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GST Reg No: M90367530Y

Issuer: Accordia Golf Trust Management Pte. Ltd.

Security: Accordia Golf Trust

Meeting details:

Date: 26 July 2018

Time: 10.00 a.m.

Venue: NTUC Centre, No. 1 Marina Boulevard, Room 801, Level 8, Singapore 018989

Company Description

Accordia Golf Trust is a business trust specializing in investments in golf courses, driving ranges, and golf course related assets in Japan. Accordia Golf Trust is based in Singapore, Singapore.

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

1. In the Letter to unitholders, it was stated that:

In FY17/18, total distributable income was JPY3,436 million and distribution per unit (DPU) was SGD3.85 cents. This translates to a yield of 6% based on AGT's unit closing price of SGD0.645 as at 31 March 2018 [...] Since inception in 2014, AGT has maintained a stable DPU yield.

- (i) **Can the trustee-manager/board help unitholders understand why the distribution yield of 6% is a performance indicator tracked/monitored by the board?** A DPU yield can remain stable if both DPU and unit price drop by the same proportion. As such, DPU yield may not be relevant or meaningful to unitholders who have invested in the trust at IPO/higher prices.
- (ii) **As the group's mission is "to deliver stable yield and maximise long-term returns to Unitholders", can the board elaborate on the trust's track record in delivering long-term returns to unitholders?**
- (iii) **Specifically, can the trustee-manager calculate and disclose the total unitholder's return since the IPO in 2014?**
- (iv) **To help unitholders understand the performance of the trust, would the board/trustee-manager provide a five-year financial highlight of the trust, showing important metrics such as revenue, income available for distribution, distribution per unit, net asset value per unit, financial leverage and other operational indicators?**

2. In addition, the DPU since the IPO is shown below:

FY17/18 – 3.85 cents

FY16/17 – 6.04 cents

FY15/16 – 6.63 cents

FY14/15 – 5.71 cents (for the period 1 August 2014 to 31 March 2015)

- (i) **Can management elaborate further on its strategy to reverse the downward trend in DPU and to quantify the impact of its efforts?**
- (ii) **Does management expect the trend of DPU slipping to continue?**

In the Corporate Governance Report, the board has stated that it oversees the Trustee-Manager's affairs and is accountable to Unitholders for the management of the Trustee-Manager, including establishing goals for the Management, monitoring the performance of the Trustee-Manager and overseeing the Management in order to monitor the achievement of these goals.

- (iii) **What goals have been established by the board for management?**

- (iv) Can the board provide unitholders with better clarity on how it monitors the performance of the trustee-manager? What is the level of oversight by the board on management?**
- (v) Does the board consider it necessary to carry out a strategic review of the trust, the trustee-manager, its assets and financial position?**

3. The issue of repayment of membership deposit affecting the trust's distributable income was raised in the last financial year (see link below).

As anticipated, the repayment of membership deposit has increased exponentially, leading to a significant and material drop in distributable income/DPU. As seen in the Consolidated Statement of Cash Flows, repayment of membership deposits approximately doubled to JPY 1.94 billion in 2018, up from JPY1.00 billion in 2017 (page 61). In 2016, the repayment was JPY932 million.

For 2018, the repayment of membership deposits was one of the main reasons that led to the 33.8% drop in DPU.

- (i) Would it be prudent for the trustee-manager to assess the impact of the repayment of membership deposits and inform unitholders upfront on its impact on distributable income/DPU?**
- (ii) Can the trustee-manager elaborate further on the specific reason(s) for the huge increase in the repayment of membership deposits in 2018?**
- (iii) Can the trustee-manager also clarify on the accounting treatment of the membership deposits?**

To put the issue in context, the total current refundable membership deposit amounts to JPY10.55 billion as at 31 March 2018. The total distributable income to unitholders for 2018 amounted to just JPY3.436 billion (page 9).

- (iv) Would the board consider this as a material risk to the trust given that the trust is a negative working capital position of JPY 38,318 million as at 31 March 2018?**
- (v) What are the efforts by the trustee-manager and the board to manage the liquidity risk and the risk to distributions better?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Accordia%20Golf%20Trust%20Management%20Pte%20Ltd>

The company's response could be found here: -----