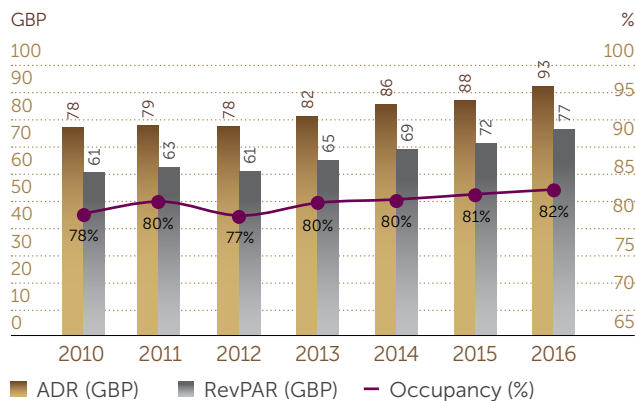
The Edinburgh hotel market is one of the top performers in the first half of 2017, attributing its continued strong performance to high levels of inbound leisure tourism, together with high profile events taking place such as the Microbiology Society Annual Conference, the Edinburgh International Science Festival and Melrose Sevens Rugby.

NET HOTEL ROOM SUPPLY GROWTH, LONDON



Source: AM;PM Hotels

EDINBURGH HOTELS KPI



Source: STR Global

YTD performance for September 2017 indicated an increase in demand, with occupancy increasing by 2% when compared to the YTD September 2016. ADR experienced significant growth, increasing by approximately GBP11 (+12%). As a result, YTD September RevPAR for 2017 was GBP11 (+14%) higher than the same period in 2016.

MARKET OUTLOOK

Edinburgh remains the second most visited city in the UK after London, and one of the most popular visitor destinations worldwide, benefitting from its extensive range of historic tourist attractions, together with its position as a key conference and events location.

It is anticipated that the Edinburgh hotel market will continue to benefit from healthy demand and strong ADR levels, however the extent of supply growth gives rise to some caution in relation to future performance.

Brexit adds an element of uncertainty to future hotel market conditions in the UK, however current economic and hotel market conditions do not reflect a negative impact.

MARKET OVERVIEW



TOURISM MARKET

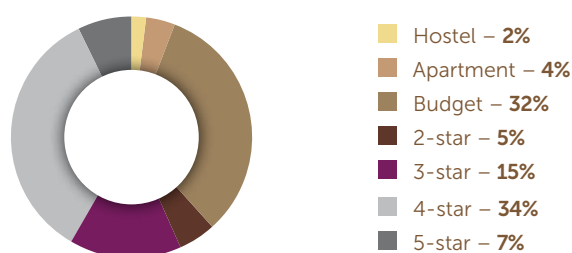
Glasgow is home to many museums, historic buildings, theatres and art galleries. It is a UNESCO City of Music, one of only two in the UK. In addition, the city's extensive conference and events, sporting and retail facilities are key contributors in generating both leisure and business tourism. It is also home to the Scottish Event Campus Centre ("SECC"), Scotland's largest exhibition centre and venue for public events, concerts and conferences, which drives a significant portion of overnight demand to the city. Glasgow's rich sports culture has been further strengthened by several new world-class purpose-built venues, which were developed for the Commonwealth Games that the city hosted in 2014.

Tourism to Glasgow has grown between 2010 and 2015, with the exception of 2011 and 2013. A significant uplift in visitation was experienced in 2014 due to the high-profile Commonwealth Games. Domestic visitation, which accounts for the majority of tourism to Glasgow (c.70%), was recorded at approximately 1.9 million to the Greater Glasgow and Clyde Valley area in 2016, indicating no movement over 2015 figures. Similarly, overseas arrivals to Glasgow have only moved marginally in 2016, reaching 659,000 visits.

Key international source markets in 2016 were USA (15%) and Germany (11%), as well as Canada (8%) which grew by a significant 69% from 2015.

Glasgow Airport recorded its busiest September in 2017, handling 972,900 passengers which represents a 4.1% increase over September 2016.

GLASGOW, MARKET SIZE (ROOMS)



Source: AM;PM Hotels

HOTEL MARKET STRUCTURE

The existing hotel market in Glasgow comprises 109 properties, providing 8,896 rooms. The majority of this supply is concentrated within the 4-star (34%) and budget (32%) sectors, which collectively account for 66% of Glasgow's hotel supply, while 3-star properties account for a further 15%. Supply at the top end (5-star) of the market is limited, providing only 7% of room supply.

Glasgow's hotel supply predominantly comprises globally branded properties (33% of room supply), followed by national brands (25%) and independents (21%). Regional and International brands account for a further 11% and 9%, respectively.

Of the 4-star room supply, 43% is globally branded, with brands from Hilton, Marriott and IHG dominating this category. The budget sector predominantly comprises nationally and globally branded hotels, collectively accounting for almost 85% of total room supply within this category. Brands which are well represented within this segment include Premier Inn, Travelodge and Ibis.

NET SUPPLY GROWTH

Eleven new hotels have opened in Glasgow between 2013 and July 2017, providing an additional 1,093 rooms. During the same period, there have been 4 hotel closures, removing 53 rooms from the market.

The majority of net supply growth in the Glasgow hotel market occurred in 2014 (+304 rooms), and 2016, which recorded the highest increase at 342 rooms. One budget property has opened in Glasgow as of July 2017, namely the 122-key Point A Hotel.

In general, supply growth has largely been concentrated within the branded budget sector, which accounts for 70% of total hotel openings between 2013 and 2017.

HOTEL DEVELOPMENT PIPELINE

There are 54 hotels in the development pipeline for Glasgow, representing a potential increase of a further 6,641 rooms. However, only 11% of the pipeline (1,098 rooms) is confirmed and due to open in 2018, with the remaining developments either on hold or speculative (89%). No hotel is due to open in 2017 or 2019.

Of the confirmed pipeline, 90% is comprised of 4-star and budget properties.

HOTEL MARKET PERFORMANCE

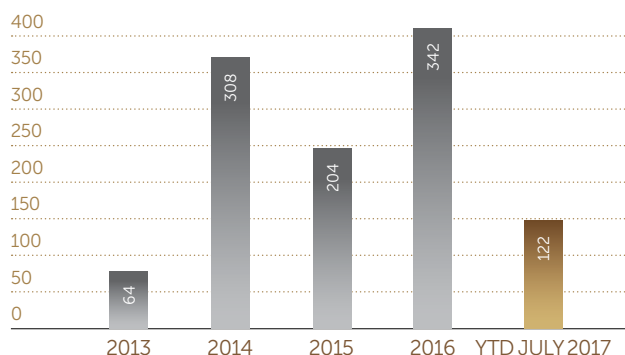
The Glasgow hotel market has experienced healthy performance between 2010 and 2016, with the past three years recording occupancy levels between 80 to 82%. Similarly, ADR performance has grown yoy (with the exception of 2011 and 2012), representing an overall increase of GBP13 (+21%) during the period.

2014 was a pivotal year for the Glasgow hotel market, with both occupancy and ADR growth catalysed by the opening of the SSE Hydro Arena, and major sporting events across the city including the Commonwealth Games and Golf Ryder Cup. These events contributed to a significant uplift in ADR, which rose by approximately GBP10 (+17%) over 2013.

Strong occupancy levels and growth in ADR have led to an upward RevPAR trend for the Glasgow hotel market over the past seven years, with the rooms yield increasing by GBP14 during the period (+31%).

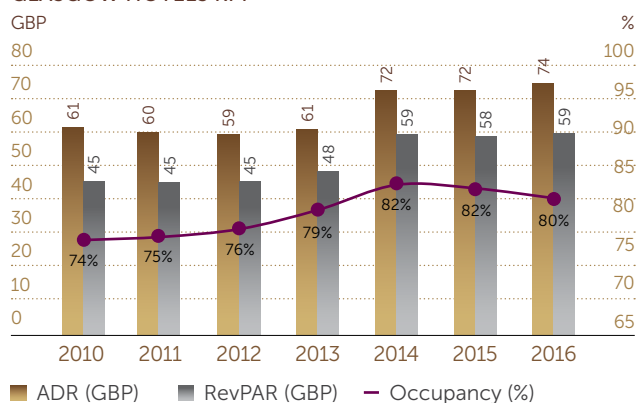
Occupancy levels for Glasgow reached 80% in 2016, representing a 2% decline over 2015. ADR in 2016 experienced an increase of GBP2 (+3%) over 2015, approaching peak levels as experienced in 2014.

NET HOTEL ROOM SUPPLY GROWTH, GLASGOW



Source: AM;PM Hotels

GLASGOW HOTELS KPI



Source: STR Global

YTD performance for September 2017 indicated an improvement in occupancy, which increased by 3.2% when compared to the YTD September 2016. ADR experienced 2% growth over the previous period. September YTD RevPAR performance for 2017 was GBP3 (+5.4%) higher than a year ago.

MARKET OUTLOOK

Glasgow benefits from a balanced mix of corporate, meetings and events, and leisure demand base. Performance in Glasgow's hotel market is expected to remain strong, with the city projected to attract high levels of tourism in 2018 due to the European Sports Championships in August that year. Glasgow will also host the World Haemophilia Conference in May 2018 at the SECC, which is also expected to generate strong room night demand in the city.

Brexit adds an element of uncertainty to future hotel market conditions in the UK. However, current economic and hotel market conditions do not reflect a negative impact.

MARKET OVERVIEW

LONDON



TOURISM MARKET

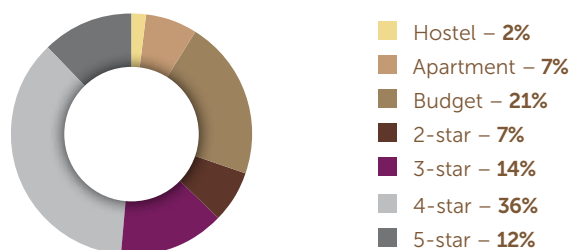
London welcomed approximately 31.2 million visitors in 2016, representing a 1% decrease over 2015. There were 19.1 million international tourists (61%) and 12.1 million domestic tourists (39%). Despite the marginal decline in overall tourism figures, international visitation to the capital city has continued to grow yoy between 2010 and 2016, increasing by almost 3% in 2016. Arrivals from North America, London's biggest source market, rose by 8% in 2016, while European arrivals increased by 3%. This is partly attributed to the weaker British pound since the Brexit Referendum, which has attracted a higher number of leisure visitors to London.

International leisure travel has continued to grow in the first half of 2017 (compared to the same period in 2016), with total overseas arrivals in London increasing by 9%. Again, the majority of this growth derives from the North American (+13%) and European (+7%) markets, with travellers continuing to benefit from the devaluation of the British pound. However, a weaker inbound corporate travel market was experienced in the first half of 2017 as a result of the political backdrop in the UK, with uncertainty surrounding the issues of Brexit.

HOTEL MARKET STRUCTURE

The existing hotel market in London comprises 1,601 properties, providing 148,778 rooms. The majority of this supply is concentrated within the 4-star (36%) and budget (21%) sectors, which collectively account for over half of London's hotel supply.

LONDON, MARKET SIZE (ROOMS)



Source: AM;PM Hotels

London's hotel supply predominantly comprises globally branded properties (26%), closely followed by the independent (23%) and international brand (22%) segments. National and regional brands account for a further 15% and 12%, respectively, and consortia at 3%.

The majority of supply within the budget sector comprises nationally branded properties, with Premier Inn and Travelodge accounting for approximately 65% of room supply within this category.

NET SUPPLY GROWTH

217 new hotels have opened in London between 2013 and July 2017, providing an additional 19,204 rooms. During the same period, there have been 90 hotel closures, removing 3,010 rooms from the market.

The majority of net supply growth in the London hotel market occurred in 2014, which recorded an increase of 4,692 rooms. This was mainly within the budget (42%) and 4-star (29%) sectors. 2017 marks another

year of strong net supply growth, with the YTD July 2017 figure (+4,102 rooms) already surpassing the full year 2016 figure (+3,733 rooms).

In general, supply growth has largely been concentrated within the branded budget and 4-star sectors, which collectively account for almost 70% of total hotel openings between 2013 and 2017.

HOTEL DEVELOPMENT PIPELINE

There are 479 hotels in the development pipeline for London, representing a potential increase of a further 45,596 rooms. While 22% of the pipeline (14,310) is confirmed and due to open between 2017 and 2019, over 70% of the schemes are either on hold or speculative. As an additional 3,600 rooms are yet to open in 2017, the total number of new hotel room openings for the year will be approximately 8,000, almost double that of 2016.

In line with historic trends, the confirmed pipeline predominantly comprises budget (42%) and 4-star properties (29%), followed by 5-star hotels and serviced apartments, accounting for 12% each. This shows the growing significance of the budget and serviced apartment sectors.

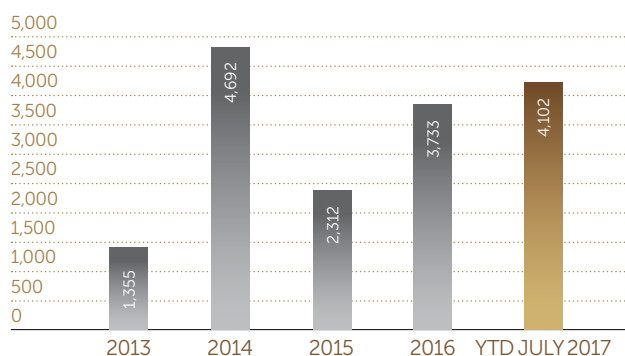
HOTEL MARKET PERFORMANCE

The London hotel market has remained stable and resilient over the last seven years, recording occupancy levels just above 80%. The performance is positive considering the strong hotel supply growth in the capital over the period. Furthermore, the ADR has grown by GBP19 between 2010 and 2016, representing an overall increase of 16%. As a result, strong occupancy levels and growth in the ADR have led to an upward RevPAR trend for the London hotel market in this period, with RevPAR increasing by GBP14 during the period (+14%).

Occupancy levels for London reached a healthy 81% in 2016, representing a marginal 1% decline on 2015 performance. Similarly, the ADR in 2016 remained fairly stagnant at GBP143, showing no movement over 2015.

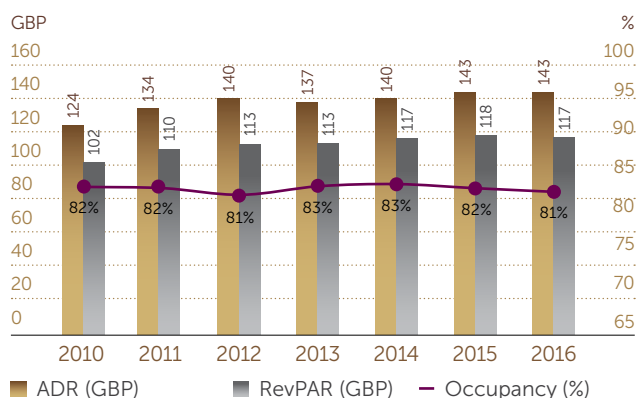
In 2017, the weak British pound, together with the strengthening of Eurozone economies, has led to growth in London's hotel performance. YTD performance for September 2017 indicated an increase in demand, with occupancy increasing by 1.3% to

NET HOTEL ROOM SUPPLY GROWTH, LONDON



Source: AM;PM Hotels

LONDON HOTELS KPI



Source: STR Global

81.7%, when compared to YTD September 2016. ADR also showed further improvement, reaching GBP148, with an increase of approximately GBP7 (+5.2%), and as a result, YTD September 2017 RevPAR reached GBP121, a GBP7 (+6.5%) increase over the same period in 2016.

MARKET OUTLOOK

London retains its position as one of the most visited cities worldwide, benefitting from its diverse culture, financial centre status, and wide range of tourist attractions.

Performance is expected to remain strong but there is also some caution with regard to the extent of supply growth and possible onward consequences for performance.

Brexit adds an element of uncertainty to future hotel market conditions in the UK, however current economic and hotel market conditions do not reflect a negative impact.

MARKET OVERVIEW

KOBE



TOURISM MARKET

The commercial port city of Kobe is home to a large number of manufacturing companies such as Mitsubishi, UCC Ueshima Coffee, Sysmex, and Kawasaki, and is a core city in the Kansai Region economic block. Home to Japan's fourth largest port, it also hosts the regional headquarters of a number of multinational companies including Procter & Gamble and Nestlé.

Hyogo prefecture, within which Kobe is located, is in the Kansai Region of Japan. Its proximity and transport links to Osaka and Kyoto benefit Kobe to a large extent, and enable it to benefit from displaced demand from these destinations during peak periods.

Kobe is mostly a business destination, although there is a growing leisure segment as a result of spillover from the nearby cities of Osaka and Kyoto. Visitation to these cities has grown significantly in recent years with the expansion of Kansai Airport's low cost carrier facilities, and Universal Studios theme park in Osaka. Overall, however, hotel performance in the city remains highly correlated to Japanese economic activities.

According to the Japan Tourism Agency, Hyogo prefecture accommodated 13.8 million hotel guests in 2016, an increase of 6.2% over the previous year. Of this, Kobe attracted just over 0.4 million foreign

overnight visitors, and 2.5 million domestic guests in 2016, both down 1.9% on the previous year.

According to the Japan Tourism Agency, visitor arrivals to Japan were up 20.9% YTD August 2017 when compared to the same period last year. We would expect Kobe, given its proximity to major tourist destinations such as Osaka and Kyoto, to benefit from this.

Visitation tends to be relatively stable throughout the year. Most foreign visitors were from Taiwan, China and Hong Kong. Local visitation is mainly derived from the nearby prefectures including Kinki, Kanto and Chubu. In addition, due to the presence of a number of universities, research institutes and companies, the area attracts a number of MICE events each year. In 2016, the city hosted 21 large association meetings, the same as Yokohama and just below Fukuoka. This was a significant increase over the previous year of 13, and demonstrates the growing importance of the city as a MICE destination.

HOTEL MARKET STRUCTURE

According to the Ministry of Health, Labour and Welfare, there are 130 hotels offering some 12,690 rooms. There are also 147 ryokans.

Three new hotels are expected to be completed in 2018, with total additional room supply at 600 rooms

currently in the pipeline. Of this new supply, the 191-room Unizon Kobe Sannomiya is expected to open in January 2018, with the 160-room Candeo Hotel, and Kobe Luminous Sannomiya Hotel in the pipeline.

No major international hotel operators are expected to enter the market in the short to medium term.

According to data from the Japan Tourism Agency, room occupancy in Hyogo was 60.0% in 2016. This was slightly ahead of the 2015 performance. Given the limited supply of internationally branded hotels in Kobe city, these properties were able to achieve room occupancy of circa 74.8% in 2016, representing a slight growth on the previous year. ADR in the market increased by 6.0% to JPY14,329, when compared to the previous year.

For the second half of 2017, indications are of a cooling Kobe market given the strengthening of the yen and slowdown in visitation from the neighboring regions. As such, we would expect little or no growth in occupancy and ADR for Kobe in 2017. According to STR, for YTD July 2017, occupancy was relatively stable at 78%, with ADR remaining at JPY13,500.

MARKET OUTLOOK

Kobe remains a key commercial destination in the Kansai region. Its excellent transport links should enable it to benefit from displaced demand from the adjoining regions, especially Osaka, during peak periods. Although Kobe is less known than its neighbours Kyoto and Osaka, its tourism offering is largely untapped by foreign visitors and shows potential given its domestic popularity. Among Japanese visitors, the quaint hot spring town of Arima Onsen and the forest mountain of Rokko are well known and regarded and there is a certain charm to Kobe's port city.

Kobe is a host city for the 2019 Rugby World Cup, and is expected to benefit from spillover visitation from Tokyo 2020. This is likely to cause some spikes and subsequent reduction in visitation to the destination as is common with host cities for such events. However, we do see this as an opportunity for the city to exhibit itself on the international stage, thereby generating growing interest. Therefore, the outlook for tourism remains slightly optimistic over the medium to long term, with some ebbs and flows in 2019 and 2020.

However, city's lodging performance is expected to remain closely correlated with Japan's economic performance. This will be underpinned by its growing status as a MICE destination.

We note that according to a survey by the Development Bank of Japan, by 2030, there will be 7.4 million international and domestic overnight visitors to Kobe, leading to a shortage of circa 654 rooms based on the existing pipeline.

Given the relatively low supply pipeline and stable growth over the short to medium term, we would expect this market to remain more sensitive to local policies and foreign exchange movements. We note that the city continues to increase and improve its marketing campaigns, events and promotions, which will increase its visibility.

MARKET OVERVIEW

KUALA LUMPUR



TOURISM MARKET

Tourism arrivals in Malaysia exceeded the previous year's performance, marking what is hoped to be the beginning of a recovery in 2016. The country welcomed 26.8 million international visitors in 2016, an increase of 5.5% over the previous year. Further growth of 5.0% is forecast for 2017, however, this may be slightly tempered by the new tourism tax recently implemented. The easing of visa restrictions for Indians, and continued improvement in infrastructure is likely to contribute towards the state's goal of achieving its 2020 target of 36.0 million visitors.

According to the Mastercard Global Destination Cities Index, there were just over 12 million overnight visitors to Kuala Lumpur in 2016, representing a 7.4% growth yoy. Growth was mostly underpinned by an increase in visitation from North Asia (in particular China), Singapore, Indonesia and Thailand. Considering the previous five years, this represents a stable compound annual growth rate of 4.5% between 2012 and 2016. Over the period, the average length of stay at 3.1 days has remained relatively constant. The city also has a strong domestic appeal, with over 7.0 million locals visiting each year.

According to the latest available information, tourist arrivals to Malaysia YTD August 2017 was down 1.5% over the previous year, despite Kuala Lumpur hosting the SEA Games in August. The hosting of the Games

may have led to a decline in commercial visitation especially during this period, with visitors trying to avoid the city during this time. Singapore, China, Indonesia, Thailand and Brunei remain the top five source markets.

The city is seen as a hub and business destination, and the ambitious Kuala Lumpur Tourism Masterplan 2025, aims to increase the number of foreign arrivals to 16 million, an increase of 33.3% by 2025, with initiatives to boost the overall length of stay to 5.5 nights whilst increasing average spend. Although this is ambitious, much will depend on the city's ability to continue to reposition itself away from oil and gas to IT services. Further, the recent removal of Malaysia from the F1 calendar will require additional marketing dollars to be spent to replace this publicity.

Domestic tourism is a very strong component of the tourist market in Malaysia. According to a survey by the Department of Statistics, there were 189.3 million domestic visitors in 2016, up 7% yoy, highlighting the importance of this market.

Continued political impasse, with an election to be held shortly, and foreign currency movements are likely to pose risks in the short to medium term.

HOTEL MARKET STRUCTURE

According to Tourism Malaysia, the existing hotel market in Kuala Lumpur comprised 472 properties at the end of

2016, offering some 58,963 rooms. Some 8,167 rooms were added in 2016, a significant increase of 16.0% on the previous year. Most notable recent openings in 2017 were the St Regis (208 rooms), The Cosmos Hotel (347 rooms), Sofitel Damasara (312 rooms), and Oakwood Hotel & Residence (251 rooms).

At the beginning of 2017, according to Colliers research, there were 6,800 rooms in the pipeline, of which 2,100 are currently under construction, a significant proportion of which are expected to open between late 2017 and 2020. Following this, the pipeline drops off significantly due to the moratorium on new hotel licenses being granted. New openings in the future are likely to include the Fairmont KLCC (750 rooms), Four Seasons (210 rooms), CitizenM (198 rooms), Crowne Plaza KLCC (338 rooms), Kempinski (260 rooms), and So Sofitel (207 rooms).

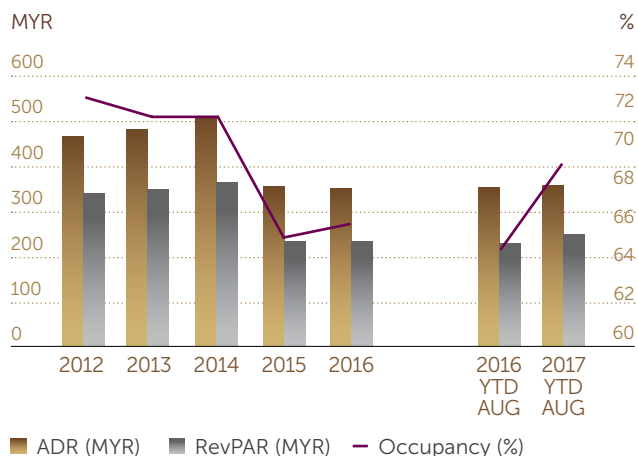
With an expected 11.1% increase in supply, and demand growth at existing levels, this is expected to put pressure on occupancy and ADR in the short to medium term. However, according to STR, overall occupancy recovered slightly in 2016 despite the increase in room supply, and on the back of improved visitor numbers following the air disasters in the previous year, mitigated by the hosting of the SEA Games. ADR did drop slightly, by just under 1.0%, to MYR355 at the end of 2016, but this blended amount reflects the higher proportion of midscale and below properties entering the market in recent years.

According to STR, for YTD August 2017, occupancy at hotels across Kuala Lumpur was up by 6.8% to 69.5%, when compared to the same period last year. The slide in ADR witnessed in 2015 seems to have halted as at YTD August 2017, with ADR growing by 1.6% yoy to MYR361. This demonstrates that whilst the city's hotels remain under pressure as the new supply continues to be absorbed, the impact of new supply is starting to slow.

MARKET OUTLOOK

Kuala Lumpur remains one of the most visited destinations in Asia and worldwide. It is the seventh most visited city in the world for overnight visitors (12.02 million in 2016) according to the latest Mastercard Global Destinations Cities Index, and just behind Singapore (12.11 million in 2016) in the region.

KUALA LUMPUR HOTELS KPI



Source: STR

We expect growth to remain at current levels, with upsides coming from the city's infrastructure development. The city's continued tourism marketing efforts, recent easing of visa restrictions (especially for China and India) are likely to continue to drive demand in the short to medium term. In addition, the renewed focus on MICE business, ASEAN and domestic tourism, and the completion of the Kuala Lumpur-Singapore HSR network in the longer term, should add further impetus. Furthermore, the moratorium on new supply in the city should enable some stabilisation in performance for existing hotels in the coming years.

However, the destination continues to face headwinds from competing regional hubs. Foreign currency movements, geo-political and economic risks will also continue to influence performance to a large extent.

Key operational challenges for the Kuala Lumpur hotel industry in the short to medium term are likely to remain on the staffing and service side, especially when new hotels open and will want to attract the best staff. Any further taxation policies, and the increase in short-term residential lets could also pose downside threats.

MARKET OVERVIEW

DRESDEN



TOURISM MARKET

Arrivals to Dresden increased slightly to 2.1 million visitors in 2016, compared to the 2.08 million visitors in the previous year. This was in line with the previous three years' performance, and indicates some level of maturity within this market.

Being the capital of the Saxony region, Dresden, remains one of the top 15 destinations in Germany. On a YTD basis, guest arrivals have risen by 1.3% and overnight stays by 2.5% yoy. The attractiveness of the old town and the increasing importance of the destination for business and MICE events underline this development. For instance, BOSCH has committed to invest EUR1 billion in a new chip factory in the city.

The average length of stay remained at 2.0 days which is buoyed by a strong weekend performance especially for short city breaks. Overall visitation remains largely domestic with approximately 30% of visitors from international source markets in the first half of 2017, a trend consistent with previous years. The city is particularly attractive during the summer for international guests and in December for the Christmas markets. Most international visitors to Dresden are from the US, Switzerland, Austria, the UK and Poland.

In total, 0.6 million international guests and 1.8 million domestic guests stayed overnight in Dresden during the first half of 2017. This was a slight increase over the previous year's performance.

HOTEL SUPPLY

In the first half of 2017, the divisional statistical office of Saxony indicated there were 22,295 available guest beds in 176 accommodation establishments. Compared to the first half of 2016, the number of open accommodation establishments increased by 0.6%, and the number of hotel beds rose by 0.5%.

Hotel Market Key Indicators 1H 2017 (Change vs. previous year %):

Open accommodation providers	176 (+0.6 %)
Available guest beds	22,295 (+0.5 %)
Arrivals	1.2 million (+1.3 %)
Overnight stays	2.4 million (+2.5 %)
Average length of stay	2.0 days

Dresden offers a variety of hotels across every segment. The 3-star segment, however, is the most represented with a market share of 42%, followed closely by the 4-star segment. In total, the upscale sector is dominant in Dresden, with 4 and 5-star hotels together accounting for 45% of the total room stock.

New supply remains relatively low for the city, with less than 1,000 rooms in the pipeline. In 2018, new hotel openings include:

- Super 8 (175 keys)
- Hampton by Hilton (197 keys)
- Indigo (126 keys)
- Moxy (162 keys)

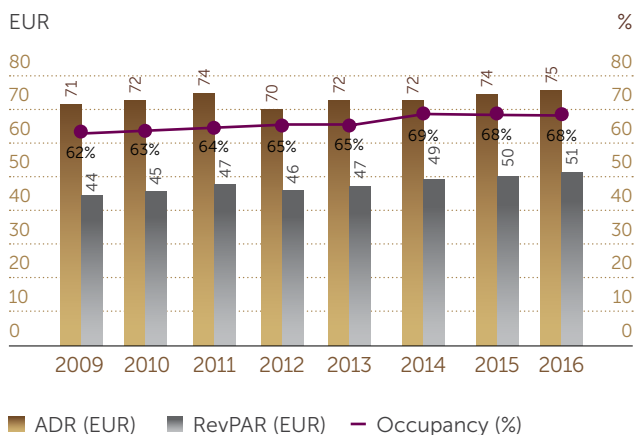
HOTEL PERFORMANCE

According to Dresden Marketing GmbH, hotels in Dresden achieved an occupancy of 63.2% for YTD August 2017, a 2.3% increase on the previous year. ADR was also up by 0.4% to EUR72, resulting in a 3.0% increase in RevPAR to EUR46. The strong performance is due to the city hosting a number of events in the first half of the year including the US Car Convention held in July 2017. The strong performance during the first half will likely result in positive growth for 2017.

MARKET OUTLOOK

Dresden remains relatively attractive as a domestic and MICE destination, and is able to draw on its attractions such as the old town and steady growth within the business sector. However, continued political unrest and any slowdown in the German economy will have an impact on performance going forward. Notwithstanding these factors, we note that the city is expected to host several large events in 2018 including HAUS 2018 and the Hematology and Oncology Conference to be held in June 2018, which may increase demand.

DRESDEN HOTELS KPI



Source: STR

BOARD OF DIRECTORS

AS AT 30 SEPTEMBER 2017



LAW SONG KENG, BBM, 72
Chairman and Independent Director



CHUA PHUAY HEE, 64
Independent Director

REIT Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 years 3 months

Trustee-Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 years 3 months

Board committees served on

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

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 2017)

Listed companies

- IFS Capital Ltd
- Great Eastern Holdings Ltd

Listed REITs/Trusts

Nil

Others

- Asia Capital Reinsurance Company Pte Ltd
- Asia Capital Reinsurance Company Sdn Bhd
- ACR Capital Holdings Pte Ltd
- Concord Insurance Company Limited

Major appointments (other than directorships)

Nil

Past directorships in listed companies held over the preceding 3 years (from 1 October 2014 to 30 September 2017)

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)

REIT Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 years 3 months

Trustee-Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 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 2017)

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

Major appointments (other than directorships)

Nil

Past directorships in listed companies held over the preceding 3 years (from 1 October 2014 to 30 September 2017)

- Armada Holdings Limited listed on the Stock Exchange of Hong Kong
- Industrial Bank Co., Ltd. listed on Shanghai Stock Exchange

Past major appointments

- Executive Director for finance, risk management, IT and corporate services, Wilmar International Limited
- Board Member, Wilmar International Limited
- 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



LIEW CHOON WEI, 63
Independent Director

REIT Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 years 3 months

Trustee-Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 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
- Chartered Accountant of Singapore

Present directorships in other companies (as at 30 September 2017)

Listed companies

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

Listed REITs/Trusts

Nil

Others

- Kuok (Singapore) Ltd

Major appointments (other than directorships)

Nil

Past directorships in listed companies held over the preceding 3 years (from 1 October 2014 to 30 September 2017)

Nil

Past major appointments

- Retired Partner of Ernst & Young Singapore. Head of Ernst & Young Singapore's Real Estate Industry Group

Others

Nil



DR DAVID WONG SEE HONG, 64
Independent Director

REIT Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 years 3 months

Trustee-Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 years 3 months

Board committees served on

- Audit, Risk & Compliance Committee
- Nominating & Remuneration Committee (with effect from 16 September 2016)

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 2017)

Listed companies

- China Merchants Bank Co., Ltd

Listed REITs/Trusts

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

Others

- 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 2014 to 30 September 2017)

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

BOARD OF DIRECTORS

AS AT 30 SEPTEMBER 2017



PANOTE SIRIVADHANABHAKDI, 40
Non-Executive Director

REIT Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 years 3 months

Trustee-Manager

Date of appointment as Director: 10 June 2014

Length of service as Director (as at 30 September 2017):
3 years 3 months

Board committees served on

- Nominating & Remuneration Committee

Academic & professional qualifications

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

Present directorships in other companies (as at 30 September 2017)

Listed companies

- Berli Jucker Public Company Limited
- Frasers Centrepoint Limited
- Golden Land Property Development Public Company Limited
- 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
- One Bangkok Holdings Co., Ltd.
- Sura Bangyikhan Group of Companies

Major appointments (other than directorships)

- Frasers Centrepoint Limited (Group Chief Executive Officer)

Past directorships in listed companies held over the preceding 3 years (from 1 October 2014 to 30 September 2017)

- Fraser and Neave, Limited (Cessation Date: 8 Jan 2014)

Past major appointments

Nil

Others

Nil



CHOE PENG SUM, 57
Non-Executive Director

REIT Manager

Date of appointment as Director: 20 November 2013

Length of service as Director (as at 30 September 2017):
3 years 10 months

Trustee-Manager

Date of appointment as Director: 13 January 2014

Length of service as Director (as at 30 September 2017):
3 years 8 months

Board committees served on

Nil

Academic & professional qualifications

- Bachelor of Science with Distinction Cornell University, Ithaca, New York, USA
- Phi Kappa Phi, Cornell University, New York, USA
- President's Honor Roll, Washington State University
- Executive Development Programme, International College of Hospitality Administration, Brig, Switzerland

Present directorships in other companies (as at 30 September 2017)

Listed companies

Nil

Listed REITs/Trusts

Nil

Others

Nil

Major appointments (other than directorships)

- Chief Executive Officer, Frasers Hospitality, Frasers Centrepoint Limited
- Chief Executive Officer, Frasers Hospitality Group Pte Ltd
- Chairman, Board of Directors, Crest Secondary School
- Committee Member, Committee for Private Education/ SkillsFuture Singapore
- Governing Council Member, Singapore Quality Awards, Spring Singapore
- SPC Complaints Panel (Laypersons), Singapore Pharmacy Council

Past directorships in listed companies held over the preceding 3 years (from 1 October 2014 to 30 September 2017)

Nil

Past major appointments

Nil

Others

- Built Fraser and Neave, Limited's hospitality arm in 1996
- Held senior management positions with Shangri-La Singapore and The Portman Shangri-La Shanghai, China

MANAGEMENT TEAM



EU CHIN FEN *Chief Executive Officer*

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

Prior to her current appointment, she was Chief Investment Officer at Frasers Hospitality Pte. Ltd., responsible for business development and investments relating to Frasers Centrepoint Limited's ("FCL") hospitality division and for setting strategic directions together with the division's Chief Executive Officer.

Before joining FCL Group, Ms Eu was Senior Vice President of the Asset-Backed Securitisation team at DBS Bank Ltd., responsible for the origination and listings of real estate investment trusts and business trusts in Singapore. She was involved in various initial public offerings ("IPOs") and secondary fundraising projects, including the IPOs of Frasers Centrepoint Trust, Pacific Shipping Trust, Perennial China Retail Trust and Mapletree Industrial Trust, the re-capitalisation of Frasers Commercial Trust via a rights issue and issuance

of convertible perpetual preferred units, as well as the secondary fundraising for CapitaLand Mall Trust, Mapletree Logistics Trust and CDL Hospitality Trusts, among others.

A Chartered Financial Analyst, Ms Eu holds a Bachelor of Business degree in Financial Analysis from Nanyang Technological University, Singapore.

JOSEPHINE LEE *Chief Financial Officer*

Ms Lee is the Chief Financial Officer of the Managers, responsible for the Managers' financial management and FHT's financial and capital management. She has over 19 years of diversified experience in previous roles in external audit in the Big Four audit firms, regional internal audit and financial controllership in Singapore and China.

Prior to her current appointment, Ms Lee was the Financial Controller of the REIT Manager from November 2014 till December 2016. She was responsible for financial matters of the REIT Manager and FHT.

MANAGEMENT TEAM

In her previous role as Finance Director in Venture Corporation Limited, she was responsible for the full spectrum of finance functions for a significant business unit with manufacturing plants in Singapore, Malaysia and China. She spent the initial 6 out of her 10 years with Venture Corporation Limited in its Shanghai office as Financial Controller. In that capacity, she was responsible for financial and management reporting, as well as internal controls, and provided operational and strategic support to the General Manager.

At Neptune Orient Lines, Ms Lee held the position of Lead Auditor (Asia/Middle East) and led audit engagements to locations in the region including Malaysia, Korea, Dubai and India.

Ms Lee also gained experience in audit and non-audit engagements with exposure to different industries during her 5 years in 2 of the Big Four audit firms. She took up opportunities to join the Business Consulting practice and Transactional Advisory Services team for IPO engagements.

Ms Lee holds a Bachelor of Accountancy (Honours) degree from Nanyang Technological University, Singapore, and is a Chartered Accountant of Singapore.

COLIN LOW

Senior Director, Head of Investment

Mr Low is Senior Director, Head of Investment, responsible for identifying and evaluating potential acquisitions of hotels and serviced residences, and for related investments and divestments. He has over 16 years of experience in real estate.

Prior to his current appointment, he was Director of Business Development at Frasers Hospitality Pte. Ltd., overseeing its business development and investments across the Asia-Pacific region. Earlier, he was responsible for investments and business development at CapitaLand Mall Asia Limited, AIG Global Real Estate Investments and The Ascott Group Limited within the hospitality, retail and other real estate asset classes. Mr Low first started his career at United Overseas Bank, focusing on real estate corporate banking.

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

MARK ROHNER

Senior Director, Head of Asset Management

Mr Rohner is Senior Director, Head of Asset Management, 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 Rohner was Vice President, Finance, at Shangri-La Asia Ltd, in charge of acquisitions and asset management of the group's owned hotel portfolio. During his time with Shangri-La, he actively asset managed the group's key hotel properties in Asia Pacific and Europe, and completed hotel and land acquisitions in Australia, Hong Kong, Italy and Mauritius totalling over USD800 million.

Mr Rohner joined Shangri-La from Government of Singapore Investment Corporation ("GIC"), where he worked in both its London and Singapore offices. He was responsible for the asset management of the fund's hotel properties in Europe, Japan and Australia, and for debt investments and restructurings in Japan. Prior to GIC, he held corporate positions in revenue management and strategic marketing at Hyatt Hotels & Resorts in Chicago and Lausanne.

Mr Rohner holds a Bachelor of Science degree from Ecole hôtelière de Lausanne (Honours) and a Master of Business Administration degree from INSEAD.

JASON LEONG

Director, Investment

Mr Leong is Director, Investment, responsible for growing FHT's portfolio size through acquisition of new hospitality assets. Prior to his current appointment, 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, which involved a stint in Moscow, Russia. He started his career with International Enterprise Singapore and was based in Manila, Philippines.

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

CARIS ANG

Deputy Director, Asset Management

Ms Ang is Deputy Director, Asset Management, 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 REIT, 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.

SANDY LENG

Head, Investor Relations

Ms Leng is Head, Investor Relations of the REIT Manager. She is the key point of contact for the investment community and the media.

Ms Leng 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 management and

the Board the opinions of the investment community regarding FHT's performance.

Prior to her current appointment, Ms Leng was with SATS as its Vice President, Corporate Relations. She was overseeing both its investor relations and corporate communications functions. She also previously assumed investor relations positions in various listed companies including The Ascott Group Limited (before it was delisted), Singapore Technologies Engineering Ltd and SembCorp Industries Ltd.

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

LIM WAI QUAN

Senior Finance Manager

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

Prior to her current appointment, she was Finance Manager at Internet Technology Group Limited (formerly listed with Singapore Exchange Securities Trading Limited). Ms Lim was responsible for financial and management reporting, and accounting operations for the group. Previously, Ms Lim 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.

CHUILING LEE TOUZEAU

Assistant Director, Asset Management

Ms Touzeau is Assistant Director, Asset Management, responsible for the asset management of FHT's portfolio. Her role includes working with hotel management teams to execute strategies targeted at improving the overall operating performance of the portfolio. She is also responsible for identifying asset enhancement initiatives that will have an accretive effect on cash flows generated by the properties.

Prior to her current appointment, she was Director of

MANAGEMENT TEAM

Financial Analysis at Banyan Tree Hotels & Resorts Pte Ltd, overseeing the business development initiatives and financial performance of managed hotels in the group's portfolio. Previously at Marina Bay Sands Pte Ltd, Ms Touzeau was the Senior Analyst responsible for non-gaming financial analysis and monthly and quarterly reporting to relevant authorities. She started her career at PricewaterhouseCoopers Singapore with the Advisory Services team.

Ms Touzeau holds a Bachelor of Accountancy degree from Nanyang Technological University and a Master of Business Administration degree from ESSEC Business School.

RITA KAONANG

Investment Manager

Ms Kaonang is Investment Manager of the REIT Manager, responsible for growing FHT's portfolio size through acquisition of new hospitality assets.

Prior to 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 optimise 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.

KEY EVENTS

OCTOBER 2016

The 32-for-100 fully underwritten and renounceable rights issue of 441,549,281 new FHT stapled securities was oversubscribed at 141.3%. The rights stapled securities were listed, quoted and traded on 17 October 2016. Most of the SGD266.3 million proceeds from the rights issue were deployed for the acquisition of Novotel Melbourne on Collins which was completed on 20 October 2016.

Previously dormant, Frasers Hospitality Business Trust was activated to be the master lessee of the newly acquired Novotel Melbourne on Collins.

A final distribution of 2.3347 SGD cents per stapled security was declared for the period from 1 April 2016 to 30 September 2016 and paid on 29 December 2016.

JANUARY 2017

FHT's second Annual General Meeting was held on 19 January 2017. More than 200 stapled securityholders attended the meeting and all resolutions proposed were duly passed.

MARCH 2017

An asset enhancement initiative ("AEI") to reposition and uplift the retail component of ANA Crowne Plaza Kobe was announced. The master lessee has committed to bear and finance the costs of renovating the mall and signed the addendum to the existing master lease agreement to unwind the perpetual lease and fix the termination sum at a cap of JPY4.25 billion.

RAM Rating Services assigned the same C3/stable rating to the additional MYR7.8 million Class C Junior Medium Term Notes ("MTN") issued by Notable Vision Sdn Bhd.

APRIL 2017

An interim distribution of 2.5321 SGD cents per stapled security was declared for the period from 1 October 2016 to 31 March 2017 and paid on 29 June 2017.

The AEI for Novotel Rockford Darling Harbour, which covers the entire property, including 230 guestrooms, 2 food and beverage outlets, the lobby and public areas, commenced in end-April 2017. The renovation is expected to be completed by end-2017.

JUNE 2017

Moody's Investors Service continued to accord FHT a Baa2 rating with a stable outlook. It also assigned a Baa2 backed senior unsecured rating to FHT's SGD1 billion multi-currency debt issuance programme ("eMTN programme").

JULY 2017

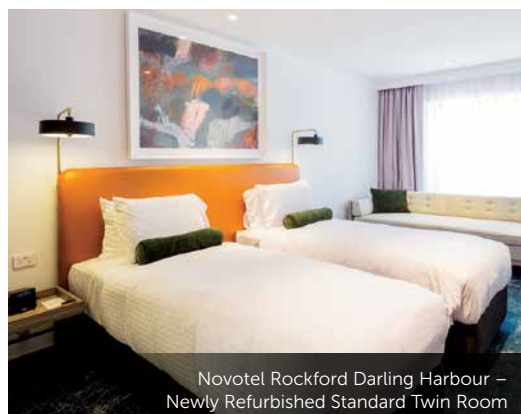
FHT issued SGD120 million 2.63% fixed rate notes with a 5-year tenure under its eMTN programme. The proceeds from its maiden notes issuance were used to prepay the SGD115 million 3-year term loan due in the same month.

AUGUST 2017

RAM Rating Services reaffirmed the ratings of Notable Vision Sdn. Bhd.'s MTN by maintaining the negative rating outlook on its Class A Senior MTN and Class B Junior MTN, and the stable outlook on its C3-rated Class C MTN.



FHT's Second Annual General Meeting



Novotel Rockford Darling Harbour – Newly Refurbished Standard Twin Room

PORTFOLIO SUMMARY

Property	Purchase Price (million)	FY2017 Occupancy (%)	FY2016 Occupancy (%)	Gross Revenue for FY2017 (million)	Gross Revenue for FY2016 (million)	Master Lessee
Novotel Melbourne on Collins ¹	AUD237.0	86.4%	-	AUD32.4	-	FH-BT NMCS Operations Pty Ltd
Novotel Rockford Darling Harbour	AUD66.0	86.1%	94.5%	AUD7.0	AUD7.2	Fraser Sydney ML Hotel Pty Ltd
Sofitel Sydney Wentworth	AUD224.0	91.5%	90.4%	AUD18.0	AUD18.1	Ananke Holdings Pty Ltd
Fraser Suites Sydney	AUD103.5	94.0%	93.4%	AUD11.0	AUD10.8	Fraser Townhall Residences Operations Pty Ltd
InterContinental Singapore	SGD497.1	86.4%	78.7%	SGD18.1	SGD18.3	BCH Hotel Investment Pte Ltd
Fraser Suites Singapore	SGD327.0	86.0%	85.6%	SGD13.0	SGD14.1	River Valley Apartments Pte Ltd
Best Western Cromwell London	GBP17.0	85.4%	88.1%	GBP1.1	GBP1.1	P I Hotel Management Limited
Park International London	GBP39.3	90.4%	80.2%	GBP2.9	GBP2.7	P I Hotel Management Limited
Fraser Place Canary Wharf London	GBP31.5	84.0%	80.9%	GBP3.3	GBP3.3	Fairdace Limited
Fraser Suites Edinburgh	GBP11.5	87.2%	83.7%	GBP1.2	GBP1.2	Fraser (St Giles Street) Management Limited
Fraser Suites Glasgow	GBP7.5	83.6%	82.4%	GBP0.9	GBP1.1	Fairdace Limited
Fraser Suites Queens Gate London	GBP46.3	88.4%	86.3%	GBP3.8	GBP3.8	39QGG Management Limited
ANA Crowne Plaza Kobe	JPY11,200.0	75.7%	78.0%	JPY1,352.2	JPY1,440.2	Hotel: K.K. Shinkobe Holding Retail: Y.K. Toranomon Properties
The Westin Kuala Lumpur	MYR455.0	76.0%	69.4%	MYR26.0	MYR25.4	JBB Hotels Sdn Bhd
Maritim Hotel Dresden ⁽²⁾	EUR58.4	NA	NA	EUR4.2	EUR1.6	Maritim Hotelgesellschaft mbH

⁽¹⁾ The gross revenue and occupancy for a property in the year of acquisition relate to the period from the date of acquisition till the end of the financial year. The acquisition of Novotel Melbourne on Collins was completed on 20 October 2016.

⁽²⁾ The acquisition of Maritim Hotel Dresden was completed on 15 June 2016.

As at 30 September 2017, there were 15 master leases for FHT's investment properties.¹

Top 10 Tenants	Industry	Percentage of Gross Revenue ⁽²⁾
Ananke Holdings Pty Ltd	Hotel	15.4%
BCH Hotel Investment Pte Ltd	Hotel	14.5%
K.K. Shinkobe Holding	Hotel	13.6%
River Valley Apartments Pte Ltd	Serviced residence	10.4%
Frasers Townhall Residences Operations Pty Ltd	Serviced residence	9.4%
JBB Hotels Sdn Bhd	Hotel	6.7%
Frasers Sydney ML Hotel Pty Ltd	Hotel	6.0%
Fairdace Limited	Serviced residence	5.9%
P I Hotel Management Limited	Hotel	5.7%
39QGG Management Limited	Serviced residence	5.4%

Notes:

⁽¹⁾ 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. 100% of FHT's gross revenue is contributed by master lessees from the hospitality sector.

⁽²⁾ Based on gross revenue derived from the 15 master leases and excludes the gross revenue from the Novotel Melbourne on Collins management contract for FY2017.

As at 30 September 2017, the weighted average lease expiry ("WALE") of FHT's investment properties (excluding the master lease for Novotel Melbourne on Collins) is 16.3 years. The WALE was computed based on the gross annual revenue from each of the investment properties, and where an investment property has been held for less than a full year, the gross revenue from that property has been annualised for the purpose of computing WALE, where applicable.

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.

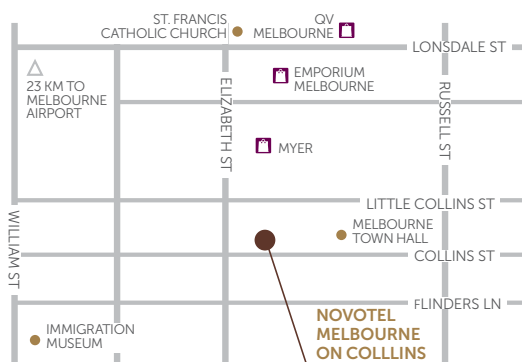
As at 30 September 2017, none of the 15 master leases would be maturing in the next five years.

ASSET PROFILE

NOVOTEL MELBOURNE ON COLLINS



LOCATION MAP



PROPERTY DESCRIPTION

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 guestrooms, 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. Collin's Lane mall.



KEY FACTS

Location
270 Collins Street
Melbourne VIC3000
Australia

Market Segment
Mid-scale

No. of Rooms
380

F&B Facilities
1 restaurant, 1 bar

Meeting Facilities
9 meeting rooms

Gross Floor Area
20,860 sqm

Vendor
260 Collins Pty Ltd

Valuation as at
30 September 2017
AUD251.3 million

NOVOTEL ROCKFORD DARLING HARBOUR

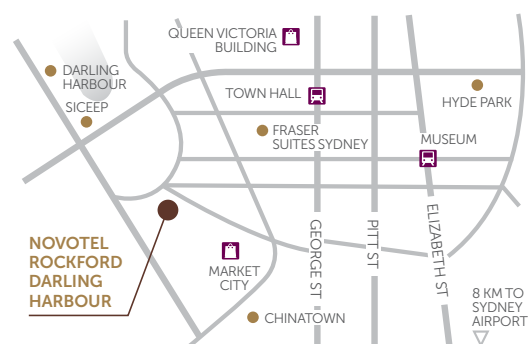
PROPERTY DESCRIPTION

Novotel Rockford Darling Harbour is situated at the edge of Darling Harbour, within a newly developed precinct, Darling Square. The hotel is within walking distance of many shops and restaurants at Darling Harbour, Cockle Bay, King Street Wharf and the International Convention Centre.

The newly renovated hotel has an all-day dining restaurant and a lobby bar. The F&B venues are seamlessly integrated and provide an ideal setting for corporate luncheons and business meetings.



LOCATION MAP



KEY FACTS

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

Market Segment
Mid-scale

No. of Rooms
230

F&B Facilities
2 restaurants; 1 bar

Meeting Facilities
5 meeting rooms

Gross Floor Area
12,128 sqm

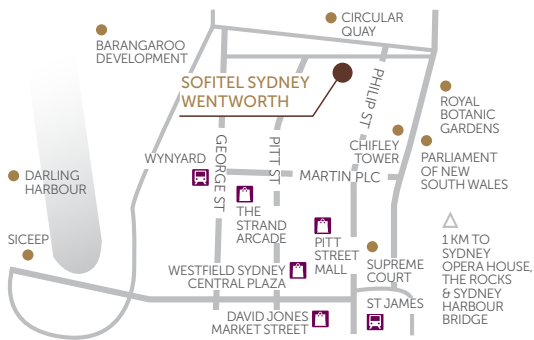
Valuation as at
30 September 2017
AUD104.8 million

ASSET PROFILE

SOFITEL SYDNEY WENTWORTH



LOCATION MAP



KEY FACTS

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

Market Segment
Luxury

No. of Rooms
436

F&B Facilities
1 restaurant; 1 bar;
1 lounge

Meeting Facilities
11 meeting rooms

Gross Floor Area
33,589 sqm

Valuation as at
30 September 2017
AUD307.7 million

PROPERTY DESCRIPTION

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

PROPERTY DESCRIPTION

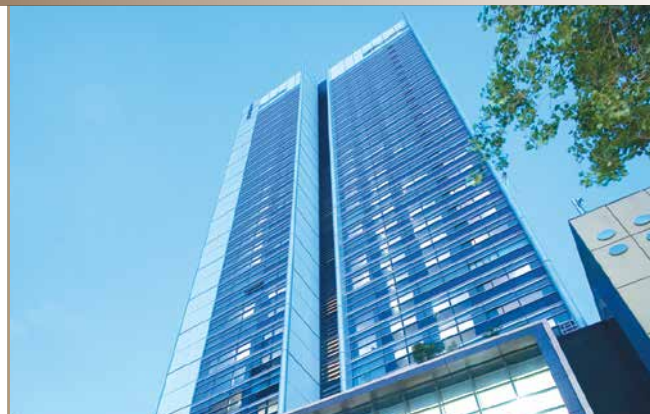
Fraser Suites Sydney is situated within the western corridor of the city's CBD in close proximity to Sydney Town Hall, Chinatown, Darling Harbour and World Square retail, office and entertainment precinct. The serviced residence is also within walking distance of Cockle Bay Wharf, which features the IMAX theatre, the International Convention Centre 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 features 201 apartments and is comprised of studio and 1-bedroom apartments and two penthouses. Each unit is fully furnished with spacious living areas and affords panoramic views of the city's skyline.

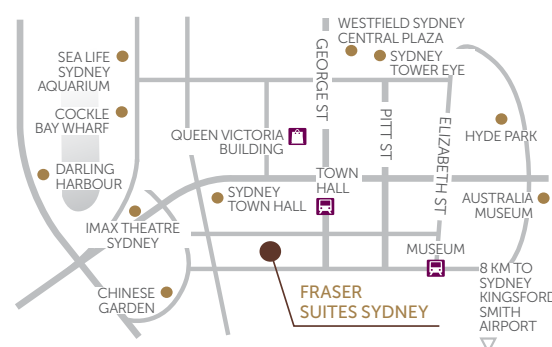
Fraser Suites Sydney offers a wide range of recreational and business facilities. Its leisure centre features a gym, a heated lap pool, and spa and sauna facilities. Conference facilities include conference rooms with internet access and secretarial services. The serviced residence also has a secure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

AWARDS AND ACCREDITATIONS

Description of Award	Awarder	Year
Guest Review Award	Booking.com	2016
Australasia's Leading Serviced Apartments	World Travel Awards	2016 & 2017
Certificate of Excellence	Tripadvisor	2017
TAA (NSW) Awards for Excellence – Best Apartment/Suite Hotel of the Year	Tourism Accommodation Australia (NSW)	2017



LOCATION MAP



KEY FACTS

Location
488 Kent Street,
Sydney, NSW 2000,
Australia

Market Segment
Upper Upscale

No. of Rooms
201

F&B Facilities
1 restaurant

Meeting Facilities
5 meeting rooms

Gross Floor Area
12,137 sqm

Valuation as at
30 September 2017
AUD128.5 million

ASSET PROFILE

INTERCONTINENTAL SINGAPORE



LOCATION MAP



KEY FACTS

Location 80 Middle Road, Singapore 188966	Meeting Facilities 3 ballrooms; 6 meeting rooms
Market Segment Luxury	Gross Floor Area 49,987 sqm
No. of Rooms 406	Valuation as at 30 September 2017 SGD535.0 million
F&B Facilities 3 restaurants; 1 bar; 1 club lounge	

PROPERTY DESCRIPTION

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.

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.

InterContinental Singapore is the only luxury hotel in Singapore with rooms in 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. The hotel also has ample parking, which is a shared facility within Bugis Junction.

AWARDS AND ACCREDITATIONS

Description of Award	Awarder	Year
Best Hotel – Service Excellence 2016	Travel Weekly Asia	2016
Destinasian Readers' Choice Awards	Destinasian	2017
Travellers' Choice	Tripadvisor	2017
Forbes Four-Star Rating	Forbes Travel Guide	2017
Best Asian Restaurants Awards (Bronze Category) – Man Fu Yuan	The Straits Times And Lianhe Zaobao	2017
Top 50 Asia Pacific Meeting Hotels 2017	Cvent	2017
Singapore's Leading Conference Hotel 2017	World Travel Awards 2017	2017
Singapore's Leading Hotel 2017	World Travel Awards 2017	2017
G Restaurant Awards 2017 Award Of Excellence – Man Fu Yuan	The Peak Selections: Gourmet & Travel	2017
Singapore's Top Restaurants 2017/2018 House Of Stars: One Star – Man Fu Yuan	Wine & Dine	2017
Best Five-Star Hotel Of The Year – Singapore	Corporate Travel Awards 2017	2017
Singapore Green Hotel Award 2017-2018	Singapore Hotel Association	2017

FRASER SUITES SINGAPORE

PROPERTY DESCRIPTION

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.

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.

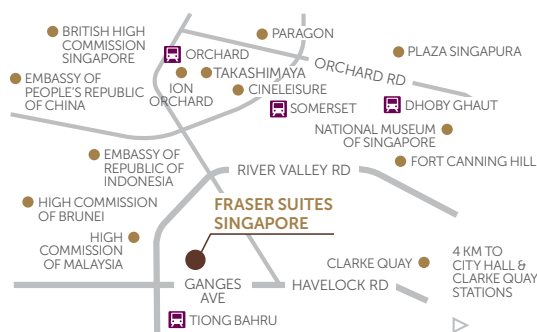
Fraser Suites Singapore offers a wide range of recreational and business facilities, including an extensive indoor and outdoor playzone, a 24-hour fully equipped gym, a jet pool, a swimming pool, steam and sauna facilities.

AWARDS AND ACCREDITATIONS

Description of Award	Awarder	Year
Singapore's Leading Serviced Apartments	World Travel Awards	2016-2017
Asia's Leading Serviced Apartments	World Travel Awards	2016
Certificate of Excellence	Tripadvisor	2017



LOCATION MAP



KEY FACTS

Location
491A River Valley Road, Singapore 248372

Market Segment
Upper Upscale

No. of Rooms
255

F&B Facilities
1 restaurant

Meeting Facilities
1 meeting room

Gross Floor Area
27,018 sqm

Valuation as at 30 September 2017
SGD305.0 million

ASSET PROFILE

BEST WESTERN CROMWELL LONDON



LOCATION MAP



KEY FACTS

Location
108,110 and 112
Cromwell Road,
London, SW7 4ES,
United Kingdom

Market Segment
Mid-scale

No. of Rooms
85

F&B Facilities
1 restaurant; 1 bar

Meeting Facilities
1 meeting room

Gross Floor Area
2,512 sqm

Valuation as at
30 September 2017
GBP17.9 million

PROPERTY DESCRIPTION

Best Western Cromwell London is a hotel with 85 guest rooms. It 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, Natural History Museum, and Victoria and Albert Museum, as well as shopping destinations such as Harrods and Harvey Nichols.

Best Western Cromwell London's strategic location allows it to capture demand from both business and leisure travellers.

The hotel offers a variety of room options, ranging from single rooms to executive rooms.

PARK INTERNATIONAL LONDON

PROPERTY DESCRIPTION

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.



LOCATION MAP



KEY FACTS

Location
117-129 Cromwell Road, South Kensington, London, SW7 4DS, United Kingdom

Market Segment
Mid-scale

No. of Rooms
171

F&B Facilities
2 restaurants; 1 bar

Meeting Facilities
1 meeting room

Gross Floor Area
6,825 sqm

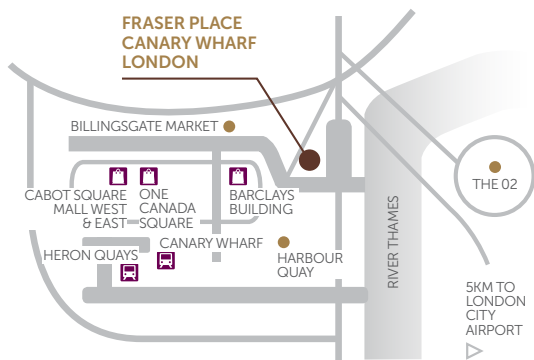
Valuation as at 30 September 2017
GBP41.1 million

ASSET PROFILE

FRASER PLACE CANARY WHARF LONDON



LOCATION MAP



KEY FACTS

Location
80 Boardwalk Place,
London E14 5SF,
United Kingdom

Market Segment
Upper Upscale

No. of Rooms
108

F&B Facilities
1 restaurant

Meeting Facilities
–

Gross Floor Area
5,659 sqm

Valuation as at
30 September 2017
GBP39.8 million

PROPERTY DESCRIPTION

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.

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 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 offers a wide range of recreational and business facilities, including a 24-hour gym and a full-service business centre.

FRASER SUITES EDINBURGH

PROPERTY DESCRIPTION

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.

Fraser Suites Edinburgh comprises 8 storeys and offers 75 rooms. The unit sizes range from 24 sqm for a studio apartment to 47 sqm for an executive suite. The serviced residence also has a fitness suite and a meeting room overlooking the city centre.

AWARDS AND ACCREDITATIONS

Description of Award	Awarder	Year
Scotland's Leading Serviced Apartment	World Travel Awards	2017



LOCATION MAP



KEY FACTS

Location
12-26 St Giles Street,
Edinburgh EH1
1PT, Scotland, United
Kingdom

Market Segment
Upper Upscale

No. of Rooms
75

F&B Facilities
1 restaurant

Meeting Facilities
–

Gross Floor Area
3,952 sqm

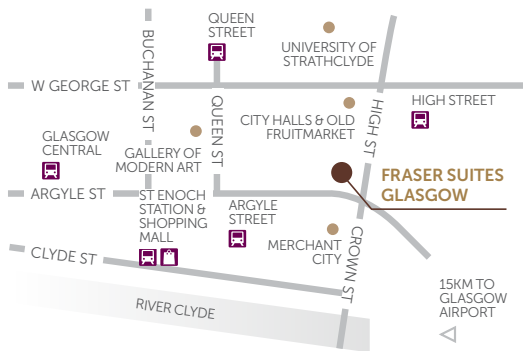
Valuation as at
30 September 2017
GBP14.6 million

ASSET PROFILE

FRASER SUITES GLASGOW



LOCATION MAP



KEY FACTS

Location No 1-19 Albion Street, Glasgow G1 1LH, Scotland, United Kingdom	Meeting Facilities 1 meeting room
Market Segment Upper Upscale	Gross Floor Area 7,386 sqm
No. of Rooms 98	Valuation as at 30 September 2017 GBP10.0 million
F&B Facilities 1 restaurant	

PROPERTY DESCRIPTION

Fraser Suites Glasgow in Merchant City, Glasgow's historic centre, 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 meeting facilities.

AWARDS AND ACCREDITATIONS

Description of Award	Awarder	Year
Bronze Award	Green Tourism	–

FRASER SUITES QUEENS GATE LONDON

PROPERTY DESCRIPTION

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 seven-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.



LOCATION MAP



KEY FACTS

Location
39B Queens Gate
Gardens, London
SW7 5RR, United
Kingdom

Market Segment
Upper Upscale

No. of Rooms
105

F&B Facilities
1 restaurant

Meeting Facilities
1 meeting room

Gross Floor Area
6,416 sqm

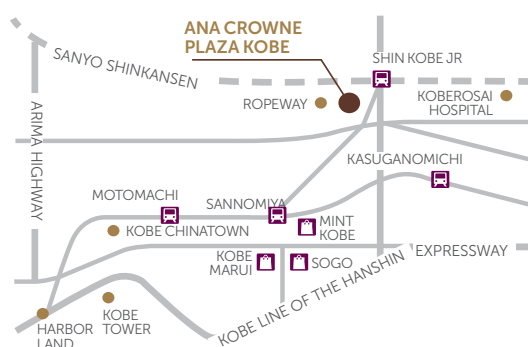
Valuation as at
30 September 2017
GBP58.5 million

ASSET PROFILE

ANA CROWNE PLAZA KOBE



LOCATION MAP



KEY FACTS

Location 1-Chome, Kitano- Cho Chuo-Ku, Kobe, 650-0002, Japan	Meeting Facilities 23 function / meeting rooms
Market Segment Upper Upscale	Gross Floor Area 136,656 sqm
No. of Rooms 593	Valuation as at 30 September 2017 JPY15.7 billion
F&B Facilities 7 restaurants; 1 bar; 1 lounge	

PROPERTY DESCRIPTION

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, one 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.

ANA Crowne Plaza Kobe offers a variety of room options, ranging from 15 sqm single-bedrooms to 125 sqm club suites.

ANA Crowne Plaza Kobe offers a wide range of recreational and business facilities, including a health and fitness centre and a business services centre. 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 11 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.

AWARDS AND ACCREDITATIONS

Description of Award	Awarder	Year
Hyogo 3 Pavilion	The Michelin Guide	2016
Meister of Customized Page	Rakuten Travel	2017
Best Sales of the Year (West Japan area)	Ikkyu	2017
JTB Web Bronze Award	JTB Travel	2017
CS Award (Kansai area)	ANA Sales	2017
Award of Excellence	Booking.com	2017
Certificate of Excellence	Tripadvisor	2017
Rurubu Travel (JTB) Bronze Award	JTB Travel	2017

THE WESTIN KUALA LUMPUR

PROPERTY DESCRIPTION

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.

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, Italian and Cuban cuisines as well as a bar.

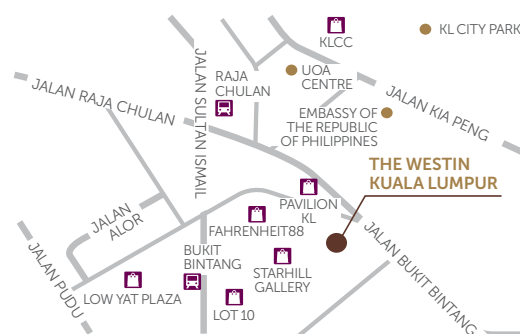
The Westin Kuala Lumpur has 25 meeting rooms and conference facilities, all equipped with state-of-the-art audio-visual equipment. The hotel's grand ballroom can accommodate up to 50 round tables. In 2014, the hotel renovated the Westin Executive Club Lounge, which has two small meeting rooms catering to corporate travellers.

AWARDS AND ACCREDITATIONS

Description of Award	Awarder	Year
MIGF Festival Awards – Judges' Choice - Five Sen5es - Best Value Menu of the Festival - Best Marketed Restaurant	Malaysia International Gastronomy Festival 2016	2016
MIGF Dining Awards - Festival Diners' Choice - Most Outstanding Service Team - Most Outstanding Canapé - Most Outstanding Main Course - Others - Most Outstanding Dessert - Best Restaurant Ambience - Best Value Menu of The Festival	Malaysia International Gastronomy Festival 2016	2016
Luxury Hotel & Restaurant Of The Year 2017	Luxury Travel Guide Awards	2017
Corporate Travel Awards	n/a	2017
Malaysia's Best Restaurant - Prego	Malaysia Tatler	2017
Malaysia's Best Restaurant - Qba Bar & Grill	Malaysia Tatler	2017
Malaysia's Best Restaurant - Five Sen5es	Malaysia Tatler	2017



LOCATION MAP



KEY FACTS

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

Market Segment
Luxury

No. of Rooms
443

F&B Facilities
5 restaurants; 1 club lounge; 1 lounge

Meeting Facilities
25 meeting rooms; 1 executive boardroom

Gross Floor Area
79,593 sqm

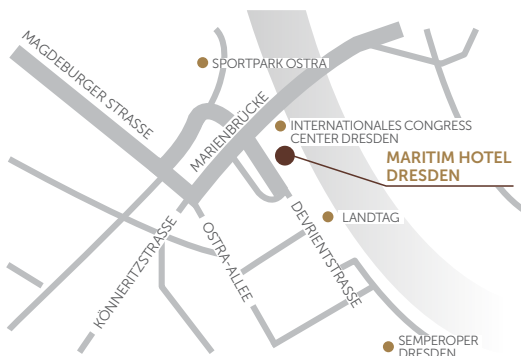
Valuation as at 30 September 2017
MYR430.0 million

ASSET PROFILE

MARITIM HOTEL DRESDEN



LOCATION MAP



KEY FACTS

Location
Devrientstrasse
10-12, 01067
Dresden, Germany

Market Segment
Upscale

No. of Rooms
328

F&B Facilities
1 restaurant; 1 bar

Meeting Facilities
–

Gross Floor Area
25,916 sqm

Valuation as at
30 September 2017
EUR61.2 million

PROPERTY DESCRIPTION

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.

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

INVESTOR RELATIONS

REGULAR, TRANSPARENT AND TIMELY COMMUNICATIONS

At FHT, we are committed to maintaining fair, regular, timely and accurate communications with our stapled securityholders, the investment community and the media.

We ensure that our announcements, press releases, presentation slides, annual report and all other relevant disclosures are made publicly available on a timely and non-selective basis to help our stakeholders make informed investment decisions. Material information relating to financial and portfolio performance as well as strategic developments is first filed with the Singapore Exchange ("SGX") and then published on FHT's website at www.frasershospitalitytrust.com.

Our quarterly financial results are publicly released no later than 30 days from the end of each quarter. Notification on the date of release of each quarter's results is made via SGX at least 2 weeks prior to the actual release and posted on FHT's website which is regularly updated.

ACTIVE ENGAGEMENT VIA MULTIPLE PLATFORMS

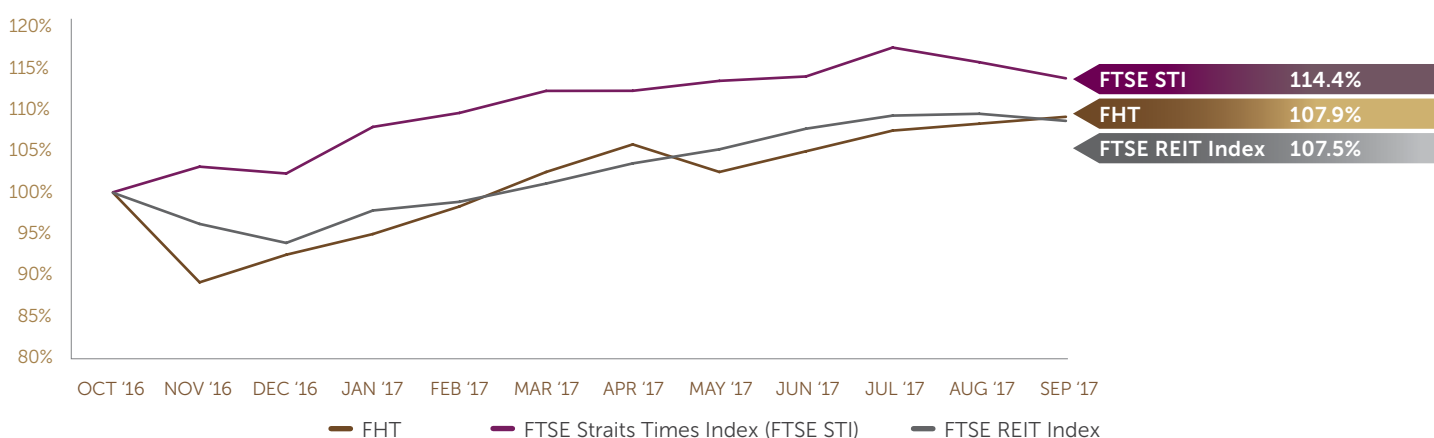
We actively engage the investment community through investor meetings,

conference calls, roadshows and investor conferences. Such interactions not only help to raise awareness of FHT and provide the investment community regular access to the management, they also enable us to gain better understanding of the market perceptions and expectations of FHT.

We 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 quarter. In addition, property visits are organised upon request to help the investment community better understand our operations and performance.

At FHT's second Annual General Meeting ("AGM") held on 19 January 2017, our Board of Directors and management were in attendance to engage stapled securityholders and address their queries and concerns. Updates on FHT's financial and portfolio performance, market outlook and growth strategies were provided at the meeting 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.

COMPARATIVE TRADING PERFORMANCE FOR FY2017



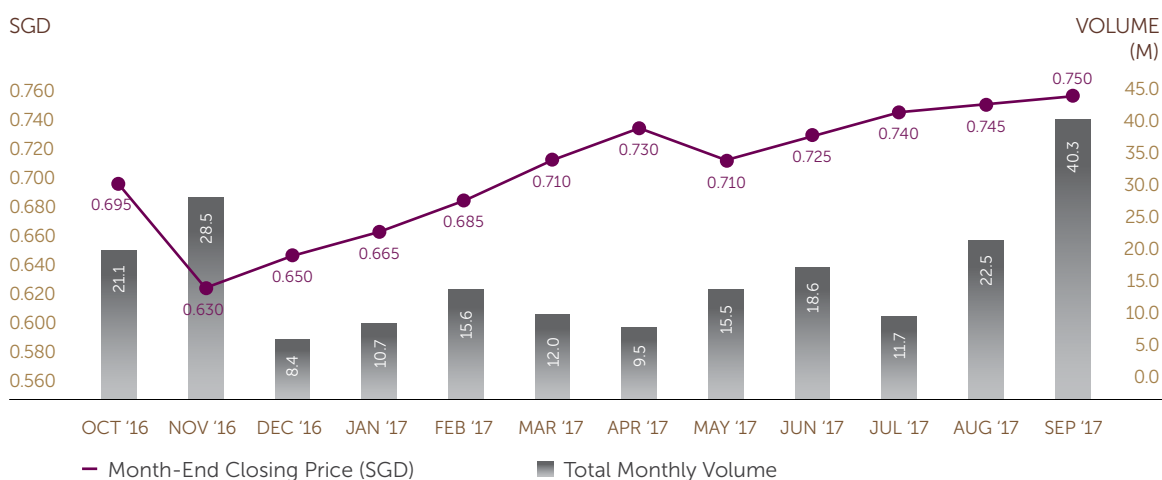
Source: Bloomberg

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).

INVESTOR RELATIONS

FHT MONTHLY TRADING PERFORMANCE FOR FY2017



FHT 3-YEAR STOCK TRADING PERFORMANCE

	FY2015	FY2016	FY2017
Opening price	SGD0.890 (1 October 2014)	SGD0.730 (1 October 2015)	SGD0.695 (3 October 2016)
Closing price	SGD0.730 (30 September 2015)	SGD0.690 (30 September 2016)	SGD0.750 (29 September 2017)
Highest price traded	SGD0.920	SGD0.820	SGD0.765
Lowest unit traded	SGD0.690	SGD0.685	SGD0.630
Total volume of stapled securities traded	118.3 million	79.0 million	214.3 million
Average daily volume of stapled securities traded	0.5 million	0.3 million	0.9 million
Market capitalisation as at 30 September	SGD990.9 million	SGD952.1 million	SGD1,384.2 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).

1-YEAR AND 3-YEAR TOTAL RETURNS

	1-Year ⁽¹⁾		3-Year ⁽¹⁾	
	Price Change	Total Return ⁽²⁾	Price Change	Total Return ⁽²⁾
FHT	8.7%	16.5%	-11.7%	7.5%
FTSE STI	12.2%	15.9%	-1.4%	9.5%
FTSE REIT Index	4.2%	10.7%	6.5%	28.7%



**FHT 1-YEAR
TOTAL RETURN**

16.5%

FHT's 1-year total return of 16.5% exceeds the 1-year total return of FTSE STI and FTSE REIT Index of 15.9% and 10.7% respectively.

Source: Bloomberg

Notes:

⁽¹⁾ 1-year return is for the period from 3 October 2016 to 29 September 2017 and 3-year return is for the period from 1 October 2014 to 29 September 2017.

⁽²⁾ Assumes dividends are reinvested.

INVESTOR RELATIONS CALENDAR FOR FY2017

Activities	
First Quarter FY2017 (1 October 2016 – 31 December 2016)	
Analyst briefing for FY2016 results	October 2016
Morgan Stanley Asia Pacific Summit, Singapore	November 2016
REITAS site visit for retail investors	December 2016
Second Quarter FY2017 (1 January 2017 – 31 March 2017)	
DBS Pulse of Asia Conference, Singapore	January 2017
AGM	January 2017
Analyst earnings call for 1Q2017 results	January 2017
SGX-UOB Corporate Day, Taipei	February 2017
SGX-CLSA-REITAS S-REITs Corporate Day, Seoul	March 2017
Third Quarter FY2017 (1 April 2017 – 30 June 2017)	
Analyst briefing for 2Q2017 results	April 2017
DBS Frasers Day, Bangkok	May 2017
Citi ASEAN C-Suite Investor Conference, Singapore	May 2017
Singapore REITS Symposium 2017	May 2017
Fourth Quarter FY2017 (1 July 2017 – 30 September 2017)	
Analyst earnings call for 3Q2017 results	July 2017
SGX-Maybank Singapore Corporate Day, Kuala Lumpur	August 2017
Citi C-Suite SREITs & Sponsors Corporate Day 2017, Singapore	August 2017
Non-deal roadshow, Seoul	August 2017
Non-deal roadshow, Tokyo	August 2017

EQUITY RESEARCH COVERAGE

FHT is covered by sell-side analysts from:

- DBS Vickers Securities
- Morgan Stanley Research
- UOB Kay Hian

FEEDBACK

To promote open and transparent communication, we value and welcome feedback which may be made via: ir@frasershospitality.com.

FINANCIAL CALENDAR FOR FY2017

19 January 2017 Second AGM
26 January 2017 Release of 1Q2017 results
27 April 2017 Release of 2Q2017 results
29 June 2017 Payment of interim distribution for FY2017
27 July 2017 Release of 3Q2017 results
27 October 2017 Release of 4Q and FY2017 results
29 December 2017 Payment of final distribution for FY2017

FINANCIAL CALENDAR FOR FY2018 (subject to changes without prior notice)

24 January 2018 Third AGM
24 January 2018 Release of 1Q2018 results
April 2018 Release of 2Q2018 results
June 2018 Payment of interim distribution for FY2018
July 2018 Release of 3Q2018 results
October 2018 Release of 4Q and FY2018 results
December 2018 Payment of final distribution for FY2018

SUSTAINABILITY REPORT



OUR REPORT

About This Report

Fraser's Hospitality Trust's ("FHT") Sustainability Report is for the period from 1 October 2016 to 30 September 2017 ("FY2017"). It summarises our approach towards sustainability and our progress to-date.

For this report, we continue to adopt the standards issued by the Global Reporting Initiative ("GRI") Global Sustainability Standard Board and have elected to prepare it in accordance with GRI Standards "Core", which supersedes GRI G4 Guidelines. We have also incorporated numerous components that would align our report with the upcoming Singapore Exchange Securities Trading Listing Rules 711A and 711B.

Similar to last year, we have made reference to the GRI G4's Construction and Real Estate Sector supplements and have aligned our reporting with the GRI Reporting Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness, Balance, Comparability, Accuracy and Reliability, Timeliness and Clarity.



Report Scope

Reporting on sustainability not only serves our purpose of increasing transparency in our engagement with our stakeholders, it also enables us to measure our sustainability performance.

This report covers the environmental, social and governance ("ESG") performance of our 15 properties in Asia, Australia and Europe. It focuses on our key sustainability issues and how we have managed them within our sustainability framework which is aligned with our sponsor, Fraser's Centrepont Limited ("FCL").

We work closely with FCL and our hotel and serviced residence operators to encourage good ESG performance across our portfolio.

While we consider sustainability in all aspects of our work, the performance data on energy management, water management and safety disclosed in this report only covers the 6 Fraser-branded serviced residences and 2 hotels, namely Best Western Cromwell London and Park International London, which are managed by Fraser's Hospitality Pte Ltd, the hospitality arm of our Sponsor.

We have excluded the remaining 7 hotels in this report as they are independently managed by reputable international hotel chains with established sustainability policies, practices and reporting.

Our sustainability information has been disclosed in good faith and to the best of our knowledge. As we continue our sustainability journey, we welcome any feedback that will help us in improving our reporting and performance. Comments or feedback can be sent to: ir@frasershospitality.com.

OUR SUSTAINABILITY COMMITMENT

At FHT, we firmly believe that sustainability is important to our long-term viability and we understand that the ESG aspects of our business are of interest to our stakeholders. As such, we are committed to embracing and applying sustainability in every part of our value chain (to the extent possible) across our global portfolio to create long-term value for our stakeholders.



We also believe that collaboration on sustainability is key, both to address the changing attitudes towards sustainability in the global hospitality sector and to support our Sponsor's efforts in this area. FCL was one of the first real estate players in Singapore to report on sustainability cohesively at both the Sponsor and Trust levels, demonstrating how its sustainability policies and practices run throughout the brand.

We work with FCL, our hotel and serviced residence operators, employees and other stakeholders to incorporate sustainability into our everyday behaviour

and decision making, and to adopt best practices in governance and social responsibility.

During FY2017, we were pleased to see 2 of our properties selected for Green awards as well as the many other service excellence awards they achieved. We also continued to support FCL in its sustainability endeavours, such as its participation in numerous organisations and initiatives including the Global Compact Network of Singapore, Singapore Green Building Council, the United Nations Sustainable Development Goals and the Global Real Estate Sustainability Benchmark.

THE YEAR AT A GLANCE



Awards won:

InterContinental Singapore:

- ASEAN Green Hotel Standard 2016 - 2018
- Singapore Green Hotel Award 2017-2018
- Fire Safety Excellence Award 2016

Fraser Suites Glasgow

- Green Tourism Certificate



Activities:

Inaugural Frasers Environment Month 2017

Frasers Health and Safety Month 2017 (second year running)

SUSTAINABILITY REPORT



MANAGING SUSTAINABILITY

Management Structure

As a sponsored REIT, our sustainability programme is closely aligned with FCL's sustainability direction. FCL's Sustainability Steering Committee (SSC) provides guidance and drives our corporate sustainability agenda in the business operations. The committee is chaired by the Group CEO, Mr Panote Sirivadhanabhakdi, and comprises the CEOs of FCL business units including the CEO of the Managers, Ms Eu Chin Fen. The SSC meets quarterly to review the Group's performance against the sustainability themes.

Supporting the SSC is FCL's Sustainability Working Committee (SWC), which consists of members from the middle and senior management of various business

Key Stakeholders	Key Topics	Forms of Engagement	Frequency
Customers and guests	<ul style="list-style-type: none"> Rooms, food and beverage, service, facilities and customer satisfaction 	<ul style="list-style-type: none"> Bilateral communications Events Surveys 	<ul style="list-style-type: none"> Throughout the year Throughout the year Throughout the year
Investment community and stapled securityholders	<ul style="list-style-type: none"> Stable and sustainable distribution Financial and operational performance Asset enhancement initiatives Acquisitions and sources of financing Business strategy and outlook Good Corporate Governance 	<ul style="list-style-type: none"> Results briefings and earning calls Annual General Meeting Local and overseas investor conferences and roadshows Bilateral communications via teleconferences, and company and site visits Corporate website Emails and discussions 	<ul style="list-style-type: none"> Quarterly Once a year Refer to Investor Relations section As and when requested Throughout the year Throughout the year
Business partners – serviced residence and hotel operators	<ul style="list-style-type: none"> Asset management Business opportunities ESG practices Property maintenance programmes 	<ul style="list-style-type: none"> Regular site meetings Discussions via calls and emails 	<ul style="list-style-type: none"> Throughout the year Throughout the year
Employees	<ul style="list-style-type: none"> Employee development and retention Organisation updates Occupational health and safety training Employee well-being 	<ul style="list-style-type: none"> Performance appraisals Training, including orientation programme for new staff Internal communications via emails, the intranet and newsletters Frasers Health and Safety Month Team bonding, sports and other social events 	<ul style="list-style-type: none"> Once a year Throughout the year Throughout the year Once a year Throughout the year

units and departments such as Finance, Risk, Human Resource and Communications. A representative from the REIT Manager sits on the SWC whose main task is to monitor FHT's sustainability performance against our key performance indicators (KPIs), and communicate and report to our stakeholders.

Stakeholder Engagement

Engaging our stakeholders is important to us and we interact with them regularly via various platforms and channels. Their feedback and concerns are carefully considered to ensure decisions will contribute to the improvement of our operational and sustainability performance.



Key Stakeholders	Key Topics	Forms of Engagement	Frequency
Suppliers	<ul style="list-style-type: none"> • Appropriate cost and budgeting • Adherence to terms and conditions of purchasing policies 	<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
Local community	<ul style="list-style-type: none"> • Social and community projects • Environmental protection and conservation of natural resources 	<ul style="list-style-type: none"> • Community engagement activities • Frasers Environment Month 	<ul style="list-style-type: none"> • Throughout the year • Once a year
Media	<ul style="list-style-type: none"> • Financial and operational performance • FHTs latest developments, e.g. acquisitions, equity fund raising and asset enhancement initiatives 	<ul style="list-style-type: none"> • Luncheons with relevant journalists • Media releases 	<ul style="list-style-type: none"> • Throughout the year • Throughout the year
Regulators	<ul style="list-style-type: none"> • Compliance with rules and regulations • Regulatory and industry trends 	<ul style="list-style-type: none"> • Briefings and consultations • Discussions 	<ul style="list-style-type: none"> • Throughout the year • Throughout the year
Trade associations	<ul style="list-style-type: none"> • Industry updates and trends, dialogues and issues 	<ul style="list-style-type: none"> • Member of the REIT Association of Singapore ("REITAS") • Member of Securities Investors Association (Singapore) ("SIAS") • Our CEO, Ms Eu Chin Fen, is both a Board Member of the Singapore Hotel Association and a Member of the Regulatory Sub-Committee of REITAS 	<ul style="list-style-type: none"> • Throughout the year • Throughout the year • Throughout the year

SUSTAINABILITY REPORT

Materiality

In 2015, we conducted our first materiality assessment together with FCL and identified 10 material ESG factors that would be relevant to our business and would influence decisions of our stakeholders.

These material factors were reviewed during FY2017. They remain relevant as they are reflective of our impact and our stakeholders needs.



⁽¹⁾ Financial Statements on pages 117 to 257.

Influencing Our Supply Chain

When working with our property operators and suppliers, we look for opportunities to encourage sustainable thinking across our supply chain wherever possible. We also share our knowledge of sustainable practices where relevant. The following are some of the initiatives that we have assessed together with our property operators and suppliers:

- Replacement of equipment with eco-efficient and environmentally-friendly alternatives as and when the need arises
- Use of appropriate and adequate risk management procedures in the sourcing and selection of materials process
- Revision of procurement contracts to include environmental considerations
- Consideration of green features when reviewing and developing asset enhancement plans

UPHOLDING GOOD CORPORATE CITIZENSHIP

Beyond Compliance

At FHT, we believe in being a responsible corporate citizen. Beyond complying with laws and regulations, good corporate governance drives good business and we aim to maintain high standards of integrity, accountability and responsible governance.

PERFORMANCE DATA



No breach of environmental laws and regulations.



No confirmed incidents of bribery and corruption.



No incidents of non-compliance with regulations and industry codes concerning marketing communications.

Environmental Compliance

Environmental compliance is a critical aspect of our business operations as we have a responsibility towards our stapled securityholders to ensure good governance in all aspects of our work. We hold ourselves to high compliance standards and make every effort to ensure that we comply with the applicable rules and regulations in the countries that we operate in. There has been no breach of environmental laws and regulations during FY2017 and we aim to achieve the same in the coming year.

Corporate Policies

Our reputation is built by dealing fairly and ethically. We adopt a risk-based management approach to sustainability and regularly review our policies and compliance levels. Should an unlikely breach of regulation occur, we will review and make the necessary improvements to ensure it does not recur.

Guided by FCL, we subscribe to the following corporate policies:

- Code of Business Conduct
- Whistle-Blowing Policy
- Anti-Bribery Policy
- Competition Act Compliance Manual
- Personal Data Protection Act Policy
- Environment, Health and Safety Policy

These policies enable us to maintain our high standards of governance and are translated into programmes and standard operating procedures across our organisation.

We comply with all applicable laws, rules and regulations including the Code of Corporate Governance 2012 and the Singapore Code of Advertising Practice.

We pledge our commitment to uphold high standards in corporate governance by being a signatory of the 2017 Corporate Governance Statement of Support initiated by SIAS. Furthermore, we continue to ensure that our communications with the investment community are transparent, clear, timely and accurate.



SUSTAINABILITY REPORT

CHANGING THE WAY WE LOOK AT NATURAL RESOURCES

With the increasing awareness of environmental issues, especially amongst our global customers and guests, we recognise the importance of addressing their changing demands and concerns to remain competitive and relevant. We encourage our hotel and serviced residence operators to practise good energy, water and waste management and support them through asset enhancement initiatives where appropriate.

Energy Management

Energy use has fluctuated in some of our properties owing to the changes in weather patterns that impacted air-conditioning and heating usage. At Best

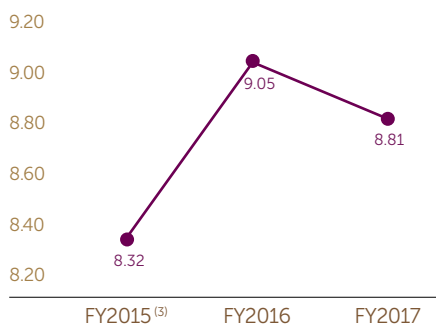
Western Cromwell London and Park International London, a milder winter and spring meant heating was used less.

At Fraser Suites Glasgow, consumption declined partly due to the installation of LED lightings and the replacement of old radiators with energy efficient, temperature controlled versions. Similarly at Fraser Suites Singapore, the installation of LED lightings led to lower energy consumption.

Overall, energy consumption in declined year-on-year by 2.6% to 8.8 million kWh in FY2017, leading to overall reduction in energy intensity. With lower energy consumption, building greenhouse gas ("GHG") emissions and intensity also declined compared to a year ago.

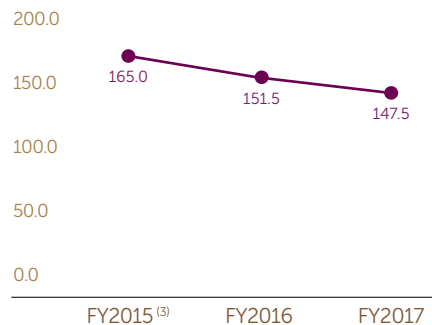
PERFORMANCE DATA ⁽²⁾

Electricity Consumption (million kWh)

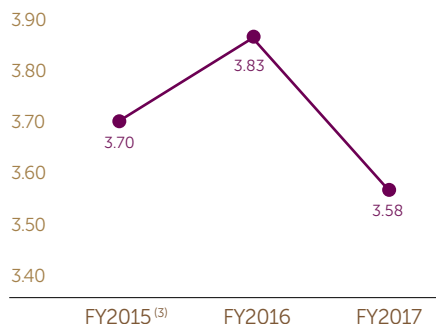


—●— Electricity Consumption (million kWh)

Building Energy Intensity (kWh/m²)



GHG Emissions (million tones of CO₂e)



—●— Electricity Consumption (million kWh)

GHG Intensity (tones of CO₂e/m²)





OUR TARGET
IS TO REDUCE OUR
ENERGY INTENSITY

BY

15%

FROM FY2015 TO FY2025



⁽²⁾ Re-statement was due mainly to updates received for energy consumption and standardisation of gross floor area for some properties. Fraser Suites Sydney was excluded from the energy data.

⁽³⁾ Best Western Cromwell London and Park International London were excluded from the energy data.

Accolades and Awards

We are proud to note that two of our hotels received a number of green awards in recognition of their efforts in implementing good environmental practices.



- InterContinental Singapore
 - ASEAN Green Hotel Standard 2016–2018
 - Singapore Green Hotel Award 2017-2018
 - Fire Safety Excellence Award 2016
- Fraser Suites Glasgow
 - Green Tourism Certificate

Planet 21 (Bronze Level)

Novotel Rockford Darling Harbour's, Plant for the Planet Programme aims to reinvest 50% of the savings from towel and linen reuse in tree planting and environmental projects. In 2016, over AUD145,000 was collected for the programme, funding the planting of 11,633 trees by Greening Australia in four geographical regions.



Energy Efficient Buildings

In FY2017, a number of investments were made:

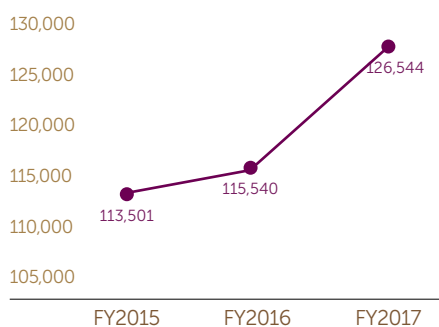
Sofitel Sydney Wentworth, installed new energy efficient burners in the kitchens and LED lights throughout the property. A new Building Management System that monitors energy consumption and automatically adjusts energy usage to operational demand was also implemented at the hotel.

At Fraser Place Canary Wharf London, facilities lightings were replaced with LEDs to reduce carbon footprint.

Water Management

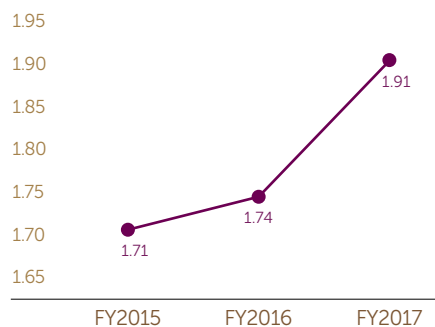
PERFORMANCE DATA ⁽⁴⁾

Water consumption (m³)



—●— Water Consumption (m³)

Building Water Intensity(m³/m²)



OUR TARGET
IS TO REDUCE OUR
WATER INTENSITY

BY
15%

FROM FY2015 TO FY2025



Total water consumption in FY2017 increased by 9.5% compared to a year ago and consequently, water intensity also increased year-on-year. This was due to a number of factors including increased occupancy and weather fluctuations. In addition, there was an

increase in frequency of bin washing at Fraser Suites Singapore which led to higher water usage. The property has addressed this with its contractor and has seen a reduction in water consumption.

⁽⁴⁾ Restatement was due to standardisation of gross floor area for some properties. Fraser Place Canary Wharf London was excluded from the water data.

SUSTAINABILITY REPORT

Go Green

Our 'Go Green' programme at our serviced residences includes sustainability awareness campaigns which seek to educate our guests on topics such as limiting the use of laundry services to save water and energy, and reducing waste through the removal of unnecessary wrapping of toiletries and amenity products.

Water Efficient Buildings

We have invested in low flush and efficient shower systems in many of our properties in order to reduce water usage. We will continue to install water efficient devices and equipment when refitting is required.



Increasing Awareness of Conservation

To increase awareness of water conservation, a visit to Singapore's NEWater plant was organised for our employees. The aim of this educational tour was for our people to learn about our source of water supply and the importance of conserving water.

Paper Recycling at REIT Manager's Office

A large part of waste generated at the REIT Manager's office is attributed to paper usage. We encourage our employees to reduce paper usage by having default print settings to double-sided and discouraging printing where materials are available online. In FY2017, 418 reams of A4 paper and equivalent were used, representing a year-on-year reduction of more than 10%.

Aside from encouraging more responsible use of paper, we also support recycling by sourcing paper which has Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC) label, and products under the Singapore Green Label Scheme (SGLS).

Green Tourism Certificate

Besides Fraser Suites Glasgow, some of our other properties including Fraser Suites Queens Gate London are setting the foundation for the Green Tourism Certificate. This involves complying with requirements such as installing recycling facilities and encouraging their use; monitoring food, toiletries and general waste; and educating staff and guests on waste management. The use of environmentally-friendly cleaning materials is also encouraged.

Fraser's Environment Month

During the Fraser's Environment Month in March 2017, employees and staff at our properties participated in a series of workshops, engagement sessions, educational tours, and even a coastal clean-up. These activities aim to increase employee awareness about upcycling and recycling, water sustainability as well as the conservation of resources.

Working With Trade Associations:

FHT is a member of REITAS and SIAS.

Our CEO, Ms Eu Chin Fen, sits on the Board of the Singapore Hotel Association and is a Member of the Regulatory Sub-Committee of REITAS.

INVESTING IN A WORKFORCE OF THE FUTURE

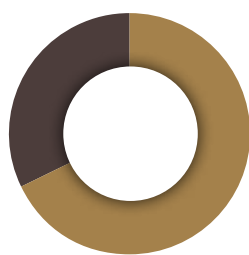
Managing Talent

Having a diverse talent pool encourages growth, innovation and inclusivity, all of which contribute positively to FHT's business performance. As a part of FCL's commitment to adopt fair employment practices, we subscribe to the Tripartite Alliance for Fair & Progressive Employment Practices (TAFEP) in Singapore and we are a member of the Singapore National Employer Federation. Additionally, we adopt Frasers' Group Code of Business Conduct to reiterate our commitment to equal employment opportunities based on meritocracy.

Retaining and Developing Staff

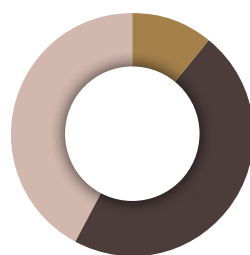
The data on employees in this report is in relation to the REIT Manager. Employee retention continues to be an important aspect for the REIT Manager, as our people are the cornerstone of our success. We seek to retain our knowledge pool while also introducing a managed stream of new talents and skills. As of 30 September 2017, we have a lean team with 19 full-time employees (including 3 overseas staff), with a hiring rate of 11%. Our turnover rate was 11% due to two staff who left during FY2017.

Gender Diversity
(As of 30 September 2017)



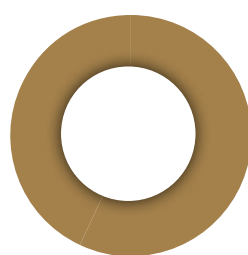
Female – 68%
Male – 32%

Age Diversity
(As of 30 September 2017)

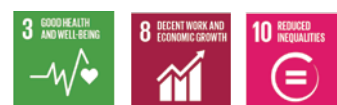


20-29 years – 11%
30-39 years – 47%
40-49 years – 42%

Employee Mix
(As of 30 September 2017)



Executive – 100%



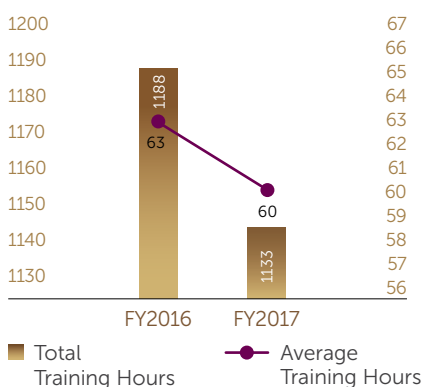
Learning and Development

We strive to cultivate a learning culture by providing our people various learning and development programmes which are co-ordinated by the HR department of FCL. Staff who wish to broaden their learning may also request for specific trainings in areas related to their

work. For instance, during FY2017, they attended training and talks on relevant topics covering emerging trends and investment opportunities in the hospitality market, ethics and risk management, leading in the age of disruption and brand governance.

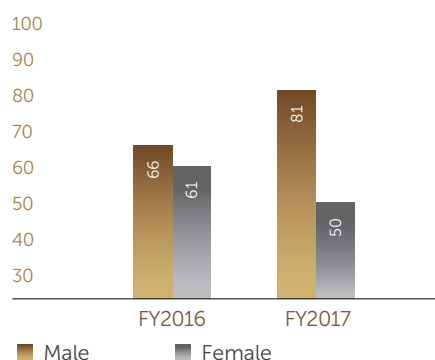
Training Hours⁽⁴⁾

(As at 30 September)



Average Training Hours by Gender

(As at 30 September)



⁽⁴⁾ FY2016 data has been restated due to inclusion of training data of overseas staff.

SUSTAINABILITY REPORT

Health and Wellbeing

The wellbeing of our staff is important to us and we engage our people regularly, both through formal means such as annual appraisal reviews, and informal means including office get-togethers and team bonding events.

We aim to support our employees in balancing their work and personal lives and to make coming to work an enjoyable experience for them.

Staff Engagement

- Activities were organised to encourage staff to stay healthy:
 - Healthy lifestyle and medical talks
 - Sports tournaments
- Several of our properties organised regular staff get-togethers, including Christmas dinners.
- FCL organised an outing to Universal Studios Singapore as part of the group's yearly Family Day to promote family bonding. Employees and their families were treated to a day of thrills and delights. They also had the opportunity of interacting with their colleagues in a different setting during the Family Day.



Health and Safety Month

- As part of FCL Health and Safety Month, our property staff across the globe took part in various wellness-advocating activities including:
 - Specialised health and safety training and audits
 - A Juice Day when fresh juices were distributed to property staff at Fraser Suites Sydney to promote healthy lifestyle
 - A 7-a-side football tournament which was held at Fraser Place Canary Wharf London where property staff and guests took part
 - A team of 5 from Fraser Suites Glasgow climbing Ben Nevis, Scotland's highest mountain peak



Flexi Working Arrangements

The REIT Manager follows FCL's HR policies, which include flexible working arrangement for employees such as working from home, flexible hours and family care leave. This allows those who are caregivers of children or elderly parents to balance their work and responsibilities at home.



Safety First





At our properties, safety of our guests and property staff takes precedence.

Our rooms are safe and secure, with proper equipment and established practices in place, such as essential locking mechanisms, safety lighting, and emergency procedures. We also conduct regular risk assessments and walk throughs to uphold health and safety at all times. We ensure that stringent health and safety

policies and practices are followed. At each of our properties managed by Frasers Hospitality, a designated team is responsible for safety and security, including fire safety.

We recorded 2 lost-time injuries with 101 lost days in FY2017, an improvement over FY2016's performance. We continue to work on improving this data and moving towards zero workplace injuries.

PERFORMANCE DATA

Year	FY2015	FY2016	FY2017
 Number of Lost-Time Injuries	3	6	2
 Lost-Time Injury Rate (per million manhours worked)	4.6	9.3	3.1
 Number of Lost Days	136	273	101
 Severity Rate (per million manhours worked)	207.3	421.60	154.21

Notes:

Our health and safety data relates to the staff at all 8 Frasers Hospitality managed properties and has been aligned to the Singapore's Ministry of Manpower requirements with the definition of lost time injury being more than three days medical leave due to injury.



No incidents of non-compliance with health and safety regulations.



No major safety incidents across our portfolio.



3 GOOD HEALTH AND WELLBEING

SUSTAINABILITY REPORT

Certification and Compliance

We ensure that our portfolio of properties complies with relevant health and safety mandatory and voluntary requirements.

At InterContinental Singapore, BizSafe Level 1 and Level 2 Training was completed in February and April 2017 respectively and a total of 39 Department Heads and Leaders were certified. The hotel is preparing to renew its BizSafe Level 3 Certification shortly.

We encourage our hotel and serviced residence operators to hold regular occupational, health and safety meetings, inspections and reviews with team members to ensure all workplace safety matters and best practices are adopted.

Training

We provide our property staff with regular health and safety training to keep them and our guests safe.

Risk analysis training also ensures that they are equipped to identify risks posed to guests in order to quickly and efficiently eliminate such risks.

In line with FCL and in view of recent global terrorism incidents, our property staff have undergone training on terrorism preparedness as well as other safety-related training covering:

- Workplace safety
- AED
- Occupational first aid and CPR
- Cluster-wide crisis and emergency management
- Fire evacuation
- Food hygiene risk assessment

Safety Equipment

We ensure that our assets are properly supplied with equipment necessary for keeping our staff and our guests safe. This includes emergency equipment, burn kits and defibrillators. Staff at our properties are also trained to use the equipment.

Furthermore, external auditors have been engaged to carry out assessments and reviews of our health and safety features and performance.



CREATING STRONG, INTEGRATED COMMUNITIES AND GIVING BACK TO SOCIETY

At FHT, we align our community investments with FCL's by adopting the theme of 'Wellness'. We aim to enhance the wellness of the minds, hearts, spirits and bodies of our communities as well as contributing to the wellness of our chosen charitable causes. We do this by:



Involving Our People



Providing Financial Assistance



Sharing Our Space



Supporting the Arts and Heritage

Sharing Through Time, Experiences and Gifts



Our property staff volunteered their time for many good causes over the last year. These include:

- 37 staff from ANA Crowne Plaza Kobe helping out during the Kobe Marathon.
- Staff from The Westin Kuala Lumpur serving meals to 120 homeless people and preparing 100 packets of food for Myanmar refugees on a monthly basis.

Staff from various properties also lent their talents to good causes:

- More than 50 took part in running events in Malaysia and Australia, with donations going to the National Kidney Foundation, Lifeline, AIME, Garven Institute, Kokoda Youth Foundations, Cure Kids Fiji and Cancer Research.
- Some aspiring chefs set up stalls to sell food and donated their proceeds to charities including UNICEF and Macmillan Cancer Support.

We also aim to contribute to the hospitality talent pool whilst helping to educate and develop vulnerable and deserving members of our community through scholarships and work placements:

- Novotel Melbourne on Collins offered work placements to members of the Australian Refugee & Migrant Settlement (AMES) Programme
- Fraser Suites Glasgow sponsored a scholarship for rising stars in Hospitality in partnership with the Hospitality Industry Trust Scotland

To honour and recognise the elderly for their contribution to society, staff of the REIT Manager returned to St. Hilda's Community Services Centre in the Mountbatten neighbourhood for a second time to engage its over 70 elderly beneficiaries in an afternoon of games. The REIT Manager also sponsored prizes and refreshments and a total of 30 manhours was clocked for this initiative.



SUSTAINABILITY REPORT

GRI INDEX

GRI Standards 2016		Notes/Page number(s)
General Disclosures		
<i>Organisational Profile</i>		
102-1	Name of the organisation	Frasers Hospitality Trust ("FHT")
102-2	Activities, brands, products, and services	Report Scope, p.70 About Frasers Hospitality Trust, p.2
102-3	Location of headquarters	Corporate Information, Inside Back Cover
102-4	Location of operations	Report Scope, p.70 About Frasers Hospitality Trust, p.2 Our Portfolio, p.3
102-5	Ownership and legal form	About Frasers Hospitality Trust, p.2 Corporate Structure, p.5
102-6	Markets served	Report Scope, p.70 About Frasers Hospitality Trust, p.2 Our Portfolio, p.3
102-7	Scale of the organisation	About Frasers Hospitality Trust, p.2 Financial Highlights, p.6-7
102-8	Information on employees and other workers	Investing in a Workforce of the Future, p.79-82
102-9	Supply chain	Influencing Our Supply Chain, p.75
102-10	Significant changes to organisation and its supply chain	No significant changes
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	Stakeholder Engagement, p.72-73
102-13	Membership of associations	Working with Trade Associations, p.78
<i>Strategy</i>		
102-14	Statement from senior decision-maker	Letter to Stapled Securityholders, p.8-11
<i>Ethics and Integrity</i>		
102-16	Values, principles, standards, and norms of behaviour	Our Sustainability Commitment, p.70-71
<i>Governance</i>		
102-18	Governance structure	Corporate Structure, p.5 Board of Directors, p.42-44 Management Team, p.45-48 Managing Sustainability, p.72-75 Upholding Good Corporate Citizenship, p.75 Risk Management, p.87-89 Corporate Governance, p.90-116
<i>Stakeholder Engagement</i>		
102-40	List of stakeholder groups	Stakeholder Engagement, p.72-73
102-41	Collective bargaining agreements	There are no collective bargaining agreements in place.

102-42	Identifying and selecting stakeholders	Stakeholder Engagement, p.72-73 (We have selected these Stakeholders based on their interests in our business.)
102-43	Approach to stakeholder engagement	Stakeholder Engagement, p.72-73
102-44	Key topics and concerns raised	Stakeholder Engagement, p.72-73
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Investments in Subsidiaries, p.210-211
102-46	Defining report content and topic Boundaries	About This Report, p.70 Report Scope, p.70
102-47	List of material topics	Materiality, p.74
102-48	Restatements of information	We have restated the energy, water, training and safety data.
102-49	Changes in reporting	About This Report, p.70
102-50	Reporting period	About This Report, p.70
102-51	Date of most recent report	FY2017
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Report Scope, p.70
102-54	Claims of reporting in accordance with GRI Standards	About This Report, p.70
102-55	GRI content index	GRI Index, p.84-86
102-56	External assurance	We have not sought external assurance on this data. However, we intend to review this in future.
Management Approach		
103-1	Explanation of the material topic and its boundary	Materiality, p.74
103-2	The management approach and its components	Upholding Good Corporate Citizenship, p.75
103-3	Evaluation of the management approach	Changing the Way We Look at Natural Resources, p.76-78 Investing in a Workforce of the Future, p.79-82
Material Topics		
Economic Performance		
201-1	Direct economic value generated and distributed	Financial Statements, p.117-257
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Beyond Compliance, p.75
Energy		
302-1	Energy consumption within the organisation	Energy Management, p.76-77
302-4	Reduction of energy consumption	Energy Management, p.76-77
G4-CRE1	Building energy intensity	Energy Management, p.76-77
Water		
303-1	Water withdrawal by source	Water Management, p.77-78
G4-CRE2	Building water intensity	Water Management, p.77-78

SUSTAINABILITY REPORT

GRI INDEX

<i>Emissions</i>		
305-2	Energy indirect (Scope 2) GHG emissions	Energy Management, p.76-77
305-4	GHG emissions intensity	Energy Management, p.76-77
305-5	Reduction of GHG emissions	Energy Management, p.76-77
G4-CRE3	Greenhouse gas (GHG) emissions intensity from buildings	Energy Management, p.76-77
<i>Effluents and Waste</i>		
306-2	Waste by type and disposal method	Paper Recycling at REIT Manager's Office, p.78
<i>Environmental Compliance</i>		
307-1	Non-compliance with environmental laws and regulations	Environmental Compliance, p.75 Beyond Compliance, p.75
<i>Employment</i>		
401-1	New employee hires and employee turnover	Retaining and Developing Staff, p.79
<i>Labor/Management Relations</i>		
402-1	Minimum notice periods regarding operational changes	This is currently not covered in groupwide collective agreements. The notice period varies.
<i>Occupational Health and Safety</i>		
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	Safety First, p.81-82
G4-CRE6	Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system	Health and Wellbeing, p.80 Safety First, p.81-82
<i>Training and Education</i>		
404-1	Average hours of training per year per employee	Learning and Development, p.79
404-2	Programmes for upgrading employee skills and transition assistance programmes	Learning and Development, p.79
404-3	Percentage of employees receiving regular performance and career development reviews	Stakeholder Engagement, p.72 Health and Wellbeing, p.80
<i>Labor/Management Relations</i>		
413-1	Operations with local community engagement, impact assessments, and development programmes	Stakeholder Engagement, p.73 Creating Strong, Integrated Communities and Giving Back to Society, p.82-83
<i>Marketing and Labelling</i>		
417-3	Incidents of non-compliance concerning marketing communications	Beyond Compliance, p.75

RISK MANAGEMENT

ENTERPRISE-WIDE RISK 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 REIT Manager's Audit, Risk and Compliance ("ARC") Committee on a regular basis.

Risk tolerance statements setting out the nature and extent of significant risks which the REIT Manager is willing to take in achieving its strategic objectives in respect of FH-REIT, 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 Committee quarterly.

The REIT Manager has 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 FY2017

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 (the 'Managers'), 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.

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, GBP, JPY, MYR and EUR denominated investments and 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 exchange rates by using derivative financial instruments or other suitable financial products.

RISK MANAGEMENT

It is the Managers' policy to fix the stapled group'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 REIT Manager 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 REIT Manager adopts a policy of fixing the interest rates for at least 50% of its 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-rate 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 the stapled group, 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 held for lessees.

The security deposits were received in cash and were equivalent to 8 months of the monthly fixed rent under the Master Lease Agreements entered into during FHT's IPO as well as the Master Lease Agreement with Sofitel Sydney Wentworth.

In addition, Frasers Centrepoint Limited 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 46.1% of the stapled group'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 FY2017, FHT still has SGD780 million of untapped capacity under its SGD1 billion Multicurrency Debt Issuance Programme.

It is the Manager's intention to ensure that the debt maturities of the borrowings are spread out to mitigate financing risks. In FY2017, the REIT Manager refinanced the bank loan that matured in July 2017 by issuing fixed rate notes with a 5-year tenure, thereby extending the maturity of FHT's borrowings.

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.

Fraud Risk

A Whistle Blowing Policy and Manual of Authority 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.

CORPORATE GOVERNANCE REPORT

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**"), 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 Mainboard 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, supplemented by a first supplemental deed dated 22 December 2016, supplemented by a second supplemental deed dated 23 January 2017, 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**").

The REIT Manager has been issued a Capital Markets Services Licence ("**CMS Licence**") by the Monetary Authority of Singapore ("**MAS**") under the licensing regime for REIT managers under the SFA to conduct REIT management activities.

FH-BT is a business trust constituted in Singapore by a trust deed dated 20 June 2014 (as supplemented by a first supplemental deed dated 19 September 2016, supplemented by a second supplemental deed dated 23 January 2017, and 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 are wholly-owned subsidiaries of Frasers Centrepoint Limited ("**FCL**").

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.

The Managers ensure that the business of FHT is carried on and conducted in a proper and efficient manner adhering to the principles and guidelines of the Code of Corporate Governance 2012 (the "**CG Code**") and other applicable laws and regulations, including the listing rules of SGX-ST, the Code on Collective Investment Schemes (the "**Code on CIS**"), the BTA and the SFA.

The Managers are committed to high standards of corporate governance in the business and operations of FHT for the benefit of the holders of the Stapled Securities. This corporate governance report ("**CG Report**") provides an insight on the Managers' corporate governance framework and practices in compliance with the principles and guidelines of the CG Code. Deviations from the CG Code are explained.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Each of the REIT Manager and the Trustee-Manager have their own Board of Directors. The Board of Directors of each of the REIT Manager and the Trustee-Manager comprise the same persons.

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 holders of FH-BT units as a whole.

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 unit holders only, subject to: (i) the FH-BT units remaining stapled to the FH-REIT units and (ii) the Directors of the Trustee-Manager and the Trustee-Manager acting in the best interests of all holders of Stapled Securities (the "**Stapled Securityholders**") as a whole.

The key roles of the Board of Directors of the Trustee-Manager ("**Trustee-Manager Board**") are to:

- 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.

(More 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 124 to 130 of this Annual Report.)

In connection with the activation of FH-BT on 19 October 2016 to act as master lessee of "Novotel Melbourne on Collins" under the Melbourne Master Lease Agreement, the Trustee-Manager had established an audit, risk and compliance committee for the Trustee-Manager (the "**Trustee-Manager ARC Committee**") on 17 October 2016. The composition of the Trustee-Manager ARC Committee is identical to the composition of the existing audit, risk and compliance committee of the REIT Manager (the "**REIT Manager ARC Committee**", and together with the Trustee-Manager ARC Committee, the "**ARC Committees**").

The REIT Manager has general powers of management over the assets of FH-REIT. Its main responsibility is to manage FH-REIT's assets and liabilities for the benefit of the holders of FH-REIT units as a whole and to formulate the business plans in relation to FH-REIT's properties.

The Board of Directors of the REIT Manager (the "**REIT Manager Board**") oversees the business affairs of FH-REIT and the REIT Manager, and assumes responsibility for their strategic direction and plans. In carrying out its responsibilities, the REIT Manager Board is involved strategically in the establishment of performance objectives for both FH-REIT and the REIT Manager, financial planning, budget creation and monitoring, material operational initiatives, investment and asset enhancement initiatives, financial and operational performance reviews, the establishment of risk management practices and risk monitoring, and establishment and monitoring of corporate governance and compliance practices.

The REIT Manager Board is assisted in its financial reporting, corporate governance and risk management responsibilities by the REIT Manager ARC Committee. A nominating and remuneration committee ("**REIT Manager NR Committee**") also assists the REIT Manager Board in succession planning, reviewing independence of directors and reviewing the REIT Manager's remuneration policy and practices.

CORPORATE GOVERNANCE REPORT

The Board of Directors of each of the Managers (the “**Boards**”) meet at least once every quarter and on such other occasions that necessitate their involvement. The Managers’ constitutions allow for such meetings to be conducted via telephone, video conference or any other form of electronic or instantaneous communication. Where required, time is set aside after scheduled Board meetings for discussions amongst the members of the Boards without the presence of the management team of the Managers (the “**Management**”), in line with the guidelines of the CG Code, as this facilitates a more effective check on Management.

The number of REIT Manager Board, Trustee-Manager Board, REIT Manager ARC Committee, Trustee-Manager ARC Committee and REIT Manager NR Committee meetings held for the financial year ended 30 September 2017 (“**FY2017**”), as well as the attendance of each Board member at these meetings, are set out below. ⁽¹⁾

Directors’ attendance at REIT Manager’s Board Meetings and Board Committee Meetings held during the financial year

Director	Board Meetings	REIT Manager NR Committee Meetings	REIT Manager ARC Committee Meetings
Mr Law Song Keng	5/5	1/1	4/4
Mr Chua Phuay Hee	5/5	-	-
Mr Liew Choon Wei	5/5	1/1	4/4
Dr David Wong See Hong	5/5	1/1	4/4
Mr Panote Sirivadhanabhakdi	4/5	0/1	-
Mr Choe Peng Sum	5/5	-	-

Directors’ attendance at Trustee-Manager’s Board Meetings and Board Committee Meetings held during the financial year

Director	Board Meetings	Trustee-Manager ARC Committee Meetings
Mr Law Song Keng	5/5	4/4
Mr Chua Phuay Hee	5/5	-
Mr Liew Choon Wei	5/5	4/4
Dr David Wong See Hong	5/5	4/4
Mr Panote Sirivadhanabhakdi	4/5	-
Mr Choe Peng Sum	5/5	-

⁽¹⁾ As the Trustee-Manager NR Committee was only constituted on 16 October 2017, there were no meetings of the Trustee-Manager NR Committee during FY2017.

To ensure that business and operational efficacy is maintained without compromising the standard of corporate governance, a Manual of Authority (“**MOA**”) approved by the REIT Manager Board in consultation with the Chief Executive Officer (“**CEO**”) of the REIT Manager has been implemented. The MOA sets out the levels of authorisation and their respective approval limits for a range of transactions, including but not limited to investments, asset enhancement initiatives, and operating and capital expenditures. Transactions and matters which require the REIT Manager Board’s approval are clearly set out in the MOA. Appropriate delegations of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

In connection with the activation of FH-BT on 19 October 2016, the Trustee-Manager will be implementing a similar MOA to be approved by the Trustee-Manager Board in consultation with the CEO of the Trustee-Manager which will be in place for the financial year ended 30 September 2018.

The Boards are regularly updated on new laws affecting FHT's business, as well as changes in applicable regulations. During FY2017, the Boards were briefed on the key changes in the Financial Reporting Standards, and updated on tax regulations in relevant jurisdictions and on electronic communications and recent changes to the Companies Act, Chapter 50 of Singapore.

In addition to talks conducted by relevant professionals, members of the Boards are encouraged to attend relevant courses and seminars so as to keep themselves updated on developments and changes in FHT's operating environment, to be members of the Singapore Institute of Directors ("SID") and to receive updates and training from SID to stay abreast of relevant developments in financial, legal and regulatory requirements, and the business trends.

A formal letter setting out a director's duties and obligations to the Managers and the Stapled Securityholders as a whole is issued to each Director. Newly-appointed members of the Boards are required to undergo orientation to familiarise themselves with FHT's business, strategic plans and objectives, the regulatory environment in which FHT operates and the Managers' corporate governance practices.

Principle 2: Board Composition and Guidance

The composition of each of the REIT Manager Board and the Trustee-Manager Board as at 30 September 2017 are as follows:

Mr Law Song Keng	Chairman, Non-Executive	Independent
Mr Chua Phuay Hee	Non-Executive	Independent
Mr Liew Choon Wei	Non-Executive	Independent
Dr David Wong See Hong	Non-Executive	Independent
Mr Panote Sirivadhanabhakdi	Non-Executive	Non-Independent
Mr Choe Peng Sum	Non-Executive	Non-Independent

During FY2017, each of the REIT Manager Board and the Trustee-Manager Board comprises six members, the majority of whom are independent non-executive Directors. All members of the Managers' Boards are non-executive Directors.

Directors exercise their judgement independently and objectively in the interests of all Stapled Securityholders as a whole.

The REIT Manager NR Committee determines the independence of the Directors of the REIT Manager Board annually based on the definitions and the guidelines of independence set out in the CG Code and the proposed Regulations 13D to 13G of the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10), Chapter 289. In its review for FY2017, the REIT Manager Board determined the following with respect to the independence of Directors:

Mr Law Song Keng	Independent
Mr Chua Phuay Hee	Independent
Mr Liew Choon Wei	Independent
Dr David Wong See Hong	Independent
Mr Panote Sirivadhanabhakdi	Non-Independent
Mr Choe Peng Sum	Non-Independent

CORPORATE GOVERNANCE REPORT

The independence of the Directors of the Trustee-Manager Board is determined by the Trustee-Manager Board, and following the constitution of a nominating and remuneration committee of the Trustee-Manager (the **"Trustee-Manager NR Committee"**) on 16 October 2017, the Trustee-Manager NR Committee has determined the independence of the Directors of the Trustee-Manager Board for the financial year ended 30 September 2017. (More information on the independence of the Directors of the Trustee-Manager Board 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 131 to 132 of this Annual Report.)

Each of Mr Panote Sirivadhanabhakdi and Mr Choe Peng Sum is not independent under the proposed Regulation 13E of the Securities and Futures (Licensing and Conduct of Business) Regulations as they are executives employed by a related corporation of the Managers.

The Boards are of the view that the current size and composition of each of the REIT Manager Board and the Trustee-Manager Board is appropriate for the scope and nature of the operations of the Managers and FHT and facilitates effective decision-making. In line with the CG Code, the Boards are also of the view that the current size of each of the REIT Manager Board and the Trustee-Manager Board is not so large as to be unwieldy. In this regard, the Boards have taken into account the requirements of the businesses of the Managers and FHT and the need to avoid undue disruptions from changes to the composition of the Boards, the ARC Committees, the REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee.

Each of the REIT Manager Board and the Trustee-Manager Board considers that its present size, composition and balance between non-executive and independent Directors, provides for an appropriate balance and diversity of skills, experience and knowledge of FHT and the Managers, core competencies such as banking, finance, accounting and other relevant industry knowledge as well as entrepreneurial and management experience, required for the Boards and the REIT Manager ARC Committee, the REIT Manager NR Committee, the Trustee-Manager ARC Committee and the Trustee-Manager NR Committee (the **"Board Committees"**) to be effective. The Boards collectively have the critical skills and expertise needed in the strategic direction and planning of the business of FHT.

The current composition gives the Boards the ability to consider and make decisions objectively and independently on issues relating to FHT and the Managers with a balanced exchange of views, robust deliberations and debates among members, and provides for effective oversight over Management. Under the current composition, no one individual or group dominates either of the Boards' decisions or their processes.

The composition of each of the REIT Manager Board and the Trustee-Manager Board is reviewed regularly to ensure that each of the Boards has the appropriate size and mix of expertise and experience.

The diversity of skills, expertise and experience of its members bring to each of the REIT Manager Board and the Trustee-Manager Board an independent and objective perspective, thereby enabling balanced and well-considered decisions to be made. There is a strong and independent element on each of the Boards. (More information on the Directors, including their academic and professional qualifications, and directorships held currently and in the preceding three years can be found in the Board of Directors section on pages 42 to 44 of this Annual Report.)

Principle 3: Chairman and Chief Executive Officer

The roles of the Chairman of the Boards and the CEO of the REIT Manager (the latter being also the CEO of the Trustee-Manager) are separate to ensure an appropriate balance of power and authority. The levels of authority and the approval limits under the MOA of the REIT Manager reflects such a separation. This separation of roles promotes greater accountability from Management and allows the Boards to exercise their independence in their oversight of and deliberations with Management. The Chairman, who is an independent and a non-executive director, is not related to the CEO of the REIT Manager and the Trustee-Manager. There is no business relationship between him and the CEO of the REIT Manager and the Trustee-Manager.

The Chairman leads the Boards and ensures their effectiveness by, among other things, steering effective, productive and comprehensive discussions amongst members of the Boards and the Management team on strategic, business and other key issues pertinent to the business and operations of FHT and the Managers. With the full support of the Boards, the company secretary of the REIT Manager and the Trustee-Manager (the **"Company Secretary"**) and the Management, the Chairman spearheads the Managers' drive to promote, attain and maintain high standards of corporate governance and transparency.

The CEO has full executive responsibilities over the business direction and operations of the Managers, and is responsible for the execution of the Boards' adopted strategies and policies. The CEO leads the Management team in the management of FHT and is accountable to the Boards for the conduct and performance of the Management team.

Principle 4: Board Membership

The role of each of the REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee is to make recommendations to the REIT Manager Board and the Trustee-Manager Board respectively on all board appointments and on relevant matters relating to:

- (a) the review of board succession plans for Directors, in particular, for the Chairman and the CEO;
- (b) the development of a process for evaluation of the performance of the REIT Manager Board and the Trustee-Manager Board and their respective Board Committees and Directors;
- (c) the review of training and professional development programs for the REIT Manager Board and the Trustee-Manager Board; and
- (d) the appointment and re-appointment of Directors (including alternate Directors, if applicable). Directors of the REIT Manager Board and the Trustee-Manager Board are not subject to periodic retirement by rotation.

Its responsibilities also include, but are not limited to, the following:

- determining annually, and as and when circumstances require, if a Director is independent, in accordance with the provisions of the CG Code;
- where a Director has multiple board representations, deciding if the Director is able to and has been adequately carrying out his duties as a Director of the REIT Manager and the Trustee-Manager, taking into consideration the Director's number of listed company board representations and other principal commitments and whether the Director has given sufficient time and attention to the affairs of the REIT Manager and FH-REIT, and of the Trustee-Manager and FH-BT;
- carrying out the process for assessing the effectiveness of the REIT Manager Board and the Trustee-Manager Board as a whole and each of the Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the REIT Manager Board and the Trustee-Manager Board; and
- deciding how the REIT Manager Board's and the Trustee-Manager Board's performance may be evaluated and proposing objective performance criteria to the REIT Manager Board and the Trustee-Manager Board.

Each of the REIT Manager NR Committee and the Trustee-Manager NR Committee is required to be comprised of three or more members, at least a majority of whom, including the chairman of the REIT Manager NR Committee and the Trustee-Manager NR Committee, should be independent.

The members of the REIT Manager NR Committee are Mr Law Song Keng (Chairman), Mr Liew Choon Wei, Dr David Wong See Hong and Mr Panote Sirivadhanabhakdi, a majority of whom are independent Directors. The members of the Trustee-Manager NR Committee, which was set up on 16 October 2017, are Mr Law Song Keng (Chairman), Mr Liew Choon Wei, Dr David Wong See Hong, and Mr Panote Sirivadhanabhakdi, a majority of whom are independent Directors.

Board appointments on the Trustee-Manager Board and all relevant matters thereto are decided by the Trustee-Manager Board itself, and (with effect from 16 October 2017) decided by the Trustee-Manager NR Committee. In any case, the composition of the Trustee-Manager Board will be the same as that of the REIT Manager Board. (More information on the composition of the Trustee-Manager Board and the requirement that the Directors of the Trustee-Manager Board are the same as the Directors of the REIT Manager Board can be found in the Statement on Composition of the Board of Directors of FH-BT on pages 131 to 132 of this Annual Report.)

CORPORATE GOVERNANCE REPORT

Each of the Boards proactively seeks to ensure that the balance and diversity of the Boards maintain an appropriate balance of skill, experience, gender and knowledge required by the Boards, and this is substantially reflected in the diversity of backgrounds and core competencies of the current Directors. Such competencies include banking, finance, accounting and other relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. This benefits the Management as it allows them to tap on the broad range of views and perspectives and the breadth of experience of the Directors.

The REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee shall make recommendations to the REIT Manager Board and the Trustee-Manager Board respectively on all Board appointments, re-appointments and composition of the REIT Manager Board and the Trustee-Manager Board respectively, taking into account the balance between executive and non-executive Directors, independent and non-independent Directors, as well as the scope and nature of the operations of FHT, the requirements of the business of FHT and the Managers and the need to avoid undue disruptions from changes to the composition of the REIT Manager Board, the Trustee-Manager Board and the Board Committees. In relation thereto, the REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee shall consider the composition and progressive renewal of the REIT Manager Board and the Trustee-Manager Board respectively and each Director's competencies, commitment, contribution and performance.

The CG Code requires the REIT Manager Board and the Trustee-Manager Board to determine the maximum number of board representations on other listed companies that the Directors may hold and disclose it in its annual report. (Details of such directorships held, other principal commitments of and key information on the Managers' Directors are found in the Board of Directors section on pages 42 to 44 of this Annual Report.)

In determining whether each Director is able to devote sufficient time to discharge his duties to FHT, each of the REIT Manager NR Committee and the Trustee-Manager NR Committee has taken cognisance of the CG Code's requirement and does not recommend setting a maximum number of listed company board representations a Director may hold. Each of the REIT Manager NR Committee and the Trustee-Manager NR Committee is of the view that its assessment should not be restricted to the number of listed board representations held by a Director per se. Contributions made by a Director to and during Boards and Board Committees meetings as well as whether the Director has given sufficient time and attention to the affairs of the REIT Manager, FH-REIT, the Trustee-Manager and FH-BT shall be taken into account.

Principle 5: Board Performance

The Board has implemented formal processes for assessing the effectiveness of the Boards and the Board Committees, the contribution by each individual Director to the effectiveness of the respective Boards, as well as the effectiveness of the Chairman. To ensure that the assessments are done fairly, the Boards will appoint an independent third party to facilitate the process of conducting a Board evaluation survey. Ernst & Young Advisory Pte. Ltd. has been appointed for this financial year. The Board evaluation survey is designed to provide an evaluation of current effectiveness of the Boards and to support the Chairman and Boards proactively considering what can enhance the readiness of the Boards to address emerging strategic priorities for FHT. As part of the survey, the Directors would be requested to complete an evaluation questionnaire which includes questions on (1) how the Boards play an effective role and adds value on critical issues, (2) how the Boards operates to deliver impact and value, and (3) the evaluation of Board Committees. In particular, the survey will look at the Boards' performance in shaping and adapting strategy, risk and crisis management, overseeing the FHT performance, CEO performance and succession management and stakeholder communications, as well as areas such as strategic plans and directions, board composition and structure, the Boards' partnership with the Management and efficiency of the Boards processes.

In addition, members of the Boards will be required to assess the Boards' performance, which includes areas such as the relevant Board's composition and processes, effectiveness in its management of FHT's performance, other objective performance criteria which allow for comparison with the Managers' peers and advisers and how the Boards enhanced long-term Stapled Securityholder value for FHT.

Each of the REIT Manager Board and the Trustee-Manager Board is of the view that in FY2017, it operated effectively and each of its members contributed to its overall effectiveness and commits to maintain such effectiveness.

Principle 6: Access to Information

It is the Management's commitment that the Boards and the Board Committees are provided with complete, timely and adequate information, both prior to Boards and Board Committees meetings and on an ongoing basis so as to allow the Boards and Board Committee members to discharge their duties. Prior to each meeting of the Boards and Board Committees, papers on matters to be discussed are sent to members of the Boards and Board Committees ahead of such meetings, so that such matters may be considered and discussed thoroughly and fully, prior to the making of any decision. The Management may be requested to attend meetings of the Boards so as to be at hand to answer any questions or contribute to any discussions. Presentations are made by Management at the meetings of the Boards to facilitate deliberations and discussions.

For matters which require the Boards' decision outside such meetings, board papers will be circulated through the Company Secretary for the Boards' consideration, with discussions and clarifications taking place between members of the Boards and Management, where required, before approval is granted.

Directors, whether as a group or individually, may at their discretion and where necessary, seek and obtain independent professional advice in the furtherance of their duties. Any expenses and costs associated thereto are borne by the Managers, subject to the costs being approved by the Chairman in advance as being reasonable.

Directors have separate and independent access to Management and the Company Secretary. The Company Secretary attends all meetings of the Boards and advises the Boards on relevant corporate governance issues, facilitates orientation programmes for the new Directors and assists with their professional development as required. The Company Secretary ensures compliance with the procedures of the Boards and the relevant rules and regulations. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow between the Boards and Management. Direct communication between the CEO, the Chairman and members of the Boards are encouraged by the Boards, and each of the Boards may at its discretion communicate with Management if it so wishes.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The remuneration of directors, the CEO and employees of the Managers are paid by the REIT Manager from the fees received from FH-REIT, and not by FH-REIT.

The REIT Manager NR Committee was redesignated on 16 September 2016 to include the roles and responsibilities of a remuneration committee. The Trustee-Manager NR Committee was set up on 16 October 2017.

The composition of each of the REIT Manager NR Committee and the Trustee-Manager NR Committee has been set out under Principle 4 on page 95 of this Annual Report. Majority of the members of each of the REIT Manager NR Committee and the Trustee-Manager NR Committee are independent Directors.

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Each of the REIT Manager NR Committee and the Trustee-Manager NR Committee has written terms of reference setting out the scope and authority in performing the functions of a remuneration committee, which include, among others, the following matters:

- reviewing the remuneration framework for the relevant Board and the key executive officers of the REIT Manager and the Trustee-Manager;
- reviewing the disclosures in FHT's annual report on the REIT Manager's and the Trustee-Manager's remuneration policies respectively, level and mix of remuneration, and the procedure for setting remuneration; and
- ensuring that the remuneration of executive directors of the REIT Manager shall not be linked in any way to FH-REIT's gross revenue.

The REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee are responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration and for determining the remuneration packages of individual Directors and key management personnel of the Managers ("**Key Management Personnel**"). The REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee assists the REIT Manager Board and the Trustee-Manager Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate talent without being excessive, thereby maximising Stapled Securityholder value. Each of the REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee recommends a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind) and the specific remuneration packages for each Director to the REIT Manager Board and the Trustee-Manager Board for endorsement. The REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee also review the remuneration of the CEO and the Key Management Personnel of the REIT Manager and the Trustee-Manager.

There are no existing or proposed service agreements entered into or to be entered into by the REIT Manager and the Trustee-Manager with their respective executive Directors and the 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.

The REIT Manager NR Committee and (with effect from 16 October 2017) the Trustee-Manager NR Committee, in performing the functions of remuneration committees and in accordance with the REIT Manager NR Committee's and the Trustee-Manager NR Committee's written terms of reference respectively, will support the Boards in determining and reviewing the remuneration policies and practices of the Managers. In this regard and following the new directions and guidelines from the MAS on the remuneration of Directors and the Key Management Personnel of the REIT Manager, the Boards, with the assistance of the REIT Manager NR Committee and the Trustee-Manager NR Committee, are in the midst of reviewing the remuneration objectives, policies and procedures applicable to the Managers, with a view to aligning them with the substance and spirit of such directions and guidelines from the MAS.

Policies in respect of Directors' Remuneration

The remuneration of non-executive Directors takes into account their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings.

Directors are paid a basic fee and attendance fees for attending Board meetings. Non-executive Directors who perform services through Board Committees are paid additional basic and attendance fees for such services. No Director decides his own fees. Directors' fees are paid in cash and are reviewed periodically to benchmark such fees against the amounts paid by other major listed REITs in Singapore.

The Directors' fees for FY2017 are shown in the table below.

Director	FY2017 SGD
Mr Law Song Keng (Chairman of Board, REIT Manager NR Committee, REIT Manager ARC Committee, Trustee-Manager ARC Committee and Trustee-Manager NR Committee ⁽¹⁾)	150,000
Mr Chua Phuay Hee (Member)	52,500
Mr Liew Choon Wei (Member, REIT Manager NR Committee, REIT Manager ARC Committee, Trustee-Manager ARC Committee and Trustee-Manager NR Committee)	80,000
Dr David Wong See Hong (Member, REIT Manager NR Committee, REIT Manager ARC Committee, Trustee-Manager ARC Committee and Trustee-Manager NR Committee)	79,000
Mr Panote Sirivadhanabhakdi ⁽²⁾ (Member, REIT Manager ARC Committee, REIT Manager NR Committee, Trustee-Manager ARC Committee and Trustee-Manager NR Committee)	55,500
Mr Choe Peng Sum ⁽²⁾	52,500

Notes:

⁽¹⁾ The Trustee-Manager NR Committee was established on 16 October 2017 and was not in existence during FY2017.

⁽²⁾ Directors' fees are paid to Mr Panote Sirivadhanabhakdi's and Mr Choe Peng Sum's employing company, FCL Management Services Pte. Ltd.

None of the Directors of the REIT Manager Board and the Trustee-Manager Board has entered or proposed to enter into service agreements with the REIT Manager and the Trustee-Manager or any subsidiary or any subsidiary entity of FHT which provides benefits upon termination of employment, retirement and post-employment benefits.

Remuneration Policy for Management

During the financial period, the only executive officers of the Trustee-Manager are the CEO and Chief Financial Officer ("CFO") who are also concurrently the CEO and CFO of the REIT Manager respectively.

The Managers' remuneration framework comprises (i) a fixed component; and (ii) a variable component comprising short-term and long-term incentives. The variable component is linked to and determined based on both: (a) FHT's performance and (b) an annual appraisal of each individual employee against performance indicators including adherence to core values, competencies and key result areas. The potential of the employee is also taken into consideration. The mix of fixed and variable remuneration components is considered appropriate for the Managers and for each individual employee's role.

The level and mix of remuneration and the remuneration benefits, policies and practices of the Managers, where appropriate, including the long-term incentives, will be reviewed by the REIT Manager NR Committee and the Trustee-Manager NR Committee. The REIT Manager NR Committee and the Trustee-Manager NR Committee will ensure that competitive remuneration policies and practices are in place to attract and motivate high-performing executives so as to drive FHT's businesses to greater growth, efficiency and profitability.

In their deliberation, the REIT Manager NR Committee and the Trustee-Manager NR Committee will take into consideration industry practices and benchmarks against relevant industry players to ensure that the remuneration and employment conditions are competitive and may, if they consider necessary, engage independent remuneration consultant(s).

The REIT Manager NR Committee and the Trustee-Manager NR Committee will exercise broad discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of Stapled Securityholders and promote the long-term success of FHT. The REIT Manager NR Committee and the Trustee-Manager NR Committee will ensure that remuneration policies and incentives are not structured to promote behaviour contrary to the Managers' or FHT's risk profile.

CORPORATE GOVERNANCE REPORT

Performance Indicators for Key Management Personnel

As set out above, the Managers' variable remuneration comprise short-term and long-term incentives which takes into account individual performance and FHT's performance.

The Managers have put in place a framework for determining the short-term incentives of the Key Management Personnel where both FHT's financial and non-financial performance will be taken into consideration. The financial performance indicators in which the Key Management Personnel will be evaluated on comprise (i) FHT's net property income, (ii) distribution per Stapled Security and (iii) FHT portfolio occupancy levels. These performance indicators are quantitative and objective measures of the Managers' performance. The non-financial performance indicators in which the Key Management Personnel will be evaluated on include (a) FHT's business development, (b) portfolio management, (c) corporate sustainability and (d) people development. These qualitative performance indicators will align the Key Management Personnel's performance with FHT's strategic objectives for the financial year. The short-term incentives are paid in cash.

For FY2017, long-term incentives in the form of FCL share awards were granted to Key Management Personnel based on various performance indicators, including individual performance and FHT's performance. The grant of long-term incentives in the form of FCL share awards falls within the framework of the long-term incentive plans of the FCL Group, which the Managers are part of as they are wholly-owned by FCL. Such incentives allow the Managers to attract and retain management staff by leveraging on the branding, size and value of FCL, which is one of Singapore's top property companies and is well established globally. FCL is also a substantial Stapled Securityholder of FHT. Nevertheless, with effect from the financial year ending 30 September 2018, long-term incentives in the form of Stapled Securities will be awarded to Key Management Personnel so as to more closely align their interest with the long-term interest of FHT Stapled Securityholders. The award of the Stapled Securities will be structured as a Restricted Unit Plan. Eligible participants will receive a contingent award based on their individual performance from the annual appraisal of each individual employee. The release of these contingent awards is conditional upon meeting the performance targets as approved by the REIT Manager NR Committee, or as the case may be, the Trustee-Manager NR Committee. The long-term incentives may be settled in Stapled Securities, their equivalent cash value or a combination thereof.

The REIT Manager NR Committee, or as the case may be, the Trustee-Manager NR Committee, will review the short-term and long-term incentives in the Key Management Personnel's remuneration package to ensure its compliance with the substance and spirit of such directions and guidelines from the MAS.

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

The REIT Manager is cognisant of the requirement to disclose (i) the remuneration of the CEO and each individual Director on a named basis, (ii) the remuneration of at least the top five Key Management Personnel (which shall not include the CEO and Key Management Personnel who are Directors), on a named basis, in bands of S\$250,000 and (iii) in aggregate, the total remuneration paid to the top five Key Management Personnel (who are not Directors or the CEO). The REIT Manager Board has assessed and decided against the disclosure of the remuneration of the CEO and Key Management Personnel on a named basis, whether in exact quantum or in bands of S\$250,000, as well as the disclosure of the total remuneration paid to the top five Key Management Personnel (who are not Directors or the CEO), and believes that the interests of the Stapled Securityholders will not be prejudiced as a result of such non-disclosure, 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 remuneration of its CEO and top five Key Management Personnel 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 quite stable and to ensure the continuity of business and operations of FHT, 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) there is full and frank disclosure of the total amount of fees paid to the REIT Manager set out in page 184 of this Annual Report.

No employee of the Managers was an immediate family member of a director or the CEO and whose remuneration exceeded S\$50,000 during FY2017.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The REIT Manager prepares the financial statements of FH-REIT and FHT in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“**RAP 7**”) issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on CIS issued by the MAS and the provisions of the FH-REIT Trust Deed and the Stapling Deed, as well as the financial statements of FHT. RAP 7 requires the accounting principles to generally comply with the recognition and measurement principles of the Singapore Financial Reporting Standards prescribed by the Accounting Standards Council.

The Trustee-Manager prepares the financial statements of FH-BT in compliance with the principles of the Singapore Financial Reporting Standards and the provisions of the BTA and the FH-BT Trust Deed.

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 will be made available to the Directors on request. Quarterly and annual financial reports and other material information are disseminated to the Stapled Securityholders through announcements released via SGXNET, FHT’s corporate website and where applicable, media releases and analysts’ briefings. Such financial reports are reviewed by the Boards before dissemination.

Principle 11: Risk Management and Internal Controls

The Managers have established a sound system of risk management and internal controls comprising procedures and processes to safeguard FHT’s assets and the Stapled Securityholders’ interests. The REIT Manager ARC Committee and, with effect from 17 October 2016, the Trustee-Manager ARC Committee review and report to the REIT Manager Board and Trustee-Manager Board respectively 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

The REIT Manager ARC Committee and, with effect from 17 October 2016, the Trustee-Manager ARC Committee, through the assistance of internal and external auditors, review and report to the Boards on the adequacy and effectiveness of the Managers’ system of controls, including financial (eg. for capital expenditure, investments and divestments, and borrowings), compliance, operational and information technology controls. In assessing the effectiveness of internal controls, the ARC Committees ensure primarily that key objectives are met, material assets are properly safeguarded, fraud or errors 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 ARC Committees, review the adequacy and effectiveness of the REIT Manager’s and the Trustee-Manager’s risk management framework to ensure that robust risk management and mitigating controls are in place. The REIT Manager and the Trustee-Manager have adopted an enterprise-wide risk management (“**ERM**”) framework to enhance their risk management capabilities.

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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 REIT Manager's ERM framework and progress report is set out on pages 87 and 89 of this Annual Report.

During FY2017, periodic updates were provided to the REIT Manager ARC Committee on FH-REIT's and the REIT Manager's risk profile. Periodic updates were also provided to the Trustee-Manager ARC Committee with respect to FH-BT and the Trustee-Manager's risk profile. These updates would involve an assessment of FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's key risks by risk categories, their current status, the effectiveness of any mitigating measures taken, and any proposals and action plans 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 FH-REIT, FH-BT, the REIT Manager and the Trustee-Manager have been documented to assist the Board to assess the adequacy and effectiveness of the existing internal controls. The comfort matrix has been 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 ARC Committees. Risk tolerance statements setting out the nature and extent of significant risks which the REIT Manager and the Trustee-Manager are willing to take in achieving its strategic objectives have been formalised and adopted.

The Boards have received assurance from the CEO and the CFO of the Managers that as at 30 September 2017:

- (a) the financial records of FHT have been properly maintained and the financial statements for the financial year ended 30 September 2017 give a true and fair view of FHT's operations and finances;
- (b) the system of internal controls in place for FHT is adequate and effective as at 30 September 2017 to address financial, operational, compliance and information technology risks which the Managers consider relevant and material to FHT's operations; and
- (c) the risk management system in place for FHT is adequate and effective as at 30 September 2017 to address risks which the Managers consider relevant and material to FHT's operations.

Opinion of the Board on Internal Controls and Risk Management Framework

Based on the internal controls established and maintained by the Managers, reviews performed by internal and external auditors, reviews performed by Management and the ARC Committees and assurance from the CEO and CFO of the Managers, the Boards, with the concurrence of the ARC Committees, are of the opinion that taking into account the nature, scale and complexity of the Managers' operations, the internal controls in place for FHT, including financial, operational, compliance and information technology controls, were adequate and effective as at 30 September 2017 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 assurance from the CEO and the CFO of the Managers, the Boards are of the view that the risk management system in place for FHT was adequate and effective as at 30 September 2017 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 FHT works to achieve its business objectives.

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 judgement in decision making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

Based on their written terms of reference, the ARC Committees are to monitor and evaluate the effectiveness of the REIT Manager and the Trustee-Manager's respective internal controls, review the quality and reliability of information prepared for inclusion in financial reports, and will be responsible for the nomination of external auditors and review of the adequacy of external audits in respect of cost, scope and performance. They are authorised to investigate any matter in relation thereto whenever they deem necessary.

Each of the ARC Committees has full access to and has the full cooperation of Management, with full authority and discretion to invite any Director or employee of the relevant Manager to attend its meetings. The ARC Committees are able to call upon the Managers' resources to enable them to discharge their functions effectively.

The ARC Committees' responsibilities include:

- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of FH-REIT and, as the case may be, FH-BT, and any formal announcements relating to FH-REIT's and FH-BT's financial performance;
- reviewing and monitoring the effectiveness of the REIT Manager's and, as the case may be, the Trustee-Manager's internal controls, including financial, compliance and risk management controls and procedures and reporting findings thereon to the Boards at least annually;
- reviewing the adequacy and effectiveness of the internal audit function, including its resources, audit plans and the scope and effectiveness of the internal audit procedures;
- reviewing, on an annual basis, the independence and objectivity of the external auditors and, where the external auditors also provide a substantial volume of non-audit services to FH-REIT and, as the case may be, FH-BT, keeping the nature and extent of such services under review and seeking to balance the maintenance of objectivity and value for money; and
- making recommendations to the REIT Manager Board and, as the case may be, the Trustee-Manager Board on the appointment, reappointment and removal of external auditors and approving the remuneration and terms of engagement of external auditors.

In performing their functions, the ARC Committees meet with the internal and external auditors at least once on an annual basis without the presence of the executive officers of the Managers. All audit findings and recommendations are presented to the ARC Committees for discussion.

The ARC Committees review the internal and external audit plans for FHT and the Managers and the assistance given by Management to the auditors.

Updates on changes in accounting standards and treatment are prepared by external auditors and will be circulated to members of the ARC Committees periodically.

The composition of each of the ARC Committees is identical and comprises the following non-executive Directors, all of whom are independent:

Mr Law Soon Keng	Chairman
Mr Liew Choon Wei	Member
Dr David Wong See Hong	Member

CORPORATE GOVERNANCE REPORT

The Boards are of the view that the members of the ARC Committees collectively possess the accounting and related financial management expertise and experience required for the ARC Committees to discharge their responsibilities and assist the Boards in their oversight over Management in the design, implementation and monitoring of risk management and internal control systems.

In the review of the financial statements for FY2017, the ARC Committees have discussed the following key audit matter identified by the external auditors with Management:

Key audit matter	Review by the ARC Committees
Valuation of properties	The ARC Committees considered the independence and competency of the external valuers, as well as the methodologies applied by them to the valuation of the properties. The ARC Committees reviewed the outcomes of the annual external valuation process and discussed the details of the valuation with the Management and the external auditors. The ARC Committees 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 ARC Committees concur with the basis and conclusions included in the auditors' report with respect to the key audit matter.

External Auditors

With effect from the last annual general meeting ("**AGM**") of FHT held on 19 January 2017, KPMG LLP ("**KPMG**") was re-appointed as external auditors of FHT for FY2017. The REIT Manager and Trustee-Manager confirm that they comply with Rules 712 and 715 of the SGX-ST Listing Manual (the "**Listing Manual**") in relation to the appointment of KPMG as the auditor of FHT.

The ARC Committees have conducted a review of all non-audit services provided by KPMG during FY2017 and the corresponding fees and ensured that the fees for such non-audit fees did not impair their audit independence. Based on their review, the ARC Committees were 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 was put at risk. For details of the fees paid to KPMG, please refer to Note 6 to the Financial Statements.

KPMG attended the ARC Committees meetings every quarter for FY2017, and where appropriate has met with the ARC Committees without the presence of Management to discuss their findings, if any.

Whistle Blowing Policy

A Whistle-Blowing Policy is in place to provide an avenue through which employees and any other persons may report in good faith and in confidence any concerns in financial and other matters, and for independent investigation of such matters and appropriate follow-up action. All whistle-blower complaints will be reviewed by the ARC Committees to ensure that investigations and follow-up actions are carried out, if needed.

Principle 13: Internal Audit

The REIT Manager and the Trustee-Manager have in place an internal audit function (“IA”) established within the FCL Group to independently examine and evaluate the activities of the REIT Manager and the Trustee-Manager, focusing on the adequacy and effectiveness of internal controls, risk management and corporate governance processes.

The FCL Group IA (“Group IA”) is independent of the activities that it audits. The head of Group IA who is a Certified Fraud Examiner and a Fellow of the Institute of Singapore Certified Accountants (ISCA), CPA Australia, and ACCA, reports directly to the Chairman of the ARC Committees.

The head of Group IA and the Singapore-based IA staff are members of the Institute of Internal Auditors, Singapore, and have adopted and complied with the International Standards for the Professional Practice of Internal Auditing (Standards) set by the Institute of Internal Auditors, Inc. To ensure that the internal audits are effectively performed, Group IA recruits and employs suitably qualified staff with the requisite skills and experience. Such staff are also given relevant training and development opportunities to update their technical knowledge and auditing skills. All IA staff received relevant technical training and attended seminars organised by the Institute of Internal Auditors, Singapore or other professional bodies.

The Group IA operates within the framework stated in its Terms of Reference as contained in the Internal Audit Charter approved by the ARC Committees. It adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key risks of FHT. Based on risk assessments performed, greater focus and appropriate review intervals are set for higher risk activities, and material internal controls. The audit scope also includes the review of compliance with the policies, procedures and regulatory responsibilities of FHT, the REIT Manager and the Trustee-Manager.

During the financial year, Group IA conducted its audit reviews based on the approved internal audit plans. All audit reports detailing audit findings and recommendations are provided to Management who would respond on the actions to be taken. Each quarter, Group IA submits to the ARC Committees a report on the status of the audit plan and on audit findings and actions taken by Management on such findings. Key findings are highlighted at the ARC Committees meetings for discussion and follow-up actions. The ARC Committees monitor the timely and proper implementation of required corrective, preventive or improvement measures undertaken by Management.

Each of the ARC Committees is satisfied that for the financial year, the internal audit function is adequately resourced to perform its functions, and has appropriate standing within FH-REIT, FH-BT, the REIT Manager and the Trustee-Manager to perform its functions effectively.

STAPLED SECURITYHOLDERS’ RIGHTS AND RESPONSIBILITIES

Principle 14: Stapled Securityholders’ Rights

The Managers believe in treating all Stapled Securityholders fairly and equitably. It aspires to keep all Stapled Securityholders and the investment community in Singapore and beyond informed of FHT’s activities, including material changes (if any) in FHT’s business which are likely to affect the price or value of its Stapled Securities, in a timely and consistent manner.

Stapled Securityholders are also given the opportunity to participate effectively and vote at general meetings of FHT, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

CORPORATE GOVERNANCE REPORT

Principle 15: Communication with Unitholders

The Managers are committed to regular, effective and fair communication with all Stapled Securityholders. The Managers have a dedicated investor relations personnel which handles communications with the Stapled Securityholders, the investment community and the media.

In FY2017, the Managers met investors and analysts globally and participated in investor conferences, as well as deal and non-deal roadshows in Bangkok, Seoul, Taipei, Tokyo, Kuala Lumpur and Singapore. These are good avenues for the Managers to engage the investment community, raise the profile of FHT and provide updates on FHT's latest performances, developments, strategies and outlook. At the same time, they are also a forum for the Managers to better understand the matters which are key to investors.

Briefings for analysts are generally held in conjunction with the release of FHT's quarterly financial results. To ensure transparency, press releases and presentation slides are released to SGX-ST via SGXNET, and posted on FHT's website at www.frasershospitalitytrust.com. Announcements through FHT's website and the SGXNET are the principal media of communication with Stapled Securityholders.

FHT was conferred the silver award under the Best Hospitality REIT category at the Asia Pacific Best of the Breeds REITs Awards 2017. FHT was also a signatory to the 2017 Corporate Governance Statement of Support initiated by the Securities Investors Association (Singapore) where FHT pledged its commitment to uphold high standards in corporate governance.

Principle 16: Conduct of Stapled Securityholders' Meetings

A copy of FHT's Annual Report is sent to all Stapled Securityholders.

At the AGM of FHT to be held on 24 January 2018, Stapled Securityholders will be invited to vote on each of the resolutions by poll, using an electronic voting system. This will allow all Stapled Securityholders present or represented at the AGM to vote on a per unit, Stapled Security per vote basis. The voting result will be screened at the AGM and announced via the SGX-ST after the AGM.

As and when an extraordinary general meeting is convened, a circular will be sent to each Stapled Securityholder. The circular will contain details of the matters proposed for Stapled Securityholders' consideration and approval.

Board members and Management are in attendance at Stapled Securityholders' meetings where Stapled Securityholders are given the opportunity to raise questions and clarify any issues they may have relating to the resolutions to be passed. The external auditors are also present to address queries about the conduct of audit and the preparation and content of the auditors' report.

ADDITIONAL INFORMATION

Dealings in Stapled Securities

The REIT Manager and the Trustee-Manager have adopted a dealing policy on securities trading (the "**Dealing Policy**") which provides guidance with regard to dealings in the Stapled Securities by its directors, officers and employees. Directors, officers and employees are prohibited from dealing in the Stapled Securities:

- in line with the Listing Rule 1207(19)(c) on Dealings in Securities, two weeks before the date of announcement of quarterly financial statements and one month before the date of announcement of full-year results ("**Prohibition Period**"); and

- at any time while in possession of unpublished material or price sensitive information. Directors, officers and employees are also directed to refrain from dealing in Stapled Securities on short-term considerations.

Prior to the commencement of the Prohibition Period, directors, officers and employees will be reminded not to trade during this period or whenever they are in possession of unpublished price sensitive information. Outside of the Prohibition Period, any trades must be reported to the REIT Manager Board and the Trustee-Manager Board within 48 hours. Every quarter, each director, officer or employee is required to complete and submit a declaration form to the compliance officer to report any trades that he/she has 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 ARC Committees. Any non-compliance with the Dealing Policy such as trading within the Prohibition Period will be reported to the ARC Committees for their review and instructions.

Conflicts of Interest

The REIT Manager has instituted the following procedures to deal with potential conflicts of interest issues:

- the REIT Manager will not manage any other REIT which invests in the same type of properties as FH-REIT;
- all key executive officers will be employed by the REIT Manager and will not hold executive positions in any other entities;
- all resolutions in writing of the directors of the REIT Manager in relation to matters concerning FH-REIT must be approved by a majority of the directors, including at least one director independent from management and business relationships with the REIT Manager;
- at least a majority of the directors of the REIT Manager shall comprise such independent directors;
- in respect of matters in which a director of the REIT Manager or his associates (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 directors of the REIT Manager and must exclude such interested director;
- in respect of matters in which FCL has an interest, direct or indirect, for example, in matters relating to:
 - potential acquisitions of additional properties or property-related investments by FH-REIT in competition with FCL; and/or
 - competition for tenants between properties owned by FH-REIT and properties owned by FCL, any nominees appointed by FCL to the REIT Manager Board to represent its interests will abstain from deliberations and voting on such matters. In such matters, the quorum must comprise a majority of the Directors of the REIT Manager independent from management and business relationships with the REIT Manager and must exclude nominee Directors of FCL;
- save as to resolutions relating to the removal of the REIT Manager, the REIT Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the holders of FH-REIT's units convened to approve any matter in which the REIT Manager and/or any of its associates has an interest, and for so long as the REIT Manager is the manager of FH-REIT, the controlling shareholders of the REIT Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of the holders of FH-REIT units convened to consider a matter in respect of which the relevant controlling shareholders of the REIT Manager and/or any of its associates have an interest; and
- it is also provided in the FH-REIT Trust Deed that if the REIT Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the REIT Trustee for and on behalf of FH-REIT with an Interested Person (as defined in the Listing Manual) and/or, as the case may be, an Interested Party (as defined in the Code on CIS) (collectively, a **"Related Party"**) of the REIT Manager, the REIT Manager shall be obliged to consult with a reputable law firm (acceptable to the REIT Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the REIT Trustee, on behalf of FH-REIT, has a prima facie case against the party allegedly in breach under such agreement, the REIT Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the REIT Manager will have a duty to ensure that the REIT Manager so complies. Notwithstanding the foregoing, the REIT Manager shall inform the REIT Trustee

CORPORATE GOVERNANCE REPORT

as soon as it becomes aware of any breach of any agreement entered into by the REIT Trustee for and on behalf of FH-REIT with a Related Party of the REIT Manager and the REIT Trustee may take such action as it deems necessary to protect the rights of the holders of FH-REIT units and/or which is in the interests of the holders of FH-REIT units. Any decision by the REIT Manager not to take action against a Related Party of the REIT Manager shall not constitute a waiver of the REIT Trustee's right to take such action as it deems fit against such Related Party.

Information on the measures and procedures put in place by the Trustee-Manager to manage potential conflicts of interest can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 124 to 130 of this Annual Report.

Related Party Transactions

There is no general mandate obtained for interested party transactions as defined in Chapter 9 of the Listing Manual ("**IPTs**" and each an "**IPT**") under Rule 920 of the Listing Manual.

All IPTs in relation to FH-REIT are undertaken on normal commercial terms and the REIT Manager Board, with the assistance of the REIT Manager ARC Committee, ensures that such IPTs are not prejudicial to the interests of FH-REIT and the minority Stapled Securityholders. This may entail obtaining (where practicable) quotations from parties unrelated to the REIT Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Code on CIS).

All IPTs are entered in a register maintained by the REIT Manager, including any quotations from unrelated parties and independent valuations forming the bases on which such IPTs are entered into. The REIT Manager incorporates into its internal audit plan a review of all IPTs recorded in the register. The review includes the examination of the nature of the IPTs and its supporting documents or such other data deemed necessary by the REIT Manager ARC Committee. The REIT Manager ARC Committee reviews the internal audit reports to ascertain that internal procedures and the relevant provisions of the Listing Manual and the Code on CIS are complied with by Management in its dealings on IPTs. The REIT Trustee, in its capacity as trustee of FH-REIT, has the right to review any such relevant internal audit reports to ascertain that the requirements under the Code on CIS have been complied with.

Directors of the REIT Manager who are interested in a proposed IPT to be entered into by FH-REIT are required to abstain from any deliberations or decisions in relation to that IPT.

Any IPT proposed to be entered into between FH-REIT and a Related Party of the REIT Manager or FH-REIT (which includes relevant associates thereof), would require the REIT Trustee to satisfy itself that such IPT is conducted on normal commercial terms, is not prejudicial to the interests of the Stapled Securityholders, and is in accordance with all applicable requirements of the Code on CIS and the Listing Manual. Further, the REIT Trustee has the ultimate discretion under the FH-REIT Trust Deed to decide whether or not to enter into such a transaction.

Further, the following procedures will be undertaken:

- 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 SGD100,000 in value but less than 3.0% of the value of FH-REIT's net tangible assets (based on the latest audited accounts) will be subject to review by the REIT Manager ARC Committee 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 net tangible assets (based on the latest audited accounts) will be subject to the review and prior approval of the REIT Manager ARC Committee. Such approval shall only be given if such transaction is on normal commercial terms and is consistent with similar types of transactions made by the REIT Trustee with third parties which are unrelated to the REIT Manager; 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 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 REIT Manager ARC Committee 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 the Property Funds Appendix of the Code on CIS, such transaction would have to be approved by the Stapled Securityholders at a meeting duly convened.

Save for the transactions described under the sections "Management and Corporate Governance – FH-REIT – Related Party 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 (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of FH-REIT's latest audited net tangible assets.

Information on the measures and procedures put in place by the Trustee-Manager to manage potential IPTs (including the Trustee-Manager's Internal Control Systems) can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of FH-BT on pages 124 to 130 of this Annual Report.

ADDITIONAL DISCLOSURES ON FEES PAYABLE TO THE REIT MANAGER

Pursuant to the revised Code on CIS which came into effect on 1 January 2016, the methodology and justifications for each type of fees payable to the REIT Manager should be disclosed, where such fees are payable out of the deposited property of FH-REIT (the "**FH-REIT Deposited Property**").

Base Fee and Performance Fee

For the provision of ongoing management services, which includes an extensive scope of functions including but not limited to investment management, asset management, financing, marketing and investor relations, the REIT Manager is entitled to the following fees (payable in the form of Stapled Securities and/or cash):

- pursuant to Clause 15.1.1 of the FH-REIT Trust Deed, a Base Fee (as defined under Clause 15.1.1(i) of the FH-REIT Trust Deed) 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 FH-REIT Deposited Property; and

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- pursuant to Clause 15.1.2 of the FH-REIT Trust Deed, a Performance Fee (as defined under Clause 15.1.2(i) of the FH-REIT Trust Deed), 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 (as defined in the FH-REIT Trust Deed) 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).

Pursuant to Clauses 15.1.1(v) and 15.1.2(vi) of the FH-REIT Trust Deed, the Base Fee and Performance Fee are payable in the form of cash and/or Stapled Securities (as the REIT Manager may elect). The Base Fee and 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.

In accordance with the revised Code on CIS, crystallisation of the Performance Fee should be no more frequent than once a year. Therefore, with effect from FY2017, the Performance Fee payable to the REIT Manager in the form of Stapled Securities and/or cash will be paid on an annual basis in arrears, subsequent to the end of the applicable financial year.

Rationale and purpose for Base Fee and Performance Fee

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.

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.

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.

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 re-branding of a property, re-segmentation of a property's customer base and driving cost efficiencies to improve profit margin.

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.

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.

Acquisition Fee and Divestment Fee

In addition, the REIT Manager is also entitled to the following one-off fees for services rendered towards the strategic acquisition or disposal of any property by FH-REIT in deriving long-term returns for its Stapled Securityholders:

- 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):
 - (i) 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⁽¹⁾ 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);
 - (ii) the underlying value⁽²⁾ 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
 - (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; and
- 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):
 - (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⁽³⁾ 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 property (pro-rated if applicable to the proportion of FH-REIT’s interest);
 - (ii) the underlying value⁽⁴⁾ 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
 - (iii) 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.

⁽¹⁾ “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.

⁽²⁾ 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.

⁽³⁾ “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.

⁽⁴⁾ For example, if FH-REIT sells or divests 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 received by FH-REIT as the sale price and any debt of the special purpose company.

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Rationale and purpose for Acquisition Fee and Divestment Fee

To continue delivering long-term sustainable distribution 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.

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.

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 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.

GUIDELINES FOR DISCLOSURE

Guideline	Questions	How has the Company complied?
General	<p>(a) Has the Company complied with all the principles and guidelines of the CG Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the CG Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the CG Code?</p>	<p>Please refer to the disclosures and references in this table for specific deviations from the CG Code.</p> <p>The Managers have adopted alternative corporate governance practices which reflect the fact that the Managers themselves are not listed entities but that the entities which they manage, FH-REIT and FH-BT, are listed and managed externally by the Managers.</p>
<i>Board Responsibility</i>		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Please refer to pages 92-93 in this Annual Report which make reference to the MOA.

Guideline	Questions	How has the Company complied?
<i>Members of the Board</i>		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	Please refer to pages 93-94 in this Annual Report.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	No new Directors were appointed or re-elected in the financial year. Directors of the Managers are not subject to periodic retirement by rotation.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	Yes. Please refer to page 93 in this Annual Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	Please refer to pages 95-96 in this Annual Report. Please refer to pages 95-96 in this Annual Report. Please refer to pages 95-96 in this Annual Report.
<i>Board Evaluation</i>		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	The Boards carried out an evaluation exercise for the Boards and Board Committees. Yes.
<i>Independence of Directors</i>		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes.

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Guideline	Questions	How has the Company complied?
<i>Independence of Directors (continued)</i>		
Guideline 2.3	<p>(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>None.</p> <p>Not applicable.</p>
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
<i>Disclosure on Remuneration</i>		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	<p>The remuneration of each director for the financial year was disclosed.</p> <p>Please refer to pages 98-100 in this Annual Report.</p>
Guideline 9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	Please refer to pages 99-100 in this Annual Report.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.

Guideline	Questions	How has the Company complied?
<i>Disclosure on Remuneration (continued)</i>		
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	Please refer to pages 98-100 in this Annual Report.
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	Please refer to pages 98-100 in this Annual Report.
	(c) Were all of these performance conditions met? If not, what were the reasons?	Please refer to pages 98-100 in this Annual Report.
<i>Risk Management and Internal Controls</i>		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to page 97 in this Annual Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	Please refer to pages 101-102 in this Annual Report.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Please refer to pages 101-102 in this Annual Report.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
<i>Risk Management and Internal Controls (continued)</i>		
Guideline 12.6	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>Please refer to page 185 in this Annual Report.</p> <p>A substantial portion of non-audit services and fees was for the purpose of the Rights Issue. Please refer to page 185 in this Annual Report.</p>
<i>Communication with Shareholders</i>		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>Please refer to page 106 in this Annual Report.</p> <p>Yes.</p> <p>Please refer to page 106 in this Annual Report.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable.



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REPORT OF THE TRUSTEE OF FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST

YEAR ENDED 30 SEPTEMBER 2017

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 which shall contain the matters prescribed by the laws and regulations as well as recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Units Trust” issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed.

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 138 to 236, 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 2017

STATEMENT BY THE MANAGER OF FRASERS HOSPITALITY REAL ESTATE INVESTMENT TRUST

YEAR ENDED 30 SEPTEMBER 2017

In the opinion of the directors of Frasers Hospitality Asset Management Pte. Ltd., the financial statements of FH-REIT and its subsidiaries (collectively "FH-REIT Group"), and Frasers Hospitality Trust (the "Stapled Group"), comprising the FH-REIT Group and Frasers Hospitality Business Trust ("FH-BT") and its subsidiaries (collectively, the "FH-BT Group") set out on pages 138 to 236, comprising the Statements of Financial Position and Portfolio Statement as at 30 September 2017, 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 2017, 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 Frasers Hospitality Trust between the REIT Trustee, the REIT Manager and Frasers 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,
Frasers Hospitality Asset Management Pte. Ltd.

Panote Sirivadhanabhakdi
Director

Choe Peng Sum
Director

Singapore
22 November 2017

REPORT OF THE TRUSTEE-MANAGER OF FRASERS HOSPITALITY BUSINESS TRUST

YEAR ENDED 30 SEPTEMBER 2017

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 2017, 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 Choe Peng Sum

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 2017 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 2016		30 September 2017		21 October 2017	
	Direct	Deemed	Direct	Deemed	Direct	Deemed
Mr Law Song Keng	416,590	Nil	549,900	Nil	549,900	Nil
Mr Panote Sirivadhanabhakdi	Nil	535,841,000	Nil	707,310,200	Nil	707,310,200
Mr Choe Peng Sum	400,000	Nil	528,000	Nil	528,000	Nil

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 2017.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the last financial period, no director of the Trustee-Manager has received or became 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 FRASERS HOSPITALITY BUSINESS TRUST

YEAR ENDED 30 SEPTEMBER 2017

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) Mr Law Song Keng (*Chairman*);
- (ii) Mr Liew Choon Wei (*Member*); and
- (iii) Dr David Wong See Hong (*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 Hospitality Trust Management Pte. Ltd.

Panote Sirivadhanabhakdi
Director

Choe Peng Sum
Director

Singapore
22 November 2017

STATEMENT BY THE TRUSTEE-MANAGER OF FRASERS HOSPITALITY BUSINESS TRUST

YEAR ENDED 30 SEPTEMBER 2017

In the opinion of the directors,

- (a) The financial statements of FH-BT Group as set out on pages 138 to 236 are drawn up so as to give a true and fair view of the financial position of FH-BT Group as at 30 September 2017, 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 Financial Reporting Standards in Singapore; 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,
Fraser Hospitality Trust Management Pte. Ltd.

Panote Sirivadhanabhakdi
Director

Choe Peng Sum
Director

Singapore
22 November 2017

STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

YEAR ENDED 30 SEPTEMBER 2017

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.

Eu Chin Fen
Chief Executive Officer

Singapore
22 November 2017

STATEMENT ON THE POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF FRASERS HOSPITALITY BUSINESS TRUST

YEAR ENDED 30 SEPTEMBER 2017

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.

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 subsidiary of FH-REIT). The Melbourne Master Lease Agreement is an internal arrangement within the Stapled Group.

With the activation of FH-BT 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;

- 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

YEAR ENDED 30 SEPTEMBER 2017

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 and 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.

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

YEAR ENDED 30 SEPTEMBER 2017

Management of Business Risk

With the activation of FH-BT on 19 October 2016, 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.

STATEMENT ON THE POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF FRASERS HOSPITALITY BUSINESS TRUST

YEAR ENDED 30 SEPTEMBER 2017

The Trustee-Manager's Internal Control System

With the activation of FH-BT on 19 October 2016, 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.

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.

STATEMENT ON THE POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF FRASERS HOSPITALITY BUSINESS TRUST

YEAR ENDED 30 SEPTEMBER 2017

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
- 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

With the activation of FH-BT on 19 October 2016, 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.

STATEMENT ON THE POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF FRASERS HOSPITALITY BUSINESS TRUST

YEAR ENDED 30 SEPTEMBER 2017

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 65,000 of management fees were paid to the Trustee-Manager.

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 lower than 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

STATEMENT ON THE POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF FRASERS HOSPITALITY BUSINESS TRUST

YEAR ENDED 30 SEPTEMBER 2017

Acquisition Fee and Divestment Fee (continued)

- (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.

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.

In the current financial year, approximately SGD 34,000 of acquisition fee was paid to the Trustee-Manager.

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

YEAR ENDED 30 SEPTEMBER 2017

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 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 Choe Peng Sum	(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 Centrepoint 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

YEAR ENDED 30 SEPTEMBER 2017

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

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 2017, 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 2017, 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 2017, 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 138 to 236 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 2017 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 7 ("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 Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the state of affairs of the FH-BT Group as at 30 September 2017 and the financial performance, changes in stapled securityholders' funds and cash flows of the FH-BT Group for the year ended on that date.

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

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.

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 12 and Note 13 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 2.17 billion and SGD 0.3 billion respectively as at 30 September 2017.

These properties are stated at their fair values 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. Any changes in the key assumptions applied could result in a material 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, capitalisation and terminal yield 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 valuers to be objective and competent. The valuers 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

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Other information

Frasers 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 the About Frasers Hospitality Trust, Our Portfolio, Growth Strategy, Corporate Structure, Financial Highlights, Letter to Stapled Securityholders, Financial Review, Asset Portfolio Valuation, Operations Review, Market Overview, Board of Directors, Management Team, Key Events, Portfolio Summary, Asset Profile, Investor Relations, Sustainability Report, Risk Management, Corporate Governance, Report of the Trustee of FH-REIT, Statement by the Manager of FH-REIT, Report of the Trustee-Manager of FH-BT, Statement by the Trustee-Manager of FH-BT, Statement by the Chief Executive Officer of the Trustee-Manager, Statement on the Policies and Practices in relation to the Management and Governance of FH-BT, Statement on Composition of the Board of Directors of FH-BT, Interested Person Transactions, Directors' Statement of the Trustee-Manager and financial statements of Trustee-Manager, prior to the date of this audit report. The Statistics of Stapled Securityholders (the "Report"), 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 financial statements of the FH-REIT Group and the Stapled Group in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, 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 of the FH-REIT Group and the Stapled Group, 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 liquidate 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.

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

Responsibilities of the Trustee-Manager for the financial statements

The Trustee-Manager is responsible for the preparation of the financial statements of the FH-BT Group that give a true and fair view in accordance with the provisions of the Act and Financial Reporting Standards in Singapore, 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 of the FH-BT Group, 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.

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.

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

- 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.

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 Group 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 2017

STATEMENTS OF TOTAL RETURN AND STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2017

	Note	FHT		FH-REIT Group		FH-BT Group	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Master lease rental	12	124,284	123,633	139,750	123,633	–	–
Room revenue		25,377	–	–	–	25,377	–
Food and beverage revenue		5,946	–	–	–	5,946	–
Other income		3,117	–	–	–	3,117	–
Revenue		158,724	123,633	139,750	123,633	34,440	–
Property tax		(10,436)	(9,067)	(10,436)	(9,067)	–	–
Property insurance		(1,512)	(1,346)	(1,414)	(1,346)	(98)	–
Property management fees		(5,639)	(5,868)	(5,639)	(5,868)	–	–
Other property expenses		(3,421)	(3,126)	(3,421)	(3,126)	–	–
Operations and maintenance expenses		(6,062)	–	(41)	–	(6,996)	–
Energy and utilities expenses		(562)	–	–	–	(562)	–
Hotel management fee		(957)	–	–	–	(957)	–
Rental expense		–	–	–	–	(15,466)	–
Staff costs	3	(6,919)	–	–	–	(6,919)	–
Marketing expenses		(2,208)	–	–	–	(2,208)	–
Administrative expenses		(824)	–	–	–	(824)	–
Property operating expenses		(38,540)	(19,407)	(20,951)	(19,407)	(34,030)	–
Net property income		120,184	104,226	118,799	104,226	410	–
Depreciation	13	(5,786)	–	–	–	(2,628)	–
Acquisition fee paid in Stapled Securities	20	(2,447)	(902)	(2,413)	(902)	(34)	–
REIT Manager's management fees	4(a)	(6,812)	(7,642)	(6,812)	(7,642)	–	–
Trustee-Manager's management fees	4(b)	(65)	–	–	–	(65)	–
Other management fees	4(c)	(5,050)	(3,252)	(5,050)	(3,252)	–	–
Trustees' fees	5	(498)	(447)	(498)	(447)	–	–
Other trust expenses	6	(3,222)	(2,679)	(3,162)	(2,667)	(60)	(12)
Non-capitalisable expenses in relation to Initial Public Offering ("IPO")	7(a)	–	75	–	75	–	–
Non capitalisable expenses in relation to asset acquisition and Private Placement	7(b)	–	165	–	165	–	–
Non-capitalisable expenses in relation to asset acquisition	7(c)	–	(20)	–	(14)	–	(6)
Non-capitalisable expenses in relation to asset acquisition and Rights Issue	7(d)	(745)	–	(680)	–	(65)	–
Other income		1	25	1	25	–	–
Payment top-up	8	–	2,910	–	2,910	–	–
Finance income		365	261	344	261	95	–
Amortisation of debt upfront costs	9(a)	(1,629)	(1,673)	(1,629)	(1,673)	–	–
Finance costs	9(b)	(19,058)	(19,079)	(19,132)	(19,079)	–	–
Total return before foreign exchange differences, fair value changes and tax		75,238	71,968	79,768	71,986	(2,347)	(18)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF TOTAL RETURN AND STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2017

	Note	FHT		FH-REIT Group		FH-BT Group	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Foreign exchange gain/(loss), net		278	(437)	279	(437)	(1)	–
Net change in fair value of investment properties	12	97,457	21,193	100,895	21,193	–	–
Net change in fair value of derivative financial instruments		12,947	(14,644)	12,947	(14,644)	–	–
Realised gain/(loss) on derivative financial instruments, net		(393)	596	(393)	596	–	–
Total return for the year before tax		185,527	78,676	193,496	78,694	(2,348)	(18)
Taxation	10	(28,946)	(16,574)	(30,000)	(16,574)	458	–
Total return for the year after tax		156,581	62,102	163,496	62,120	(1,890)	(18)
Total return attributable to:							
Stapled Securityholders and Perpetual Securities holders		156,581	62,102	163,496	62,120	(1,890)	(18)
Total return for the year after tax attributable to:							
– Stapled Securityholders	11	152,131	60,371	159,046	60,389	(1,890)	(18)
– Perpetual Securities holders		4,450	1,731	4,450	1,731	–	–
		156,581	62,102	163,496	62,120	(1,890)	(18)
Other comprehensive income							
Items that will not be reclassified to total return:							
Revaluation of property, plant and equipment	24(c)	5,635	–	–	–	–	–
Items that may be reclassified subsequently to total return:							
Effective portion of changes in fair value of cash flow hedges	24(a)	4,941	(9,075)	4,941	(9,075)	–	–
Net change in fair value of cash flow hedges reclassified to total return	24(a)	(3,005)	(1,864)	(3,005)	(1,864)	–	–
Foreign currency translation differences	24(b)	(77)	(31,692)	(247)	(31,692)	174	–
Total comprehensive income for the year, net of tax		164,075	19,471	165,185	19,489	(1,716)	(18)
Earnings per Stapled Security (cents)							
Basic	11	8.34	4.39	8.72	4.39	– *	– *
Diluted	11	8.17	4.12	8.55	4.12	– *	– *

* Denotes amount less than 1 cent

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

YEAR ENDED 30 SEPTEMBER 2017

	Note	FHT		FH-REIT Group		FH-BT Group	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'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							
		156,581	62,120	163,496	62,120	(1,890)	–
Non-tax deductible/(non-taxable) items and other adjustments:							
Acquisition fee paid in Stapled Securities		2,447	902	2,413	902	34	–
Amortisation of debt upfront costs		1,629	1,673	1,629	1,673	–	–
Amortisation of other assets		73	50	73	50	–	–
Depreciation		5,786	–	–	–	2,628	–
Foreign exchange loss/(gain), net		424	(417)	423	(417)	1	–
Issuance costs (IPO and Private Placement) not deductible		–	(240)	–	(240)	–	–
Non-capitalisable expenses in relation to assets acquisition and Right Issue		745	–	680	–	65	–
Net change in fair value of investment properties		(97,457)	(21,193)	(100,895)	(21,193)	–	–
Net change in fair value of derivative financial instruments		(12,947)	14,644	(12,947)	14,644	–	–
Other management fees paid and payable in Stapled Securities		4,755	2,958	4,755	2,958	–	–
Property management fees paid and payable in Stapled Securities		5,605	5,866	5,605	5,866	–	–
REIT Manager's management fees paid and payable in Stapled Securities		6,812	7,642	6,812	7,642	–	–
Trustee-Manager's management fees paid and payable in Stapled Securities		65	–	–	–	65	–
Trustee's fee in relation to FH-REIT		291	257	291	257	–	–
Deferred tax	10	23,501	12,239	24,575	12,239	(478)	–
Other adjustments		(376)	178	559	178	40	–
Net effect of non-tax deductible/(non-taxable) items and other adjustments		(58,647)	24,559	(66,027)	24,559	2,355	–
Income available for distribution		97,934	86,679	97,469	86,679	465	–
Income available for distribution attributable to:							
– Stapled Securityholders		93,484	84,948	93,019	84,948	465	–
– Perpetual Securities holders		4,450	1,731	4,450	1,731	–	–
		97,934	86,679	97,469	86,679	465	–

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENTS

YEAR ENDED 30 SEPTEMBER 2017

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amount available for distribution to Stapled Securityholders at the beginning of the year	42,891	21,540	42,891	21,540	–	–
Income available for distribution attributable to Stapled Securityholders	93,484	84,948	93,019	84,948	465	–
Distribution to Stapled Securityholders						
Distribution of 1.5745 cents per Stapled Security for the period from 6 July 2015 to 30 September 2015	–	(21,539)	–	(21,539)	–	–
Distribution of 3.0506 cents per Stapled Security for the period from 1 October 2015 to 31 March 2016	–	(42,058)	–	(42,058)	–	–
Distribution of 2.3347 cents per Stapled Security for the period from 1 April 2016 to 30 September 2016	(42,872)	–	(42,872)	–	–	–
Distribution of 2.5321 cents per Stapled Security for the period from 1 October 2016 to 31 March 2017	(46,732)	–	(46,692)	–	(40)	–
	(89,604)	(63,597)	(89,564)	(63,597)	(40)	–
Amount available for distribution to Stapled Securityholders at the end of the year	46,771	42,891	46,346	42,891	425	–
Distribution per Stapled Security (cents)	5.0458	5.2299 *	5.0209	5.2299 *	0.0249	–

* Incorporates the extent of rights issue undertaken by FHT in October 2016.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Note	2017 \$'000	FHT 2016 \$'000	FH-REIT Group 2017 \$'000	FH-REIT Group 2016 \$'000	FH-BT Group 2017 \$'000	FH-BT Group 2016 \$'000
Non-current assets							
Investment properties	12	2,172,119	2,058,413	2,435,515	2,058,413	–	–
Property, plant and equipment	13	267,282	–	–	–	3,886	–
Derivative financial instruments	19	630	61	630	61	–	–
Rental deposits		–	–	–	–	1,853	–
Deferred expense	17(a)	–	–	–	–	2,277	–
Deferred tax assets	10	479	–	–	–	479	–
		<u>2,440,510</u>	<u>2,058,474</u>	<u>2,436,145</u>	<u>2,058,474</u>	<u>8,495</u>	<u>–</u>
Current assets							
Inventories		58	–	–	–	58	–
Other assets		121	194	121	194	–	–
Prepayments		1,539	1,319	1,292	1,319	247	–
Trade and other receivables	14	11,907	33,813	11,173	33,813	3,253	605
Derivative financial instruments	19	1	2,813	1	2,813	–	–
Cash and cash equivalents	15	79,755	64,385	76,796	64,381	2,959	4
		<u>93,381</u>	<u>102,524</u>	<u>89,383</u>	<u>102,520</u>	<u>6,517</u>	<u>609</u>
Total assets		<u>2,533,891</u>	<u>2,160,998</u>	<u>2,525,528</u>	<u>2,160,994</u>	<u>15,012</u>	<u>609</u>
Current liabilities							
Trade and other payables	16	17,956	20,437	13,921	20,423	7,160	619
Deferred income	17(b)	1,092	678	1,092	678	–	–
Derivative financial instruments	19	698	2,664	698	2,664	–	–
Borrowings	18	134,760	128,925	134,760	128,925	–	–
Income tax payables		3,839	5,312	3,839	5,312	–	–
		<u>158,345</u>	<u>158,016</u>	<u>154,310</u>	<u>158,002</u>	<u>7,160</u>	<u>619</u>
Net current liabilities		<u>(64,964)</u>	<u>(55,492)</u>	<u>(64,927)</u>	<u>(55,482)</u>	<u>(643)</u>	<u>(10)</u>
Non-current liabilities							
Rental deposits		21,735	21,551	23,588	21,551	–	–
Other payables	16	168	–	–	–	168	–
Deferred income	17(b)	9,877	10,404	12,154	10,404	–	–
Derivative financial instruments	19	8,666	16,746	8,666	16,746	–	–
Borrowings	18	676,182	681,082	676,182	681,082	–	–
Deferred tax liabilities	10	52,746	29,049	52,746	29,049	–	–
		<u>769,374</u>	<u>758,832</u>	<u>773,336</u>	<u>758,832</u>	<u>168</u>	<u>–</u>
Total liabilities		<u>927,719</u>	<u>916,848</u>	<u>927,646</u>	<u>916,834</u>	<u>7,328</u>	<u>619</u>
Net assets/(liabilities)		<u>1,606,172</u>	<u>1,244,150</u>	<u>1,597,882</u>	<u>1,244,160</u>	<u>7,684</u>	<u>(10)</u>
Represented by:							
Stapled Securityholders' funds							
Stapled Securities in issue	20	1,497,064	1,202,801	1,487,599	1,202,791	9,465	10
Issue costs	21	(25,764)	(23,482)	(25,759)	(23,482)	(5)	–
Revenue reserves		122,581	60,054	129,556	60,074	(1,950)	(20)
Hedging reserve	24(a)	(2,404)	(4,340)	(2,404)	(4,340)	–	–
Foreign currency translation reserve	24(b)	(91,219)	(91,142)	(91,389)	(91,142)	174	–
Revaluation reserve	24(c)	5,635	–	–	–	–	–
		<u>1,505,893</u>	<u>1,143,891</u>	<u>1,497,603</u>	<u>1,143,901</u>	<u>7,684</u>	<u>(10)</u>
Perpetual Securities holders' funds	22	<u>100,279</u>	<u>100,259</u>	<u>100,279</u>	<u>100,259</u>	<u>–</u>	<u>–</u>
		<u>1,606,172</u>	<u>1,244,150</u>	<u>1,597,882</u>	<u>1,244,160</u>	<u>7,684</u>	<u>(10)</u>
Number of Stapled Securities in issue ('000)							
	20	<u>1,845,574</u>	<u>1,379,842</u>	<u>1,845,574</u>	<u>1,379,842</u>	<u>1,845,574</u>	<u>1,379,842</u>
Net asset value per Stapled Security (cents)							
		<u>81.59</u>	<u>82.90</u>	<u>81.15</u>	<u>82.90</u>	<u>0.42</u>	<u>– *</u>

* Denotes amount less than 1 cent

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN STAPLED SECURITYHOLDERS' FUNDS

YEAR ENDED 30 SEPTEMBER 2017

Note	Attributable to Stapled Securityholders						Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
	Stapled Securities in issue \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000			
FHT									
At 1 October 2016	1,202,801	(23,482)	60,054	(4,340)	(91,142)	–	1,143,891	100,259	1,244,150
Total return for the year	–	–	156,581	–	–	–	156,581	–	156,581
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	24(a)	–	–	4,941	–	–	4,941	–	4,941
Net change in fair value of cash flow hedges reclassified to total return	24(a)	–	–	(3,005)	–	–	(3,005)	–	(3,005)
Foreign currency translation differences	24(b)	–	–	–	(77)	–	(77)	–	(77)
Revaluation of property, plant and equipment	24(c)	–	–	–	–	5,635	5,635	–	5,635
Total comprehensive income for the year, net of tax		–	–	1,936	(77)	5,635	7,494	–	7,494
<u>Contributions by and distributions to Stapled Securityholders</u>									
Issue costs	21	–	(2,282)	–	–	–	(2,282)	–	(2,282)
REIT Manager's management fees paid and payable in Stapled Securities	20	10,663	–	–	–	–	10,663	–	10,663
Trustee-Manager's management fees paid and payable in Stapled Securities	20	65	–	–	–	–	65	–	65
Other management fees paid and payable in Stapled Securities	20	6,273	–	–	–	–	6,273	–	6,273
Property management fees paid and payable in Stapled Securities	20	8,561	–	–	–	–	8,561	–	8,561
Acquisition fee paid in Stapled Securities	20	2,447	–	–	–	–	2,447	–	2,447
Rights Issue	20	266,254	–	–	–	–	266,254	–	266,254
Distributions to Stapled Securityholders		–	–	(89,604)	–	–	(89,604)	–	(89,604)
Total contributions by and distributions to Stapled Securityholders		294,263	(2,282)	(89,604)	–	–	202,377	–	202,377
Stapled Securityholders' funds at 30 September 2017		1,497,064	(25,764)	122,581	(2,404)	(91,219)	5,635	1,505,893	1,606,152

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN STAPLED SECURITYHOLDERS' FUNDS

YEAR ENDED 30 SEPTEMBER 2017

Note	Attributable to Stapled Securityholders							Perpetual Securities holders' funds	Total
	Stapled Securities in issue \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	Total \$'000		
FHT									
<u>Contributions by and distributions to Perpetual Securities holders</u>									
Issue costs	23	—	—	—	—	—	—	20	20
Total return for the year, attributable to Perpetual Securities holders		—	—	—	—	—	—	4,450	4,450
Distribution to Perpetual Security holders		—	—	—	—	—	—	(4,450)	(4,450)
Total contributions by and distributions to Perpetual Securities holders, representing Perpetual Securities holders' funds as at 30 September 2017		—	—	—	—	—	—	20	20
At 30 September 2017		1,497,064	(25,764)	122,581	(2,404)	(91,219)	5,635	1,505,893	100,279
								1,606,172	

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN STAPLED SECURITYHOLDERS' FUNDS

YEAR ENDED 30 SEPTEMBER 2017

Note	Attributable to Stapled Securityholders						Perpetual Securities holders' funds	Total
	Stapled Securities in issue \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000	\$'000	\$'000
FHT								
At 1 October 2015	1,185,539	(23,686)	63,280	6,599	(59,450)	1,172,282	–	1,172,282
Total return for the year	–	–	62,102	–	–	62,102	–	62,102
Total return for the year, attributable to Perpetual Securities holders	–	–	(1,731)	–	–	(1,731)	–	(1,731)
<u>Other comprehensive income</u>								
Effective portion of changes in fair value of cash flow hedges	24(a)	–	–	–	(9,075)	–	(9,075)	–
Net change in fair value of cash flow hedges reclassified to total return	24(a)	–	–	–	(1,864)	–	(1,864)	–
Foreign currency translation differences	24(b)	–	–	–	–	(31,692)	–	(31,692)
Total comprehensive income for the year, net of tax		–	–	–	(10,939)	(31,692)	–	(42,631)
<u>Contributions by and distributions to Stapled Securityholders</u>								
Issue costs	21	–	204	–	–	–	204	–
REIT Manager's management fees paid in Stapled Securities	20	7,808	–	–	–	–	7,808	–
Other management fees paid in Stapled Securities	20	2,398	–	–	–	–	2,398	–
Property management fees paid in Stapled Securities	20	6,154	–	–	–	–	6,154	–
Acquisition fee paid in Stapled Securities	20	902	–	–	–	–	902	–
Distributions to Stapled Securityholders		–	–	(63,597)	–	–	(63,597)	–
Total contributions by and distributions to Stapled Securityholders		17,262	204	(63,597)	–	–	(46,131)	–
Stapled Securityholders' funds at 30 September 2016		1,202,801	(23,482)	60,054	(4,340)	(91,142)	1,143,891	–
<u>Contributions by and distributions to Perpetual Securities holders</u>								
Issuance of Perpetual Securities	23	–	–	–	–	–	100,000	100,000
Issue costs		–	–	–	–	–	(1,472)	(1,472)
Total return for the year, attributable to Perpetual Securities holders		–	–	–	–	–	1,731	1,731
Total contributions by and distributions to Perpetual Securities holders, representing Perpetual Securities holders' funds as at 30 September 2016		–	–	–	–	–	100,259	100,259
At 30 September 2016		1,202,801	(23,482)	60,054	(4,340)	(91,142)	100,259	1,244,150

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN STAPLED SECURITYHOLDERS' FUNDS

YEAR ENDED 30 SEPTEMBER 2017

Note	Attributable to Stapled Securityholders						Perpetual Securities holders' funds	Total
	Stapled Securities in issue \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000	\$'000	\$'000
FH-REIT Group								
At 1 October 2016	1,202,791	(23,482)	60,074	(4,340)	(91,142)	1,143,901	100,259	1,244,160
Total return for the year	–	–	163,496	–	–	163,496	–	163,496
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	24(a)	–	–	–	4,941	–	–	4,941
Net change in fair value of cash flow hedges reclassified to total return	24(a)	–	–	–	(3,005)	–	–	(3,005)
Foreign currency translation differences	24(b)	–	–	–	–	(247)	–	(247)
Total comprehensive income for the year, net of tax		–	–	–	1,936	(247)	–	1,689
<u>Contributions by and distributions to Stapled Securityholders</u>								
Issue costs	21	–	(2,277)	–	–	–	–	(2,277)
REIT Manager's management fees paid and payable in Stapled Securities	20	10,663	–	–	–	–	–	10,663
Other management fees paid and payable in Stapled Securities	20	6,273	–	–	–	–	–	6,273
Property management fees paid and payable in Stapled Securities	20	8,561	–	–	–	–	–	8,561
Acquisition fee paid in Stapled Securities	20	2,413	–	–	–	–	–	2,413
Right Issue	20	256,898	–	–	–	–	–	256,898
Distributions to Stapled Securityholders		–	–	(89,564)	–	–	–	(89,564)
Total contributions by and distributions to Stapled Securityholders		284,808	(2,277)	(89,564)	–	–	–	192,967
Stapled Securityholders' funds at 30 September 2017		1,487,599	(25,759)	129,556	(2,404)	(91,389)	1,497,603	100,259 1,597,862
<u>Contributions by and distributions to Perpetual Securities holders</u>								
Issue costs	23	–	–	–	–	–	20	20
Total return for the year, attributable to Perpetual Securities holders		–	–	–	–	–	4,450	4,450
Distribution 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 2017		–	–	–	–	–	20	20
At 30 September 2017		1,487,599	(25,759)	129,556	(2,404)	(91,389)	100,279	1,597,882

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN STAPLED SECURITYHOLDERS' FUNDS

YEAR ENDED 30 SEPTEMBER 2017

Note	Attributable to Stapled Securityholders					Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
	Stapled Securities in issue \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000			
FH-REIT Group								
At 1 October 2015	1,185,529	(23,686)	63,282	6,599	(59,450)	1,172,274	–	1,172,274
Total return for the year	–	–	62,120	–	–	62,120	–	62,120
Total return for the year, attributable to Perpetual Securities holders	–	–	(1,731)	–	–	(1,731)	–	(1,731)
<u>Other comprehensive income</u>								
Effective portion of changes in fair value of cash flow hedges	24(a)	–	–	–	(9,075)	–	(9,075)	–
Net change in fair value of cash flow hedges reclassified to total return	24(a)	–	–	–	(1,864)	–	(1,864)	–
Foreign currency translation differences	24(b)	–	–	–	–	(31,692)	(31,692)	–
Total comprehensive income for the year, net of tax		–	–	–	(10,939)	(31,692)	(42,631)	–
<u>Contributions by and distributions to Stapled Securityholders</u>								
Issue costs	21	–	204	–	–	–	204	–
REIT Manager's management fees paid in Stapled Securities	20	7,808	–	–	–	–	7,808	–
Other management fees paid in Stapled Securities	20	2,398	–	–	–	–	2,398	–
Property management fees paid in Stapled Securities	20	6,154	–	–	–	–	6,154	–
Acquisition fee paid in Stapled Securities	20	902	–	–	–	–	902	–
Distributions to Stapled Securityholders		–	–	(63,597)	–	–	(63,597)	–
Total contributions by and distributions to Stapled Securityholders		17,262	204	(63,597)	–	–	(46,131)	–
Stapled Securityholders' funds at 30 September 2016		1,202,791	(23,482)	60,074	(4,340)	(91,142)	1,143,901	–
<u>Contributions by and distributions to Perpetual Securities holders</u>								
Issuance of Perpetual Securities	22	–	–	–	–	–	100,000	100,000
Issue costs	23	–	–	–	–	–	(1,472)	(1,472)
Total return for the year, attributable to Perpetual Securities holders		–	–	–	–	–	1,731	1,731
Total contributions by and distributions to Perpetual Securities holders, representing Perpetual Securities holders' funds as at 30 September 2016		–	–	–	–	–	100,259	100,259
At 30 September 2016		1,202,791	(23,482)	60,074	(4,340)	(91,142)	1,143,901	100,259

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN STAPLED SECURITYHOLDERS' FUNDS

YEAR ENDED 30 SEPTEMBER 2017

	Note	Attributable to Stapled Securityholders					Perpetual Securities holders' funds	Total
		Stapled Securities in issue \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000		
FH-BT Group								
At 1 October 2016		10	–	(20)	–	–	(10)	(10)
Total return for the year		–	–	(1,890)	–	–	(1,890)	(1,890)
Other comprehensive income								
Foreign currency translation differences	24(b)	–	–	–	–	174	–	174
Total comprehensive income for the year, net of tax		–	–	–	–	174	–	174
Contributions by and distributions to Stapled Securityholders								
Issue costs	21	–	(5)	–	–	–	–	(5)
Trustee-Manager's management fees paid and payable in Stapled Securities	20	65	–	–	–	–	–	65
Acquisition fee paid in Stapled Securities	20	34	–	–	–	–	–	34
Rights Issue	20	9,356	–	–	–	–	–	9,356
Distributions to Stapled Securities		–	–	(40)	–	–	–	(40)
Total contributions by and distributions to Stapled Securityholders		9,455	(5)	(40)	–	–	–	9,410
At 30 September 2017		9,465	(5)	(1,950)	–	174	–	7,684
At 1 October 2015		10	–	(2)	–	–	–	8
Total return/comprehensive income for the year, net of tax		–	–	(18)	–	–	–	(18)
At 30 September 2016		10	–	(20)	–	–	–	(10)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2017

	Note	FHT 2017 \$'000	FHT 2016 \$'000	FH-REIT Group 2017 \$'000	FH-REIT Group 2016 \$'000	FH-BT Group 2017 \$'000	FH-BT Group 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Total return before tax		185,527	78,676	193,496	78,694	(2,348)	(18)
Adjustments for:							
Acquisition fee paid in Stapled Securities	20	2,447	902	2,413	902	34	–
Amortisation of debt upfront costs	9(a)	1,629	1,673	1,629	1,673	–	–
Amortisation of other assets		73	50	73	50	–	–
Depreciation	13	5,786	–	–	–	2,628	–
Effect of recognising rental income on a straight-line basis over the lease term	12	(651)	(656)	(765)	(656)	–	–
Effect of recognising rental expense on a straight-line basis over the lease term	17(a)	–	–	–	–	114	–
Finance costs	9(b)	19,058	19,079	19,132	19,079	–	–
Finance income		(365)	(261)	(344)	(261)	(95)	–
Net change in fair value of derivative financial instruments		(12,947)	14,644	(12,947)	14,644	–	–
Net change in fair value of investment properties	12	(97,457)	(21,193)	(100,895)	(21,193)	–	–
Non-capitalisable expenses in relation to IPO	7(a)	–	(75)	–	(75)	–	–
Non-capitalisable expenses in relation to asset acquisition and Private Placement	7(b)	–	(165)	–	(165)	–	–
Non-capitalisable expenses in relation to asset acquisition	7(c)	–	20	–	14	–	6
Non-capitalisable expenses in relation to assets acquisition and Right Issue	7(d)	745	–	680	–	65	–
Other management fees paid and payable in Stapled Securities		4,755	2,958	4,755	2,958	–	–
Property management fees paid and payable in Stapled Securities		5,605	5,868	5,605	5,868	–	–
REIT Manager's management fees paid and payable in Stapled Securities	4(a)	6,812	7,642	6,812	7,642	–	–
Trustee-Manager's management fees paid and payable in Stapled Securities	4(b)	65	–	–	–	65	–
Unrealised loss/(gain) on foreign exchange		(92)	433	(92)	433	–	–
Cash generated from/(used in) operations before working capital changes		120,990	109,595	119,552	109,607	463	(12)
Changes in working capital:							
Inventories		(12)	–	–	–	(12)	–
Prepayments		(113)	1,120	27	1,120	(140)	–
Trade and other receivables		(1,818)	(1,593)	(1,395)	(2,198)	(2,338)	605
Trade and other payables		(866)	(3,288)	(1,147)	(3,295)	2,921	7
Rental deposits		–	4,149	1,746	4,149	(1,746)	–
Deferred income		502	561	2,802	561	–	–
Deferred expense		–	–	–	–	(2,346)	–
Cash generated from operations		118,683	110,544	121,585	109,944	(3,198)	600
Tax paid		(5,708)	(3,028)	(5,690)	(3,028)	(18)	–
Interest income received		439	261	344	261	21	–
Net cash generated from/(used in) operating activities		113,414	107,777	116,239	107,177	(3,195)	600

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2017

		FHT		FH-REIT Group		FH-BT Group	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of investment properties		–	(93,745)	(231,029)	(93,745)	–	–
Additions to investment properties		(12,765)	(8,539)	(12,765)	(8,539)	–	–
Acquisition of hotel assets/business, net of cash acquired	25	(234,125)	–	–	–	(3,096)	–
Acquisition of other assets		–	(33)	–	(33)	–	–
Additions to property, plant and equipment	13	(370)	–	–	–	–	–
Deposits placed in relation to acquisition of assets		–	(24,691)	–	(24,085)	–	(606)
Net cash generated used in investing activities		(247,260)	(127,008)	(243,794)	(126,402)	(3,096)	(606)
CASH FLOWS FROM FINANCING ACTIVITIES							
Distributions paid to Stapled Securityholders		(89,604)	(63,597)	(89,564)	(63,597)	(40)	–
Distributions paid to Perpetual Securities holders		(4,450)	–	(4,450)	–	–	–
Finance costs paid		(17,760)	(18,904)	(17,760)	(18,904)	–	–
Issuance of Perpetual Securities	22	–	100,000	–	100,000	–	–
Issue costs for Perpetual Securities		(43)	(1,378)	(43)	(1,378)	–	–
Issue costs in relation to Rights Issue		(3,027)	–	(2,957)	–	(70)	–
Proceeds from Rights Issue	20	266,254	–	256,898	–	9,356	–
Proceeds from borrowings, net of debt upfront costs		134,774	15,278	134,774	15,278	–	–
Repayment of borrowings		(134,150)	(1,128)	(134,150)	(1,128)	–	–
Net cash generated from financing activities		151,994	30,271	142,748	30,271	9,246	–
Net increase/(decrease) in cash and cash equivalents		18,148	11,040	15,193	11,046	2,955	(6)
Cash and cash equivalents at the beginning of the financial year		64,385	52,308	64,381	52,298	4	10
Effect of exchange rate changes on cash and cash equivalents		(2,778)	1,037	(2,778)	1,037	–	–
Cash and cash equivalents at the end of the financial year	15	79,755	64,385	76,796	64,381	2,959	4

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENT

AS AT 30 SEPTEMBER 2017

Property	Acquisition date	Tenure	Location	Existing use	Latest valuation \$'000	Valuation date	FHT			
							30 September 2017		30 September 2016	
							At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
<u>Investment properties</u>										
InterContinental Singapore	14 July 2014	75 year leasehold expiring in 2089	80 Middle Road, Singapore 188966	Hotel	535,000	30 September 2017	535,000	33.32	535,000	43.00
Fraser Suites Singapore	14 July 2014	75 year leasehold expiring in 2089	491A River Valley Road, Singapore 248372	Serviced Residences	305,000	30 September 2017	305,000	18.99	305,000	24.51
The Westin Kuala Lumpur	14 July 2014	Freehold	199, Jalan Bukit Bintang, Kuala Lumpur, 55100, Malaysia	Hotel	138,202	30 September 2017	138,202	8.60	135,218	10.87
ANA Crowne Plaza Kobe	14 July 2014	Freehold	1-Chome, Kitano-Cho Chuo-Ku, Kobe, 650-0002, Japan	Hotel	189,153	30 September 2017	189,153	11.78	190,972	15.35
Sofitel Sydney Wentworth	7 July 2015	75 year leasehold expiring in 2090	61-101 Phillip Street, Sydney, NSW 2000, Australia	Hotel	327,270	30 September 2017	327,270	20.38	273,473	21.98
Novotel Rockford Darling Harbour	14 July 2014	84 year leasehold expiring in 2098	17 Little Pier Street Darling Harbour, NSW 2000, Australia	Hotel	111,465	30 September 2017	111,465	6.94	85,428	6.87
Fraser Suites Sydney	14 July 2014	75 year leasehold expiring in 2089	488 Kent Street, Sydney, NSW 2000, Australia	Serviced Residences	136,673	30 September 2017	136,673	8.51	123,453	9.92
Park International London	14 July 2014	75 year leasehold expiring in 2089	117-129 Cromwell Road, South Kensington, London, SW7 4DS, United Kingdom	Hotel	74,831	30 September 2017	74,831	4.66	71,998	5.79

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENT

AS AT 30 SEPTEMBER 2017

Property	Acquisition date	Tenure	Location	Existing use	Latest valuation \$'000	Valuation date	FHT			
							30 September 2017		30 September 2016	
							At valuation/	Percentage	At valuation/	Percentage
							carrying value \$'000	of net assets %	carrying value \$'000	of net assets %
Investment properties (continued)										
Best Western Cromwell London	14 July 2014	75 year leasehold expiring in 2089	108, 110 and 112 Cromwell Road, London, SW7 4ES, United Kingdom	Hotel	32,590	30 September 2017	32,590	2.03	31,665	2.55
Fraser Place Canary Wharf	14 July 2014	75 year leasehold expiring in 2089	80 Boardwalk Place, London E14 5SF, United Kingdom	Serviced Residences	72,464	30 September 2017	72,464	4.51	70,406	5.66
Fraser Suites Queens Gate	14 July 2014	75 year leasehold expiring in 2089	39B Queens Gate Gardens, London SW7 5RR, United Kingdom	Serviced Residences	106,511	30 September 2017	106,511	6.63	103,310	8.30
Fraser Suites Glasgow	14 July 2014	75 year leasehold expiring in 2089	1-19 Albion Street Glasgow G1 1LH, Scotland, United Kingdom	Serviced Residences	18,207	30 September 2017	18,207	1.13	17,336	1.39
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	26,582	30 September 2017	26,582	1.65	24,943	2.01
Maritim Hotel Dresden	15 June 2016	Freehold	Devrientstrasse 10 12, 01067 Dresden, Germany	Hotel	98,171	30 September 2017	98,171	6.11	90,211	7.25
Investment properties							2,172,119	135.24	2,058,413	165.45
Property, plant and equipment										
Novotel Melbourne on Collins	19 October 2016	Freehold	270 Collins Street and 233-239 Collins Street, Melbourne Victoria, Australia	Hotel	267,282*	30 September 2017	267,282*	16.64	–	–
Property, plant and equipment							267,282	16.64	–	–
Other net liabilities							(833,229)	(51.88)	(814,263)	(65.45)
Net assets of FHT							1,606,172	100.00	1,244,150	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 2017

Property	Acquisition date	Tenure	Location	Existing use	Latest valuation \$'000	Valuation date	FH-REIT Group			
							30 September 2017		30 September 2016	
							At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
<u>Investment properties</u>										
InterContinental Singapore	14 July 2014	75 year leasehold expiring in 2089	80 Middle Road, Singapore 188966	Hotel	535,000	30 September 2017	535,000	33.48	535,000	43.00
Fraser Suites Singapore	14 July 2014	75 year leasehold expiring in 2089	491A River Valley Road, Singapore 248372	Serviced Residences	305,000	30 September 2017	305,000	19.09	305,000	24.51
The Westin Kuala Lumpur	14 July 2014	Freehold	199, Jalan Bukit Bintang, Kuala Lumpur, 55100, Malaysia	Hotel	138,202	30 September 2017	138,202	8.65	135,218	10.87
ANA Crowne Plaza Kobe	14 July 2014	Freehold	1-Chome, Kitano-Cho Chuo-Ku, Kobe, 650-0002, Japan	Hotel	189,153	30 September 2017	189,153	11.84	190,972	15.35
Sofitel Sydney Wentworth	7 July 2015	75 year leasehold expiring in 2090	61-101 Phillip Street, Sydney, NSW 2000, Australia	Hotel	327,270	30 September 2017	327,270	20.48	273,473	21.98
Novotel Rockford Darling Harbour	14 July 2014	84 year leasehold expiring in 2098	17 Little Pier Street Darling Harbour, NSW 2000, Australia	Hotel	111,465	30 September 2017	111,465	6.98	85,428	6.87
Fraser Suites Sydney	14 July 2014	75 year leasehold expiring in 2089	488 Kent Street, Sydney, NSW 2000, Australia	Serviced Residences	136,673	30 September 2017	136,673	8.55	123,453	9.92
Park International London	14 July 2014	75 year leasehold expiring in 2089	117-129 Cromwell Road, South Kensington, London, SW7 4DS, United Kingdom	Hotel	74,831	30 September 2017	74,831	4.68	71,998	5.79

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENT

AS AT 30 SEPTEMBER 2017

Property	Acquisition date	Tenure	Location	Existing use	Latest valuation \$'000	Valuation date	FH-REIT Group			
							30 September 2017		30 September 2016	
							At valuation/	Percentage	At valuation/	Percentage
							carrying value \$'000	of net assets %	carrying value \$'000	of net assets %
Investment properties (continued)										
Best Western Cromwell London	14 July 2014	75 year leasehold expiring in 2089	108, 110 and 112 Cromwell Road, London, SW7 4ES, United Kingdom	Hotel	32,590	30 September 2017	32,590	2.04	31,665	2.55
Fraser Place Canary Wharf	14 July 2014	75 year leasehold expiring in 2089	80 Boardwalk Place, London E14 5SF, United Kingdom	Serviced Residences	72,464	30 September 2017	72,464	4.54	70,406	5.66
Fraser Suites Queens Gate	14 July 2014	75 year leasehold expiring in 2089	39B Queens Gate Gardens, London SW7 5RR, United Kingdom	Serviced Residences	106,511	30 September 2017	106,511	6.67	103,310	8.30
Fraser Suites Glasgow	14 July 2014	75 year leasehold expiring in 2089	1-19 Albion Street Glasgow G1 1LH, Scotland, United Kingdom	Serviced Residences	18,207	30 September 2017	18,207	1.14	17,336	1.39
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	26,582	30 September 2017	26,582	1.66	24,943	2.01
Maritim Hotel Dresden	15 June 2016	Freehold	Devrientstrasse 10-12, 01067 Dresden, Germany	Hotel	98,171	30 September 2017	98,171	6.14	90,211	7.25
Novotel Melbourne on Collins	19 October 2016	Freehold	270 Collins Street and 233-239 Collins Street, Melbourne Victoria, Australia	Hotel	263,396	30 September 2017	263,396	16.48	–	–
Investment properties							2,435,515	152.42	2,058,413	165.45
Other net liabilities							(837,633)	(52.42)	(814,253)	(65.45)
Net assets of FH-REIT Group							1,597,882	100.00	1,244,160	100.00

Independent valuation of the properties was undertaken by valuers mentioned in Note 12 and Note 13. The independent valuers have the appropriate professional qualifications and experience in the location and category of the properties being valued. The valuations were based on discounted cash flow and capitalisation methods for all properties. 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.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 2017.

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 (formerly known as The Trust Company (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.

The Trustee-Manager activated FH-BT (which was previously dormant) on 19 October 2016. FH-BT through its indirect wholly-owned subsidiary, to become master lessee of Novotel Melbourne on Collins and to acquire hotel assets. FH-BT functions as master lessee and may also undertake certain hospitality and hospitality-related development projects, acquisition 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL (continued)

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:

(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);

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL (continued)

(a) REIT Manager's fees (continued)

(ii) **Acquisition fee and divestment fee** (continued)

The REIT Manager is entitled to: (continued)

- (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
 - (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL (continued)

(a) REIT Manager's fees (continued)

(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
- (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL (continued)

(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);
 - (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL (continued)

(b) *Managed Investment Trust ("MIT") Manager's fees* (continued)

(ii) Acquisition fee and divestment fee (continued)

- 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL (continued)

(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 or goods and services tax ("GST")), 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.

(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 of 8.0% per annum of gross operating profit of the Serviced Residences.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL (continued)

(i) *Property management fees* (continued)

(ii) Trademark Licence Fees

Pursuant to the Serviced Residences Licence Agreement, trademark licence 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 licence 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).

- (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. GENERAL (continued)

(j) *Trustee-Manager's fees* (continued)

- (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 be 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 2017

1. GENERAL (continued)

(j) *Trustee-Manager's fees* (continued)

- (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

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 CIS Code issued by the 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 FRSs.

The financial statements are presented in Singapore dollars ("SGD"), which is the functional currency of FH-REIT and FH-BT and rounded to the nearest thousand (\$'000), unless otherwise stated, and have been prepared on a historical cost basis except as disclosed in the accounting policies below.

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.

Significant accounting judgements and estimates

The preparation of financial statements in conformity with RAP 7 requires the REIT Manager 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(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 estimated market 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/or capitalisation methods. These estimated market 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) *Critical 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. Significant 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.

2.2 Changes in accounting policies

In the current financial year, the Stapled Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any significant effect on the financial performance or position of the Stapled Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective

There are a number of standards, interpretations, and amendments of standards that have been issued but not yet effective and the Stapled Group has not early adopted any of these standards.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the FH-BT Group, the FH-REIT Group and the Stapled Group in future periods, the REIT Manager and the Trustee-Manager has to assess the transition options and the potential impact on the financial statements.

An initial assessment of the new standards that are relevant to the Stapled Group is set out below:

Applicable to financial statements for the year ending 30 September 2019

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 is effective for the annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

Potential impact on the financial statements

Based on an initial assessment, the adoption of the standard is not expected to have a significant impact on the Stapled Group's financial statements.

The Stapled Group plans to adopt the standard when it becomes effective for the Stapled Group on 1 October 2018 using the full retrospective approach.

FRS 109 Financial instruments

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 October 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

Potential impact on the financial statements

The Stapled Group's initial assessment of the impact of FRS 109 is described below:

The Stapled Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using the amortised cost model under FRS 109.

For financial assets and liabilities currently held at fair value, the Stapled Group expects to continue measuring these assets at fair value under FRS 109.

The Stapled Group is evaluating the approach to adopt in respect of recording expected impairment losses on receivables, which involves the Stapled Group reviewing its impairment loss estimation methodology to quantify the impact on the financial statements. Based on preliminary assessment, the Stapled Group does not expect a significant increase in its impairment loss allowance.

The Stapled Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

The Stapled Group plans to adopt the standard when it becomes effective for the Group on 1 October 2018 without restating comparative information.

Applicable to financial statements for the year ending 30 September 2020

FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, 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*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

Potential impact on the financial statements

The FH-BT Group leases certain properties from the FH-REIT Group under operating leases. Based on a preliminary assessment, the FH-BT Group expects the operating leases to be recognised as ROU assets with corresponding lease liabilities. Such operating lease commitments on an undiscounted basis amount to approximately \$119.1 million as at 30 September 2017 (Note 28(b)).

Assuming no additional new operating leases in future years until the effective date, the FH-BT Group expects the amount of ROU assets and lease liabilities to be lower due to discounting and as the lease terms run down.

The Stapled Group plans to adopt the standard when it becomes effective for the Stapled Group as at 1 October 2019. The Stapled Group will perform a detailed analysis of the standard, including the transition option and practical expedients in the coming financial year.

Convergence with International Financial Reporting Standards (IFRS)

Singapore-incorporated companies and business trusts listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as IFRS-IFRS ("SG-IFRS") in these financial statements) with effect from 1 January 2018 onwards. Early application is not permitted.

This becomes effective for the FH-BT Group on 1 October 2018. The FH-BT Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First time adoption of IFRS* for the transition to the new reporting framework. The FH-BT Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the FH-BT Group does not expect to change its existing accounting policies on adoption of the new framework.

The FH-BT Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation and business combinations (continued)

(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 26.

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 *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 Statements 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 Statements of Total Return.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation and business combinations (continued)

(d) *Business combinations* (continued)

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 Statements 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 Statements of Total Return and Statements of Comprehensive Income, and within the Stapled Securityholders' Funds in the Statements 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 Manager considers 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.

2.5 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, which is the functional currency of the FH-REIT Group, the FH-BT Group and the Stapled Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currencies (continued)

(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 Statements 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 Statements 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 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 Statements 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 Statements 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.

2.7 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 Statements of Total Return to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statements of Total Return. A revaluation deficit is recognised in the Statements of Total Return, except to the extent that it offsets an existing surplus on the same asset carried in the Stapled Securityholders' Funds.

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 Statements 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 Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment (continued)

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 lands. 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.

2.8 Financial assets

(a) Initial recognition and measurement

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised when, and only when, the Stapled Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Stapled Group determines the classification of its financial assets at initial recognition.

(b) Subsequent measurement

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 Statements of Total Return when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(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 assets that is created or retained by the Stapled Group 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 Statements of Total Return.

Financial assets and liabilities are offset and the net amount reported in the Statements 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.

2.9 Receivables

Trade and other receivables, including amounts due from related companies and loans to related companies, are classified and accounted for as loans and receivables under FRS 39. The accounting policy is stated in Note 2.8.

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 2.17.

2.10 Other assets

Other assets comprise operating supplies and equipment. They are stated at cost less accumulated amortisation.

2.11 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.

2.12 Cash and cash equivalents

Cash on hand and in banks and fixed deposits which are held to maturity are classified and accounted for as loans and receivables under FRS 39. The accounting policy is stated in Note 2.8.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial liabilities

(a) *Initial recognition and measurement*

Financial liabilities within the scope of FRS 39 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.

(b) *Subsequent measurement*

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

(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 Statements of Total Return.

Financial assets and liabilities are offset and the net amount reported in the Statements 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.

2.14 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 Statements of Total Return as rental income (expense) on a straight-line basis over the individual lease term.

2.15 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 Statements of Total Return over the period of the borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Derivative financial instruments

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 Statements 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 interest rate swaps are used to hedge its risks associated with foreign currency and 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 Statements 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 do not qualify for hedge accounting are recognised immediately in the Statements of Total Return.

The Stapled Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting. 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, together with the methods that will be used to assess the effectiveness of the hedging relationship. Such hedges are expected to be highly effective in achieving offsetting changes in cash flow of the respective hedged items attributable to the hedged risk and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated, and whether the actual results of each hedge are within a range of 80 - 125%. Hedges which meet the criteria for hedge accounting are accounted for as follows:

(a) Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in hedging reserve, while any ineffective portion is recognised immediately in the Statements of Total Return. Amounts recognised as other comprehensive income are transferred to the Statements of Total Return when the hedged transaction affects the Statements of Total Return, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

Where the hedged item is a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

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. If the forecast transaction is no longer expected to occur, amounts previously recognised in Stapled Securityholders' Funds are transferred to the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Derivative financial instruments (continued)

(b) *Hedge of net investment in a foreign operation*

In the entities' financial statements, foreign currency differences arising from the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the Statements of Total Return. On consolidation, such differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in the Stapled Securityholders' Funds, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Statements of Total Return. When the hedge net investment is disposed of, the cumulative amount in other comprehensive income is transferred to the Statements of Total Return.

2.17 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.

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 Statements 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 Statements 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Impairment (continued)

(b) *Non-derivative financial assets*

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 Statements 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 Statements of Total Return.

2.18 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 initial public offering and private placement of Stapled Securities on the SGX-ST are deducted directly against Stapled Securityholders' Funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 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.

2.20 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 2.22(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 Statements of Total Return on a straight-line basis over the term of the lease.

2.21 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 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the FH-REIT Group, the FH-BT Group and the Stapled Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

(a) *Master lease rental income from operating leases*

Fixed rental income receivable under operating leases is recognised in the Statements 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. No variable rent is recognised if there are uncertainties that may result in the probable reversal of amounts recognised.

(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 Statements of Total Return on the date when the right to receive the payment is established.

2.23 Finance income

Finance income relates to interest income, and is recognised as it accrues in the Statements of Total Return, using the effective interest method.

2.24 Payment top-up

Payment top-up is drawdown when certain criteria are met as defined in the payment top-up deed and recognised as and when it is received.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 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) *Trust expenses*

Trust expenses are recognised on an accrual basis. Included in trust expenses are the REIT Trustee's fees, MIT 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).

(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.

2.26 Borrowing costs

Finance costs consist of interest expense on borrowings and debt upfront costs. Interest expense is recognised in Statements of Total Return in the period it occurs. Debt upfront costs are recognised in Statements of Total Return using the effective interest method over the tenure of the underlying borrowing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statements of Total Return except to the extent that it relates to items recognised directly in Statement of Changes in Stapled Securityholders' Funds.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 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 shares held. Diluted earnings per share is determined by adjusting the total return attributable to Stapled Securityholders and the weighted-average number of Stapled Securities outstanding adjusted for own shares held, for the effects of all dilutive potential Stapled Securities.

2.29 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 Manager. 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.

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 expenses, trust expenses and non-capitalisable expenses in relation to IPO, asset acquisition, Private Placement and Rights Issue.

Segment capital expenditure is the total costs incurred on investment properties and property, plant and equipment during the financial year.

2.30 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 Statements of Financial Position of the Stapled Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. STAFF COSTS

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Salaries, bonuses and other costs	6,365	–	–	–	6,365	–
Contributions to defined contribution plans	554	–	–	–	554	–
	6,919	–	–	–	6,919	–

4. MANAGEMENT FEES

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) REIT Manager's management fees						
– Base fee	4,610	4,638	4,610	4,638	–	–
– Performance fee	2,202	3,004	2,202	3,004	–	–
	6,812	7,642	6,812	7,642	–	–
(b) Trustee-Manager's management fees						
– Base fee	39	–	–	–	39	–
– Performance fee	26	–	–	–	26	–
	65	–	–	–	65	–
(c) Other management fees						
– MIT Manager's base fee	2,310	1,290	2,310	1,290	–	–
– MIT Manager's performance fee	2,445	1,668	2,445	1,668	–	–
– Kobe Asset Manager's management fee	179	173	179	173	–	–
– ABS Servicer fee	116	121	116	121	–	–
	5,050	3,252	5,050	3,252	–	–

During the financial year, REIT Manager, Trustee Manager and MIT Manager fees were paid or payable in Stapled Securities. An aggregate of 16,844,000 (2016: 13,674,000) units were issued or are issuable to the Managers as satisfaction of the management fees incurred, at unit prices ranging from 64.91 cents to 74.26 cents (2016: 69.19 cents to 78.02 cents) per Stapled Security.

5. TRUSTEES' FEES

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trustees' fees						
– FH-REIT Trustee's fees	291	257	291	257	–	–
– Other trustee fees	207	190	207	190	–	–
	498	447	498	447	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

6. OTHER TRUST EXPENSES

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Audit fees paid to auditor of the Trusts	367	279	319	278	48	1
Audit fees paid to other auditors	–	11	–	11	–	–
Non-audit fees paid to auditor of the Trusts	426	251	414	250	12	1
Non-audit fees paid to other auditors	112	10	112	10	–	–
Other expenses	2,317	2,128	2,317	2,118	–	10
	<u>3,222</u>	<u>2,679</u>	<u>3,162</u>	<u>2,667</u>	<u>60</u>	<u>12</u>

Professional fees of SGD 160,000 were paid to FHT auditors for services performed for the purpose of Rights Issue. The fees has been capitalised as part of the issue cost of Stapled Securities (Note 21).

In the previous financial year, professional fees of SGD 196,000 were paid to FHT auditors for services performed for the purpose of the issuance of Perpetual Securities. The fees have been capitalised as part of the issue cost of Perpetual Securities (Note 23).

7. NON-CAPITALISABLE EXPENSES

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) In relation to IPO						
– Other expenses	–	(75)	–	(75)	–	–
(b) In relation to asset acquisition and Private Placement						
– Other expenses	–	(165)	–	(165)	–	–
(c) In relation to asset acquisition						
– Other expenses	–	20	–	14	–	6
(d) In relation to asset acquisition and Rights Issue						
– Other expenses	745	–	680	–	65	–
Total non-capitalisable expenses	<u>745</u>	<u>(220)</u>	<u>680</u>	<u>(226)</u>	<u>65</u>	<u>6</u>

Non-capitalisable expenses relate to one-off items of income or expense of such size, nature or incidence that their disclosure is relevant to explain the performance of FHT for the period arising from non-recurring and non-operating transactions.

In 2017, SGD 745,000 of other non-capitalisable issuance expenses relating to the asset acquisition and Rights Issue were expensed off. Of which, professional fees of SGD 68,000 were paid to FHT auditors for their services performed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

8. PAYMENT TOP-UP

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payment top-up for:						
– InterContinental Singapore	–	2,580	–	2,580	–	–
– Fraser Suites Singapore	–	330	–	330	–	–
	–	2,910	–	2,910	–	–

BCH Hotel Investment Pte Ltd (“BCH”), the vendor of InterContinental Singapore (“ICSG”) was committed to provide payment top-up of an aggregate amount of SGD 8.05 million to FH-REIT. SGD 8.05 million was estimated based on the expected loss of food and beverage and room revenue arising from the refurbishments in ICSG.

The drawdown of payment top-up amounts during the refurbishment of ICSG ensured that cash flows would not be temporarily reduced during this period. In line with the progress of the refurbishment, for the year ended 30 September 2016, the payment top-up drawn down amounted to SGD 2.58 million. The entire SGD 8.05 million was fully drawn down in 2016.

Fraser Suites Singapore underwent a major refurbishment in 2012 and was rebuilding its customer base. River Valley Apartments Pte. Ltd., one of the three vendors of Fraser Suites Singapore, was committed to provide a payment top-up to FH-REIT amounting to SGD 1.65 million for the period from Listing Date to 30 November 2015. This amount was to provide FH-REIT with stabilised cash flow from the property, which was not expected to perform to its optimal level due to the rebuilding of the customer base. For the year ended 30 September 2016, the payment top-up drawn down amounted to SGD 0.33 million. The entire SGD 1.65 million was fully drawn down in 2016.

The effect of the payment top-up on distribution per unit for 2016 was 0.1663 cents.

9. FINANCE COSTS

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Amortisation of debt upfront costs	1,629	1,673	1,629	1,673	–	–
(b) Finance costs						
– Interest expense on loans and borrowings	18,556	18,585	18,556	18,585	–	–
– Others	502	494	576	494	–	–
	19,058	19,079	19,132	19,079	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. 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 FH-REIT 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 IRAS in respect of the "**Specified Taxable Income**" (as defined herein) derived from the ICSG 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, the 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. TAXATION (continued)

(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 2017 are:

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Statements of Total Return						
Current tax expense						
– Current year income tax	2,825	3,715	2,825	3,715	–	–
– Overprovision in respect of prior year	(50)	(537)	(50)	(537)	–	–
	2,775	3,178	2,775	3,178	–	–
Deferred tax (credit)						
– Provision, expenses and income taken in a different period	(272)	–	–	–	(272)	–
– Origination and reversal of temporary differences	(206)	–	–	–	(206)	–
	(478)	–	–	–	(478)	–
Deferred tax expense						
– Origination and reversal of temporary differences	23,979	12,239	24,575	12,239	–	–
Withholding tax expense	2,670	1,157	2,650	1,157	20	–
	28,946	16,574	30,000	16,574	(458)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. TAXATION (continued)

(iv) Return of capital to FH-REIT (continued)

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 2017 is as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total return for the year before tax	185,527	78,676	193,496	78,694	(2,348)	(18)
Tax at the domestic rates applicable to profits in the countries where the Stapled Group operates	51,467	26,979	53,138	26,983	(716)	(4)
Adjustments:						
Expenses not deductible for tax purposes	7,092	13,284	5,875	13,284	262	–
Income not subject to tax	(23,503)	(19,567)	(22,885)	(19,567)	(22)	–
Tax transparency	(3,408)	(3,486)	(3,408)	(3,486)	–	–
Deferred tax assets not recognised	2	15	2	11	–	4
Utilisation of unrecognised tax losses	(4,915)	(1,295)	(4,915)	(1,295)	–	–
Overprovision of prior year tax	(50)	(537)	(50)	(537)	–	–
Withholding tax	2,670	1,157	2,650	1,157	20	–
Others	(409)	24	(407)	24	(2)	–
	28,946	16,574	30,000	16,574	(458)	–

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. TAXATION (continued)

Deferred tax assets

Deferred tax assets as at 30 September 2017 shown on the Statements of Financial Position (prior to offsetting of balances) are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets						
(non-current):						
Provision, expense and income taken in a different period	273	–	–	–	273	–
Others	206	–	–	–	206	–
	<u>479</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>479</u>	<u>–</u>

The movements in the deferred tax assets are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	–	–	–	–	–	–
Recognised in Statements of Total Return	(478)	–	–	–	(478)	–
Translation differences	(1)	–	–	–	(1)	–
At 30 September	<u>(479)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(479)</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. TAXATION (continued)

Deferred tax liabilities

Deferred tax liabilities as at 30 September 2017 shown on the Statements of Financial Position (prior to offsetting of balances) are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities						
(non-current):						
Arising from acquisition of subsidiaries	4,450	4,932	4,450	4,932	–	–
Fair value gain on investment properties	41,235	23,975	41,831	23,975	–	–
Revaluation gain on property, plant and equipment	596	–	–	–	–	–
Others	6,465	142	6,465	142	–	–
	<u>52,746</u>	<u>29,049</u>	<u>52,746</u>	<u>29,049</u>	<u>–</u>	<u>–</u>

The movements in the deferred tax liabilities are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	29,049	16,012	29,049	16,012	–	–
Recognised in Statements of Total Return	23,979	12,239	24,575	12,239	–	–
Recognised in Stapled Securityholders' Funds	596	–	–	–	–	–
Translation differences	(878)	798	(878)	798	–	–
At 30 September	<u>52,746</u>	<u>29,049</u>	<u>52,746</u>	<u>29,049</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. EARNINGS PER STAPLED SECURITY

The calculation of basic earnings per Stapled Security is based on:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
Total return for the year attributable to Stapled Securityholders (\$'000)	152,131	60,371	159,046	60,389	(1,890)	(18)
Issued Stapled Securities at beginning of the year ('000)	1,379,842	1,357,379	1,379,842	1,357,379	1,379,842	1,357,379
Effect of management fees and acquisition fee paid/payable in Stapled Securities ('000)	21,650	17,374	21,650	17,374	21,650	17,374
Effect of Stapled Securities issued under Rights Issue ('000)	422,194	–	422,194	–	422,194	–
Weighted average number of Stapled Securities during the year ('000)	1,823,686	1,374,753	1,823,686	1,374,753	1,823,686	1,374,753
Basic Earnings per Stapled Security (cents)	8.34	4.39	8.72	4.39	– *	– *

* Denotes amount less than 1 cent.

The calculation of diluted earnings per Stapled Security is based on:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
Total return for the year attributable to Stapled Securityholders (basic) (\$'000)	152,131	60,371	159,046	60,389	(1,890)	(18)
Weighted average number of Stapled Securities (basic) ('000)	1,823,686	1,374,753	1,823,686	1,374,753	1,823,686	1,374,753
Effect of rights issue and contingently issuable Stapled Securities ('000)	37,501	89,554	37,501	89,554	37,501	89,554
Weighted average number of Stapled Securities (diluted) ('000)	1,861,187	1,464,307	1,861,187	1,464,307	1,861,187	1,464,307
Diluted Earnings per Stapled Security (cents)	8.17	4.12	8.55	4.12	– *	– *

* Denotes amount less than 1 cent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

12. INVESTMENT PROPERTIES

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Statements of Financial Position:						
At 1 October	2,058,413	1,960,393	2,058,413	1,960,393	–	–
Acquisition	–	93,745	255,114	93,745	–	–
Subsequent capital expenditure incurred	14,945	9,391	14,945	9,391	–	–
Net fair value change	97,457	21,193	100,895	21,193	–	–
Translation differences	1,304	(26,309)	6,148	(26,309)	–	–
At 30 September	2,172,119	2,058,413	2,435,515	2,058,413	–	–
Statements of Total Return:						
Rental revenue from investment properties:						
– Minimum lease payments	58,236	55,181	64,485	55,181	–	–
– Variable rent based on lessees' gross operating revenue and/or gross operating profit	65,397	67,796	74,500	67,796	–	–
– Effect of recognising rental income on a straight-line basis over lease term	651	656	765	656	–	–
	124,284	123,633	139,750	123,633	–	–

The investment properties as at 30 September 2017 are as follows:

	FHT		FH-REIT Group	
	Carrying value		Carrying value	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
InterContinental Singapore	535,000	535,000	535,000	535,000
Fraser Suites Singapore	305,000	305,000	305,000	305,000
The Westin Kuala Lumpur	138,202	135,218	138,202	135,218
ANA Crowne Plaza Kobe	189,153	190,972	189,153	190,972
Sofitel Sydney Wentworth	327,270	273,473	327,270	273,473
Novotel Rockford Darling Harbour	111,465	85,428	111,465	85,428
Fraser Suites Sydney	136,673	123,453	136,673	123,453
Park International London	74,831	71,998	74,831	71,998
Best Western Cromwell London	32,590	31,665	32,590	31,665
Fraser Place Canary Wharf	72,464	70,406	72,464	70,406
Fraser Suites Queens Gate	106,511	103,310	106,511	103,310
Fraser Suites Glasgow	18,207	17,336	18,207	17,336
Fraser Suites Edinburgh	26,582	24,943	26,582	24,943
Maritim Hotel Dresden	98,171	90,211	98,171	90,211
Novotel Melbourne on Collins	–	–	263,396	–
	2,172,119	2,058,413	2,435,515	2,058,413

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

12. INVESTMENT PROPERTIES (continued)

Independent valuation of the investment properties was undertaken by the following independent valuers:

Country	2017	2016
Singapore	HVS Singapore	Jones Lang La Salle Property Consultants Pte Ltd
Malaysia	Henry Butcher Malaysia Sdn Bhd	Jones Lang Wototon
Japan	Japan Valuers Co. Ltd.	Jones Lang La Salle K.K.
Australia	HVS Singapore	Jones Lang La Salle Advisory Services Pty Ltd
UK	HVS London	Jones Lang La Salle Limited
Germany	HVS London	Jones Lang La Salle Holdings GmbH Co KG

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 31.

Investment property pledged as security

As at 30 September 2017 and 30 September 2016, The Westin Kuala Lumpur is mortgaged to secure the Medium Term Notes issued by a subsidiary (Note 18).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and Building \$'000	Equipment, furniture and fittings \$'000	Total \$'000
FHT			
Cost			
At 1 October 2016	–	–	–
Acquisition	255,114	6,396	261,510
Additions	–	370	370
Net change in revaluation	6,231	–	6,231
Elimination of accumulated depreciation on revaluation	(3,137)	–	(3,137)
Translation differences	4,839	120	4,959
At 30 September 2017	263,047	6,886	269,933
Accumulated depreciation			
At 1 October 2016	–	–	–
Depreciation	(3,137)	(2,649)	(5,786)
Elimination of accumulated depreciation on revaluation	3,137	–	3,137
Translation differences	–	(2)	(2)
At 30 September 2017	–	(2,651)	(2,651)
Carrying amounts			
At 1 October 2016	–	–	–
At 30 September 2017	263,047	4,235	267,282
		Equipment, furniture and fittings \$'000	
FH-BT Group			
Cost			
At 1 October 2016			–
Acquisition			6,396
Additions			–
Translation differences			120
At 30 September 2017			6,516
Accumulated depreciation			
At 1 October 2016			–
Depreciation			(2,628)
Translation differences			(2)
At 30 September 2017			(2,630)
Carrying amounts			
At 1 October 2016			–
At 30 September 2017			3,886

Independent valuation of the freehold land and building was undertaken by the HVS on 30 September 2017. 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 31.

The carrying amount of the freehold land and buildings as at 30 September 2017 would be SGD 256.6 million if the property had been measured using the cost model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

14. TRADE AND OTHER RECEIVABLES

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables:						
– related companies						
of the REIT manager	5,495	6,857	5,495	6,857	–	–
– FH-BT Group	–	–	2,478	–	–	–
– third parties	2,679	–	–	–	2,679	–
	8,174	6,857	7,973	6,857	2,679	–
Other receivables:						
– related parties	176	177	176	177	– **	–
– FH-BT Group	–	–	41	605	–	–
– net VAT */ GST receivable	894	886	894	886	–	–
– third parties	2,363	852	1,789	852	574	–
	3,433	1,915	2,900	2,520	574	–
Accrued interest income	1	1	1	1	–	–
Deposits	299	25,040	299	24,435	–	605
Total trade and other receivables	11,907	33,813	11,173	33,813	3,253	605

* VAT: value added tax

** Denotes amount less than \$1,000

Trade receivable from related companies of the REIT Manager and FH-BT Group are the master lessees of FH-REIT Group's properties. There is no impairment loss arising from these outstanding balances.

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.

Deposits made in 2016 relates to the payment of a 10% deposit for the acquisition of Novotel Melbourne on Collins.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

14. TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade receivables at the end of the financial year is:

	Gross 2017 \$'000	Gross 2016 \$'000
FHT		
Not past due	8,014	6,857
Past due 1 – 30 days	151	–
Past due 31 – 60 days	3	–
Past due 61 – 90 days	6	–
	<u>8,174</u>	<u>6,857</u>
FH-REIT Group		
Not past due	<u>7,973</u>	<u>6,857</u>
FH-BT Group		
Not past due	2,519	–
Past due 1 – 30 days	151	–
Past due 31 – 60 days	3	–
Past due 61 – 90 days	6	–
	<u>2,679</u>	<u>–</u>

There were no receivables impaired at the reporting date.

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.

15. CASH AND CASH EQUIVALENTS

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash and cash at bank	75,444	62,172	72,485	62,168	2,959	4
Fixed deposits	4,311	2,213	4,311	2,213	–	–
Total cash and cash equivalents	79,755	64,385	76,796	64,381	2,959	4

Cash and cash equivalents denominated in foreign currencies are disclosed in Note 30(a)(i).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

16. TRADE AND OTHER PAYABLES

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current						
Trade payables						
– related companies						
of the REIT manager	–	2,665	–	2,665	–	–
– FH-REIT Group	–	–	–	–	2,478	–
– third parties	735	882	311	882	424	–
	735	3,547	311	3,547	2,902	–
Other payables						
– related companies						
of the REIT manager	401	–	401	–	–	–
– FH-REIT Group	–	–	–	–	40	605
– Advanced deposits	1,454	–	–	–	1,454	–
– net VAT/GST payable	1,997	2,684	1,888	2,684	109	–
– third parties	3,305	–	3,303	–	2	–
	7,157	2,684	5,592	2,684	1,605	605
Accruals						
– interest	4,489	3,692	4,489	3,692	–	–
– others	5,575	10,514	3,529	10,500	2,653	14
	10,064	14,206	8,018	14,192	2,653	14
Non-current						
Provision for staff benefits	168	–	–	–	168	–
Total trade and other payables	18,124	20,437	13,921	20,423	7,328	619
Represented by :						
Current	17,956	20,437	13,921	20,423	7,160	619
Non-current	168	–	–	–	168	–
	18,124	20,437	13,921	20,423	7,328	619

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 2017

17. DEFERRED EXPENSE AND INCOME

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) Deferred expense						
Cost						
At 1 October	–	–	–	–	–	–
Additions	–	–	–	–	2,380	–
Translation differences	–	–	–	–	11	–
At 30 September	–	–	–	–	2,391	–
Accumulated amortisation						
At 1 October	–	–	–	–	–	–
Charge for the financial year	–	–	–	–	(114)	–
Translation differences	–	–	–	–	–*	–
At 30 September	–	–	–	–	(114)	–
Net deferred expense	–	–	–	–	2,277	–

* Denotes amount less than \$1,000

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(b) Deferred income						
Cost						
At 1 October	12,301	12,056	12,301	12,056	–	–
Additions	454	4,165	2,834	4,165	–	–
Translation differences	141	(3,920)	152	(3,920)	–	–
At 30 September	12,896	12,301	15,287	12,301	–	–
Accumulated amortisation						
At 1 October	(1,219)	(606)	(1,219)	(606)	–	–
Charge for the financial year	(691)	(656)	(805)	(656)	–	–
Translation differences	(17)	43	(17)	43	–	–
At 30 September	(1,927)	(1,219)	(2,041)	(1,219)	–	–
Net deferred income	10,969	11,082	13,246	11,082	–	–
Represented by:						
Current	1,092	678	1,092	678	–	–
Non-current	9,877	10,404	12,154	10,404	–	–
	10,969	11,082	13,246	11,082	–	–

Deferred expense (non-current) relates to the difference between the considerations paid for a rental deposit arising from the FH-BT Group master lease with the FH-REIT Group and its fair value on initial recognition and is charged to the Statements of Total Return as rental expense on a straight-line basis over the individual lease term.

Deferred income (current) relates mainly to one month fixed rental income received in advance from related companies of the REIT Manager.

Deferred income (non-current) relates to the difference between the considerations received from related companies of the REIT Manager for rental deposits arising from the FH-REIT Group master leases and its fair value on initial recognition and is credited to the Statements 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 2017

18. BORROWINGS

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current						
Medium term notes (secured)	30,533	31,331	30,533	31,331	–	–
Fixed rate notes (unsecured)	120,000	–	120,000	–	–	–
Bonds (unsecured)	28,311	31,382	28,311	31,382	–	–
Bank loans (unsecured)	500,000	622,099	500,000	622,099	–	–
Less: unamortised transaction costs	(2,662)	(3,730)	(2,662)	(3,730)	–	–
	676,182	681,082	676,182	681,082	–	–
Current						
Bank loans (unsecured)	134,854	129,150	134,854	129,150	–	–
Less: unamortised transaction costs	(94)	(225)	(94)	(225)	–	–
	134,760	128,925	134,760	128,925	–	–
Total borrowings	810,942	810,007	810,942	810,007	–	–

Medium Term Notes (secured)

A Medium Term Note – Senior Bond of MYR 95.0 million (equivalent to SGD 30.5 million) (2016: MYR 95.0 million (SGD 31.3 million)) is secured by The Westin Kuala Lumpur Lumpur with a carrying amount of SGD 138.2 million (2016: SGD 135.2 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 22).

On 6 July 2017, 5-year fixed rate notes in aggregate principal amount of SGD 120.0 million have been issued by FH-REIT Treasury Pte. Ltd.. At the end of the financial year, SGD 780.0 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 28.3 million) (2016: JPY 2.35 billion (SGD 31.4 million)). The bonds carry a variable interest rate of London Interbank Offered Rates (“LIBOR”) + 1.28% per annum. At the end of the financial year, the bonds have been fully issued.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

18. BORROWINGS (continued)

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 117.2 million (SGD 124.7 million) (2016: AUD 117.2 million (SGD 122.1 million)) term loan facility. Perpetual (Asia) Limited (in its capacity as trustee for FH-REIT) has provided a corporate guarantee to the lending bank in respect of the AUD 117.2 million bank loan. At the end of the financial year, this facility was fully drawn down.
- The Term Loan Facilities ("TLF") of SGD 615.0 million are unsecured. The TLF comprises the following tranches: Tranche A – up to SGD 115.0 million; and Tranche B – up to SGD 500.0 million. Tranche A was fully repaid on 7 July 2017. At the end of the financial year, Tranche B was fully drawn down.

Facilities partially drawn down or available for utilisation

- Uncommitted Multi-Currency Short-Term Loan Facility of SGD 25.0 million (2016: SGD 25.0 million) of which SGD 14.8 million (2016: SGD 10.8 million) remained unutilised. At the end of the financial year, SGD 10.2 million (2016: SGD 14.2 million) of the uncommitted Multi-Currency Short-Term Loan Facility was utilised.
- Uncommitted Short-Term Revolving Credit Facility of MYR 4.0 million (equivalent to SGD 1.3 million) (2016: MYR 4.0 million (SGD 1.3 million)) for the purpose of funding the Debt Service Reserve Account (if required) in relation to the Medium Term Note, which remained unutilised.

Terms and debt repayment structure

	Currency	Nominal Interest rate	Year of maturity	Face Value \$'000	Carrying Value \$'000
FHT and FH-REIT Group					
2017					
Medium term notes (secured)	MYR	4.90%	2019	30,533	30,510
Fixed rate notes (unsecured)	SGD	2.63%	2022	120,000	119,594
Bonds (unsecured)	JPY	LIBOR + 1.28%	2019	28,311	28,311
Bank loans (unsecured)	SGD	SOR** + 1.0%	2019	500,000	497,767
Bank loans (unsecured)	AUD	BBSY* + 1.1%	2018	124,654	124,560
Bank loans (unsecured)	SGD	1.25%-1.82%	2018	10,200	10,200
Total loan and borrowings				813,698	810,942
FHT and FH-REIT Group					
2016					
Medium term notes (secured)	MYR	4.90%	2019	31,331	31,294
Bonds (unsecured)	JPY	LIBOR + 1.28%	2019	31,382	31,382
Bank loans (unsecured)	AUD	BBSY* + 1.1%	2018	122,099	121,885
		SOR** + 0.7%			
Bank loans (unsecured)	SGD	to 1.0%	2017 - 2019	615,000	611,296
Bank loans (unsecured)	SGD	1.25%	2017	14,150	14,150
Total loan and borrowings				813,962	810,007

Included in the borrowings as at 30 September 2017 were borrowings of SGD 449.7 million (2016: SGD 559.8 million) which together with interest rate swaps have been designated as a cash flow hedges (Note 19).

* Australian dollar bank bill swap bid rate ("BBSY")

** Swap-offer rate ("SOR")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Year of maturity	Contract/ Nominal Amount \$'000	Assets \$'000	Liabilities \$'000
FHT and FH-REIT Group				
2017				
<i>Non-hedging instrument</i>				
Currency forward (sell)	2017 – 2018	AUD 8,467	1	(82)
Currency forward (sell)	2017 – 2018	EUR 2,250	–	(152)
Currency forward (sell)	2017 – 2018	GBP 3,595	–	(153)
Currency forward (sell)	2017 – 2018	MYR 4,680	–	(23)
Cross-currency swap	2021	EUR 19,249	630	–
			631	(410)
<i>Cash flow hedge</i>				
Interest rate swaps	2019	SGD 325,000	–	(2,290)
Interest rate swaps	2018	AUD 117,200	–	(288)
			–	(2,578)
<i>Net investment hedge</i>				
Cross-currency swap	2021	EUR 19,249	–	(1,330)
Cross-currency swap	2021	AUD 100,000	–	(1,176)
Cross-currency swap	2021	GBP 33,935	–	(1,336)
Cross-currency swap	2022	GBP 67,099	–	(2,534)
			–	(6,376)
Total			631	(9,364)
Represented by:				
Current			1	(698)
Non-current			630	(8,666)
			631	(9,364)
2016				
<i>Non-hedging instrument</i>				
Currency forward (sell)	2016 – 2017	AUD 10,101	–	(188)
Currency forward (sell)	2016 – 2017	GBP 5,923	232	(53)
Currency forward (sell)	2016 – 2017	EUR 1,578	–	(45)
Currency forward (sell)	2017	MYR 5,200	20	–
Cross-currency interest rate swap	2019	JPY 8,850,130	1,287	(14,784)
Cross-currency swap	2021	EUR 19,249	630	–
			2,169	(15,070)
<i>Cash flow hedge</i>				
Interest rate swaps	2017 – 2019	SGD 437,743	–	(3,363)
Interest rate swaps	2018	AUD 117,200	–	(977)
			–	(4,340)
<i>Net investment hedge</i>				
Cross-currency swap	2021	EUR 19,249	90	–
Cross-currency swap	2017	GBP 63,336	615	–
			705	–
Total			2,874	(19,410)
Represented by:				
Current			2,813	(2,664)
Non-current			61	(16,746)
			2,874	(19,410)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	FHT		FH-REIT Group	
	2017	2016	2017	2016
Derivative financial instruments as a percentage of net assets	(0.54%)	(1.33%)	(0.55%)	(1.33%)

(a) Currency forwards

Forward currency contracts are used by FH-REIT Group to hedge foreign currency risks arising from the receipts of distributions and interest 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 entered into interest rate swaps to exchange the floating-rate interest on Singapore dollar and Australian dollar denominated loans into fixed rate loans. These interest rate swaps have been assessed to be highly effective and no ineffectiveness have been recognised in the Statements 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, Netherlands and UK.

(c) As at 30 September 2017, the fixed interest rates of the outstanding interest rate swaps and cross-currency interest rate swap range between 1.6300% to 4.000% (2016: 1.080% to 2.170%) while the floating interest rates are linked to the Singapore dollar SOR and Australian BBSY as applicable to FH-REIT Group's borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

20. STAPLED SECURITIES IN ISSUE

	Number of Stapled Securities '000	FHT 2017 \$'000	Number of Stapled Securities '000	FH-REIT Group 2017 \$'000	Number of Stapled Securities '000	FH-BT Group 2017 \$'000
Stapled Securities In Issue						
At 1 October 2016	1,379,842	1,202,801	1,379,842	1,202,791	1,379,842	10
REIT Manager's management fees paid in Stapled Securities	8,142	5,682	8,142	5,682	8,142	–
Trustee-Manager's management fees paid in Stapled Securities	28	19	28	–	28	19
Other management fees paid in Stapled Securities	3,849	2,660	3,849	2,660	3,849	–
Property management fees paid in Stapled Securities	8,115	5,673	8,115	5,673	8,115	–
Acquisition fee paid in Stapled Securities	4,049	2,447	4,049	2,413	4,049	34
Rights Issue	441,549	266,254	441,549	256,898	441,549	9,356
At 30 September 2017	1,845,574	1,485,536	1,845,574	1,476,117	1,845,574	9,419
Stapled Securities to be issued						
REIT Manager's management fees payable in Stapled Securities	6,740	4,981	6,740	4,981	6,740	–
Trustee-Manager's management fees payable in Stapled Securities	62	46	62	–	62	46
Other management fees payable in Stapled Securities	4,882	3,613	4,882	3,613	4,882	–
Property management fees payable in Stapled Securities	3,929	2,888	3,929	2,888	3,929	–
At 30 September 2017	15,613	11,528	15,613	11,482	15,613	46
Total Stapled Securities in issue and to be issued	1,861,187	1,497,064	1,861,187	1,487,599	1,861,187	9,465

NOTES TO THE FINANCIAL STATEMENTS

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20. STAPLED SECURITIES IN ISSUE (continued)

	FHT		FH-REIT Group		FH-BT Group	
	Number of Stapled Securities '000	2016 \$'000	Number of Stapled Securities '000	2016 \$'000	Number of Stapled Securities '000	2016 \$'000
Stapled Securities In Issue						
At 1 October 2015	1,357,379	1,185,539	1,357,379	1,185,529	1,357,379	10
REIT Manager's management fees paid in Stapled Securities	10,189	7,808	10,189	7,808	10,189	–
Other management fees paid in Stapled Securities	3,143	2,398	3,143	2,398	3,143	–
Property management fees paid in Stapled Securities	7,972	6,154	7,972	6,154	7,972	–
Acquisition fee paid in Stapled Securities	1,159	902	1,159	902	1,159	–
At 30 September 2016	1,379,842	1,202,801	1,379,842	1,202,791	1,379,842	10
Stapled Securities to be issued						
REIT Manager's management fees payable in Stapled Securities	5,390	3,850	5,390	3,850	5,390	–
Other management fees payable in Stapled Securities	2,147	1,518	2,147	1,518	2,147	–
Property management fees payable in Stapled Securities	4,064	2,956	4,064	2,956	4,064	–
Acquisition fee payable	4,002	2,413	4,002	2,413	4,002	–
Rights Issue	441,549	266,254	441,549	256,898	441,549	9,356
At 30 September 2016	457,152	276,991	457,152	267,635	457,152	9,356
Total Stapled Securities in issue and to be issued	1,836,994	1,479,792	1,836,994	1,470,426	1,836,994	9,366

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.

Rights Issue

On 14 October 2016, 441,549,281 Rights Stapled Securities were issued at an issue price of 60.3 cents per Stapled Security. The proceeds raised from the rights issue were used to partially fund the acquisition of Novotel Melbourne on Collins.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

21. STAPLED SECURITIES ISSUE COSTS

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 October	23,482	23,686	23,482	23,686	–	–
Additional issue costs comprise the following:						
– Professional and other fees	568 ⁽²⁾	(204) ⁽¹⁾	563 ⁽²⁾	(204) ⁽¹⁾	5 ⁽²⁾	–
– Financial advisory fee, underwriting fee and selling commission	1,714	–	1,714	–	–	–
At 30 September	25,764	23,482	25,759	23,482	5	–

⁽¹⁾ Includes solicitors' fees and fees for the reporting accountants, tax advisers and independent valuers and other professionals in connection with the Initial Public Offering and Private Placement.

⁽²⁾ Includes solicitors' fees and fees for auditors, tax advisers and other professionals in connection with the Rights Issue.

22. PERPETUAL SECURITIES IN ISSUE

On 12 May 2016, FH-REIT issued SGD 100,000,000 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 Statements of Changes in Stapled Securityholders' Funds.

NOTES TO THE FINANCIAL STATEMENTS

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23. PERPETUAL SECURITIES ISSUE COSTS

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 October	1,472	–	1,472	–	–	–
Additional issue costs comprise the following:						
– Professional and other fees ⁽¹⁾	(20) ⁽¹⁾	1,017	(20) ⁽¹⁾	1,017	–	–
– Financial advisory fee, underwriting fee and selling commission	–	455	–	455	–	–
At 30 September	1,452	1,472	1,452	1,472	–	–

⁽¹⁾ Includes the reversal of accrual of solicitors' fees and fees for the reporting accountants, tax advisers and other professionals.

24. RESERVE

(a) Hedging reserve

	FHT		FH-REIT Group		FH-BT Group	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At 1 October	(4,340)	6,599	(4,340)	6,599	–	–
Effective portion of changes in fair value of cash flow hedges	4,941	(9,075)	4,941	(9,075)	–	–
Net change in fair value of cash flow hedges reclassified to total return	(3,005)	(1,864)	(3,005)	(1,864)	–	–
At 30 September	(2,404)	(4,340)	(2,404)	(4,340)	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

24. RESERVE (continued)

(b) Foreign currency translation reserve

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	(91,142)	(59,450)	(91,142)	(59,450)	–	–
Net translation differences arising from translation of foreign operations	(5,770)	(32,397)	(5,940)	(32,397)	174	–
Net exchange differences on hedge of net investments in foreign operations	5,693	705	5,693	705	–	–
At 30 September	(91,219)	(91,142)	(91,389)	(91,142)	174	–

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	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	–	–	–	–	–	–
Net change in revaluation on property, plant and equipment (Note 13)	6,231	–	–	–	–	–
Related deferred tax (Note 10)	(596)	–	–	–	–	–
At 30 September	5,635	–	–	–	–	–

The revaluation reserve relates to the revaluation of property, plant and equipment (Note 13).

25. ACQUISITION OF NOVOTEL MELBOURNE ON COLLINS

On 20 October 2016, the Stapled Group acquired the land and buildings known as Novotel Melbourne on Collins (the "Hotel") with the associated car park (collectively, the "Property") via the FH-REIT Group and the hotel assets, including but not limited to the business intellectual property and equipment, furniture and fittings relating to the Hotel (collectively, the "Hotel Assets") via the FH-BT Group. The acquisition of the Property and Hotel Assets was accounted for as a business combination, as the Stapled Group had acquired various operational processes, together with the Property and the Hotel Assets.

From 20 October 2016 to 30 September 2017, the Hotel Business contributed gross revenue of SGD 34.4 million and total return before tax of SGD 14.1 million to the Stapled Group's results. Had the acquisition occurred on 1 October 2016, management estimates that the Stapled Group's revenue would have been SGD 36.3 million and the Stapled Group's total return before tax for the year would have been SGD 14.9 million. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same had the Acquisition occurred on 1 October 2016.

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25. ACQUISITION OF NOVOTEL MELBOURNE ON COLLINS (continued)

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	FHT \$'000	FH-BT Group \$'000
Property, plant and equipment	247,380	6,061
Inventories	45	45
Prepayment	105	105
Trade and other receivables	898	898
Cash and cash at bank	18	18
Trade and other payables	(3,742)	(3,742)
Total identifiable net assets	244,704	3,385

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation techniques
Property, plant and equipment	Capitalisation Analysis and Discounted cash flow Analysis: The Capitalisation Analysis method involves the application of a market derived yield to the assessed Net Operating Income from the property to indicate its market value. The Discounted cash flow Analysis is based upon a forecast of the Property's potential trading performance.

Cash flows relating to the acquisition

	FHT \$'000	FH-BT Group \$'000
Purchase consideration	244,704	3,385
Add: Acquisition-related costs	16,577	369
Less: Cash acquired	(18)	(18)
Less: Deposits placed in relation to acquisition of assets in 2016	(24,691)	(606)
Less: Acquisition-related costs paid in form of Stapled Securities	(2,447)	(34)
Net cash outflow on acquisition	234,125	3,096

Acquisition-related costs

The Stapled Group incurred one-off transaction costs of SGD 14.1 million on stamp duties, solicitor fees, and other professional fees incurred directly due to the acquisition transaction. These costs are capitalised as part of the costs of the property, plant and equipment.

Other non-capitalised one-off costs of SGD 2.4 million in relation to acquisition fees paid in Stapled Securities and included in the Statements of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

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26. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of FHT and FH-REIT are as follows:

Name of subsidiary	Country of Constitution	Principal activities/ place of business	Effective equity held by FHT	
			2017 %	2016 %
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
FHT Melbourne Trust 1 ⁽²⁾	Australia	Property holding Australia	100	100
FHT London 1 Ltd ⁽²⁾	Jersey Channel Islands	Property holding Jersey	100	100
FHT London 2 Ltd ⁽²⁾	Jersey Channel Islands	Property holding Jersey	100	100
FHT London 3 Ltd ⁽²⁾	Jersey Channel Islands	Property holding Jersey	100	100
FHT London 4 Ltd ⁽²⁾	Jersey Channel Islands	Property holding Jersey	100	100
FHT Scotland 1 Ltd ⁽²⁾	Jersey Channel Islands	Property holding Jersey	100	100
FHT Scotland 2 Ltd ⁽²⁾	Jersey Channel Islands	Property holding Jersey	100	100
Kobe Excellence TMK ⁽²⁾	Japan	Property holding Japan	100	100
Excellence Prosperity (Japan) KK ⁽²⁾	Japan	Investment holding Japan	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

26. INVESTMENTS IN SUBSIDIARIES

Name of subsidiary	Country of Constitution	Principal activities/ place of business	Effective equity held by FHT	
			2017 %	2016 %
Held by FH-REIT subsidiaries (continued)				
Notable Vision Sdn. Bhd. ⁽²⁾	Malaysia	Property holding Malaysia	100 ⁽⁴⁾	100 ⁽⁴⁾
FHT Investment Holding 1 B.V. ⁽²⁾	Netherlands	Investment holding Netherlands	100	100
FHT Property 1 B.V. ⁽²⁾	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% (2016: 50.3%) and 50.0% (2016: 49.7%) respectively.

⁽⁴⁾ This structured entity is consolidated in the financial statements in accordance with FRS 110 Consolidated Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

27. 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Description						
With related companies of the Managers						
– Rental income received and receivable	117,200	123,405	117,200	123,405	–	–
– Reimbursement of expenses paid on behalf	(861)	(2,266)	(861)	(2,266)	–	–
With the REIT Manager						
– Base management fees paid and payable	(4,610)	(4,638)	(4,610)	(4,638)	–	–
– Performance management fees paid and payable	(2,202)	(3,004)	(2,202)	(3,004)	–	–
– Reimbursement of expenses paid on behalf	(82)	(165)	(81)	(165)	(1)	–
– Servicer fees paid and payable	(116)	(121)	(116)	(121)	–	–
– Acquisition fee paid	–	(902)	–	(902)	–	–
With the MIT Manager						
– Base management fees paid and payable	(2,310)	(1,290)	(2,310)	(1,290)	–	–
– Performance management fees paid and payable	(2,445)	(1,668)	(2,445)	(1,668)	–	–
– Acquisition fee paid	(2,413)	–	(2,413)	–	–	–
– Reimbursement of expenses paid on behalf	(69)	–	(69)	–	–	–
With the Trustee-Manager						
– Base management fees paid and payable	(39)	–	–	–	(39)	–
– Performance management fees paid and payable	(26)	–	–	–	(26)	–
– Acquisition fee paid	(34)	–	–	–	(34)	–
With the Property Managers						
– Property management fees paid and payable	(5,639)	(5,868)	(5,639)	(5,868)	–	–
With the Trustee						
– FH-REIT Trustee fees paid and payable	(291)	(257)	(291)	(257)	–	–
– Other trustee fees paid and payable	(207)	(190)	(207)	(190)	–	–
Between FH-REIT Group and FH-BT Group						
– Master lease rental received and receivable/(paid and payable)	–	–	15,352	–	(15,352)	–
– Reimbursement of expenses paid on behalf or received	–	–	(351)	(606)	351	606

NOTES TO THE FINANCIAL STATEMENTS

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28. 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. Non-cancellable operating lease rental receivables are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within one year	58,534	58,565	64,788	58,565	–	–
Between one to five years	234,135	234,260	259,151	234,260	–	–
More than five years	600,821	653,143	688,668	653,143	–	–
	893,490	945,968	1,012,607	945,968	–	–

(b) Operating lease commitments – lessee

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 20 years. FH-BT Group's commitments for future minimum lease payments under the non-cancellable lease are as follows:

	FH-BT Group	
	2017	2016
	\$'000	\$'000
Within one year	6,254	–
Between one to five years	25,016	–
More than five years	87,847	–
	119,117	–

(c) Financial guarantee contracts

As at 30 September 2017, FH-REIT has provided a corporate guarantee of AUD 117.2 million (SGD 124.7 million) (2016: AUD 117.2 million (SGD 122.1 million)) in respect of the term loan of a subsidiary (Note 18). 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	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Commitments in respect of:						
– contracted capital expenditure for investment properties	8,016	1,874	8,016	1,874	–	–
– contracted purchase of an investment property and the related hotel assets	–	219,089	–	216,771	–	2,318
	8,016	220,963	8,016	218,645	–	2,318

NOTES TO THE FINANCIAL STATEMENTS

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29. 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Loans and receivables						
Trade and other receivables *	11,013	32,927	10,279	32,927	3,253	605
Cash and cash equivalents (Note 15)	79,755	64,385	76,796	64,381	2,959	4
Rental deposits	–	–	–	–	1,853	–
	90,768	97,312	87,075	97,308	8,065	609
Derivative assets at fair value through profit or loss						
Derivative financial instruments (Note 19)	631	2,169	631	2,169	–	–
Derivative assets at fair value – cash flow/net investment hedges						
Derivative financial instruments (Note 19)	–	705	–	705	–	–
Financial liabilities at amortised cost						
Trade and other payables **	16,127	9,157	12,033	9,143	7,219	619
Borrowings (Note 18)	810,942	810,007	810,942	810,007	–	–
Rental deposits	21,735	21,551	23,588	21,551	–	–
	848,804	840,715	846,563	840,701	7,219	619
Derivative liabilities at fair value through profit or loss						
Derivative financial instruments (Note 19)	410	15,070	410	15,070	–	–
Derivative liabilities at fair value – cash flow/net investment hedges						
Derivative financial instruments (Note 19)	8,954	4,340	8,954	4,340	–	–

* excluding net VAT/GST receivable

** excluding amounts payable in units and VAT/GST payable

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. 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 Manager's 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, net of anticipated payments required in the same currency from its foreign subsidiaries at least six months forward by using foreign currency forward exchange contracts (Note 19).

The FH-REIT's investments in Australia, the Netherlands and UK subsidiaries are hedged by AUD, EUR and GBP denominated cross-currency swaps as disclosed in Note 19, 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 Japan and Malaysia subsidiaries are hedged by taking foreign currency denominated borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

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						
2017						
Financial assets						
Cash and cash equivalents	82	5	571	1,014	–	–
Trade and other receivables	–	8,433	1,061	2,217	1,440	–
Derivative financial instruments	–	1	630	–	–	–
	<u>82</u>	<u>8,439</u>	<u>2,262</u>	<u>3,231</u>	<u>1,440</u>	<u>–</u>
Financial liabilities						
Trade and other payables	(5)	–	(305)	–	–	–
Derivative financial instruments	–	(1,258)	(1,482)	(4,023)	(23)	–
	<u>(5)</u>	<u>(1,258)</u>	<u>(1,787)</u>	<u>(4,023)</u>	<u>(23)</u>	<u>–</u>
Net currency exposure	77	7,181	475	(792)	1,417	–
2016						
Financial assets						
Cash and cash equivalents	89	3	–	14	–	–
Trade and other receivables	–	41,472	926	2,154	121,608	–
Derivative financial instruments	–	–	720	847	20	1,287
	<u>89</u>	<u>41,475</u>	<u>1,646</u>	<u>3,015</u>	<u>121,628</u>	<u>1,287</u>
Financial liabilities						
Trade and other payables	–	(13,930)	–	–	–	–
Derivative financial instruments	–	(188)	(45)	(53)	–	(14,784)
	<u>–</u>	<u>(14,118)</u>	<u>(45)</u>	<u>(53)</u>	<u>–</u>	<u>(14,784)</u>
Net currency exposure	89	27,357	1,601	2,962	121,628	(13,497)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
FH-REIT Group						
2017						
Financial assets						
Cash and cash equivalents	82	5	571	1,014	–	–
Trade and other receivables	–	8,251	1,061	2,217	1,440	–
Derivative financial instruments	–	1	630	–	–	–
	82	8,257	2,262	3,231	1,440	–
Financial liabilities						
Trade and other payables	(5)	–	(305)	–	–	–
Derivative financial instruments	–	(1,258)	(1,482)	(4,023)	(23)	–
	(5)	(1,258)	(1,787)	(4,023)	(23)	–
Net currency exposure	77	6,999	475	(792)	1,417	–
2016						
Financial assets						
Cash and cash equivalents	89	3	–	14	–	–
Trade and other receivables	–	40,263	926	2,154	121,608	–
Derivative financial instruments	–	–	720	847	20	1,287
	89	40,266	1,646	3,015	121,628	1,287
Financial liabilities						
Trade and other payables	–	(12,720)	–	–	–	–
Derivative financial instruments	–	(188)	(45)	(53)	–	(14,784)
	–	(12,908)	(45)	(53)	–	(14,784)
Net currency exposure	89	27,358	1,601	2,962	121,628	(13,497)
FH-BT Group						
2017						
Financial assets						
Trade and other receivables	–	182	–	–	–	–
Net currency exposure	–	182	–	–	–	–
2016						
Financial assets						
Trade and other receivables	–	1,210	–	–	–	–
Financial liabilities						
Trade and other payables	–	(1,210)	–	–	–	–
Net currency exposure	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

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						
2017						
Increase/(Decrease) in total return for the financial year						
– 1% weakening of the Singapore dollar	– *	16	(23)	(33)	(132)	–
Decrease in Stapled Securityholders' funds						
– 1% weakening of the Singapore dollar	–	(1,125)	(278)	(1,961)	–	–
Increase/(Decrease) in total return for the financial year						
– 1% strengthening of the Singapore dollar	– *	(16)	23	33	132	–
Increase in Stapled Securityholders' funds						
– 1% strengthening of the Singapore dollar	–	1,122	398	1,957	–	–
2016						
Increase in total return for the financial year						
– 1% weakening of the Singapore dollar	– *	381	33	126	1,233	1,246
Decrease in Stapled Securityholders' funds						
– 1% weakening of the Singapore dollar	–	–	(330)	(1,127)	–	–
Decrease in total return for the financial year						
– 1% strengthening of the Singapore dollar	– *	(381)	(33)	(126)	(1,233)	(1,272)
Increase in Stapled Securityholders' funds						
– 1% strengthening of the Singapore dollar	–	–	330	1,127	–	–

* Denotes amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Foreign currency risk (continued)

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
FH-REIT Group						
2017						
Increase/(Decrease) in total return for the financial year						
– 1% weakening of the Singapore dollar	– *	15	(23)	(33)	(132)	–
Decrease in Stapled Securityholders' funds						
– 1% weakening of the Singapore dollar	–	(1,125)	(278)	(1,961)	–	–
Increase/(Decrease) in total return for the financial year						
– 1% strengthening of the Singapore dollar	– *	(15)	23	33	132	–
Increase in Stapled Securityholders' funds						
– 1% strengthening of the Singapore dollar	–	1,122	398	1,957	–	–
2016						
Increase in total return for the financial year						
– 1% weakening of the Singapore dollar	– *	381	33	126	1,233	1,246
Decrease in Stapled Securityholders' funds						
– 1% weakening of the Singapore dollar	–	–	(330)	(1,127)	–	–
Decrease in total return for the financial year						
– 1% strengthening of the Singapore dollar	– *	(381)	(33)	(126)	(1,233)	(1,272)
Increase in Stapled Securityholders' funds						
– 1% strengthening of the Singapore dollar	–	–	330	1,127	–	–
FH-BT Group						
2017						
Increase in total return for the financial year						
– 1% weakening of the Singapore dollar	–	2	–	–	–	–
Decrease in total return for the financial year						
– 1% strengthening of the Singapore dollar	–	(2)	–	–	–	–

* Denotes amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(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 derivatives 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 derivatives follow the maturities of the related borrowings.

At the reporting date, the interest rate profile of the interest-bearing financial instruments were as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Nominal Amount						
Variable Rate Instruments						
Borrowings	(663,165)	(782,631)	(663,165)	(782,631)	–	–
Derivatives	449,654	668,611	449,654	668,611	–	–
	(213,511)	(114,020)	(213,511)	(114,020)	–	–

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.

	Total return		Stapled Securityholders' Funds	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	\$'000	\$'000	\$'000	\$'000
FHT and FH-REIT Group				
Cash flow sensitivity				
2017	(2,135)	2,135	6,001	(6,973)
2016	(1,140)	1,140	11,701	(11,701)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(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 Centrepont 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.

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

Credit risk concentration profile

At the end of the reporting period, approximately 46.1% (2016: 20.3%) of the Stapled Group's trade and other receivables were due from related companies of the REIT Manager. In 2016, 74.1% were in relation to the payment of a 10% deposit pursuant to a committed acquisition announced by FHT on 9 September 2016 on SGXNet. 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 Statements of Financial Position.

(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 REIT Manager and Trustee-Manager 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 the several lines of credit (Note 18).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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 2017					
Non-derivative financial liabilities					
Trade and other payables *	(11,638)	(11,470)	(164)	(4)	(11,638)
Borrowings (gross) (Note 18)	(813,698)	(134,854)	(678,844)	–	(813,698)
Interest payable on borrowings	(4,489)	(16,212)	(24,480)	–	(40,692)
Rental deposits	(21,735)	–	–	(21,735)	(21,735)
	<u>(851,560)</u>	<u>(162,536)</u>	<u>(703,488)</u>	<u>(21,739)</u>	<u>(887,763)</u>
Derivative financial instruments					
Interest rate swaps used for					
cash flow hedge (net-settled)	(2,578)	(1,801)	(800)	–	(2,601)
Forward exchange contracts (gross-settled)	(410)				
– outflow		(19,551)	–	–	(19,551)
– inflow		19,131	–	–	19,131
Cross-currency swaps (gross-settled)	(6,376)				
– outflow		(5,981)	(357,668)	–	(363,649)
– inflow		6,458	350,992	–	357,450
	<u>(9,364)</u>	<u>(1,744)</u>	<u>(7,476)</u>	<u>–</u>	<u>(9,220)</u>
	<u>(860,924)</u>	<u>(164,280)</u>	<u>(710,964)</u>	<u>(21,739)</u>	<u>(896,983)</u>
2016					
Non-derivative financial liabilities					
Trade and other payables *	(5,465)	(5,465)	–	–	(5,465)
Borrowings (gross) (Note 18)	(813,962)	(129,150)	(684,812)	–	(813,962)
Interest payable on borrowings	(3,692)	(16,514)	(28,101)	–	(44,615)
Rental deposits	(21,551)	–	–	(21,551)	(21,551)
	<u>(844,670)</u>	<u>(151,129)</u>	<u>(712,913)</u>	<u>(21,551)</u>	<u>(885,593)</u>
Derivative financial instruments					
Interest rate swaps used for					
cash flow hedge (net-settled)	(4,340)	(2,379)	(1,961)	–	(4,340)
Forward exchange contracts (gross-settled)	(286)				
– outflow		(18,661)	–	–	(18,661)
– inflow		18,319	–	–	18,319
Cross-currency interest rate swaps (gross-settled)	(14,784)				
– outflow		–	(128,882)	–	(128,882)
– inflow		–	114,510	–	114,510
	<u>(19,410)</u>	<u>(2,721)</u>	<u>(16,333)</u>	<u>–</u>	<u>(19,054)</u>
	<u>(864,080)</u>	<u>(153,850)</u>	<u>(729,246)</u>	<u>(21,551)</u>	<u>(904,647)</u>

* excluding amounts payable in units, VAT/GST payable, and interest payable

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Carrying amount \$'000	Within one year \$'000	Between one and five years \$'000	More than five years \$'000	Total \$'000
FH-REIT Group					
2017					
Non-derivative financial liabilities					
Trade and other payables *	(7,544)	(7,544)	–	–	(7,544)
Borrowings (gross) (Note 18)	(813,698)	(134,854)	(678,844)	–	(813,698)
Interest payable on borrowings	(4,489)	(16,212)	(24,480)	–	(40,692)
Rental deposits	(23,588)	–	–	(23,588)	(23,588)
	(849,319)	(158,610)	(703,324)	(23,588)	(885,522)
Derivative financial instruments					
Interest rate swaps used for cash flow hedge (net-settled)	(2,578)	(1,801)	(800)	–	(2,601)
Forward exchange contracts (gross-settled)	(410)				
– outflow		(19,551)	–	–	(19,551)
– inflow		19,131	–	–	19,131
Cross-currency swaps (gross-settled)	(6,376)				
– outflow		(5,981)	(357,668)	–	(363,649)
– inflow		6,458	350,992	–	357,450
	(9,364)	(1,744)	(7,476)	–	(9,220)
	(858,683)	(160,354)	(710,800)	(23,588)	(894,742)
2016					
Non-derivative financial liabilities					
Trade and other payables *	(5,451)	(5,451)	–	–	(5,451)
Borrowings (gross) (Note 18)	(813,962)	(129,150)	(684,812)	–	(813,962)
Interest payable on borrowings	(3,692)	(16,514)	(28,101)	–	(44,615)
Rental deposits	(21,551)	–	–	(21,551)	(21,551)
	(844,656)	(151,115)	(712,913)	(21,551)	(885,579)
Derivative financial instruments					
Interest rate swaps used for cash flow hedge (net-settled)	(4,340)	(2,379)	(1,961)	–	(4,340)
Forward exchange contracts (gross-settled)	(286)				
– outflow		(18,661)	–	–	(18,661)
– inflow		18,319	–	–	18,319
Cross-currency interest rate swaps (gross-settled)	(14,784)				
– outflow		–	(128,882)	–	(128,882)
– inflow		–	114,510	–	114,510
	(19,410)	(2,721)	(16,333)	–	(19,054)
	(864,066)	(153,836)	(729,246)	(21,551)	(904,633)

* excluding amounts payable in units, VAT/GST payable, and interest payable

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

30. FINANCIAL RISK MANAGEMENT (continued)

(c) *Liquidity risk* (continued)

	Carrying amount \$'000	Within one year \$'000	Between one and five years \$'000	More than five years \$'000	Total \$'000
FH-BT Group					
2017					
Financial liabilities					
Trade and other payables *	(7,219)	(7,051)	(164)	(4)	(7,219)
2016					
Financial liabilities					
Trade and other payables *	(619)	(619)	–	–	(619)

* excluding VAT/GST payable

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					
2017					
Interest rate swaps					
Liabilities	(2,578)	(1,801)	(800)	–	(2,601)
2016					
Interest rate swaps					
Liabilities	(4,340)	(2,379)	(1,961)	–	(4,340)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

31. 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 year ended 30 September 2017.

(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
FHT 2017			
Assets and Liabilities measured at fair value:			
Financial assets			
Currency forward contracts	1	–	1
Cross-currency swaps	630	–	630
	631	–	631
Non-financial assets			
Investment properties	–	2,172,119	2,172,119
Property, plant and equipment *	–	263,047	263,047
	–	2,435,166	2,435,166
Financial liabilities			
Currency forward contracts	(410)	–	(410)
Interest rate swaps	(2,578)	–	(2,578)
Cross-currency swaps	(6,376)	–	(6,376)
	(9,364)	–	(9,364)
Liabilities not carried at fair value but for which fair value are disclosed:			
Financial liabilities			
Borrowings (non-current)	(150,899)	–	(150,899)
Rental deposits (non-current)	–	(21,361)	(21,361)
	(150,899)	(21,361)	(172,260)

* relates to freehold land and building

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

31. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Classifications and fair values (continued)

	Fair value			Carrying amount
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Total \$'000
FHT				
2016				
Assets and Liabilities measured at fair value:				
Financial assets				
Currency forward contracts	252	–	252	252
Cross-currency interest rate swap	1,287	–	1,287	1,287
Cross-currency swaps	1,335	–	1,335	1,335
	<u>2,874</u>	<u>–</u>	<u>2,874</u>	<u>2,874</u>
Non-financial assets				
Investment properties	–	2,058,413	2,058,413	2,058,413
Financial liabilities				
Currency forward contracts	(286)	–	(286)	(286)
Interest rate swaps	(4,340)	–	(4,340)	(4,340)
Cross-currency interest rate swap	(14,784)	–	(14,784)	(14,784)
	<u>(19,410)</u>	<u>–</u>	<u>(19,410)</u>	<u>(19,410)</u>
Liabilities not carried at fair value but for which fair value are disclosed:				
Financial liabilities				
Borrowings (non-current)	(31,915)	–	(31,915)	(31,294)
Rental deposits (non-current)	–	(20,012)	(20,012)	(21,551)
	<u>(31,915)</u>	<u>(20,012)</u>	<u>(51,927)</u>	<u>(52,845)</u>
FH-REIT Group				
2017				
Assets and Liabilities measured at fair value:				
Financial assets				
Currency forward contracts	1	–	1	1
Cross-currency swaps	630	–	630	630
	<u>631</u>	<u>–</u>	<u>631</u>	<u>631</u>
Non-financial assets				
Investment properties	–	2,435,515	2,435,515	2,435,515
Financial liabilities				
Currency forward contracts	(410)	–	(410)	(410)
Interest rate swaps	(2,578)	–	(2,578)	(2,578)
Cross-currency swaps	(6,376)	–	(6,376)	(6,376)
	<u>(9,364)</u>	<u>–</u>	<u>(9,364)</u>	<u>(9,364)</u>
Liabilities not carried at fair value but for which fair value are disclosed:				
Financial liabilities				
Borrowings (non-current)	(150,899)	–	(150,899)	(150,104)
Rental deposits (non-current)	–	(23,785)	(23,785)	(23,588)
	<u>(150,899)</u>	<u>(23,785)</u>	<u>(174,684)</u>	<u>(173,692)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

31. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Classifications and fair values (continued)

	Fair value			Carrying amount
	Level 2 \$'000	Level 3 \$'000	Total \$'000	Total \$'000
FH-REIT Group				
2016				
Assets and Liabilities measured at fair value:				
Financial assets				
Currency forward contracts	252	–	252	252
Cross-currency interest rate swap	1,287	–	1,287	1,287
Cross-currency swaps	1,335	–	1,335	1,335
	<u>2,874</u>	<u>–</u>	<u>2,874</u>	<u>2,874</u>
Non-financial assets				
Investment properties	–	2,058,413	2,058,413	2,058,413
Financial liabilities				
Currency forward contracts	(286)	–	(286)	(286)
Interest rate swaps	(4,340)	–	(4,340)	(4,340)
Cross-currency interest rate swap	(14,784)	–	(14,784)	(14,784)
	<u>(19,410)</u>	<u>–</u>	<u>(19,410)</u>	<u>(19,410)</u>
Liabilities not carried at fair value but for which fair value are disclosed:				
Financial liabilities				
Borrowings (non-current)	(31,915)	–	(31,915)	(31,294)
Rental deposits (non-current)	–	(20,012)	(20,012)	(21,551)
	<u>(31,915)</u>	<u>(20,012)</u>	<u>(51,927)</u>	<u>(52,845)</u>
FH-BT Group				
2017				
Assets not carried at fair value but for which fair value are disclosed:				
Financial assets				
Rental deposits (non-current)	–	2,424	2,424	1,853

(c) Level 2 fair value measurements

Currency forward contracts, interest rate swaps, cross-currency interest-rate swap 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

31. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(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	2017 Range	2016 Range
Asia	Discounted cash flow method	Discount rate	4.75% – 8.50%	5.80% – 8.00%
		Terminal capitalisation rate	3.50% – 6.50%	4.00% – 6.20%
	Capitalisation method	Capitalisation rate	NA	6.00%
Australia	Discounted cash flow method	Discount rate	8.75% – 9.00%	9.00% – 9.75%
		Terminal capitalisation rate	6.25% – 6.50%	6.50% – 7.25%
	Capitalisation method	Capitalisation rate	NA	6.25% – 7.50%
Europe	Discounted cash flow method	Discount rate	7.25% – 9.75%	7.55% – 11.10%
		Terminal capitalisation rate	5.25% – 7.75%	5.75% – 9.10%

Key unobservable inputs correspond to:

- Discount rate represents the required rate of return, adjusted for a risk premium that reflect the risks relevant to an asset.
- Terminal capitalisation rate reflects an exit capitalisation rate applied to a projected terminal cash flow.
- Capitalisation rate corresponds to a rate of return on a property based on the income that the property is expected to generate.

Interrelationship between key unobservable inputs and fair value measurement

The estimated fair values vary inversely against the discount rate, terminal yield 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 12 and Note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

31. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(d) Level 3 fair value measurements (continued)

(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 12) and property, plant and equipment (Note 13). 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.

(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.

The interest rate used to discount estimated cash flows is set out below:

	2017 %	2016 %
Rental deposits	1.27 – 4.50	1.31 – 4.30
Medium term notes – Senior Bond	4.44	4.23

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

32. 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.

Under the Property Fund Guidelines of the CIS Code, the aggregate leverage limit (gearing ratio) should not exceed 45.0% of the deposited property.

The gearing ratio is calculated as gross borrowings divided by total assets, based on the latest valuations.

	FH-REIT Group	
	2017	2016
Total borrowings (gross) (Note 18) (\$'000)	813,698	813,962
Total assets (\$'000)	2,525,528	2,160,994
Gearing ratio (%)	32.22	37.67

The Stapled Group is in compliance with all externally imposed capital requirements for the financial year ended 30 September 2017 and 30 September 2016. There are no substantial changes in the Stapled Group's approach to capital management during the year.

33. 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 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

33. OPERATING SEGMENTS (continued)

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 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, the CODMs monitor the non-financial assets as well as financial assets attributable to each segment.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items of the geographical segments comprise mainly finance income, finance costs, trust expenses and non-capitalisable expenses in relation to IPO, asset acquisitions, Private Placement and Rights Issue. 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 117.2 million (2016: SGD 123.4 million) of the revenue of the Stapled Group. Such revenue is attributable to all geographical segments of the Stapled Group except for Germany.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

33. OPERATING SEGMENTS (continued)

(a) By geographical segments

	Singapore \$'000	Australia \$'000	Malaysia \$'000	Japan \$'000	UK \$'000	Germany \$'000	Total \$'000
FHT							
1 October 2016 to 30 September 2017							
Revenue	31,038	72,646	8,357	16,860	23,377	6,446	158,724
Property operating expenses	(5,468)	(23,998)	(657)	(3,048)	(5,316)	(53)	(38,540)
Segment net property income	25,570	48,648	7,700	13,812	18,061	6,393	120,184
Depreciation	–	(5,786)	–	–	–	–	(5,786)
Acquisition fee	–	(2,447)	–	–	–	–	(2,447)
Net change in fair value of investment properties	(358)	70,124	5,576	16,719	1,971	3,425	97,457
Other income	1	–	–	–	–	–	1
Unallocated items:							
– Finance income							365
– Trust expenses							(17,276)
– Non capitalisable expenses							(745)
– Finance costs							(19,058)
– Foreign exchange gain, net							278
– Net change in fair value of derivative financial instruments							12,947
– Realised loss on derivative financial instruments							(393)
Total return for the year, before tax							185,527
Taxation							(28,946)
Total return for the year							156,581
Reportable segmental non-current assets	840,630	843,169	138,202	189,154	331,185	98,170	2,440,510
Reportable segmental current assets	17,359	24,856	6,758	31,424	9,751	3,233	93,381
Total assets for reportable segments	857,989	868,025	144,960	220,578	340,936	101,403	2,533,891
Capital expenditure	358	274,560	864	760	155	128	276,825

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

33. OPERATING SEGMENTS (continued)

(a) By geographical segments (continued)

	Singapore \$'000	Australia \$'000	Malaysia \$'000	Japan \$'000	UK \$'000	Germany \$'000	Total \$'000
FHT							
1 October 2015 to 30 September 2016							
Revenue	32,474	36,644	8,499	17,824	25,709	2,483	123,633
Property operating expenses	(5,429)	(4,661)	(738)	(3,023)	(5,556)	–	(19,407)
Segment net property income	27,045	31,983	7,761	14,801	20,153	2,483	104,226
Acquisition fee	–	–	–	–	–	(902)	(902)
Net change in fair value of investment properties	(11,622)	53,069	(11,530)	2,779	(8,768)	(2,735)	21,193
Payment top-up	2,910	–	–	–	–	–	2,910
Other income	21	3	–	1	–	–	25
Unallocated items:							
– Finance income							261
– Trust expenses							(15,693)
– Non-capitalisable expenses							220
– Finance costs							(19,079)
– Foreign exchange loss, net							(437)
– Net change in fair value of derivative financial instruments							(14,644)
– Realised gain on derivative financial instruments							596
Total return for the year, before tax							78,676
Taxation							(16,574)
Total return for the year							<u>62,102</u>
Reportable segmental non-current assets	840,061	482,354	135,218	190,972	319,658	90,211	2,058,474
Reportable segmental current assets	27,507	22,318	3,173	36,165	10,186	3,175	102,524
Total assets for reportable segments	867,568	504,672	138,391	227,137	329,844	93,386	2,160,998
Capital expenditure	6,622	1,146	512	967	144	–	9,391

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

33. OPERATING SEGMENTS (continued)

(b) Reconciliation of reportable total return

	FHT	
	2017 \$'000	2016 \$'000
Total return		
Total return for reportable segments	209,409	127,452
Unallocated items	(52,828)	(65,350)
Consolidated total return	<u>156,581</u>	<u>62,102</u>

(c) By business segments

	Master leases \$'000	Hotel under management contract \$'000	Consolidation adjustments \$'000	Total \$'000
FHT				
1 October 2016 to 30 September 2017				
Revenue	139,750	34,440	(15,466)	158,724
Property operating expenses	(20,951)	(34,030)	16,441	(38,540)
Segment net property income	<u>118,799</u>	<u>410</u>	<u>975</u>	<u>120,184</u>
Depreciation	–	(2,628)	(3,158)	(5,786)
Acquisition fee	(2,413)	(34)	–	(2,447)
Net change in fair value of investment properties	100,895	–	(3,438)	97,457
Other income	1	–	–	1
Finance income	344	95	(74)	365
Trust expenses	(17,151)	(125)	–	(17,276)
Non capitalisable expenses	(680)	(65)	–	(745)
Finance costs	(19,132)	–	74	(19,058)
Foreign exchange gain/(loss), net	279	(1)	–	278
Net change in fair value of derivative financial instruments	12,947	–	–	12,947
Realised loss derivative financial instruments	(393)	–	–	(393)
Total return for the year, before tax				185,527
Taxation				(28,946)
Total return for the year				156,581
Reportable segmental non-current assets	2,436,145	8,495	(4,130)	2,440,510
Reportable segmental current assets	89,383	6,517	(2,519)	93,381
Total assets for reportable segments	2,525,528	15,012	(6,649)	2,533,891
Capital expenditure	14,945	261,880	–	276,825

No comparative segment information in respect to the Stapled Group's business segment is presented as FH-BT Group was dormant for the financial year ended 30 September 2016. The Stapled Group's activities for the financial year ended 30 September 2016 relate wholly to investing in real estate in the hospitality sector and the properties were leased to tenants/master lessees to operate as hotels or serviced residence for which the Stapled Group earned master lease rental income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

34. FINANCIAL RATIOS

	FHT		FH-REIT Group	
	2017	2016	2017	2016
	%	%	%	%
Expense to weighted average net assets ⁽¹⁾				
– with performance fee of REIT Manager ⁽²⁾	1.03	1.17	1.03	1.17
– without performance fee of REIT Manager ⁽²⁾	0.73	0.78	0.72	0.78
Total operating expenses to net asset value ⁽³⁾	3.89	2.76	2.43	2.76
Portfolio turnover ratio ⁽⁴⁾	16.35	7.52	16.02	7.52

⁽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 FH-REIT Group, excluding property expenses, interest expense and tax expense of each entity, where applicable.

⁽²⁾ Excluding acquisition fee and costs associated with the Acquisition.

⁽³⁾ The expense ratios are computed based on total operating expense of SGD 62,420,000 and SGD 38,887,000 (2016: SGD 34,329,000 and SGD 34,329,000) of the Stapled Group and 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).

⁽⁴⁾ 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.

35. NET ASSET VALUE PER STAPLED SECURITY

	FHT		FH-REIT Group		FH-BT Group	
	2017	2016	2017	2016	2017	2016
Net asset value per Stapled Security is computed based on:						
Net assets/(liabilities) (\$'000)	1,505,893	1,143,891	1,497,603	1,143,901	7,684	(10)
Total issued Stapled Securities at 30 September ('000) (Note 20)	1,845,574	1,379,842	1,845,574	1,379,842	1,845,574	1,379,842

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

36. SUBSEQUENT EVENTS

- On 27 October 2017, the REIT Manager and Trustee-Manager declared a distribution of 2.5137 cents per Stapled Security to Stapled Securityholders in respect of the period 1 April 2017 to 30 September 2017.
- On 1 November 2017, 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 2017 to 30 June 2017	72.69 cents	1,570,492
MIT Manager base fee	1 April 2017 to 30 June 2017	72.69 cents	768,573
Property management fees	1 April 2017 to 30 June 2017	72.69 cents	1,878,680
Trustee-manager base fee	1 April 2017 to 30 June 2017	72.69 cents	13,300
REIT Manager base fee	1 July 2017 to 30 September 2017	74.26 cents	1,572,937
MIT Manager base fee	1 July 2017 to 30 September 2017	74.26 cents	820,565
Property management fees	1 July 2017 to 30 September 2017	74.26 cents	2,050,307
Trustee-manager base fee	1 July 2017 to 30 September 2017	74.26 cents	14,696
REIT Manager performance fee	1 October 2016 to 30 September 2017	74.26 cents	3,596,882
MIT Manager performance fee	1 October 2016 to 30 September 2017	74.26 cents	3,292,497
Trustee-manager performance fee	1 October 2016 to 30 September 2017	74.26 cents	34,407
Total			15,613,336

⁽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.

- On 8 November 2017, FH-REIT Treasury Pte Ltd, a wholly-owned subsidiary of FH-REIT, issued 7-year fixed rate notes in aggregate principal amount of SGD 120.0 million at 3.08 percent, under the Programme. On 14 November 2017, SGD 110.0 million were utilised to partially prepay the TLF Tranche B of SGD 500.0 million.



FINANCIAL STATEMENT OF TRUSTEE-MANAGER

FRASERS HOSPITALITY TRUST MANAGEMENT PTE. LTD.

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DIRECTORS' STATEMENT

YEAR ENDED 30 SEPTEMBER 2017

The directors have pleasure in presenting their statement together with the audited financial statements of Frasers Hospitality Trust Management Pte. Ltd. (the "Company") for the financial year ended 30 September 2017.

In our opinion:

- (i) the financial statements set out on pages 243 to 257 are drawn up so as to give a true and fair view of the financial position of the Company as at 30 September 2017 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; 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 Choe Peng Sum

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 object was to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, save as disclosed in this statement.

DIRECTORS' STATEMENT

YEAR ENDED 30 SEPTEMBER 2017

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

- (a) The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Companies Act, Chapter 50, interest in the following shares in, or debentures of, the Company or its related corporations:

Name of Director	Direct Interest		Deemed Interest	
	As at 1 Oct 2016	As at 30 Sep 2017	As at 1 Oct 2016	As at 30 Sep 2017
Choe Peng Sum				
– Fraser's Centrepont Limited				
• Ordinary Shares	652,034	845,184	–	–
• Awards under FCL RSP	–	–	668,475 ⁽¹⁾	720,325 ⁽²⁾
• Awards under FCL PSP	–	–	278,800 ⁽³⁾	271,000 ⁽³⁾
– Fraser and Neave, Limited				
• Ordinary Shares	92,049	92,049	–	–

⁽¹⁾ For the FCL RSP, save for 120,075 FCL shares which have been finalised, the actual number of FCL shares to be delivered pursuant to the awards granted under the FCL RSP will range from 0% to 150% and is contingent on the level of achievement of performance targets set over a two-year performance period.

⁽²⁾ For the FCL RSP, save for 130,525 FCL shares which have been finalised, the actual number of FCL shares to be delivered pursuant to the awards granted under the FCL RSP will range from 0% to 150% and is contingent on the level of achievement of performance targets set over a two-year performance period.

⁽³⁾ For the FCL PSP, the actual number of FCL shares to be delivered pursuant to the awards granted under the FCL PSP will range from 0% to 200% and is contingent on the level of achievement of performance targets set over a three-year performance period.

- (b) Except as disclosed in this statement, no director who held office at the end of the financial year had interest in shares or debentures of the Company, or of its related corporations, either at the beginning 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

YEAR ENDED 30 SEPTEMBER 2017

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) Mr Law Song Keng (Chairman);
- (ii) Mr Liew Choon Wei (Member); and
- (iii) Dr David Wong See Hong (Member).

The composition of the ARC Committee is identical to the composition of the existing audit, risk and compliance committee of the Manager of Frasers Hospitality Real Estate Investment Trust.

AUDITOR

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Panote Sirivadhanabhakdi
Director

Choe Peng Sum
Director

Singapore
22 November 2017

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 2017, 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 243 to 257.

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 Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 30 September 2017 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 FRSs, 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

TO THE MEMBER OF FRASERS HOSPITALITY TRUST MANAGEMENT PTE. LTD.

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 2017

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 \$'000	2016 \$'000
REVENUE	4	99	–
COSTS AND EXPENSES			
Administrative costs	5	(4)	(2)
PROFIT/(LOSS) BEFORE TAXATION		95	(2)
Taxation	6	(6)	–
PROFIT/(LOSS) AFTER TAXATION		89	(2)
Other comprehensive income, net of tax		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		89	(2)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Note	2017 \$'000	2016 \$'000
NON-CURRENT ASSET			
Investment in a subsidiary	7	3	–
CURRENT ASSETS			
Other receivables	8	58	–
Cash and cash equivalents		34	10
		92	10
TOTAL ASSETS		95	10
CURRENT LIABILITIES			
Other payables	9	4	14
Income tax payable	6	6	–
		10	14
NET CURRENT ASSETS/(LIABILITIES)		82	(4)
NET ASSETS/(LIABILITIES)		85	(4)
Financed by:			
Share capital	10	10	10
Retained earnings/(Accumulated losses)		75	(14)
TOTAL EQUITY		85	(4)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2017

	Share Capital \$'000	Retained earnings/ (Accumulated losses) \$'000	Total Equity \$'000
2017			
At 1 October 2016	10	(14)	(4)
Profit for the year	–	89	89
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	89	89
At 30 September 2017	10	75	85
2016			
At 1 October 2015	10	(12)	(2)
Loss for the year	–	(2)	(2)
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	(2)	(2)
At 30 September 2016	10	(14)	(4)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2017

	2017 \$'000	2016 \$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	95	(2)
Changes in working capital:		
Other receivables	(58)	–
Other payables	(10)	2
Net cash generated from operating activities	27	–
CASH FLOW FROM INVESTING ACTIVITY		
Investment in a subsidiary	(3)	–
Net cash used in investing activity	(3)	–
CASH FLOW FROM FINANCING ACTIVITY		
Amount due from immediate holding company	–	10
Net cash generated from financing activity	–	10
Net increase in cash and cash equivalents	24	10
Cash and cash equivalents at the beginning of the financial year	10	–
Cash and cash equivalents at the end of the financial year	34	10

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

The following Notes form an integral part of the Financial Statements:

The financial statements for the financial year ended 30 September 2017 were authorised for issue in accordance with a resolution of the directors on 22 November 2017.

1. CORPORATE INFORMATION

Frasers Hospitality Trust Management Pte. Ltd. (the "Company") is a limited liability company. It is a wholly owned subsidiary of Frasers Centrepoint Limited ("FCL"). 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, a real estate investment trust and Frasers Hospitality Business Trust. FHT is listed on Singapore Exchange Securities Trading Limited.

Related companies in the financial statements refer to the Frasers Centrepoint Limited group of companies and the entities related to the shareholders of TCC Assets Limited.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

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 2017

2. BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign currency

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 differences arising on translation are recognised in profit or loss.

3.2 Subsidiaries

Subsidiaries are entities that are controlled by the Company. The Company controls an entity when it is exposed, 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.

Investments in subsidiaries 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 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Non-derivative financial assets

Initial recognition and measurement

The Company classifies non-derivative financial assets as loans and receivables. Loans and receivables comprises of other receivables and cash and cash equivalents.

Loans and receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised on the date that they are originated.

When loans and receivables are recognised initially, they are measured at fair value plus any directly attributable transaction costs.

Subsequent measurement

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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 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 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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 recognised initially 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.

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.

3.5 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, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset 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.

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 or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment (continued)

(b) *Non-derivative financial assets*

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(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact 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, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that debtors or issuer will enter bankruptcy and 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.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at a specific asset level. All individually significant loans and receivables are assessed for specific impairment.

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 profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company 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 profit or loss.

3.6 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.

3.7 Share capital

Ordinary shares are 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Revenue recognition

Management fee income

Management fee income is derived from the management of a business trust and it is recognised when the service is rendered.

Acquisition fee income

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.

3.9 Taxation

Tax expense comprises current and deferred tax. Current tax and deferred tax is 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.

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.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

4. REVENUE

	2017 \$'000	2016 \$'000
Management fee	65	–
Acquisition fee	34	–
	<u>99</u>	<u>–</u>

Revenue is derived from a related entity.

5. COSTS AND EXPENSES

	2017 \$'000	2016 \$'000
Included in costs and expenses:		
Administrative expenses		
– Professional fees	(4)	(2)
	<u>(4)</u>	<u>(2)</u>

6. TAXATION

	2017 \$'000	2016 \$'000
Based on profit for the year		
Current taxation	<u>6</u>	<u>–</u>

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 30 September is as follows:

	2017 \$'000	2016 \$'000
Profit/(Loss) before tax for the year	95	(2)
Tax at Singapore income tax rate of 17% (2016: 17%)	16	(–) *
Tax exempt income	(10)	–
Deferred tax assets not recognised	–	– *
	<u>6</u>	<u>–</u>

* Denotes amount less than \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

7. INVESTMENT IN A SUBSIDIARY

	2017 \$'000	2016 \$'000
Unquoted shares, at cost	3	–

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity held	
			2017 %	2016 %
Frasers Hospitality Japan Trust Management GK	Japan	Portfolio, asset and investment management	100	–

Consolidated financial statements have not been prepared as the Company is a wholly-owned subsidiary of FCL, which prepares and publishes consolidated financial statements for public use. FCL is a company incorporated in Singapore and its registered office at 438 Alexandra Road, #21-00 Alexandra Point, Singapore 119958.

8. OTHER RECEIVABLES

	2017 \$'000	2016 \$'000
Amount due from a subsidiary	12	–
Accrued management fee	46	–
Total other receivables	58	–

Amount due from a subsidiary is non-trade related, unsecured, interest free and is repayable on demand.

9. OTHER PAYABLES

	2017 \$'000	2016 \$'000
Accruals	4	2
Amounts due to related companies	–	12
Total other payables	4	14

Amounts due to related companies are non-trade related, unsecured, interest free, and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

10. SHARE CAPITAL

	2017 \$'000	2016 \$'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.

11. 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.

12. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Company for the financial statements year ending 30 September 2019.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

The Company is currently assessing the impact of the new standards, and plans to adopt the new standards on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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 policy guidelines are adhered to.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counter party default on its obligations.

At the balance sheet date, 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 the reporting date, the Company's exposure to credit risk arises primarily from other receivables and cash and cash equivalents. The Directors believe that there is no significant credit risk as the counterparties are of good credit standing.

Cash and cash equivalents are placed with reputable financial institutions.

(b) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting 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 balance sheet date as presented in the Company's statement of financial position represent the contractual undiscounted cash flow due within one year.

(c) *Market risk*

Market risk is the risk that changes in market prices, such as foreign currency rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The Company is not exposed to significant currency risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

14. FAIR VALUE OF ASSETS AND LIABILITIES

Determination of fair value

The Company does not have any assets and liabilities that are carried at fair value at the end of the reporting period.

Fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

Other receivables and payables

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'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 ended 30 September 2017.

The Company monitors capital using the net assets of the Company, which is total assets less total liabilities.

STATISTICS OF STAPLED SECURITYHOLDERS

ISSUED AND FULLY PAID-UP STAPLED SECURITIES

As at 29 November 2017

1,861,187,051 Stapled Securities (voting rights: one vote per Stapled Security)

Market Capitalisation SGD1,442,419,965 (based on closing price of SGD0.775 per Stapled Security as at 29 November 2017)

TOP 20 STAPLED SECURITYHOLDERS

As at 29 November 2017

Number	Name	Number of Stapled Securities	%
1	DB Nominees (Singapore) Pte Ltd	711,249,246	38.21
2	FCL Investments Pte. Ltd.	401,731,599	21.58
3	DBS Nominees (Private) Limited	217,970,719	11.71
4	Citibank Nominees Singapore Pte Ltd	110,483,142	5.94
5	Raffles Nominees (Pte) Limited	33,311,432	1.79
6	Meren Pte Ltd	21,000,000	1.13
7	Fraser Hospitality Asset Management Pte Ltd	20,054,379	1.08
8	HL Bank Nominees (Singapore) Pte Ltd	19,959,523	1.07
9	DBS Vickers Securities (Singapore) Pte Ltd	16,983,927	0.91
10	UOB Kay Hian Private Limited	12,986,197	0.70
11	Fraser Hospitality Pte Ltd	11,668,847	0.63
12	HSBC (Singapore) Nominees Pte Ltd	9,128,422	0.49
13	DBSN Services Pte. Ltd.	8,098,480	0.44
14	United Overseas Bank Nominees (Private) Limited	7,781,670	0.42
15	BNP Paribas Nominees Singapore Pte Ltd	7,121,060	0.38
16	RHB Securities Singapore Pte. Ltd.	6,351,059	0.34
17	OCBC Securities Private Limited	6,073,026	0.33
18	Morgan Stanley Asia (Singapore) Securities Pte Ltd	5,815,945	0.31
19	Liew Chee Kong	3,757,400	0.20
20	Sunshine Ventures Pte Ltd	3,000,000	0.16
Total		1,634,526,073	87.82

DISTRIBUTION OF STAPLED SECURITYHOLDINGS

As at 29 November 2017

Size of Holdings	Number of Stapled Securityholders	%	Number of Stapled Securities	%
1 – 99	36	0.30	1,440	0.00
100 – 1,000	1,307	10.90	1,230,173	0.07
1,001 – 10,000	6,157	51.33	31,592,882	1.70
10,001 – 1,000,000	4,461	37.19	167,329,947	8.99
1,000,001 and above	34	0.28	1,661,032,609	89.24
Total	11,995	100.00	1,861,187,051	100.00

Country	Stapled Security Holder	%	Number. of Stapled Securities	%
Singapore	11,767	98.10	1,854,361,110	99.63
Malaysia	167	1.39	4,792,927	0.26
Others	61	0.51	2,033,014	0.11
Total	11,995	100.00	1,861,187,051	100.00

STATISTICS OF STAPLED SECURITYHOLDERS

SUBSTANTIAL STAPLED SECURITYHOLDERS

As at 29 November 2017

Substantial Stapled Securityholders	Direct Interest		Deemed Interest		Total	
	Number of Stapled Securities	%	Number of Stapled Securities	%	Number of Stapled Securities Held	%
FCL Investments Pte. Ltd.	401,731,599	21.58	–	–	401,731,599	21.58
Frasers Centrepont Limited ⁽¹⁾	–	–	433,454,825	23.29	433,454,825	23.29
Thai Beverage Public Company Limited ⁽²⁾	–	–	433,454,825	23.29	433,454,825	23.29
International Beverage Holdings Limited ⁽³⁾	–	–	433,454,825	23.29	433,454,825	23.29
InterBev Investment Limited ⁽⁴⁾	–	–	433,454,825	23.29	433,454,825	23.29
Siriwana Company Limited ⁽⁵⁾	–	–	433,454,825	23.29	433,454,825	23.29
Maxtop Management Corp. ⁽⁶⁾	–	–	433,454,825	23.29	433,454,825	23.29
Risen Mark Enterprise Ltd. ⁽⁷⁾	–	–	433,454,825	23.29	433,454,825	23.29
Golden Capital (Singapore) Limited ⁽⁸⁾	–	–	433,454,825	23.29	433,454,825	23.29
MM Group Limited ⁽⁹⁾	–	–	433,454,825	23.29	433,454,825	23.29
TCC Assets Limited ⁽¹⁰⁾	–	–	433,454,825	23.29	433,454,825	23.29
Charoen Sirivadhanabhakdi ⁽¹¹⁾	–	–	433,454,825	23.29	433,454,825	23.29
Khunying Wanna Sirivadhanabhakdi ⁽¹²⁾	–	–	433,454,825	23.29	433,454,825	23.29
TCC Group Investments Limited	707,310,200	38.00	–	–	707,310,200	38.00
Atinant Bijananda ⁽¹³⁾	–	–	707,310,200	38.00	707,310,200	38.00
Thapana Sirivadhanabhakdi ⁽¹³⁾	–	–	707,310,200	38.00	707,310,200	38.00
Wallapa Traisorat ⁽¹³⁾	–	–	707,310,200	38.00	707,310,200	38.00
Thapanee Techajareonvikul ⁽¹³⁾	–	–	707,310,200	38.00	707,310,200	38.00
Panote Sirivadhanabhakdi ⁽¹³⁾	–	–	707,310,200	38.00	707,310,200	38.00

Notes:

- ⁽¹⁾ Frasers Centrepont Limited ("FCL") holds a 100% direct interest in each of Frasers Hospitality Asset Management Pte. Ltd. ("FHAM"), Frasers Hospitality Pte. Ltd. ("FHPL") and FCL Investments Pte. Ltd. ("FCLI"); and FHAM, FHPL and FCLI hold Stapled Securities in FHT. FCL therefore has a deemed interest in the Stapled Securities in FHT in which each of the FHAM, FHPL and FCLI 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 FCL;
 - FCL holds a 100% direct interest in each of the FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- ThaiBev therefore has a deemed interest in the Stapled Securities in FHT in which FCL 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 FCL;
 - FCL holds a 100% direct interest in each of FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- IBHL therefore has a deemed interest in the Stapled Securities in FHT in which FCL has an interest, by virtue of Section 4 of the SFA.
- ⁽⁴⁾ IBIL holds a greater than 20% interest in FCL;
- FCL holds a 100% direct interest in each of FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- IBIL therefore has a deemed interest in the Stapled Securities in FHT in which FCL 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 FCL;
 - FCL holds a 100% direct interest in each of FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- SCL therefore has a deemed interest in the Stapled Securities in FHT in which FCL has an interest, by virtue of Section 4 of the SFA.

STATISTICS OF STAPLED SECURITYHOLDERS

SUBSTANTIAL STAPLED SECURITYHOLDERS (Continued)

As at 29 November 2017

- ⁽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 FCL;
 - FCL holds a 100% direct interest in each of FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- MMC therefore has a deemed interest in the Stapled Securities in FHT in which FCL has an interest, by virtue of Section 4 of the SFA.
- ⁽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 FCL;
 - FCL holds a 100% direct interest in each of FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- RM therefore has a deemed interest in the Stapled Securities in FHT in which FCL 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 FCL;
 - FCL holds a 100% direct interest in each of FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- GC therefore has a deemed interest in the Stapled Securities in FHT in which FCL 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 FCL;
 - FCL holds a 100% direct interest in each of FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- MM therefore has a deemed interest in the Stapled Securities in FHT in which FCL has an interest, by virtue of Section 4 of the SFA.
- ⁽¹⁰⁾ TCC Assets Limited ("**TCCA**") holds a majority interest in FCL;
- FCL holds a 100% direct interest in each of FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- TCCA therefore has a deemed interest in the Stapled Securities in FHT in which FCL 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 FCL;
 - FCL holds a 100% direct interest in FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- Charoen Sirivadhanabhakdi therefore has a deemed interest in the Stapled Securities in FHT in which FCL 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 FCL;
 - FCL holds a 100% direct interest in FHAM, FHPL and FCLI; and
 - FHAM, FHPL and FCLI hold Stapled Securities in FHT.
- Khunying Wanna Sirivadhanabhakdi therefore has a deemed interest in the Stapled Securities in FHT in which FCL 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.

STATISTICS OF STAPLED SECURITYHOLDERS

STAPLED SECURITYHOLDINGS OF DIRECTORS OF THE MANAGERS

As at 21 October 2017

Name of Director	Number of Stapled Securities Held	
	Direct Interest	Deemed Interest
Mr Law Song Keng	549,900	Nil
Mr Panote Sirivadhanabhakdi	Nil	707,310,200
Mr Choe Peng Sum	528,000	Nil

FREE FLOAT

Based on information made available to the Managers as at 29 November 2017, approximately 39% 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 2016 to 30 September 2017 ("FY2017") 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⁾	(6,812)	–
– Servicer fees paid and payable	(116)	–
FHT Australia Management Pty Ltd		
– Management fees paid and payable ⁽¹⁾	(4,755)	–
– Acquisition fee in relation to the acquisition of Novotel Melbourne on Collins ⁽¹⁾	(2,413)	–
Frasers Hospitality Pte. Ltd.		
– Management, marketing and trademark licence fees paid and payable ⁽¹⁾	(3,456)	–
Frasers Hospitality UK Ltd.		
– Management, marketing and trademark licence fees paid and payable ⁽¹⁾	(2,183)	–
BCH Hotel Investment Pte. Ltd.		
– Rental income from InterContinental Singapore ⁽²⁾	18,019	–
River Valley Apartments Pte. Ltd.		
– Rental income from Fraser Suites Singapore ⁽²⁾	12,899	–
Fairdace Limited		
– Rental income from Fraser Place Canary Wharf ⁽²⁾	5,716	–
– Rental income from Fraser Suites Glasgow ⁽²⁾	1,591	–
39QGG Management Limited		
– Rental income from Fraser Suites Queens Gate ⁽²⁾	6,707	–

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
P I Hotel Management Limited		
– Rental income from Best Western Cromwell London ⁽²⁾	1,993	–
– Rental income from Park International London ⁽²⁾	5,007	–
Frasers (St. Giles Street) Management Limited		
– Rental income from Fraser Suites Edinburgh ⁽²⁾	2,190	–
Frasers Town Hall Residences Operations Pty Ltd		
– Rental income from Fraser Suites Sydney ⁽²⁾	11,575	–
– Reimbursement of expenses paid on behalf of FH-REIT	(375)	–
Frasers Town Hall Land Pty Ltd		
– Reimbursement of expenses paid on behalf of FH-REIT	(495)	–
Frasers Sydney ML Hotel Pty Ltd		
– Rental income from Novotel Rockford Darling Harbour ⁽²⁾	7,397	–
JBB Hotels Sdn Bhd		
– Rental income from The Westin Kuala Lumpur ⁽²⁾	8,357	–
K.K. Shinkobe Holding		
– Rental income from ANA Crowne Plaza Kobe ⁽²⁾	16,795	–
Y.K. Toranomom Properties		
– Rental income from ANA Crowne Plaza Kobe ⁽²⁾	2,018	–
– Reimbursement of expenses paid on behalf of FH-REIT	(1,056)	–
Ananke Holdings Pty Ltd		
– Rental income from Sofitel Sydney Wentworth ⁽²⁾	18,940	–
– Reimbursement of expenses paid on behalf of FH-REIT	(409)	–
Frasers Hospitality Australia Pty Ltd		
– Reimbursement of expenses paid on behalf of FH-REIT	(518)	–
Perpetual (Asia) Limited		
– Trustee's fees	(291)	–
The Trust Company (Australia) Limited		
– Trustee's fees	(118)	–

Please also refer to Note 27 '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"), FHT Australia Management Pty Ltd (also referred to as "MIT Manager"), Frasers Hospitality Pte. Ltd. ("FHPL"), Frasers Hospitality UK Ltd. ("FHUK") 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 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 and MIT management fees and acquisition fee to the MIT Manager and serviced residence management fees to FHPL and FHUK in FY2017 is as follows:

	Issue date	Stapled Security Units issued	Value \$'000
Frasers Hospitality Asset Management Pte. Ltd.			
1 April 2016 to 30 September 2016	2 Nov 2016	4,712,669	3,381
1 October 2016 to 31 March 2017	4 May 2017	3,429,123	2,301
FHT Australia Management Pty Ltd			
Acquisition fee	24 Oct 2016	4,001,979	2,413
1 April 2016 to 30 September 2016	2 Nov 2016	2,146,720	1,518
1 October 2016 to 31 March 2017	4 May 2017	1,702,226	1,142
Frasers Hospitality Pte. Ltd.			
1 April 2016 to 30 September 2016	2 Nov 2016	2,227,459	1,620
1 October 2016 to 31 March 2017	4 May 2017	2,655,818	1,784
Frasers Hospitality UK Ltd.			
1 April 2016 to 30 September 2016	2 Nov 2016	1,836,390	1,336
1 October 2016 to 31 March 2017	4 May 2017	1,395,882	933

FCL Investments Pte Ltd ("FCL Investments"), a wholly-owned subsidiary of Frasers Centrepoint Limited, has been nominated by the REIT Manager to receive 8,141,792 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 FCL Investments dated 5 May 2016. In connection with such nomination, FCL Investments will pay to the REIT Manager approximately SGD5.7 million being an amount equal to the aggregate issue price of such Stapled Securities.

FCL Investments has been nominated by the FHT Australia Management Pty Ltd (the "MIT Manager") to receive 7,850,925 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 FCL Investments dated 5 May 2016. In connection with such nomination, FCL Investments will pay to the MIT Manager approximately SGD5.1 million being an amount equal to the aggregate issue price of such Stapled Securities.

FCL Investments has been nominated by the FHPL to receive 4,883,277 Stapled Securities which FHPL is entitled to receive as payment of its fees and pursuant to the nomination agreement between FHPL and FCL Investments dated 5 May 2016. In connection with such nomination, FCL Investments will pay to FHPL approximately SGD3.4 million being an amount equal to the aggregate issue price of such Stapled Securities.

FCL Investments has been nominated by the FHUK to receive 3,232,272 Stapled Securities which FHUK is entitled to receive as payment of its fees and pursuant to the nomination agreement between FHUK and FCL Investments dated 5 May 2016. In connection with such nomination, FCL Investments 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 3rd 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 Wednesday, 24 January 2018 at Level 2, Alexandra Point, 438 Alexandra Road, Singapore 119958, 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 2017 and the Auditors' Report thereon.

Ordinary Resolution (2)

2. To 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, of which Ordinary Resolution (3) will be proposed as an Ordinary Resolution and Extraordinary Resolution (4) will be proposed as an Extraordinary 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 (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 (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 (the "**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 shall be based on the number of issued Stapled Securities 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 may 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
- (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.

NOTICE OF ANNUAL GENERAL MEETING

Extraordinary Resolution (4)

4. That:

- (a) approval be and is hereby given to amend the FH-REIT Trust Deed to include provisions regarding electronic communications of notices and documents to holders of FH-REIT Units in the manner set out in Annex A of the appendix to the Notice of Annual General Meeting (the “**Appendix**”) dated 27 December 2017 (the “**Proposed FH-REIT Trust Deed Supplement**”);
- (b) approval be and is hereby given to amend the FH-BT Trust Deed to include provisions regarding electronic communications of notices and documents to holders of FH-BT Units in the manner set out in Annex B of the Appendix dated 27 December 2017 (the “**Proposed FH-BT Trust Deed Supplement**”);
- (c) approval be and is hereby given to amend the Stapling Deed to include provisions regarding electronic communications of notices and documents to Stapled Securityholders in the manner set out in Annex C of the Appendix dated 27 December 2017 (the “**Proposed FHT Stapling Deed Supplement**”); and
- (c) the REIT Manager, the REIT Trustee and the Trustee-Manager 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 REIT Trustee or the Trustee-Manager may consider expedient or necessary or in the interests of FHT to give effect to the Proposed FH-REIT Trust Deed Supplement, the Proposed FH-BT Trust Deed Supplement and the Proposed FHT Stapling Deed Supplement.

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)

Catherine Yeo
Company Secretary

27 December 2017

NOTICE OF ANNUAL GENERAL MEETING

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.

"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 Notes:

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 the Ordinary Resolution 3 above is passed, after adjusting for new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time Ordinary Resolution 3 above 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

Extraordinary Resolution 4

In connection with the amendments to the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), companies are allowed to send notices and documents electronically to their shareholders with the express consent, deemed consent (the “**Deemed Consent Regime**”), or implied consent (the “**Implied Consent Regime**”) of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the “**Companies Act Electronic Communications Amendments**”). The SGX-ST has recently amended the listing rules of the SGX-ST (the “**Listing Rules**”) to align the Listing Rules with the Companies Act Electronic Communications Amendments, with issuers allowed to transmit certain types of notices and documents to shareholders (or stapled securityholders, in the case of a listed stapled group such as FHT) electronically with the express, deemed or implied consent of shareholders.

Although FHT is not bound by the Companies Act, it is nonetheless bound by the Listing Rules as a stapled group listed on the SGX-ST. Accordingly, the REIT Manager, the REIT Trustee and the Trustee-Manager propose to amend the FH-REIT Trust Deed, the FH-BT Trust Deed and the Stapling Deed to adopt certain provisions of the Listing Rules to implement the Implied Consent Regime and the Deemed Consent Regime and allow for such electronic transmission of notices and documents in relation to FHT.

(See the Appendix dated 27 December 2017 in relation to the Proposed FH-REIT Trust Deed Supplement, the Proposed FH-BT Trust Deed Supplement and the Proposed FHT Stapling Deed Supplement for further details.)

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.

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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 27 December 2017.

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 Wednesday, 24 January 2018 at Level 2, Alexandra Point, 438 Alexandra Road, Singapore 119958, 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 2017 and the Auditor's Report thereon		
2.	To 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		
4.	To approve the Proposed FH-REIT Trust Deed Supplement, the Proposed FH-BT Trust Deed Supplement and the Proposed FHT Stapling Deed Supplement		

* 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 _____ 2017/2018 (delete as appropriate)

Signature(s) of Stapled Securityholder(s)/Common Seal

Total number of Stapled Securities held (Note 4)

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 REIT Manager and the Trustee-Manager (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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Affix
Postage
Stamp

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 notially 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.

CORPORATE INFORMATION

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 Choe Peng Sum
Non-Executive Director

AUDIT, RISK AND COMPLIANCE COMMITTEE OF THE REIT MANAGER AUDIT, RISK AND COMPLIANCE COMMITTEE OF THE TRUSTEE-MANAGER

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

NOMINATING AND REMUNERATION COMMITTEE OF THE REIT MANAGER NOMINATING AND REMUNERATION COMMITTEE OF THE TRUSTEE-MANAGER (FROM 16 OCTOBER 2017)

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
The Hongkong and Shanghai Banking Corporation
Limited
Commonwealth Bank of Australia
United Overseas Bank Limited, Tokyo Branch
Standard Chartered Bank Malaysia Berhad



FRASERS HOSPITALITY ASSET MANAGEMENT PTE. LTD.

As 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

438 Alexandra Road
#21-00 Alexandra Point
Singapore 119958

Phone: +65 6276 4882
Fax: +65 6276 6328

www.frasershospitalitytrust.com

