



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Frasers Hospitality Asset Management Pte. Ltd.

Security: Frasers Hospitality Real Estate Investment Trust

Meeting details:

Date: 22 January 2019

Time: 10.00 a.m.

Venue: Level 2, Alexandra Point, 438 Alexandra Road, Singapore 119958

Company Description

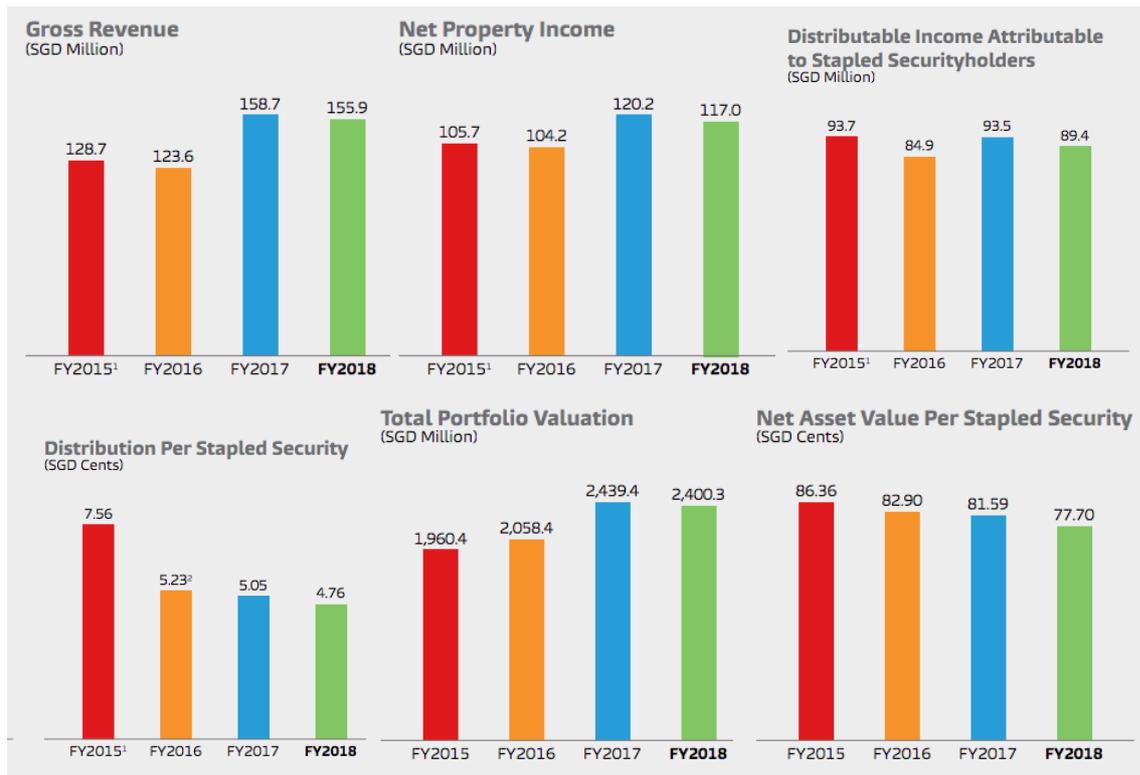
FHT is the first global hotel and serviced residence trust listed in Singapore on 14 July 2014, comprising FH-REIT and FH-BT. It is established with the principal strategy of investing globally, on a long-term basis, in income-producing real estate assets used primarily for hospitality purposes. FHT provides investors exposure to one of the largest international hospitality portfolios by number of keys. Its geographically 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 S\$2.40 billion, these 9 hotels and 6 serviced residences are: Novotel Melbourne on Collins, Novotel Sydney Darling Square (formerly Novotel Rockford Darling Harbour), Sofitel Sydney Wentworth, Fraser Suites Sydney, InterContinental Singapore, Fraser Suites Singapore, ibis Styles London Gloucester Road (formerly Best Western Cromwell London), Park International London, Fraser Suites Edinburgh, Fraser Suites Glasgow, Fraser Suites Queens Gate, Fraser Place Canary Wharf, ANA Crowne Plaza Kobe, The Westin Kuala Lumpur and Maritim Hotel Dresden. Collectively, they have a total of 3,914 rooms comprising 3,072 hotel rooms and 842 serviced residence units. FHT is managed by Frasers Hospitality Asset Management Pte. Ltd., the REIT manager of FH-REIT, and Frasers Hospitality Trust Management Pte. Ltd., the trustee-manager of FH-BT (collectively known as the "Managers"). The Managers are wholly-owned subsidiaries of Frasers Property Limited which is the sponsor of FHT.

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

1. Would the board/manager provide stapled securityholders with better clarity on the following operational matters? Specifically:

- (i) Serviced residences vs hotel properties: Has the board evaluated if the risk-adjusted returns are similar for both hotels and services residences assets? How does FHT determine its capital allocation between the two asset classes?**
- (ii) Management agreements: Novotel Sydney Darling Square and ibis Styles London Gloucester Road were converted to management agreements in January 2018. Is there a deliberate shift by FHT to convert its franchise agreements to management agreements?**
- (iii) Portfolio diversification: Even though FHT is in 6 countries, 9 cities, with a network of 15 properties, it does not seem that the portfolio has sufficient resilience. The weaker performance from the Australian, Malaysian and UK assets more than offset the stronger performance in Singapore and Germany. Overall, for FY2018, gross revenue, net property income, distribution income and distribution per stapled security declined by as much as 5.6%. Would the board help stapled securityholders understand if there is sufficient portfolio diversification? Is the stapled group benefitting from economies of scale and/or network effort? Are there near-term plans to further diversify into new markets that can complement the existing portfolio?**

2. FHT's track record in the past four years is shown on page 8 of the annual report (Financial highlights) and reproduced below:



(Source: 2018 Annual report)

As seen from the charts above, while the portfolio has increased in size, actual distributable income attributable to stapled securityholders slipped from \$93.7 million to \$89.4 million. In fact, the distribution per stapled security has slipped from 7.56 cents (for the period 14 July 2014 to 30 September 2015) to 5.23 cents in FY2016 to 4.76 cents in FY2018.

In addition, the net asset value per stapled security has decreased from 86.36 cents in FY2015 to 77.70 cents in FY2018.

At the same time, the total management and trustees' fees have increased from \$11.34 million in FY2016 (first full 12-month financial year) to \$12.97 million in FY2018.

- (i) **Would the board consider it opportune to review how FHT has carried out its capital management, asset management, acquisition and asset enhancement?** These are identified as the major growth strategies of FHT (as shown on page 6 of the annual report).
- (ii) **Does FHT have the right incentives in place to align the interests of all stakeholders?**
- (iii) **Has the board carried out a strategic review of FHT to assess the core competencies of the group (including the strength of its management team), its competitive advantage, its financial strength so as to fine-tune its strategic growth plans in order to create long-term sustainable value for all stapled securityholders?**

3. The attendance of directors at the board and board committee meetings is shown in the table below (page 98):

Directors' Attendance at REIT Manager's Board and Board Committee Meetings held during the financial year

| Meetings Held in FY2018 | Board Meetings | REIT Manager NR Committee Meetings | REIT Manager ARC Committee Meetings |
|-------------------------------------|-----------------------|---|--|
| Attendance of Directors at Meetings | 6 | 1 | 4 |
| Mr Law Song Keng | 6 | 1 | 4 |
| Mr Chua Phuay Hee | 6 | NA | NA |
| Mr Liew Choon Wei | 6 | 1 | 4 |
| Dr David Wong See Hong | 6 | 1 | 4 |
| Mr Panote Sirivadhanabhakdi | 3 | - | NA |
| Mr Choe Peng Sum | 5 | NA | NA |

Directors' Attendance at Trustee-Manager's Board Meetings and Board Committee Meetings held during the financial year

| Meetings Held in FY2018 | Board Meetings | Trustee-Manager NR Committee Meetings | Trustee-Manager ARC Committee Meetings |
|-------------------------------------|-----------------------|--|---|
| Attendance of Directors at Meetings | 6 | 1 | 4 |
| Mr Law Song Keng | 6 | 1 | 4 |
| Mr Chua Phuay Hee | 6 | NA | NA |
| Mr Liew Choon Wei | 6 | 1 | 4 |
| Dr David Wong See Hong | 6 | 1 | 4 |
| Mr Panote Sirivadhanabhakdi | 3 | - | NA |
| Mr Choe Peng Sum | 5 | NA | NA |

(Source: Annual report 2018)

As seen in the tables above, Mr Panote Sirivadhanabhakdi attended three out of six board meetings of the REIT Manager and of the Trustee-Manager. As a member of the Nominating and Remuneration (NR) Committee of the REIT Manager and of the Trustee-Manager, Mr Panote Sirivadhanabhakdi did not attend the two NR committee meetings of the managers.

Mr Choe Peng Sum was absent for one board meeting of the REIT Manager and of the Trustee-Manager.

- (i) As the managers' constitutions allow for board meetings to be conducted via telephone, video conference or any other form of electronic or instantaneous communication, can FHT help stapled securityholders understand if this was an option for directors who could not attend the board meetings?**
- (ii) Can FHT help stapled securityholders understand if there were extenuating circumstances that led the directors to be absent for the board and board committee meetings? How far in advance are the meetings scheduled?**
- (iii) How can the stapled group and the company secretary work together with the directors to schedule the board and board committee meetings so that all the directors are able to attend the meetings and contribute to the effectiveness of the board?**



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A copy of the questions for the Annual Report for the financial year ended 30 September 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Frasers%20Hospitality%20Trust>

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