

Issuer: Frasers Centrepoint Limited

Security: Frasers Centrepoint Limited

Meeting details:

Date: 29 January 2018

Time: 2.00 p.m.

Venue: Ballrooms II and III, Level 2, InterContinental Singapore, 80 Middle Road, Singapore 188966

Company Description

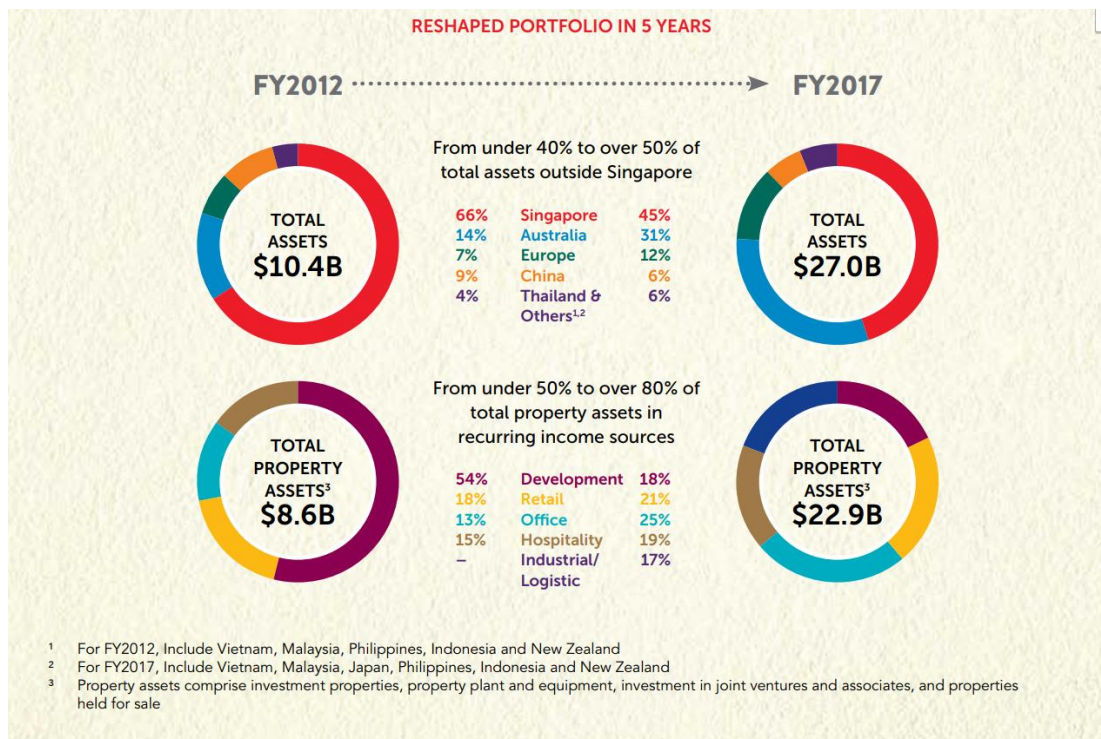
Frasers Centrepoint Limited, an investment holding company, operates as a real estate company. It operates through Singapore SBU (strategic business unit), Australia SBU, Hospitality SBU, and International Business Unit. The Singapore SBU focuses on residential property development activity under the Frasers Centrepoint Homes brand name; and owns and/or manages 12 shopping malls in Singapore under the Frasers Centrepoint Malls brand name, as well as 10 office and business space properties in Singapore and Australia. The Australia SBU focuses on investment in income-producing office and industrial properties; commercial and industrial property development and management; and residential development, including land, housing, and apartments. Its portfolio consists of 61 industrial properties. The Hospitality SBU has interest in and/or manages gold-standard serviced, hotel residences, and boutique lifestyle hotels in Asia, Australia, Europe, and the Middle East. It has a portfolio of approximately 24,200 units in 140 properties located in 80 cities worldwide. The International Business Unit comprises development, ownership, and management of investment properties in China, Europe, Vietnam, and Thailand. The company also provides management, financial, trustee, and treasury services. The company was formerly known as Centrepoint Properties Limited and changed its name to Frasers Centrepoint Limited in 2006. Frasers Centrepoint Limited was incorporated in 1963 and is headquartered in Singapore. Frasers Centrepoint Limited is a subsidiary of TCC Assets Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=TQ5)

Q1. As discussed in the Group CEO’s Statement, the group has grown its portfolio from \$10.4 billion in FY2012 to \$27.0 billion in FY2017, a compounded annual growth rate of 21% per annum (page 27 of the annual report). In terms of sector diversification, the group has decreased the dependence on development projects and has also diversified into the industrial/logistics segment.

The Singapore-heavy portfolio has also been re-balanced with assets in Singapore now accounting for 45% (from 66%), Australia 31% (from 14%) and Europe 12% (from 7%) as at the end of the financial year 2017.

The following is an extract from page 31 of the annual report that summarises the progress made by the group in the past 5 years:



(Source: Company annual report)

- a) **Can management help shareholders understand if the transformation of the portfolio in terms of geographical and sectorial exposure has been substantially completed? If not, can management elaborate further on the group’s targeted capital allocation?**

In the section titled “Gearing and Interest Cover” (page 79), the group has stated its goal of keeping its net gearing to equity ratio to between 80% and 100%. As at 30 September 2017, the ratio was 70.6%.

- b) **Can the board elaborate further on how a net gearing ratio of between 80% and 100% was determined? Would this level of leverage be sustainable through a complete market cycle?**
- c) **Given the current target of a net gearing ratio of between 80% and 100%, how much additional headroom does the group have to support future growth?**

Q2. In particular, shareholders would like to seek better clarity on the following projects/assets in the group’s Singapore portfolio:

- a) **Northpoint City South Wing: With the new South Wing being soft-launched recently, can management update shareholders on the level of occupancy/commitment?**

- b) **Frasers Tower:** With the expected completion of Frasers Tower in the first half of 2018, can management provide better visibility on the secured lease commitment of its office tower and of its retail podium?
- c) **Waterway Point:** What are the group’s long term plans for Waterway Point?
- d) **Non-REIT retail assets:** What are the strategic plans for Robertson Walk, The Centrepoint and Valley Point (Retail)? How is management pro-actively increasing the occupancy rates for these assets?
- e) **Jiak Kim Street:** The group has won the tender for the 99-year leasehold mixed commercial and residential site at Jiak Kim Street with a price of \$1,733 psf per plot ratio. **Can management elaborate further on the development plans for this site?**

Q3. As shown in Note 4c (page 215 – Trading profit: Administrative expenses), the group recognised employee share-based expense of \$17.3 million (of which, \$2.4 million was for key executive officers and \$14.9 million was accounted for by other staff).

	2014 (restated) \$'000	2015 \$'000	2016 \$'000	2017 \$'000
Employee share-based expense for Key executive officers	2,178	2,464	2,930	2,447
Employee share-based expense for other staff	3,081	4,052	7,259	14,850
Total Employee share-based expense	5,259	6,516	10,189	17,297

(Source: Company annual reports)

While employee share-based expense for key executive officers have increased gradually since 2014, the employee share-based expense for other staff has increased from \$3.1 million in 2014 to \$14.9 million in 2017.

The remuneration committee administers the company’s long term incentive plans (“LTI Plans”), namely the Restricted Share Plan (“RSP”) and the Performance Share Plan (“PSP”).

- a) **With the RSP and the PSP being approved by the board and adopted in October 2013, has the RC evaluated the effectiveness of the RSP and the PSP in achieving their stated goals of attracting, motivating and retaining talented senior executives?**
- b) The employee share-based expense for non-key executive officers have increased from \$3.1 million in 2014 to \$14.9 million in 2017. **Can the RC help shareholders understand the number of senior executives who have received such long term incentives under the RSP and the PSP? Please also provide an overview of the distribution of the awards.**