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Stapled Group: Frasers Hospitality Trust
(Managers: Frasers Hospitality Asset Management Pte. Ltd. and Frasers
Hospitality Trust Management Pte. Ltd.)

Stock code: ACV

Meeting details:

Date: 15 Jan 2025

Time: 10.00 a.m.

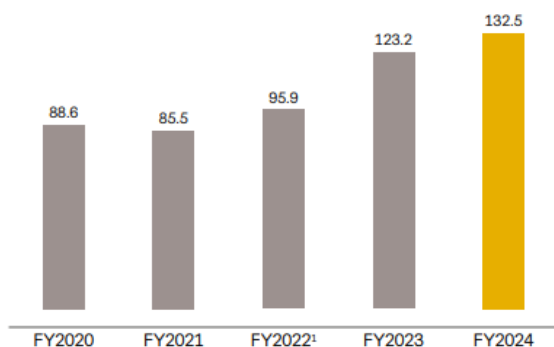
Venue: Grand Ballroom, Level 2, InterContinental Singapore, 80 Middle Road, Singapore
188966

Q1. For the financial year ended 30 September 2024, distribution per stapled security (DPS) declined 7.5% to 2.26 Singapore cents. The decline was attributed to higher finance costs in a high-interest rate environment and an increase in withholding tax following the non-qualification of FH Australia Trust as a withholding Managed Investment Trust after the share swap between InterBev Investment Limited and TCC Assets Limited.

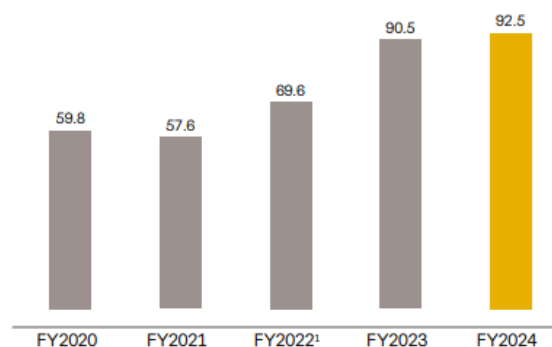
Finance costs increased by 24% from \$20.9 million to \$25.9 million. Income available for distribution decreased to \$48.3 million, down from \$52.3 million.

FINANCIAL HIGHLIGHTS

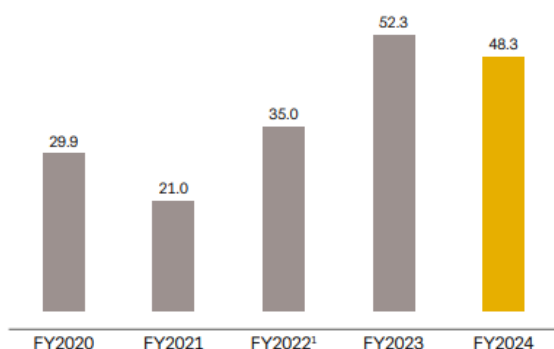
Gross Revenue
 (S\$ million)



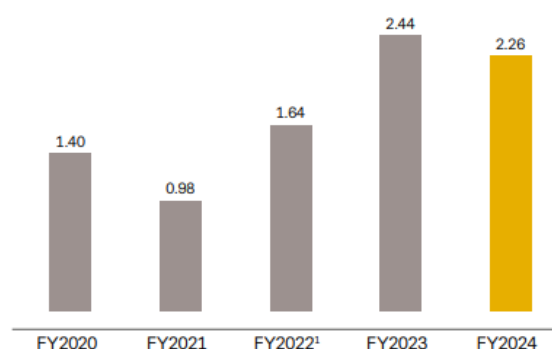
Net Property Income
 (S\$ million)



Income Available For Distribution attributable to Stapled Securityholders (Distributable Income)
 (S\$ million)



Distribution per Stapled Security
 (Singapore cents)



(Source: annual report 2024)

DPS in FY2018 and FY2019 was 4.76 Singapore cents and 4.41 Singapore cents respectively, based on 100% payment of distributable income.

In particular, the Singapore portfolio experienced a 3.4% decline in occupancy while average daily rates decreased by 2.0%, resulting in an overall 6.3% decrease in revenue per available room (RevPAR). This was attributed to a softer market and rising competitive pressures.

- (i) **Can the managers elaborate on FHT's value proposition in light of its vulnerability to competitive pressures?**
- (ii) **What are the plans for Koto no Hako, the retail component of ANA Crowne Plaza Kobe, which has a committed occupancy rate of 58% as at 30 September 2024? What advantage does the group have in managing the asset as compared to the former master tenant?**
- (iii) **Beyond ESG-related measures to improve energy and water efficiency and waste management, have there been asset enhancement initiatives on the assets in the portfolio to create value for stapled securityholders?**
- (iv) **Are there plans to address FH Australia Trust's non-qualification as a withholding Managed Investment Trust which reduced the group's distributable income by \$1.3 million in FY2024?**
- (v) **For the benefit of unitholders, what are the detailed strategies (including revenue enhancement strategies, cost optimisation, and capital structure adjustments) and timeline to improve the DPS, keeping in mind the pre-COVID DPS levels of 4.4–4.8 cents?**

Q2. The effective cost of borrowing increased from 3.1% to 3.5%. In addition, \$270 million of debt (36% of total debt) is maturing in FY2025. As at 30 September 2024, 71.1% of total borrowings were fixed-rate.

	FY2020	FY2021	FY2022 ¹	FY2023	FY2024
Key Financial Indicators					
Distribution per Stapled Security (Singapore cents)	1.40	0.98	1.64	2.44	2.26
Net Asset Value per Stapled Security (Singapore cents)	65.21	64.82	64.69	66.38	65.74
Gearing	37.7%	42.2%	36.4%	34.0%	34.9%
Interest Cover (times)	2.3	2.2	2.6	3.6	3.0
Effective Cost of Borrowing	2.3%	2.0%	2.3%	3.1%	3.5%
Borrowings on Fixed Rates	74.9%	77.2%	81.7%	75.5%	71.1%
Unsecured Debt	96.3%	96.7%	96.0%	96.1%	96.0%
Unencumbered Assets as a % of Property Portfolio	94.3%	94.7%	93.8%	93.3%	92.2%

- (i) **How does the manager view the current and anticipated interest rate environment? What specific strategies are being implemented to optimise financing costs, including potential opportunities for early refinancing or restructuring?**
- (ii) **What is the projected impact of refinancing the \$270 million debt maturing in FY2025 under varying interest rate scenarios? Can the managers provide a sensitivity analysis to illustrate potential changes in finance costs and their effect on distributable income?**

The group has also hedged its balance sheet exposure to foreign currencies by varying proportions: Australian Dollar and Malaysian Ringgit (20%), and Japanese Yen (78%).

- (iii) **What is the framework used to determine the proportion of foreign currency exposure to hedge?**

Q3. On 27 November 2024, the managers announced the appointment of Mr. Ho Hon Cheong as chairman of the board of directors and non-executive independent director of the manager of the REIT and trustee-manager of the business trust, effective 1 December 2024.

As disclosed, Mr Ho Hon Cheong served as the independent director of Frasers Logistics & Commercial Asset Management Pte. Ltd, the manager of Frasers Logistics & Commercial Trust (FLCT) from 26 May 2016 to 1 October 2024. Given that his tenure was approaching the 9-year limit for independent directors, Mr Ho Hon Cheong retired from FLCT on 1 October 2024, after serving 8 years and 4 months.

- (i) **Can the nominating and remuneration committee (NRC) elaborate on the formal and transparent process for the appointment of directors? How rigorous was the search for candidates, and what criteria were prioritised in selecting the chairman?**
- (ii) **Did the NRC thoroughly evaluate the director's long tenure in FLCT and his association with the Frasers Property Group when assessing the director's appointment?**
- (iii) **Is the appointment of a former independent director from a Frasers Property-related REIT fully aligned with the principles of good corporate governance? Could this appointment impact investor confidence and how does the board intend to address such concerns proactively?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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