

# APTITUDE & FORTITUDE

ANNUAL REPORT 2021



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# APTITUDE & FORTITUDE

At Frasers Hospitality Trust (FHT), Aptitude and Fortitude drive our actions as we look to pursue new opportunities, even as global markets are recovering and adapting to an endemic COVID-19 environment.

With resolve, we are staying ahead of macro trends and shifting consumer and corporate behaviours, formulating strategies in anticipation of potential pathways and possible outcomes.

Through courage, a strong foundation of good people and a focus on customer-centricity, we continue to evolve our businesses in an increasingly competitive and complex environment. Our shared purpose – *'Inspiring experiences, creating places for good.'* – will enable us to achieve our business objectives while bringing positive impact to our business, people, society and the planet.

As part of Frasers Property, we are now moving faster together. As we create a culture of innovation and continuous learning, we continue building core capabilities, especially sustainability, technology and digitalisation that are relevant for future readiness. We remain focused on developing quality products, services and places that create value for our stakeholders.



# About Frasers Hospitality Trust

FHT is a global hotel and serviced residence trust listed on the Mainboard of the Singapore Exchange on 14 July 2014. 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, we provide investors exposure to a global hospitality portfolio with 3,913 keys comprising 3,071 hotel rooms and 842 serviced residence units.

Our well-diversified portfolio of 15 quality assets are in prime locations in 9 key cities in Asia, Australia and Europe. With a combined appraised value of approximately S\$2.25 billion, these 9 hotels and 6 serviced residences are: InterContinental Singapore, Fraser Suites Singapore, Novotel Melbourne on Collins, Novotel Sydney Darling Square, Sofitel Sydney Wentworth, Fraser

Suites Sydney, ibis Styles London Gloucester Road, 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.

FHT's properties are managed by reputable international hotel chains such as AccorHotels, InterContinental Hotels Group and Marriott International, as well as Frasers Hospitality, one of the largest serviced residence operators globally.

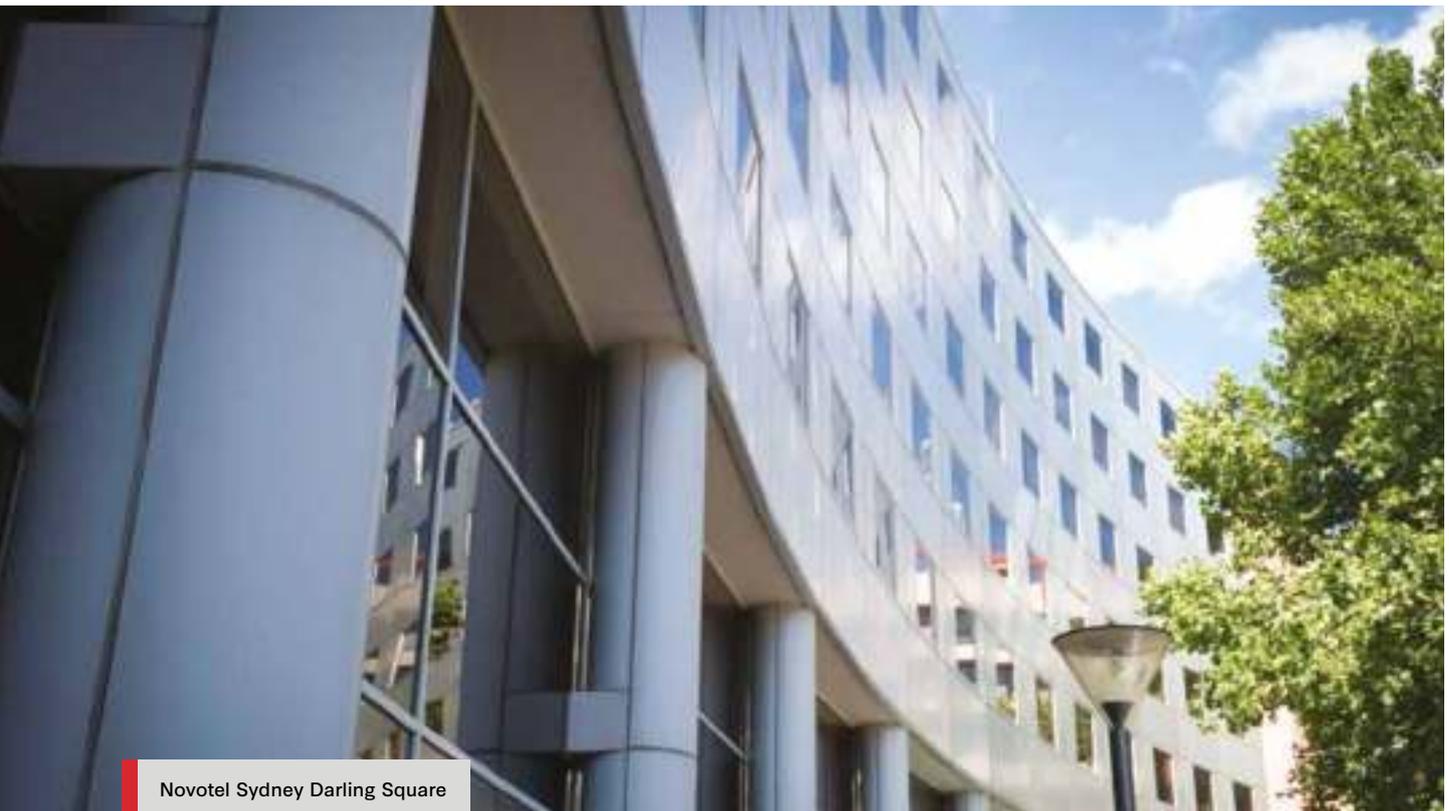
Our sponsor is Frasers Property Limited (**Frasers Property** or the **Sponsor**), a multinational developer-owner-operator of real estate products and services across 5 asset classes, namely residential, retail, commercial and business parks, industrial and logistics and hospitality.

Our strategic partner, the TCC Group\*, is one of the largest conglomerates in Southeast Asia engaging in a variety of businesses including real estate.

While we enjoy full flexibility in sourcing for acquisitions from third parties, we have been granted the right of first refusal to a pipeline of hospitality assets owned by both the Sponsor and the TCC Group. This further provides us access to future acquisition opportunities.

A stapled group comprising Frasers Hospitality Real Estate Investment Trust (**FH-REIT**) and Frasers Hospitality Business Trust (**FH-BT**), FHT is managed by Frasers Hospitality Asset Management Pte. Ltd., the REIT Manager of FH-REIT (the **REIT Manager**) and Frasers Hospitality Trust Management Pte. Ltd., the Trustee-Manager of FH-BT (the **Trustee-Manager**) (collectively known as the **Managers**).

\* The TCC Group refers to the group of companies and entities which are controlled by Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi.



Novotel Sydney Darling Square

# Our Growth Strategy

**The Managers' main objectives are to deliver long-term growth in distribution and net asset value to our Stapled Securityholders, while maintaining an appropriate capital structure.**

## **ACQUISITION GROWTH**

The Managers actively pursue asset acquisitions that will provide attractive cash flows and yields to satisfy their investment mandate, so as to enhance the returns to FHT's Stapled Securityholders and improve the future income and capital growth prospects of FHT.

The Managers seek opportunities in key cities with sound economic fundamentals, favourable hospitality market conditions, and a good mix of both business and leisure guests. With FHT's global investment mandate (excluding Thailand), the Managers have maximum flexibility in scanning various regions for opportunities in the hotels and serviced residence asset classes.

FHT's acquisition strategy is further complemented by the right of first refusal granted by Frasers Property and the TCC Group, which provides access to future opportunities to acquire income-producing properties that are primarily used for hospitality purposes.

## **ACTIVE ASSET MANAGEMENT AND ENHANCEMENT STRATEGY**

The Managers 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 Managers focus 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 Managers proactively identify opportunities for asset enhancement initiatives to successfully reposition the properties, generate higher cash flows and increase the value of the properties.

## **CAPITAL AND RISK MANAGEMENT STRATEGY**

The Managers endeavour to maintain a strong balance sheet and manage exposure to risks prudently by employing various strategies and measures to optimise the 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 by accessing both financial institutions and capital markets; and utilising interest rate and foreign exchange hedging strategies, where appropriate, to minimise exposure to market volatility.

# Our Portfolio

FHT has a well-diversified portfolio of 15 quality assets, most of which are located in key gateway cities across Asia, Australia and Europe.

**\$2.25B**

Total Portfolio Value

**9**

Key Cities

**15**

Properties

**3,913**

Keys

## UNITED KINGDOM (UK)

### Glasgow

- Fraser Suites Glasgow

### Edinburgh

- Fraser Suites Edinburgh

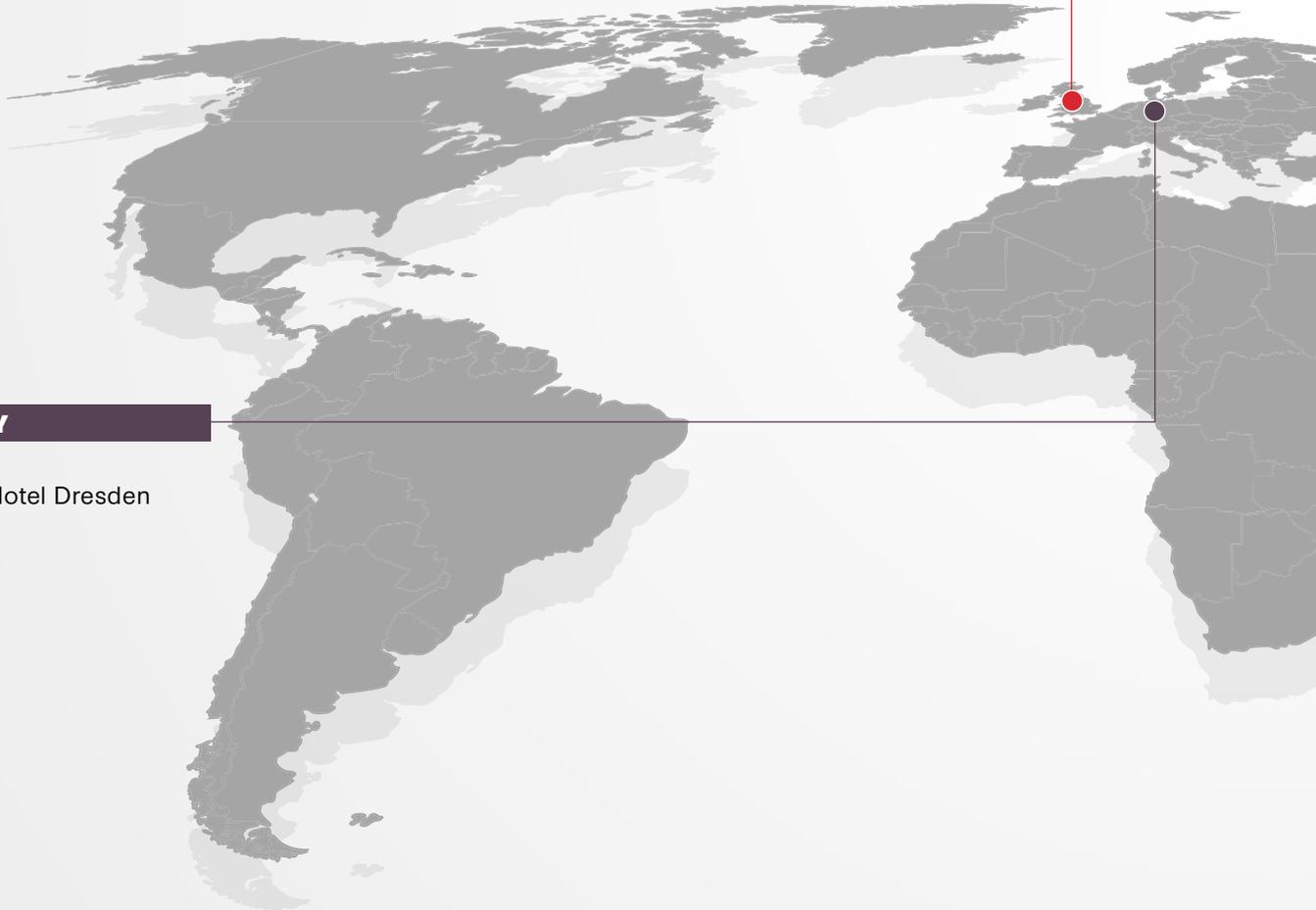
### London

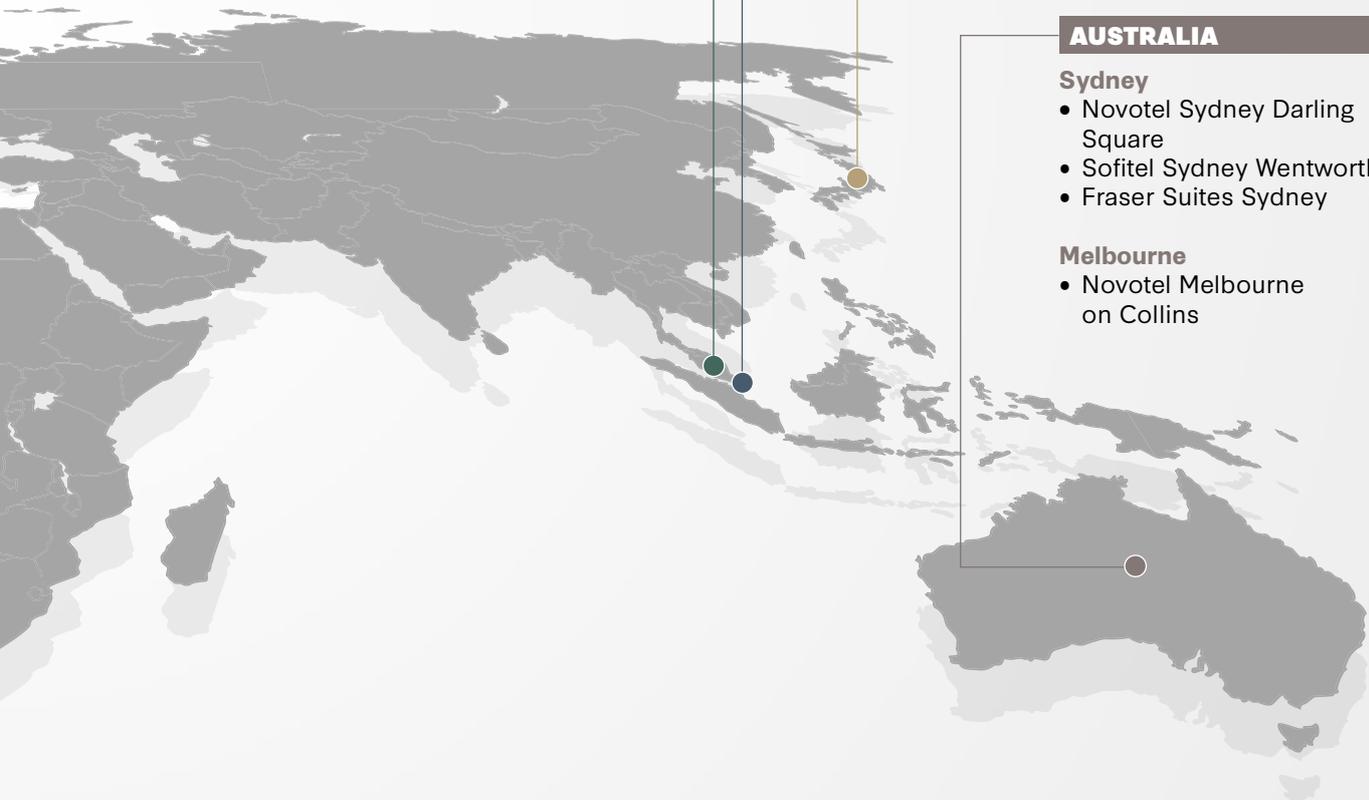
- ibis Styles London Gloucester Road
- Park International London
- Fraser Place Canary Wharf London
- Fraser Suites Queens Gate London

## GERMANY

### Dresden

- Maritim Hotel Dresden





**JAPAN**

**Kobe**

- ANA Crowne Plaza Kobe

**MALAYSIA**

**Kuala Lumpur**

- The Westin Kuala Lumpur

**SINGAPORE**

**Singapore**

- InterContinental Singapore
- Fraser Suites Singapore

**AUSTRALIA**

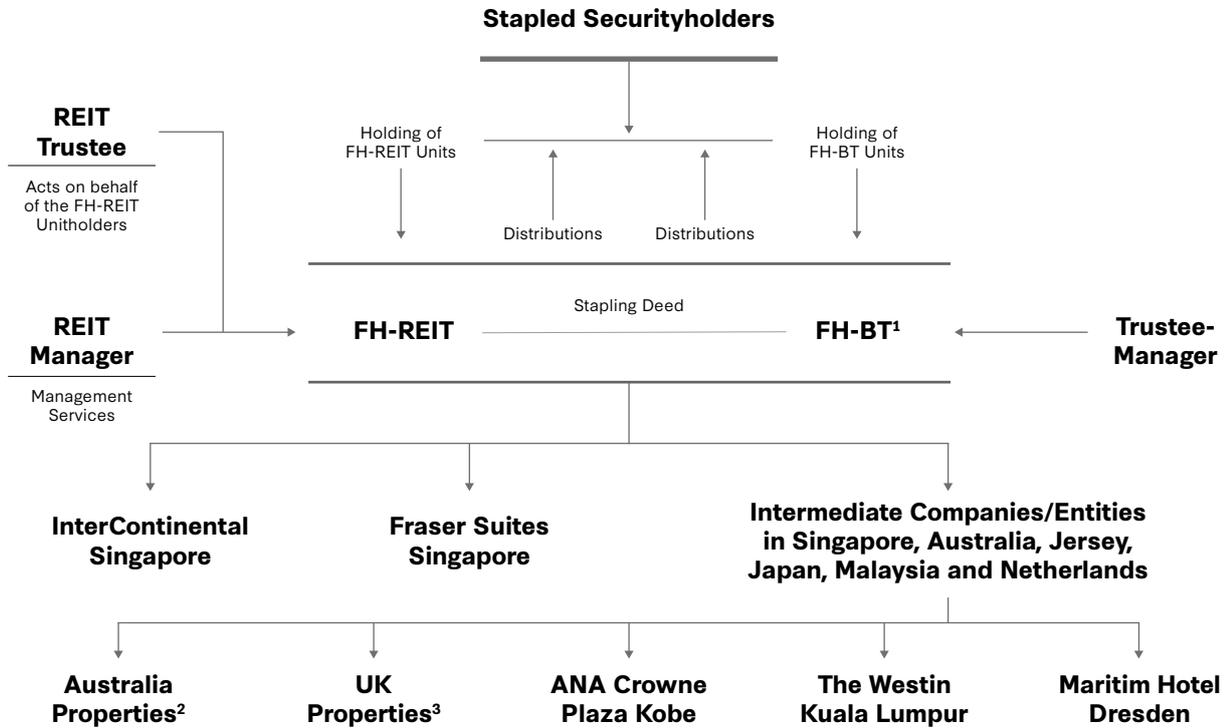
**Sydney**

- Novotel Sydney Darling Square
- Sofitel Sydney Wentworth
- Fraser Suites Sydney

**Melbourne**

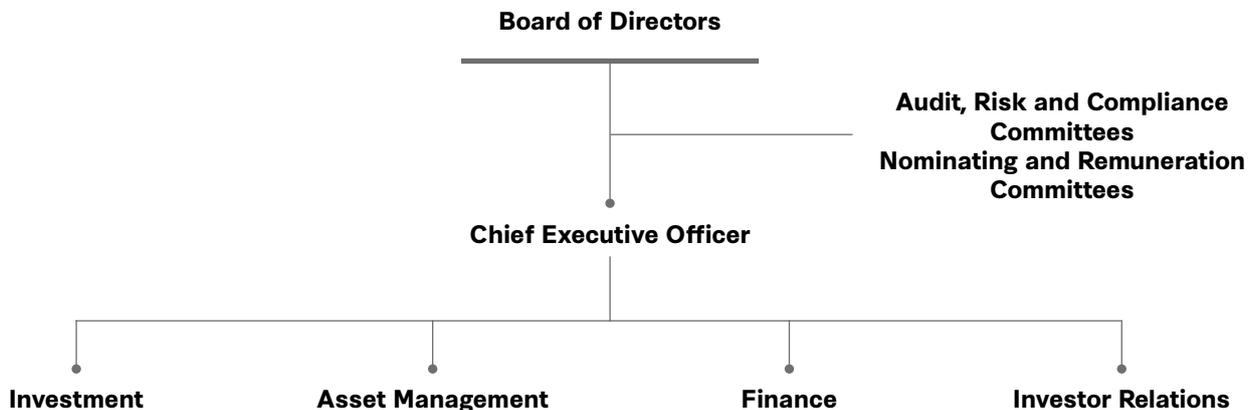
- Novotel Melbourne on Collins

# Trust Structure



1. FH-BT is the master lessee of "Novotel Melbourne on Collins" under the Master Lease Agreement.
2. Australia Properties refer to Novotel Melbourne on Collins, Novotel Sydney Darling Square, Sofitel Sydney Wentworth and Fraser Suites Sydney.
3. UK Properties refer to ibis Styles London Gloucester Road, Park International London, Fraser Place Canary Wharf London, Fraser Suites Queens Gate London, Fraser Suites Edinburgh and Fraser Suites Glasgow.

# Organisation Structure



# Corporate Information

**REIT 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](http://www.frasershospitalitytrust.com)

**DIRECTORS OF THE REIT MANAGER AND TRUSTEE-MANAGER****Law Song Keng**

Chairman, Non-Executive and Independent Director

**Chua Phuay Hee**

Non-Executive and Independent Director

**Liew Choon Wei**

Non-Executive and Independent Director

**David Wong See Hong**

Non-Executive and Independent Director

**Panote Sirivadhanabhakdi**

Non-Executive and Non-Independent Director

**AUDIT, RISK AND COMPLIANCE COMMITTEE OF THE REIT MANAGER****AUDIT, RISK AND COMPLIANCE COMMITTEE OF THE TRUSTEE-MANAGER**

David Wong See Hong, Chairman  
Law Song Keng  
Liew Choon Wei

**NOMINATING AND REMUNERATION COMMITTEE OF THE REIT MANAGER****NOMINATING AND REMUNERATION COMMITTEE OF THE TRUSTEE-MANAGER**

Law Song Keng, Chairman  
Liew Choon Wei  
David Wong See Hong  
Panote Sirivadhanabhakdi

**COMPANY SECRETARY**

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**

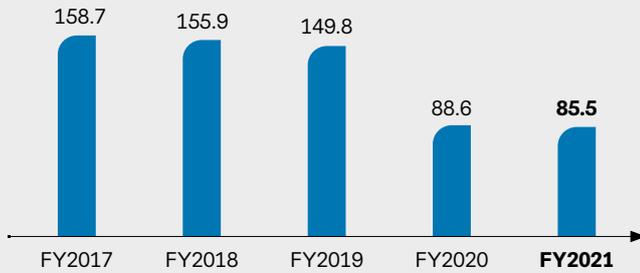
KPMG LLP  
16 Raffles Quay #22-00 Hong Leong Building  
Singapore 048581  
Tel: (65) 6213 3388  
Fax: (65) 6225 0984  
Partner-in-charge: Leong Kok Keong  
Appointed since financial year ended  
30 September 2021

**PRINCIPAL BANKERS**

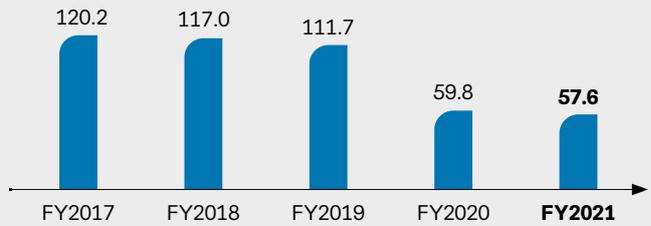
Bank of China Limited, Singapore Branch  
DBS Bank Ltd  
Malayan Banking Berhad, Singapore Branch  
Oversea-Chinese Banking Corporation Limited  
United Overseas Bank Limited  
United Overseas Bank Limited, Tokyo Branch  
Maybank Investment Bank Berhad  
Australia and New Zealand Banking Group Limited,  
Sydney Branch

# Financial Highlights

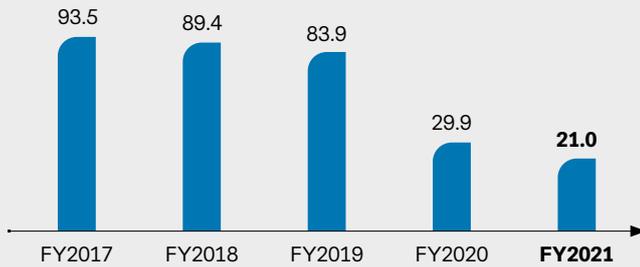
**Gross Revenue**  
(S\$ million)



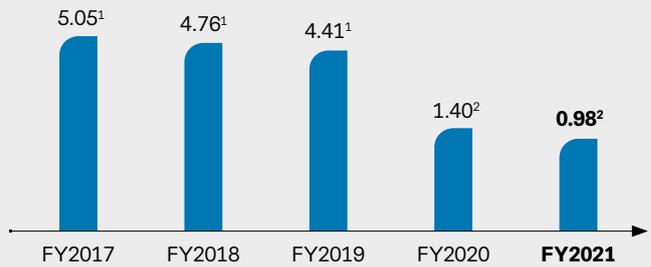
**Net Property Income**  
(S\$ million)



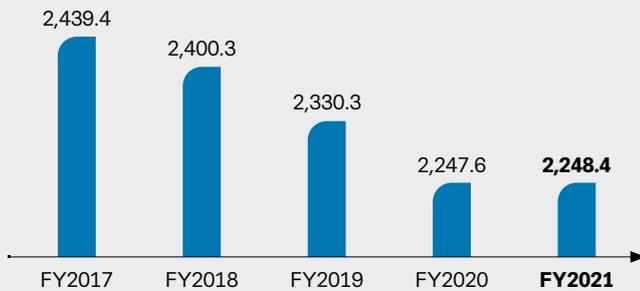
**Distributable Income Attributable to Stapled Securityholders**  
(S\$ million)



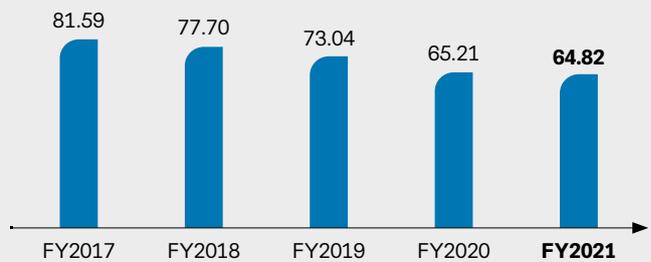
**Distribution per Stapled Security**  
(S cents)



**Total Portfolio Valuation**  
(S\$ million)



**Net Asset Value per Stapled Security**  
(S cents)



1 Based on 100.0% payment of Distributable Income.

2 Based on 90.0% payment of Distributable Income.

	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Statement of Total Return (\$ million)</b>					
Gross Revenue	158.7	155.9	149.8	88.6	<b>85.5</b>
Net Property Income	120.2	117.0	111.7	59.8	<b>57.6</b>
Distributable Income Attributable to Stapled Securityholders	93.5	89.4	83.9	29.9	<b>21.0</b>
<b>Balance Sheet Highlights (as at 30 September) (\$ million)</b>					
Total Assets	2,533.9	2,494.7	2,446.5	2,361.3	<b>2,349.2</b>
Total Portfolio Valuation	2,439.4	2,400.3	2,330.3	2,247.6 <sup>1</sup>	<b>2,248.4<sup>1</sup></b>
Total Liabilities	927.7	942.2	962.7	1,008.2	<b>1,100.7</b>
Total Borrowings (gross)	813.7	837.3	858.0	889.4	<b>991.2</b>
Net Assets	1,606.2	1,552.5	1,483.7	1,353.2	<b>1,248.5</b>
<b>Key Financial Indicators</b>					
Distribution per Stapled Security (S cents)	5.05 <sup>2</sup>	4.76 <sup>2</sup>	4.41 <sup>2</sup>	1.40 <sup>3</sup>	<b>0.98<sup>3</sup></b>
Net Asset Value per Stapled Security (S cents)	81.59	77.70	73.04	65.21	<b>64.82</b>
Gearing	32.1%	33.6%	35.1%	37.7%	<b>42.2%</b>
Interest Cover (times)	5.1	5.0	4.7	2.3	<b>2.2</b>
Effective Cost of Borrowing	2.6%	2.6%	2.5%	2.3%	<b>2.0%</b>
Borrowings on Fixed Rates	74.7%	73.3%	68.9%	74.9%	<b>77.2%</b>
Unsecured Debt	96.2%	96.1%	96.2%	96.3%	<b>96.7%</b>
Unencumbered Assets as a % of Property Portfolio	94.3%	94.2%	94.1%	94.3%	<b>94.7%</b>
<p>1 Excludes right-of-use (ROU) assets recognised under FRS116 (adopted from 1 October 2019). Including ROU assets, the total portfolio valuations as at 30 September 2020 and 30 September 2021 are S\$2,250.6 million and S\$2,251.5 million respectively.</p> <p>2 Based on 100.0% payment of Distributable Income.</p> <p>3 Based on 90.0% payment of Distributable Income.</p>					

# Letter to Stapled Securityholders



**Eu Chin Fen**  
Chief Executive Officer

**Law Song Keng**  
Chairman

## Dear Stapled Securityholders,

The impact from the ongoing COVID-19 pandemic continued to reverberate through the global hospitality industry in 2021, presenting lodging operators with unprecedented challenges. The emergence and quick spread of the highly contagious Delta variant of COVID-19 during the year further weighed on the industry, as new lockdowns and travel restrictions around the world were re-imposed.

Nonetheless, there are encouraging signs of gradual recovery for global travel in recent months, compared to a year ago when the initial impact of the pandemic had caused huge disruptions to global travel. We are seeing rising vaccination rates and progressive easing of border restrictions in the countries where we are operating. With the

improvements in the operating environment during the second half of the financial year ended 30 September 2021 (**FY2021**), the gross operating revenue of all FHT's country portfolios saw better year-on-year (**YoY**) performance.

At the same time, we continued with our rigorous measures to proactively contain costs and conserve cash flow in collaboration with our hotel and serviced residence operators. We also persisted in pursuing alternative sources of stable revenue for the portfolio, such as tapping on opportunities to support some local government agencies by providing hotel accommodation for returning residents serving their quarantine orders or stay-home notices.



## FHT's portfolio of quality assets are well located in key cities of Singapore, Australia, the UK, Japan, Malaysia and Germany. We continue to prepare for the eventual recovery of international tourism and remain confident in the long-term fundamentals of the markets where FHT has a presence in.

Notwithstanding the difficult climate, we are pleased that subsequent to FY2021, in October 2021, FHT has entered into definitive agreements to divest its Australian property, Sofitel Sydney Wentworth – its first divestment since listing. The sale price represents a 34.3% premium over FHT's total combined purchase price of A\$234.55 million (approximately S\$230.2 million), which comprises the purchase consideration of A\$224.0 million for its 75-year leasehold interest in the property and the purchase price of A\$10.55 million for the freehold reversionary interest. The sale price is also 12.1% above the independent valuation of A\$281.0 million (approximately S\$275.8 million) as at 30 September 2021 on a freehold basis. The divestment is in line with our active portfolio management strategy and through the deal, we have unlocked the underlying value of the hotel at an optimal stage of its life cycle and enhanced returns for our Stapled Securityholders. The transaction will also enhance FHT's financial flexibility – after the net divestment proceeds are used to repay outstanding loans. The enhanced debt headroom could help fund future acquisitions when the opportunity arises.

### FINANCIAL PERFORMANCE

For FY2021, FHT reported YoY declines of 3.4% and 3.7% in gross revenue (**GR**) and net property income (**NPI**) respectively. The declines were due to better performance in the first five months of FY2020 which partially mitigated the adverse impact of the COVID-19 outbreak, whilst the performance for the entire period of FY2021 was impacted by the COVID-19 pandemic.

With lower NPI and payment of management fees in cash, instead of by way of issuance of stapled securities since the fourth quarter of the financial year ended 30 September 2020 (**FY2020**), our distributable income attributable to Stapled Securityholders (**DI**) for FY2021 decreased by 29.7% YoY to S\$21.0 million. Given the uncertainties arising from the ongoing COVID-19 pandemic, S\$2.1 million or approximately 10% of DI has been retained to conserve cash for working capital purposes. This is in line with FH-REIT's policy of paying at least 90% of its DI as distribution. This led to a distribution per Stapled Security (**DPS**) of 0.9831 cents for FY2021, down 29.7% YoY. Based on our closing unit price of S\$0.455 as at 30 September 2021, this would translate to a distribution yield of 2.2%.

Our distributions are paid on a semi-annual basis. We had distributed 0.1790 cents as interim DPS on 29 June 2021 and the final DPS of 0.8041 cents will be paid on 29 December 2021.

### PORTFOLIO PERFORMANCE

FHT's global portfolio of 15 quality assets are mostly located in prime locations within key gateway cities in Asia, Australia, UK and Europe. The ongoing COVID-19 pandemic continued to adversely affect all the country portfolios in FY2021. However, operating metrics are showing signs of improvement, with the country portfolios recording YoY improvements for gross operating revenue (**GOR**) in the second half of FY2021.

In Singapore, the portfolio saw declines of 22.1% and 29.4% in GOR and gross operating profit (**GOP**) for FY2021 compared to the year before. The country, being a global city reliant on international travellers, has been severely impacted by COVID-19. However, Fraser Suites Singapore, being a serviced apartment, has shown greater resilience with a decline of 13.2% YoY in revenue per available room (**RevPAR**) compared to 29.5% YoY decline in RevPAR for InterContinental Singapore for FY2021. The hotel, on the other hand, benefitted from the isolation business which it had re-secured from June 2021 to early December 2021. The Singapore government has extended its local job support scheme by six months to March 2022, which has continued to help both Fraser Suites Singapore and InterContinental Singapore to preserve jobs and conserve cash flow.

FHT's Australia portfolio registered YoY declines of 23.9% and 6.2% in GOR and GOP for FY2021. During the financial year, Sofitel Sydney Wentworth and Novotel Melbourne on Collins continued to retain the government's isolation businesses which helped to boost GOR for both hotels. However, due to a resurgence of COVID-19 cases, New South Wales went into a lockdown in June 2021, which depressed the FY2021 revenues for Novotel Sydney Darling Square and Fraser Suites Sydney in the last quarter of FY2021.

FHT's UK properties recorded YoY declines of 44.5% and 59.5% in GOR and GOP respectively. Since the start of FY2021, the properties were impacted by various mandatory lockdown measures implemented

## Letter to Stapled Securityholders

by the government. Following the easing of lockdown measures after a successful nationwide vaccination rollout, all FHT properties in UK were permitted to resume operations on 17 May 2021. As a result, the UK portfolio's RevPAR more than doubled in the fourth quarter of FY2021 compared to the same period in FY2020. All the UK properties continued to benefit from the UK government's furlough scheme in FY2021.

Crowne Plaza Kobe registered YoY declines of 34.2% and 36.7% for GOR and GOP respectively. Japan had entered into a state of emergency three times within the first nine months of 2021, with the latest state of emergency lifted on 30 September 2021. This impacted inter-prefecture travel within the country, resulting in significant declines in the hotel's room and food & beverage revenues. Its RevPAR declined 33.1% in FY2021, compared to FY2020.

In Malaysia, the repeated lockdowns implemented by the government affected The Westin Kuala Lumpur's GOR which saw a YoY decline of 80.3% in FY2021. This led to a gross operating loss of RM12.8 million in FY2021, compared to gross operating profit of RM1.9 million in FY2020. The Westin KL had suspended operations from 1 May 2020 to 18 December 2020 in order to conserve cashflow. Despite the resumption of the hotel's operations, continued restrictions of inter-state travels impacted the hotel's revenue during the year.

In Germany, the GOR and GOP of Maritim Hotel Dresden fell by 42.0% and 50.0% YoY respectively. It has relied mainly on the conference business to drive revenue. In the fourth quarter of FY2021, after more than a year of temporary closure, the hotel's adjoining International Congress Centre has re-opened and started holding local conferences, helping to boost revenue. However, the absence of international conferences in FY2021 had impacted the hotel's operating performance significantly.

As at 30 September 2021, FHT's investment portfolio was valued at S\$2.25 billion by independent valuers, similar to the valuation for the portfolio a year ago. While the cap rates and discount rates were either unchanged or largely similar to those of last year, the biggest decline of 4.4% came from the valuation of The Westin Kuala Lumpur due to weaker performance on the back of challenging market conditions. On the other hand, the valuations of the Australian portfolio and ANA Crowne Plaza Kobe saw increases of 1.6% and 1.9% YoY respectively.

Compared to last year, the Australian dollar and UK pound sterling have appreciated against the Singapore dollar in FY2021, whilst the Malaysian ringgit, Japanese yen and Euro currencies have weakened against the Singapore dollar. As a result, there was minimal change in the portfolio's total valuation in terms of the Singapore dollar.

## PRUDENT RISK AND CAPITAL MANAGEMENT

Amidst the economic uncertainties brought about by the pandemic, our disciplined risk management and forward-looking approach to capital management have stood us well during these challenging times.

In May 2021, we redeemed FHT's S\$100.0 million subordinated perpetual securities, being the first call date of the perpetual securities. The redeemed perpetual securities were subsequently cancelled and delisted from the Singapore Exchange Securities Trading Limited. With this redemption, we have secured a lower cost of debt and interest savings. FHT's gearing has subsequently increased to 42.1% from 37.7%, as the redemption was funded by debt.

As at 30 September 2021, our gross borrowings totalled S\$991.2 million while our gearing stood at 42.2%, within the 50% limit set by the Monetary Authority of Singapore. Our weighted average debt to maturity was 2.56 years, with loan maturities well spread out from 2022 to 2026. We have also achieved a lower effective cost of borrowing at 2.0%, down from 2.3% as at 30 September 2020.

To manage FHT's foreign currency risks associated with the capital values of its overseas assets, we continue to adopt natural hedges by borrowing in the same currency as the underlying asset. We do so, by either borrowing directly in the foreign currency, or through cross currency swaps.

As at 30 September 2021, approximately 77.2% of our borrowings was on fixed interest rates while 96.7% of our borrowings was unsecured debt, providing us with greater flexibility for future financing.

## SUSTAINABILITY REPORTING

In FY2021, we continued to make progress on the sustainability front, by working closely with our hotel and serviced residence operators, business partners, employees and other key stakeholders. Together, we rolled out new initiatives to reduce negative environmental impact on our operations as well as to enhance our guests' experience and well-being.

Our sustainability strategy is closely aligned with that of our Sponsor, Frasers Property. As such, we continue to be guided by Frasers Property's sustainability framework and our common goals, which include the implementation of climate adaptation and mitigation plans by 2024 and achieving net zero carbon emissions across our value chain by 2050.

We have further elaborated on FHT's sustainability focus and efforts in our 7<sup>th</sup> Sustainability Report, enclosed within this Annual Report.

## AWARDS AND RECOGNITION

We are also pleased that the efforts put in by our management, our staff and our business partners have been recognized by our customers and industry authorities. A number of FHT's properties continued to be recognised as the preferred accommodation for business and leisure travellers across the globe in the past year.

Fraser Suites Edinburgh won the title of Scotland's Leading Serviced Apartments award for the fifth consecutive year. Three of FHT's properties in UK, Fraser Suites Glasgow, Fraser Suites Queens Gate London and Fraser Suites Edinburgh, were also proud recipients of the TripAdvisor Traveller's Choice Awards 2021.

In the area of sustainable tourism, we also see long-term growth opportunities, as more tourists become more conscious about protecting the environment and seek more sustainable options. In the UK, five of our properties continue to be covered under the Green Tourism Awards Certification Programme, which acknowledges the commitment of businesses in caring for local communities, promoting a sense of place, conserving local areas, and adopting environmentally friendly practices. Fraser Suites Edinburgh received the Green Tourism Business Certification Silver Award while the remaining four properties received the Bronze Award.

## OUTLOOK FOR FY2022

In September 2021, the World Tourism Organization (**UNWTO**) noted increasing traveller confidence, underpinned by the relaxation of travel restrictions for vaccinated travellers and progress made in the rollout of COVID-19 vaccines around the world.

According to UNWTO's latest Panel of Experts survey reported on 4 October 2021, most tourism professionals continue to expect a rebound driven by unleashed pent-up demand for international travel in 2022, mostly during the second and third quarters. By region, the largest share of the experts in the survey expects Asia Pacific's tourism to return to 2019 levels in 2024 or later. For Europe, half of the survey's respondents indicated this could happen in 2023.

The International Air Transport Association also expects gradual recovery trends for air travel to continue in 2022. The pace of vaccine rollout and government policies will determine the course of international traffic while domestic travel will remain strong.

Despite recent signs of a nascent recovery in international travel, the recovery trajectory is still uneven, as border restrictions remain in many countries. Together with the operators and master lessees, FHT continues to operate in a challenging trading environment.

However, the gradual lifting of domestic travel restrictions is likely to help FHT's properties in Australia, Japan and the UK recover sooner than the rest of its portfolio, given the sizeable domestic tourism markets in these countries.

FHT's portfolio of quality assets are well located in key cities of Singapore, Australia, the UK, Japan, Malaysia and Germany. We continue to prepare for the eventual recovery of international tourism and remain confident in the long-term fundamentals of the markets where FHT has a presence in.

On the capital management front, FHT continues to have sufficient liquidity to ride through these pandemic times. Upon completion of the divestment of Sofitel Sydney Wentworth, FHT's financial strength would be further enhanced with lower leverage ratio and higher debt headroom for potential acquisitions in the future. The master lease structure for FHT's properties also helps to mitigate the adverse impact of the pandemic.

## BOARD ACKNOWLEDGEMENTS

On 1 July 2021, Mr Koh Teck Chuan retired as a Non-Executive and Non-Independent Director of the Managers. He had been on the Board since May 2019. On behalf of the Board and Management, we would like to express our deep gratitude to Mr Koh for his invaluable contributions to FHT over the past two years.

Mr Colin Low also stepped down as Chief Executive Officer of the Managers on 9 April 2021. We would like to record our appreciation to Mr Low who has guided FHT since July 2019.

We are grateful to our Stipled Securityholders, hotel and serviced residence guests, business partners, advisers, bankers and the Trustee for their continued support.

To the FHT Board of Directors and the Management team, we thank you for your dedication and contributions, as well as for displaying fortitude in the face of adversity.

We wish everyone good health.



**Law Song Keng**  
Chairman



**Eu Chin Fen**  
Chief Executive Officer

# Financial Review

S\$ million unless otherwise indicated	FY 2021	FY 2020	Change %
Gross Revenue ( <b>GR</b> )	85.5	88.6	(3.4)
Net Property Income ( <b>NPI</b> )	57.6	59.8	(3.7)
Distributable Income Attributable to Stapled Securityholders ( <b>DI</b> )	21.0	29.9	(29.7)
Distribution per Stapled Security ( <b>DPS</b> ) (S cents)	0.9831	1.3982	(29.7)

## GR AND NPI

World Health Organisation declared COVID-19 as a pandemic in March 2020, and the hospitality industry was one of the sectors most adversely impacted by the pandemic with international and domestic border closures, lockdowns, movement restrictions and social distancing measures implemented to curtail the spread of the virus.

As the pandemic raged on in FY2021, it continued to impact FHT's financial results. Both FY2021 and FY2020 operational performances were adversely affected by the pandemic, but to varying degrees of magnitude, in part due to different government measures imposed to manage the pandemic.

In FY2021, the pandemic weighed on operational performance for full 12 months (October 2020 to September 2021) as compared to seven months (March 2020 to September 2020) in FY2020. As such, it was generally a more challenging operating environment in FY2021 with a longer period being affected by the pandemic. Notwithstanding, FHT's GR and NPI recorded a marginal decline of S\$3.1 million (-3.4% YoY) and S\$2.2 million (-3.7% YoY) respectively, amidst the backdrop.

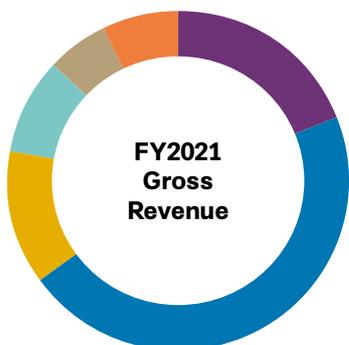
FHT's GR comprises master lease income and gross operating revenue (**GOR**) of Novotel Melbourne on Collin (**NMOC**). In FY2021, FHT recorded master lease income of S\$64.6 million, a marginal decline of S\$2.4 million YoY, as FHT had received lower master

lease variable rental income that was pegged to the underlying performance of properties that operated under full 12 months of pandemic. In addition to the master lease variable rental income, FHT continued to receive the contractual minimum master lease fixed rental income that provided downside protection regardless of the underlying performance of the properties during the pandemic. NMOC's GOR, which comprises primarily rooms revenue and food & beverage revenue, saw a marginal decline of S\$0.4 million YoY, mainly due to the challenging operating environment during the pandemic.

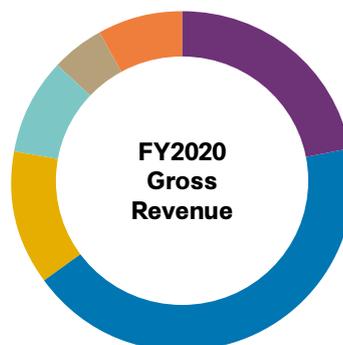
FHT's NPI recorded a marginal decline of S\$2.2 million (-3.7% YoY) primarily attributable to lower GR of S\$3.1 million, partially mitigated by lower operating expenses by S\$0.9 million. Our asset management team worked closely with the hotel and serviced residence operators to optimise operating performance through numerous cost rationalisation initiatives and secured alternative revenue streams which include stay-home notice and isolation businesses to replace both transient and corporate business that had dissipated due to international and domestic border closures.

In FY2021, foreign exchange movements had a favourable net impact of 3.6% and 2.9% on GR and NPI respectively. The Australian dollar, British pound and Euro have strengthened in the range of 3.0% to 6.8% against the Singapore dollar, while the Japanese yen and Malaysian ringgit have depreciated in the range of 0.9% to 3.4% against the Singapore dollar.

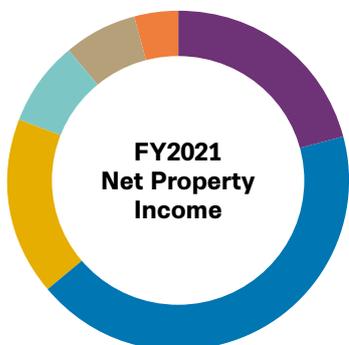
The breakdown of GR and NPI by countries are as follows:



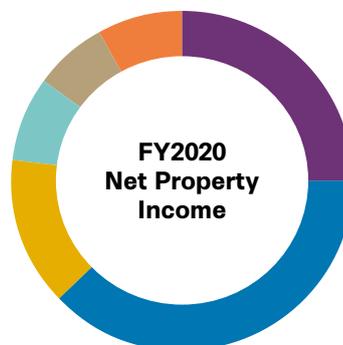
<b>Singapore</b>	<b>19%</b>
<b>Australia</b>	<b>46%</b>
<b>UK</b>	<b>13%</b>
<b>Japan</b>	<b>9%</b>
<b>Malaysia</b>	<b>6%</b>
<b>Germany</b>	<b>7%</b>



<b>Singapore</b>	<b>22%</b>
<b>Australia</b>	<b>43%</b>
<b>UK</b>	<b>13%</b>
<b>Japan</b>	<b>9%</b>
<b>Malaysia</b>	<b>5%</b>
<b>Germany</b>	<b>8%</b>



<b>Singapore</b>	<b>21%</b>
<b>Australia</b>	<b>43%</b>
<b>UK</b>	<b>17%</b>
<b>Japan</b>	<b>8%</b>
<b>Malaysia</b>	<b>7%</b>
<b>Germany</b>	<b>4%</b>



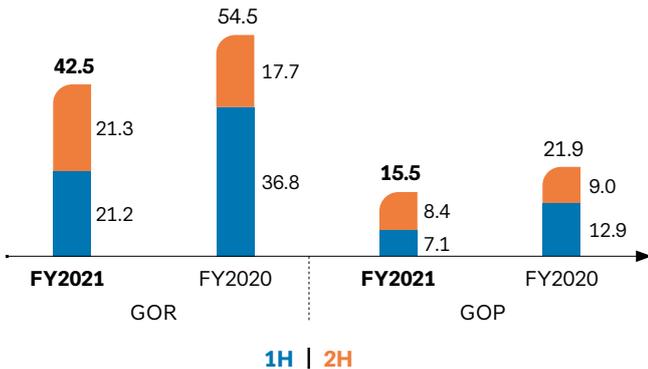
<b>Singapore</b>	<b>25%</b>
<b>Australia</b>	<b>38%</b>
<b>UK</b>	<b>14%</b>
<b>Japan</b>	<b>8%</b>
<b>Malaysia</b>	<b>7%</b>
<b>Germany</b>	<b>8%</b>

There has been a shift in our GR and NPI contributions by countries from FY2020 to FY2021, albeit both years were impacted by the pandemic, as the governments in each jurisdiction imposed different measures to varying degrees to control the spread of the virus, and these measures have direct impact on the operating environment in their respective jurisdictions.

## Financial Review

The operating performance by country portfolio (in local currencies) is as follows:

### Singapore Portfolio (S\$ million)



Singapore, being a global city reliant on international travellers, has been adversely impacted by the pandemic, given the weak market during the pandemic when international inbound travellers slowed to a trickle.

FY2021 operated under the pandemic environment for full 12 months, whereas FY2020 saw five months of pre-pandemic and seven months of pandemic environment. Consequently, with a longer exposed period of pandemic environment in FY2021, the portfolio GOR and gross operating profit (GOP) declined by 22.1% YoY and 29.4% YoY respectively. The GOR decline was however partially mitigated by the improved YoY performance in the second half of FY2021 (2H FY2021), as the portfolio GOR improved by 20.1%. However, the GOP remained depressed in 2H FY2021 with lower government wage support.

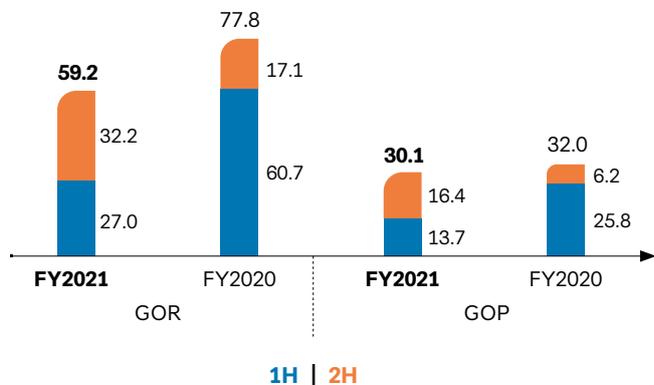
InterContinental Singapore (ICSG) managed to re-secure the Singapore government's isolation business from June 2021 to early December 2021. This has helped to provide stable revenue for four months (June 2021 to September 2021) that contributed to the improved GOR in 2H FY2021. In FY2020, besides having five months of pre-pandemic GOR, ICSG had secured seven months of Government's isolation business from March 2020 to September 2020, hence, the higher GOR compared to FY2021. Consequently, ICSG's RevPAR declined 29.5% YoY.

Fraser Suites Singapore, being a serviced apartment that relied on the long-stay segment business, had shown greater resilience with a decline of 13.2% YoY in RevPAR.

The overall decline in GOP was due to lower government wage support in FY2021. The properties continued to work on cost rationalization measures to manage overall costs amidst these challenging times.

On the whole, our Singapore portfolio recorded occupancy of 67.6% (FY2020: 76.3%), average daily rate (ADR) of S\$183.5 (FY2020: S\$208.6) and RevPAR of S\$124.0 (FY2020: S\$159.1).

### Australia Portfolio (A\$ million)



FHT's Australia portfolio's GOR and GOP declined 23.9% YoY and 6.2% YoY respectively. The declines were mainly due to first half FY2021 (1H FY2021) performance when GOR and GOP declined 55.5% YoY and 46.8% YoY respectively, as the first half FY2020 (1H FY2020) performance was largely pre-pandemic. Although the portfolio achieved YoY improvements in GOR and GOP by 88.2% and more than 100% in 2H FY2021, the performance was still insufficient to mitigate the decline in 1H FY2021. Nonetheless, the portfolio's 2H FY2021 performance signals a gradual recovery albeit still a significant gap from pre-pandemic operating performance.

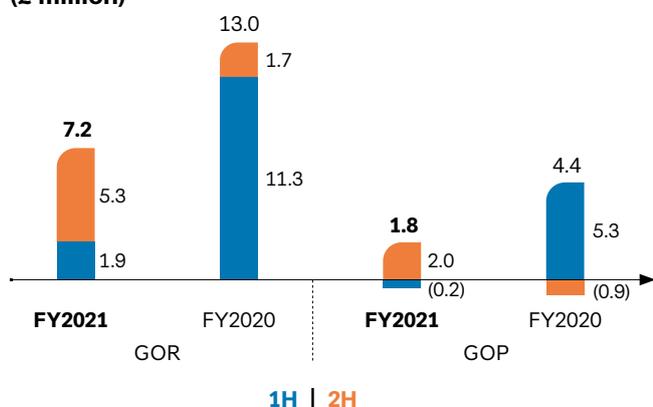
Both Sofitel Sydney Wentworth and NMOC continued to secure the local government's quarantine business contracts for the entire period of FY2021, which helped to support the GOR and GOP for both hotels. These contracts are for full room inventory but at a lower ADR.

On the contrary, the YoY operating performance of Novotel Sydney Darling Square declined on the back of a challenging market, as it was susceptible to the uncertainties arising from the pandemic. Over at Frasers Suites Sydney, it had also suffered YoY decline in operating performance in the absence of a strong market for long-stay business in a prolonged pandemic. Both properties have relentlessly undertaken efforts to source for alternative businesses amidst the weak market.

We continued to work with our hotel and serviced residence operators on cost containment measures, and also claimed government grants and reliefs to help defray expenses and conserve cashflows.

On the whole, our Australia portfolio recorded occupancy of 40.9% (FY2020: 57.7%), ADR of A\$153.4 (FY2020: A\$204.4) and RevPAR of A\$62.7 (FY2020: A\$117.9).

**UK Portfolio**  
(£ million)



The UK portfolio suffered a significant YoY decline of 44.5% in GOR and 59.5% in GOP as the country saw numerous lockdowns in FY2021, which significantly affected the operations of the properties. Moreover, FY2020 operating performance had benefitted from strong first five months of operations prior to the onslaught of the COVID-19 outbreak.

As a result of the numerous lockdowns imposed by the Government, some of our UK properties had to scale down operations or temporarily suspend operations in order to minimise cash burn. We also sought to consolidate and re-channel all businesses which are located in close proximity (Fraser Suites Queens Gate London, Park International London and Ibis Styles London Gloucester Road) into Fraser Suites Queens Gate London.

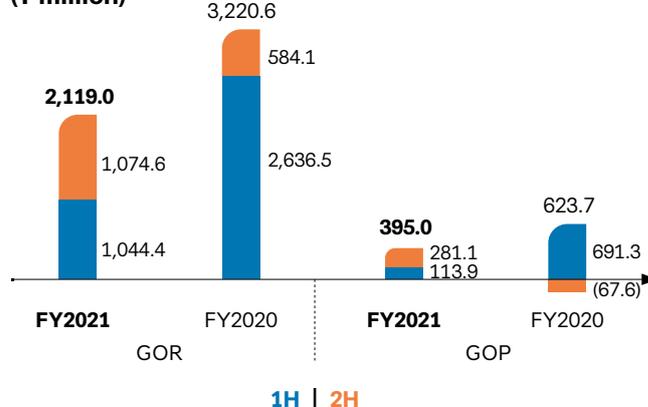
Apart from the uncertainties arising from the pandemic, the UK portfolio was also subject to inflationary cost pressures from shortage of labour due to stricter immigration policies imposed, following Brexit. As part of cost management, FHT’s UK properties continued to improve on their manpower planning and also made claims under the UK Government’s furlough scheme.

As the pandemic situation improved and with the gradual easing of lockdown measures after a successful nationwide vaccination rollout, all our properties in UK were permitted to resume operations on 17 May 2021.

As a result, our UK portfolio’s RevPAR more than doubled in the fourth quarter of FY2021 compared to the same period in FY2020. The improved performance in fourth quarter was however insufficient to cover the shortfall in the earlier quarters of FY2021.

On the whole, our UK portfolio recorded occupancy of 28.1% (FY2020: 46.2%), ADR of £105.9 (FY2020: £112.7) and RevPAR of £29.8 (FY2020: £52.1).

**Japan Portfolio**  
(¥ million)

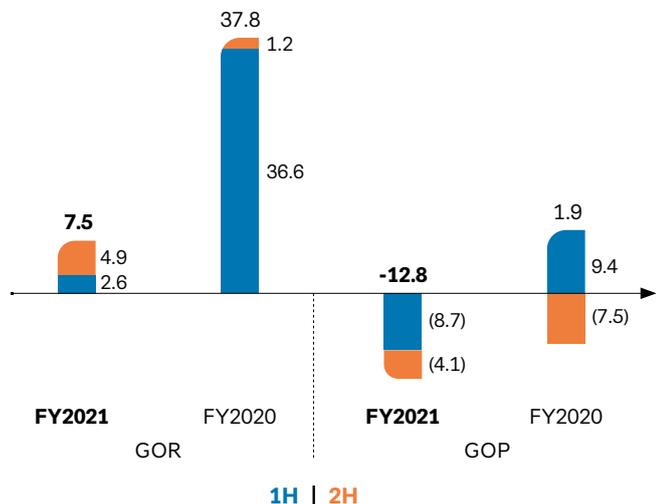


In the first nine months of 2021, Japan entered into a state of emergency three times, with the latest round of state of emergency lifted on 30 September 2021. During the state of emergency, inter-prefecture travel within the country was restricted, hence the hospitality business was significantly disrupted, resulting in significant declines in ANA Crowne Plaza Kobe’s room and food & beverage revenues. The YoY decline in GOR and GOP by 34.2% and 36.7% respectively, reflected the challenging operating environment in Kobe.

The hotel recorded occupancy of 34.3% (FY2020: 41.0%), ADR of ¥11,115.6 (FY2020: ¥13,889.6) and RevPAR of ¥3,811.9 (FY2020: ¥5,700.9).

## Financial Review

### Malaysia Portfolio (RM million)



In Malaysia, the government had imposed numerous forms of movement control orders (**MCOs**) in FY2020 and FY2021 and this impeded the operations of The Westin Kuala Lumpur.

In light of virtually non-existent hospitality business during the MCOs, the hotel had temporarily suspended the operations from 1 May 2020 to 18 December 2020 to conserve cash. The Westin Kuala Lumpur resumed its operations in December 2020 when the pandemic situation was under better control and there was more optimism in the country's economic performance. However, subsequent to the resumption of operations, there were further numerous lockdowns in 2021 due to a resurgence of the COVID-19 virus, resulting in significant disruption to the hotel's operations.

Consequently, The Westin Kuala Lumpur's GOR suffered a significant YoY decline of RM30.3 million (-80.3%) and recorded an unprecedented gross operating loss of RM12.8 million.

The Westin Kuala Lumpur recorded occupancy of 7.6% (FY2020: 34.4%), ADR of RM334.1 (FY2020: RM443.4) and RevPAR of RM25.4 (FY2020: RM152.4).

### GERMANY PORTFOLIO

In Germany, Maritim Hotel Dresden had likewise been adversely impacted by the pandemic. Its operating performance was adversely impacted by the adjoining International Congress Centre which had been temporarily closed for more than a year. In the last few months of FY2021, the operating performance of Maritim Hotel Dresden has gradually improved with the re-opening of the International Congress Centre. Overall, Maritim Hotel Dresden recorded a YoY decline in GOR and GOP of 42.0% and 50.0% respectively.

Operational statistics for the hotel are not reported due to limitations imposed by the master lease agreement.

### DISTRIBUTIONS

In FY2021, FHT recorded DI of S\$21.0 million, a decline of S\$8.9 million or 29.7% YoY. Apart from the lower NPI flowthrough by S\$2.2 million, partially mitigated by lower distribution to holders of the perpetual securities upon full redemption of the S\$100 million perpetual securities in May 2021, the payment of management fees in cash (instead of Stapled Securities) of S\$10.5 million in FY2021 resulted in lower DI available for distribution.

Consistent with FY2020 payout ratio of 90.0% and in line with FHT's distribution policy of paying at least 90.0% of DI, FHT's DI payout for FY2021 translated to 0.9831 Singapore cents (FY2020: 1.3982 Singapore cents) per Stapled Security. The remaining 10.0% DI would be retained for working capital purposes.

### 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 to actively manage FH-REIT's capital structure and loan portfolio mix, which has a direct impact on its gearing and distributions to Stapled Securityholders. When funding acquisitions, we consider the most appropriate mix of debt and equity and manage the costs of funds by ensuring that FHT has access to diversified sources of funding in both the debt and capital markets.

The policies and guidelines also ensure that we are prudent in managing the interest rate risk arising from our borrowings, and the foreign exchange risk arising mainly from foreign sourced income. By hedging both interest rate and foreign exchange risks using suitable derivative financial instruments, the income available for distribution will be less exposed to fluctuations in market interest rates and exchange rates.

We continue to tap on different sources of financing for our funding requirements.

Since March 2020, we have discontinued the engagement of Moody's Investors Service to maintain a corporate credit rating. It should be noted that Moody's may, on its own accord, continue to maintain a corporate credit rating for FHT.

As at 30 September 2021, FHT's weighted average debt maturity was 2.56 years (30 September 2020: 3.62 years). The loan maturities are widely spread out across 2022 to 2026, with no more than 30.0% of our borrowings due in any one year to mitigate concentration of refinancing risk. In addition, 94.7% (30 September 2020: 94.3%) of FHT's assets were unencumbered, thus providing for operational and financial flexibility. FHT maintained an interest cover of 2.2 times (FY2020: 2.3 times) despite the challenging operating environment.

On 12 May 2021, FHT had fully redeemed and cancelled S\$100 million 4.45% perpetual securities issued under the S\$1 billion Multicurrency Debt Issuance Programme.

As at 30 September 2021, FHT total borrowings were S\$991.2 million (30 September 2020: S\$889.4 million), with an average interest rate at 2.0% per annum for FY2021 (FY2020: 2.3% per annum). The interest expense in FY2021 was marginally higher as FHT had drawn down S\$100 million of revolving credit facilities to fully redeem the S\$100 million perpetual securities. Notwithstanding the higher total borrowings, FHT achieved a lower average interest rate as it was able to benefit from the low interest rate environment for approximately 22.8% (30 September 2020: 25.1%) of total borrowings that are on floating interest rates. Conversely, FHT has approximately 77.2% (30 September 2020: 74.9%) of total borrowings on fixed interest rates, safeguarding against interest rate volatility and providing certainty of interest expenses.

The leverage ratio of FHT as at 30 September 2021 was 42.2% (30 September 2020: 37.7%) and is within the 50% limit set by the Monetary Authority of Singapore. The higher leverage ratio arose with an increase in borrowings for the redemption of S\$100 million perpetual securities and for the financing of capital expenditure relating to asset enhancement initiatives. The increase in leverage ratio has not changed the risk profile of FHT.

Post financial year-end, in October 2021, FHT announced the divestment of Sofitel Sydney Wentworth for A\$315 million. Upon successful completion of this divestment, and assuming the net divestment proceeds are used to repay outstanding borrowings, the pro forma leverage ratio should improve to 34.3%. This would further strengthen FHT's financial position and provide greater debt headroom for future growth opportunities.

FHT has undrawn committed revolving credit facilities of S\$106 million as at 30 September 2021, and also has the ability to tap on the unutilised balance of S\$760 million from the S\$1 billion Multicurrency Debt Issuance Programme that was established in January 2016.

When managing the foreign currency risks associated with the capital values of FHT's overseas assets, we adopt a natural hedging strategy by borrowing in the same currency as the underlying asset to the extent possible. As of 30 September 2021, we achieved between 23% to 77% natural hedging for our portfolio of assets denominated in foreign currencies.

We will continue to actively manage the capital structure and the financial risks of FHT to meet our stated objectives.

# Portfolio Valuation



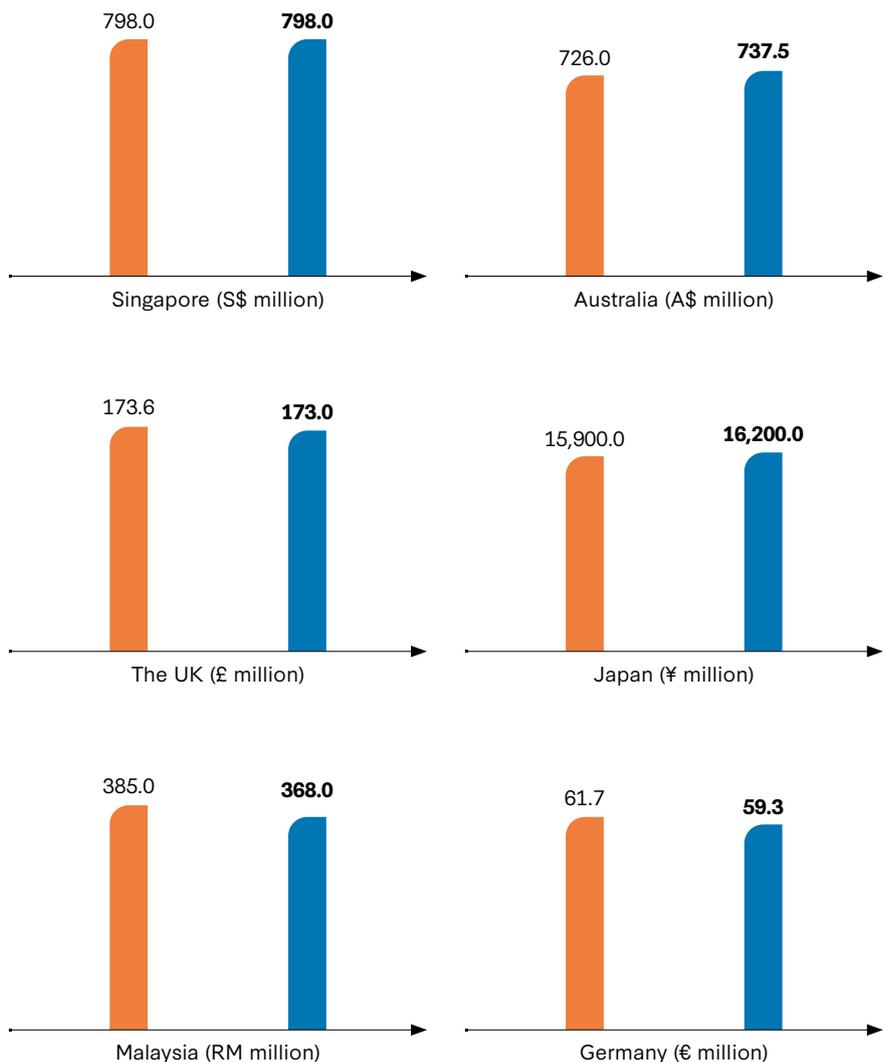
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## ASSET PORTFOLIO VALUATION

FHT has a portfolio of 9 hotels and 6 serviced residences with a total of 3,913 rooms in Singapore, Australia, the UK, Japan, Malaysia, and Germany. As at 30 September 2021, the portfolio's valuation remained flat at S\$2.25 billion compared to last year. The capitalisation rates and discount rates were either unchanged or largely similar to those of last year. However, Malaysia portfolio's valuation had the biggest decline in local currency at 4.4% due to weaker performance on the back of challenging market conditions.

In local currency terms, the total valuations for Japan and Australia increased YoY by 1.9% and 1.6% respectively; whereas for Malaysia, the UK and Germany, valuations declined YoY by 4.4%, 0.3% and 3.9% respectively. Singapore portfolio's valuation remained flat.

### Valuation in Local Currency by Geography



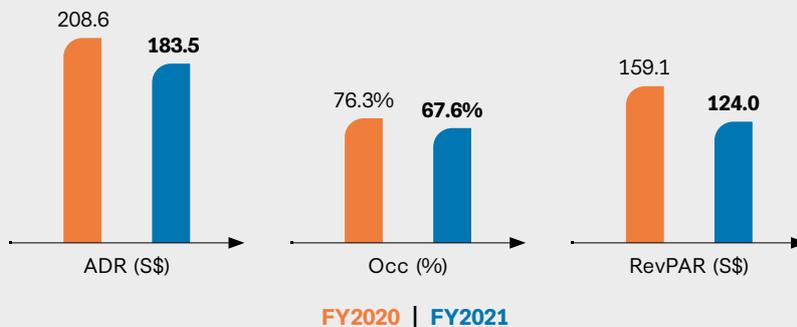
# Operations Review

## Singapore



InterContinental Singapore

### FHT Singapore Portfolio



The Singapore Tourism Board reported tourist arrivals of just 0.2 million in the first nine months of 2021, on the back of tight border restrictions. This represented a drastic decline of 93.6% compared to the same period in 2020, when 2.7 million international visitors were received.

Singapore’s market RevPAR declined 37.0% YoY for the year ended September 2021, mainly due to ADR decreasing by 35.5% to S\$120.0 while occupancy remained relatively flat YoY.

Singapore’s tourism receipts grew at a 10-year compound annual growth rate (CAGR) of circa 8.2% from S\$12.6 billion in 2009 to S\$27.7 billion in 2019. With visitor arrivals coming to a standstill, Singapore’s tourism receipts fell 82.6% YoY to S\$4.8 billion in 2020. In the first quarter of 2021, tourism receipts were recorded at S\$0.4 billion, representing a further YoY decline of 90.1% from 2020.

The hotel supply pipeline in Singapore is expected to remain muted in the near term at a CAGR

of 2.4%, as compared to 3.3% which was recorded between 2015 and 2019. Within the next four years to 2025, approximately 6,894 new hotel rooms are projected to open. Significant new hotels scheduled to open between 2021 and 2023 include the Pullman Singapore (342 rooms), Banyan Tree Mandai (338 rooms), The Edition by Marriott (190 rooms) and Club Street (390 rooms). In addition, Marina Bay Sands (MBS) and Resorts World Sentosa (RWS) are expected to add 2,100 rooms in 2025 as part of their integrated resort’s expansion plans.

FHT’s Singapore portfolio recorded a YoY decline of 22.1% in RevPAR in FY2021 to S\$124.0, with ADR dipping by 12.0% and occupancy by 8.7 percentage points against the preceding period.

At InterContinental Singapore, the hotel’s RevPAR declined 29.5% to S\$100.0, in line with the market. The hotel managed to secure the Singapore government stay-home notice business from June 2021 to early December 2021. Besides the impact from declining tourist arrivals, the hotel’s performance was further affected by the absence of major meetings, incentives, conferences and exhibitions (MICE) events, postponements in wedding banquets, as well as strict dining regulations in restaurants and bars.

Fraser Suites Singapore, on the other hand, reported a RevPAR decline of a narrower 13.2% to S\$162.6. The property’s extended-stay business model has shown much resilience during these challenging times.

FHT’s Singapore portfolio reported a GR of S\$16.3 million, down 16.3% YoY while NPI declined YoY by 18.0% to S\$12.4 million.

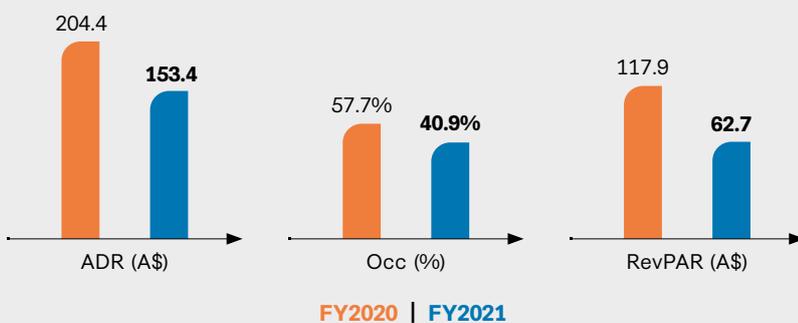
## Operations Review

### Australia



Novotel Melbourne on Collins

#### FHT Australia Portfolio



Melbourne, the capital city of Victoria, was arguably one of the most impacted accommodation markets in Australia because of the extensive COVID-19 lockdown measures.

Traditionally a world-renowned centre for sporting and cultural events, government-imposed lockdowns had limited the city's ability to host major events and negatively impacted domestic and international visitors.

Tourism Research Australia revealed a total visitor arrivals of just 16.4 million visitors in 2020, reflecting a 58.0% YoY decline.

Hotel performance in Melbourne's sub-market registered a RevPAR YoY decline of 44.1% for the year ended September 2021. This is mainly due to the occupancy decline of 34.2% and ADR decline of 14.9% to A\$146.0 over the same period.

Amidst COVID-19 lockdowns and border closures, 10 upscale hotels opened in the city within the first six months 2020. Recent openings include the Next Melbourne (255 rooms) in Little Collins Street and the Hilton Melbourne Little Queen Street (244 rooms).

Melbourne currently has the largest hotel development pipeline in Australia with 24 hotels under construction totalling over 5,444 new rooms. This represents a 14.3% increase on the current market inventory. The Ritz-Carlton Melbourne (263 rooms) is set to launch in the first quarter of 2022. Hotel projects under construction include the Shangri-La (500 rooms) and the St Regis Melbourne (168 rooms). However, given prevailing uncertain market conditions, it is likely that construction of some projects may be delayed, easing supply side concerns in the near term.

Sydney, the capital city of New South Wales (NSW) in Australia, has long held the mantle of being the country's premier tourist destination, attracting millions of international visitors on a yearly basis. However, over the course of 2020 and 2021, Sydney ranked as one of the most impacted accommodation markets in Australia, behind only Melbourne in terms of RevPAR decline.

Tourism Research Australia reported 18.8% YoY growth in total visitors to Sydney in 2019. Following the restrictions on international arrivals and interstate travel restrictions within the country during 2020, the year saw just 25.8 million visitors, reflecting a 43.0% YoY decline, driven by a 55.6% decline in domestic overnight visitations and an 81.0% fall in international visitor numbers.

As government restrictions on international arrivals remained in place to protect against further waves of COVID-19 outbreaks, the arrival statistics for Sydney Airport for year-to-date June 2021 remained significantly lower than 2019 levels, down 96.4% on international passenger arrivals and down 63.5% for domestic traffic.

Comparing with the same period last year, Sydney market's occupancy in 2021 decreased by 26.8% and ADR declined by 12.6% to A\$178.8, resulting in RevPAR declining by 36.0% to A\$69.7.

Due to the depressed trading conditions and restrictions on property construction during the pandemic, there has been minimal change to Sydney's total hotel supply of approximately 41,500 rooms during 2020 and 2021. The most recent major openings dated back to late-2019 with the Little National Hotel Sydney (230 rooms) and subsequently the Crowne Plaza Sydney Darling Harbour (152 rooms) in 2020.

In the next few years, Sydney's hotel development pipeline is set to grow by 21 hotels, adding 5,156 keys to the market. This represents a 12.4% increase in room supply within the city. In terms of supply pipeline, some notable projects include the distinctive W Sydney (593 rooms) in Darling Harbour, Citadines Walker North Sydney (252 rooms), Sydney's City Tattersall's Club Hotel (100 rooms) and the Crown Sydney Hotel Resort (350 rooms) at Barangaroo South which will be part of a mixed-use complex in Darling Harbour.

The overall situation across Australia remains fluid and dependent on the COVID-19 infection rates and the various state governments' responses. Notwithstanding these significant challenges for the sector, a plan for the reopening of the state and interstate domestic travel has been set, with the possibility of unrestricted domestic travel by end-2021.

FHT's four properties in Australia performed in line with the market in FY2021, with a portfolio YoY decline in RevPAR by 46.8% to A\$62.7. GR for the portfolio decreased 4.2% to A\$39.1 million while NPI improved by 2.1% to A\$24.5 million. Amongst them, Novotel Melbourne on Collins and Sofitel Sydney Wentworth secured isolation businesses with their respective state governments for the entire financial year 2021.

## Operations Review

### UK



Fraser Suites Glasgow

#### FHT UK Portfolio



International arrivals to the UK fell significantly in 2020 due to the impact of the COVID-19 pandemic as travel was forced to halt from early 2020. UK's Office of National Statistics reported that the number of overseas tourist visits made to the UK fell by 73.0% down to 11.1 million in 2020 from a peak of 40.9 million visitors in 2019, with a decline of 78.0% in spending to £6.2 billion. VisitBritain estimates

that the number of inbound visits in 2021 for the UK will total just 7.4 million arrivals, which would represent only 18.0% of the 2019 total of over 40 million.

London's RevPAR declined 52.7% YoY for the year preceding September 2021, as a result of ADR decreasing by 27.8% YoY to £98.2 while occupancy dropped by 34.5% YoY.

Currently, London has circa 160,000 hotel rooms, with a spate of new supply completed in 2019 and 2020 despite the market challenges brought about by the pandemic. The city has seen the opening of approximately 1,500 rooms across Greater London in a variety of sub-sectors and locations. Significant new additions to the hotel landscape include The Londoner in Leicester Square (350 rooms), Nobu Hotel London Portman Square (249 rooms) and Mondrian Shoreditch London (120 rooms).

Edinburgh, as the capital of Scotland, has evolved into a world-renowned tourist destination, driven by a mixture of the city's UNESCO World Heritage listing, the international festivals for art, performance, and comedy as well as its status as a gateway for travel to other regions of Scotland. Occupancy rate for Edinburgh in the year preceding September 2021 was reported at 38.9%, showing a 29.0% YoY decline. ADR was relatively constant as the same period last year, resulting in a YoY decline in RevPAR by 21.0% to £33.6.

The existing hotel supply in Edinburgh is approximately 17,253 rooms. Recent openings since 2019 include Yotel Edinburgh (280 rooms), Voco Edinburgh Haymarket (150 rooms) and two Moxy branded developments in Fountainbridge and next to the Airport (total 492 rooms). The significant new developments which are expected to achieve completion from now till 2024, include the W Hotel in St James Quarter (214 rooms in 2022), the Virgin Hotel in Victoria Street/Cowgate (222 rooms in 2022) and the Tribute Portfolio Hotel on Princes Street (207 rooms in 2024). It is estimated that approximately 1,639 rooms will be added to the existing hotel supply within the next three years, which equates to 9.5% of the existing total supply.

Glasgow is a key regional UK commercial centre, offering a mixture of cultural and commercial attractions and services. The city's hotel market maintained a stable occupancy rate of between 79.0% to 81.0% in the period 2014 to 2019. As a consequence of the pandemic, the occupancy rate for the Glasgow hotel market was reported at 35.6% in 2021, a 30.8% YoY decline. ADR was maintained at a similar level as the previous year, at £65.7. Consequently, RevPAR saw a YoY decline of 29.6%.

The existing hotel supply in Glasgow comprises approximately 12,054 rooms. Despite the ensuing impact of the pandemic on the construction industry, Glasgow has continued to see a steady flow of additional hotels coming online during 2020 & 2021 as previously committed projects had achieved completion. Recently completed hotels include Yotel Glasgow (257 rooms), Premier Inn Glasgow City Centre (250 rooms) and Courtyard by Marriott SSE Hydro (216 rooms). This level of ongoing supply has caused concerns over an over-supply scenario, triggering a decline in key performance indicators in a highly competitive market. It is estimated that approximately 1,864 rooms will be added to the existing hotel supply within the next three years, which equates to 15.7% of the existing total supply.

For FHT's UK portfolio, all properties were mandated to close to receive new guests during the national lockdown from 5 January 2021 to 16 May 2021. However, from 17 May 2021 onwards, after most of the lockdown restrictions had been lifted, all the properties showed significant improvements in operating performance. In the fourth quarter of FY2021, the portfolio registered a RevPAR of £63.1, which was more than double the £25.2 recorded in the fourth quarter of FY2020.

The UK portfolio's RevPAR declined 42.8% YoY to £29.8. GR for FHT's UK portfolio declined 3.6% to £6.1 million but NPI improved 13.5% to £5.3 million.

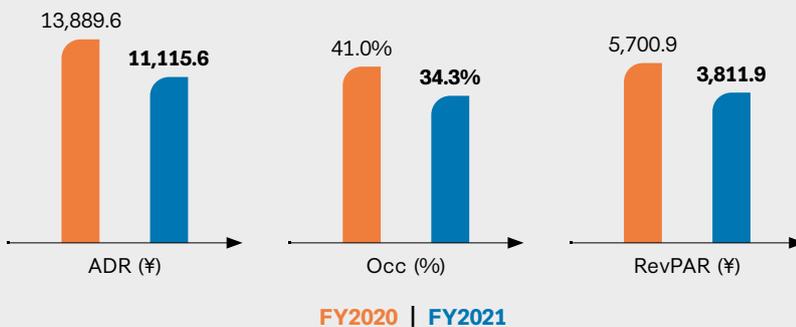
## Operations Review

### Japan



ANA Crowne Plaza Kobe

#### FHT Japan Portfolio



Over the past 18 months, Japan experienced several declarations of state of emergency, large-scale lockdowns and travel restrictions, and the one-year delay of the hosting of the Summer Olympic Games in Tokyo.

Domestic travel historically provided a strong base for the country's hotel sector. According to Japan Tourism Agency data, in 2019, domestic

travelers accounted for 81.3% of the total number of overnight stays. As for international visitors, the country received just over 87,000 visitors during the first six months of 2021, in comparison to 3.9 million arrivals for the same period in 2020. Consequently, occupancy rates in 2021 were reported to be less than half of the level generated in 2019.

Prior to the pandemic, Kobe city has consistently maintained an occupancy rate of between 75.0% to 83.0% in the period 2015 to 2019. Kobe's ADR has remained generally stable for five years leading up to 2020 at between ¥15,000 to ¥16,000 per night. However, the onset of the pandemic in early 2020 brought a swift fall in ADR in 2020 by 12.3%.

2021 has seen minimal signs of recovery for the Japanese hotel sector as the country continues to impose restrictions on mobility and international travel, such as the banning of all spectators and visitors from the Summer Olympic Games in Tokyo. Under these challenging conditions, research from STR showed that the occupancy rate in Kobe for FY2021 was reported at 40.8%, a decline of 15.2% YoY. ADR fell by 13.8% YoY, resulting in RevPAR decreasing by 26.9% YoY to ¥9,802.2.

It is estimated that there are approximately 9,400 rooms in Kobe's existing hotel supply. In terms of future supply for the Kobe hotel market, there are no significant projects being planned or under construction. As the hosting of the World Expo 2025 in Osaka draws closer, more supply in Kobe might be expected due to expectations of improved room demand in the future.

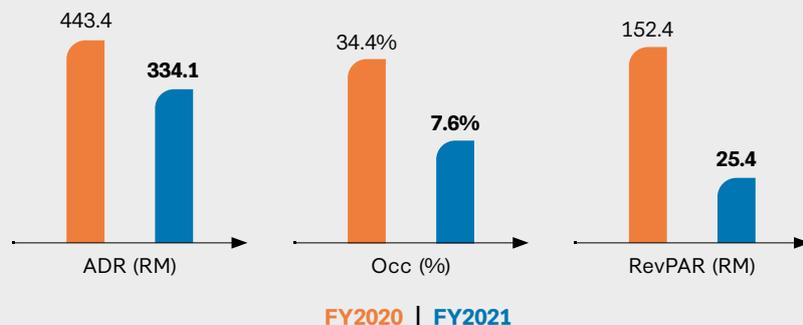
The performance of ANA Crowne Plaza Kobe was severely impacted by the COVID-19 pandemic as it registered a RevPAR decline of 33.1% YoY to ¥3,811.9 in FY2021. GR remained flat at ¥605.2 million due to the minimum rent payable by master lessee. NPI declined 0.5% to ¥366.6 million.

## Malaysia



The Westin Kuala Lumpur

### FHT Malaysia Portfolio



Due to unprecedented global travel restrictions amid the COVID-19 pandemic, the total number of international visitor arrivals to Malaysia decreased by 83.4% YoY to 4.3 million tourists in 2020. Tourism receipts correspondingly fell by 85.2% YoY to RM 12.7 billion.

Although foreign visitation to the city is significant, domestic tourism typically dominates the hotel market performance in Malaysia. In 2020, the Ministry of Tourism & Culture reported 30.7 million domestic hotel guests across the country, and this represented 86.7% of total hotel guests received. Compared with the

previous year, the domestic hotel guest count dropped by 39.9% YoY.

Since the Movement Control Order (MCO) was first imposed in March 2020, Kuala Lumpur has been through different phases of lockdown to contain the spread of the pandemic. As a result, there has been a clear trend towards a preference for travel outside of the city as locals seek coastal or cultural destinations.

Correspondingly, hotel performance in Kuala Lumpur struggled with weak room occupancies, alongside suppressed ADR due to the

competitive landscape. For the year preceding September 2021, hotel room occupancy averaged 22.3%, 46.1 percentage points down against the same period last year. ADR fell 25.8% YoY to RM214.9, leading to RevPAR decline of 60.0% YoY to RM47.8.

Due to the widespread pandemic, Kuala Lumpur saw several hotel closures in 2020 and 2021, including the 180-room GTower Hotel and the 486-room Hotel Istana Kuala Lumpur. As such, hotel room supply has declined to approximately 40,626 rooms as at August 2021.

Despite the challenging conditions, 25 new hotels with an estimated 7,622 rooms are in the pipeline by 2024. The new supply will be direct competition for the existing hotels just as they are recovering from the COVID-19 pandemic. Notable upcoming hotel openings include the Kempinski Hotel (560 rooms in 2022), Fairmont Kuala Lumpur (750 rooms in 2023), Park Hyatt Kuala Lumpur (260 rooms in 2022), Conrad Kuala Lumpur (544 rooms in 2022), Jumeirah Kuala Lumpur (190 rooms in 2024) and So Sofitel Hotel (207 rooms in 2024) as part of the Oxley Towers KLCC.

In the short term, we expect ADR and occupancy in Kuala Lumpur to remain under pressure. However, given prevailing uncertain market conditions, it is likely that some projects may be postponed or delayed, easing an element of the supply side concerns in the near term. In addition, with the swift vaccine rollout throughout the nation, restrictions for interstate travel have been eased and some recovery is anticipated for late 2021, with the hope for international travel to return in 2022.

The Westin Kuala Lumpur's operations had been suspended for a few months in FY2021, and it resumed operations in mid-December 2020. Amidst the challenging operating environment, the property reported a RevPAR decline of 83.3% YoY to RM25.4. GR and NPI remained flat at RM14.8 million and RM13.1 million respectively due to the minimum rent payable by master lessee.

## Operations Review

### Germany



Maritim Hotel Dresden

Recent additions to the hotel supply in the city include the Arcotel HafenCity (183 rooms) to the north side of the Elbe, the Moxy Hotel Dresden (162 rooms) in the summer of 2021, Premier Inn City Zentrum (218 rooms) from April 2020, and the Hotel Indigo Dresden - Wettiner Platz (132 rooms) which opened in late-2018. The current pipeline for the next two years total 1,100 hotel rooms which include hostel-style informal accommodation, serviced apartments, and a range of hotels to a mixture of midscale and upscale standards. Projects which are expected to be completed over 2022 and 2023 include the Hampton By Hilton Dresden City Centre (203 rooms in the first quarter of 2022); the city's second Premier Inn in Prager Strabe (200 rooms in 2022); a serviced apartment offering from Stayery in Neustadt (125 rooms in 2022); and two new entities for the Prizeotel brand in Dresden-Mitte (125 rooms) and on Hansastrabe (213 rooms) before end-2023.

Dresden's hotel sector is dominated by the domestic market. In 2019, the city attracted 2.3 million visitations and 4.7 million overnight stays, of which 79.6% were German nationals. The onset of the COVID-19 pandemic in March 2020 triggered a 49.0% decline in visitation arrivals to 1.2 million and only 2.6 million overnight stays.

As the country was mired in a seven-month lockdown from 1 November 2020 to 31 May 2021, Dresden's occupancy rate was 14.6% in the first half of 2021, albeit with some signs of recovery in the month of July 2021 with an occupancy rate of 53.2%. Prior to the COVID-19 outbreak, the ADR in Dresden has displayed steady annual growth in recent years of between 2.0% to 4.0% since 2016. However, it recorded a decline of 5.0% in 2020 as the pandemic deprived the city's hotel sector of

domestic, MICE and international visitations. The prevailing ADR for 2019 of €81.3 had reflected a growth rate of 2.5% on 2018, before the dramatic impact of the pandemic in the first quarter of 2020.

In accordance with data provided by the Saxony State Statistical Office, the city of Dresden has a total hotel supply of approximately 23,700 beds within its hotels and bed & breakfast establishments. There is a group of well-established hotels within the Old Town, and to the south, in the more recently developed area to each side of Prager Strabe in close proximity to the Central Railway Station. The balance of the hotel inventory is primarily located around the scenic squares and landmark buildings across the city, or in zones close to infrastructure such as railway stations.

Maritim Hotel Dresden is a triple-net leased property which was acquired in June 2016. In FY2021, its GR and NPI were €4.0 million and €1.4 million respectively.

# Key Events

## OCTOBER 2020

- RAM Rating Services Berhad reaffirmed the ratings of the medium term notes issued by Notable Vision Sdn. Bhd. (NVSB) under its RM750 million medium term note programme.
- We guided that FHT's financial performance for FY2020 would be adversely affected as compared to the same period in the preceding year, as global travel remained largely in a standstill.
- We declared a final distribution of 1.0695 cents per Stapled Security for the period from 1 April 2020 to 30 September 2020. The distribution was paid on 29 December 2020.

## JANUARY 2021

- FHT's 6th annual general meeting was held on 20 January 2021 and all resolutions proposed were duly passed.
- We provided business updates for the first quarter of FY2021, highlighting the impact of COVID-19 on FHT's portfolio performance. In UK, three of FHT's properties, ibis Styles London Gloucester Road, Park International London and Fraser Suites Edinburgh, were temporarily closed. The Westin Kuala Lumpur had resumed operations since 18 December 2020 after operations were temporarily suspended since May 2020 to conserve cash.

## APRIL 2021

- The Managers announced that Ms Eu Chin Fen would succeed Mr Colin Low Hsien Yang as Chief Executive Officer with effect from 10 April 2021.
- We announced that we would redeem FHT's S\$100 million subordinated perpetual securities on 12 May 2021, being the first call date of the perpetual securities. The redeemed perpetual securities were subsequently cancelled and delisted from the Singapore Exchange Securities Trading Limited.
- We announced that for the first half of FY2021, our GR and NPI declined YoY by 36.2% and 40.9% respectively. To conserve cash, we decided to retain S\$5.2 million or 60.0% of FHT's distributable income for the first half of FY2021. Consequently, we declared an interim distribution of 0.1790 cents per Stapled Security for the period from 1 October 2020 to 31 March 2021. The distribution was paid on 29 June 2021.

## JULY 2021

- Mr Koh Teck Chuan retired as Non-Executive and Non-Independent Director of the Managers with effect from 1 July 2021.
- We provided business updates for the third quarter and first nine months of FY2021. FHT's UK properties re-opened in May 2021 after hotels in UK were permitted by the government to re-open, following more than four months of lockdown.

## SEPTEMBER 2021

- We updated that the Inland Revenue Board of Malaysia has revoked its confirmation issued on 5 July 2018, a private ruling in relation to interest payments made from NVSB to FHT Malaysia Pte. Ltd., a wholly-owned subsidiary of FH-REIT. NVSB has subsequently lodged a notice of appeal to the Special Commissioners of Income Tax in Malaysia on this matter.
- RAM Rating Services Berhad reaffirmed the ratings of the medium term notes issued by NVSB under its RM750 million medium term note programme.

# Market Overview

REPORT BY COLLIERS

## Singapore



### SINGAPORE TOURISM MARKET

The tourism sector currently contributes 4.0% to Singapore's GDP, and it plays an essential role in reinforcing the country's status as a vibrant global city that is a magnet for capital, business and talent.

Unlike many other countries, the major driver of Singapore's tourism sector (that is, visitation and tourism receipts) is international visitor arrivals. Due to the impact of the COVID-19 pandemic, we note that the top five source markets for the international visitor arrivals in 2020 were Indonesia, China, Australia, India and Malaysia. However, this is not representative of the typical visitor arrival mix under usual circumstances, and therefore, based on the impact of COVID-19 on the 2020 tourism industry, we feel it is appropriate to refer to 2019 as a true indication of the typical conditions in the Singapore tourism market year-to-year.

In 2019, the top 10 source markets for international visitor arrivals to Singapore were China (19.0%), Indonesia (16.3%), India (7.4%), Malaysia (6.4%), Australia (6.0%), Japan (4.6%), The Philippines (4.3%), United States of America (US) (3.8%), South Korea (3.4%) and the United Kingdom (UK) (3.2%). Collectively, these markets accounted for circa 74.4% of the total international visitor arrivals to Singapore. For four consecutive years to 2019, Singapore saw growth in both visitor arrivals and tourism receipts despite global headwinds. Following a relatively strong performance in 2018, tourism arrivals in Singapore continued to increase by 3.3% to 19.1 million in 2019. This robust performance was mostly underpinned by an increase in visitation from North and South Asia, and in particular China, Indonesia and India. This growth represents a compound annual growth rate (CAGR) of 6.1% between 2010 and 2019.

For 2020, the total number of international visitor arrivals to Singapore declined by 85.7% to 2.7 million, due to unprecedented global travel restrictions and border closures amid the COVID-19 pandemic. While the pandemic situation seems to be abating and the governments across the world are starting to ease travel restrictions, the outlook for the inbound tourism arrivals to Singapore in the immediate term remains uncertain, as much will depend on the economic outlook globally and regionally, how long the pandemic prevails across the world, and how long travel restrictions remain in place, with reciprocal opening the key. The latter two are all fluid at the moment, as there is no cohesion amongst governments in responding to the crisis, with countries being impacted differently and at varying times. As such, we expect any recovery to be uneven, possibly following a swoosh, with a tentative return to business travel in the first quarter of 2022.

In line with the trend of the international visitor arrivals, Singapore's tourism receipts grew at a 10-year CAGR of circa 8.2% from S\$12.6 billion in 2009 to S\$27.7 billion in 2019. Driving this growth was the increased visitor arrivals from high-spending markets such as China, South Korea, the United States and the United Kingdom. Notwithstanding, in 2020, Singapore's tourism receipts fell 82.6% to S\$4.8 billion for the year. As of the first quarter of 2021, tourism receipts were recorded at S\$0.4 billion, with a YoY decline of 90.1%. Given the ongoing implications of COVID-19 restrictions, we expect it to moderate in line with that of the inbound tourism arrivals in light of the recent vaccinated travel lanes launched.

## HOTEL MARKET

In terms of hotel market performance, room occupancy remained well in excess of 83.8% between 2011 and 2019. Despite the sustained global economic headwinds and new supply entering the market, hotel room occupancy and ADR had held up at 86.9% and S\$210.5 in 2019, an increase of 0.8 percentage points (pp) and 1.1% YoY respectively as hotels sought to maximize their yield strategy through higher room rates. Correspondingly, RevPAR rose by 2.0% YoY to S\$182.9. Contributing factors for the stronger hotel performance include the increases in the visitor arrivals and visitor days boosted by the F1 race and new attractions such as Jewel Changi Airport, as well as the regional boost arising from some redirection of tourists into Singapore as unrest deterred visitors to Hong Kong.

However, the performance of the hotel sector in Singapore in 2020 was significantly affected by the fallout of the COVID-19 pandemic. This is evident in the hotel performance which saw room occupancy and ADR fall by 30.1 pp and 31.4% YoY respectively during the period. However, we consider the 2020 and 2021 performance statistics to be unrepresentative given the use of hotels for quarantine at prescribed rates set by the government and the partial or full closure of some hotels which has meant that the operating performance data can be misleading when compared to previous years.

As the Singapore government has set aside budget for SingapoRediscover vouchers to support local tourism businesses, this led to an increase in hotel “staycations” during weekends and for domestic leisure stays due to international travel restrictions. Nonetheless, comparing year-to-date (YTD) August 2021 figures and YTD August 2020 figures, we note that although room occupancy has increased slightly by 1.3 pp to 68.0%, ADR has recorded a decline by 22.4% to S\$119.1. This resulted in the fall in RevPAR by 20.8% to S\$81.0.

## EXISTING SUPPLY

In accordance with Colliers’ research, there are currently approximately 70,000 hotel rooms forming the total supply in the Singapore market.

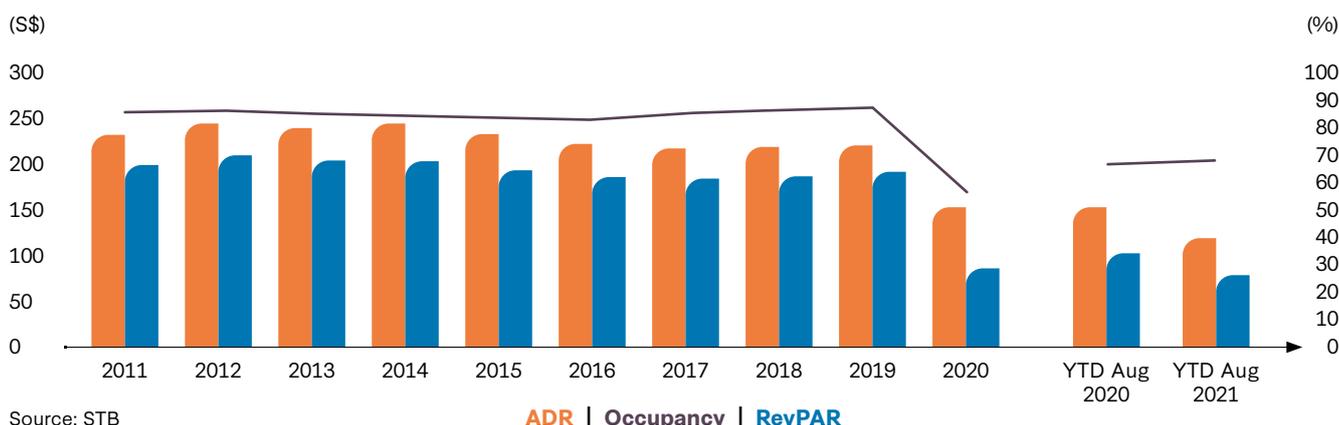
Looking beyond 2021, the new room supply growth in Singapore is expected to be muted at a CAGR of 2.4%, as compared to 3.3% which was recorded between the 2015 and 2019 period. Within the next four years to 2025, approximately 6,894 new hotel rooms are projected to open. This estimate includes the two white sites at Marina View and River Valley available on the government land sales reserve list, which can together potentially accommodate circa 1,070 rooms.

Out of the 6,894 new hotel rooms supply, circa 85.3% will be in the upscale and upscale/luxury tiers while 14.7% will be in the mid-tier and economy segments. By location, most of the new room supply will be in the city centre and positioned at the upscale/luxury level. Significant new hotels scheduled to open between 2021 and 2023 include the Pullman Singapore (342 rooms), Banyan Tree Mandai (338 rooms), The Edition by Marriott (190 rooms), Artyzen Cuscaden (142 rooms) and Club Street (390 rooms). In addition, we expect Marina Bay Sands (MBS) and Resorts World Sentosa (RWS) to add 2,100 rooms in circa 2025 as part of their integrated resort (IR) expansion plans. It is therefore likely that demand will continue grow as the IRs expand their offerings.

## FUTURE DEMAND

In our view, Singapore will continue to remain as a global hub, largely drawing on its largest source markets across the Asia Pacific region. The planned new attractions and infrastructure projects scheduled between 2021 and 2030 bode well for future visitation

### Singapore Annual Hotel Performance



Source: STB

ADR | Occupancy | RevPAR

## Market Overview

and combined with the relatively low level of new room supply, we consider this should continue to underpin hotel fundamentals over the medium term. In addition, the Singapore government constantly monitors land use to ensure there is minimal demand/supply imbalance.

As such, we expect the recovery in tourism receipts to follow after an increase in visitor arrivals, possibly in the fourth quarter of 2021. However, a recovery is expected as the government has recently been actively promoting and opening various tourism initiatives which should drive visitation from 2021 and further into 2022. One key government initiative includes the business travel lane with China and Brunei, which allows corporate and diplomatic travellers to skip quarantine on arrival if they test negative for COVID-19. Another travel initiative was the launch of the “Air Travel Pass Programme” in September 2020, which allowed visitors, including leisure tourists, to apply for travel to Singapore without undergoing the 14-day quarantine period. The list of countries included in the scheme are Hong Kong, China, Macau and Taiwan. More recently, the government has launched the vaccinated travel lanes in September 2021 with Germany and Brunei, for fully vaccinated travellers to enter and leave Singapore without serving a quarantine, provided they undergo several COVID-19 tests. While the government is pushing forward with these initiatives, we note that hotels that serve as a quarantine facility cannot fully accept leisure or frequent independent traveller (**FIT**) guests, given that they do not have adequate measures in place to separate quarantine and FIT guests.

Looking forward, as Singapore remains one of the world’s largest financial centre and logistics hub, coupled with a growing meeting, incentives, conferences and exhibitions (**MICE**) industry, the city can expect a rebound in tourism arrivals eventually, given the strong appeal of the destination. However, the timing of this remains fluid and unlikely before the fourth quarter of 2021. Although Singapore has a relatively small domestic market, we note that there are large opportunities to convert outbound travellers to domestic visitors in the near term. The role of domestic tourism in supporting the broader industry is particularly relevant in 2022 and 2023, although we expect a sharp recovery in travel from international source markets as Singapore’s borders open.

Therefore, given this background, recent and anticipated trends, we expect overnight stays to gradually rebound and outstrip hotel room stock post this pandemic episode, as is evident in previous years. This therefore bodes well for any planned new hotel supply over this period.

## HOTEL MARKET OUTLOOK

Looking ahead beyond 2021, the outlook for the hotel industry in Singapore in the immediate term remains cloudy as much will depend on the economic outlook globally and regionally, how long the pandemic prevails across the world, and how long travel restrictions remain in place, with reciprocal openings the key to a sustainable upward trajectory.

Notwithstanding, hotel performance in Singapore is expected to remain cautiously optimistic in the medium to long term, with much depending on external factors given Singapore’s high exposure to global events (such as uncertain global economic uncertainties, foreign exchange movements and geopolitical events). Therefore, on the back of the return of a healthy demand post the pandemic, alongside a moderate level of new hotel room supply and barring any external shocks, hotel room occupancy in the medium to long term is expected to grow marginally as the number of international visitor arrivals continues on a positive growth trajectory post pandemic, in light of the planned enhancement in leisure and entertainment facilities notwithstanding improved infrastructure, and Singapore’s continued position as a key business and financial hub.

According to Colliers’ forecast and a recent report by Oxford Economics, tourism arrivals to Singapore is expected to recover in the second half of 2022, reaching its pre-COVID levels by the first quarter of 2024.

## Melbourne, AUSTRALIA



### MELBOURNE TOURISM MARKET

Melbourne, the capital city of Victoria in Australia, was arguably one of the most impacted accommodation markets in Australia in 2020 as it experienced the largest decline in RevPAR as a result of the extensive lockdown measures put in place to stop the spread of COVID-19. Typically, a world-renowned centre for sporting and cultural events such as the ATP Tour Australian Open (January), Australian F1 Grand Prix (March), the AFL Grand Final (September) and the Melbourne Cup (November), government-imposed lockdowns over multiple months of 2020 and 2021 have limited the city's ability to host major events and the resultant influxes of domestic and international visitors attached to being one of the world's most recognized sporting capitals.

Data sourced from the National and International Visitors Surveys by Tourism Research Australia before the pandemic revealed a 22.1% growth in total visitors to Melbourne in 2019, achieving a total visitor number of 39.5 million. However, following restrictions on international arrivals from April 2020 and combined with interstate travel restrictions within the country during 2020, Melbourne received just 16.4 million visitors reflecting a 58.0% decline, driven by a 50.9% decline in domestic day visitations and an 80.5% fall in international visit numbers.

As the Victorian government has continued to hold Melbourne under various movement restriction lockdowns during 2021, and international travel remains virtually completely closed off, the city's hotel industry has remained in a period of inactivity for virtually the entire year to date. Notwithstanding these significant challenges for the sector, a plan for the reopening of the state and interstate domestic travel

has been set out as the nation's population vaccination rate rises, with the possibility of unrestricted domestic travel by end of 2021.

### HOTEL MARKET

Prior to the impact of COVID-19, demand for hotels in Melbourne came from a wide variety of sources, from both domestic and international leisure guests, together with corporate and a calendar of events leading to substantial conference and events demand, as well as from those visiting friends and relatives.

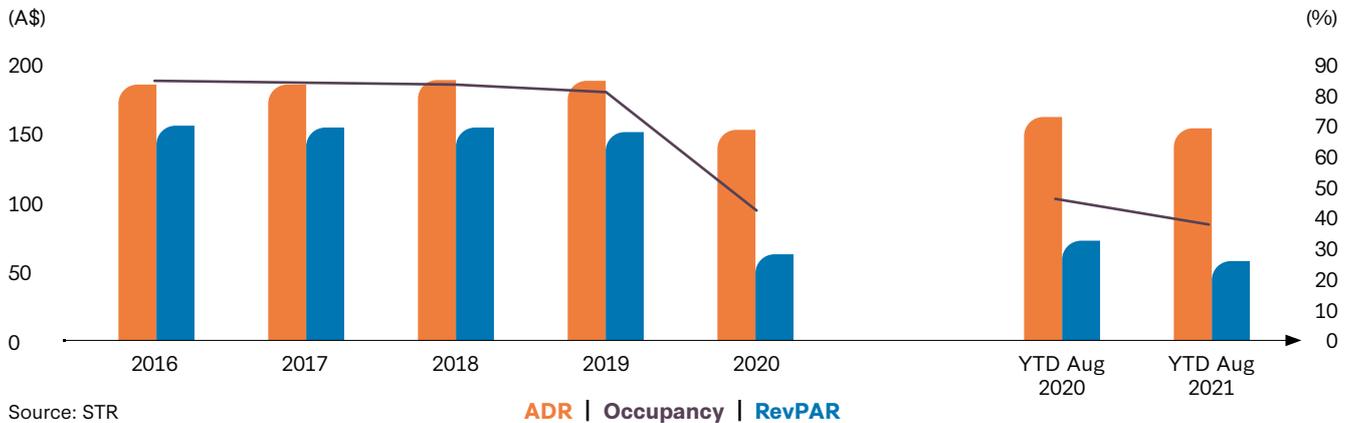
The demand profile for hotels in 2020 however was different, with demand predominantly from those undertaking the mandatory quarantine period in hotels, and a small proportion of intrastate leisure demand when movement restrictions intermittently permitted travel.

Between 2016 and 2019, although ADR has improved marginally registering a CAGR of 0.2% to A\$185.8, occupancy levels in Melbourne had declined slightly by 3.3 pp to 80.3%, which resulted in RevPAR falling by 3.2% to A\$149.2. This was likely due to the consistent number of new supply openings, and pressure from an increase in unregulated short-stay apartments.

In 2020, due to strict travel restrictions and border closures as a result of COVID-19 pandemic, Melbourne recorded a fall in occupancy and room rates by 38.7 pp and 18.9%, to 41.6% and A\$150.9 respectively. As a result, RevPAR declined by 57.9% to A\$62.8. The impact to visitation was initially from the decrease in Chinese arrivals in January and February 2020. However, further restrictions were put into place as Australia closed its borders on 20 March 2020, banning all international arrivals into the city. Interstate domestic travel

## Market Overview

### Melbourne Annual Hotel Performance



Source: STR

ADR | Occupancy | RevPAR

restrictions have impacted each state and territory at various times, as Victoria was in various stages of movement restrictions between March to the end of October 2020. Nevertheless, Victoria managed to reopen their state border on 23 November 2020.

As of 2021, comparing YTD August 2021 with the same corresponding period last year, room occupancy has decreased by a further 7.4 pp, with average room rates declining by 4.4% to A\$153.0, resulting in RevPAR closing at A\$57.4. This was mainly attributed to the emergence of the Delta variant in Victoria that has resulted in prolonged periods of movement restrictions and border closures in 2021, with the most recent lockdowns effectively running from mid-July to end-September. As a result, there were major disruptions to intrastate business and leisure travel which impacted hotel performances, particularly as this was in conjunction with similar lockdown rules in New South Wales. Whilst we expect low occupancies for the remainder of the year, international travel is forecast to rebound quickly in 2022. This will follow the reopening of borders, after the successful containment of the pandemic, when an 80% vaccination target has been reached.

#### EXISTING SUPPLY

Even as the city remained Australia's most affected by COVID-19 lockdowns and border closures, we note that 10 upscale hotels opened in the city within the first six months of the year. In recent times, Melbourne currently has the largest hotel development pipeline in Australia with 24 hotels currently under construction totalling over 5,444 new rooms. This represents a 14.3% increase on the current market of 404 hotels with approximately 38,152 rooms. Recent openings include the Next Melbourne (255 rooms) in Little Collins Street and the Hilton Melbourne Little Queen Street (244 rooms) by M&L Hospitality.

Following the trough of 2021 for the sector, we note that the landmark The Ritz-Carlton Melbourne (263 rooms) is set to launch in the first quarter of 2022 as the tallest hotel in Australia, with a "sky" hotel check-in located on level 79. Beyond 2022, we expect another 5,181 rooms to enter the market. Hotel projects which are expected to proceed with construction throughout the pandemic include the Shangri-La (500 rooms) and the St Regis Melbourne (168 rooms). However, given prevailing uncertain market conditions, it is likely that some projects which have yet to undergo construction may be delayed, easing supply side concerns in the near term.

#### FUTURE DEMAND

Whilst the windows between lockdowns in the major cities have shown evidence of the high level of pent-up demand for both domestic business and leisure travel, there has also been a clear trend towards a preference for out-of-town or regional travel, as opposed to inner-city experiences, as citizens seek an escape from the metropolitan zones to the countryside or coastal destinations. Whilst the return of permission for large crowds for sports, culture and entertainment in the city centres will likely trigger demand for the surrounding metropolitan properties, until such time it appears that the prevailing leisure travel preference is focused on those hotels in more isolated locations, albeit within a reasonable drive time from a major city's boundary, such as the Macedon Ranges or the Mornington Peninsula.

On an annual basis, Melbourne's inner city hotel market is buoyed by visitor numbers to the major international sporting and cultural events throughout the year. However, all events have been significantly impacted during the COVID-19 pandemic, with the Australian F1 Grand Prix cancelled in both March 2020 and 2021. The ATP Tour Australian Open tournament was played in front of reduced crowds and highly criticized by players for the quarantine conditions endured when entering

Australia. In light of the Australian government's prevailing international arrival restrictions, coupled with the ongoing pandemic situation within major source markets for these events, it must be considered that the future of major international sporting and cultural events that require large numbers of individuals flying into Melbourne for a short amount of time will remain highly questionable until such time that the Australian government is significantly more confident with the level of vaccination within the population, and responds with the introduction of more lenient quarantine conditions for international arrivals. Under these circumstances, there are significant challenges for a Melbourne hotel market that must rely upon almost entirely domestic visitors to generate performance as the pandemic overshadows international travel as we knew it before March 2020.

In addition to its renowned profile as a sporting and entertainment hub, Melbourne's hotel market is also significantly reliant upon the domestic business travel and meetings, incentives, conference and events sector for a continuous supply of visitor nights, being the primary purpose for 29.0% of overnight stays in 2019. The post-pandemic business world may require much less physical presence through a heightened use of technology, with less frequent business travel between major capitals such as Melbourne and Sydney. The inner-city hotel market will need to evolve in order to generate a new type of business guest until such time that travel returns to pre-pandemic levels, which is not guaranteed.

As a recovery takes hold, we would expect the source markets to Melbourne to return to pre-COVID levels, bringing with it a mixture of corporate, leisure and eventually meetings, incentives, conference and events.

## HOTEL MARKET OUTLOOK

In 2019 Melbourne hotels performed at high levels, recording year-round occupancy levels of 84.2%. In 2020 however, in line with the rest of Australia, the performance was unprecedentedly impacted by COVID-19, with hotels operating at half the occupancy levels of the previous year's figures. Even in light of a number of projects under construction slowing or being postponed, the extent of new supply that will enter the market in 2021/22 is anticipated to impact on the existing hotels' ability to recover post COVID-19. Of critical importance will be the return of intrastate business and leisure travel with Sydney, further supplemented by the allowance of regular international visitations. Ideally, Melbourne's aggressive vaccination programme in the latter part of 2021 and Australia's border controls will place the city in a position to be able to secure the hosting of its major sporting events in 2022, beginning with the Australian Open in mid-January.

As vaccination rates increase and restrictions are eased for interstate and some international travel, it is anticipated that a recovery can take hold in second half of 2022. This is expected to accelerate in 2023, with a potential return to pre-COVID levels in 2024.

## Market Overview

### Sydney, AUSTRALIA



#### SYDNEY TOURISM MARKET

Blessed with golden beaches at the city's fringes and enhanced by world-recognizable landmarks such as the Opera House and the Harbour Bridge, Sydney, the capital city of New South Wales in Australia, has long held the mantle as the country's premier tourist destination, attracting millions of international visitors on a yearly basis. Furthermore, the city serves as the commercial epicentre for corporations across Australia and remains a pivotal strategic business location within the wider Asia Pacific region and the southern hemisphere, commonly associated with the likes of megacities such as London, New York and Tokyo.

However, over the course of 2020 and 2021, Sydney ranks as one of the most impacted accommodation markets in Australia, behind only Melbourne in terms of RevPAR declines. This has been the result of multiple extensive lockdown measures put in place to stop the spread of COVID-19, and in particular the emergence of the Delta Variant, which has imposed strict and ongoing movement restrictions, the most recent and comprehensive currently running since 1 July 2021.

Data sourced from the National and International Visitors Surveys by Tourism Research Australia before the pandemic revealed a 18.8% growth in total visitors to Sydney in 2019, achieving a total visitor number of 44.9 million. However, following the restrictions on international arrivals from April 2020 and interstate travel restrictions within the country during 2020, the year saw just 25.8 million visitors reflecting a 43.0% decline, driven by a 55.6% decline in domestic overnight visitations and an 81.0% fall in international visitor numbers.

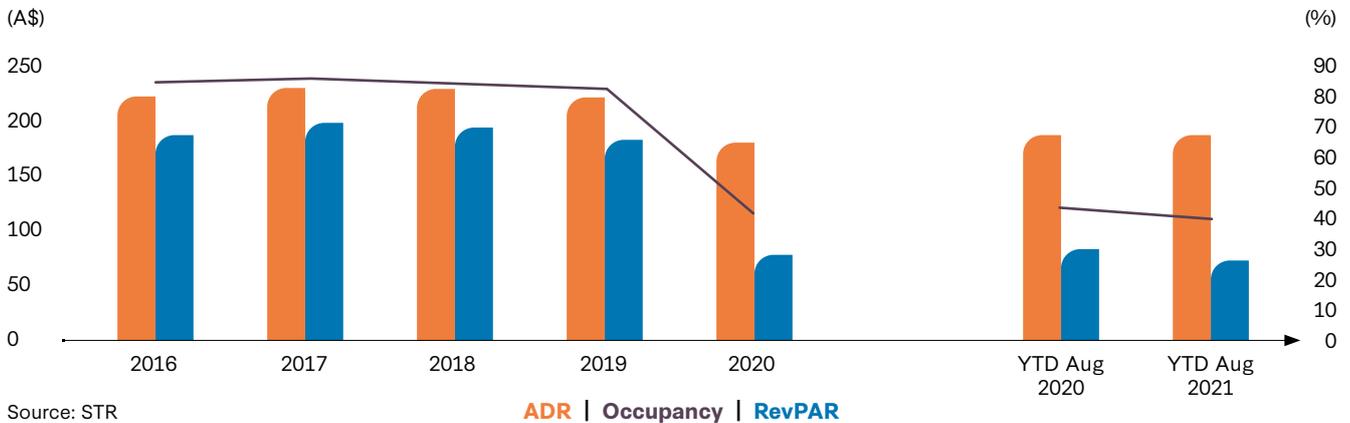
Sydney Airport is Australia's primary international gateway and the busiest airport in Australia. In 2019, the airport handled 44.4 million passenger movements, of which 16.9 million (38.1%) were international passengers. Passenger movements through Sydney Airport, along with all airports across Australia, recorded significantly lower passenger movements in 2020 due to the impact of COVID-19, and total passenger movements in 2020 were just 11.2 million. As government policies on international arrivals restrictions remained in place to protect against further influxes of COVID-19 cases, the arrival statistics for Sydney Airport for YTD June 2021 remained significantly lower than 2019 levels, down 96.4% on international passenger arrivals and 63.5% for domestic traffic.

#### HOTEL MARKET

As the primary gateway to Australia for international visitors and benefitting from a strong domestic visitor base for business and leisure, historically, demand for hotels in Sydney has been provided by a range of sources, with overnight visitors in 2019 almost split evenly between business or meeting, incentives, conference and events (28.0%), leisure (32.0%) and visiting friends and relatives (33.0%).

However, the impact of COVID-19 on the travel and hotel sector across the majority of 2020 and 2021 has reduced demand to generally those undertaking the mandatory quarantine period in hotels, and a small proportion of intrastate leisure demand.

## Sydney Annual Hotel Performance



Source: STR

ADR | Occupancy | RevPAR

Between 2016 and 2019, room occupancy and ADR initially increased by 0.7 pp and 3.8% to 85.6% and A\$228.1 respectively in 2017. However, as new room supply entered the market, coupled with pressure from an increase in unregulated short-stay apartments, occupancy levels began to decline by 3.3 pp to 82.3% in 2019. Similarly, ADR declined by 3.5% to A\$220.1, which led to an overall decrease in RevPAR by 7.2% to A\$181.2.

In 2020, hotel performance in Sydney was significantly impacted, with occupancy and ADR down by 40.1 pp and 19.3%, closing at 42.2% and A\$177.6 respectively. This resulted in a RevPAR decline of 58.6% to A\$75.0 for the year.

In 2021, Greater Sydney and the wider New South Wales underwent months of lockdown restrictions as the government battled the contagion of the Delta variant within the population, with strict movement limitations in place between mid-June to mid-September. Comparing YTD August 2021 with the same corresponding period last year, room occupancy has decreased by a further 3.9 pp, with average room rates holding up at A\$185.3, resulting in RevPAR closing at A\$74.1. With ongoing closures to intrastate business and leisure travel, Colliers anticipates occupancies to remain in a trough until the fourth quarter of 2021, by which time it is hoped that with a higher population vaccination rate, state borders will reopen, and some international travel may be permitted by end of the year.

## EXISTING SUPPLY

In light of the depressed trading conditions and issues with undertaking construction during the pandemic, there has been minimal change to the total supply of approximately 41,500 rooms during 2020 and 2021, with recent major openings dating back to late-2019 with the Little National Hotel Sydney (230 rooms) and later the Crowne Plaza Sydney Darling Harbour (152 rooms) in 2020.

As the city was affected by COVID-19 lockdowns and border closures, several hotels scheduled to open in 2021 are likely to be delayed to 2022. In the next few years, Sydney's hotel development pipeline is set to grow by 21 hotels, adding 5,156 keys into the market. This represents a 12.4% increase on room supply within the current 384 hotels within the city. Of Sydney's 21 new hotels, 12 will be in the upscale category, while the remaining 9 will fall under the upper upscale and above category. In terms of supply pipeline, some notable projects include the distinctive W Sydney (593 rooms) in Darling Harbour, Citadines Walker North Sydney (252 rooms), Sydney's City Tattersall's Club Hotel (100 rooms) and the Crown Sydney Hotel Resort (350 rooms) at Barangaroo South which will be part of a mixed-use complex in Darling Harbour.

## Market Overview

### FUTURE DEMAND

Despite the prolonged periods New South Wales has spent under lockdown in the past 18 months, the summer season displayed the high level of pent-up demand for domestic leisure travel, either within the state or intrastate. As experienced in other cities in the country, leisure travellers starved of international options have expressed a clear desire for out-of-town and regional travel, especially with the high quality of available destinations within a reasonable driving distance of the Sydney metropolitan area. Coastal zones such as Byron Bay and the Central Coast to the north, or the Sapphire Coast in the south, along with the Blue Mountains or the Hunter Valley have all proven to be near full capacity during holiday periods during non-lockdown windows as citizens seek an escape from the confines of the city's metropolitan zones.

The speed of recovery for Sydney's hotel market will be linked to the return of the domestic and international business and the MICE sector. As the commercial hub of the Australian mainland, it is likely that Sydney will remain the focal point for regional conference business, and therefore the return of physically attended MICE and business dealings will expediate the recovery for the city's industry.

Notwithstanding the current restrictions on movement and the implications that the lockdowns have had for Sydney's hotel market in 2021, in looking ahead, confidence remains that the completion of the vaccination drive and the progressive loosening of restrictions will lead to a quick recovery for the hotel market across all sectors, as despite the recent difficulties, the city remains one of the most desired destinations in Asia Pacific and the gateway city for the nation. We estimate that the occupancy rate in 2022 will be circa 65% and the ADR will rise based on higher frequent independent traveller journeys and the introduction of higher standards of hotels to the marketplace.

### HOTEL MARKET OUTLOOK

In 2019, Sydney city hotels performed at high levels, recording year-round occupancy levels of 85.4%, the highest of all capital cities across Australia. In 2020 however, in line with the rest of Australia, the performance was unprecedentedly impacted by COVID-19, with hotels operating at half the occupancy levels of the previous year's figures. Leading up to the most recent significant lockdown in June 2021, the market was reflecting some improvement on the 2020 figures. However, between the prolonged lockdown emanating from Sydney to the majority of the state, and the continued absence of any real international visitations to Sydney, it is difficult to see where any notable overall performance improvement will come from before the fourth quarter of 2021.

Notwithstanding this, with the vaccination programme rolling ahead throughout the entire state population, there are signs there will some recovery in the first quarter of 2022, building up in 2023, and leading to a return to at least pre-COVID levels in 2024.

## Edinburgh,

UK



### EDINBURGH TOURISM MARKET

In accordance with data provided by the Office for National Statistics, the UK received 11.1 million inbound visits in 2020, which reflected an overall fall of 73.0% in comparison to the 2019 total. Whilst the first quarter inbound visits were only down 16.0%, the data for the remaining quarters reflected declines of in excess of 80.0% from the 2019 results. VisitBritain estimates that the number of inbound visits in 2021 for the UK will total just 7.4 million arrivals, which would represent only 18% of the 2019 total of over 40 million. As the handling of the ongoing COVID-19 pandemic continues to evolve across the globe, the international travel landscape of the future remains unclear.

Edinburgh, as the capital of Scotland, has evolved into a world-renowned tourist destination, driven by a mixture of the city's UNESCO World Heritage listing; the international festivals for art, performance and comedy; and as a gateway for travel to other regions of Scotland. In 2019, the city welcomed 2.7 million overnight visitors from Scotland and the UK and circa 2.0 million overseas overnight visitors. Despite Edinburgh's standing as a commercial and administrative hub for Scotland, circa 70.0% of all international arrivals visit on the basis of leisure. There is no single dominant international source market, with visitors primarily from the United States, Germany and France.

Over the decades, Edinburgh has played host to a number of iconic events and festivals that historically generate high annual visitation numbers, such as the Edinburgh Fringe (3 million attendance) and the Edinburgh International Festival (400,000 attendance) in August each year. Whilst the pandemic saw the cancellation of both Festivals in 2020, limited live

performances took place in the 2021 festival season to severely reduced audience numbers. There are challenges in organising major events in the short term as the UK transitions to permitting large physical gatherings. Following the restrictions in 2020 that saw visitation numbers in a number of Edinburgh's largest attractions such as Edinburgh Castle and the National Museum of Scotland (2 million annual visits respectively in 2019) fall by 80.0% to 90.0% in 2020, upon reopening to the public in 2021, these attractions proved to remain popular and achieved circa 70% of pre-pandemic attendance numbers when the public was permitted to visit without strict travel restrictions.

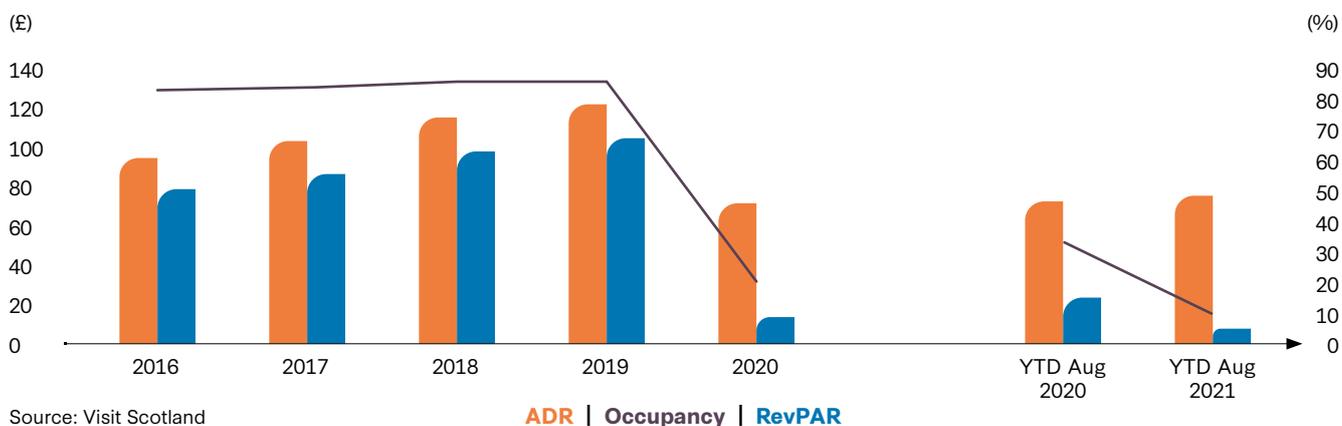
In conjunction with the leisure and tourism sectors which drive the hospitality sector, the city is a key UK destination for MICE, and accommodates a variety of exhibitions and conferences in a wide range of hosting facilities, including the Edinburgh International Conference Centre. As reported by the UK Conference & Meetings Survey (**UKCAMS**), these activities fell by 86.0% in 2020 across the UK as a result of lockdowns and travel restrictions. It is anticipated by UKCAMS and the UK Government that the UK conference industry will return to pre-pandemic activity levels in 2023, which will be a critical factor for Edinburgh's hotel sector moving forward.

### HOTEL MARKET

The Edinburgh hotel market has recently witnessed progressive growth leading up to 2020 with occupancy rates between 77.0% to 84.0% on an annual basis from 2011, despite a steady influx of new supply. With minimal variation in the occupancy rate over the course of the trading year, Edinburgh displays its breadth of source markets throughout the year including the

## Market Overview

### Edinburgh Annual Hotel Performance



Source: Visit Scotland

ADR | Occupancy | RevPAR

summer's Festivals, MICE, and the various inbound international visitors drawn to the historical and cultural city. Edinburgh's hotel performance was further boosted in 2017 by the decline in the value of the pound sterling currency following the initial Brexit vote which enticed many to holiday within the UK rather than abroad.

The city's ADR has also reflected steady growth as the hotel additions have raised the collective quality standard for the market, with a greater influx of upscale and luxury establishments in recent years. The prevailing ADR for 2019 was £121.3 reflecting a strong rate of growth of 6.1%.

With the implementation of prolonged lockdowns and movement restrictions as a result of the pandemic and the outright cancellation of the major festivals, the occupancy rate for Edinburgh throughout much of the year declined to circa 20.0% in 2020 representing a fall of 64.3% from the previous year. As a result, ADR for the year plunged by 42.0% to £70.4.

According to the latest data compiled by the Scottish Accommodation Occupancy Survey, the YTD August occupancy rate for Edinburgh accommodation in 2021 remains at just 10.1%, albeit with intermittent positivity as COVID-19 travel restrictions were lifted. June 2021 recorded an occupancy rate of 84.6% as the pent-up demand from the domestic summer visitor market was evident.

### EXISTING SUPPLY

As at the date of this report, research by STR and Colliers estimates that the existing hotel supply in Edinburgh comprises of 17,253 rooms. In response to the sector's consistent historic performance over recent years, Edinburgh is undergoing a significant phase of investment and development for new hotels across the city and in strategic locations such as the international airport.

The city centre zone in close proximity to Edinburgh Castle and the Royal Mile has witnessed a dramatic alteration to the mix of building uses, with the traditional Princes Street retail boulevard undergoing substantial change of use for new hotel projects in buildings long-held by retail tenants such as Debenhams and British Homes Stores. Furthermore, the major St James Quarter retail-led project by TIAA Henderson RE will incorporate three different accommodation buildings upon completion, with additional hotels located on its periphery. Recent openings since 2019 include Yotel Edinburgh (280 rooms), Voco Edinburgh Haymarket (150 rooms) and two Moxy branded developments in Fountainbridge and beside the Airport (total 492 rooms).

Prior to the pandemic, the future hotel pipeline for the city had grown with a significant potential number of additions, raising concerns for an over-supply from some market observers. However, in light of the impact of travel restrictions and uncertainty for festivals and events following the COVID-19 outbreak, a number of these projects are now likely to be delayed or amended, and a sudden influx of supply is unlikely in the short term. The significant new developments that is expected to achieve completion leading to 2024 include the W Hotel in St James Quarter (214 rooms in 2022), the Virgin Hotel in Victoria Street/Cowgate (222 rooms in 2022) and the Tribute Portfolio Hotel on Princes Street (207 rooms in 2024). Based on our research, we estimate that approximately 1,639 rooms will be added to the existing hotel supply within three years, which equates to 9.5% of the existing total supply. It should be noted however, that should there be a positive change for the travel and hospitality industries as the UK and its primary source markets emerge from the effects of the COVID-19 pandemic, that prudent owners and developers of sites in Edinburgh may react by reigniting development plans in order to capitalise on a return a positive trading environment.

## FUTURE DEMAND

As a consistently popular international and domestic destination with a strong historic and cultural presence, and with progress being made towards a global return to travel with COVID-19 under control, we anticipate that Edinburgh will benefit from a quick recovery in terms of visitation numbers and occupancy rates in 2022. Despite the scale of hotel rooms added in recent years, the new projects in the city's inventory are generally of upscale or luxury standard, which will add to the variety mix of the existing supply and elevate the quality of visitor and revenue generation for the hotel sector.

Notwithstanding the general popularity of Edinburgh from a variety of source markets, it must be recognized that the high historic annual visitation figures rely heavily on the consistent popularity and attendance of the iconic festivals and cultural events held inside the city each year, primarily during the course of the UK summer season. Following cancellations and heavy attendance reductions in 2020 and 2021, the revised configuration of these world-renowned events in a post-COVID world will be critical to Edinburgh's hotel sector returning to the leading level for regional UK destinations that it has held in the past. However, with the strong progress of the general vaccination rate in the UK and the political impetus to safely and successfully revive the festival season in the city, it is confident that this will remain a key supported initiative for the hotel industry in Edinburgh and that these landmark cultural events will be a priority.

## HOTEL MARKET OUTLOOK

Given the continued popularity of Edinburgh as a cultural and historical epicenter for the UK, we remain confident that upon recovery from the pandemic and the progression of the global vaccination rate, market demand will return in step with the advancement of the lifting of domestic and international travel restrictions. We believe that the level of pent-up demand within the UK domestic leisure market will sustain the city's industry until such time that the critical international visitations can return in large numbers in 2022. Whilst achieving the strong historical annual occupancy rates prior to 2020 will remain a challenge without the benefit of the huge summer festival and event attendances in the short term, we are confident that the new supply to the market will not be a detriment to the existing hotel operations, and that Edinburgh will re-emerge as a unique key UK regional destination. The third quarter of 2021 has witnessed the return of large in-person gatherings for MICE in the UK and Europe, and we fully expect Edinburgh to benefit from this immediately.

We note that the city benefitted from a substantial overflow of visitations to the UN Climate Change Conference held in Glasgow in November 2021 which will provide a precious fourth quarter 2021 boost to the sector.

We are also confident that the level of investment and high-level development exhibited by new schemes such as the St James Quarter will prove to reinvigorate new sections of the city centre, and act as a complement to the traditionally popular zones such as the Royal Mile and Princes Street. Evidence of this was the recent opening of the 'Johnny Walker Princes Street Experience' in September 2021, which offers a unique "Disneyland of whisky" experience from global spirits powerhouse Diageo. When comparing Edinburgh and the investment and initiatives that are being put in place to other UK regional cities as the country emerges from the pandemic, we believe that development and rejuvenation such as this will benefit the hospitality sector immediately in the future.

Overall, it is expected that Edinburgh's hotel performance could return to its pre-COVID levels by 2023.

## Market Overview

### Glasgow, UK



#### GLASGOW TOURISM MARKET

Glasgow is a key regional UK commercial centre, offering a mixture of cultural and commercial attractions and services. In 2019, overnight visitors from Scotland and the UK represented 73.0% of the 3.1 million overnight visitations to the city. According to the Office of National Statistics (ONS) between 2014 and 2018, Glasgow achieved a consistent level of growth in international resident visitations (with a decline in 2019), and an average growth of 3.7% per annum between 2014 and 2019. The primary source markets are the United States (19.0%) and Germany (10.0%) with 53.0% of visitors travelling to the city for leisure purposes. Domestic overnight visits to Glasgow have hovered around 2.0 million per year after a peak of in excess of 2.5 million in 2014 as the city hosted the Commonwealth Games. The city remained popular for domestic overnight visitations in 2017 and 2018 following the initial Brexit vote and the impact on the value of the pound sterling.

The ONS reported that the number of visitations by overseas residents to the UK fell by 73.0% in 2020 as international travel restrictions and domestic lockdowns to combat the COVID-19 pandemic crippled the global travel and accommodation industry. The ONS further stated that in 2020, international visitor spend was down 78.0% to £6.2 billion GBP, and that spending by domestic overnight and day visitations was down 50.0% on 2019.

According to data provided by the Association of Scottish Visitor Attractions, prior to the pandemic, the main attractions in Glasgow had experienced

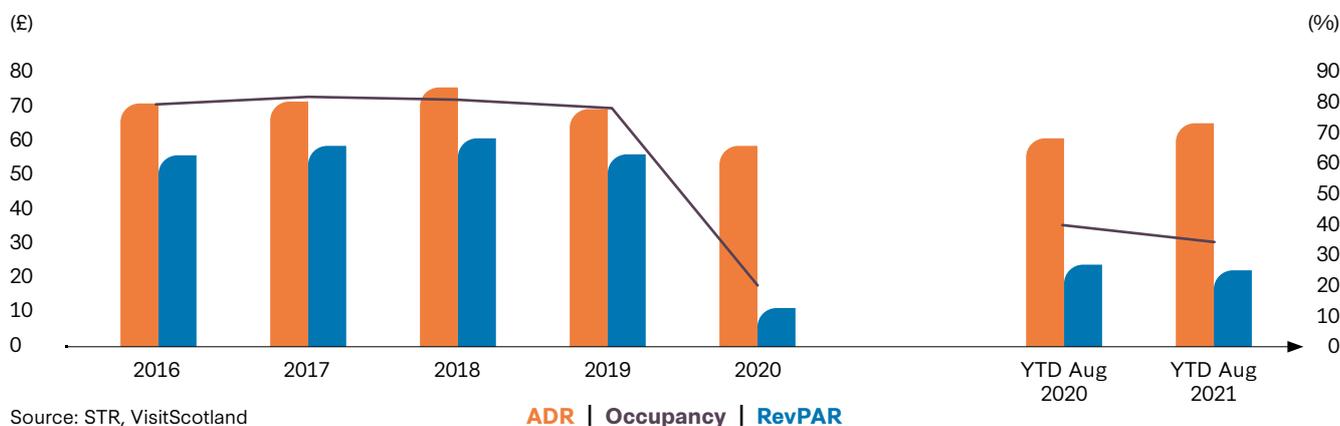
strong growth in visit numbers, led by the Kelvingrove Art Gallery & Museum (1.8 million) and the Riverside Museum (1.3 million). The city has a prominent international reputation for hosting MICE, with the purpose-built SSE Hydro conference centre usually catering for approximately 140 events yearly across music, entertainment, sports and exhibitions since it opened in 2013.

#### HOTEL MARKET

As one of the key regional UK cities and a recognized centre for business, culture, creativity and innovation, Glasgow's hotel market maintained a constant occupancy rate of between 79.0% to 81.0% between 2014 to 2019. Glasgow attracts a variety of visitors for leisure purposes with a wide range of food & beverage and retail options, in addition to MICE and corporate visitations as one of the prominent conference destinations in Europe. However, despite displaying a favourable level of growth in ADR between 2013 to 2018 at an average of 6.2% per annum, the fall in ADR in pre-pandemic 2019 (-6.1% to £71.2) was viewed by some observers as an indication of the impact of the new supply in the city in recent years.

As a consequence of the severe impact on the city's leisure and corporate visitations as the pandemic caused numerous lockdowns and travel restrictions across the UK and Scotland, the annual occupancy rate for the Glasgow hotel market fell by 74.9% from the 2019 level to approximately 19.9%. ADR also suffered a 17.8% drop to £58.6, with intermittent short peaks of reasonable trading generated from the domestic market between government-imposed movement restrictions.

## Glasgow Annual Hotel Performance



Source: STR, VisitScotland

ADR | Occupancy | RevPAR

The removal of all COVID-related restrictions across the UK and Scotland in August 2021 is anticipated to have a significantly positive effect on the ADR for the year, with estimates of circa £65.0 to be reached by year-end, which would represent 11.0% growth on the 2020 trough. Furthermore, despite incurring a YTD August occupancy rate of circa 35.0%, there have been a number of positive events that indicate that demand will return in 2022. The hosting of four matches for the UEFA European Football Championships in June 2021 and the attraction of Scotland as a staycation destination for the bridled domestic traveler during the summer of 2021 will likely contribute to improved hotel performance results following the despairs of 2020.

### EXISTING SUPPLY

As at the date of this report, research by STR and Colliers estimates that the existing hotel supply in Glasgow comprises approximately 12,054 rooms. The previous five years have witnessed a significant level of development and repurposing of buildings throughout the city centre and in the Scottish Event Campus zone. Recent major additions to the hotel supply completed in 2018 and 2019 include the Radisson Red (174 rooms), Motel One (374 rooms), Moxy Merchant Street (181 rooms) and ibis Styles Glasgow City West (137 rooms). While these new developments are positioned across a variety of grades and targeting a range of clientele, the sheer number of rooms added to the existing inventory by December 2019 was viewed to have a detrimental impact on revenue performance for the 2019 trading year.

Despite the ensuing impact of the pandemic on the construction industry, Glasgow has continued to see a steady flow of additional hotels during 2020 and 2021 coming online as previously committed projects have achieved completion. Recently completed

hotels include Yotel Glasgow (257 rooms), Premier Inn Glasgow City Centre (250 rooms) and Courtyard by Marriott SSE Hydro (216 rooms). This level of ongoing supply has caused concern of an over-supply scenario triggering a decline in key performance indicators in a highly-competitive market.

Following our research, it is estimated that approximately 1,864 rooms will be added to the existing hotel supply within the next three years, which equates to 15.7% of the existing total supply. However, we would note that a number of announced projects have displayed little sign of progress since the pre-pandemic environment. We estimate that 485 hotel rooms are uncertain to complete by 2024, by which the potential increase would be 11.4% on the current total supply in the event that these projects were not to complete in this timeframe. However, should the travel and hospitality market in the UK and Scotland continue to improve progressively in 2022, as global vaccination rates rise and travel restrictions are loosened, there remain a substantial number of owners and/or developers currently holding properties in Glasgow that could commence construction should market conditions justify it.

### FUTURE DEMAND

The Glasgow hotel market will remain a key regional UK destination for leisure, business and MICE. Whilst the recent huge reduction in international arrivals to the UK significantly impacts on cities such as London and Edinburgh, we feel that Glasgow is well-placed to sustain through the temporary overseas visitor downturn on the basis of the significant domestic visitor market for business and MICE, as the corporate environment in the UK steadily returns to a level of normality. Looking beyond 2021, we are confident that the city's ability to attract notable

## Market Overview

corporate, cultural, sporting and entertainment events as the UK emerges from the confines of the pandemic will continue to attract domestic visitors who may be limited in choice as COVID continues to impact cross-border travel into 2022.

Notwithstanding the strength of Glasgow's attraction for the domestic market, we should not ignore the critical contribution of international visitations to the city's hotel industry, and the significant part this will play in a post-COVID recovery of the market. The UN Climate Change Conference (or COP26) in October and November 2021 has reportedly led to forward bookings for 90.0% of the available Glasgow hotel inventory as international and domestic delegates and observers descend on the city. The holding of an event of this magnitude is a clear indication that Glasgow remains at the forefront of European MICE destinations, and that the securing of various exhibitions, trade fairs and conferences for physical attendees in a post-COVID world will remain a key component to the success of the city's hospitality industry in 2022 and beyond.

In addition, continued geo-political risks and exchange rate movements will continue to be important factors.

### **HOTEL MARKET OUTLOOK**

Prior to 2020, Glasgow was continuing to build on its reputation as a key regional UK and European city to be categorized with the likes of Manchester, Birmingham, Amsterdam and Munich. With significant infrastructure improvements such as the Scottish Event Campus, the £120 million upgrade of the Queen Street Railway Station, and the progressive rejuvenation of the River Clyde frontage for mixed-use and cultural schemes, Glasgow continues to develop key projects that serve to attract and satisfy leisure and corporate visitors, without having the benefit of the historical and cultural attraction of rival city Edinburgh.

The outlook for Glasgow's hotel industry is positive as the city will return as a key destination for the UK leisure (staycation) and corporate markets prior to uninhibited international travel permissions in the near future. Despite significant ongoing hotel development throughout the pandemic and a considerable potential supply pipeline for the future, we are confident that Glasgow will continue to evolve as a major destination and will be well poised for the future return of overseas arrivals as vaccination rates across the globe rise to levels that permit more freedom for international travel and large physical gatherings for MICE, which should occur within 2022. On this basis, we forecast that based on continued progress in the handling of COVID-19 going forward, particularly within the UK's key source markets in the United States and Europe, that Glasgow's hotel sector may return to pre-pandemic ADR and occupancy rates in 2023.

## London,

UK



### LONDON TOURISM MARKET

As a result of the “double event” of the COVID-19 pandemic outbreak in March 2020 and the final confirmation of Brexit on 1 January 2021, the London tourism market has experienced a seismic change in recent years. Looking back to 2019, the UK was the 10th most visited destination worldwide in terms of visitor numbers at 40.9 million, with the United States, France, Germany, Ireland and Spain being the largest source markets. Domestic tourism had also witnessed strong growth given the ‘staycation’ effect due to the weak pound. Visitor expenditure in 2019 was £28.4 billion, an increase of circa 7.3% on the previous year.

Notwithstanding the success of 2019, international tourism to the UK fell dramatically in 2020 due to the impact of the COVID-19 pandemic and as travel was forced to halt in early 2020 as the virus spread across the globe. The Office of National Statistics reported that the number of tourist visits made to the UK from overseas fell by 73.0% to 11.1 million in 2020 from a peak of 40.9 million visitors in 2019, with a decline of 78.0% in spending to £6.2 billion.

The main purpose of visits to London was leisure/holiday (circa 51% of visits), followed by visiting friends and family and business. The average length of stay for overseas travellers is circa 5.5 nights, with domestic visitors at an average of 3.0 nights. London remains a major international business and financial center and the 3rd most visited city destination in the world in 2019, offering an abundance of cultural and leisure activities for a visitor. There is a relatively strong correlation between GDP growth in London and overnight arrivals (0.91) indicating the dependence on this sector for the city. This also suggests that there is a strong base of

demand that would tend to visit the city in any event. Corporate and leisure demand in the future will depend on the performance of its key source markets: United States, France, Germany, Italy and Spain, with strong growth from the Middle East, and Greater China.

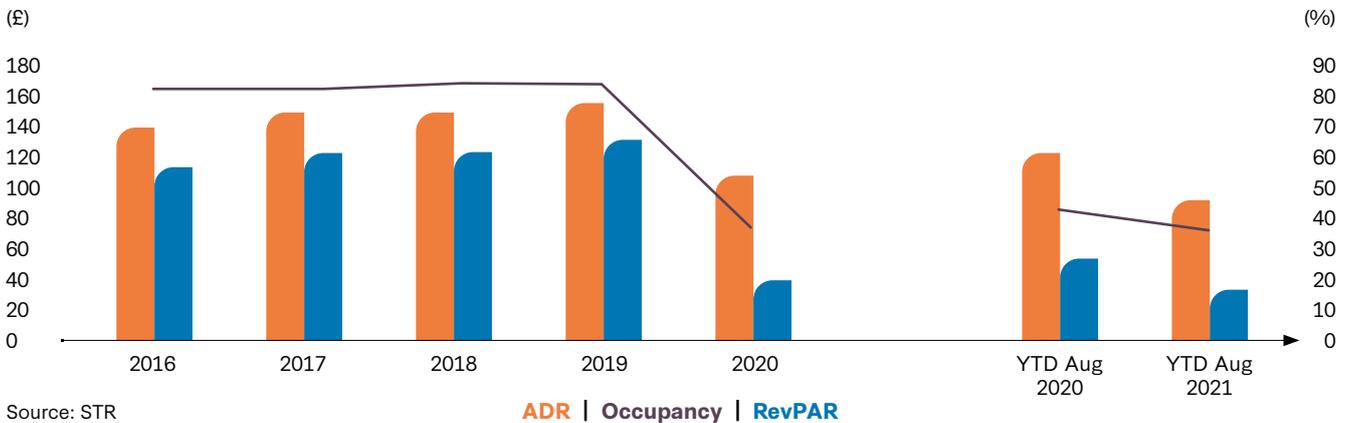
### HOTEL MARKET

Overall, hotels in London continued to enjoy strong performance between 2012 and 2019, with the upward trajectory of ADR and yearly room occupancies in excess of the 75.0% mark. This demonstrated the capital’s robustness as the city absorbs the new supply that has entered the market. In addition, as the pound sterling continued to weaken in 2018 and 2019 due to the uncertainty lying around Brexit, this attracted more foreign visitors, with overall ADR and room occupancy increases throughout most segments of the hotel market.

In any event, a closer look at the historic room stock versus demand suggests that hotels in London are full almost all the time during peak periods, and especially during Monday to Thursday, and Saturday nights. This suggests that there is a high degree of existing frustrated and latent demand, whereby visitors who wish to come to London either cannot find rooms or have to turn to alternative accommodation providers. Overall, London hotels achieved a 2.1% increase in ADR and rose to a peak of £193.4 and reached a high occupancy of 81.9% in 2019, an increase of 4.1 pp from 2018 levels, despite a significant increase in supply. RevPAR for overall London hotels increased by 7.5% to £158.4 for 2019, as both occupancy and ADR improved.

## Market Overview

### London Annual Hotel Performance



During 2020, the global pandemic resulted in the drop in hotel occupancy in London by 41.0 pp to 40.9%, after a series of lockdown and travel restrictions were implemented across the country and the globe. Consequently, ADR took a plunge by 38.8% to £118.3, which led to a closing RevPAR of £48.4. As a result of international travel restrictions, the city's hotels were starved of international visitations. This severance of demand was further compounded by the domestic movement restrictions throughout the year, and especially over the festive season in 2020/2021, which wiped off potential domestic staycation business during a typical peak season for the city.

YTD August 2021 data revealed that the London occupancy rate has fallen further again from the August 2020 level to just 36.2%. However, this data relates to the performance leading up to the final stage of virtually all anticipated COVID-based restrictions. As the UK government announced its "freedom day" for England on 19 July 2021, the occupancy rate and ADR is expected to increase significantly in the fourth quarter of 2021. As an early indication of the potential market performance improvement after the lifting of domestic lockdowns, the occupancy rate recorded in August 2021 at 56.4% reflected a 15.8% increase on the June 2021 result at a time when restrictions remained in place, whilst ADR had increased to £154.6 or 12.3% in comparison to June 2021.

#### EXISTING SUPPLY

Currently, London has circa 160,000 hotel rooms, with a spate of new supply completed in 2019 and 2020 despite the market depression and complications brought about by the pandemic from the second quarter of 2020. Prior to the full extent of the pandemic's impact on the UK hospitality and construction industries becoming apparent during 2020 and 2021, according to STR, approximately 15,000

new rooms were expected to open within these two years, being 10% of 5-star grade, 31% 4-star, and 26% budget hotels. Approximately 60% of the new inventory was intended to be located in Central London followed by 18% and 14% in West London and East London respectively.

Despite the effects of the pandemic on the city's hotel sector, YTD 2021 has seen the opening of approximately 1,500 rooms across Greater London in a variety of sub-sectors and locations. Significant new additions to the hotel landscape include The Londoner in Leicester Square (350 rooms), Nobu Hotel London Portman Square (249 rooms) and Mondrian Shoreditch London (120 rooms), together with a variety of boutique luxury operations as repurposing of London's historic districts. Given the relentless supply of new hotel rooms experienced over the last five years, intensity of the competition has heightened significantly. This is expected to continue moving forward in light of the upcoming new room supply and as hotels are increasingly competing with other forms of tourist accommodation, such as serviced apartments, new style hostels and shared economy spaces such as Airbnb, HomeAway and FlipKey. Following the effects of the pandemic and a period of stabilization, London's considerable hotel pipeline may subside in the two years leading up to 2024 as previously announced projects are revived.

#### FUTURE DEMAND

In 2022, we expect a similar trend in the uptick of tourism arrivals to that of the country should the pandemic situation remain generally under control. Whilst London benefits from a broad range of source markets from across the globe, this rebound in performance will be predominantly underpinned by an increase in visitation from the United States, Europe and North Asia, and in particular Greater China.

Estimates compiled by VisitBritain for the UK tourism industry for the remainder of 2021 would reflect a 51.0% increase on the revenue generated during 2020, but still only achieving 56.0% of the spend in pre-pandemic 2019. VisitBritain believes that 2021 will witness 7.4 million visitations to the UK, with 75.7% originating from European short-haul destinations. Whilst long-haul visitation numbers may make significant signs of recovery in 2022, London remains one of the most popular destinations in the world for international visits and is expected to witness an influx of arrivals following the loosening of travel permissions. Even though pre-pandemic forecasts for over 40 million visitors to London by 2025 may now prove challenging, as the UK government pushes ahead with a full reopening based on the high population vaccination rate and a need for economic stimulus, the ensuing four years of recovery beginning in 2022 is expected to see London return to its previous ranking as one of the world's premier leisure and business destinations.

In addition, continued geo-political risks and exchange rate movements will continue to be important factors.

## **HOTEL MARKET OUTLOOK**

Although Brexit and the pandemic have caused uncertainty and slowed economic growth, the potential for the hotel industry remains strong and demonstrates London's continued appeal as a business and tourist destination. In light of this, key operational challenges for the London hotel industry in the short to medium term is likely to remain on the staffing and service side, partially due to lower availability of European labour as a result of Brexit, and especially as locals continue to perceive the sector as one of low prestige, mainly due to lack of knowledge. 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 going forward. As such, this may well place additional costs on hotels.

The longer-term impact and path to recovery will thus depend, apart from the progression of the pandemic and treatments/vaccines, on wider demand (especially economic) and supply factors. Nevertheless, we note that once travel restrictions are lifted, the hotel sector will rebound strongly as we anticipate a U-shaped recovery pattern. Occupancy will recover gradually with weekend spikes driven by the leisure domestic segment, while RevPAR will only fully rebound once international borders reopen with the return of long-haul visitors, enabling growth in ADR. We are seeing the early green shoots of this recovery in the initial market performance data released following the UK's "COVID freedom day" in July 2021, and anticipate that this positive trend will continue as global travel emerges from the confines of the pandemic from the fourth quarter of 2021 onwards. A return to pre-pandemic levels is expected by 2024.

## Market Overview

### Kobe, JAPAN



#### KOBE TOURISM MARKET

The COVID-19 pandemic has had a devastating effect on the Japanese hotel and travel industry since March 2020. The previous 18 months has witnessed multiple declarations of state of emergency as infection rates accelerated throughout the country, large-scale lockdowns and travel restrictions, and the 12-month delay of the hosting of the Summer Olympic Games in Tokyo in 2021. Following two years of receiving in excess of 31.1 million international arrivals to the country, 2020 saw a decline of 87.1% to just 4.1 million arrivals for the year. With little demand generated by the rescheduled Olympic Games in July and August 2021 as spectators were banned, and the infection rate in the community remained unstable with a population vaccination rate of circa 60.0%, the tourism statistics for 2021 displayed little improvement from the previous year with just 87,000 international visitations to 1 June 2021, in comparison to 3.9 million arrivals for the same period in 2020. The new leadership of the Japanese government is determined to reopen the country's borders by lifting the most recent state of emergency on 30 September 2021 and reduce the self-quarantine period for vaccinated visitors to 10 days upon arrival.

Notwithstanding the challenges facing the international arrivals sector of the Japanese travel industry, the activity of the domestic market historically provides the strong base for the country's hotel sector. According to Japan Tourism Agency data, in 2019, domestic travellers accounted for 81.3% of the total number of overnight stays across Japan. The effect on domestic travel as a result of the various state of emergency declarations and regional movement restrictions have severely impacted the national hotel sector, with occupancy rates generally hovering at less than half of the rates generated in 2019.

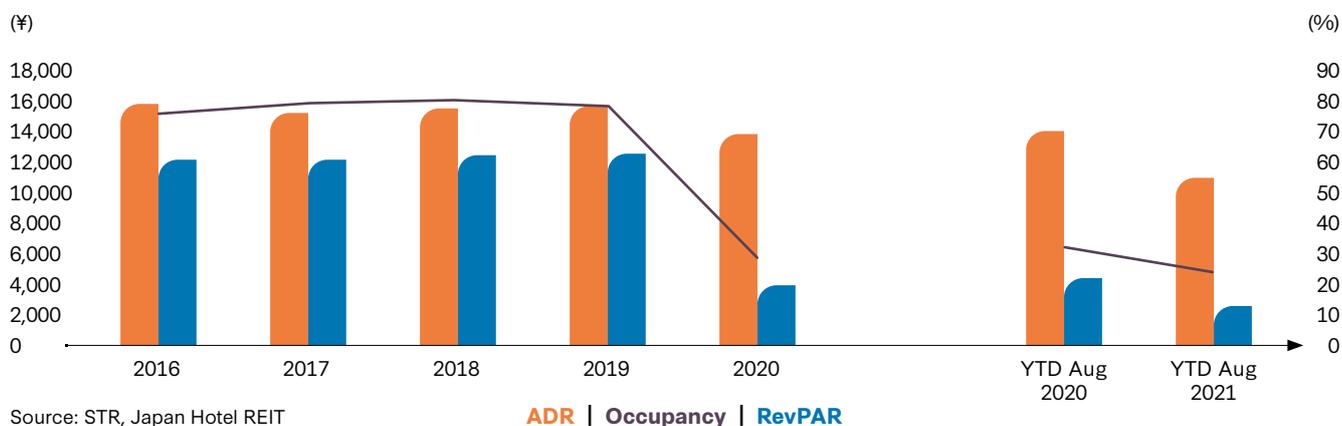
As part of the Kansai (or Kinki) Major Metropolitan Area (**MMA**), the city of Kobe, which is the sixth largest city in the country, forms part of the second largest metropolitan conglomeration in Japan. The urban areas of this MMA of circa 20.0 million inhabitants also include the modern Osaka (30 kilometres to the east) and the historically significant former capital of Japan, Kyoto (75 kilometres to the north east). The Hyogo prefecture, of which Kobe is the major city, is popular for its renowned onsen spa resorts and the UNESCO World Heritage listed Himeji Castle, especially around the time of the annual cherry blossom season. Kobe and its significant port act as the commercial hub for the prefecture, with the primarily domestic Kobe Airport and the Shin-Kobe Station on the regional bullet train network located in the city.

Visitors to Kobe and the Hyogo prefecture are generally domestic travellers, with the dominant proportion (74.6%) visiting on a day trip basis. Of those who stay overnight, approximately half do so on the basis of business, but the number attracted to the area for leisure is rising as more publicity is ramped up to focus on the natural beauty of the surrounding region, and the opportunity to enjoy renowned local cuisines such as the famous Kobe beef and sake. In recent years, international arrivals from China and South Korea have represented growth in leisure travel to the prefecture and its capital.

#### HOTEL MARKET

The neighbouring Osaka, as the third largest city in the country with a city population of circa 2.6 million, serves as one of Japan's major hubs for industry and commercial activity, with the Kobe hotel market benefitting from its close proximity and the "overflow" of visitations to the larger commercial centre.

## Kobe Annual Hotel Performance



Source: STR, Japan Hotel REIT

ADR | Occupancy | RevPAR

With Osaka's annual occupancy rate historically at 80.0% or higher, demand for Kobe's hotel market as an alternative lodging option is closely linked to the market conditions in Osaka. Unfortunately, Osaka was one of the most impacted markets in the entire Asia Pacific region in terms of decline in RevPAR in August 2021 with a 30.8% fall since August 2019 due to the pandemic. Given its proximity and its role as a supplementary market to the neighbouring Osaka, Kobe's hotel performance is intrinsically linked to the market conditions of the larger city, and as a result has suffered a similar detrimental impact in hotel performance since 2020.

Prior to the pandemic, Kobe city and its relatively modest hotel supply of approximately 9,000 rooms consistently maintained an occupancy rate of between 75.0% to 83.0% between 2015 to 2019. As the primary location of accommodation in the prefecture, Kobe's hotels provide for 75.4% of all overnight stays taken within Hyogo, compared with the likes of Himeji municipality which attracts only 10.3% of the overnight stays in the prefecture. Kobe's ADR has remained generally stable for five years leading up to 2020 at between ¥15,000 to ¥16,000 per night. However, the onset of the pandemic in the first quarter of 2020 brought a swift fall in ADR in 2020 by 12.3%.

YTD August 2021 has seen minimal signals of recovery for the Japanese hotel sector as the country continues to battle outbreaks of the coronavirus with regional declarations of state of emergency laws and prolonged severe restrictions on global international travel from the various major source markets, which included the banning of all spectators and visitors from the Summer Olympic Games in Tokyo. Under these challenging conditions, research reveals that the prevailing occupancy rate in Kobe for YTD August 2021 was just 23.9%, with ADR falling a further 19.9% on the basis of crippled market demand.

## EXISTING SUPPLY

The majority of the existing Kobe hotel supply has generally been developed along the port harborside zone, which is characterized by large hotel towers overlooking the port and its harbours. There is also a cluster of city centre hotels which are well-connected with rail transport and popular dining, shopping and entertainment streetscapes.

Provided within a mixture of formal hotels and more traditional accommodation buildings, it is estimated that there are approximately 9,400 rooms in Kobe's existing hotel supply. The harborside hotel towers that characterize the port area were generally built in 1980's and 1990's and include major landmark buildings such as the Kobe Meriken Park Oriental Hotel (319 rooms), the Hotel Okura Kobe (474 rooms) and the Kobe Portopia Hotel (746 rooms). The hotel supply within the inner-city districts such as Sannomiya in close proximity to the regional rail infrastructure and popular cosmopolitan zones include the ANA Crowne Plaza Kobe (591 rooms) and the Kobe Motomachi Tokyu REI Hotel (191 rooms).

Whilst there has been caution raised from some observers in relation to the level of recent and future hotel development in the nearby cities of Osaka and Kyoto, Kobe has not witnessed a recent significant influx of new hotel supply. Recent openings have included the Hotel Monterey Kobe (231 rooms in 2020) and the Brenza Hotel (147 rooms in 2018), together with the first quarter of 2021 openings of The Royal Park Canvas Kobe Sannomiya (170 rooms) plus Kobe Sannomiya (209 rooms). Over the course of the last four years, approximately 1,000 rooms of an international hotel standard have been added to the city's inventory.

In terms of future supply for the Kobe hotel market, there are no significant projects currently planned or under construction. In light of the recent depression of the hospitality market due to the coronavirus pandemic,

## Market Overview

It is reasonable to presume that any projects that have not commenced to date will be delayed or halted. However, should the travel and hospitality market in Japan show signs of recovery as the hosting of World Expo 2025 in Osaka draws closer, there could be a change in the conditions of hotel supply in Kobe as a response to more favourable and financially feasible market conditions in the future.

### FUTURE DEMAND

In the last decade, the hotel market in Japan has undergone significant expansion and transformation to provide a more modern and international standard of accommodation options to facilitate continued travel for the domestic market, and also for the rising number of international visitors in this time. Aside from 2011 when blighted by the Fukushima nuclear accident in March of that year, Japan witnessed growth of at least 19.3% in international arrivals between 2010 and 2017, with the total count rising from 8.6 million to 28.7 million in this timeframe. Despite various challenges over the decade leading up to the pandemic in 2020, Japan secured and successfully hosted global events such as the Rugby World Cup (in 2019) and the Summer Olympic Games (postponed to 2021) as an indication of the nation opening its borders to a wider international visitor base.

With a stable economic environment of continued GDP growth and low unemployment in the 2010's, the Japanese hotel sector has continued to develop to the benefit of both the strong national domestic travel market for business and leisure, and for increased influence from international entrants such as China (30.1% in 2019), South Korea (17.5% in 2019) and Europe/Americas/Australia (13.0% in 2019). In step with this evolution, the markets in cities such as Osaka and the neighbouring Kobe have continued to mature as destination alternatives to the major Tokyo MMA.

As the country's new leadership continues to grapple with the ongoing effects of the pandemic through 2021, Kobe must look to continue as a destination viewed apart from neighbouring Osaka, and as the primary accommodation option for the popular and diverse Hyogo prefecture. Aside from its prominence as one of the largest ports in Japan, Kobe must also look at expanding on its experiences such as hosting matches for the Rugby World Cup at Misaki Stadium in 2019 and the recent Super Nintendo Land expansion of Universal Studios in March 2021 on the border with Osaka as ways to highlight the city's standing in the Japanese hotel and tourism landscape.

Looking to demand triggers for the Kobe hotel market in the fourth quarter of 2021 and beyond, there is optimism that the government's so-far troubled 'Go To Travel' domestic tourism stimulus campaign will be relaunched by end-2021 to assist the recovery of the hotel and tourism sector across the country.

Looking further ahead, Osaka retains the hosting rights for World Expo 2025 between April and October 2025, with approximately 57 countries committed to participate to date, including the People's Republic of China, the United States, the UK and countries of the European Union. The exhibition island of Yumeshima in Osaka Bay is expected to receive over 28 million visitors during the Expo in four years time, and thereby could lead to Kobe Airport transitioning to an international transport node by 2025 to facilitate the anticipated arrival numbers.

In addition, continued geo-political risks and exchange rate movements will continue to be important factors.

### HOTEL MARKET OUTLOOK

The recovery timeline for the Japanese hotel market in general as we enter the fourth quarter of 2021 remains difficult to determine as the market seeks to rebound from the crushing disappointment of hosting a spectator-less Summer Olympics, and as coronavirus infection rates continue to fluctuate dangerously in the midst of a gradually rising population vaccination rate of around 60.0%.

Despite this challenge, the outlook for recovery for Kobe is more favourable given the city's reliance on the domestic travel market for business and leisure purposes, which are expected to recover in the short term. With the historical propensity for visitors to be limited to only short overnight or two-night stays in the city, Kobe's hotel sector has not been developed to the position of over-supply, and is appropriate to achieve occupancy rates of circa 80.0% when normal domestic travel conditions return, and without an over-reliance on international arrivals.

Aside from the future business and corporate sectors that will drive an industrial port city, as Kobe city is the primary accommodation provider for the wider Hyogo prefecture, it will have the opportunity to benefit from a return of domestic leisure travel as the Japanese population emerges from the confines of pandemic lockdowns and restrictions and seeks leisure experiences such as the historical and natural beauty destinations that are offered within the diverse prefecture. This sector will be supported and assisted by key government initiatives such as the, Go To Travel, campaign as the country's new leadership has pledged to help the tourism market recover from the depths of the pandemic in 2020 and 2021.

On this basis, we forecast that based on continued progress in the handling of COVID-19 going forward, particularly within Japan's key source markets in China, Taiwan and South Korea, that Kobe's hotel sector may return to pre-pandemic ADR and occupancy rates in 2024, prior to the opportunity for significant performance gains in 2025 as neighbouring Osaka hosts the World Expo 2025 exhibition.

## Kuala Lumpur, MALAYSIA



### KUALA LUMPUR TOURISM MARKET

According to the Malaysian Department of Statistics, Malaysia is the 15th most-visited country in the world, and the fifth most-visited country in Asia after China, Thailand, Japan, and Hong Kong. The travel and tourism sector contributed RM240.2 billion to the country's GDP equating to 15.9% of total GDP in 2019. Growth in tourism performance was also seen in terms of per capita expenditure, which rose by 1.3% to RM3,300, while the average length of stay was registered at 4.1 and 1.9 days for international and domestic visitors respectively in 2020.

Due to the impact of the COVID-19 pandemic, the key source markets for Malaysia in 2020 were not representative of the typical visitor arrival mix under usual circumstances. Therefore, it is appropriate to refer to 2019 as a true indication of the Malaysian tourism market year-to-year. In 2019, Malaysia's key source markets for international visitor arrivals were dominated by neighbouring Singapore (38.9%), followed by Indonesia (13.9%), China (11.9%), Thailand (8.7%), Brunei (5.6%), and India (3.4%).

Focusing on the capital Kuala Lumpur, between 2012 and 2019 the total number of international tourist arrivals grew at a CAGR of 5.6%. In 2019, the capital city received 14.1 million international visitors, with a YoY increase of 2.2%. In 2020, due to unprecedented global travel restrictions and border closures amid the COVID-19 pandemic, the total number of international visitor arrivals to Malaysia decreased by 83.4% to circa 4.3 million tourists. This led to the cancellation of the 'Visit Malaysia 2020' tourism campaign, and a similar decline in international arrivals to Kuala Lumpur.

However, as much as foreign visitation to the city is significant, even more so is the size of its domestic tourism market. Domestic tourism dominates the hotel market performance in Malaysia, accounting for 96.8% of total combined domestic and international arrivals in 2020, of which Kuala Lumpur accounts for 9.4% of total domestic visitor arrivals for the country, registering 12.4 million domestic arrivals.

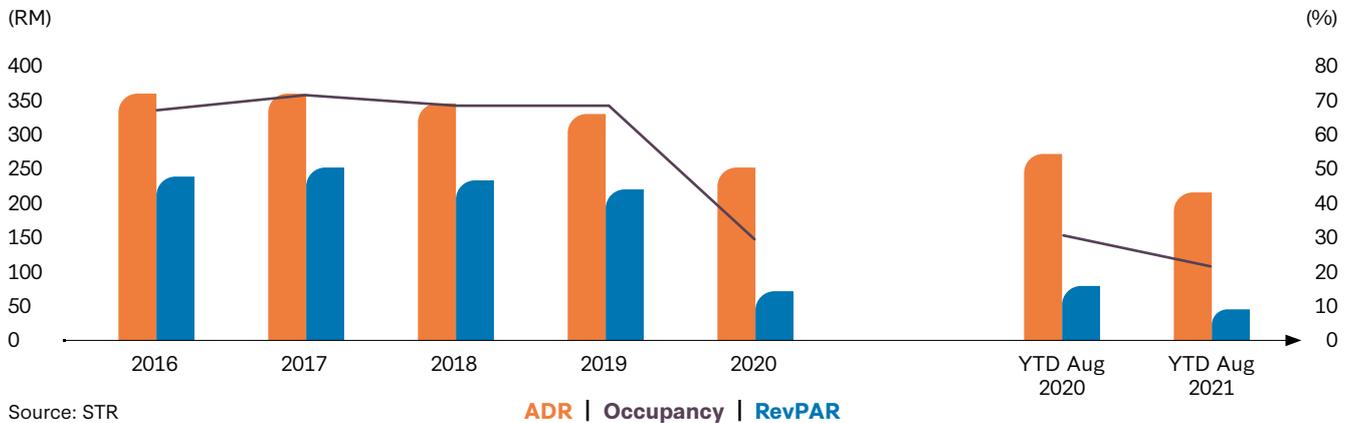
Nevertheless, under the Kuala Lumpur Tourism Master Plan 2015-2025, the government targets to achieve 16 million international visitors by 2025. Initiatives to drive this growth include strengthening Kuala Lumpur as a premier shopping destination; establishing Kuala Lumpur as a nature and adventure tourism destination; enhancing the capital city's position as the preferred destination for MICE; hosting education and medical tourism; and ensuring the provision of world-class infrastructure and tourism products are well maintained. In light of the ongoing implications of COVID-19 restrictions, we anticipate a return to pre-COVID tourism levels by 2024, with a recovery in tourist arrivals taking hold potentially in the second half of 2022.

### HOTEL MARKET

In terms of hotel market performance, room occupancy in Kuala Lumpur fluctuated between 2016 to 2018 and recorded an average of 68.2%. However, ADR declined by 3.9% to RM341.1 in 2018, which resulted in the fall in RevPAR by 2.0% to RM231.2 over the same period. The fall in both room occupancy and ADR could be attributed to the drop in tourism arrivals, alongside the new supply in recent years which were yet to be absorbed into the market. In 2019, both occupancy and ADR remained under pressure and decreased slightly

## Market Overview

### Kuala Lumpur Annual Hotel Performance



Source: STR

ADR | Occupancy | RevPAR

by 0.3% and 4.6% respectively, leading to a RevPAR decline of 4.9% to RM219.8.

For 2020, due to the impact as a result of lockdowns and travel restrictions globally from the COVID-19 pandemic, hotel performance in Kuala Lumpur experienced a significant decline in room occupancy, alongside a softer ADR amidst weak accommodation demand for the year. As a result, hotel room occupancy and ADR fell by 38.4% and 23.4% respectively, leading to RevPAR decline of 67.0% YoY.

As of YTD August 2021, hotel room occupancy and ADR was recorded at 21.8% and RM212.8 respectively, reflecting approximately 8.6% and 20.8% lower than the corresponding period last year. Nevertheless, we note that Kuala Lumpur is ramping up its efforts to concentrate resources on opening up more domestic travel destinations to promote domestic tourism in the fourth quarter of 2021. The 'Tourism Recovery Plan' has been launched under the National Tourism Policy 2020 - 2030, which includes attractive travel packages through offering incentives and promotions, restoring public confidence by emphasizing on health and safety, and embracing the technology of secure and contactless travel. This is in addition to preparations being made to welcome international arrivals once border closures are lifted, which continues to be debated by senior government officials.

#### EXISTING SUPPLY

The hotel market is very competitive in Kuala Lumpur given the increase in new hotel supply in recent years, together with increasing competition from serviced residences and alternative accommodation programmes such as Airbnb. From 2016 to 2018, total

hotel supply in Kuala Lumpur increased significantly by 16.4% to approximately 42,750 rooms. With ongoing development into 2019, the city supply was 45,081 hotel rooms. However, due to the proliferation of the pandemic, Kuala Lumpur saw a number of hotel closures in 2020, including the 180-room G Tower Hotel which ceased operation after 15 years due to a decline in occupancy and increased competition in the Kuala Lumpur City Centre zone. This resulted in a 1.4% drop in total hotel supply (excluding serviced apartments) to circa 44,430 rooms at the end of 2020. As at YTD August 2021, we note that several other hotels have ceased operations, including the substantial 486-room Hotel Istana Kuala Lumpur after approximately 30 years of operation. As such, hotel room supply has declined to 40,626 rooms.

Despite the challenging market conditions, there will be future supply, with approximately 800 rooms, set to open in Kuala Lumpur in the next six months, depending on the strength and pace of the economic recovery as the city emerges from the pandemic. Looking further ahead, 25 hotels with an estimated 7,622 rooms are proposed for the market by 2023. Out of this total new supply, the majority will be of an upscale or better standard. Notable upcoming hotel openings include the Kempinski Hotel (560 rooms in 2022), Fairmont Kuala Lumpur (750 rooms in 2023), Park Hyatt Kuala Lumpur (260 rooms in 2022), Conrad Kuala Lumpur (544 rooms in 2022), Jumeirah Kuala Lumpur (190 rooms in 2024) and So Sofitel Hotel (207 rooms in 2024) as part of the Oxley Towers KLCC. However, given prevailing uncertain market conditions, it is likely that some projects which have yet to undergo construction may be delayed, easing an element of the supply side concerns in the near term.

## FUTURE DEMAND

Since the movement control order was first imposed in March 2020, Kuala Lumpur has been through different phases of lockdown to contain the spread of the pandemic. This has resulted in a high level of frustrated demand for domestic leisure travel within the state or interstate. There has been a clear trend towards a preference for travel outside of the city or regional travel compared to inner-city experiences, as locals seek for coastal or cultural destinations. Although the return of large crowds for indoor entertainment and MICE in the city centres will spark demand from the surrounding metropolitan area, we note that leisure travel is primarily focused to promote domestic travel within the region.

Recently, the Langkawi travel bubble in September 2021 became the country's first holiday hotspot to reopen after the lockdown. If the island's "tourism bubble" is a success, we note that the ministry will be reopening other major tourism destinations, namely Genting Highlands, Tioman island and Melaka state. In addition, Malaysia's AirAsia Group has recently announced that domestic flight services will be available to fully vaccinated passengers, with the hope of reopening international flight services once borders are open.

As the financial hub and capital city of the country, Kuala Lumpur has eased restrictions allowing 11 economic sectors to reopen as a result of the high population vaccination rate in the city. We expect a strong rebound in tourism arrivals in the city following COVID-19 given the appeal of the destination, with the speed of recovery for Kuala Lumpur's hotel market linked to the return of the domestic and international business and the MICE sector. With almost 90.0% of the adult population vaccinated, interstate travel restrictions have started to be lifted, bringing forth a surge in domestic demand. We note that this will be followed by the gradual resumption of international arrivals in 2022, although the timing of this remains fluid.

## HOTEL MARKET OUTLOOK

In 2019, Kuala Lumpur hotels recorded a year-round occupancy level of 67.5%. However, in 2020, in line with the rest of Malaysia, the performance was unprecedentedly impacted by COVID-19, with hotels operating at 29.1%, or less than half the occupancy levels of the previous year's figures. Although a number of projects under construction might be delayed or postponed, the extent of new supply that will enter the market during 2022/23 is anticipated to impact on the existing hotels' ability to recover post COVID-19. In the short term, we expect ADR and occupancy in Kuala Lumpur to remain under pressure given the increasingly competitive landscape, as some existing hotels may undergo renovations to remain competitive, and new internationally branded hotels enter the market. Whilst the incoming luxury standard hotels will help contribute to raising the overall proportion of high-end operations and therefore the prevailing ADR for the city, the level of competition between the new entrants and those further down the hotel scale will make an improvement in ADR a challenge in the short term.

Nevertheless, with the swift vaccine rollout throughout the different states in Malaysia, restrictions for interstate travel have been eased and some recovery will take hold in the fourth quarter of 2021, with the hope for international travel to return in 2022. We expect recovery to accelerate in 2023, leading to a return to pre-COVID levels in 2024.

## Market Overview

### Dresden, GERMANY



#### DRESDEN TOURISM MARKET

With its standing as Saxony's capital, the hotel market in Dresden is in part driven by a mixture of strong domestic business and administrative demand, the presence of major corporations within the "Saxony Silicon Valley" (such as GlaxoSmithKline), and the city's ability to host MICE. However, with its historically significant Baroque architecture and multitude of museums and galleries, Dresden also attracts a significant proportion of tourists for art and culture, as a key regional leisure destination or as part of a wider German or European itinerary for an international traveler.

Dresden's hotel sector is dominated by the domestic market, with historically circa 80.0% of all annual visitations by German residents. Prior to the pandemic, since 2013, Dresden has consistently attracted in the range of 4.1 million to 4.7 million overnight visitations. In 2019, the city attracted 2.3 million visitations and 4.7 million overnight stays, of which 79.6% were German nationals. The onset of the COVID-19 pandemic in March 2020 triggered a 49.0% decline in visitation arrivals to 1.2 million, and only 2.6 million overnight stays. With significantly less international travel permitted, the domestic German market accounted for 87.0% of the total visitations. In relation to the proportion of international arrivals, prior to the pandemic, the United States (**US**) market contributed the highest number of overnight stays, followed by Poland and Switzerland. The results for 2020 reveal a 75.9% decline in arrivals from the US, whilst bordering Poland and Switzerland retained their positions as the primary international source markets for the city, albeit at much lower figures.

Historically, the European summer months of July, August and September typically see the highest share of arrivals to Dresden, given the picturesque riverside setting and surrounding natural scenery. Visitors are attracted to the variety of museums such as the Zwinger Palace, the Royal Palace and the Museum of Military History; various opera houses and classical performances; the River Elbe riverside precinct; and the numerous squares and landmark buildings throughout the city. It is also worth noting that Dresden hosts one of Europe's oldest and most-renowned traditional Christmas markets in December each year, which has generated high domestic and international arrivals during the festive season, with circa 2.5 million attendees. Whilst the 2020 incarnation of the festival was cancelled, in 2021, the event is planned to be held between 22 November to 24 December.

Besides the leisure attractions within the picturesque city centre, as an administrative hub for business in Saxony, Dresden also hosts a considerable MICE market on an annual basis. For seven years leading up until December 2019, the city hosted circa 17,500 events per year which attracted approximately 1.4 million participants per annum. With the majority of events typically held during the months of May, September and November, this market remains a driver of overnight stay demand for the hotel sector outside of the high-season summer months. Whilst the number of events fell dramatically in 2020 by 73.0% as a result of Germany's regional lockdowns and travel restrictions, given the popularity of the destination and its events venues for MICE associated with politics, the life sciences and banking; the need and desire for the domestic market to convene in person is expected to return rapidly within 2022.

## HOTEL MARKET

Dresden is a popular domestic leisure and business destination which has the additional benefit of a favourable perception from the international leisure market on the basis of its architectural and natural beauty. Aside from those visitors from neighbouring countries such as Poland and Switzerland, Dresden is also a popular stop for group tours across Europe by visitors from the likes of the US and Australia during the European summer months.

With the benefit of a wide range of source markets throughout the year, in recent years, Dresden has maintained a consistent level of occupancy rate of between 65.0% and 71.0% annually, leading to the first quarter of 2020 and the outbreak of the COVID-19 pandemic. Since March 2020, Dresden has been subject to a number of severe lockdowns and movement restrictions which have lasted for months at a time. The lockdown from 16 March to 15 May 2020 affected the hotel sector (no leisure bookings permitted) before the peak of the summer high season, before restrictions were reinstated on 1 November 2020 and lasted until 31 May 2021. As a result of the circa five months of inactivity, the overall hotel occupancy rate for Dresden in 2020 was just 38.3% with an ADR of €77.2.

As the country was mired in a seven-month lockdown from 1 November 2020 to 31 May 2021, the first half 2021 data reflects an occupancy rate of just 14.6%, albeit with signs of recovery in the month of July 2021 with an occupancy rate of 53.2%. Despite the huge reduction in occupancy rate, as the market's depressed performance was a result of government protocols, ADR is not expected to fall as dramatically in 2021 as the expectant surge of demand from the leisure market over the summer high season would have reassured owners and operators to hold firm on pricing when domestic travel was permitted from mid-2021.

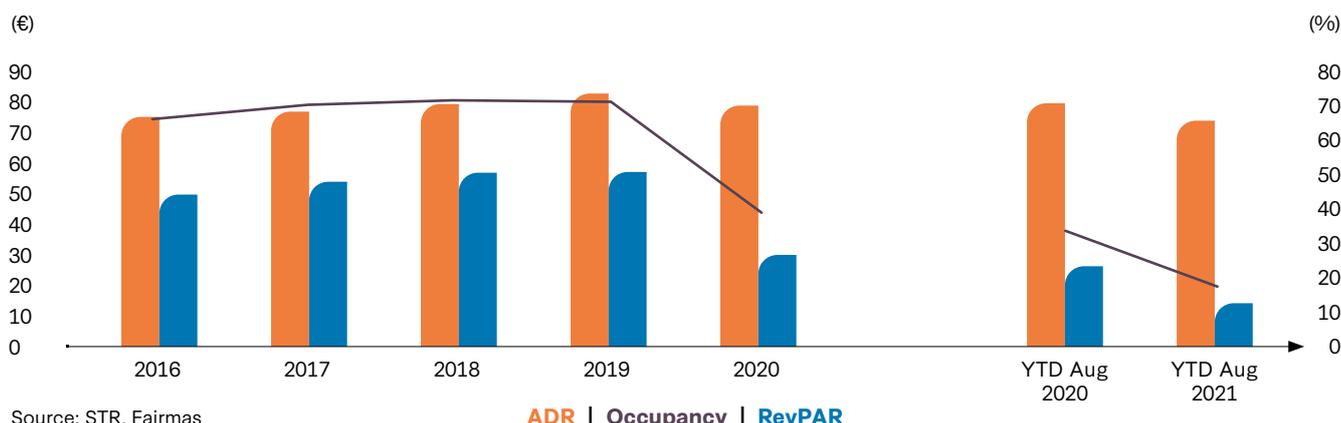
The ADR rate in Dresden has displayed steady growth in recent years of between 2.0% to 4.0% annually since 2016 prior to the 5.0% decline in 2020 as the pandemic deprived the city's hotel sector of domestic, MICE and international visitations. The prevailing ADR for 2019 at €81.3 reflected a rate of growth of 2.5% on 2018, before the dramatic impact of the pandemic in the first quarter of 2020.

## EXISTING SUPPLY

In accordance with data provided by the Saxony State Statistical Office, the city of Dresden comprises a total hotel supply of approximately 23,700 beds within its hotels and bed & breakfast establishments. There is a group of well-established hotels within the Old Town, and to the south, in the more recently developed area to each side of Prager Straße in close proximity to the Central Railway Station. The balance of the stock is primarily located around the scenic squares and landmark buildings across the city, or in zones close to infrastructure such as railway stations.

In response to the strong historic annual performance of the Dresden hotel market sector and the forethought of investment as a "Smart City" to attract the business and leisure visitor, there has been steady hotel development over the last five years, typically as part of mixed-use schemes. Representation in these new developments has been keenly sought by the major international management chains as they seek to gain a foothold in a key regional market that has been somewhat underserved by the global brands to date. On this basis, despite the impact of the pandemic, recent additions to the hotel supply in the city include the Arcotel HafenCity (183 rooms) to the north side of the Elbe, the Moxy Hotel Dresden (162 rooms) in the summer of 2021, Premier Inn City Zentrum (218 rooms) from April 2020, and the Hotel Indigo Dresden - Wettiner Platz (132 rooms) which opened in late-2018.

### Dresden Annual Hotel Performance



Source: STR, Fairmas

ADR | Occupancy | RevPAR

## Market Overview

As the Dresden hotel market relies upon the combination of a broad base of sources for visitations throughout the calendar year, the short-term future hotel pipeline for the city represents a variety of standards and accommodation styles in various locations across the city footprint. The current pipeline for the next two years following the pandemic lockdowns equates to a sensible future supply of approximately 1,100 hotel rooms which include hostel-style informal accommodation, serviced apartments catering for long-stay guests, and a range of hotels to a mixture of midscale and upscale standards. With reference to the uncertainty brought about by the pandemic and the affect this may have had on future development decisions in the Dresden market, a selection of projects which are presumed to complete over 2022 and 2023 include the Hampton By Hilton Dresden City Centre (203 rooms in the first quarter of 2022); the city's second Premier Inn in Prager Strabe (200 rooms in 2022); and a serviced apartment offering from Stayery in Neustadt (125 rooms in 2022).

### FUTURE DEMAND

As the German travel and hospitality industry emerges from the heavy government-imposed restrictions and protocols at the height of the COVID-19 pandemic in the second half of 2020 and first half of 2021, there is confidence within the market that key regional destinations such as Dresden (and wider Saxony) will benefit from a quick recovery in comparison to the larger "Tier 1" cities such as Berlin and Frankfurt.

Given that Dresden has historically relied upon the domestic market for 80.0% of its visitation numbers, this source market has been free to return to leisure and business travel from 1 June 2021. The results from the June 2021 and July 2021 tourism data have revealed stark improvement in visitations to the city at approximately 500,000 arrivals during these months. By comparison, the statistics in each month of the first half of 2021 during the prolonged COVID-19 lockdown ranged from just 10,000 (January) to 93,000 (May) arrivals per month. The recent results of June and July, as summer months, would typically be predicted to be positive in comparison to the colder months earlier in the calendar year, but this accelerated growth serves as an indication of the pent-up domestic demand for Dresden and its natural surroundings after the German population have endured months of restrictions on leisure travel since early-2020.

As previously referenced, the international source markets to Dresden account for a respectable 15.0% of total annual visitation numbers but are not a critical contribution to the hotel sector in comparison to the source market characteristics of larger German cities such as Berlin and Frankfurt. Furthermore, as a number of the primary international source markets comprise neighbouring European countries, the return to recovery for these markets is likely to begin in the short term. Whilst long-haul international markets such as the United States and China will take longer to become as prevalent as pre-pandemic levels, the Dresden hotel sector can continue to rely upon its regional attraction to markets such as the UK, Spain and Russia to support the strong domestic demand in the short term. In addition, continued geo-political risks and exchange rate movements will continue to be important factors.

### HOTEL MARKET OUTLOOK

The outlook for regional German cities that possess strong connections to the domestic leisure and business markets is positive, with recovery in key performance possibly in 2023. This will prove to be significantly ahead of the larger "Top 6" cities in the country which will likely wait until 2025 for the return of unencumbered international travel to support their greater market scales.

In a post-pandemic global tourism environment that now seeks any avenue to recovery following the crippling effects of the pandemic, Dresden is well-placed for an accelerated recovery as the cultural and historical epicenter of the popular Saxony region in eastern Germany. The city has built a formidable reputation for its attractions and architectural landmarks, its wealth of culture and arts, and the connection to the natural scenery in the surrounding region. In recent times, Dresden has solidified this position for leisure visitations by also establishing an identity as the "Silicon Valley of Germany" by attracting major technology and life sciences corporations to build research, development and manufacturing facilities in Saxony. The presence of these industries in turn has a positive effect on the MICE sector for the city as industry leaders and observers are attracted to the region by the accumulation of talent.

In a wider context, the German hotel market can begin to move towards recovery quickly, given its political standing in a post-Brexit Europe, and the scale and consistent demand requirements of the domestic travel market. As an indication of this positivity, we note that Whitbread Plc has specifically identified Germany as a focal point for rapid expansion of the popular Premier Inn hospitality brand, for which it seeks opportunities to increase its footprint in most major and secondary cities.

Overall, it is expected that Dresden's hotel performance could return to its pre-COVID levels by 2023.

# Board of Directors



## LAW SONG KENG, BBM, 76

Chairman, Non-Executive  
and Independent Director

### REIT Manager

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

### Trustee-Manager

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

### Board Committees Served On

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

### Academic and 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 2021)

Listed companies

- IFS Capital Ltd
- Great Eastern Holdings Ltd

Listed REITs/Trusts

- Nil

Others

- Nil

### Major Appointments (Other Than Directorships)

- Nil

### Past Directorships in Listed Companies Held Over the Preceding 3 Years (From 1 October 2018 to 30 September 2021)

- 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)

## Board of Directors



**CHUA PHUAY HEE, 68**

Non-Executive and Independent Director

### REIT Manager

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

### Trustee-Manager

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

### Board Committees Served On

- Nil

### Academic and 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 2021)

Listed companies

- Yihai Kerry Arawana Holdings Co., Ltd

Listed REITs/Trusts

- Nil

Others

- Temasek Life Sciences Laboratory Limited

### Major Appointments (Other Than Directorships)

- Nil

### Past Directorships in Listed Companies Held Over the Preceding 3 Years (From 1 October 2018 To 30 September 2021)

- Perennial Real Estate Holdings Limited

### Past Major Appointments

- Executive Director for finance, risk management, IT and corporate services, Wilmar International Limited
- Board Member, Wilmar International Limited
- Board Member, Industrial Bank Co., Ltd. – listed on Shanghai Stock Exchange
- 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, 67**

Non-Executive and  
Independent Director

**REIT Manager**

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

**Trustee-Manager**

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

**Board Committees Served On**

- Nominating and Remuneration Committee
- Audit, Risk and Compliance Committee

**Academic and Professional  
Qualifications**

- Fellow of the Association of Chartered Certified Accountants, UK (Retired)
- Chartered Accountant of Singapore

**Present Directorships in Other  
Companies (As At 30 September 2021)**

Listed companies

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

Listed REITs/Trusts

- Nil

Others

- Nil

**Major Appointments (Other Than  
Directorships)**

- Nil

**Past Directorships in Listed Companies  
Held Over the Preceding 3 Years (From  
1 October 2018 to 30 September 2021)**

- Nil

**Past Major Appointments**

- Retired Partner of Ernst & Young Singapore; Head of Ernst & Young Singapore's Real Estate Industry Group
- Chairman of Internal Audit Committee, Kuok (Singapore) Ltd

Others

- Nil

## Board of Directors



**DAVID WONG SEE HONG, 68**

Non-Executive and Independent Director

### REIT Manager

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

### Trustee-Manager

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

### Board Committees Served On

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

### Academic and 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 2021)

Listed companies

- China Merchants Bank Co., Ltd

Listed REITs/Trusts

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

Others

- HDR Global Trading 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 2018 To 30 September 2021)

- 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
- Corporate Executive Vice President and Chief Executive (South-East Asia) and Managing Director (Hong Kong Branch) of ABN AMRO Bank

### Others

- Nil

**REIT Manager**

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

**Trustee-Manager**

Date of appointment as Director:  
10 June 2014

Length of service as Director  
(as at 30 September 2021):  
7 years 3 months

**Board Committees Served On**

- Nominating and Remuneration Committee

**Academic and Professional Qualifications**

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

**Present Directorships in Other Companies (As At 30 September 2021)****Listed companies**

- Frasers Property Limited
- Frasers Property (Thailand) Public Company Limited
- Thai Beverage Public Company Limited
- Univentures Public Company Limited

**Listed REITs/Trusts**

- Frasers Logistics & Commercial Asset Management Pte. Ltd., Manager of Frasers Logistics & Commercial Trust

**Others**

- Beer Thip Brewery (1991) Co., Ltd.
- Blairmhor Distillers Limited
- Blairmhor Limited
- Frasers Property Australia Pty Limited
- Golden Land Property Development Public Company Limited (Chairman)
- InterBev (Singapore) Limited
- International Beverage Holdings (China) Limited
- International Beverage Holdings Limited
- International Beverage Holdings (UK) Limited
- Sura Bangyikhan Group of Companies

**Major Appointments (Other Than Directorships)**

- Frasers Property Limited (Group Chief Executive Officer)
- Singapore Management University (Director/Board of Trustees)
- National Gallery Singapore (Board Member)

**Past Directorships in Listed Companies Held Over the Preceding 3 Years (From 1 October 2018 to 30 September 2021)**

- Nil

**Past Major Appointments**

- Chief Executive Officer of Univentures Public Company Limited
- Real Estate Developers' Association of Singapore (REDAS) (Management Committee)

**Others**

- Nil

# Management Team

## **EU CHIN FEN**

### **Chief Executive Officer**

Chin Fen is Chief Executive Officer (CEO) of the Managers. She is responsible for the overall business, investment and operational strategies of FHT.

Prior to her current appointment, Chin Fen was Chief Investment Officer of Frasers Hospitality International Pte. Ltd. from July 2019 to April 2021. In this role, she assisted the CEO of the hospitality strategic business unit of Frasers Property Limited in developing and implementing the business and investment strategies of the hospitality business, in line with the broad directions of the Frasers Property Group.

Chin Fen joined the Frasers Property Group in 2011. She was previously CEO of the Managers when FHT was listed in July 2014 and relinquished this role in June 2019.

Before joining the Frasers Property 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 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, Chin Fen holds a Bachelor of Business degree in Financial Analysis from Nanyang Technological University, Singapore.

## **ERIC GAN**

### **Chief Financial Officer**

Eric is responsible for FHT's financial and capital management. He has over 20 years of experience in financial reporting, corporate finance, treasury management, audit, taxation and company secretarial matters.

Prior to joining FHT, Eric was Chief Financial Officer of OUE Hospitality REIT Management Pte. Ltd., the REIT Manager of OUE Hospitality Real Estate Investment Trust from August 2014 to September 2018. Before that, he was Chief Financial Officer of Meritus Hotels & Resorts (Hospitality Division) of OUE Limited.

Eric has extensive experience in the field of financial management. He started his professional career with international accounting firms and later moved on to public listed companies in real estate, manufacturing and food businesses, where he held key positions such as Senior Vice President, Company Secretary and Chief Financial Officer.

Eric is a Fellow of The Association of Chartered Certified Accountants (UK) and a member of the Institute of Singapore Chartered Accountants.

## **CHRISTINE CHUA**

### **Senior Vice President, Head of Investment**

Christine was appointed as Head of Investment on 1 October 2021. She is responsible for the implementation of FHT's investment strategies, including the identification and evaluation of potential acquisitions and divestments of hospitality assets. Prior to her current appointment, she was Director of Business Development at Frasers Hospitality Pte. Ltd., leading the investments and management business of Frasers Property Limited's hospitality division in Southeast Asia and Australia regions.

Previously, Christine was with Keppel Land Limited, overseeing investment and divestment activities in its Regional Investments division. She has over 15 years of experience in various real estate functions including development, investment, hospitality management business, and marketing and leasing. She started her career in International Enterprise Singapore, working closely with industry clusters to promote overseas investments and was part of the Free Trade Area negotiations team.

Christine holds a Master of Science in Real Estate and a Bachelor of Social Science (Economics) from National University of Singapore.

**CARIS ANG****Vice President, Head of Asset Management**

Caris is responsible for the asset management of FHT's portfolio. Her role includes optimising and executing asset management strategies to improve the portfolio income 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, Caris 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 Trust, 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 its commercial assets.

Caris holds a Bachelor of Science (Honours) degree in Building from the National University of Singapore.

**JEANETTE PANG****Vice President, Head of Investor Relations**

Jeanette is FHT's key point of contact for the investment community and the media and is also responsible for FHT's sustainability reporting. She has more than 18 years of experience in financial communications in the real estate and banking sectors, as well as financial journalism.

Prior to her current appointment, Jeanette had a three-year stint with CapitaLand Integrated Commercial Trust Management Ltd in asset management. Before that, she has held investor relations positions in other public-listed companies in Singapore including United Overseas Bank Limited, CapitaLand Mall Trust Management Limited, Keppel REIT Management Limited and Mapletree Logistics Trust Management Ltd..

Jeanette holds a Master of Business Administration and a Bachelor of Arts, both degrees from the National University of Singapore. She is also a Chartered Financial Analyst charterholder.

# Portfolio Summary

Property	Purchase Price (million)	Valuation as at 30 September 2021 (million)	FY2021 Occupancy	FY2020 Occupancy
InterContinental Singapore	S\$497.1	S\$506.0	61.9%	78.1%
Fraser Suites Singapore	S\$327.0	S\$292.0	76.5%	73.4%
Novotel Melbourne on Collins	A\$237.0	A\$231.0	25.6%	49.7%
Novotel Sydney Darling Square	A\$66.0	A\$109.0 <sup>1</sup>	29.8%	45.6%
Sofitel Sydney Wentworth	A\$224.0	A\$270.0	58.1%	68.4%
Fraser Suites Sydney	A\$103.5	A\$127.5	45.2%	63.4%
ibis Styles London Gloucester Road	£17.0	£19.2	17.7%	38.7%
Park International London	£39.3	£38.6	7.5%	38.9%
Fraser Place Canary Wharf, London	£31.5	£36.7	51.4%	46.5%
Fraser Suites Edinburgh	£11.5	£15.0	26.9%	55.1%
Fraser Suites Glasgow	£7.5	£9.2	39.3%	56.9%
Fraser Suites Queens Gate, London	£46.3	£54.3	36.6%	47.6%
ANA Crowne Plaza Kobe	¥11,200.0	¥16,200.0	34.3%	41.0%
The Westin Kuala Lumpur	RM455.0	RM368.0	7.6%	34.4%
Maritim Hotel Dresden	€58.4	€59.3	NA <sup>2</sup>	NA <sup>2</sup>

Top 10 Tenants	Industry	Percentage of Gross Revenue <sup>5</sup>
Ananke Holdings Pty Ltd	Hotel	18.4%
River Valley Apartments Pte Ltd	Serviced residence	12.7%
BCH Hotel Investment Pte Ltd	Hotel	12.4%
K.K. Shinkobe Holding	Hotel	11.6%
Maritim Hotelgesellschaft mbH	Hotel	9.8%
JBB Hotels Sdn Bhd	Hotel	7.4%
Frasers Townhall Residences Operations Pty Ltd	Serviced residence	6.6%
P I Hotel Management Limited	Hotel	5.5%
Fairdace Limited	Serviced residence	5.2%
39QGG Management Limited	Serviced residence	5.2%

GR for FY2021 (million)	GR for FY2020 (million)	Master Lessee	Fixed Rent per annum (million)	Variable Rent per annum
\$8.1	\$9.3	BCH Hotel investment Pte Ltd	\$8.0	76.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
\$8.2	\$10.2	River Valley Apartments Pte Ltd	\$7.7	20.0% GOR + 59.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
A\$20.3	A\$22.2	FH-BT NMCS Operations Pty Ltd	A\$5.88	86.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
A\$2.5	A\$4.0	Frasers Sydney ML Hotel Pty Ltd	A\$2.5	84.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
A\$12.0	A\$9.3	Ananke Holdings Pty Ltd	A\$6.0	83.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
A\$4.3	A\$5.4	Frasers Townhall Residences Operations Pty Ltd	A\$4.2	20.0% GOR + 54.5% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
£0.6	£0.6	P I Hotel Management Limited	£0.6	91.5% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
£1.3	£1.3	P I Hotel Management Limited	£1.3	91.5% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
£1.5	£1.5	Fairdace Limited	£1.4	20.0% GOR + 65.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
£0.5	£0.5	Frasers (St Giles Street) Management Limited	£0.5	20.0% GOR + 45.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
£0.4	£0.5	Fairdace Limited	£0.4	20.0% GOR + 50.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
£1.8	£1.8	39QGG Management Limited	£1.8	20.0% GOR + 67.0% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
¥605.2	¥605.2	Hotel: K.K. Shinkobe Holding Retail: Y.K. Toranomon Properties	¥600.0	77.8% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
RM14.8	RM14.8	JBB Hotels Sdn Bhd	RM14.8	78.5% GOP less Fixed Rent plus FF&E reserve <sup>3</sup>
€4.0	€4.4	Maritim Hotelgesellschaft mbH	NA <sup>2</sup>	

## TENANCY

As at 30 September 2021, there are 15 master leases for FHT's investment properties<sup>4</sup>. The weighted average lease expiry (WALE) of FHT's investment properties (excluding the master lease for Novotel Melbourne on Collins) is 12.8 years.

The WALE was computed based on the gross annual revenue from each of the investment properties.

It does 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 2021, only three of the 15 master leases accounting for 17.1% of gross revenue<sup>5</sup>, would be maturing in the next five years. These three master leases expire in 2024.

### Notes:

1 Excludes right-of-use assets recognised under FRS116. Including right-of-use assets, the valuation as at 30 September 2021 is A\$112.1 million.

2 Maritim Hotel Dresden's occupancy and fixed rent have been excluded due to limitations imposed by master lease agreement.

3 Furniture, fixtures and equipment (FF&E) reserve not utilised and carried forward to the following year, if any.

4 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. FHT's entire gross revenue is contributed by a hotel under management contract and master leases from the hospitality sector.

5 Based on gross revenue derived from the 15 master leases and excludes the gross revenue from the Novotel Melbourne on Collins management contract for FY2021.

# Asset Profiles



## InterContinental Singapore

SINGAPORE

**NO. OF ROOMS**  
406

**ADDRESS**  
80 Middle Road,  
Singapore 188966

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 bar, a Chinese restaurant and a Japanese restaurant.

The hotel has ample parking, which is a shared facility within Bugis Junction.



## Fraser Suites Singapore

SINGAPORE

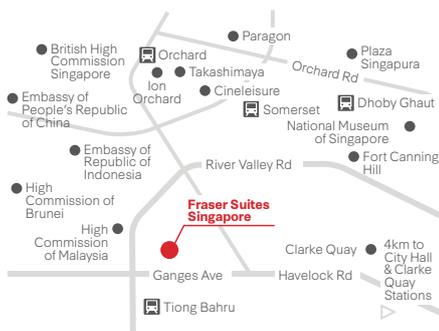
**NO. OF ROOMS**  
255

**ADDRESS**  
491A River Valley Road,  
Singapore 248372

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.



## Novotel Melbourne on Collins

AUSTRALIA

**NO. OF ROOMS**

380

**ADDRESS**

270 Collins Street  
Melbourne VIC3000  
Australia

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 guest rooms, 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. Collins Lane mall.



## Novotel Sydney Darling Square

AUSTRALIA

**NO. OF ROOMS**

230

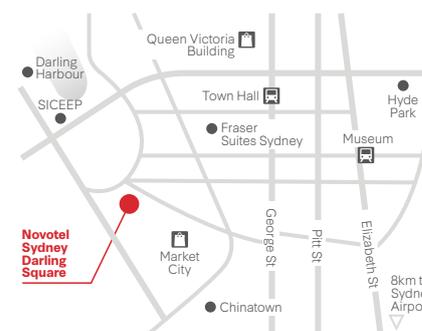
**ADDRESS**

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

Novotel Sydney Darling Square is located in the heart of the newly developed Darling Square urban neighbourhood which is the connection between Ultimo, Darling Harbour and Haymarket, and a new playground for retailers, residents, shoppers and working professionals in the precinct.

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 hotel has an all-day dining restaurant and a lobby bar, and 6 meeting rooms, providing an ideal setting for corporate luncheons and business meetings. It also has a restaurant, PumpHouse, which is a heritage-listed microbrewery offering a list of more than 100 craft and premium brews and Australian cuisine.



## Asset Profiles



### Sofitel Sydney Wentworth

AUSTRALIA

**NO. OF ROOMS**

436

**ADDRESS**

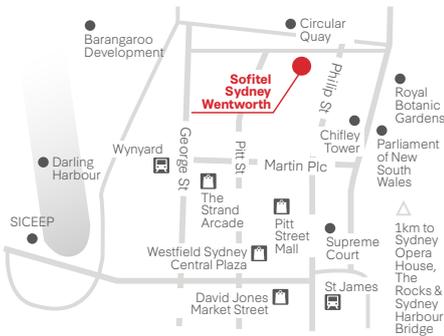
61-101 Phillip Street,  
Sydney, NSW 2000,  
Australia

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

AUSTRALIA

**NO. OF ROOMS**

201

**ADDRESS**

488 Kent Street,  
Sydney, NSW 2000,  
Australia

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 Sydney features 201 apartments comprising studio and 1-bedroom apartments and 2 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.



## ibis Styles London Gloucester Road

UK

**NO. OF ROOMS**

84

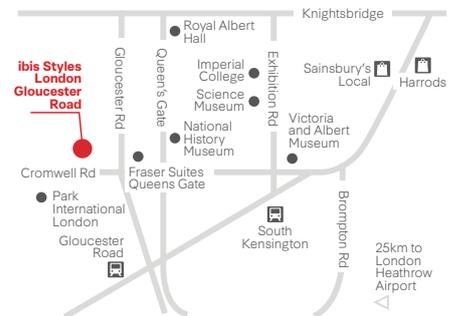
**ADDRESS**

108, 110 and 112  
Cromwell Road, London,  
SW7 4ES, UK

Set in a Victorian-style building, ibis Styles London Gloucester Road completed its refurbishment of all 84 guest rooms, the breakfast room, gymnasium, lobby and bar in February 2019.

The hotel is 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, the Natural History Museum, the Victoria & Albert Museum, as well as shopping destinations such as Harrods and Harvey Nichols.

The hotel’s strategic location allows it to capture demand from both business and leisure travellers. Offering a variety of double rooms, the hotel also has a breakfast area on the lower ground and a lobby bar serving drinks and snacks throughout the day.



## Park International London

UK

**NO. OF ROOMS**

171

**ADDRESS**

117-129 Cromwell  
Road, South Kensington,  
London, SW7 4DS, UK

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.

Park International London’s strategic location allows it to capture demand from both business and leisure travellers. The hotel offers a variety of room options, from single rooms to junior suites. It also offers a wide range of recreational and business facilities, including a gym and a business centre.



## Asset Profiles



### Fraser Place Canary Wharf London

UK

**NO. OF ROOMS**

108

**ADDRESS**

80 Boardwalk Place,  
London E14 5SF,  
UK

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-minute ride.

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 also has a 24-hour gym and a full-service business centre.



### Fraser Suites Edinburgh

UK

**NO. OF ROOMS**

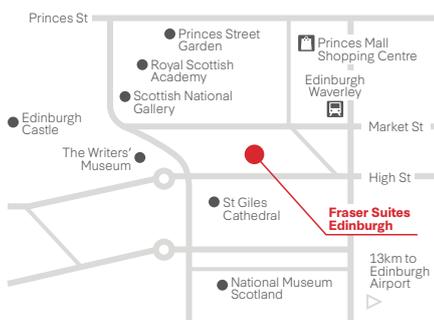
75

**ADDRESS**

12-26 St Giles Street,  
Edinburgh EH1 1PT,  
Scotland, UK

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. The serviced residence 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. It is located about 13 km from Edinburgh Airport.

Fraser Suites Edinburgh comprises 8 storeys with 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 that opens 24 hours.



## Fraser Suites Glasgow

UK

**NO. OF ROOMS**

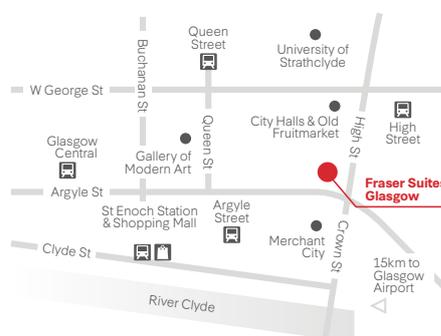
98

**ADDRESS**

No 1-19 Albion Street,  
Glasgow G1 1LH,  
Scotland, UK

Located in Merchant City, Glasgow’s historic centre, Fraser Suites Glasgow 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.

Fraser Suites Glasgow is set in a restored 1850s building which has a classic Victorian Scottish façade. It once housed the city’s bank and now comprises 5 storeys with 98 rooms. The unit sizes range from 41 sqm for a studio apartment to 59 sqm for a 2-bedroom apartment and each unit comes fully furnished with a kitchenette. The serviced residence offers a 24-hour gym, self-service laundry and a meeting room.



## Fraser Suites Queens Gate London

UK

**NO. OF ROOMS**

105

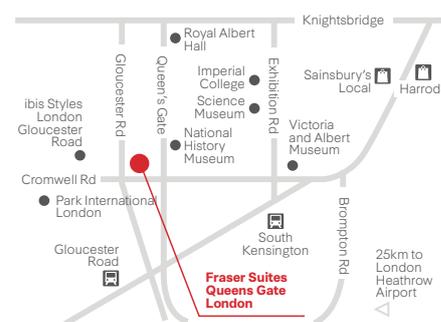
**ADDRESS**

39B Queens Gate Gardens,  
London SW7 5RR,  
UK

Fraser Suites Queens Gate London is conveniently situated within walking distance of Knightsbridge, Chelsea, Hyde Park, Royal Albert Hall and Harrods. It is near Gloucester Road Underground Station – served by the Piccadilly, District and Circle lines – and is about 23 km from London Heathrow Airport.

The 7-storey serviced residence is housed in a preserved 19th century historical building and features elegant interiors and a dining conservatory. It offers 105 rooms, ranging 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.



## Asset Profiles



### ANA Crowne Plaza Kobe

JAPAN

**NO. OF ROOMS**

593

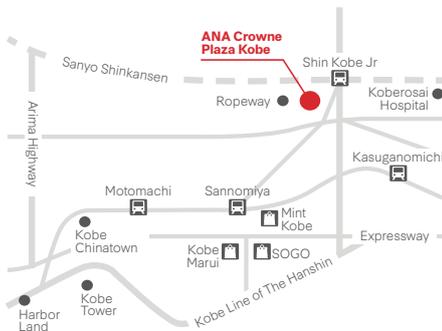
**ADDRESS**

1-Chome,  
Kitano-Cho Chuo-Ku,  
Kobe, 650-0002, Japan

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, 1 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, and a wide range of recreational and business facilities, including a health and fitness centre and a business service 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 7 restaurants and a bar, offering a wide range of dining options and a total seating capacity of 968 persons. It is also directly connected to a retail mall, which offers a spectrum of retail shops such as fashion, gift shop, convenience shop, a theatre and a supermarket.



### The Westin Kuala Lumpur

MALAYSIA

**NO. OF ROOMS**

443

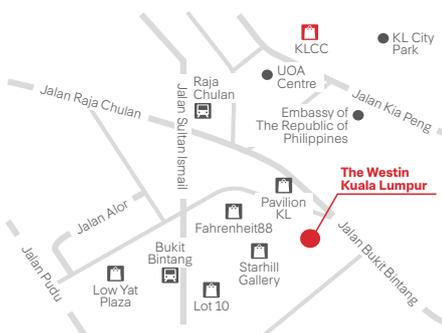
**ADDRESS**

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

Located in the bustling Golden Triangle, The Westin Kuala Lumpur 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 International cuisines as well as a bar lounge.

The Westin Kuala Lumpur has 20 meeting rooms and conference facilities, all equipped with state-of-the-art audio-visual equipment. Its grand ballroom can accommodate up to 50 round tables. There are also 2 small meeting rooms catering to corporate travellers at its Executive Club Lounge.



## Maritim Hotel Dresden

GERMANY

**NO. OF ROOMS**

328

**ADDRESS**

Devrientstrasse 10-12,  
01067 Dresden,  
Germany

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.

Maritim Hotel Dresden 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.



# Sustainability

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## Glossary

For ease of reading, the glossary below provides definitions of abbreviations that are frequently used throughout this report.

### Abbreviations used in Sustainability Report

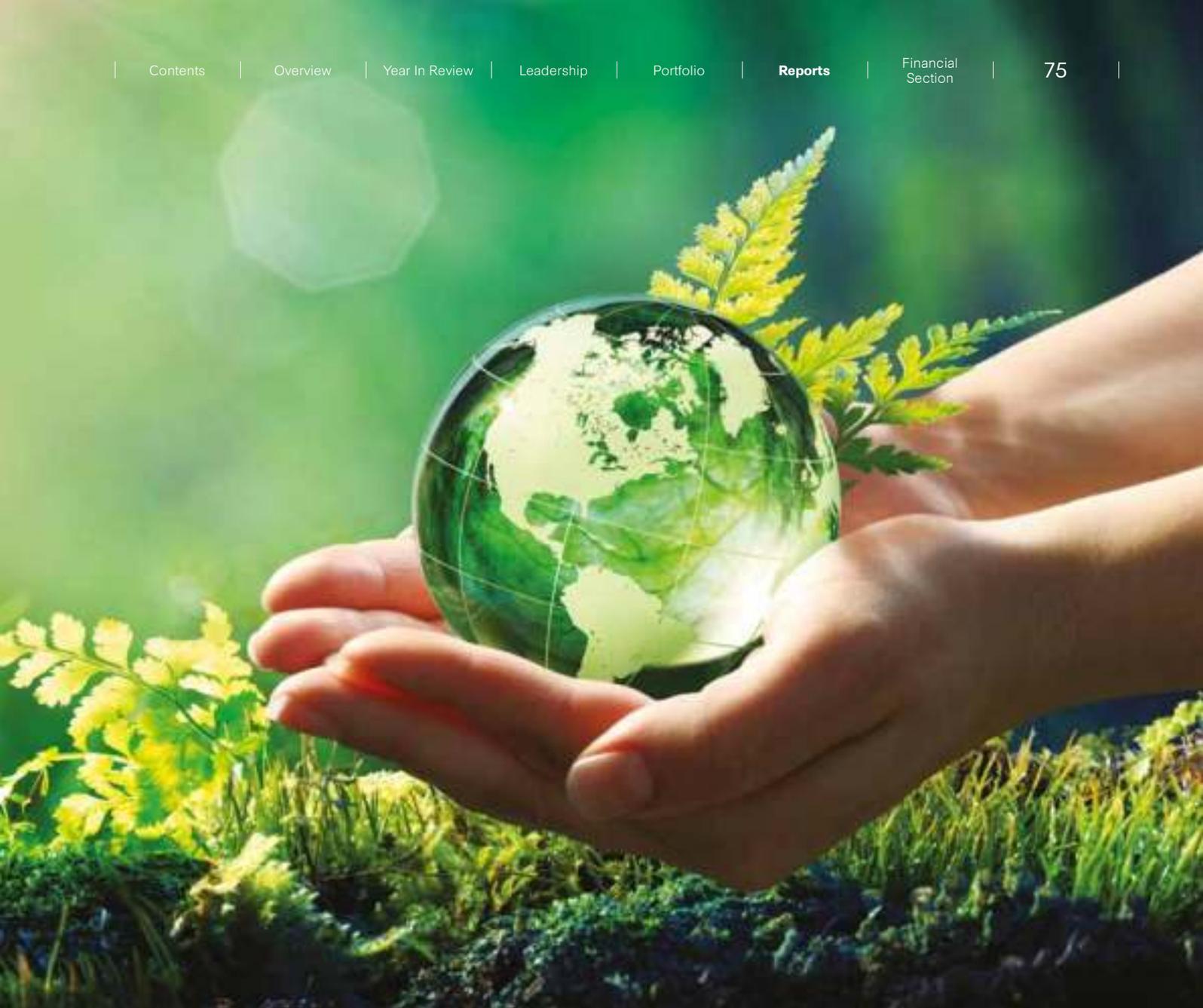
ESG	: Environmental, Social and Governance
GHG	: Greenhouse Gas
GRESB	: Global Real Estate Sustainability Benchmark
GRI	: Global Reporting Initiative
MAS	: Monetary Authority of Singapore
NABERS	: National Australian Built Environment Rating System
NGOs	: Non-governmental Organisations
SDG	: Sustainable Development Goal
SSC	: Sustainability Steering Committee
TAFEP	: Tripartite Alliance for Fair and Progressive Employment Practices
TCFD	: Task Force on Climate-Related Financial Disclosures
UN	: United Nations



## BOARD STATEMENT

This past year heralded major shifts to our business and industry as the ongoing pandemic necessitated that we adapt to new ways of living. Our primary focus at FHT continued to be to ensure the safety and well-being of our employees, guests and stakeholders. Yet, as the hospitality industry begins to slowly rebound and evolve to be more resilient than before, we are confident that there will be a strong demand for responsible travel and tourism in years to come. This shared belief drove us to strategically leverage our resources this year and zero in on addressing the environmental and social impact on FHT's portfolio.

In FY2021, we put in place several initiatives to reduce waste production, as well as energy and water usage, in our properties. We continued to harness digitalisation and innovation, both to reduce negative environmental impact on our operations as well as to enhance our guests' experiences and meet evolving needs. Furthermore, we recognise that sustainability impact extends beyond our operations and can have repercussions on our supply chain. We have begun



to engage with our key suppliers on our Responsible Sourcing Policy and will work in partnership with them for the next few years to address environmental and social risks in their own operations. In implementing these key initiatives, we continued to be guided by Frasers Property's sustainability framework and goals, including our common goal of achieving net zero carbon emissions across our value chain by 2050. We made measurable progress against these goals by executing the action plans that we had developed in previous years, and by leveraging our strong sustainability core.

Our sustainability strategy is executed by the Sustainability Task Force comprising the management team of the REIT Manager. Supported by the Sustainability Task Force, our Board of Directors determines, monitors and manages the environmental, social and governance (**ESG**) issues material to FHT, provides strategic directions on sustainability, as well as oversees the standards, management processes and strategies needed to achieve sustainability targets for the business.

We invite you to read about our latest progress and achievements in FHT's 7<sup>th</sup> Sustainability Report. Thank you for supporting us along this journey, and we look forward to working with you to deliver good progress on the sustainability front.

**Board of Directors**

Frasers Hospitality Asset Management Pte. Ltd.  
REIT Manager of Frasers Hospitality Real Estate  
Investment Trust

Frasers Hospitality Trust Management Pte. Ltd.  
Trustee-Manager of Frasers Hospitality Business Trust

## Sustainability

### THE YEAR AT A GLANCE



#### ACTING PROGRESSIVELY

- Complied with all relevant laws, rules and regulations
- Reported zero confirmed incidents of bribery and corruption
- Implemented FHT Responsible Sourcing Policy
- Embarked on a gap analysis exercise to assess our alignment with the Monetary Authority of Singapore (**MAS**) Guidelines on Environmental Risk Management



#### CONSUMING RESPONSIBLY

- Fraser Suites Glasgow, Fraser Suites Edinburgh, Fraser Suites Queens Gate London and Park International London have been powered by 100% renewable electricity since 1 January 2021
- Attained an average National Australian Built Environment Rating System (**NABERS**) Energy rating of 3.5 Stars (Average to Good) for all Australian properties for the first time
- Attained an average NABERS Water rating of 4 Stars (Good) for all Australian properties for the first time
- All Frasers Hospitality-managed properties within FHT's portfolio eliminated single-use plastics across focus themes of food & beverage, laundry and bathroom amenities



#### FOCUSING ON PEOPLE

- Deployed patented, chemical-free cleaning system in most Frasers Hospitality-managed properties
- Provided regular health and safety training to FHT properties' staff to raise awareness
- Reported zero work-related fatalities across our properties and at the REIT Manager level
- Achieved a positive guest review score of 83 out of 100 and a performance score of 86 out of 100 across all FHT properties managed by Frasers Hospitality
- All FHT employees were invited to participate in an inaugural Group-wide Culture Survey
- All FHT employees received sustainability training
- Each employee underwent an average of 49 hours of training

## LEVERAGING OUR SUSTAINABILITY CORE

This year, the Sixth Assessment Report of the United Nations Intergovernmental Panel on Climate Change sounded a clarion call on climate change, cautioning that global temperatures will increase to a disastrous extent unless the world significantly reduces its greenhouse gas emissions within the next decade. The ongoing pandemic has also surfaced existing inequalities amongst and within societies around the globe. Against this backdrop, there has never been a stronger demand for businesses to integrate ESG factors into their policies and operations. As a global hotel and serviced residence trust, we recognise that we play a vital role in delivering positive sustainability outcomes to our stakeholders.

We will continue to do so by leveraging the foundation and sustainability core we have built over the past years. As part of Frasers Property, FHT’s sustainability strategy is closely aligned with the Group’s Sustainability Framework. The three pillars of our Sustainability Framework — Acting Progressively,

Consuming Responsibly and Focusing on People — continue to guide our approach and key priorities through to 2030. Branching off from the key pillars are 13 ESG-related focus areas which are adapted to suit our hospitality business and operations.

FHT’s framework also encompasses specific goals and targets, including the five long-term goals which had been established by the Group in 2020:

- To be a net zero carbon corporation by 2050
- To be climate-resilient and establish adaptation and mitigation plans by 2024
- To green-certify 80% of our owned and asset-managed properties by 2024
- To fund majority of our sustainable asset portfolios with green or sustainable financing by 2024
- To train all our employees on sustainability by 2021

To support these goals, we have identified key goals and targets to drive our sustainability agenda across our portfolio. We have started developing action plans to achieve our goals and measure our performance against tangible targets.

### PILLARS

 <p><b>ACTING PROGRESSIVELY</b></p>	 <p><b>CONSUMING RESPONSIBLY</b></p>	 <p><b>FOCUSING ON PEOPLE</b></p>
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### FOCUS AREAS

<p><b>Innovation</b> Fostering an innovation culture that creates value and strengthens our competitive edge</p> <p><b>Resilient Properties</b> Strengthening the resilience and climate adaptive capacity</p> <p><b>Risk-based Management</b> Comprehensive assessment to address environmental, health and safety risks</p> <p><b>Responsible Investment</b> Incorporating social, environment and governance criteria in the evaluation process</p>	<p><b>Materials &amp; Supply Chain</b> Achieving the sustainable management and efficient use of materials along the supply chain</p> <p><b>Biodiversity</b> Enhancing the environment and ecosystem through our developments</p> <p><b>Energy &amp; Carbon</b> Increasing substantially energy efficiency and renewable energy used</p> <p><b>Waste</b> Reducing substantially waste generation through prevention, reduction, recycling and reuse</p> <p><b>Water</b> Increasing substantially water efficiency and the recycling and safe reuse of water discharged</p>	<p><b>Community Connectedness</b> Considering social value principles for communities</p> <p><b>Health &amp; Well-being</b> Ensuring healthy and balanced work and community environments</p> <p><b>Diversity, Equity &amp; Inclusion</b> Empowering and promoting the social inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p> <p><b>Skills &amp; Leadership</b> Developing skills and leadership programmes that support productive activities, creativity and innovation to deliver high-value products and services</p>
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## Sustainability

### MANAGING SUSTAINABILITY

Integrating sustainability into every part of our business and value chain requires an alignment of priorities at the highest levels of corporate strategy. To this end, sustainability remains a key priority in strategic planning at Board and management levels. Our Board of Directors continues to carry out its responsibilities in determining, monitoring and managing the ESG factors material to the Group, providing strategic directions and overseeing the standards, management processes and strategies needed to achieve our sustainability targets.

We work closely with our Sponsor on our sustainability strategies and are guided by the Group's sustainability agenda which is driven by the Sustainability Steering Committee (**SSC**). The SSC comprises top management from the Group and is responsible for reviewing and assessing the Group's sustainability goals and performance, and is supported by the Group Sustainability team, and the Project Management Office which are tasked to coordinate and implement sustainability strategies at the Group level. This year, given its focus on its Net Zero Carbon and Climate Risk & Resilience plans, our Sponsor also established a dedicated Advisory Group made up of senior management representatives from various corporate functions and representatives from business units across the Group, to support the SSC.

FHT also has a dedicated Sustainability Task Force comprising the CEO and the department heads of Asset Management, Finance, Investment and Investor Relations. The Asset Management team and the General Managers of the hotels and serviced residences are responsible for tracking each property's sustainability performance against identified indicators.

#### STAKEHOLDER MANAGEMENT

Delivering value for our stakeholders starts with putting their diverse needs at the centre of our offerings. We are cognisant of the key stakeholder groups who are impacted by our business and activities, and we proactively engaged them during the year through multiple platforms, with the aim of building the trust essential to implementing our sustainability strategy. Their valuable feedback has helped us understand the sustainability issues that matter to them and in turn, this has guided us in our sustainability strategy and efforts.

#### INDUSTRY ALIGNMENT

Together with the Group, we support the following global sustainability movements:

- A signatory to United Nations Global Compact
- GRESB
- Task Force on Climate-Related Financial Disclosures (**TCFD**)
- Tripartite Alliance for Fair and Progressive Employment Practices (**TAFEP**)
- United Nations Women Empowerment Principles (**UNWEP**)

#### Key Stakeholders

Customers and Guests

Investment Community and Stapled Securityholders

Hotel and Serviced Residence Operators

Employees

Suppliers and Business Partners

Local Community

Media

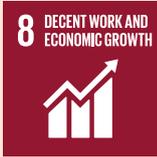
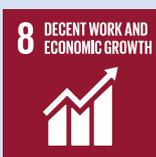
Regulators and Non-governmental Organisations

Key Topics of Concern	Mode of Engagement	Frequency of Engagement
<ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Quality of facilities and services</li> <li>• Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Bilateral communications</li> <li>• Guest satisfaction surveys</li> <li>• Events</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> <li>• Throughout the year</li> <li>• Throughout the year</li> </ul>
<ul style="list-style-type: none"> <li>• Financial and operational performance</li> <li>• Business strategy and outlook</li> <li>• Acquisitions and divestments</li> <li>• Capital and risk management</li> <li>• Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Results briefings and earnings calls</li> <li>• Annual General Meeting</li> <li>• Local investor conferences and roadshows</li> <li>• Bilateral communications via emails, calls, company visits and site visits</li> <li>• Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly</li> <li>• Annually</li> <li>• Throughout the year</li> <li>• As and when requested</li> <li>• Throughout the year</li> </ul>
<ul style="list-style-type: none"> <li>• Asset management and enhancement initiatives</li> <li>• Business opportunities</li> <li>• Property maintenance programmes</li> <li>• ESG practices</li> </ul>	<ul style="list-style-type: none"> <li>• Regular site meetings</li> <li>• Discussions via calls and emails</li> <li>• ESG performance data collection and review</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> <li>• Throughout the year</li> <li>• Monthly</li> </ul>
<ul style="list-style-type: none"> <li>• Employee development and retention</li> <li>• Employee satisfaction</li> <li>• Occupational health and safety</li> <li>• Impact on the environment</li> <li>• Employee well-being</li> <li>• Organisation updates</li> </ul>	<ul style="list-style-type: none"> <li>• Performance appraisals</li> <li>• Training, including courses and orientation programme for new staff</li> <li>• Employee culture survey</li> <li>• Frasers Property Health and Safety Month and Environment Month</li> <li>• Team bonding activities, sports, volunteering and other social events</li> <li>• Internal communications via emails, the intranet, newsletters and townhall meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Annually – All employees received reviews</li> <li>• Throughout the year – In FY2021, 49 training hours per employee was achieved on average</li> <li>• An inaugural Group-wide Culture survey was conducted to help build a purpose-driven culture and better workplace.</li> <li>• Annually</li> <li>• Throughout the year</li> <li>• Throughout the year</li> </ul>
<ul style="list-style-type: none"> <li>• Appropriate cost and budgeting</li> <li>• Adherence to terms and conditions of purchasing policies</li> </ul>	<ul style="list-style-type: none"> <li>• Quotations, proposals and tenders</li> <li>• Regular meetings</li> <li>• Discussions via calls and emails</li> </ul>	<ul style="list-style-type: none"> <li>• As and when requested</li> <li>• As and when requested</li> <li>• As and when requested</li> </ul>
<ul style="list-style-type: none"> <li>• Social and community projects</li> <li>• Business impact on the environment and society</li> </ul>	<ul style="list-style-type: none"> <li>• Community engagement activities</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> </ul>
<ul style="list-style-type: none"> <li>• Financial and operational performance</li> <li>• FHT's latest developments, including acquisitions, equity fund raising, and divestments</li> </ul>	<ul style="list-style-type: none"> <li>• Media releases</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> </ul>
<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Regulatory and industry updates and trends</li> <li>• Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Briefings, discussions and consultations</li> <li>• Participation in relevant industry associations</li> <li>• Participation in relevant industry surveys which seek to gather feedback from market participants</li> </ul>	<ul style="list-style-type: none"> <li>• Throughout the year</li> <li>• Member of the REIT Association of Singapore (<b>REITAS</b>)</li> <li>• Throughout the year</li> </ul>

# Sustainability

## MATERIALITY ASSESSMENT

We prioritise our material topics with consideration of the business landscape and stakeholder concerns, and in FY2021, they continue to remain relevant and aligned to our sustainability agenda. The table below shows how our material topics correspond to the three pillars of our Sustainability Framework and the relevant United Nations Sustainable Development Goals (SDGs). The table also shows the significance of each material topic and where we have caused or contributed to the impact through our business relationships.

Group Sustainability Framework Pillars	Corresponding UNSDGs	FHT's Material Factors
<p><b>ACTING PROGRESSIVELY</b></p> 	  	<p><b>Economic Performance</b></p> <hr/> <p><b>Anti-corruption</b></p>
<p><b>CONSUMING RESPONSIBLY</b></p> 	   	<p><b>Energy and GHG Emissions Management</b></p> <hr/> <p><b>Water Management</b></p> <hr/> <p><b>Waste Management</b></p>
<p><b>FOCUSING ON PEOPLE</b></p> 	  	<p><b>Customer Experience</b></p> <hr/> <p><b>Talent Recruitment and Retention</b></p> <hr/> <p><b>Employee Well-being and Empowerment</b></p>

Materiality Rationale	Material Factor Boundaries		
	FHT/ REIT Manager	Suppliers/ Contractors	Properties
Our strategic objective is to manage and expand our portfolio, within our risk capacity and appetite, to deliver long-term growth in distribution and net asset value to our Stapled Securityholders.	✓		
The foundation of our reputation lies in ethical and fair dealings. We maintain high standards of governance and accountability to earn the trust and confidence of our stakeholders.	✓	✓	✓
Considering that energy consumption is one of the largest environmental impact that our operations generate, we continue to actively monitor and manage energy consumption at our properties.			✓
Water is a limited natural resource. It is essential for us to manage our consumption to reduce unnecessary usage.			✓
As the operations of our properties generate various types of waste, proper waste management is key in preventing adverse impact on the local environment and public health.			✓
Customer experience is a vital aspect in determining the success of our business. It is our utmost priority to meet and even exceed the expectations of our customers and guests.			✓
It is important that the REIT Manager has the capacity to manage and expand FHT's portfolio to create value for our stakeholders. We seek to attract, develop and retain the right people who are the cornerstone of our success.	✓		
Employees are at the heart of hospitality operations. It is vital to ensure our hotel and serviced residence operators value staff well-being by providing a conducive and safe working environment. In turn, a motivated workforce can better deliver positive, memorable experiences to our customers and guests.	✓		✓



## ACTING PROGRESSIVELY

### OUR PRIORITIES

We are committed to upholding high standards of integrity and integrating effective corporate governance practices into the way we make decisions and manage risks.

### OUR APPROACH

- Robust policies drive our sustainability approach to enhance business resilience and deliver our business and sustainability objectives.
- We strive to adopt responsible practices across our businesses, and to measure and benchmark our performance – for instance, by participating in recognised green building certifications schemes.

### OUR GOALS AND PROGRESS

Focus area	Our goals	Our progress in FY2021	Status
Risk-Based Management	<ul style="list-style-type: none"> <li>• To establish holistic overarching internal policies to govern and guide the management of these focus areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Began implementation of FHT's Responsible Sourcing Policy in tandem with Frasers Property's rollout of Group Responsible Sourcing Policy.</li> </ul>	On track <sup>1</sup>
Responsible Investment	<ul style="list-style-type: none"> <li>• To kickstart the process for green building certifications in 2021 and achieve green certifications for at least 80% of the portfolio by 2024.</li> </ul>	<ul style="list-style-type: none"> <li>• All Australian properties have been assessed under NABERS Energy and Water certification scheme for the first time, with average Energy rating of 3.5 Stars (Average to Good) and Water rating of 4 Stars (Good).</li> </ul>	In progress <sup>1</sup>
Resilient Properties	<ul style="list-style-type: none"> <li>• To carry out climate risk assessment and implement asset-level adaptation and mitigation plans in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD) framework by 2024.</li> </ul>	<ul style="list-style-type: none"> <li>• Embarked on a gap analysis exercise to assess our alignment with the MAS Guidelines on Environmental Risk Management.</li> </ul>	In progress <sup>1</sup>

<sup>1</sup> On track: Target is either achieved or is on track to be achieved on time  
 In progress: Target is delayed but progress is still being made and could still be achieved on time  
 Not on track: Target is delayed to the point that it is unlikely that it will be achieved on time

## RISK-BASED MANAGEMENT

Good corporate governance strengthens the trust and confidence of our stakeholders in FHT. We adopt a risk-based management approach in our business and regularly review our policies and compliance levels, driven by our zero tolerance towards corruption and fraud.

Our approach is aligned with our Sponsor, Frasers Property, and we subscribe to the following corporate policies:

- Anti-Bribery Policy
- Board Diversity Policy
- Code of Business Conduct
- Competition Act Compliance Manual
- Complaints/Feedback Handling Policy
- Continuing Education of Capital Markets Services Representatives
- Continuing Education Policy
- Corporate Social Responsibility Policy
- Diversity and Inclusion Policy
- Documents Management and Retention Policy
- Investment Manual and Guidelines - Acquisitions and Disposals
- Investor Relations Policy
- Personal Data Breach Incident Management Policy
- Personal Data Protection Policy
- Policy on Dealings in Units of FHT and Reporting Procedures
- Policy on Outsourcing
- Prevention of Money Laundering and Countering the Financing of Terrorism
- Procurement Policy
- Responsible Sourcing Policy
- Whistle-blowing Policy

This year, we launched and began implementation of FHT's Responsible Sourcing Policy. We did so in tandem with Frasers Property's initiative to roll out a Responsible Sourcing Policy. FHT's Responsible Sourcing Policy sets out the expectations that we have of our contractors and suppliers regarding environmental management, human rights and labour management, health, safety and well-being, as well as business ethics and integrity. We undertook an exercise to map out existing suppliers across various departments, prioritise key suppliers based on their spend amounts and ESG risks, and plan to eventually use the Policy as a springboard for deeper engagement with them on their sustainability practices.

To independently examine and evaluate the REIT Manager's activities, the Group Internal Audit team at Frasers Property focuses on the REIT Manager's adequacy of internal controls, risk management and corporate governance practices<sup>2</sup>. Its audit findings and recommendations are presented to the Board for appropriate follow-up actions by the management. The Head of Group Internal Audit reports directly to the Chairman of the Audit, Risk and Compliance Committee of the REIT Manager.

In FY2021, we complied with all relevant laws, rules and regulations and there were zero confirmed incidents of bribery and corruption. We received one case via our whistleblowing channels concerning one of the properties in our portfolio. Upon a thorough investigation, it was proven to be unsubstantiated. We also recorded zero incidents of non-compliance with health and safety regulations during the year across our properties and at the REIT Manager level. We endeavour to maintain our performance in the coming year.

## RESPONSIBLE INVESTMENT

The hotel industry accounts for about 1% of global greenhouse gas emissions<sup>3</sup>. With an operational footprint spanning diverse geographies, FHT is cognisant that we have both the opportunities and a responsibility to address the broader environmental and social impact along our value chain. In line with our Sponsor's goal of attaining net zero carbon emissions by 2050, we have consciously deepened the integration of ESG considerations into our business decisions and investments. Collectively, we aim to green-certify 80% of our owned and managed assets, as well as to fund majority of our sustainable asset portfolios with green or sustainable financing, by 2024.

In FY2021, all FHT's properties in Australia underwent assessments under NABERS which measures the environmental performance of Australian buildings and tenancies. Our properties attained an average NABERS Water rating of 4 Stars (Good) and an average Energy rating of 3.5 Stars (between Average and Good). This was the first time our whole Australian portfolio was assessed under NABERS.

We are also aiming to certify our Australian properties under Green Star, an internationally recognised sustainability rating and certification system administered by the Green Building Council of Australia, by the end of FY2022. In addition, InterContinental Singapore was re-certified Green Mark Gold<sup>PLUS</sup> in 2021 under the Singapore Building & Construction Authority's Green Mark Certification Scheme.

<sup>2</sup> Please refer to pages 105-147 for our report on Corporate Governance.

<sup>3</sup> 2018 UN World Tourism Organisation report: <https://unfccc.int/news/un-works-with-global-hotel-industry-to-reduce-emissions>

## Sustainability

Green Tourism, an environmental consultancy based in Scotland, administers the eponymous awards certification programme to recognise the commitment of UK tourism players who are working actively to integrate sustainability into their operations. The certification scheme measures the steps businesses are taking to care for local communities, promote a sense of place, conserve local areas and adopt environmentally friendly practices. Five of our properties have attained awards under the Green Tourism scheme for the measures we are taking to create a greener stay:

- 
- Fraser Suites Edinburgh – Silver
  - Fraser Suites Canary Wharf London – Bronze
  - Fraser Suites Glasgow – Bronze
  - Fraser Suites Queens Gate London – Bronze
  - Park International London – Bronze
- 

During the year, FHT took part in the GRESB Real Estate Assessment for the third time and obtained a score of 62, compared to 61 in 2020. We have performed a gap analysis of our results and will strive to implement positive changes in our operations and investment decisions.

### RESILIENT PROPERTIES

The events of the past year have reminded us that climate change poses tangible and substantial risks for communities and livelihoods around the globe. Businesses, governments, and non-profit organisations have also been paying more attention to the recommendations by the TCFD to encourage the identification, reporting and management of climate-related risks and opportunities. As a global REIT, we know that we have to act quickly and leverage climate risk data to identify, understand and manage our portfolio's exposure to climate hazards, screen our investments in tandem with changing climate trends, and leverage climate-related opportunities for the long-term sustainability of our business.

Our approach towards Resilient Properties is aligned with our Sponsor. In FY2021, we have embarked on a gap analysis exercise to assess our alignment with the MAS Guidelines on Environmental Risk Management which were issued in December 2020. The Guidelines are intended to drive a transition to an environmentally sustainable economy by enhancing the integration of environmental risk considerations in financing and investment decisions as well as promote new opportunities for green financing. We have commenced preparatory work by carrying out a climate risk assessment and are on track to complete this by mid-2022. To build a resilient portfolio, we have also embarked on a drive to certify our properties with relevant green building rating systems to improve our efficiency of resource consumption.



## CONSUMING RESPONSIBLY

### OUR PRIORITIES

**We recognise that we have an active part to play in reducing the environmental footprint of our operations and value chain. Driven by our Group-wide goal of achieving net zero carbon emissions by 2050, we strive for responsible consumption and efficient operations in all our hotels and serviced residences. We are cognisant of the shift in expectations amongst our customers and guests who increasingly prioritise responsible tourism. For FHT's properties to remain destinations of choice, it is imperative that we align our practices with customers' expectations.**

### OUR APPROACH

- Institute policies that drive positive environmental and social outcomes.
- Promote sustainable practices and encourage our employees, customers and property operators to reduce their environmental footprint together with us.

### OUR GOALS AND PROGRESS

Focus area	Our goals	Our progress in FY2021	Status
Energy & Carbon	<ul style="list-style-type: none"> <li>• To develop a net zero carbon roadmap and establish carbon targets in line with a science-based approach in order to achieve net zero carbon emissions by 2050.</li> <li>• To reduce the energy intensity of the portfolio by 3% per annum for the portfolio by 2024 against a 2018 baseline.</li> </ul>	<ul style="list-style-type: none"> <li>• 25.0% YoY increase in energy intensity per room night in FY2021 due to lower portfolio occupancy rates.</li> <li>• Fraser Suites Glasgow, Fraser Suites Edinburgh, Fraser Suites Queens Gate London and Park International London have been supplied with 100% renewable electricity since 1 January 2021.</li> </ul>	In progress <sup>1</sup>
Water	<ul style="list-style-type: none"> <li>• To reduce the water intensity reduction of the portfolio by 1.5% per annum by 2024 against a 2018 baseline.</li> </ul>	<ul style="list-style-type: none"> <li>• 10.0% YoY increase in water intensity per room night due to lower portfolio occupancy rates.</li> </ul>	In progress <sup>1</sup>
Waste	<ul style="list-style-type: none"> <li>• To establish a waste recycling target and expand waste data coverage from current 10 properties to 14 by December 2021.</li> </ul>	<ul style="list-style-type: none"> <li>• Waste data coverage remained at 10 properties. We will strive to expand the data coverage.</li> <li>• 12.0% YoY increase in waste intensity per room night in FY2021 due to lower portfolio occupancy rates.</li> </ul>	Not on track <sup>1</sup>

<sup>1</sup> On track: Target is either achieved or is on track to be achieved on time  
 In progress: Target is delayed but progress is still being made and could still be achieved on time  
 Not on track: Target is delayed to the point that it is unlikely that it will be achieved on time

## Sustainability

### ENERGY AND CARBON

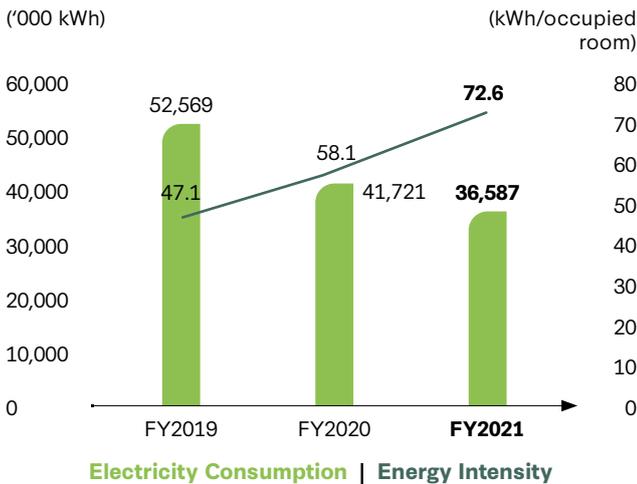
At FHT, we seek to reduce energy consumption across our properties and constantly encourage our property operators to improve their energy management. We also strive to influence and enable our employees, guests and suppliers to prioritise environmentally friendly lifestyles and decisions.

In FY2021, FHT’s properties consumed a total of 36,587,403 kWh of electricity, a reduction of 12.3% from a year ago. While we continue to work closely with our hotel and serviced residence operators to undertake proactive measures to minimise energy usage across our properties, the magnitude of the decline was constrained as the properties must maintain their key amenities, particularly in the public areas.

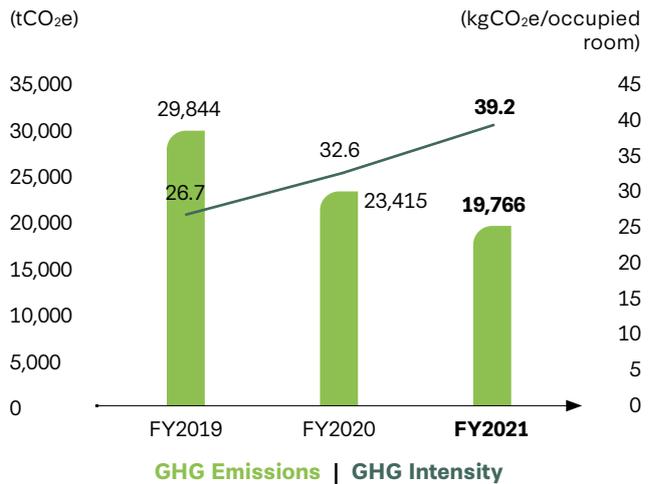
Consequently, our electricity intensity per occupied room – which is measured by dividing total energy usage over total occupied room nights – increased by 25.0% YoY to 72.6 kWh due to lower portfolio occupancy rates in FY2021 compared to FY2020. The full impact of the COVID-19 pandemic was felt for 12 months in FY2021, while FY2020’s portfolio occupancy was helped by the first two quarters’ of pre-COVID performance.

The total carbon emissions from our energy consumption amounted to 19,766 tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e). This represents a reduction of 15.6% compared to FY2020. However, our carbon emission intensity was 39.2 kgCO<sub>2</sub>e per occupied room, up 20.4% YoY due to the decrease in occupancy rate.

#### Electricity Consumption and Energy Intensity



#### Scope 2 GHG Emissions and Intensity



GHG emissions are calculated using the market-based method.

### KEY INITIATIVES IN FY2021

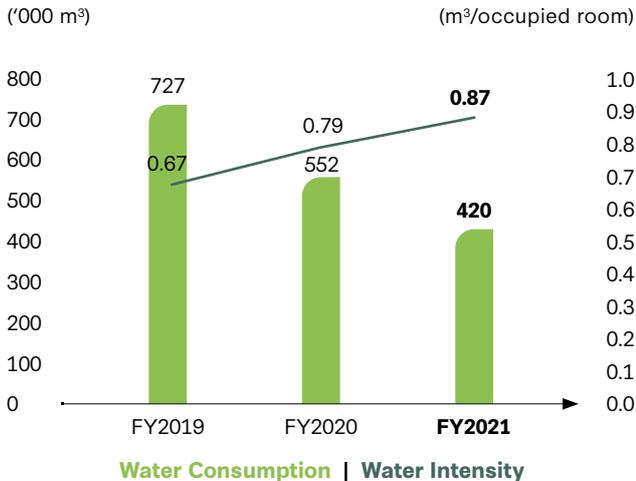
- In the UK, all FHT’s properties have obtained an Energy Performance Certificate except for Fraser Suites Glasgow which is on track to obtaining one in FY2022. We will continue to improve energy efficiencies in our operations to create an eco-friendlier guest experience.
- All our properties in Australia achieved an average of 3.5 Stars NABERS energy rating, which is between ‘Average’ and ‘Good’.
- Fraser Suites Glasgow, Fraser Suites Edinburgh, Fraser Suites Queens Gate London and Park International London have been supplied with 100% renewable electricity since 1 January 2021. This translates to 1,080,563 kWh and hence 229.4 tCO<sub>2</sub>e in avoided emissions.
- InterContinental Singapore partners local farmers in Singapore such as Ah Hua’s Kelong and Kühlbarra to showcase sustainable, fresh, and locally sourced seafood on its menu, reducing its carbon footprint from transportation by selecting local alternatives to importation.
- ANA Crowne Plaza Kobe continued to be evaluated as an excellent business operator under Japan’s SABC evaluation system which is an evaluation system by the country’s ministry that divides business operators into four stages according to the degree of their energy conservation efforts.

## WATER

Water is key to our operations as it impacts our ability to provide our guests with a comfortable experience. Our goal is to achieve a reduction in water use intensity of 1.5% per year by 2024, against a 2018 baseline to reduce strain on public utility systems. We continue to take steps to manage water usage in our properties by upgrading to water-efficient devices and equipment whenever applicable. During the year, all our properties in Australia have attained an average NABERS Water rating of 4 Stars (Good).

In FY2021, our properties consumed a total of 419.5 megalitres of water, all of which came from municipal water supply, a reduction of 24.0% from a year ago. Our water intensity per occupied room was 0.87 m<sup>3</sup>, a 10.0% increase from FY2020 due to lower occupancy rates arising from the COVID-19 pandemic.

### Water Consumption and Intensity



## WASTE

We are aware that the hospitality industry generates significant amounts of waste and we consciously explore and adopt waste reduction initiatives to reduce our carbon footprint. As a responsible corporate citizen, we work closely with our property operators to improve our waste management systems.

A total of 1,756 tonnes of non-hazardous waste was generated in 10 of our properties during the year, a decrease of 20.4% compared to FY2020. Waste intensity increased by 12.0% to 3.8 kg per occupied room due to a decrease in occupancy rates. A total of 267 tonnes of waste were sent for recycling in FY2021, representing a recycling rate of 15.2%, up from 13.2% reported in FY2020.

### KEY INITIATIVES IN FY2021

- All Frasers Hospitality-managed properties within FHT’s portfolio have embarked on phasing out single-use plastics, with all of them attaining full implementation across focus themes of food & beverage, laundry, and bathroom amenities. Plastic straws have been switched to paper and bamboo alternatives.
- All Frasers Hospitality-managed properties in the UK no longer provide paper copies of magazines, newspapers or the Fraser Cachet publication – our guests now enjoy these in an electronic format.
- Recycling points are offered across Frasers Hospitality-managed properties in the UK. Plastic lids have been swapped for recyclable plastic sip lids or biodegradable ones.
- InterContinental Singapore has reduced the amount of waste it generated by 48% against a 2019 baseline. Its waste reduction initiatives this year include the signing of a memorandum of understanding with Biopro, a Singaporean company that upcycles food waste using an innovative, natural method involving black soldier flies, as well as eliminating single-use plastic straws.
- Fraser Suites Singapore partnered with Soap Cycling, the largest non-profit soap recycling organisation in Asia, to recycle used bar soaps left behind by our guests for the migrant worker community in Singapore.

## Sustainability



### FOCUSING ON PEOPLE

#### OUR PRIORITIES

**We believe that people are our most valuable assets and that a resilient culture is fundamental to our growth and success. We are committed to creating positive and meaningful experiences with our employees, guests and the wider community, and we strive to harness innovation and best-in-class service to delight our customers and exceed their evolving expectations.**

#### OUR APPROACH

- Establish policies that focus on building our human capital and contributing positively to the communities.
- Foster a culture of diversity and inclusion to connect with our stakeholders.

#### OUR GOALS AND PROGRESS

Focus area	Our goals	Our progress in FY2021	Status
Diversity, Equity & Inclusion	<ul style="list-style-type: none"> <li>• To embed diversity, equity and inclusion in our culture through employee engagement.</li> <li>• To provide training and education that raises employee awareness of diversity and inclusion and associated benefits.</li> <li>• To enhance processes and policies to encourage greater flexibility and diversity.</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved 73% female representation in workforce</li> <li>• Continued alignment with Frasers Property's Diversity and Inclusion Policy.</li> </ul>	In progress <sup>1</sup>
Skills & Leadership	<ul style="list-style-type: none"> <li>• To achieve an average of 40 training hours per employee each year.</li> <li>• To train all employees on sustainability by 2021.</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved average of 49 training hours per employee.</li> <li>• All FHT employees underwent sustainability-related training.</li> </ul>	On track <sup>1</sup>
Health & Well-being	<ul style="list-style-type: none"> <li>• To create a safe working environment and achieve zero injuries.</li> <li>• To improve the well-being of our employees, customers and communities by 2030.</li> </ul>	<ul style="list-style-type: none"> <li>• Reported zero incidents of non-compliance with regulations concerning the health and safety of our customers and employees.</li> </ul>	On track <sup>1</sup>
Community Connectedness	<ul style="list-style-type: none"> <li>• To seek meaningful long-term relationships that respect local cultures and create lasting benefits.</li> <li>• To identify measurements to quantify positive contributions.</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved a positive guest review score of 83 out of 100 and a performance score of 86 out of 100 across all Frasers Hospitality-managed properties within FHT's portfolio</li> <li>• Continued alignment with Frasers Property's Corporate Social Responsibility Policy and Community Investment Framework.</li> </ul>	In progress <sup>1</sup>

<sup>1</sup> On track: Target is either achieved or is on track to be achieved on time  
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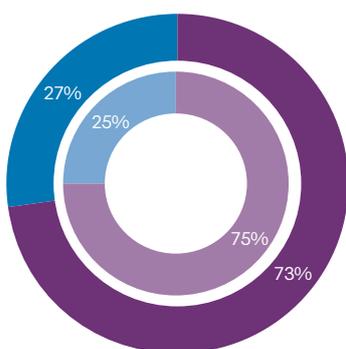
## DIVERSITY, EQUITY AND INCLUSION

We embrace workforce diversity and equal employment opportunities based on meritocracy, and we believe that a diverse talent pool promotes growth, innovation and inclusivity that lead to enhanced business performance. As part of the Group, we subscribe to the Tripartite Alliance for Fair & Progressive Employer Practices in Singapore, demonstrating our commitment towards adopting fair and progressive human resource practices. We also adopt the Group’s Code of Business Conduct as well as its Diversity and Inclusion Policy.

As of 30 September 2021, we have a total of 15 full-time, permanent employees, most of whom are based in Singapore, with two employees in Australia and one in the UK. Our average employee is aged between 30 and 49 years old. In FY2021, our hiring rate was 20.0%, an increase from 15.0% in FY2020. Our turnover rate was 40.0% in FY2021, as there was a pickup in available hiring opportunities within the job market, compared to 5.0% in FY2020 when the COVID-19 pandemic had presented the market with uncertainties, leading to minimal movements of labour within the general workforce.

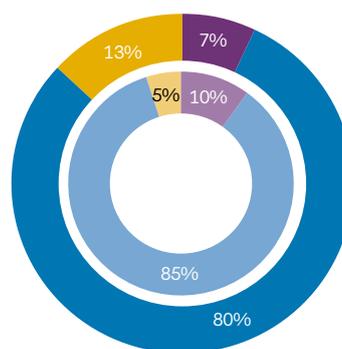
### Employee Profile (Breakdown by Gender, Age Group, Location and Employment Type)

#### By Gender



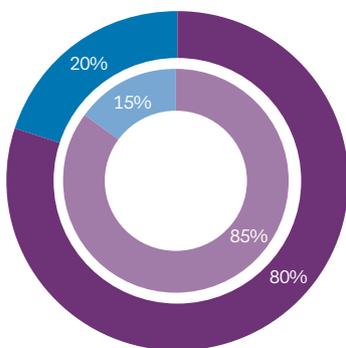
No. of employees	FY2020	FY2021
<b>Female</b>	<b>15</b>	<b>11</b>
<b>Male</b>	<b>5</b>	<b>4</b>

#### By Age Group



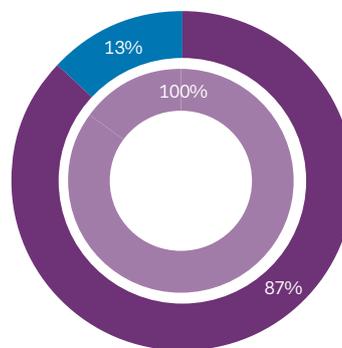
No. of employees	FY2020	FY2021
<b>&lt;30 years old</b>	<b>2</b>	<b>1</b>
<b>30-49 years old</b>	<b>17</b>	<b>12</b>
<b>50 years old and above</b>	<b>1</b>	<b>2</b>

#### By Location



No. of employees	FY2020	FY2021
<b>Singapore</b>	<b>17</b>	<b>12</b>
<b>Overseas</b>	<b>3</b>	<b>3</b>

#### By Employment Type

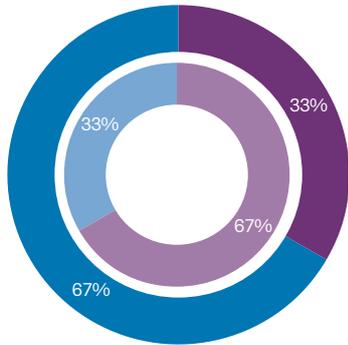


No. of employees	FY2020	FY2021
<b>Executive</b>	<b>20</b>	<b>13</b>
<b>Non-Executive</b>	<b>0</b>	<b>2</b>

## Sustainability

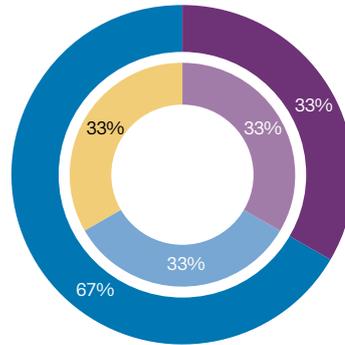
### New Hire (Breakdown by Gender and Age Group)

New Hire by Gender



No. of employees	FY2020	FY2021
<b>Female</b>	<b>2</b>	<b>1</b>
<b>Male</b>	<b>1</b>	<b>2</b>

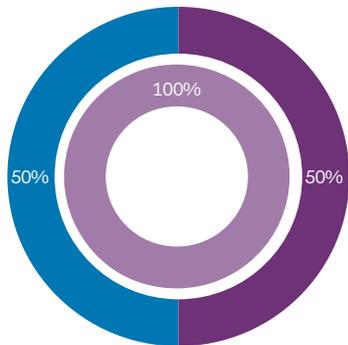
New Hire by Age Group



No. of employees	FY2020	FY2021
<b>&lt;30 years old</b>	<b>1</b>	<b>1</b>
<b>30-49 years old</b>	<b>1</b>	<b>2</b>
<b>50 years old and above</b>	<b>1</b>	<b>0</b>

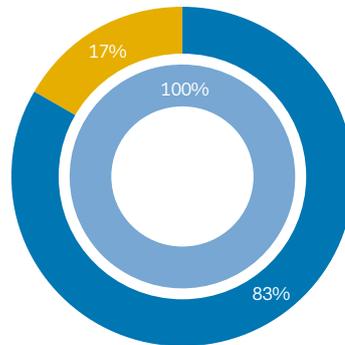
### Employee Turnover (Breakdown by Gender and Age Group)

Turnover by Gender



No. of employees	FY2020	FY2021
<b>Female</b>	<b>1</b>	<b>3</b>
<b>Male</b>	<b>0</b>	<b>3</b>

Turnover by Age Group



No. of employees	FY2020	FY2021
<b>&lt;30 years old</b>	<b>0</b>	<b>0</b>
<b>30-49 years old</b>	<b>1</b>	<b>5</b>
<b>50 years old and above</b>	<b>0</b>	<b>1</b>

As part of Frasers Property, we have values – Collaborative, Progressive, Respectful and Real – for all FHT employees to uphold. This year, as a key step towards shaping a purpose-driven culture and better workplace, our employees were invited to participate in an inaugural Group-wide Culture Survey. From the feedback gathered from Frasers Hospitality employees, we gained an understanding that the prevailing culture

style in the workplace is mainly caring, followed by a strong focus on work achievements and operational efficiency. The characteristics that employees like most about Frasers Hospitality are teamwork, culture/environment as well as support and care. We will continue to work with the Group on this journey to transform our workplace culture in a positive and impactful manner.

## HEALTH AND WELL-BEING

We are committed to providing a secure and conducive work environment for employees at the REIT Manager and at our properties, as well as providing a safe and healthy space for our hospitality guests.

We align with our Sponsor's human resource policies in relation to the human resource practices for our employees. This includes a comprehensive range of welfare benefits, such as maternity and parental leave, family care leave, as well as life, medical and accident insurance. We also offer our full-time and contract employees a flexi-benefit scheme which allows them to customise their level of benefits such as additional personal insurance coverage, outpatient treatment, dental care and health screening. Our employees also have access to an Employee Assistance Programme to seek help for personal or work-related issues.

We are also cognisant of the impact of the COVID-19 pandemic on our employees' expectations about their working environment. In 2020, we sought the feedback of our employees on their sentiments regarding the COVID-19 pandemic via a Group-wide employee pulse survey. Their feedback formed the basis of our shift to a flexible work arrangement policy as we strive to pivot towards a hybrid work environment.

In August 2021, staff at the REIT Manager and Frasers Hospitality-managed properties participated in various virtual activities held during the annual Frasers Property's Health and Safety Month. Themed 'Connecting Lives', this year's activities focused on fostering a culture of mental well-being and connectivity. A Group-wide virtual competition was held to encourage employees to stay active, and a series of virtual talks were organised to raise awareness and empower our employees to take action in areas such as positive thinking, eating right and identifying mental health issues.

We also work alongside our hotel and serviced residence operators to safeguard the health and well-being of all property staff. Each of our properties has in place robust health and safety policies and practices, with a designated health and safety committee responsible for conducting regular risk reviews and assessments to monitor and improve the health and safety performance of the property. Regular training sessions are provided to the property staff to remind them of existing safety procedures, keep them abreast of new ones, and spot work-related hazards. Each property also shares its policies and procedures with its vendors to encourage health and safety practices along the supply chain.

In FY2021, our properties conducted safety training covering areas such as:

- Risk management
- Fire and disaster drills
- Safety and security
- Emergency management
- Evacuation
- COVID-19 awareness
- Hygiene standards
- WSQ (Singapore Workforce Skills Qualifications)
- First aid
- Counter-terrorism

In FY2021, we reported zero work-related fatalities across our properties and at the REIT Manager level. We strive to maintain this performance in the coming year.

At every property, a business continuity plan (**BCP**) is in place to minimise the impact from potentially disruptive events such as pandemics, fire or power failures. During the year, test drills were scheduled to determine the adequacy and effectiveness of the BCP under different scenarios. The results of the drills were reported quarterly, with areas for improvement identified for implementation.

To ensure guest safety, we work closely with our appointed hotel operators to improve health and well-being standards at FHT's properties. For instance, Accor has launched its ALLSAFE global cleanliness and prevention standards which have been developed with and vetted by Bureau Veritas, a testing, inspections and certification firm. InterContinental Hotels & Resorts has also expanded its commitment to cleanliness with the launch of IHG Clean Promise which includes an updated IHG Way of Clean programme involving COVID-19 protocols and best hygiene practices.

The COVID-19 pandemic has provided us with an opportunity to improve our services and offerings and strive for the highest international health and safety standards for our properties. The properties managed by Frasers Hospitality ensure that safety protocols, including temperature-taking, mask-wearing, hand-sanitising and social distancing measures are rigorously followed, under the #FraserCares initiative. In addition, Frasers Hospitality has partnered SGS, an inspection, verification, testing, and certification company, to assess its cleaning and disinfection verification programmes across all Frasers Hospitality-managed properties globally and enhance its health and safety standards.

## Sustainability

Our Frasers Hospitality-managed properties in the UK also use a patented, chemical-free, child-friendly cleaning system to ensure the health and safety of their guests and staff. By employing only tap water, electricity and oxygen, this innovative technology helps to reduce chemical waste and uses less water than conventional cleaning methods. It also helps them to better manage their carbon footprint by eliminating the need to purchase, transport, distribute, store and restock inventories of multiple cleaning and sanitising products.

### SKILLS AND LEADERSHIP

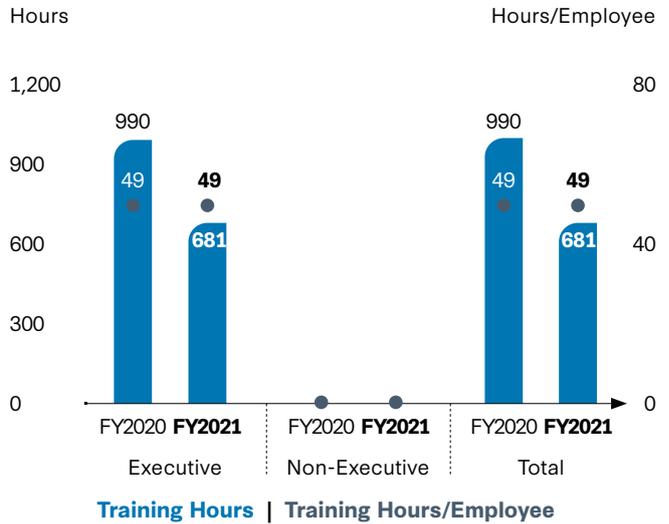
The rapid shifts in our industry over the past year have reminded us that employee empowerment and development must continue to remain a top focus at FHT. We encourage our employees to adopt a lifelong learning approach and identify their development gaps and needs through the annual performance appraisal.

As part of Frasers Property, our staff is supported by the Group’s Learning Academy, which provides a comprehensive range of learning and development programmes including tailored training sessions. In FY2021, the Learning Academy hosted a six-day Group-wide Learning Festival around the theme “Rising Above Uncertainty”. Virtual live sessions were presented over three tracks – Scaling Core Capabilities, Customer Centricity and Sustainability – by Frasers Property leaders and experts, including a learning session on sustainability initiatives that have been implemented at Frasers Hospitality-managed properties. Aside from learning opportunities led by the Group, our employees can also sign up for external training in specific areas or skill sets that are relevant to their work.

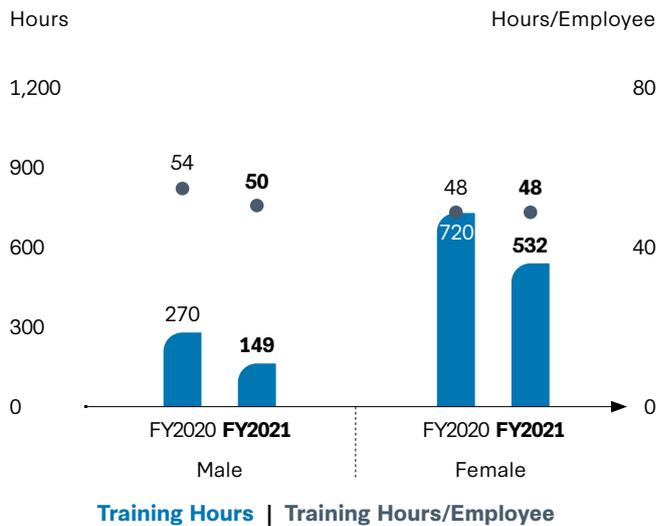
Despite continued challenges and disruptions caused by the COVID-19 pandemic, our employees continued to attend training and development courses, seminars and webinars during the year to acquire relevant knowledge and skills. In FY2021, they underwent a total of 681 hours of training, compared to 975 hours in FY2020. This translates to an average of 49 training hours per employee (Male: 50; Female: 48) – on par with FY2020. All FHT employees have also participated in sustainability-related training via an e-learning training module in 2021.

Starting from FY2022, the Group intends to set a revised goal for each employee to complete an average of 30 hours of training per year, with an increased focus on creating more meaningful learning experiences that are targeted at, and tailored to, individual learning pathways.

### Training Hours by Employment Category



### Training Hours by Gender



## COMMUNITY CONNECTEDNESS

We strive to connect meaningfully with our employees, customers, suppliers, the community and a diverse range of stakeholders, and believe that customer centricity is essential to making our hotels and serviced residences choice destinations.

### Enhancing the Customer Experience

In the hospitality industry, good customer experience is critical to our business. It is important to understand the needs of our customers and guests and strive to exceed their expectations through excellent service and safe practices. Our properties take a three-pronged approach to continually improve their service quality and enhance guest experience by:

#### MONITORING CUSTOMER FEEDBACK AND SATISFACTION

- Guest satisfaction and feedback are collated through various channels such as in-room surveys, post-stay surveys and reviews on major travel service platforms.
- Target response rates have been set for online reviews and direct guest communications.
- Established procedures are in place to ensure that guest complaints are treated with utmost care and service delivered is consistently positive.

#### PROVIDING TRAINING TARGETED AT CUSTOMER SERVICE EXCELLENCE

- At Frasers Hospitality-managed properties, all staff must attend the Front-Office Excellence Training, and the Epitome of Training and Grooming.
- At InterContinental Singapore, e-learning is conducted for new and existing staff on the hotel chain's approach to hospitality.
- New hires at Novotel Melbourne on Collins, Sofitel Sydney Wentworth and Novotel Sydney Darling Square undergo Heartist training before starting employment.

#### ENGAGING EXTERNAL PARTIES TO EVALUATE SERVICE QUALITY

- Independent mystery guest stays are deployed to assess service quality at our properties.
- Independent audits on brand standards and quality evaluation are commissioned annually by the hotel and serviced residence operators.

Across our properties managed by Frasers Hospitality, we collected a total of 4,306 guest reviews and ratings in FY2021. Despite the COVID-19 situation impacting the number of guests staying at our properties, we achieved a positive review score of 83 out of 100 and a performance score of 86 out of 100.

We leverage innovation across our properties to elevate our customers' experience and create value for them. This year, we introduced various digital platforms for our guests with the aim of providing seamless one-stop solutions that anticipate our customers' needs and exceed their expectations. Five of our properties in the UK have already implemented *Lola*, a digital concierge chatbot developed by Frasers Hospitality, with Fraser Suites Sydney in Australia expected to go live by end-2021. *Lola* offers property information and tools for exploring places of interests while serving as a hotel services platform. Integrated with our workflow management system, it ensures a more streamlined and automated customer experience compared to traditional guest relations processes.

ibis Styles London Gloucester Road has also embarked on a strategic redesign of its interiors and guest experiences as a first step in a roll-out plan by Accor that will impact at least 50% of hotels across its brand segments in Europe in the next five years. It now offers a fully digital experience with contactless solutions at each touchpoint - from mobile check-ins, and in-hotel payment and digital food & beverage services, to access to guest relations services via WhatsApp.



ibis Styles London Gloucester Road is the first Accor hotel in Northern Europe to offer a fully contactless guest experience.

## Sustainability

Fraser Suites Singapore partnered with a smart energy management company, SensorFlow, to adopt an Internet of Things solution to monitor, analyse and optimise its energy consumption. By integrating an artificial intelligence system into multiple guestrooms, the property aims to improve its energy efficiency and provide a more comfortable guest experience. To adapt to its guests' evolving remote working needs, InterContinental Singapore has also launched The Green Room, a virtual and hybrid event studio equipped with full multimedia production facilities.

### Making an Impact on the Community

Guided by Frasers Property's Community Investment Framework, we strive to make an impact on the communities we serve, particularly in the key focus areas of health, education, and the environment. This year, our Frasers Hospitality-managed properties in the UK have partnered The Burnt Chef Project (**TBCP**), a non-profit social enterprise, to reduce the stigma of mental illness in the hospitality industry. Through this collaboration, they have redesigned their menus to allow guests to donate directly to TBCP by ordering special items, added a donation option to their websites, and supported staff-led fundraising campaigns.

Frasers Hospitality also launched a global campaign, 'Remembering Kindness', that aims to celebrate kindness by recognising individuals who have made extraordinary strides to help others in need. Through an open call for nominations of individuals who have performed acts of kindness, they received entries from 16 countries and have awarded free stays at Frasers Hospitality properties around the world to more than 200 "kindness heroes".

Staff and guests at Fraser Suites Singapore participated in a week-long food drive alongside Fraser Place Robertson Walk Singapore and Fraser Residence Orchard Singapore. Together, they collected and donated over 400 kilogrammes of non-perishable food to a Singapore charity, The Food Bank, for redistribution to communities in need.

## ABOUT THIS REPORT

This Sustainability Report – the 7<sup>th</sup> since FHT's listing – covers our sustainability performance for the financial reporting period from 1 October 2020 to 30 September 2021. It has been prepared in accordance with the sustainability reporting requirements of the SGX-ST Listing Manual (Rules 711A and 711B) and the GRI Standards: Core Option. We have also aligned our reporting with the GRI Reporting Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness, Balance, Comparability, Accuracy and Reliability, Timeliness and Clarity.

We have selected the internationally recognised GRI Standards: Core Option as the reporting framework since it provides guiding principles on report content and quality and suggests specific performance disclosures relevant to our material ESG topics.

### REPORT SCOPE

This report describes the sustainability activities and performance of our 14 properties located across Asia, Australia and the UK<sup>4</sup>. Information relating to energy, water<sup>5</sup>, waste<sup>6</sup>, customer experience, employee health and well-being, talent recruitment and retention, and our contribution to the communities has been disclosed in good faith and to the best of our knowledge. In this report, employees refer to the staff of the REIT Manager and all employee data disclosed herein relates only to the REIT Manager.

### FEEDBACK

We welcome any feedback or suggestion that will help us improve our sustainability reporting and performance. Please write to: [ir@frasershospitality.com](mailto:ir@frasershospitality.com). Thank you.

4 Maritim Hotel Dresden has been excluded from the report scope due to limitations imposed by the master lease agreement.

5 Water data covers all properties except Fraser Place Canary Wharf London, which does not report water consumption.

6 Waste data is available for 10 out of the 14 properties covered in this report. For details of scope, please refer to "Waste" section of the report.

## GRI CONTENT INDEX

GRI Standards	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
<b>Universal Standards</b>			
<b>GRI 102: General Disclosures</b>	<b>Organisational Profile</b>		
	102-1	Name of the organisation	About Frasers Hospitality Trust, p.02
	102-2	Activities, brands, products, and services	About Frasers Hospitality Trust, p.02
	102-3	Location of headquarters	Corporate Information, p.07
	102-4	Location of operations	About Frasers Hospitality Trust, p.02
	102-5	Ownership and legal form	About Frasers Hospitality Trust, p.02 Trust Structure, p.06
	102-6	Markets served	Our Portfolio, p.04 Asset Profiles, p.66
	102-7	Scale of the organisation	About Frasers Hospitality Trust, p.02 Financial Highlights, p.08 Focusing on People – Skills and Leadership, p.92
	102-8	Information on employees and other workers	Focusing on People – Skills and Leadership, p.92
	102-9	Supply chain	Consuming Responsibly, p.85 Managing Sustainability – Stakeholder Engagement, p.78-79
	102-10	Significant changes to organisation and its supply chain	Key Events, p.29
	102-11	Precautionary principle or approach	FHT does not specifically refer to the precautionary approach when managing risks; however, our management approach is risk-based, and underpinned by our internal audit framework.
	102-12	External initiatives	Acting Progressively – Risk-based Management and Responsible Investment, p.83
	102-13	Membership of associations	Managing Sustainability – Stakeholder Engagement, p.78-79
	<b>Strategy</b>		
	102-14	Statement from senior decision-maker	Board Statement, p.74-75
	<b>Ethics and Integrity</b>		
	102-16	Values, principles, standards, and norms of behaviour	About Frasers Hospitality Trust, p.02 Acting Progressively – Risk-Based Management, p.83
	<b>Governance</b>		
	102-18	Governance structure	Trust Structure, p.06 Board of Directors, p.57-61 Management Team, p.62-63 Corporate Governance Report, p.105-147 Managing Sustainability – Sustainability Governance, p.78
	<b>Stakeholder Engagement</b>		
	102-40	List of stakeholder groups	Managing Sustainability – Stakeholder Engagement, p.78-79
	102-41	Collective bargaining agreements	There are no collective bargaining agreements in place.
	102-42	Identifying and selecting stakeholders	Managing Sustainability – Stakeholder Management, p.78-79
	102-43	Approach to stakeholder engagement	Managing Sustainability – Stakeholder Management, p.78-79
	102-44	Key topics and concerns raised	Managing Sustainability – Stakeholder Management, p.78-79

## Sustainability

GRI Standards	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
<b>GRI 102: General Disclosures</b>	<b>Reporting Practice</b>		
	102-45	Entities included in the consolidated financial statements	Trust Structure, p.06 Financial Statements, p.148-293
	102-46	Defining report content and topic Boundaries	About This Report - Report Scope, p.94 Materiality Assessment, p.80-81
	102-47	List of material topics	Materiality Assessment, p.80-81
	102-48	Restatements of information	Consuming Responsibly – Energy and Carbon, p.86, Water, p.87  Estimated electricity and water data for FY2019 was updated with actual values. Figures for FY2019 and FY2020 GHG emissions were updated to take into account the latest historical figures from published sources.
	102-49	Changes in reporting	There were no significant changes in reporting period, list of material factors and topic boundaries
	102-50	Reporting period	About This Report, p.94
	102-51	Date of most recent report	December 2020
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	About This Report - Feedback, p.94
	102-54	Claims of reporting in accordance with GRI Standards	About This Report, p.94
	102-55	GRI content index	GRI Content Index, p.95-98
	102-56	External assurance	We have not sought external assurance on this data; however, we intend to review this stance in the future.
	<b>Management Approach</b>		
<b>GRI 103: Management Approach</b>	103-1	Explanation of the material topic and its boundary	Materiality Assessment, p.80-81
<b>Topic-specific Standards</b>			
<b>Economic Performance</b>			
<b>GRI 103: Management Approach</b>	103-2	The management approach and its components	Our Growth Strategy, p.03
	103-3	Evaluation of the management approach	
<b>GRI 201: Economic Performance</b>	201-1	Direct economic value generated and distributed	Financial Review, p.14-19 Financial Statements, p.148-293
<b>Anti-corruption</b>			
<b>GRI 103: Management Approach</b>	103-2	The management approach and its components	Acting Progressively – Risk-based Management, p.83 Materiality Assessment, p.80-81
	103-3	Evaluation of the management approach	
<b>GRI 205: Anti-corruption</b>	205-3	Confirmed incidents of corruption and actions taken	

GRI Standards	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
<b>Energy and GHG Emissions Management</b>			
<b>GRI 103: Management Approach</b>	103-2	The management approach and its components	Consuming Responsibly – Energy and Carbon, p.86
	103-3	Evaluation of the management approach	
<b>GRI 302: Energy</b>	302-1	Energy consumption within the organization	Consuming Responsibly – Energy and Carbon, p.86
	302-3	Energy intensity	
<b>GRI 305: Emissions</b>	305-2	Energy indirect (Scope 2) GHG emissions	Consuming Responsibly – Energy and Carbon, p.86
	305-4	GHG emissions intensity	
<b>Water Management</b>			
<b>GRI 103: Management Approach</b>	103-2	The management approach and its components	Consuming Responsibly – Water, p.87
	103-3	Evaluation of the management approach	
<b>GRI 303: Water and Effluents</b>	303-1	Interactions with water as a shared resource	Consuming Responsibly – Water, p.87
	303-2	Management of water discharge-related impacts	
	303-5	Water consumption	
<b>Customer Experience</b>			
<b>GRI 103: Management Approach</b>	103-2	The management approach and its components	Focusing on People – Customer Experience, p.93
	103-3	Evaluation of the management approach	
<b>Talent Recruitment and Retention</b>			
<b>GRI 103: Management Approach</b>	103-2	The management approach and its components	Focusing on People –Skills & Leadership, p.92
	103-3	Evaluation of the management approach	
<b>GRI 401: Employment</b>	401-1	New employee hires and employee turnover	
<b>GRI 404: Training and Education</b>	404-1	Average hours of training per year per employee development reviews	Focusing on People –Skills & Leadership, p.92
	404-2	Programs for upgrading employee skills and transition assistance programs	
	404-3	Percentage of employees receiving regular performance and career	

## Sustainability

GRI Standards	Disclosure Number	Disclosure Title	Section and Page Reference / Notes
<b>Employee Well-being and Empowerment</b>			
<b>GRI 103: Management Approach</b>	103-2	The management approach and its components	
	103-3	Evaluation of the management approach	
<b>GRI 403: Occupational Health and Safety</b>	403-1	Occupational health and safety management system	
	403-2	Hazard identification, risk assessment, and incident investigation	
	403-3	Occupational health services	Focusing on People - Health and Well-being, p.91
	403-4	Worker participation, consultation, and communication on occupational health and safety	As a REIT, we require all our properties to report health and safety incidents on a prompt and regular basis.
	403-5	Worker training on occupational health and safety	
	403-6	Promotion of worker health	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-9	Work-related injuries	
<b>GRI 419: Socioeconomic Compliance</b>	419-1	Non-compliance with laws and regulations in the social and economic areas	Focusing on People - Health and Well-being, p.91

### Notes on Energy , GHG Emissions and Water Reporting Scope:

With the exceptions mentioned in the corresponding footnotes, all figures reported for electricity consumption, GHG emissions, and water consumption relate to the entire building areas for all properties.

Energy, GHG and water intensities' figures exclude both newly completed properties in FY2021 and properties divested at any point during the reporting period.

The GHG emission factors are from Energy Market Authority - Singapore Energy Statistics 2021, Australia National Greenhouse Accounts Factors 2021, UK Government GHG Reporting 2019, 2020, 2021, Climate Transparency (2019 Report) for Japan, and GreenTech Malaysia.

# Investor Relations

## FAIR, TIMELY AND TRANSPARENT COMMUNICATIONS

The Managers of FHT are committed to providing timely, accurate and comprehensive information to enable our Stapled Securityholders and the investment community to make informed investment decisions.

To keep our stakeholders up-to-date on FHT's operating performance, we strive to release our announcements, news releases, presentation slides, annual reports, circulars and all other corporate disclosures promptly via SGXNET, and subsequently on FHT's corporate website at [www.frasershospitalitytrust.com](http://www.frasershospitalitytrust.com).

The website contains general information on FHT, such as property portfolio details, annual and sustainability reports, quarterly results and business updates, news releases and presentation slides, distribution payouts, as well as financial calendar. The corporate website also contains interactive share price charts and historical share price data. We shall continue with the practice of releasing FHT's financial results no later than 30 days from the end of each reporting period.

We remain committed to uphold and maintain high standards of corporate governance so as to ensure our business is sustainable over the long term. We continued to support the Corporate Governance – Statement Of Support 2021 organised by the Securities Investors Association Singapore to demonstrate this commitment.

## ACTIVE ENGAGEMENTS VIA MULTIPLE PLATFORMS

FHT actively engages the investment community through investor meetings, conference calls, non-deal roadshows and investor conferences.

Such interactions help the investment community better understand our business and performance, and provide us with valuable insights into the market perceptions and expectations of FHT.

Results and business update briefings for analysts are conducted quarterly and property visits are organised upon request. However, due to travel restrictions and social distancing measures arising from the COVID-19 pandemic, our investor meetings and quarterly analyst briefings have since gone virtual while property visits have been temporarily suspended.

Annual general meetings and extraordinary general meetings provide important channels for communication between the Managers and Stapled Securityholders. FHT's 6th Annual General Meeting (**AGM**) was convened on 20 January 2021. The AGM was conducted via electronic means as Securityholders were not permitted to attend in person due to pandemic restrictions. Instead, Securityholders were invited to submit their questions relating to FHT to the Managers ahead of the AGM. Voting on all the AGM resolutions was conducted by electronic polling and Securityholders were also invited to vote by appointing the Chairman of the Meeting as proxy at the meeting. The poll results, showing the number of votes cast for and against each resolution, were announced after the meeting and the minutes of the AGM were subsequently uploaded on FHT's website for greater transparency.

In recognition of FHT's efforts and achievements in upholding high standards of corporate governance and maintaining good compliance record, SGX continued to include FHT in the SGX Fast Track, which provides prioritised clearance for all our submissions of corporate actions to the SGX RegCo.

## Investor Relations Calendar for FY2021

First Quarter FY2021 (1 October 2020 – 31 December 2020)	
Analyst briefing for FY2020 results	November 2020
Frasers Day, Bangkok	November 2020
Frasers Property Group Dialogue hosted by Citi	December 2020
Second Quarter FY2021 (1 January 2021 – 31 March 2021)	
6th AGM	January 2021
Analyst briefing for 1Q FY2021 business updates	January 2021
Third Quarter FY2021 (1 April 2021 – 30 June 2021)	
Analyst briefing for 1H FY2021 results	April 2021
Fourth Quarter FY2021 (1 July 2021 – 30 September 2021)	
Analyst briefing for 3Q FY2021 business updates	July 2021
Citi-SGX-REITAS REITS/ Sponsors Forum 2021	August 2021

## Investor Relations

### Financial Calendar for FY2021

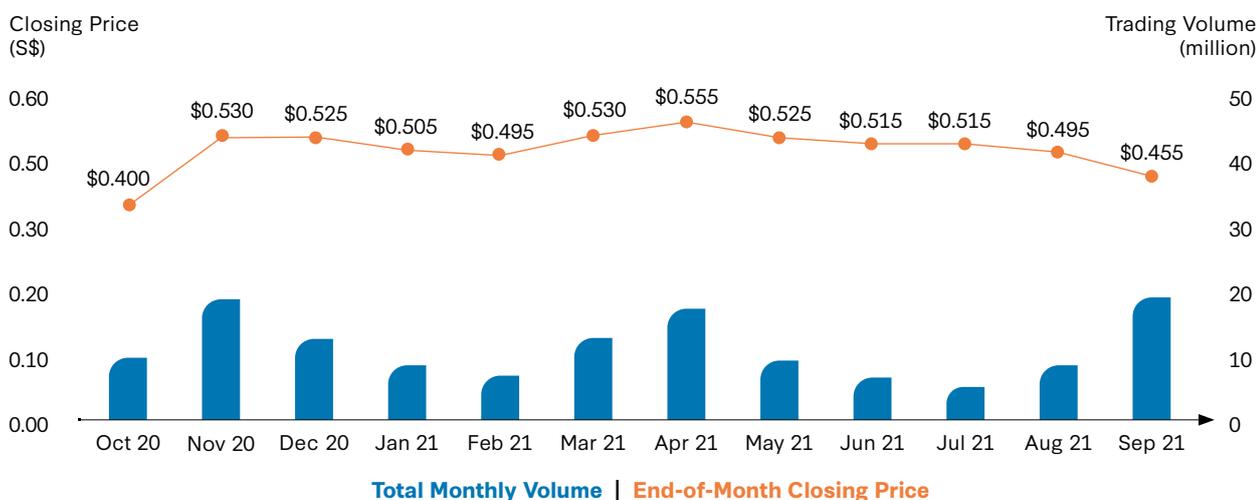
- 20 January 2021**  
6<sup>th</sup> AGM
- 28 January 2021**  
Release of 1Q FY2021 business updates
- 30 April 2021**  
Release of 1H FY2021 results
- 29 June 2021**  
Payment of interim distribution for FY2021
- 29 July 2021**  
Release of 3Q FY2021 business updates
- 29 October 2021**  
Release of 2H and FY2021 results
- 29 December 2021**  
Payment of final distribution for FY2021

### Financial Calendar for FY2022

(subject to changes by the Managers without prior notice)

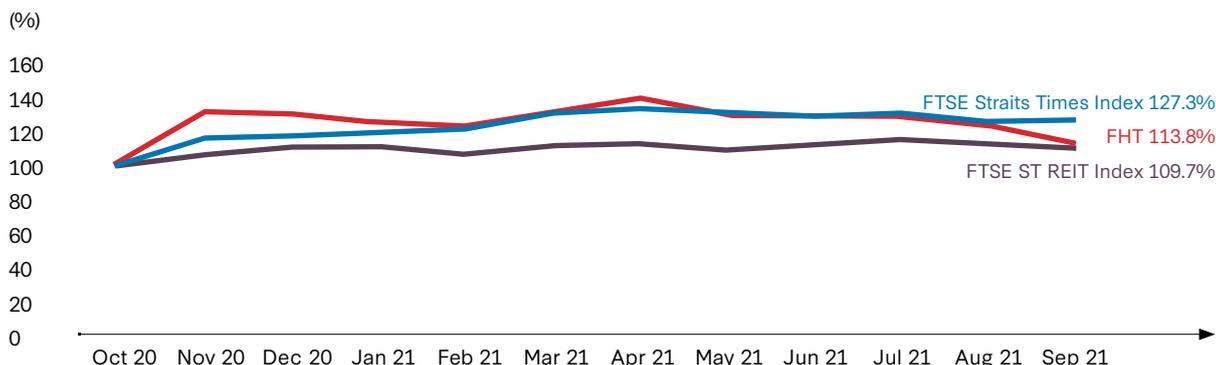
- 19 January 2022**  
7<sup>th</sup> AGM
- 28 January 2022**  
Release of 1Q FY2022 business updates
- April 2022**  
Release of 1H FY2022 results
- June 2022**  
Payment of interim distribution for FY2022
- July 2022**  
Release of 3Q FY2022 business updates
- October 2022**  
Release of 2H and FY2022 results
- December 2022**  
Payment of final distribution for FY2022

### FHT Monthly Trading Performance for FY2021



Source: Bloomberg

### Comparative Trading Performance for FY2021



Source: Bloomberg.

Note: Data extracted are not adjusted for any cash adjustments, capital changes or corporate actions (including but not limited to cash dividends, rights offerings, warrants and stock splits).

In the final quarter of 2020, FHT's unit price saw a recovery, in tandem with the broad markets, as positive news on COVID-19 vaccines gave rise to hopes of an eventual return to global economic normalcy. However, the emergence and global spread of the COVID-19 Delta variant in the first half of 2021 sparked off fresh lockdowns in various countries, weighing on recovery hopes. Stocks tied to reopening of economies, such as those in the hospitality sector, were particularly

adversely affected as market sentiment turned cautious again. In the third quarter of 2021, investors were also unnerved by indications from the United States' central bank on tapering of its massive bond-buying programme.

FHT closed at \$0.455 on 30 September 2021, representing a 5.8% increase from the opening price of \$0.43 on 1 October 2020.

### FHT 5-Year Trading Performance

	FY2017	FY2018	FY2019	FY2020	FY2021
Opening price	\$0.690	\$0.755	\$0.715	\$0.710	\$0.430
Closing price	\$0.750	\$0.700	\$0.715	\$0.430	\$0.455
Highest price	\$0.765	\$0.825	\$0.770	\$0.735	\$0.590
Lowest price	\$0.630	\$0.665	\$0.675	\$0.350	\$0.385
Total volume of Stapled Securities traded	214.3 million	279.0 million	249.0 million	268.9 million	136.2 million
Average daily volume of Stapled Securities traded	0.9 million	1.1 million	1.0 million	1.1 million	0.5 million
Market capitalisation at end of financial year	\$1,384.2 million	\$1,308.4 million	\$1,354.4 million	\$826.1 million	\$876.4 million

Source: Bloomberg

Note: Data extracted are not adjusted for any cash adjustments, capital changes or corporate actions (including but not limited to cash dividends, rights offerings, warrants and stock splits).

### Comparative Total Returns

	1 Year <sup>1</sup>		3 Years <sup>1</sup>		5 Years <sup>1</sup>	
	Price Change	Total Return <sup>2</sup>	Price Change	Total Return <sup>2</sup>	Price Change	Total Return <sup>2</sup>
FHT	5.8%	8.9%	-36.4%	-27.5%	-34.1%	-14.0%
FTSE Straits Times Index	23.4%	27.5%	-5.2%	6.1%	7.5%	29.0%
FTSE ST REIT Index	0.9%	6.1%	5.8%	22.9%	10.0%	44.4%

Source: Bloomberg

1 1-year return is for period 1 October 2020 to 30 September 2021; 3-year return is for period 1 October 2018 to 30 September 2021; and 5-year return is for period 3 October 2016 to 30 September 2021.

2 Assumes dividends are reinvested.

### EQUITY RESEARCH COVERAGE

FHT is covered by sell-side analysts from:

- DBS Vickers Securities
- Maybank Kim Eng Research

### FEEDBACK

To promote open and transparent communication, FHT values and welcomes feedback which may be made via: [ir@frasershospitality.com](mailto:ir@frasershospitality.com).

# Risk Management

## ENTERPRISE-WIDE 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 Managers' Audit, Risk and Compliance Committee (**ARCC**) on a regular basis.

Risk tolerance statements setting out the nature and extent of significant risks which the Managers are willing to take in achieving their strategic objectives in respect of FHT, have been formalized 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 ARCC quarterly.

The Managers have implemented a Comfort Matrix Framework, which provides an overview of the mitigating measures, and assurance processes for managing key financial, compliance, Information Technology (**IT**) and operational risks.

## KEY RISKS IN 2021

### 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, 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. Where necessary, the Managers will consult external legal counsel for advice.

### Foreign Currency Risk

The entities within the stapled group normally conduct their business in their respective functional currencies. FHT's foreign currency risk mainly relates to its Australian dollar, British pound, Japanese yen, Malaysian ringgit and Euro denominated investments and distribution income and interest income from its foreign subsidiaries. The Managers monitor FHT'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.

It is the Managers' policy to fix FHT'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 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 at least 50% of their 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 rates 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 FHT, 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 collected from lessees.

The security deposits, equivalent to 8 months of the monthly fixed rent, have been received in cash (except for The Westin Kuala Lumpur which was provided in the form of banker's guarantee) under the Master Lease Agreements entered into during FHT's IPO as well as the Master Lease Agreement for Sofitel Sydney Wentworth.

In addition, Frasers Property 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 78.6% of FHT's trade and other receivables were due from two third parties (in 2020, approximately 13.9% of FHT's trade and other receivables were due from a third party). 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 end of FY2021, FHT has undrawn committed revolving credit facility (**RCF**) of S\$106.0 million and S\$760.0 million of untapped facility under its S\$1.0 billion Multicurrency Debt Issuance Programme which was established in January 2016.

It is the Managers' intention to ensure that the maturities of the borrowings are spread out to mitigate financing risks. There are no borrowings with maturities due until 2022 and the borrowings are more widely spread out across 2022 to 2026 to mitigate concentration of refinancing risk. As at 30 September 2021, FHT's weighted average debt maturity was 2.56 years (2020: 3.62 years). As at 30 September 2021, FHT's gross borrowings stood at S\$991.2 million.

#### **Operational Risks**

FHT relies on its appointed hotel and serviced residence 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 Management team actively oversees the performance of the assets and the operators and performs benchmarking of the assets' performance vis-à-vis their competitors. Regular meetings are scheduled between the Asset Management team 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.

In pandemic situations (such as COVID-19), disruptions to hotels and serviced residences are minimised through established crisis management and business continuity plans, and adoption of country-specific disease prevention and containment regulations. The Asset Management team works closely with the operators to rein in the disruptions through identifying alternative revenue streams and cost containment measures.

## **Risk Management**

Global terrorism risk poses a threat to the operations of the hotels and serviced residences. 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 hotel and serviced residence 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.

### **Information Technology Risk**

Frasers Property, of which the Managers are a part of, places a high priority on information availability, IT governance and IT security. Group-wide IT policies and procedures have been put in place to address evolving IT security threats, such as hacking, malware, privileged access, phishing, mobile threats and data-loss. Disaster recovery plans and incident management procedures are developed and tested annually. Measures and considerations have also been taken to enable effective privileged access monitoring, patch management, data security, data protection and prolonged service unavailability of critical IT systems. Periodic training is also conducted for new and existing employees to raise IT security awareness. External professional service providers are engaged to conduct independent vulnerability assessment and penetration tests to further strengthen the IT systems.

### **Fraud Risk**

A Whistle Blowing Policy and a Manual of Authority, in particular 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' ARCC.

### **Human Capital Risk**

The REIT Manager has in place a career planning and development system for its staff, and conducts regular remuneration and benefits benchmarking to attract and retain appropriate talent for the business. Regular training and development opportunities are also provided to upgrade the skills and knowledge of the staff.

# Corporate Governance

## 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**” and each, the “**Manager**”), 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 Main Board 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, 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**”).

FH-BT is a business trust constituted in Singapore by a trust deed dated 20 June 2014 (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 comply with the principles of the Code of Corporate Governance 2018 (the “**CG Code**”) in line with the listing manual of the SGX-ST (the “**SGX-ST Listing Manual**”). The REIT Manager also complies with the CG Code in accordance with its obligations under the Guidelines to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Guideline No: SFA04-G07) issued by the Monetary Authority of Singapore (“**MAS**”). The practices and activities of the Board of Directors of each of the Managers (collectively the “**Boards**”) and the management of the Managers (collectively the “**Management**”) adhere closely to the provisions under the CG Code.

To the extent the practices may vary from any provision of the CG Code, the Managers will state explicitly the provision from which it has varied, explain the reason for the variation and explain how the practices nevertheless are consistent with the intent of the relevant principle of the CG Code. The Managers are also guided by the Practice Guidance which accompanies the CG Code and which sets out best practices for listed issuers; as this will build investor and stakeholder confidence in FHT and the Managers. A summary of compliance with the express disclosure requirements under the provisions of the CG Code is set out on pages 146 to 147 of this Annual Report.

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, and where appropriate, we have highlighted them below.

FHT is a signatory to the 2019 Corporate Governance Statement of Support initiated by the Securities Investors Association (Singapore) where FHT has pledged its continued commitment to uphold high standards in corporate governance.

## Corporate Governance

### The Managers

The Managers are wholly-owned subsidiaries of Frasers Property Limited ("**FPL**" or the "**Sponsor**") and together with its subsidiaries, "**Frasers Property Group**"). Each of the REIT Manager and the Trustee-Manager has general powers of management over the business and assets of FH-REIT and FH-BT, respectively.

As a manager of a REIT, the REIT Manager holds a Capital Markets Services Licence issued by the Monetary Authority of Singapore ("**MAS**") as required under the licensing regimes for real estate investment trust managers to carry out REIT management activities. The REIT Manager's main responsibility is to manage FH-REIT's assets and liabilities for the benefit of unitholders of FH-REIT. To this end, the REIT Manager is able to set the strategic direction of FH-REIT and make recommendations to the REIT Trustee, on acquisitions, divestments and enhancement of the assets of FHT. The role of the REIT Manager includes the pursuit of a business model that sustains the growth and enhances the value of FH-REIT and is focused on delivering regular and stable distribution to holders of the Stapled Securities of FHT (the "**Stapled Securityholders**"). Other functions and responsibilities of the REIT Manager include preparing annual asset plans, undertaking regular individual asset performance analysis and market research analysis, and managing finance functions relating to FH-REIT (which includes financial and tax reporting, capital management, treasury, and preparation of consolidated budgets). The Trustee-Manager performs similar functions for FH-BT.

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 unitholders only, subject to:

- (a) the FH-BT units remaining stapled to the FH-REIT units; and
- (b) the directors of the Trustee-Manager ("**Trustee-Manager Directors**") and the Trustee-Manager acting in the best interests of all Stapled Securityholders as a whole.

### The Values of the REIT Manager and the Trustee-Manager

1. Each of the REIT Manager and the Trustee-Manager is committed to upholding and maintaining high standards of corporate governance, corporate transparency and sustainability, and instituting sound corporate practices and controls to facilitate their respective roles in safeguarding and enhancing FHT's asset value so as to maximise returns from investments, and ultimately the total return to Stapled Securityholders. Each of the REIT Manager and the Trustee-Manager believes that a robust and sound governance framework is an essential foundation on which to build, evolve and innovate a business which is sustainable over the long-term and one which is resilient in the face of the demands of a dynamic, fast-changing environment.
2. Each of the REIT Manager and the Trustee-Manager adheres to corporate policies, business practices and systems of risk management and internal controls, which are designed to ensure that it maintains consistently high standards of integrity, accountability and governance in FH-REIT and FH-BT (as the case may be) and its own daily operations.
3. Each of the REIT Manager and the Trustee-Manager ensures that the business and practices of FH-REIT and FH-BT (as the case may be) are carried out in a manner that comply with applicable laws, rules and regulations, including the BTA, the SFA, their respective subsidiary legislation, the SGX-ST Listing Manual, the CG Code, the Code on Collective Investment Schemes (the "**CIS Code**") issued by the MAS (including Appendix 6 of the CIS Code, the "**Property Funds Appendix**"), the Trust Deeds, as well as the written directions, notices, codes and other guidelines that the MAS and other regulators may issue from time to time.

The Boards work with Management to ensure that these values underpin its leadership of the REIT Manager and the Trustee-Manager.

The REIT Manager and the Trustee-Manager are staffed by an experienced and well-qualified team who manage the operational matters of FH-REIT and FH-BT (as the case may be). The Managers are wholly-owned subsidiaries of FPL, a multi-national developer-owner-operator of real estate products and services across five asset classes, namely, residential, retail, commercial & business parks, industrial & logistics as well as hospitality. The Frasers Property Group has businesses in Southeast Asia, Australia, Europe and China, and its well-established hospitality business owns and/or operates more than 120 award-winning serviced, hotel residences and boutique lifestyle hotels in 70 cities across Asia, Australia, Europe, the Middle East and Africa.

## Corporate Governance

As the Sponsor holds a substantial ownership stake of approximately 25.83% in FHT as at 30 September 2021, there is an alignment of interests between the Sponsor, the Managers and the Stapled Securityholders. The Managers are able to benefit from and leverage on its association with the Sponsor in the management of FHT in various ways, including tapping on the Sponsor's extensive experience in development and management of real estate assets, sourcing for talent and experienced personnel within the Sponsor's pool of employees, including those who may be considered for appointment to the Boards, access to the Frasers Property Group's network of lenders for debt financing, and negotiating for favourable terms with external suppliers and vendors on a group basis.

The REIT Manager and the Trustee-Manager are appointed in accordance with the terms of the FH-REIT Trust Deed and the FH-BT Trust Deed respectively. The REIT Manager and the Trustee-Manager are staffed by an experienced and well-qualified team who manage the operational matters of FH-REIT and FH-BT (as the case may be). The REIT Manager can be removed by notice in writing given by the REIT Trustee in favour of a corporation appointed by the REIT Trustee under certain circumstances outlined in the FH-REIT Trust Deed, including where the unitholders of FH-REIT, by a resolution duly passed by a simple majority of unitholders of FH-REIT present and voting (with no unitholder of FH-REIT being disenfranchised) at a unitholders' meeting, decide that the REIT Manager is to be removed. The Trustee-Manager may be removed, by a resolution by the unitholders of FH-BT holding in the aggregate not less than three-fourths of the voting rights of all the unitholders of FH-BT.

### BOARD MATTERS

#### The Board

Each of the REIT Manager and the Trustee-Manager has its own Board.

So long as the FH-REIT units remain stapled to the FH-BT units, in order to avoid any conflict between FH-REIT and FH-BT and to act in the best interests of FHT, the Board of FH-REIT ("**REIT Manager Board**") and the Board of FH-BT ("**Trustee-Manager Board**") will comprise the same persons.

The REIT Manager Board is responsible for the overall leadership and oversight of both FH-REIT's and the REIT Manager's business, financial, investment and material operational affairs and performance objectives, and FH-REIT's long-term success. The REIT Manager Board sets the strategic direction of FH-REIT and the REIT Manager, which includes appropriate focus on value creation, innovation and sustainability. The REIT Manager Board also determines the REIT Manager's approach to corporate governance, including setting appropriate tone-from-the-top and the desired organisational culture, values and ethical standards of conduct, and works with Management on its implementation across all levels of the organisation's values, standards, policies and practices.

The key roles of the Trustee-Manager Board are to: (a) guide the corporate strategy and directions of the Trustee-Manager; (b) ensure that senior Management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; (c) oversee the proper conduct of the Trustee-Manager; and (d) ensure that measures relating to corporate governance, financial regulations and other required policies are in place and enforced. Further 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 Frasers Hospitality Business Trust on pages 155 to 160.

The Managers also focus on value creation, innovation and sustainability. The Boards, supported by Management, ensure necessary resources are in place for FHT and the Managers to meet their strategic objectives. Through the enterprise-wide risk management framework of FHT and its subsidiaries (the "**Group**"), the Boards establish and maintain a sound risk management framework to effectively monitor and manage risks and to achieve an appropriate balance between risks and the Group's performance. The Board also puts in place policies, structures and mechanisms to ensure compliance with legislative and regulatory requirements. The Board, which comprises directors who, as fiduciaries, are expected to act objectively in the best interests of the Manager and the Group, constructively challenges Management and reviews its performance, and holds Management accountable for performance. The Managers oversee Management to ensure transparency and accountability to key stakeholder groups.

During FY2021, the Boards have continued to spend time monitoring the impact of the ongoing COVID-19 pandemic and has been working closely with Management in reviewing the business opportunities and challenges posed by the COVID-19 pandemic. The Board has tasked management to prioritise health, well-being and safety of employees and customers in all aspects of the Group's operations. In addition, the Board has been paying close attention to the level of financial discipline and portfolio management rigour across the Group's businesses.

## Corporate Governance

In response to the COVID-19 pandemic, the Management has improved the FHT's services and offerings while striving for the highest international health and safety standards at FHT's properties for the well-being of hospitality guests and employees. A #FraserCares programme was launched to raise the bar for hygiene, safety and reservations flexibility for every property under Frasers Hospitality<sup>1</sup> worldwide. This programme includes enhancing operational protocols and implementing comprehensive health and safety procedures for facilities. The Management also worked closely with hotel and serviced residence operators managing the properties under FHT's portfolio to improve health and well-being standards, such as conducting safety training relating to COVID-19 awareness, hygiene standards and safety and security, for employees.

To mitigate the impact of the COVID-19 pandemic on FHT's earnings, FH-REIT had relied on the contractual minimum master lease income that provides downside protection. At the operating level of our properties, the hotel and serviced residence operators persisted in pursuing alternative sources of stable revenue for the portfolio, such as tapping on opportunities to support some local government agencies by providing hotel accommodation for returning residents serving their quarantine orders or stay-home notices. At the same time, Management continued with cost containment measures to conserve cash flow and also tapped on available government support measures to help businesses, specifically granted during COVID-19 pandemic. In the UK and Malaysia where there had been prolonged lockdowns imposed by the governments, Management had scaled down or temporarily suspended operations in certain properties in order to minimise cash burn.

### The Chairman

The chairman of the Board (the "**Chairman**") leads the Board<sup>2</sup>. The Chairman, provides leadership and direction in the review of Managers' corporate strategy and objectives, sets the right ethical and behavioural tone and ensures the Board's effectiveness by, among other things, promoting and maintaining high standards of corporate governance and transparency, encouraging active and effective engagement, participation from all directors of the REIT Manager (also the Trustee-Manager Directors, collectively, the "**Directors**") and facilitating constructive and appropriate relations among and between them and Management. The Chairman sets the agenda for each Board meeting to take full account of the issues and concerns of the Directors and the Management team, promotes a culture of openness and debate at Board meetings and encourages Directors to engage in productive and thorough discussions and constructive debate on strategic, business and other key issues pertinent to the business and operations of the Group, the REIT Manager and the Trustee-Manager, leading to better decision-making and enhanced business performance. The Chairman also enhances the standing of the FHT with the outside world and ensures effective communication with Stapled Securityholders, financial analysts and the media on critical issues that could significantly affect the reputation and standing of FHT.

The Chairman also presides over the Annual General Meeting each year and any other general meetings of Stapled Securityholders. The Chairman addresses, and/or requests the Chief Executive Officer (the "**CEO**") of the Managers to address, Stapled Securityholders' queries and ensures that there is clear and open dialogue between all stakeholders

### Role of the CEO and Management

The Management is led by the CEO of the Managers. The CEO is responsible for the execution of the strategies and policies as approved by the Board, leading, promoting and conducting the affairs of FHT and the Managers with the highest standards of integrity, corporate governance and transparency. The CEO is responsible and is accountable to the Board for the conduct and performance of Management. The CEO and Management team of the Managers, are responsible for executing the Boards' strategies and policies as approved by the Board and are responsible for the planning, direction, control, conduct and performance of the business operations of the Group. With the support of the Management, the CEO seeks business opportunities, drives new initiatives and is responsible for the operational performance of the Group and building and maintaining strong relationships with stakeholders of the Group.

<sup>1</sup> Frasers Hospitality is a strategic business unit of FPL.

<sup>2</sup> In this Corporate Governance Report, references to the "**Board**", "**Chairman**", "**Directors**" and similar words and expressions are intended to mean the Board, Chairman, Directors, etc. of each of the REIT Manager and the Trustee-Manager (save where the context otherwise requires), as during FY2021, the Boards and Management comprised the same persons.

## Corporate Governance

### Division of Responsibilities between the Chairman and the CEO

The Chairman and the CEO are separate persons and the division of responsibilities between the Chairman and the CEO is clearly demarcated, avoids concentration of power and ensures a degree of checks and balances, an increased accountability, and greater capacity of the Board for independent decision making. Such separation of roles between the Chairman and CEO promotes robust deliberations by the Boards and Management on the business activities of FHT.

### Relationships between the Boards and the CEO

None of the members of the Boards and the CEO are related to one another, and none of them has any business relationships among them.

### Board Committees

Each of the REIT Manager Board and the Trustee-Manager Board has formed committees of their respective boards (the “**Board Committees**”) to oversee specific areas, for greater efficiency and has delegated authority and duties to such Board Committees based on written and clearly defined terms of reference. The terms of reference of the Board Committees set out their compositions, authorities and duties, including reporting back to the Boards. Each of the REIT Manager Board and the Trustee-Manager Board has constituted two Board Committees, namely, the Audit, Risk and Compliance Committee (“**ARCC**”), and the Nominating and Remuneration Committee (“**NRC**”).

The ARCC of the REIT Manager (“**REIT Manager ARCC**”) and the ARCC of the Trustee-Manager (“**Trustee-Manager ARCC**”) comprise the same persons. The NRC of the REIT Manager (“**REIT Manager NRC**”) and the NRC of the Trustee-Manager (“**Trustee-Manager NRC**”) also comprise the same persons.

Minutes of all Board Committee meetings are circulated to the respective Boards so that Directors are aware of and kept updated on the proceedings, matters discussed and decisions made during such meetings, and to enable the Directors to weigh in on any key points under consideration.

Audit, Risk and Compliance Committee <sup>(1)</sup>	
Membership	Key Objectives
David Wong See Hong, <i>Chairman</i> Law Song Keng, <i>Member</i> Liew Choon Wei, <i>Member</i>	<ul style="list-style-type: none"> <li>Assist Board in fulfilling responsibility for overseeing the quality and integrity of the accounting, auditing, internal controls, risk management and financial practices of the Manager</li> </ul>

**Note:**

<sup>(1)</sup> Unless otherwise stated, the information provided herein is as of 30 September 2021.

As at 30 September 2021, each of the ARCCs<sup>3</sup> comprises non-executive Directors, all of whom, including the chairman of each of the ARCCs, are independent Directors. All members of the ARCC, including the chairman of each of the ARCCs, are appropriately qualified and collectively possess relevant accounting and related financial management expertise or experience. Their collective wealth of experience and expertise enables them to discharge their responsibilities competently.

Under the Terms of Reference of each of the ARCCs, a former partner or director of FHT's existing auditing firm or auditing corporation should not act as a member of the ARCC: (a) within a period of two years commencing on the date of his ceasing to be a partner of the auditing firm or a director of the auditing corporation; and in any case, (b) for as long as he has any financial interest in the auditing firm or auditing corporation. None of the members of the ARCCs is a former partner of FHT's external auditors, KPMG LLP and none of the members of the ARCCs holds any financial interest in FHT's external auditors, KPMG LLP.

<sup>3</sup> In this Corporate Governance Report, references to the “**ARCC**” are intended to mean each of the REIT Manager ARCC and the Trustee-Manager ARCC, and references to the “**NRC**” are intended to mean each of the REIT Manager NRC and the Trustee-Manager NRC (save where the context otherwise requires)

## Corporate Governance

### Audit Functions

The Terms of Reference of the ARCCs provide that some of the key responsibilities of the ARCCs include:

- **External Audit Process:** reviewing and reporting to the Board, the scope, quality, results and performance of the external audit(s), its cost effectiveness and the independence and objectivity of the external auditors. It shall also review the nature and extent of non-audit services performed by external auditors;
- **Internal Audit:** establishing an effective internal audit function which shall be adequately qualified to perform an effective role, adequately resourced, independent of the activities which it audits and able to discharge its duties objectively, and to approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced<sup>4</sup>;
- **Financial Reporting:** reviewing and reporting to the Boards the significant financial reporting issues and judgements so as to ensure the integrity of the respective financial statements of FHT, FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager and any announcements relating to FHT's financial performance, and to review the assurance provided by the CEO and the Chief Financial Officer ("**CFO**", and together with the CEO, the "**Key Management Personnel**") that the financial records have been properly maintained and the financial statements give a true and fair view of each of FHT's, FH-REIT's, the REIT Manager's, FH-BT's and/or the Trustee-Manager's respective operations and finances;
- **Internal Controls and Risk Management:** reviewing and reporting to the Board at least annually, its assessment of the adequacy and effectiveness of each of the REIT Manager's and the Trustee-Manager's internal controls for FHT, and FH-REIT and the REIT Manager and FH-BT and the Trustee-Manager (as the case may be), including financial, operational, compliance and information technology controls (including those relating to compliance with existing legislation and regulations), and risk management policies and systems established by Management;
- **Interested Person Transactions:** reviewing interested person transactions<sup>5</sup> and/or interested party transactions<sup>6</sup> (collectively referred to herein as "**Related/Interested Person Transactions**" (save where the context otherwise requires)) entered into from time to time and the internal audit reports to ensure compliance with the applicable legislation, the SGX-ST Listing Manual and/or the Property Funds Appendix (where applicable);
- **Conflicts of Interests:** deliberating on resolutions relating to conflicts of interest situations involving FHT, FH-REIT and/or FH-BT (as the case may be);
- **Whistle-blowing:** reviewing the policy and arrangements by which employees of the REIT Manager and any other persons may, in confidence, safely raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken; and
- **Investigations:** reviewing the findings of internal investigations into any suspected fraud or irregularity, or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority in Singapore, which the ARCCs become aware of, and which has or is likely to have a material impact on FHT's operating results or financial position.

During FY2021, key activities of the ARCC included assessing the impact of the COVID-19 pandemic and ensuring adequate cash flow and liquidity to sustain the Group's operations on an ongoing basis, reviewing the internal and external audit plans to ensure the adequacy of the audit scope, including reviewing and approving adjustments to the annual internal audit plan to prioritise and address risks and constraints arising during the COVID-19 pandemic.

<sup>4</sup> For FY2021, the internal audit function is outsourced to the Frasers Property Group.

<sup>5</sup> Refers to "**interested person transactions**" under the SGX-ST Listing Manual. In the case of a REIT, the definition of "**interested person**" refers to the definition of "**interested party**" used in the Property Funds Appendix. In the case of a business trust, an "**Interested Person**" means (a) a director, CEO, or controlling shareholder of the trustee-manager of the business trust; (b) the trustee-manager or controlling unitholder of the business trust; or (c) an associate of any of the persons or entities in (a) and (b).

<sup>6</sup> Refers to "**interested party transactions**" under the Property Funds Appendix wherein an "**Interested Party**" means (a) a director, CEO or controlling shareholder of the manager, or the manager, trustee or controlling unitholder of the property fund; or (b) an associate of any director, CEO or controlling shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of the property fund.

## Corporate Governance

Where the external auditors raise any significant issues (where applicable) in their audit of FHT's year-end financials, the ARCCs will consider whether the issues raise have a material impact on the interim financial statements or business updates previously announced by FHT. If so, the ARCCs will bring this to the Boards' attention immediately so that the Boards can consider whether an immediate announcement is required under the SGX-ST Listing Manual. In such a situation, the ARCCs will also advise the Board if changes are needed to improve the quality of future interim financial statements or business updates – such changes (if any) will be disclosed in FHT's annual report.

In carrying out its role, the ARCCs are empowered to investigate any matter within its Terms of Reference, with full access to, and cooperation by, Management, to seek information they may require from any Director and/or employee of the Managers (as the case may be). The ARCCs also have full discretion to invite any Director or executive officer to attend its meetings, and obtain reasonable resources to enable them to discharge their functions properly. The Chairman of the Board, non-executive Directors, the CEO, the CFO, the head of the internal audit function, representatives of the external auditor(s), or other person with relevant experience and expertise may attend the meetings of the ARCCs at the invitation of the respective ARCCs. The meetings serve as a forum to review and discuss material risks and exposures of the Managers' businesses and strategies to mitigate risks. The ARCCs meet with internal auditors and external auditors without the presence of Management at least once a year to review various audit matters and the assistance given by Management to the internal and external auditors. In carrying out its function, the ARCCs may also obtain independent or external legal or other professional advice or appoint external consultants as they consider necessary at the Managers' cost.

Periodic updates on changes in accounting standards and treatment are presented to members of the ARCCs so that they are kept abreast of such changes and its corresponding impact on the financial statements, if any.

### Risk Management

The ARCCs shall review the framework and processes established by Management to comply with applicable laws, regulations, standards, best practice guidelines and the REIT Manager's and/or the Trustee-Manager's policies and procedures. The ARCCs shall assist the Boards in ensuring that Management maintains a sound system of risk management and internal controls to safeguard the interests of the Managers or the interests of Stapled Securityholders (as the case may be) and the assets of FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager. The ARCCs also assist the Boards in their determination of the nature and extent of significant risks which the Boards are willing to take in achieving the Managers' strategic objectives and the overall levels of risk tolerance and risk policies. Further information on the key activities conducted by the ARCCs can be found in the sections titled "Financial Performance, Reporting and Audit" on pages 131 to 132 and "Governance of Risk and Internal Controls" on pages 133 to 137.

Nominating and Remuneration Committee <sup>(1)</sup>	
Membership	Key Objectives
Law Song Keng, <i>Chairman</i> Liew Choon Wei, <i>Member</i> David Wong See Hong, <i>Member</i> Panote Sirivadhanabhakdi, <i>Member</i>	<ul style="list-style-type: none"> <li>• Establish a formal and transparent process for appointment and re- appointment of Directors</li> <li>• Develop a process for evaluation of the performance and annual assessment of the effectiveness of the Boards as a whole and each of its board committees and individual Directors</li> <li>• Review succession plans</li> <li>• Assist the Boards in establishing a formal and transparent process for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel</li> <li>• Review and recommend to the Boards, for endorsement of the Boards, a general framework of remuneration for the Board and Key Management Personnel and specific remuneration packages for each Director and Key Management Personnel</li> </ul>

**Note:**

<sup>(1)</sup> Unless otherwise stated, the information provided herein is as of 30 September 2021

## Corporate Governance

As at 30 September 2021, all the members of the NRCs are non-executive and the majority of whom, including the chairman of each of the NRCs, are independent.

The NRCs are guided by written Terms of Reference approved by the Board which set out the duties and responsibilities of the NRCs. The NRCs' responsibilities, in relation to their functions as a nominating committee, include reviewing the structure, size and composition and independence of the Boards and its Board Committees, reviewing and making recommendations to the Boards on the succession plans for Directors, the Chairman and Key Management Personnel, making recommendations to the Boards on all appointments and re-appointments of Directors (including alternate Directors, if any), and determining the independence of Directors. The NRCs also propose for the Boards' approval, the objective performance criteria and process for the evaluation of the effectiveness of the Boards, the Board Committees and each Directors, and ensure that proper disclosures of such process are made. The NRCs are also responsible for reviewing and making recommendations to the Boards on training and professional development programmes for the Board and the Directors.

Further information on the main activities of the NRCs, in relation to their functions as a nominating committee, are outlined in the following sections:

- "Training and development of Directors" on page 115
- "Board Composition" on pages 116 to 117
- "Directors' Independence" on pages 119 to 123
- "Board Performance Evaluation" on pages 124 to 125

The NRCs' responsibilities, in reviewing remuneration matters, include reviewing and recommending to the Boards, a framework of remuneration for the Boards and Key Management Personnel. Pursuant to the MAS Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Notice No: SFA04-N14), the REIT Manager NRC's responsibilities also include ensuring the remuneration of executive Directors shall not be linked in any way to FH-REIT's gross revenue.

On an annual basis, the NRCs also review and recommend, for the respective Boards' approval, the respective Managers' remuneration and benefits policies and practices (including long-term incentive schemes), and the performance and specific remuneration packages for each Director and Key Management Personnel, in accordance with the approved remuneration policies and processes.

The NRCs also propose, for the respective Boards' approval, criteria to assist in the evaluation of the performance of Key Management Personnel and (where applicable) reviews the obligations of the Managers arising in the event of the termination of the service agreements of executive Directors and Key Management Personnel to ensure that such contracts of service contain fair and reasonable termination clauses. The NRCs also administer and approve awards under the Restricted Stapled Securities Plan ("**RSSP**") and/or other long-term incentive schemes to senior executives of the Managers.

In carrying out their review on remuneration matters, the Terms of Reference of the NRCs provide that the NRC shall consider all aspects of remuneration, including Directors' fees, special remuneration to Directors who render special or extra services to the Managers, salaries, allowances, bonuses, options, unit-based incentives and awards, benefits-in-kind and termination payments, and shall aim to be fair and to avoid rewarding poor performance.

If necessary, the NRCs can seek expert advice on remuneration within the Frasers Property Group Human Resources Department or from external sources. Where such advice is obtained from external sources, the NRCs ensure that existing relationships, if any, between the REIT Manager, the Trustee-Manager and the appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

## Corporate Governance

### Delegation of authority framework

As part of the REIT Manager's internal controls, the Board has adopted a framework of delegated authorisations in its Manual of Authority (the "MOA"). The MOA, which is approved by the Board, sets out the levels of authorisation required for particular types of transactions to be carried out, and specifies whether REIT Manager Board approval needs to be sought. It also sets out approval limits for operating and capital expenditure as well as investments, divestments and asset enhancement initiatives.

While day-to-day operations of the business are delegated to Management, in the REIT Manager Board's exercise of its leadership and oversight of FH-REIT, the MOA contains a schedule of matters specifically reserved for approval by the REIT Manager's Board and these are clearly communicated to Management in writing. These include approval of annual budgets, financial plans, material transactions, namely, acquisitions, divestments, funding and investment proposals and asset enhancement initiatives.

The Trustee-Manager Board implemented a similar MOA in the financial year ended 30 September 2021 ("FY2021").

### Meetings of the Boards and Board Committees

The Boards meet regularly, at least once every quarter, and also as required by business needs or if the members deem it necessary or appropriate to do so.

The following table summarises the number of meetings of the Boards and Board Committees and general meetings held and attended by the Directors in FY2021:

	Board Meetings	Audit, Risk and Compliance Committee Meetings	Nominating and Remuneration Committee Meetings	Annual General Meeting <sup>(2)</sup>
Meetings held in FY2021	6	4	2	1
Law Song Keng	6(C) <sup>(1)</sup>	4	2(C) <sup>(1)</sup>	1(C) <sup>(1)</sup>
Chua Phuay Hee	6	N.A.	N.A.	1
Liew Choon Wei	6	4	2	1
David Wong See Hong	6	4(C) <sup>(1)</sup>	2	1
Panote Sirivadhanabhakdi	6	N.A.	2	1
Koh Teck Chuan	5	N.A.	N.A.	1

#### Notes:

<sup>(1)</sup> C refers to chairman

<sup>(2)</sup> There were no extraordinary general meetings held in FY2021.

<sup>(3)</sup> Mr Koh Teck Chuan retired as a Director with effect from 1 July 2021.

A calendar of activities is scheduled for the Boards a year in advance.

The Constitutions of both the REIT Manager and the Trustee-Manager provide for Board members who are unable to attend physical meetings to participate through telephone conference, video conference or similar communications equipment.

Management provides the Directors with Board papers setting out complete, adequate and relevant information on the agenda items to be discussed at Board and Board Committee meetings around a week in advance of the meeting (save in cases of urgency). This is to give Directors sufficient time to prepare for the meeting and review and consider the matters being tabled so that discussions can be more meaningful and productive and Directors have the necessary information to make sound and informed decisions.

Senior members of the Management team attend Board meetings, and where necessary, Board Committee meetings, to brief and make presentations to the Directors, provide input and insight into matters being discussed, and respond to queries and take any follow up instructions from the Directors. At least once a year and if required, time is set aside after scheduled Board meetings for discussions amongst the Board without the presence of Management.

## Corporate Governance

Where required by the Directors, external advisers may also be present or available whether at Board and Board Committee meetings or otherwise, and (if necessary), at the Managers' expense where applicable, to brief the Directors and provide their advice.

For matters which require the Boards' and/or Board Committees' decision outside such meetings, Board and/or Board Committee papers will be circulated through the Company Secretary for the Directors' consideration with further discussions taking place between the Directors and Management (if required) before a decision is made.

### Matters discussed by Boards and Board Committees in FY2021

#### Board

- Strategy
- Business and Operations Update
- Financial Performance
- Sustainability, Environment, Social & Governance
- Cybersecurity and Threats
- Technology Risk Management
- Governance
- Feedback from Board Committees
- Divestments Proposals

#### Audit, Risk and Compliance Committee

- External and Internal Audit
- Treasury, Debt and Capital Management
- Tax Updates and Planning
- Financial Reporting
- Internal Controls and Risk Management
- Interested Person Transactions
- Conflicts of Interests

#### Nominating and Remuneration Committee

- Board Composition and Renewal
- Board, Board Committees and Director Evaluations
- Training and Development
- Remuneration Policies and Framework
- Succession Planning

### Board Oversight

Outside of Board and Board Committee meetings, Management provides Directors with complete and adequate reports on major operational matters, business development activities, financial performance, potential investment opportunities and budgets periodically, as well as such other relevant information on an on-going and timely basis to enable them to discharge their duties and responsibilities properly. In respect of budgets, any material variance between the projections and actual results will be disclosed and explained in the relevant periodic report.

Directors have separate and independent access to Management, and are entitled to request for such additional information as needed to make informed decisions and to fulfil their duties and responsibilities properly, which additional information will then be provided by Management in a timely manner. Where required or requested by Directors, site visits are also arranged for Directors to have an intimate understanding of the key business operations of each division and to promote active engagement with Management.

Directors are provided with complete, adequate and timely information to enable them to ensure that they prepare adequately for Board and Board Committee meetings and make informed decisions, and Directors (including those who hold multiple board representations and other principal commitments) devote sufficient time and attention to the affairs of FHT and the Managers. At Board and Board Committee meetings, the Directors attend and actively participate, discuss, deliberate and appraise matters requiring their attention and decision. Where necessary for the proper discharge of their duties, the Directors may seek and obtain independent professional advice at the Managers' expense.

The Managers continued to closely monitor developments on the COVID-19 situation during FY2021, and the Boards were promptly informed on the impact of such developments on business operations, as well as the implementation of business continuity plans and other mitigating measures to minimise any operational disruptions. Notable updates over the course of FY2021 included a series of tightening and relaxation of COVID-19 related restrictions at varying points in time across the Group's markets.

In addition, the Board was regularly updated on macro-economic conditions in the Group's markets, and relevant legal and regulatory requirements in light of the evolving COVID-19 situation. Over the course of FY2021, notable updates include the government stimulus measures in Australia, UK and the Rental Waiver Framework and Jobs Support Scheme implemented in Singapore.

## Corporate Governance

### The Company Secretary

The Board is supported by the Company Secretary of the Managers (the “**Company Secretary**”), who is legally trained and familiar with company secretarial practices, and responsible for administering and executing Board and Board Committee procedures in compliance with the Companies Act (Chapter 50 of Singapore), the Managers’ Constitution, the Trust Deeds and applicable law. The Company Secretary also provides advice and guidance on relevant guidelines, notices, rules and regulations, including disclosure requirements under the SFA, applicable MAS guidelines and notices, the CIS Code and the SGX-ST Listing Manual, as well as corporate governance practices and processes.

The Company Secretary attends all Board and Board Committee meetings and drafts and reviews the minutes of proceedings thereof, and facilitates and acts as a channel of communication for the smooth flow of information to and within the Boards and their various Board Committees, as well as between and with senior Management. The Directors have separate and independent access to the Company Secretary, whose responsibilities include supporting and advising the Board on corporate and administrative matters.

The Company Secretary solicits and consolidates Directors’ feedback and evaluation, facilitates induction and orientation programmes for new Directors, and assists with Directors’ professional development matters. The Company Secretary also acts as the REIT Manager’s and the Trustee-Manager’s primary channel of communication with the SGX-ST.

The appointment and removal of the Company Secretary is subject to the approval of the Board.

### Training and development of Directors

The NRCs are tasked with identifying and developing training programmes for the Boards and Board Committees for the Boards’ approval and ensuring that Directors have the opportunity to develop their skills and knowledge.

Upon appointment, each new Director is issued a formal letter of appointment setting out his or her roles, duties, responsibilities and obligations, including his or her responsibilities as fiduciaries and on the policies relating to conflicts of interest, as well as the expectations of the Managers. An induction and orientation programme is also conducted to provide new appointees with information on the business activities, strategic direction, policies and corporate governance practices of the Managers, as well as their statutory and other duties and responsibilities as Directors. A new Director who has no prior experience as a director of an issuer listed on the SGX-ST must also undergo mandatory training in his or her roles and responsibilities as prescribed by the SGX-ST, unless the NRC is of the view that training is not required because he or she has other relevant experience, in which case the basis of its assessment will be disclosed.

The Directors are continually and regularly updated on FHT’s business and the regulatory and industry specific environments in which the entities of the Group operate. The Managers ensures that the Boards are regularly updated on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards which are relevant to or may affect the FHT, FH-REIT, the REIT Manager, FH-BT and/or the Trustee-Manager and such updates may be in writing, by way of briefings held by the Managers’ lawyers and external auditors or disseminated by way of presentations and/or handouts. During FY2021, the Directors attended briefings and training programmes on, among others, (i) updates to the SGX-ST Listing Manual and Code of Corporate Governance; (ii) MAS regulatory updates; (iii) changes in the financial reporting standards; (iv) sustainability and Environmental, Social and Governance (or ESG) matters; and (v) cyber security landscape and threats; and technology risk management.

To ensure that the Directors have the opportunities to develop their skills and knowledge and continually improve the performance of the Boards, all Directors are encouraged to undergo continual professional development during the term of their appointment, and are provided with opportunities to develop and maintain their skills and knowledge at the Managers’ expense. The Managers maintain a training record to track Directors’ attendance at training and professional development courses.

Directors are encouraged to be members of the Singapore Institute of Directors (“**SID**”) and for them to receive updates and training from SID to stay abreast of relevant developments in financial, legal and regulatory requirements, and relevant business trends.

## Corporate Governance

### BOARD COMPOSITION

The following table shows the composition of the Board and the various Board Committees as at 30 September 2021:

		Audit, Risk and Compliance Committee	Nominating and Remuneration Committee
Law Song Keng	Chairman, Non-Executive (Independent) Director	•	• (Chairman)
Chua Phuay Hee	Non-Executive (Independent) Director		
Liew Choon Wei	Non-Executive (Independent) Director	•	•
David Wong See Hong	Non-Executive (Independent) Director	• (Chairman)	•
Panote Sirivadhanabhakdi	Non-Executive (Non-Independent) Director		•

Profiles of each of the Directors can be found on pages 57 to 61.

As at 30 September 2021, all of the Directors are non-executive, majority of whom are independent.

No alternate directors have been appointed on the Boards for FY2021. Alternate directors will only be appointed in exceptional circumstances.

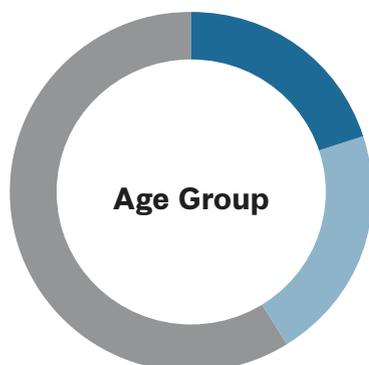
The NRC reviews, on an annual basis, the structure, size and composition of the Board and Board Committees, taking into account the CG Code, Securities and Futures (Licensing and Conduct of Business) Regulations (“**SFLCB Regulations**”) and Business Trust Regulations.

The NRCs review, on an annual basis, the Board structure, size, composition of the Board and Boards Committees, taking into account the CG Code, SFLCB Regulations) and Business Trust Regulations. The NRCs have assessed that the current structure, size and composition of each of the REIT Manager Board and the Trustee-Manager Board and the respective Board Committees are appropriate for the scope and nature of the operations of FHT, the REIT Manager and the Trustee-Manager (as the case may be). No individual or group dominates the REIT Manager Board's and/or the Trustee-Manager Board's decision-making process or has unfettered powers of decision-making. The NRCs are of the opinion that the Directors, with their diverse backgrounds and experience (including banking, accounting, finance and other relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management), provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age that avoids groupthink and fosters constructive debate and ensures the effectiveness of the Boards and the Board Committees. The Boards concur with the views of the NRCs.

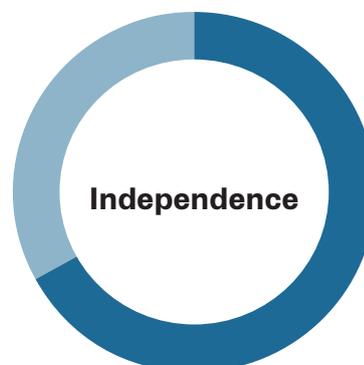
Where Directors step down from the Boards, cessation announcements providing detailed reason(s) for the cessation are released on SGXNet in compliance with the requirements of the SGX-ST Listing Manual.

## Corporate Governance

Board Composition in terms of Age Group and Independence as at 30 September 2021



41-50	16%
51-60	17%
61 and above	67%



Non-Executive and Independent Directors	67%
Non-Executive and Non-Independent Directors	33%

### Selection, Appointment and Re-appointment of Directors

Under the NRCs' Terms of Reference, NRCs are tasked with making recommendations to the Boards on all Board appointments and re-appointments, taking into account, among other things, the scope and nature of the operations of the Group, the requirements of the business, whether Directors who have multiple board representations are able to carry out and have been carrying out their duties as Directors and whether the Directors have given sufficient time and attention to the affairs of FHT, FH-REIT and the REIT Manager, and/or FH-BT and the Trustee-Manager (as the case may be).

The process for the selection, appointment and re-appointment of Directors also takes into account the composition and progressive renewal of the Board and Board Committees.

Additionally, as part of the NRCs' review of the composition, and performance evaluation, of the Boards and Board Committees (which are done at least annually), the NRCs will consider the competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) of the Directors (including Directors who are to be recommended for re-appointment). In the case of a potential new Director, the NRCs will consider the candidate's experience, education, expertise, judgment, skillset, personal qualities and general and sector specific knowledge in relation to the needs of the Board as well as whether the candidates will add diversity and technological expertise to the Board and whether they are likely to have adequate time to discharge their duties, including attendance at all Board meetings. The NRCs will also take into consideration whether a candidate had previously served on the boards of companies with adverse track records or a history of irregularities, and assess whether such past appointments would affect his/her ability to act as a Director of the Company.

## Corporate Governance

The NRCs consider a range of different channels to source and screen both internal and external candidates for Board appointments, depending on the requirements, including tapping on the existing networks of contacts and recommendations. External consultants may be retained from time to time, where appropriate, to assist in sourcing, assessing and selecting a broader range of potential internal and external candidates beyond the Board's existing network of contacts.

Suitable candidates are carefully evaluated by the NRCs so that recommendations made on proposed candidates are objective and well supported.

On an annual basis, the NRCs review (a) the directorships and principal commitments of each Director, and (b) a framework for Board evaluation to be conducted by an external consultant on the effectiveness of the Boards. Through the aforementioned review and Board evaluation exercise, the Directors assess whether Board members effectively manage his or her directorships and have the time and ability to contribute to the Boards.

Instead of prescribing a maximum number of directorships and/or other principal commitments that each Director may have, the NRCs adopt a holistic assessment of each Director's individual capacity and circumstances to carry out his duties, taking into consideration not only the number of other board and other principal commitments held by each Director, but also the nature and complexity of such commitments. The assessment also takes into consideration Directors' commitment, conduct and contributions (such as meaningful participation, candour and rigorous decision making) at Board meetings, as well as whether the Director's engagement with Management is adequate and effective. In respect of FY2021, the NRCs are of the view that each Director, including Directors who hold multiple board representations, has been able to effectively discharge his duties as a Director of the Managers.

Further details on the Board evaluation exercise are set out under the section "Board Performance Evaluation" on page 124.

Directors are not subject to periodic retirement by rotation. Under their Terms of Reference, the NRCs are tasked with reviewing the succession plans for Directors, the Chairman and Key Management Personnel.

### Board Diversity Policy

The Boards have adopted, with the recommendation of its respective NRCs, board diversity policies for FH-REIT and FH-BT, and has charged the NRCs with the task of setting qualitative and measurable quantitative objectives (where appropriate) for achieving board diversity, and reviewing the FHT's progress towards achieving the objectives under the policy. The NRCs will monitor and implement this policy, and will take the principles of the policy into consideration when determining the optimal composition of the Boards, the appointment and re-appointment of Directors and when recommending any proposed changes to the Boards. On the recommendation of its respective NRC, the Boards may set certain measurable objectives/specific diversity targets, with a view to achieving an optimal Board composition, and these objectives/specific diversity targets may be reviewed by the NRCs from time to time to ensure their appropriateness. The Managers remain committed to implementing the Board Diversity Policy and any progress made towards the implementation of such policy will be disclosed in future Corporate Governance Reports, as appropriate. The current composition of the Boards reflects FHT's commitment to Board diversity, especially in terms of geographical background and experience (Singapore, Thailand and Hong Kong SAR) and diverse age range (between 40 to above 60 years).

The Boards view diversity at the Board level as an essential element for driving value in decision-making and proactively seeks as part of their diversity policy, to maintain an appropriate balance of expertise, skills and attributes among the Directors. This is reflected in the diversity of backgrounds and competencies of the Directors, whose experience range from banking, accounting and finance and real estate, and include relevant industry knowledge, entrepreneurial and management experience, and familiarity with regulatory requirements and risk management. This is beneficial to FHT, the REIT Manager, the Trustee-Manager and Management as decisions by, and discussions with, the Boards would be enriched by the broad range of views and perspectives and the breadth of experience of the Directors.

## Corporate Governance

### Directors' Independence

The Directors exercise their judgment independently and objectively in the interests of all Stapled Securityholders as a whole. The NRCs determine annually, and as and when circumstances require, if a Director is independent based on the rules, guidelines and/or circumstances on director independence as set out in Rule 210(5)(d) of the SGX-ST Listing Manual, Provision 2.1 of the CG Code and the accompanying Practice Guidance, the MAS Guidelines No. SFA04-G07 "Guidelines to all Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management" dated 1 January 2016 and Regulations 13D to 13H of the SFLCB Regulations (collectively, the "Relevant Regulations"). The NRCs provides their views to the Boards for the Boards' consideration. Directors are expected to disclose any relationships with the Managers, its related corporations, its substantial shareholders, its officers or the substantial Stapled Securityholders of FHT, if any, which may affect their independence, as and when they arise, to the Boards.

Each of the Independent Directors complete a declaration of independence annually which is then reviewed by the NRCs.

Based on the declarations of independence of the Independent Directors, and having regard to the rules, guidelines and circumstances set forth in the Relevant Regulations, the NRCs and the Boards have determined that there are four independent Directors on each of the Boards, namely, Law Song Keng, Liew Choon Wei, Chua Phuay Hee, and David Wong See Hong.

### Law Song Keng

Law Song Keng is a non-executive and independent director of IFS Capital Ltd and Great Eastern Holdings Limited as at 30 September 2021. He has confirmed, *inter alia*, that he:

- (a) is not connected<sup>(a)</sup> to any substantial shareholder<sup>(b)</sup> of the Managers or substantial Stapled Securityholder<sup>(b)</sup> of FHT and, save as set out in note (1) on page 122, does not have any relationship with the Managers, their related corporations, their substantial shareholders, their officers or the substantial Stapled Securityholders of FHT which could interfere with the exercise of his independent judgment as a Director;
- (b) (i) is not employed by the Managers, their related corporations or the REIT Trustee of FH-REIT for FY2021 or any of the past three financial years, and (ii) does not have any immediate<sup>(c)</sup> family member who has been employed by the Managers or any of their related corporations, FH-REIT/FH-BT or any of their related corporations or the REIT Trustee as an executive officer in any of the past three financial years; and
- (c) in FY2021 or immediate past financial year, (i) has not, and does not have any immediate family member who, received significant payments<sup>(d)</sup> or material services from the Managers or any of their subsidiaries, FHT of any of their subsidiaries and/or the Trustee and, and (ii) was not, and does not have any immediate family member who was (a) a substantial shareholder or Stapled Securityholder of, or (b) a partner in (with 5% or more stake) or (c) an executive officer of, or (d) a director of, any organisation to or from which the Managers or any of their subsidiaries, FH-REIT/FH-BT or any of their subsidiaries or the REIT Trustee received significant payments<sup>(e)</sup> or material services (other than Directors' fees).

Having considered the declaration of independence and the Relevant Regulations, the REIT Manager NRC and Trustee-Manager NRC have determined that, notwithstanding the circumstances set out in note (1) on page 122, Law Song Keng is an independent director as at 30 September 2021.

## Corporate Governance

### Chua Phuay Hee

Chua Phuay Hee is a non-executive director and independent director of Yihai Kerry Arawana Holdings Co., Ltd. at 30 September 2021. He has confirmed, *inter alia*, that he:

- (a) is not connected<sup>(a)</sup> to any substantial shareholder<sup>(b)</sup> of the Managers or substantial Stapled Securityholder<sup>(b)</sup> of FHT and does not have any relationship with the Managers, their related corporations, their substantial shareholders, their officers or the substantial Stapled Securityholders of FHT which could interfere with the exercise of his independent judgment as a Director;
- (b) (i) is not employed by the Managers, their related corporations or the REIT Trustee of FH-REIT for FY2021 or any of the past three financial years, and (ii) does not have any immediate<sup>(c)</sup> family member who has been employed by the Managers or any of their related corporations, FH-REIT/FH-BT or any of their related corporations or the REIT Trustee as an executive officer in any of the past three financial years; and
- (c) in FY2021 or immediate past financial year, (i) has not, and does not have any immediate family member who, received significant payments<sup>(d)</sup> or material services from the Managers or any of their subsidiaries, FHT of any of their subsidiaries and/or the Trustee and, and (ii) was not, and does not have any immediate family member who was (a) a substantial shareholder or Stapled Securityholder of, or (b) a partner in (with 5% or more stake) or (c) an executive officer of, or (d) a director of, any organisation to or from which the Managers or any of their subsidiaries, FH-REIT/FH-BT or any of their subsidiaries or the REIT Trustee received significant payments<sup>(e)</sup> or material services (other than Directors' fees).

Having considered the declaration of independence and the Relevant Regulations, the REIT Manager NRC and Trustee-Manager NRC have determined that, notwithstanding the circumstances set out in note (2) on page 122, Chua Phuay Hee is an independent director as at 30 September 2021.

### Liew Choon Wei

Liew Choon Wei is a non-executive director and independent director of Halcyon Agri Corporation Ltd, F J Benjamin Holdings Ltd and The Hour Glass Limited at 30 September 2021. He has confirmed, *inter alia*, that he:

- (a) is not connected<sup>(a)</sup> to any substantial shareholder<sup>(b)</sup> of the Managers or substantial Stapled Securityholder<sup>(b)</sup> of FHT and does not have any relationship with the Managers, their related corporations, their substantial shareholders, their officers or the substantial Stapled Securityholders of FHT which could interfere with the exercise of his independent judgment as a Director;
- (b) (i) is not employed by the Managers, their related corporations or the REIT Trustee of FH-REIT for FY2021 or any of the past three financial years, and (ii) does not have any immediate<sup>(c)</sup> family member who has been employed by the Managers or any of their related corporations, FH-REIT/FH-BT or any of their related corporations or the REIT Trustee as an executive officer in any of the past three financial years; and
- (c) in FY2021 or immediate past financial year, (i) has not, and does not have any immediate family member who, received significant payments<sup>(d)</sup> or material services from the Managers or any of their subsidiaries, FHT of any of their subsidiaries and/or the Trustee and, and (ii) was not, and does not have any immediate family member who was (a) a substantial shareholder or Stapled Securityholder of, or (b) a partner in (with 5% or more stake) or (c) an executive officer of, or (d) a director of, any organisation to or from which the Managers or any of their subsidiaries, FH-REIT/FH-BT or their subsidiaries or the REIT Trustee received significant payments<sup>(e)</sup> or material services (other than Directors' fees).

Having considered the declaration of independence and the Relevant Regulations, the REIT Manager NRC and Trustee-Manager NRC have determined that, notwithstanding the circumstances set out in note (3) on page 122, Liew Choon Wei is an independent director as at 30 September 2021.

## Corporate Governance

### David Wong See Hong

David Wong See Hong is a non-executive director and independent director of China Merchants Bank Co., Ltd and EC World Asset Management Pte Ltd (manager of EC World REIT) as at 30 September 2021. He has confirmed, *inter alia*, that he:

- (a) is not connected<sup>(a)</sup> to any substantial shareholder<sup>(b)</sup> of the Managers or substantial Stapled Securityholder<sup>(b)</sup> of FHT and does not have any relationship with the Managers, their related corporations, their substantial shareholders, their officers or the substantial Stapled Securityholders of FHT which could interfere with the exercise of his independent judgment as a Director;
- (b) (i) is not employed by the Managers, their related corporations or the REIT Trustee of FH-REIT for FY2021 or any of the past three financial years, and (ii) does not have any immediate<sup>(c)</sup> family member who has been employed by the Managers or any of their related corporations, FH-REIT/FH-BT or any of their related corporations or the REIT Trustee as an executive officer in any of the past three financial years; and
- (c) in FY2021 from the Managers or any of their subsidiaries, FHT of any of their subsidiaries and/or the Trustee and or immediate past financial year, (i) has not, and does not have any immediate family member who, received significant payments<sup>(d)</sup> or material services, and (ii) was not, and does not have any immediate family member who was (a) a substantial shareholder or Stapled Securityholder of, or (b) a partner in (with 5% or more stake) or (c) an executive officer of, or (d) a director of, any organisation to or from which the Managers or any of their subsidiaries, FH-REIT/FH-BT or their subsidiaries or the REIT Trustee received significant payments<sup>(e)</sup> or material services (other than Directors' fees).

Having considered the declaration of independence and the Relevant Regulations, the REIT Manager NRC and Trustee-Manager NRC have determined that, notwithstanding the circumstances set out in note (4) on page 123, David Wong See Hong is an independent director as at 30 September 2021.

#### Notes

- <sup>(a)</sup> A Director is "**connected**" to a substantial shareholder of each of the Managers or substantial Stapled Securityholder of FHT if: (a) (where such shareholder or Stapled Securityholder is an individual) the Director is a member of the immediate family of such substantial shareholder or substantial Stapled Securityholder or employed by such substantial shareholder or substantial Stapled Securityholder or accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of such substantial shareholder or substantial unitholder, and (b) (where such shareholder or Stapled Securityholder is a corporation) the Director is employed by or a director of such substantial shareholder, substantial Stapled Securityholder their related corporations or associated corporations or accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder or substantial Stapled Securityholder.
- <sup>(b)</sup> "**substantial shareholder**" and "**substantial Stapled Securityholder**" refers to a shareholder or Stapled Securityholder holding not less than 5% of the total votes or units attached to all voting shares or units in the Managers or FHT, respectively.
- <sup>(c)</sup> "**Immediate family**" in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent.
- <sup>(d)</sup> As a guide, payments aggregated over any financial year in excess of S\$50,000 would generally be deemed as significant. The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the service provided is material.
- <sup>(e)</sup> As a guide, payments aggregated over any financial year in excess of S\$200,000 would generally be deemed significant irrespective of whether they constitute a significant portion of the revenue of the organisation in question. The amount and nature of the service, and whether it is provided on a one-off or recurring basis, are relevant in determining whether the service provided is material.

## Corporate Governance

The REIT Manager Board has considered the relevant requirements under the SFLCB Regulations and its views in respect of the independence of each Director are as follows:

The Director:	Law Song Keng <sup>(1)</sup>	Chua Phuay Hee <sup>(3)</sup>	Liew Choon Wei <sup>(2)</sup>	David Wong See Hong <sup>(4)</sup>	Panote Sirivadhanabhakdi <sup>(5)</sup>
(i) had been independent from the management of the REIT Manager and FH-REIT during FY2021	✓	✓	✓	✓	
(ii) had been independent from any business relationship with the REIT Manager and FH-REIT during FY2021					
(iii) had been independent from every substantial shareholder of the REIT Manager and every substantial Stapled Securityholder of FHT during FY2021					
(iv) had not been a substantial shareholder of the REIT Manager or a substantial Stapled Securityholder of FHT during FY2021	✓	✓	✓	✓	
(v) has not served as a director of the REIT Manager for a continuous period of nine years or longer as at the last day of FY2021	✓	✓	✓	✓	✓

### Notes:

<sup>(1)</sup> Law Song Keng is a director of the REIT Manager and the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial shareholder of the Managers and a substantial Stapled Securityholder of FHT. As such, during FY2021, Law Song Keng is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and the Trustee-Manager and substantial Stapled Securityholder of FHT.

Law Song Keng is an independent director of Great Eastern Holdings Limited, of which Great Eastern General Insurance Limited ("**GEG**") is a wholly-owned subsidiary. GEG has provided insurance products to FHT, the Managers and/or their related corporations in the current and the immediately preceding financial year and received fees therefor (the "**GEG Fees**"). Such provision of insurance products fall within the categories of business relationships set out in Regulation 13G of the SFLCB Regulations and Regulation 3 of the BT Regulations.

Nonetheless, (i) taking into account, *inter alia*, the declaration of independence of Law Song Keng, each of the Boards affirms its view that the provision of insurance products by GEG to FHT, the Managers and/or their related corporations and the payment of the GEG Fees in respect thereof do not affect his continued ability to exercise strong objective judgment and be independent in conduct and character (in particular, in the expression of his views and in his participation in the deliberations and decision-making of the Boards and Board Committees of which he is a member), and do not interfere with the exercise of his independent judgment, acting in the best interests of all Stapled Securityholders of FHT as a whole, and (ii) the REIT Manager Board is satisfied that, as at the last day of FY2021, Law Song Keng was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Law Song Keng should be treated as an independent Director of the REIT Manager. As at the last day of FY2021, Law Song Keng was able to act in the best interests of all Stapled Securityholders as a whole.

<sup>(2)</sup> Liew Choon Wei is a director of the REIT Manager and the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial shareholder of the Managers and a substantial Stapled Securityholder of FHT. As such, during FY2021, Liew Choon Wei is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and the Trustee-Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2021, Liew Choon Wei was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Liew Choon Wei should be treated as an independent Director of the REIT Manager. As at the last day of FY2021, Liew Choon Wei was able to act in the best interests of all Stapled Securityholders as a whole.

<sup>(3)</sup> Chua Phuay Hee is a director of the REIT Manager and the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial shareholder of the Managers and a substantial Stapled Securityholder of FHT. As such, during FY2021, Chua Phuay Hee is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and the Trustee-Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2021, Chua Phuay Hee was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that Chua Phuay Hee should be treated as an independent Director of the REIT Manager. As at the last day of FY2021, Chua Phuay Hee was able to act in the best interests of all Stapled Securityholders as a whole.

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- <sup>(4)</sup> David Wong See Hong is a director of the REIT-Manager and the Trustee-Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial shareholder of the Managers and a substantial Stapled Securityholder of FHT. As such, during FY2021, David Wong See Hong is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and the Trustee-Manager and substantial Stapled Securityholder of FHT. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2021, David Wong See Hong was able to act in the best interests of all Stapled Securityholders as a whole and is of the view that David Wong See Hong should be treated as an independent Director of the REIT Manager. As at the last day of FY2021, David Wong See Hong was able to act in the best interests of all Stapled Securityholders as a whole.
- <sup>(5)</sup> Panote Sirivadhanabhakdi is currently a director and the Group Chief Executive Officer of FPL and a director of other entities within the Frasers Property Group other than the REIT Manager. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial shareholder of the Managers and a substantial Stapled Securityholder of FHT. Panote Sirivadhanabhakdi is also a director of various entities within the TCC Group<sup>7</sup> (which is the controlling shareholder of the Frasers Property Group<sup>8</sup>) and holds 20.0% of the issued share capital of TCC Group Investments Limited, a substantial Stapled Securityholder of FHT. Panote Sirivadhanabhakdi is also the son of Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi. In addition, Panote Sirivadhanabhakdi is a director of the Trustee-Manager. As such, during FY2021, Panote Sirivadhanabhakdi is deemed (a) to have a management relationship with the REIT Manager and FH-REIT; (b) to have a business relationship with the REIT Manager and FH-REIT; (c) connected to a substantial shareholder of the REIT Manager and the Trustee-Manager and substantial Stapled Securityholder of FHT; and (d) to be a substantial Stapled Securityholder of FHT. The REIT Manager Board is satisfied that, as at the last day of FY2021, Panote Sirivadhanabhakdi was able to act in the best interests of all Stapled Securityholders as a whole. As at the last day of FY2021, Panote Sirivadhanabhakdi was able to act in the best interests of all Stapled Securityholders as a whole.

Each of the Directors is a member of each of the REIT Manager Board and the Trustee-Manager Board. Both the REIT Manager and the Trustee-Manager are wholly-owned subsidiaries of FPL which is a substantial shareholder of the Managers and a substantial Stapled Securityholder. As such, during FY2021, each of the Directors is deemed (a) to have a business relationship with the REIT Manager and FH-REIT; and (b) connected to a substantial shareholder of the REIT Manager and the Trustee-Manager and substantial Stapled Securityholder. Nonetheless, the REIT Manager Board is satisfied that, as at the last day of FY2021, each of the Directors was able to act in the best interests of all the Stapled Securityholders as a whole. The REIT Manager Board is of the view that each of Law Song Keng, Chua Phuy Hee, Liew Choon Wei, and David Wong See Hong should be treated as an independent Director of the REIT Manager. Panote Sirivadhanabhakdi was able to act in the best interests of the Stapled Securityholders as a whole as at the last day of FY2021.

Further information on the independence of the Trustee-Manager Directors 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 Frasers Hospitality Business Trust on pages 161 to 162.

The independent Directors lead the way in upholding good corporate governance at the Board level and their presence facilitates the exercise of objective independent judgement on corporate affairs. Their participation and input also ensure that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into account the long-term interests of FHT and its Stapled Securityholders. As of 30 September 2021, none of the Independent Directors have been on the Boards for a continuous period of nine years or longer. Board renewal is a continuing process where the appropriate composition of each of the Boards is continually under review. In this regard, the tenure of each Independent Director is monitored so that the process for board renewal is commenced ahead of any Independent Director reaching the nine-year mark to facilitate a smooth transition and to ensure that the Boards continue to have an appropriate balance of independence. To this end, the NRCs are tasked with undertaking the process of reviewing, considering and recommending any changes to the composition of the Boards, where appropriate, taking into account the requirements to be met by Independent Directors including the SFLCB Regulations.

As more than half of the Board comprises independent Directors, the REIT Manager will not be subjecting any appointment or re-appointment of Directors to voting by Stapled Securityholders under Regulation 13D of the SFLCB Regulations.

The Chairman is presently an independent Director.

<sup>7</sup> "TCC Group" refers to the companies and entities in the TCC Group which are controlled by Mr Charoen Sirivadhanabhakdi and Khunying Wanna Sirivadhanabhakdi

<sup>8</sup> "Frasers Property Group" refers to FPL and/or its subsidiaries.

## Corporate Governance

### Conflict of Interest

The Boards have in place clear procedures for dealing with conflicts of interest. To address and manage possible conflicts of interest (including in relation to Directors, officers and employees) that may arise in managing FH-REIT, the REIT Manager has put in place procedures which, among other things, specify that: (a) the REIT Manager shall be dedicated to the management of FH-REIT and will not directly or indirectly manage other REITs; (b) all executive officers will be employed by the REIT Manager; (c) all resolutions in writing of the directors of the REIT Manager ("**REIT Manager Directors**") in relation to matters concerning FH-REIT must be approved by a majority of the REIT Manager Directors, including at least one director independent from management and business relationships with the REIT Manager; (d) at least a majority of the REIT Manager Board shall comprise REIT Manager independent Directors; (e) on matters where the Frasers Property Group has an interest (directly or indirectly), Directors nominated by Frasers Property Group shall abstain from voting. On such matters, the quorum must comprise a majority of the REIT Manager's independent Director and must exclude nominee Directors of Frasers Property Group; and (f) an interested Director is required to disclose his interest in any proposed transaction with FH-REIT, to recuse himself from meetings and/or discussions (or relevant segments thereof), and is required to abstain from voting on resolutions approving the transaction.

Further information on the conflict policy the Trustee-Manager has instituted to deal with conflicts of interest that may arise in managing FH-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust on pages 155 to 160.

The Managers do not have a practice of extending loans to Directors, and as at 30 September 2021, there were no loans granted by the Managers to Directors. If there are such loans, each of the Managers will comply with its obligations under the Companies Act (Chapter 50 of Singapore) in relation to loans, quasi-loans, credit transactions and related arrangements to Directors.

### Board Performance Evaluation

Each of the REIT Manager NRC and the Trustee-Manager NRC is tasked with making recommendations to the respective Boards on the process and objective performance criteria for evaluation of the performance of the Board as a whole, the Board Committees and the individual Directors .

The Boards, with the recommendation of the NRCs, has approved the objective performance criteria and implemented a formal process for assessing the effectiveness of the Boards as a whole and their Board Committees separately and the contribution by the Chairman and each individual Director to the effectiveness of the Boards, on an annual basis. In relation to FY2020, the outcome of the evaluation was generally affirmative across the evaluation categories. The objective performance criteria are not typically changed from year to year.

Based on the NRCs' review, the Boards and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Boards.

For FY2021, an independent external consultant, Aon Solutions Singapore Pte. Ltd., has been appointed to facilitate the process of conducting a Board evaluation survey. The external consultant has no connection with the Managers or any of the Directors.

Each Director is required to complete a Board evaluation questionnaire, a Board Committee evaluation questionnaire and an individual Director self-evaluation questionnaire (the "**Questionnaires**"). The Questionnaires have been designed to provide an evaluation of the current effectiveness of the Boards and to support each of the Chairman and the Boards in proactively considering what can enhance the readiness of the Boards to address emerging strategic priorities for FHT as a whole. The external consultant will facilitate questionnaires to be sent to all Directors, and one-to-one interviews are conducted selectively on a rotational basis, to obtain Directors' feedback.

The objective performance criteria covered in the Board evaluation exercise relate to the following key segments: (1) Board composition (balance of skills, experience, independence, knowledge of the company, and diversity); (2) management of information flow; (3) Board processes (including Board practices and conduct); (4) Board's consideration of Environmental, Social and Governance aspects; (5) Board strategy and priorities; (6) Board's value add to, and management of the performance of the Company; (7) development and succession planning of executives; (8) development and training of Directors; (9) oversight of risk management and internal controls; and (10) the effectiveness of the Board Committees. The individual Director self-evaluation questionnaire aims to assess whether each Director is willing and able to constructively challenge and contribute effectively to the Boards, and demonstrate commitment to his role on the Boards and Board Committees (if any).

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The responses to the Questionnaires and interview(s) are summarised by the external consultant and its report submitted to the NRCs. To provide a greater level of objectivity in the evaluation process, the report also includes peer comparisons and third-party benchmarking of the results to the evaluation. Findings and recommendations of the external consultant which include feedback from Directors would be taken into consideration and any necessary follow-up actions would be undertaken with a view to improving the overall effectiveness of the Boards in fulfilling its role and meeting its responsibilities to Stapled Securityholders. The Chairman will, where necessary, provide feedback to the Directors with a view to improving Board performance and, where appropriate, propose changes to the composition of the Boards.

## REMUNERATION MATTERS

The remuneration of the staff of the Managers and Directors' fees are paid by the REIT Manager and the Trustee-Manager from the management fees received from FH-REIT and FH-BT respectively, and not by FH-REIT and FH-BT (as the case may be). With the recommendations of the NRCs, the Boards have put in place a formal and transparent process for developing policies on remuneration of Directors and Key Management Personnel and for fixing the remuneration packages of individual Directors and Key Management Personnel.

### Compensation Philosophy

The Managers seek to incentivise and reward consistent and sustained performance through market competitive, internally equitable, and performance-orientated compensation programmes which are aligned with Stapled Securityholders' interests. This compensation philosophy serves as the foundation for the Managers' remuneration framework, and guides the Managers' remuneration framework and strategies. In addition, the Managers' compensation philosophy seeks to align the aspirations and interests of its employees with the interests of FHT and its Stapled Securityholders, resulting in the sharing of rewards for both employees and Stapled Securityholders on a sustained basis. The Managers' compensation philosophy serves to attract, retain and motivate employees. The Managers aim to connect employees' desire to develop and fulfil their aspirations with the growth opportunities afforded by the Managers' strategic vision and corporate initiatives.

### Compensation Principles

All compensation programme design, determination and administration are guided by the following principles:

(a) Pay-for-Performance

The Managers' Pay-for-Performance principle encourages excellence, in a manner consistent with the Managers' core values. The Managers take a total compensation approach, which recognises the value and responsibility of each role, and differentiates and rewards performance through its incentive plans.

(b) Stapled Securityholder Returns

Performance measures for incentives are established to drive initiatives and activities that are aligned with both short-term value creation and long-term Stapled Securityholder wealth creation, thus ensuring a focus on delivering Stapled Securityholder returns.

(c) Sustainable Performance

The Managers believe sustained success depends on the balanced pursuit and consistent achievement of short-term and long-term goals. Hence, variable incentives incorporate a significant pay-at-risk element to align employees with sustainable performance for the Managers.

(d) Market Competitiveness

The Managers aim to be market competitive by benchmarking its compensation levels with relevant comparators accordingly. However, the Managers embrace a holistic view of employee engagement that extends beyond monetary rewards. Recognising each individual as unique, the Managers seek to motivate and develop employees through all the levers available to the Managers through its respective comprehensive human capital platform.

## Corporate Governance

### Engagement of External Consultants

The NRCs may from time to time, and where necessary or required, engage external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Among other things, this helps the Managers to stay competitive in their remuneration packages. During FY2021, Aon Solutions Singapore Pte. Ltd. was appointed as the Managers' remuneration consultant. The remuneration consultant does not have any relationship with FHT, the REIT Manager, the Trustee-Manager, its controlling shareholders, its related entities and/or Directors which would affect its independence and objectivity.

### Remuneration Framework

The NRCs review and make recommendations to the Boards on the remuneration framework for the independent Directors and other non-executive Directors and the Key Management Personnel. The remuneration framework is endorsed by the Boards.

The remuneration framework covers all aspects of remuneration including salaries, allowances, performance bonuses, benefits in kind, termination terms and payments, grant of awards of Stapled Securities and incentives for the Key Management Personnel and fees for the independent Directors and other non-executive Directors, and the NRCs considers all such aspects of remuneration to ensure they are fair and avoids rewarding poor performance.

The remuneration framework is tailored to the specific role and circumstances of each Director and Key Management Personnel, to ensure an appropriate remuneration level and mix that recognises the performance, potential and responsibilities of these individuals.

### Remuneration Policy in respect of Management and other employees

The NRCs review the level, structure and mix of remuneration and benefits policies and practices (where appropriate) of the Managers, to ensure that they are appropriate and proportionate to the sustained performance and value creation of FHT and the Managers, taking into account the strategic objectives of FHT and the Managers, and designed to attract, retain and motivate the Key Management Personnel to successfully manage FHT and the Managers for the long-term. The NRCs take into account all aspects of remuneration, including termination terms, to ensure that they are fair.

The remuneration framework comprises fixed and variable components, which include short-term and long-term incentives. When conducting their review of the remuneration framework, the NRCs take into account the performance of FHT and individual performance. The performance of FHT is measured based on pre-set financial and non-financial indicators. Individual performance is measured via the employee's annual appraisal based on indicators such as core values, competencies and key performance indicators.

#### Fixed Component

The fixed component in the Managers' remuneration framework is structured to remunerate employees for the roles they perform, and is benchmarked against relevant industry market data. It comprises base salary, fixed allowances and any statutory contribution. The base salary and fixed allowances for Key Management Personnel are reviewed annually by NRCs and approved by the Boards.

#### Variable Component

A significant and appropriate proportion of the remuneration of key executives of the Managers comprises a variable component which is structured so as to link rewards to corporate and individual performance and incentivise sustained performance in both the short and long-term. The variable incentives are measured based on quantitative and qualitative targets, and overall performance will be determined at the end of the year and approved by the NRCs. The performance targets are measurable, appropriate and meaningful so that they incentivise the right behaviour in a manner consistent with the Group's core values. For individuals in control functions, performance targets are principally based on the achievement of the objectives of their functions.

## Corporate Governance

### (1) Short-Term Incentive Plans

The short-term incentive plans ("**STI Plans**") aim to incentivise excellence in performance in the short-term. All Key Management Personnel are assessed through either a balanced scorecard or annual performance review with pre-agreed financial and non-financial key performance indicators ("**KPIs**"). The financial KPIs are based on the performance of FHT. Non-financial KPIs may include measures on People, Board Engagement and Strategic Review, Corporate Governance and Compliance, Process and Framework, Sustainability or specified projects. These targets are established at the beginning of each financial year. At the end of the financial year, the achievements are measured against the pre-agreed targets and the short-term incentives of each Key Management Personnel are determined.

The NRCs recommend the final short-term incentives that are awarded to the Key Management Personnel for the Board's approval, taking into consideration any other relevant circumstances.

### (2) Long-Term Incentive Plans

The NRCs administer the Managers' long-term incentive plan, namely, the RSSP. The RSSP was approved by the Boards and adopted on 8 December 2017. Through the RSSP, the Managers seek to foster a greater ownership culture within the Managers by aligning more directly the interests of senior executives (including the CEO) with the interests of Stapled Securityholders and other stakeholders, and for such employees to participate and share in FHT's growth and success, thereby ensuring alignment with sustainable value creation for Stapled Securityholders over the long-term.

The RSSP is available to selected senior executives of the Managers. Its objectives are to increase the Managers' flexibility and effectiveness in its continuous efforts to attract, retain and motivate talented senior executives and to reward these executives for the future performance of FHT and the Managers.

Under the RSSP, the Managers grant Stapled Security-based awards ("**Initial Awards**") with pre-determined performance targets being set at the beginning of the performance period. The NRCs recommend the Initial Awards granted to Key Management Personnel to the Boards for approval, taking into consideration the executives' individual performance. The performance period for the RSSP is one year. The pre-set targets are net property income and distribution per Stapled Security. Such performance conditions are generally performance indicators that are key drivers of business performance, Stapled Securityholders' value creation and aligned to FHT's business objectives. The RSSP awards represent the right to receive fully paid Stapled Securities, their equivalent cash value or a combination thereof, free of charge, provided certain prescribed performance conditions are met. The final number of Stapled Securities to be released ("**Final Awards**") will depend on the achievement of the pre-determined targets at the end of the performance period. If such targets are exceeded, more Stapled Securities than the Initial Awards may be delivered, subject to a maximum multiplier of the Initial Awards. The Final Awards will vest to the participants in three tranches over two years after the one-year performance period. The obligation to deliver the Stapled Securities is expected to be satisfied out of the Stapled Securities held by the Managers.

The NRCs have absolute discretion to decide on the Final Awards, taking into consideration of any other relevant circumstances.

### **Approach to Remuneration of Key Management Personnel**

The Managers advocate a performance-based remuneration system that is highly flexible and responsive to the market, and that is structured so as to link a significant and appropriate proportion of remuneration to FHT's performance and that of the individual.

In designing the compensation structure, the NRCs seek to ensure that the level and mix of remuneration are competitive, relevant and appropriate in finding a balance between current versus long-term compensation and between cash versus equity incentive compensation.

Executives who have a greater ability to influence outcomes within the Managers have a greater proportion of overall reward at risk. The NRCs exercise broad discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of Stapled Securityholders and other stakeholders and promote the long-term success of FHT.

## Corporate Governance

### *Performance Indicators for Key Management Personnel*

As set out above, the Managers' variable remuneration comprises short-term and long-term incentives, taking into account both FHT's and individual performance. This is to ensure employee remuneration is linked to performance. In determining short-term incentives, both FHT's financial and non-financial performance as per the balanced scorecard are taken into consideration. The performance targets align the interests of the Key Management Personnel with the long-term growth and performance of FHT and the Managers. The financial performance indicators on which the Key Management Personnel are evaluated comprise (a) FHT's net property income and (b) distribution per Stapled Security. These performance indicators are quantitative and are objective measures of FHT's performance. The non-financial performance indicators on which Key Management Personnel are evaluated include (i) People, (ii) Board Engagement and Strategic Review, (iii) Corporate Governance and Compliance, (iv) Process and Framework, and (v) Sustainability. These qualitative performance indicators will align the Key Management Personnel's' performance with FHT's strategic objectives.

In relation to long-term incentives, the Managers have implemented the RSSP with effect from the financial year ended 30 September 2018 as set out above. The release of long-term incentive awards to Key Management Personnel are conditional upon the performance targets being met. The performance targets of the KPIs align the interests of Key Management Personnel with the long-term growth and performance of FHT. In FY2021, the pre-determined target performance levels for the RSSP grant were partially met.

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

### *Remuneration Packages of Key Management Personnel*

The NRCs review and make recommendations on the specific remuneration packages and service terms for the Key Management Personnel for endorsement by the respective Board, which is ultimately accountable for all remuneration decisions relating to the Key Management Personnel. The NRCs will review the short-term and long-term incentives in the Key Management Personnel remuneration package to ensure its compliance with the substance and spirit of the directions and guidelines from the MAS.

No Director or Key Management Personnel is involved in deciding his or her remuneration.

The NRCs align the CEO's leadership, through appropriate remuneration and benefit policies, with FHT's and the Managers' strategic objectives and key challenges. Performance targets are also set for the CEO and his performance is evaluated yearly.

In solidarity with its stakeholders in overcoming the challenges posed by COVID-19 pandemic, the senior management took a reduction in their base salary of between 5% to 10% from 1 October 2020 to 31 December 2020.

### *Remuneration Policy in respect of Non-Executive Directors*

The remuneration of non-executive Directors has been designed to be appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities, on the Board and Board Committees, and to attract, retain and motivate the Directors to provide good stewardship of FHT to successfully manage FHT for the long term.

Non-executive Directors do not receive bonuses, options or Stapled Security-based incentives and awards.

The Managers engage consultants to review Directors' fees by benchmarking such fees against the amounts paid by listed industry peers. Each non-executive Director's remuneration comprises a basic fee and attendance fees for attending Board and Board Committee meetings. In addition, non-executive Directors who perform additional services in Board Committees are paid an additional fee for such services. The chairman of each Board Committee is also paid a higher fee compared with the members of the respective Board Committees in view of the greater responsibility carried by that office.

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Managers' Board fee structure during the year is as set out below.

	Basic Fee per annum (S\$)	Attendance Fee per meeting <sup>(1)</sup> (for physical attendance in Singapore) (S\$)	Attendance Fee per meeting (for physical attendance outside Singapore (excluding home country of Director)) (S\$)	Attendance Fee per meeting (for attendance via tele/video conference) (S\$)
<b>Board</b>				
- Chairman	90,000	3,000	4,500	1,000
- Member	45,000	1,500	4,500	1,000
<b>Audit, Risk and Compliance Committee</b>				
- Chairman	40,000	3,000	4,500	1,000
- Member	20,000	1,500	4,500	1,000
<b>Nominating and Remuneration Committee</b>				
- Chairman	12,000	3,000	4,500	1,000
- Member	6,000	1,500	4,500	1,000

### Note

<sup>(1)</sup> The attendance fee applies for physical attendance in Singapore.

### Disclosure of Remuneration of Directors and key executives

Information on the remuneration of Directors and Key Executives of the Managers for FY2021 is set out below.

Directors of the Managers	Remuneration <sup>(3)</sup> S\$
Law Song Keng	123,833.33
Chua Phuay Hee	47,250.00
Liew Choon Wei	77,083.33
David Wong See Hong	95,416.67
Panote Sirivadhanabhakdi	54,750.00 <sup>(1)</sup>
Koh Teck Chuan	35,375.00 <sup>(1)(2)</sup>

### Notes:

<sup>(1)</sup> Directors' fees are paid to Frasers Property Corporate Services Pte. Ltd. for each of Panote Sirivadhanabhakdi and Koh Teck Chuan or such other relevant entity within Frasers Property Limited Group.

<sup>(2)</sup> Koh Teck Chuan retired as a Director with effect from 1 July 2021.

<sup>(3)</sup> The Boards had approved the waiver of 10% of non-executive Directors' basic fees for the period from 1 October 2020 to 31 July 2021, which were reinstated with effect from 1 August 2021, and this has been reflected in the amount of remuneration disclosed.

## Corporate Governance

Remuneration of CEO for FY2021	Salary %	Bonus %	Allowances and Benefits %	Long-Term Incentives %	Total %
<b>Between S\$100,001 to S\$250,000</b>					
Colin Low Hsien Yang <sup>(1)</sup>	65	15	20	0	100
<b>Between S\$250,001 to S\$500,000</b>					
Eu Chin Fen <sup>(2)</sup>	50	8	6	36	100
Remuneration of Key Executives of the Managers <sup>(3)</sup> (excluding CEO) for FY2021	Salary %	Bonus %	Allowances and Benefits %	Long-Term Incentives %	Total %
Eric Gan Chee Teik	61 <sup>(4)</sup>	7 <sup>(4)</sup>	8 <sup>(4)</sup>	24 <sup>(4)</sup>	100
Caris Ang					
Jason Leong Say Boon					
Sandy Leng Wei Woon <sup>(5)</sup>					
Jeanette Pang Li Lean <sup>(6)</sup>					
<b>Aggregate Total Remuneration (excluding CEO)</b>					<b>S\$1,439,620</b>

### Notes:

- <sup>(1)</sup> Colin Low was the CEO from 1 October 2020 to 9 April 2021, as such, the remuneration disclosed is for the aforementioned period.
- <sup>(2)</sup> Eu Chin Fen was appointed as the CEO on 10 April 2021, as such, the remuneration disclosed is for the period from 10 April 2021 to 30 September 2021.
- <sup>(3)</sup> The senior executives of the Manager (excluding the CEO) listed in this table are the CFO and the division heads of the Managers.
- <sup>(4)</sup> Derived on the aggregation of the respective remuneration components of each key executives (excluding the CEO) and represented as percentages against total remuneration for these key executives
- <sup>(5)</sup> Sandy Leng Wei Woon ceased to be employed by the Managers as the Head of Investor Relations as of 22 May 2021, as such, the remuneration disclosed is for the period from 1 October 2020 to 22 May 2021. Following her cessation as the Head of Investor Relations, Sandy Leng Wei Woon was paid advisor's fees of S\$27,488 and the remuneration disclosed above excludes such payment.
- <sup>(6)</sup> Jeanette Pang Li Lean was appointed as the Head of Investor Relations on 28 June 2021, as such, the remuneration disclosed is for the period from 28 June 2021 to 30 September 2021.
- <sup>(7)</sup> All persons who are considered key executives of the Managers have been listed in the remuneration table above.

For FY2021, there were no termination, retirement and post-employment benefits granted to the Directors, the CEO and Key Management Personnel.

Pursuant to MAS Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Notice No: SFA04-N14), REIT managers are required to disclose the remuneration of the CEO and each individual Director on a named basis, and the remuneration of at least the top five executive officers (which shall not include the CEO and executive officers who are Directors), on a named basis, in bands of S\$250,000. The REIT manager may provide an explanation if it does not wish to or is unable to comply with such requirement. The REIT Manager has decided (a) to disclose the CEO's remuneration in bands of S\$250,000 (instead of on a quantum basis), (b) not to disclose exact details of the remuneration of the key executives of the REIT Manager (excluding the CEO) in bands of S\$250,000 and (c) to disclose the aggregate remuneration of all key executives of the REIT Manager (excluding the CEO), for the following reasons:

- (i) given the competitive business environment which FHT operates in, the Managers face significant competition for talent in the REIT management sector and the Managers had not disclosed the exact remuneration of the key executives (including the CEO) so as to minimise potential staff movement and undue disruption to its management team which would be prejudicial to the interests of Stapled Securityholders;
- (ii) the composition of the current management team has been stable and to ensure the continuity of business and operations of FH-REIT, it is important that the REIT Manager continues to retain its team of competent and committed staff;
- (iii) it is important for the Managers to ensure stability and continuity of their business by retaining a competent and experienced management team and being able to attract talented staff and disclosure of the remuneration of the key executives including the CEO could make it difficult to retain and attract talented staff on a long-term basis;

## Corporate Governance

- (iv) 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
- (v) the remuneration of key executives of the Managers (including the CEO) are paid by the REIT Manager and there is full disclosure of the total amount of fees paid to the REIT Manager set out at page 212 of this Annual Report.

While the disclosure of the exact quantum of the remuneration of the CEO and the requisite remuneration band for each of the other key executives (who are not also Directors or the CEO) would be in full compliance with Provision 8.1 of the CG Code, taking into account the reasons why such disclosure would be prejudicial to the interests of Stapled Securityholders and that the Managers have disclosed the remuneration policies, composition of remuneration, appraisal process and performance metrics which go towards determination of the performance bonus of the CEO and other key executives, the Boards have determined that despite the partial deviation from Provision 8.1 of the CG Code, there is sufficient transparency on the Managers' remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation consistent with the intent of Principle 8 of the CG Code.

As at 30 September 2021, there are no employees within the Managers who is a substantial Stapled Securityholder or who is an immediate family member of a Director, the CEO or a substantial Stapled Securityholder.

### FINANCIAL PERFORMANCE, REPORTING AND AUDIT

The Boards, with the support of Management, are 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 are made available to the Directors on request.

The REIT Manager prepares the financial statements of FH-REIT in accordance with the recommendations of the Statement of Recommended Accounting Practice ("**RAP**") *7 Reporting Framework for Investment Funds* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code of Collective Investment Schemes issued by the MAS, the SGX-ST Listing Manual, Singapore Financial Reporting Standards (International), 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 prescribed by the Accounting Standards Council.

The Trustee-Manager prepares the financial statements of FH-BT in accordance with Singapore Financial Reporting Standards (International), the applicable requirements of the Business Trust Act, Chapter 31A of Singapore and the provisions of FH-BT Trust Deed.

The Boards release FHT's half-yearly and full year financial results. The Managers also provide business updates to Stapled Securityholders for the first and third quarter performance of FHT. The financial results and business updates contain information on the impact of the COVID-19 situation on FHT's business operations and financial performance. The Boards also provide Stapled Securityholders with relevant business updates, other price or trade sensitive information and material corporate developments through announcements to the SGX-ST and FHT's website.

## Corporate Governance

### External Audit

The ARCCs conduct an assessment of the external auditors of FHT, and recommends its appointment, re-appointment or removal to the Board. The assessment is based on factors such as the performance and quality of its audit, the cost effectiveness and the independence and objectivity of the external auditors. The ARCC also makes recommendations to the Boards on the remuneration and terms of engagement of the external auditors.

At the annual general meeting (“AGM”) held on 20 January 2021, KPMG LLP was re-appointed by Stapled Securityholders as the external auditors of FHT for FY2021 until the conclusion of the next AGM. Pursuant to the requirements of the SGX-ST, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current KPMG LLP audit partner is in charge of the audit of FHT since FY2021.

During FY2021, the ARCCs conducted a review of the scope, quality, results and performance of audit by the external auditors of FHT and its cost effectiveness, as well as the independence and objectivity of the external auditors. They also reviewed all non-audit services provided by the external auditors during the financial year, and the aggregate amount of fees paid and payable to them for such services. Details of fees paid and payable to the external auditors in respect of audit and non-audit services as at 30 September 2021 are set out in the table below:

Fees relating to external auditors as at 30 September 2021	S\$ ('000)
For audit services	465
For non-audit services	229
Total	694

The ARCCs have conducted a review of all non-audit services provided by KPMG LLP during the financial year. The ARCCs are 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 LLP is put at risk. KPMG LLP has attended the ARCCs meeting held every quarter for FY2021, and where appropriate, has met with the ARCCs without the presence of Management to discuss their findings, if any.

Each of the REIT Manager and the Trustee-Manager confirms that FH-REIT and FH-BT respectively has complied with Rule 712 of the SGX-ST Listing Manual which requires, amongst others, that a suitable auditing firm should be appointed by the Group having regard to certain factors. Each of FH-REIT and FH-BT has also complied with Rule 715 of the SGX-ST Listing Manual which requires that the same auditing firm of the Group based in Singapore to audit its Singapore-incorporated subsidiaries and significant associated companies, and that a suitable auditing firm be engaged for its significant foreign-incorporated subsidiaries and associated companies.

In the review of the financial statements of FHT for FY2021, the ARCCs discussed the following key audit matters identified by the external auditors with Management:

Key audit matter	Review by the ARCCs
Valuation of investment properties and property, plant and equipment	The ARCCs considered the independence and competency of the external valuers, as well as the methodologies applied by them to the valuation of the properties. The ARCCs reviewed the outcome of the annual external valuation process and discussed the details of the valuations with the Management and the external auditors. The ARCCs noted that the valuation of properties is 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 methods, inputs and assumptions used. The ARCCs concur with the basis and findings included in the auditors' report with respect to the key audit matter.

# Corporate Governance

## GOVERNANCE OF RISK AND INTERNAL CONTROLS

The Boards are responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls.

### Enterprise Risk Management and Risk Tolerance

The Managers have established a sound system of risk management and internal controls comprising procedures and processes to safeguard FHT's assets and the interests of FHT and its Stapled Securityholders. The ARCCs review and report to the Boards 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

Each of the ARCCs reviews and reports to the Board on the adequacy and effectiveness of the REIT Manager's and/or the Trustee-Manager's (as the case may be) system of controls, including financial, compliance, operational and information technology controls and taking into consideration the recommendation of both internal and external auditors. In assessing the effectiveness of internal controls, each of the ARCCs ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors (if any) 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.

A comfort matrix of key risks, by which relevant material financial, compliance and operational (including information technology) risks of FHT and the Managers have been documented to assist the Boards to assess the adequacy and effectiveness of the existing internal controls. The comfort matrix is 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 ARCCs.

The ARCCs and the Boards have consistently been monitoring the impact of the ongoing COVID-19 pandemic on FHT's financials with increased scrutiny on potential high-risk areas such as capital and liquidity management. The ARCCs and the Boards have consistently been working closely with Management to ensure adequate cash flow and liquidity to sustain the Managers and FHT's operations on an ongoing basis. The ARCCs and the Boards are updated by Management regularly on the results of various scenario planning and stress testing conducted to assess and track the possible impact on FHT's liquidity and cashflow. Capital and liquidity management remain priorities for the Managers and FHT.

### Risk Management

The Boards, through the ARCCs review the adequacy and effectiveness of the Managers' risk management framework to ensure that robust risk management and mitigating controls are in place. The Managers have adopted an enterprise-wide risk management ("ERM") framework to enhance its risk management capabilities. 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 Managers' ERM framework and progress report is set out on pages 102 to 104.

Periodic updates are provided to the REIT Manager ARCC and the Trustee-Manager ARCC (as the case may be) on FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's risk profiles. These updates would involve an assessment of FHT's, FH-REIT's, the REIT Manager's, FH-BT's and the Trustee-Manager's key risks by risk categories, current status, the effectiveness of any mitigating measures taken, and the action plans undertaken 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 FHT, FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager have been documented to assist the Boards to assess the adequacy and effectiveness of the existing internal controls. The comfort matrix is 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 ARCCs. Risk tolerance statements setting out the nature and extent of significant risks which the REIT Manager and/or Trustee-Manager is willing to take in achieving its strategic objectives have been formalised and adopted.

## Corporate Governance

The Boards have received assurance from the CEO and the CFO that as at 30 September 2021:

- (a) the financial records of the Group have been properly maintained and the financial statements for FY2021 give a true and fair view of the Group's operations and finances;
- (b) the system of internal controls in place for FHT is adequate and effective 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 to address risks which the Managers consider relevant and material to FHT's operations.

### Boards' Comment on Internal Controls and Risk Management Framework

Based on the internal controls established and maintained by the Managers, work performed by internal and external auditors, reviews performed by Management and the ARCCs, and assurance from the CEO and the CFO, the Boards are of the view that the internal controls in place for FHT were adequate and effective as at 30 September 2021 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 adopted by the Managers, review performed by Management and assurance from the CEO and the CFO, the Boards are of the view that the risk management system in place for FHT was adequate and effective as at 30 September 2021 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 the Managers work to achieve their business objectives for FHT. 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 judgment in decision making, human error, losses, fraud or other irregularities.

The ARCCs concur with the Boards' view that as at 30 September 2021, the internal controls of FHT (including financial, operational, compliance and information technology controls) and the risk management system in place for FHT were adequate and effective to address risks which the Managers consider relevant and material to FHT's operations.

### Internal Audit

The internal audit function of each of the REIT Manager and the Trustee-Manager is performed by the Frasers Property Group's internal audit department ("**FPL Group IA**"). FPL Group IA is responsible for conducting objective and independent assessments on the adequacy and effectiveness of the REIT Manager's and the Trustee-Manager's system of internal controls, risk management and governance practices. The Head of FPL Group IA reports directly to the ARCCs, and administratively to the Group Chief Operating Officer of FPL. The appointment and removal of FPL Group IA as the service provider of the Managers' internal audit function requires the approval of the ARCCs.

The ARCCs ensure that FPL Group IA complies with the standards set by nationally or internationally recognised professional bodies. In this regard, in performing internal audit services, FPL Group IA has adopted and complies with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors, Inc.

## Corporate Governance

The ARCCs are also responsible for ensuring that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience. As at 30 September 2021, FPL Group IA comprised 22 professional staff. The Head of FPL Group IA and the Singapore-based FPL Group IA staff are members of The Institute of Internal Auditors, Singapore. To ensure that the internal audit activities are effectively performed, FPL Group IA employs suitably qualified audit professionals with the requisite skills and experience. FPL Group IA staff members are given relevant training and development opportunities to update their technical knowledge and auditing skills. This includes attending relevant technical workshops and seminars organised by The Institute of Internal Auditors, Singapore and other professional bodies. FPL Group IA operates within the framework of a set of terms of reference as contained in the Internal Audit Charter approved by the ARCCs. It adopts a risk-based audit methodology to develop its audit plans, and its activities are aligned to key strategies of FHT. The results of the risk assessments determine the level of focus and the review intervals for the various activities audited. Higher risk areas are subject to more extensive reviews which are also carried out more frequently. FPL Group IA conducts its reviews based on internal audit plans approved by the ARCCs. FPL Group IA has unfettered access to all of FHT's and the REIT Manager's and the Trustee-Manager's documents, records, properties and personnel, including access to the ARCCs' members, and has appropriate standing with FHT and the Managers. All audit reports detailing audit findings and recommendations are provided to Management who would respond with the actions to be taken.

Each quarter, FPL Group IA submits reports to the ARCCs on the status of completion of the audit plans, audit findings noted from reviews performed, and status of Management's action plans to address such findings, including implementation of the audit recommendations. Each of the ARCCs are satisfied that for FY2021, FPL Group IA is independent, effective, adequately resourced, and has appropriate standing within FH-REIT, the REIT Manager, FH-BT and the Trustee-Manager to perform its functions effectively. Quality assurance reviews on FPL Group's internal audit function are carried out by qualified professionals from an external organisation. The last review was performed in the financial year ended 30 September 2018. Where required, the ARCCs will make recommendations to the Boards to ensure that FPL Group IA remains an adequate, effective and independent internal audit function.

### Related/Interested Person Transactions

In general, in the case of FH-REIT and/or the REIT Manager, transactions between:

- an entity at risk (in this case, the REIT Trustee (acting in its capacity as the trustee of FH-REIT) or any of the subsidiaries or associated companies of FH-REIT); and
- any of the Interested Parties, namely, the REIT Manager, the REIT Trustee (acting in its personal capacity), an associate of the REIT Manager or REIT Trustee, a Director, CEO or controlling shareholder of the REIT Manager, a controlling Stapled Securityholder or an associate of any such Director, CEO or controlling shareholder or controlling Stapled Securityholder,

would constitute an interested party transaction.

In general, in the case of FH-BT and/or the Trustee-Manager, 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, CEO or controlling shareholder of the Trustee-Manager, a controlling Stapled Securityholder or an associate of any such Director, CEO or controlling shareholder or controlling Stapled Securityholder, would constitute an interested person transaction.

## Corporate Governance

The Managers have established internal processes such that the Boards, with the assistance of the ARCCs, are required to be satisfied that all Related/Interested Person Transactions are undertaken on normal commercial terms, and are not prejudicial to the interests of FHT and Stapled Securityholders. This may entail obtaining (where practicable) quotations from parties unrelated to the Managers, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Appendix). Directors who are interested in any proposed Related/Interested Person Transaction to be entered into by FHT are required to abstain from any deliberations or decisions in relation to that Related/Interested Person Transaction.

All Related/Interested Person Transactions are entered in a register maintained by the each of the REIT Manager and the Trustee-Manager. The Managers incorporate into their internal audit plan a review of the Related/Interested Person Transactions recorded in the register to ascertain that internal procedures and requirements of the SGX-ST Listing Manual and Property Funds Appendix have been complied with. The ARCCs review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related/Interested Person Transactions have been complied with. The review includes the examination of the nature of the Related/Interested Person Transactions and its supporting documents or such other data deemed necessary by the ARCCs. In addition, the REIT Trustee also has the right to review any such relevant internal audit reports to ascertain that the Property Funds Appendix has been complied with.

Any Related/Interested Person Transaction proposed to be entered into by (a) the REIT Trustee for and on behalf of FH- REIT with a Related Person, and/or (b) the Trustee-Manager for and on behalf of FH-BT with an Interested Person, would require the REIT Trustee and/or the Trustee-Manager (as the case may be) to satisfy itself that such Related/Interested Person Transaction is conducted on normal commercial terms, is not prejudicial to the interests of FHT, FH-REIT and/or FH-BT (as the case may be) and its Stapled Securityholders, and is in accordance with all applicable requirements of the SGX-ST Listing Manual, the BTA and/or CIS Code (where applicable) 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 or property funds.

Further, the following procedures will be undertaken by the ARCCs:

- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Interested Parties or Interested Persons (collectively, the "Related Parties") during the same financial year) equal to or exceeding S\$100,000 in value but less than 3.0% of the value of FH-REIT's or FH-BT's net tangible assets (based on the latest audited accounts) will be subject to review by the respective ARCCs 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 or FH-BT's net tangible assets (based on the latest audited accounts) will be subject to the review and prior approval of the ARCCs. Such approval shall only be given if such transaction is on normal commercial terms and not prejudicial to the interests of FH-REIT and/or FH-BT and the minority Stapled Securityholders; 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 and/or FH-BT'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 ARCCs 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/or the Property Funds Appendix (where applicable), such transaction would have to be approved by Stapled Securityholders at a meeting duly convened.

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

## Corporate Governance

Save for the transactions described under the sections “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” in FHT’s Prospectus dated 30 June 2014, FH-BT 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 during the same financial year, is 3.0% or more of the value of FH-BT’s latest audited net tangible assets.

Information on the measures and procedures put in place by the Trustee-Manager to manage potential IPTs can also be found in the Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust on pages 155 to 160.

### Whistle-Blowing Policy

The Managers have put in place a whistle-blowing policy (the “**Whistle-Blowing Policy**”). The Whistle-Blowing Policy provides an independent feedback channel through which matters of concern about possible improprieties misconduct or wrongdoing relating to FHT, the Managers and their officers in matters of financial reporting, suspected fraud and corruption or other matters may be raised by employees and any other persons in confidence and in good faith, without fear of reprisal. Whistle-blowers may report any matters of concern by email, by post or by calling a hotline, details of which are provided in the Whistle-Blowing Policy, which is available on FHT’s website. Any report submitted through this channel would be received by the Head of the FPL Group IA and the Managers have designated FPL Group IA, an independent function, to investigate all whistle-blowing reports made in good faith. FHT is committed to ensuring that whistle-blowers will be treated fairly, and protected from reprisals, or victimisation or any otherwise detrimental or unfair treatment for whistle-blowing in good faith. The Managers will treat all information received confidentially and protect the identity of all whistle-blowers.

The improprieties, misconduct or wrongdoing that are reportable under the Whistle-Blowing Policy include: (a) financial or professional misconduct; (b) improper conduct, dishonest, fraudulent or unethical behaviour; (c) any irregularity or non-compliance with laws/ regulations or the Managers’ policies and procedures, and/or internal controls; (d) violence at the workplace, or any conduct that may threaten health and safety; (e) corruption or bribery; (f) conflicts of interest; and (g) any other improprieties or matters that may adversely affect Stapled Securityholders’/shareholders’ interest in, and assets of, FHT, the REIT Manager and/or the Trustee-Manager and the reputation of these entities. The Whistle-Blowing Policy is covered and explained in detail during staff training, including the procedures for raising concerns. All whistle-blowing complaints raised and independently investigated, and if appropriate, an independent investigation committee will be constituted. The outcome of each investigation and any action taken is reported to the ARCCs. The ARCCs, which are responsible for oversight and monitoring of whistle-blowing, review and ensure that independent investigations and any appropriate follow-up actions are carried out.

### STAPLED SECURITYHOLDER MATTERS

The Managers treat all Stapled Securityholders fairly and equitably, and strive to establish and maintain regular interaction and dialogue with Stapled Securityholders to generate awareness and understanding of FHT’s strategic business model, competitive strengths, growth strategy, and investment merits, as well as to garner feedback and views for consideration. Stapled Securityholders are also given accurate, objective and timely assessment of FHT’s performance, financial position and prospects. The Managers provide regular updates via SGXNET announcements and on its websites and via participation in outreach retail investors events hosted by the Securities Investors Association (Singapore) or the SGX-ST. Stapled Securityholders and investors can also contact the investor relations contact person at FHT to provide their feedback or submit enquiries. The AGMs provide a platform for Stapled Securityholders to communicate their views to the Boards and management on various matters affecting FHT.

### Investor Relations

The Managers pride themselves on their high standards of disclosure and corporate transparency. To enable Stapled Securityholders and the investment community to make informed investment decisions, the Managers endeavour to provide them with fair, relevant, comprehensive and timely information regarding FHT’s performance and progress and matters concerning FHT and its business which are likely to materially affect the price of the Stapled Securities and other securities of FHT, or are likely to influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell the Stapled Securities.

## Corporate Governance

The Managers' dedicated Investor Relations (“**IR**”) personnel is tasked with, and focuses on, facilitating communications between FHT and its Stapled Securityholders, as well as with the investment community and the media. Contact details of the IR manager (“**IR Contact**”) are available on FHT's website at <https://fht.frasersproperty.com/> for Stapled Securityholders, investors and other stakeholders to channel their comments and queries. The IR policy also sets out the mechanism through which Stapled Securityholders may contact the Managers with questions and through which the Managers may respond to such questions.

Continuous and informed dialogue between the Managers and Stapled Securityholders is a central tenet of good corporate governance. Regular engagement between these parties promotes greater transparency. Material and other pertinent information such as SGX announcements, media releases and presentation slides are issued via the SGXNET and uploaded on FHT's website on a timely basis. They are the principal media of communication between FHT and its Stapled Securityholders. In the interim business updates for the first and third quarters of each financial year, the Managers provide, *inter alia*, a discussion of the significant factors that affected FHT's interim performance as well as relevant market trends, including the risks and opportunities that may have a material impact on FHT's prospects. Such information provides Stapled Securityholders a better understanding of FHT's performance in the context of the current business environment.

The Head of IR, together with senior Management, also participates in conferences, roadshows, and investor meetings to keep the investment community informed of FHT's corporate developments, financial and operational performance and strategies, and in order to solicit and understand the views of Stapled Securityholders and investors. Analyst briefings, earnings calls and investor luncheons are conducted after the announcement of half yearly results and business updates. However, due to travel restrictions and social distancing measures arising from the COVID-19 pandemic, investor meetings and quarterly analyst briefings have since gone virtual while property visits have been temporarily suspended.

Further details on the various activities organised by IR during the year can be found in the Investor Relations section of this Annual Report on page 99.

A copy of FHT's Annual Report 2021 has been sent to all Stapled Securityholders. The electronic version of FHT's Annual Report 2021 is available on FHT's website at <https://fht.frasersproperty.com/>.

### Conduct of general meetings

In view of the COVID-19 pandemic, the 6th Annual General Meeting (“**AGM 2021**”) was convened and held by way of electronic means on 20 January 2021, pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (“**COVID-19 Temporary Measures Order**”). The alternative arrangements put in place for the conduct of AGM 2021 included attendance at the AGM via electronic means where Stapled Securityholders could observe and/or listen to the AGM proceedings via live audio-visual webcast or live audio-only stream, submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy. All the Directors attended AGM 2021 either in-person or via electronic means.

In view of the ongoing COVID-19 situation in Singapore, the forthcoming 7th Annual General Meeting (“**AGM 2022**”) will again be convened and held by way of electronic means on 19 January 2022, pursuant to the COVID-19 Temporary Measures Order. The same alternative arrangements for the AGM will be put in place as last year except that this year, Stapled Securityholders will additionally be able to submit questions to the Chairman of the Meeting “live” at the AGM.

The description below sets out FHT's usual practice for Stapled Securityholders' meetings prior to the AGM 2021 when there were no pandemic risks and the COVID-19 Temporary Measures Order is not in operation.

The Boards support and encourage active Stapled Securityholder participation at AGMs as they believe that general meetings serve as an opportune forum for Stapled Securityholders to meet the Boards and senior Management, and to interact with them. To encourage participation, FHT's general meetings are held at convenient locations. Stapled Securityholders are given the opportunity to participate effectively and vote at FHT's general meetings, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated prior to the start of the meeting. Stapled Securityholders such as nominee companies which provide custodial services for securities are not constrained by the two proxy limitation, and are able to appoint more than two proxies to attend, speak and vote at general meetings of FHT.

## Corporate Governance

The Managers generally provide Stapled Securityholders with longer than the minimum notice period required for general meetings. The Managers tries their best not to schedule AGMs during peak periods when these might coincide with the AGMs of other listed companies. The Managers give Stapled Securityholders the necessary information on each resolution so as to enable them to exercise their votes on an informed basis.

At general meetings, the Managers set out separate resolutions on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. In the event where resolutions are bundled, the Managers will explain the reasons and material implications in the relevant notice of meeting. Stapled Securityholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions sought to be passed.

For greater transparency, the Managers have implemented electronic poll voting at general meetings. This entails Stapled Securityholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hands), thereby allowing all Stapled Securityholders present or represented at the meeting to vote on a one Stapled Security, one vote basis. The voting results of all votes cast for, against, or abstaining from each resolution is then screened at the meeting and announced to via SGXNET after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. The Managers will continue to use the electronic poll voting system at the forthcoming AGM. As the authentication of Stapled Securityholder identity and other related security and integrity issues still remain a concern, the Managers have decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax.

At the AGM, a presentation is made to Stapled Securityholders to update on FHT's financial and operational performance, and prospects. The links to the presentation materials are made available on SGXNET and FHT's website before the commencement of the AGM for the benefit of Stapled Securityholders.

Board members and senior Management are present at, and for the entire duration of, each Stapled Securityholders' meeting to respond to any questions from Stapled Securityholders, unless they are unable to attend due to exigencies. Certain external consultants including FHT's external auditors are also present to address queries about the conduct of audit and the preparation and content of the auditors' report.

The Chairman of the meeting is tasked with facilitating constructive dialogue between Securityholders and the Boards, Management and the external auditors. Where appropriate, the Chairman allows specific Directors, such as the respective Board Committee chairmen, to answer queries on matters related to their roles. Stapled Securityholders are also given an opportunity to interact with the Directors before and/or after general meetings.

The minutes of Stapled Securityholders' meetings which capture the attendance of Board members at the meetings, matters approved by Stapled Securityholders, voting results and substantial and relevant comments or queries from Stapled Securityholders relating to the agenda of the general meeting together with responses from the Boards and Management, are prepared by the Managers. These minutes are published on FHT's website as soon as practicable.

### Distributions

Distributions of FHT comprise distributions from FH-REIT and FH-BT.

FH-REIT's distribution policy is to distribute at least 90.0% of its distributable income and such distributions are typically paid on a semi-annual basis.

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 Trustee-Manager Board.

For FY2021, FHT made two distributions to Stapled Securityholders.

## Corporate Governance

### STAKEHOLDER ENGAGEMENT

The Boards adopt an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of their overall responsibility to ensure that the best interests of FHT are served. Stakeholders are parties who may be affected by FHT's or the Managers' activities or whose actions can affect the ability of FHT or the Managers to conduct their activities.

#### Sustainability

In order to review and assess the material factors relevant to FHT's business activities, the Managers from time to time proactively engage with various stakeholders (including employees), vendors and tenants, and the investment community, to gather feedback on the sustainability matters which have significant impact to the business and operations of FHT and its stakeholders. Please refer to the Sustainability Report on pages 74 to 98 of this Annual Report, which sets out information on the Managers' arrangements to identify and engage with their material stakeholder groups and to manage their relationships with such groups, and the Managers' strategy and key areas of focus in relation to the management of stakeholder relationships during FY2021.

#### Code of Business Conduct

The conduct of employees of the Managers is governed by the FPL Code of Business Conduct. The Frasers Property Group's business practices are been governed by integrity, honesty, fair dealing and compliance with applicable laws. To guide the Frasers Property Group's employees across its multi-national network to uphold these values, FPL has established the FPL Code of Business Conduct to provide clear guidelines on ethics and relationships to safeguard the interests and reputation of the Frasers Property Group, including the Managers, as well as stakeholders of FPL and FHT.

The Code of Business Conduct covers key aspects such as avoiding conflicts of interest, working with external stakeholders (including customers, suppliers, business partners, governments and regulatory officials), protecting company's assets, social media engagement, data privacy and upholding laws in countries where the Frasers Property Group has geographical presence in. The Code of Business Conduct also emphasises the importance of upholding the Frasers Property Group's core values to build a respectful culture. Employees are encouraged to be respectful to the elements that make people similar or different from one another, including background, views, experiences, capabilities, values, beliefs, physical differences, ethnicity and culture, gender, age, thinking styles, preferences and behaviours.

The Code of Business Conduct sets out the policies and procedures dealing with various issues such as conflicts of interests, the maintenance of records and reports, equal employment opportunities and sexual harassment. It includes requirements relating to the keeping of accurate and sufficiently detailed accounting records for financial transactions, internal financial reporting and financial reporting to stakeholders, sets out the standards to which employees must adhere in their business relationships with third parties and personal business undertakings and their obligations to the Frasers Property Group, and provides for the need to obtain approval in certain situations where a conflict of interest may arise. It also covers an employee's obligations in protecting the Frasers Property Group's confidential information and intellectual property and reiterates the Frasers Property Group's zero tolerance approach to bribery and corruption. Where applicable/appropriate, the Code of Business Conduct is also made available to other stakeholders such as the Frasers Property Group's and FHT's agents, suppliers, business associates and customers.

#### Anti-Bribery and Anti-Corruption

FHT has procedures in place to comply with applicable anti-bribery laws and regulations. Under the Code of Business Conduct, employees are not to accept, offer, promise, or pay anything of value to another person with the intention to obtain or retain business, to improperly influence an official action or to secure an unfair business advantage, whether directly or through a third party. FHT also has an anti-bribery policy, which is applicable to entities of the Frasers Property Group incorporated or formed in the United Kingdom, and those carrying on business in the United Kingdom.

#### Anti-Money Laundering and Countering the Financing of Terrorism Measures

FHT has a policy and in place implemented procedures to comply with applicable anti-money laundering, counter-terrorism financing laws and regulations, including the notice and guidelines issued by the MAS to capital intermediaries on the prevention of money laundering and countering the financing of terrorism. FHT's policy and procedures include, but are not limited to, risk assessment and mitigation, customer due diligence, reporting of suspicious transactions, and record keeping. Training on anti-money laundering, counter-terrorism financing laws and regulations are also conducted for employees, officers and representatives periodically and as and when needed.

# Corporate Governance

## Business Continuity Management

The Managers adhere to the Group Business Continuity Management (“**BCM**”) Policy which has been implemented by, and applies to, the entities within the Frasers Property Group. The BCM Policy references the requirements of ISO22301 management system, sets directives and guides the Managers in implementing and maintaining a BCM programme to protect against, reduce the likelihood of the occurrence of, prepare for, respond to and recover from disruptions when they arise. The Group Business Continuity Management Committee oversees the BCM programme and activities of the entities within the Frasers Property Group.

The Managers’ crisis management team and staff are trained periodically, and the plans under the BCM are updated regularly. Management has strengthened its crisis management plans, business continuity plans and emergency response plans to prepare its properties in case of disruptions that may negatively impact on the business of FHT. Beyond its current focus on enhancing BCM capability of the properties that it manages and is owned by FHT, in successive years. The Managers are exploring how to extend this to the corporate office backroom functions within FHT, in order to boost its resilience and capability in responding, managing, and recovering from adverse business disruptions and unforeseen catastrophic events. This may include the identification of critical business functions, key processes, resource requirements and business recovery strategies at the FHT Corporate level, which will be followed by annual tests, exercises (tabletop or simulated) and drills, depending on various scenarios.

The Code of Business Conduct, BCM Policy and the other policies mentioned above, are accessible to all employees on the Frasers Property Group intranet

## POLICY ON DEALINGS IN SECURITIES

The REIT Manager and the Trustee-Manager have established a dealing policy on securities trading (“**Dealing Policy**”) setting out the procedure for dealings in FHT’s securities by its Directors, officers and employees. In compliance with Rule 1207(19) of the SGX-ST Listing Manual on best practices on dealing in securities, the Group issues reminders to the Directors, officers and employees on the restrictions in dealings in listed securities of the Group during the period commencing (a) two weeks prior to the announcement of the interim business updates of the first and third quarters of the financial year, and (b) one month before the announcement of the half-year and full-year results, and ending on the date of such announcements (the “**Prohibition Period**”). Directors, officers and employees are also reminded not to trade in listed securities of FHT at any time while in possession of unpublished price sensitive information and to refrain from dealing in FHT’s securities on short-term considerations. Pursuant to the SFA, Directors and the CEO are also required to report their dealings in FHT’s securities within two business days.

Every quarter, each Director, officer and employee is required to complete and submit a declaration form to the designated compliance officer to report any trades he or she 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 ARCCs. Any non-compliance with the Dealing Policy will be reported to the ARCCs for their review and instructions.

Under the Dealing Policy, prior approval from each of the Boards is required before the Managers deals or trades in Stapled Securities. In addition, the Managers will not deal in Stapled Securities:

- (a) during the Prohibition Period; or
- (b) while in possession of unpublished price sensitive information/material in relation to those securities.

## Corporate Governance

### ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS

Pursuant to the FH-REIT Trust Deed, the REIT Manager is entitled to receive the following fees:

Type of Fee	Computation and Form of Payment	Rationale and Purpose
<b>Base Fee</b>	<p>Pursuant to Clause 15.1.1 of the FH-REIT Trust Deed, the REIT Manager is entitled to receive a Base Fee 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 deposited property of FH-REIT ("<b>FH-REIT Deposited Property</b>").</p> <p>The Base Fee is payable quarterly in the form of Stapled Securities and/or payable monthly in the form of cash, as the REIT Manager may elect. The Base 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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The Performance Fee methodology, 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 rebranding of a property, re-segmentation of a property's customer base and driving cost efficiencies to improve profit margin.</p> <p>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.</p>

## Corporate Governance

### ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS (CONT'D)

Type of Fee	Computation and Form of Payment	Rationale and Purpose
<b>Performance Fee</b>	<p>Pursuant to Clause 15.1.2 of the FH-REIT Trust Deed, the REIT Manager is entitled to receive a Performance Fee, 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 of FH-REIT 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.)</p>	<p>The Performance Fee is payable in the form of cash and/or Stapled Securities as the REIT Manager may elect. The 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.</p> <p>In accordance with the CIS Code, crystallisation of the Performance Fee should be no more frequent than once a year. Therefore, with effect from the financial year ended 30 September 2017, the Performance Fee payable to the REIT Manager in the form of cash and/or Stapled Securities will be paid on an annual basis in arrears, subsequent to the end of the applicable financial year.</p>

## Corporate Governance

### ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS (CONT'D)

Type of Fee	Computation and Form of Payment	Rationale and Purpose
<b>Acquisition Fee</b>	<p>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):</p> <p>(a) 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<sup>(2)</sup> 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);</p> <p>(b) the underlying value<sup>(3)</sup> 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</p> <p>(c) 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</p>	<p>To continue delivering long-term sustainable distributable 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.</p> <p>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.</p> <p>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 of 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.</p>

## Corporate Governance

### ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS (CONT'D)

Type of Fee	Computation and Form of Payment	Rationale and Purpose
<b>Divestment Fee</b>	<p>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):</p> <p>(a) 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<sup>(2)</sup> 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);</p> <p>(b) the underlying value<sup>(3)</sup> 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</p> <p>(c) 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</p>	

#### Notes:

<sup>(1)</sup> Capitalised terms used in this section shall have the same meanings ascribed to them in the FH- REIT Trust Deed.

<sup>(2)</sup> "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.

<sup>(3)</sup> 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.

## Corporate Governance

### SUMMARY OF COMPLIANCE WITH EXPRESS DISCLOSURES REQUIREMENTS IN PRINCIPLES AND PROVISIONS OF 2018 CG CODE

		PAGE REFERENCE OF FY2021 ANNUAL REPORT
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# Report of the Trustee of Fraser's Hospitality Real Estate Investment Trust

For the year ended 30 September 2021

Perpetual (Asia) Limited (the "REIT Trustee") is under a duty to take into custody and hold the assets of Fraser's 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 Fraser's 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.

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 168 to 272, 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 2021

## **Statement by the Manager of Fraser's Hospitality Real Estate Investment Trust**

For the year ended 30 September 2021

In the opinion of the directors of Fraser's Hospitality Asset Management Pte. Ltd., the financial statements of FH-REIT and its subsidiaries (collectively "FH-REIT Group"), and Fraser's Hospitality Trust ("FHT"), comprising the FH-REIT Group and Fraser's Hospitality Business Trust ("FH-BT") and its subsidiaries (collectively, the "FH-BT Group") set out on pages 168 to 272, comprising the Statements of Financial Position and Portfolio Statements as at 30 September 2021, 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 FHT as at 30 September 2021, the total return, changes in Stapled Securityholders' funds, distributable income and cash flows of the FH-REIT Group and FHT for the financial year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Investment Funds* 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 Fraser's Hospitality Trust between the REIT Trustee, the REIT Manager and Fraser's 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 FHT 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,  
Fraser's Hospitality Asset Management Pte. Ltd.

Law Song Keng  
Director

Panote Sirivadhanabhakdi  
Director

Singapore  
22 November 2021

# Report of the Trustee-Manager of Frasers Hospitality Business Trust

For the year ended 30 September 2021

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 2021, 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

## 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 2021 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 2020		30 September 2021		21 October 2021	
	Direct	Deemed	Direct	Deemed	Direct	Deemed
Mr Law Song Keng	549,900	Nil	549,900	Nil	549,900	Nil
Mr Panote Sirivadhanabhakdi	Nil	707,310,200	Nil	707,310,200	Nil	707,310,200

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 2021.

## DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the last financial year, 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 Fraser's Hospitality Business Trust

For the year ended 30 September 2021

## 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 options as at the end of the financial year.

## AUDIT, RISK AND COMPLIANCE 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) Dr David Wong See Hong (Chairman);
- (ii) Mr Law Song Keng (Member); and
- (iii) Mr Liew Choon Wei (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's Hospitality Trust Management Pte. Ltd.

Law Song Keng  
Director

Panote Sirivadhanabhakdi  
Director

Singapore  
22 November 2021

# Statement by the Trustee-Manager of Fraser's Hospitality Business Trust

For the year ended 30 September 2021

In the opinion of the directors,

- (a) The financial statements of FH-BT Group as set out on pages 168 to 272 are drawn up so as to give a true and fair view of the financial position of FH-BT Group as at 30 September 2021, 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 Singapore Financial Reporting Standards (International); 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's Hospitality Trust Management Pte. Ltd.

Law Song Keng  
Director

Panote Sirivadhanabhakdi  
Director

Singapore  
22 November 2021

## **Statement by the Chief Executive Officer of the Trustee-Manager**

For the year ended 30 September 2021

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 2021

# Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

For the year ended 30 September 2021

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.

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; and
- 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.

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, 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;

## Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

For the year ended 30 September 2021

- 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; and
- comply with the BTA and the Listing Manual.

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

For the year ended 30 September 2021

## Management of Business Risk

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.

## The Trustee-Manager's Internal Control System

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.

## Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust

For the year ended 30 September 2021

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.

### **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**

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

For the year ended 30 September 2021

## 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 80,000 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 below 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
  - (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.

## **Statement on the Policies and Practices in Relation to the Management and Governance of Frasers Hospitality Business Trust**

For the year ended 30 September 2021

- 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.

### ***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

For the year ended 30 September 2021

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 five 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)
Mr Chua Phuyay Hee	(Independent Director)
Mr Liew Choon Wei	(Independent Director)
Dr David Wong See Hong	(Independent Director)
Mr Panote Sirivadhanabhakdi	(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 Property 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

For the year ended 30 September 2021

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 (AS AMENDED)

## 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 2021, the Statement of Total Return, 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 2021, the Statement of Profit or Loss, 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 2021, the Statement of Total Return, 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 168 to 272. Frasers Hospitality Trust, which comprises the FH-REIT Group and the FH-BT Group, is hereinafter referred to as "FHT".

In our opinion:

- (a) the accompanying consolidated financial statements of the FH-REIT Group and FHT present fairly, in all material respects, the financial position and the portfolio holdings of the FH-REIT Group and FHT as at 30 September 2021 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 FHT for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Investment Funds* 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the state of affairs of the FH-BT Group as at 30 September 2021 and of the financial performance, changes in stapled securityholders' funds and cash flows of the FH-BT Group 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 FH-REIT Group, the FH-BT Group and FHT 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.

## 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 (AS AMENDED)

### 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 10 and Note 11 to the financial statements)

### Risk

FHT hold properties comprising serviced residences and hotel properties located in Singapore, Australia, United Kingdom, Japan, Malaysia and Germany. 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 the property operated under a hotel management contract represent significant asset items on the statements of financial position, amounting to SGD 2.0 billion and SGD 0.2 billion respectively, at 30 September 2021.

FHT's accounting policy is to state investment properties at fair value and freehold land and building included as part of property, plant and equipment, at revalued amount. Fair value is based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the assumptions to be applied. The valuations are sensitive to the key assumptions applied in that a change to the underlying assumptions could have significant impact to the financial statements.

Certain valuers have included material uncertainty clauses in the valuation reports, highlighting that as a result of the COVID-19 pandemic, less certainty and a higher degree of caution, should be attached to the valuations than would normally be the case. Due to the unknown future impact that the COVID-19 pandemic might have on the real estate market, the values might change more rapidly and significantly than during standard market conditions. Consequently, the valuers have recommended to keep the valuation of the properties under frequent review.

### Our response

We evaluated the qualifications and objectivity of the external valuers.

We held discussions with the valuers to understand the valuation methods, inputs and assumptions used, including where appropriate, how they have considered the implications of COVID-19 and market uncertainty in the valuations. We considered the valuation methodologies used against those applied by other valuers for similar property types.

We challenged the reasonableness of the projected cash flows used in the valuation. We evaluated the appropriateness of the discount, and capitalisation rates used in the valuations by comparing them against historical rates and available industry data, taking into consideration market factors. Where the rates were outside the expected range, we undertook further procedures to understand the bases.

### Our findings

The valuers are members of generally-recognised professional bodies for valuers. The valuation methodologies and key assumptions used by the valuers are in line with generally accepted market practices and available market data.

### 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 all other information prior to the date of this auditors' report except for the Statistics of Stapled Securityholders (the "Report"), which is expected to be made available to us after 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 (AS AMENDED)

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 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 consolidated financial statements of the FH-REIT Group and FHT in accordance with the recommendations of RAP 7 issued by ISCA, and for such internal controls 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, the REIT Manager is responsible for assessing the ability of the FH-REIT Group and FHT 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 terminate the FH-REIT Group and FHT 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 FHT.

### **Responsibilities of the Trustee-Manager for the financial statements**

The Trustee-Manager is responsible for the preparation of the consolidated financial statements of the FH-BT Group that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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, 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.

## 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 (AS AMENDED)

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 internal controls of the FH-REIT Group, the FH-BT Group and FHT.
- 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 FHT 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 FHT 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.
- 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 FHT 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 controls 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.

## 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 (AS AMENDED)

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 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 Leong Kok Keong.

#### **KPMG LLP**

*Public Accountants and  
Chartered Accountants*

#### **Singapore**

22 November 2021

## Statements of Total Return of FHT and the FH-REIT Group Statement of Profit or Loss of the FH-BT Group

For the year ended 30 September 2021

	Note	FHT		FH-REIT Group		FH-BT Group	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Master lease rental	10	64,648	67,083	75,107	76,027	-	-
Room revenue		5,166	13,466	-	-	5,166	13,466
Food and beverage revenue		3,556	3,785	-	-	3,556	3,785
Other income		12,162	4,239	479	649	11,683	3,590
<b>Revenue</b>		<b>85,532</b>	<b>88,573</b>	<b>75,586</b>	<b>76,676</b>	<b>20,405</b>	<b>20,841</b>
Property tax		(8,421)	(8,676)	(8,421)	(8,676)	-	-
Property insurance		(1,730)	(1,443)	(1,628)	(1,352)	(102)	(91)
Property management fees		(2,208)	(3,138)	(2,208)	(3,138)	-	-
Other property expenses		(2,391)	(2,583)	(2,391)	(2,583)	-	-
Impairment loss on trade receivables		(4,137)	(1,690)	(4,137)	(1,690)	-	-
Operations and maintenance expenses		(3,623)	(4,204)	(57)	(180)	(3,566)	(4,440)
Energy and utilities expenses		(541)	(664)	-	-	(541)	(664)
Hotel management fee		(722)	(594)	-	-	(722)	(594)
Rental expense		-	-	-	-	(4,557)	(3,417)
Staff costs	3	(3,532)	(3,994)	-	-	(3,532)	(3,994)
Marketing expenses		(289)	(1,204)	-	-	(289)	(1,204)
Administrative expenses		(312)	(552)	-	-	(312)	(552)
<b>Property operating expenses</b>		<b>(27,906)</b>	<b>(28,742)</b>	<b>(18,842)</b>	<b>(17,619)</b>	<b>(13,621)</b>	<b>(14,956)</b>
<b>Net property income</b>		<b>57,626</b>	<b>59,831</b>	<b>56,744</b>	<b>59,057</b>	<b>6,784</b>	<b>5,885</b>
Depreciation	11	(3,929)	(3,921)	-	-	(4,570)	(4,322)
REIT Manager's management fees	4(a)	(4,521)	(5,466)	(4,521)	(5,466)	-	-
Trustee-Manager's management fees	4(b)	(80)	(54)	-	-	(80)	(54)
Other management fees	4(c)	(3,668)	(3,569)	(3,668)	(3,569)	-	-
Trustees' fees	5	(493)	(495)	(493)	(495)	-	-
Other trust expenses	6	(2,799)	(3,268)	(2,726)	(3,190)	(73)	(78)
Finance income		210	329	210	326	86	80
Amortisation of debt upfront costs	7(a)	(952)	(824)	(952)	(824)	-	-
Finance costs	7(b)	(20,415)	(19,750)	(20,502)	(19,828)	(2,465)	(2,418)
<b>Total return/(Loss) before foreign exchange differences, fair value changes and tax</b>		<b>20,979</b>	<b>22,813</b>	<b>24,092</b>	<b>26,011</b>	<b>(318)</b>	<b>(907)</b>
Foreign exchange gain/(loss), net		(26)	(165)	(24)	(198)	(2)	33
Net change in fair value of investment properties	10	(4,574)	(136,777)	326	(149,604)	-	-
Revaluation of property, plant and equipment	11	8,444	(9,208)	-	-	-	-
Net change in fair value of derivative financial instruments		(77)	(328)	(77)	(328)	-	-
Realised gain on derivative financial instruments, net		(16)	256	(16)	256	-	-
<b>Total return/(Loss) for the year before tax</b>		<b>24,730</b>	<b>(123,409)</b>	<b>24,301</b>	<b>(123,863)</b>	<b>(320)</b>	<b>(874)</b>
Taxation	8	(8,422)	9,981	(8,333)	9,160	56	128
<b>Total return/(Loss) for the year after tax</b>		<b>16,308</b>	<b>(113,428)</b>	<b>15,968</b>	<b>(114,703)</b>	<b>(264)</b>	<b>(746)</b>
<b>Total return/(Loss) for the year after tax attributable to:</b>							
- Stapled Securityholders		13,589	(117,890)	13,249	(119,165)	(264)	(746)
- Perpetual Securities holders		2,719	4,462	2,719	4,462	-	-
		<b>16,308</b>	<b>(113,428)</b>	<b>15,968</b>	<b>(114,703)</b>	<b>(264)</b>	<b>(746)</b>
<b>Earnings per Stapled Security (cents)</b>							
Basic	9	0.70	(6.14)				
Diluted	9	0.70	(6.14)				

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

# Statement of Comprehensive Income of the FH-BT Group

For the year ended 30 September 2021

	FH-BT Group	
	2021	2020
	\$'000	\$'000
<b>Loss for the year after tax</b>	(264)	(746)
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to statement of profit or loss:</b>		
Foreign currency translation differences	16	129
<b>Total comprehensive income for the year, net of tax</b>	<u>(248)</u>	<u>(617)</u>
<b>Total comprehensive income for the year attributable to</b>		
- Stapled Securityholders	<u>(248)</u>	<u>(617)</u>

# Distribution Statements

For the year ended 30 September 2021

	Note	FHT		FH-REIT Group		FH-BT Group	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Reconciliation of total return/(loss) to income available for distribution</b>							
<b>Total return/(Loss) for the year after tax, attributable to Stapled Securityholders and Perpetual Securities holders</b>							
		<b>16,308</b>	<b>(113,428)</b>	<b>15,968</b>	<b>(114,703)</b>	<b>(264)</b>	<b>(746)</b>
<b>Non-tax deductible/(non-taxable) items and other adjustments:</b>							
Amortisation of debt upfront costs		952	824	952	824	-	-
Amortisation of other assets		4	13	4	13	-	-
Depreciation		3,929	3,921	-	-	4,570	4,322
Foreign exchange (gain)/loss, net		26	158	24	191	2	(32)
Net change in fair value of investment properties		4,574	136,777	(326)	149,604	-	-
Revaluation of property, plant and equipment		(8,444)	9,208	-	-	-	-
Net change in fair value of derivative financial instruments		77	328	77	328	-	-
Other management fees paid and payable in Stapled Securities		-	1,626	-	1,626	-	-
Property management fees paid and payable in Stapled Securities, net of withholding tax		-	2,596	-	2,596	-	-
REIT Manager's management fees paid and payable in Stapled Securities		-	3,805	-	3,805	-	-
Trustee-Manager's management fees paid and payable in Stapled Securities		-	26	-	-	-	26
Trustee's fee in relation to FH-REIT		285	293	285	293	-	-
Interest expense on lease liabilities		124	111	124	111	2,465	2,418
Lease payments		-	-	-	-	(5,902)	(5,527)
Deferred tax	<b>8</b>	5,683	(11,537)	5,644	(10,714)	(106)	(130)
Other adjustments		240	(352)	214	36	27	28
<b>Net effect of non-tax deductible/ (non-taxable) items and other adjustments</b>							
		<b>7,450</b>	<b>147,797</b>	<b>6,998</b>	<b>148,713</b>	<b>1,056</b>	<b>1,105</b>
<b>Income available for distribution</b>							
		<b>23,758</b>	<b>34,369</b>	<b>22,966</b>	<b>34,010</b>	<b>792</b>	<b>359</b>
<b>Income available for distribution attributable to:</b>							
- Stapled Securityholders		21,039	29,907	20,247	29,548	792	359
- Perpetual Securities holders		2,719	4,462	2,719	4,462	-	-
		<b>23,758</b>	<b>34,369</b>	<b>22,966</b>	<b>34,010</b>	<b>792</b>	<b>359</b>

# Distribution Statements

For the year ended 30 September 2021

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Amount available for distribution to Stapled Securityholders at the beginning of the year</b>	<b>20,602</b>	<b>41,519</b>	<b>20,279</b>	<b>41,362</b>	<b>323</b>	<b>157</b>
Income available for distribution attributable to Stapled Securityholders	21,039	29,907	20,247	29,548	792	359
<b>Distribution to Stapled Securityholders during the year</b>						
Distribution of 2.1741 cents per Stapled Security for the period from 1 April 2019 to 30 September 2019	-	(41,518)	-	(41,361)	-	(157)
Distribution of 0.3287 cents per Stapled Security for the period from 1 October 2019 to 31 March 2020	-	(6,315)	-	(6,315)	-	-
Distribution of 1.0695 cents per Stapled Security for the period from 1 April 2020 to 30 September 2020	(20,599)	-	(20,276)	-	(323)	-
Distribution of 0.1790 cents per Stapled Security for the period from 1 October 2020 to 31 March 2021	(3,448)	-	(3,151)	-	(297)	-
	(24,047)	(47,833)	(23,427)	(47,676)	(620)	(157)
Amount retained for working capital purposes	(2,104)	(2,991)	(2,025)	(2,955)	(79)	(36)
<b>Amount available for distribution to Stapled Securityholders at the end of the year</b>	<b>15,490</b>	<b>20,602</b>	<b>15,074</b>	<b>20,279</b>	<b>416</b>	<b>323</b>
<b>Distribution per Stapled Security (cents)</b>	<b>0.9831</b>	<b>1.3982</b>	<b>0.9461</b>	<b>1.3814</b>	<b>0.0370</b>	<b>0.0168</b>

# Statements of Financial Position

As at 30 September 2021

	Note	FHT		FH-REIT Group		FH-BT Group	
		2021	2020	2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>							
Investment properties	10	2,024,826	2,029,567	2,250,126	2,248,858	-	-
Property, plant and equipment	11	226,703	221,005	-	-	63,679	67,904
Derivative financial instruments	18	3,568	9,991	3,568	9,991	-	-
Rental deposits		-	-	-	-	2,027	1,936
Deferred expense	15(a)	-	-	-	-	1,659	1,763
Deferred tax assets	8	1,621	2,661	911	1,915	2,027	1,918
		<u>2,256,718</u>	<u>2,263,224</u>	<u>2,254,605</u>	<u>2,260,764</u>	<u>69,392</u>	<u>73,521</u>
<b>Current assets</b>							
Inventories		12	19	-	-	12	19
Other assets		-	4	-	4	-	-
Prepayments		2,000	2,046	1,810	1,833	190	213
Trade and other receivables	12	12,266	3,138	13,769	4,745	2,175	256
Derivative financial instruments	18	-	445	-	445	-	-
Cash and cash equivalents	13	78,187	92,473	73,715	88,969	4,472	3,504
		<u>92,465</u>	<u>98,125</u>	<u>89,294</u>	<u>95,996</u>	<u>6,849</u>	<u>3,992</u>
<b>Total assets</b>		<b><u>2,349,183</u></b>	<b><u>2,361,349</u></b>	<b><u>2,343,899</u></b>	<b><u>2,356,760</u></b>	<b><u>76,241</u></b>	<b><u>77,513</u></b>
<b>Current liabilities</b>							
Trade and other payables	14	18,395	18,920	15,630	17,115	7,141	4,423
Lease liabilities	16	-	-	-	-	3,480	3,349
Derivative financial instruments	18	2,310	546	2,310	546	-	-
Borrowings	17	202,507	50,000	202,507	50,000	-	-
Income tax payables		1,408	1,197	1,379	1,197	29	-
		<u>224,620</u>	<u>70,663</u>	<u>221,826</u>	<u>68,858</u>	<u>10,650</u>	<u>7,772</u>
<b>Net current assets/(liabilities)</b>		<b><u>(132,155)</u></b>	<b><u>27,462</u></b>	<b><u>(132,532)</u></b>	<b><u>27,138</u></b>	<b><u>(3,801)</u></b>	<b><u>(3,780)</u></b>
<b>Non-current liabilities</b>							
Rental deposits		23,698	23,281	25,725	25,217	-	-
Other payables	14	302	345	-	-	302	345
Lease liabilities	16	3,085	2,953	3,085	2,953	63,862	67,101
Deferred income	15(b)	6,959	7,529	8,618	9,292	-	-
Derivative financial instruments	18	9,519	24,397	9,519	24,397	-	-
Borrowings	17	786,000	836,388	786,000	836,388	-	-
Deferred tax liabilities	8	46,506	42,635	46,506	42,635	-	-
		<u>876,069</u>	<u>937,528</u>	<u>879,453</u>	<u>940,882</u>	<u>64,164</u>	<u>67,446</u>
<b>Total liabilities</b>		<b><u>1,100,689</u></b>	<b><u>1,008,191</u></b>	<b><u>1,101,279</u></b>	<b><u>1,009,740</u></b>	<b><u>74,814</u></b>	<b><u>75,218</u></b>
<b>Net assets</b>		<b><u>1,248,494</u></b>	<b><u>1,353,158</u></b>	<b><u>1,242,620</u></b>	<b><u>1,347,020</u></b>	<b><u>1,427</u></b>	<b><u>2,295</u></b>
<b>Represented by:</b>							
<b>Stapled Securityholders' funds</b>							
Stapled Securities in issue and to be issued	19	1,539,879	1,539,879	1,530,288	1,530,288	9,591	9,591
Issue costs		(25,764)	(25,764)	(25,759)	(25,759)	(5)	(5)
Revenue reserves		(124,250)	(112,340)	(120,195)	(108,565)	(7,627)	(6,743)
Hedging reserve	21(a)	(9,509)	(21,334)	(9,509)	(21,334)	-	-
Foreign currency translation reserve	21(b)	(131,862)	(127,562)	(132,205)	(127,889)	(532)	(548)
		<u>1,248,494</u>	<u>1,252,879</u>	<u>1,242,620</u>	<u>1,246,741</u>	<u>1,427</u>	<u>2,295</u>
<b>Perpetual Securities holders' funds</b>							
	20	-	100,279	-	100,279	-	-
		<u>1,248,494</u>	<u>1,353,158</u>	<u>1,242,620</u>	<u>1,347,020</u>	<u>1,427</u>	<u>2,295</u>
<b>Number of Stapled Securities in issue ('000)</b>	19	<b><u>1,926,074</u></b>	<b><u>1,921,243</u></b>	<b><u>1,926,074</u></b>	<b><u>1,921,243</u></b>	<b><u>1,926,074</u></b>	<b><u>1,921,243</u></b>
<b>Net asset value per Stapled Security (cents)</b>	32	<b><u>64.82</u></b>	<b><u>65.21</u></b>	<b><u>64.52</u></b>	<b><u>64.89</u></b>	<b><u>0.07</u></b>	<b><u>0.12</u></b>

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

# Statements of Changes in Stapled Securityholders' Funds

For the year ended 30 September 2021

FHT	Note	Attributable to Stapled Securityholders								
		Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
<b>At 1 October 2020</b>		<b>1,539,879</b>	<b>(25,764)</b>	<b>(112,340)</b>	<b>(21,334)</b>	<b>(127,562)</b>	<b>-</b>	<b>1,252,879</b>	<b>100,279</b>	<b>1,353,158</b>
<u>Operations</u>										
Total return for the year		-	-	16,308	-	-	-	16,308	-	16,308
Total return for the year, attributable to Perpetual Securities holders		-	-	(2,719)	-	-	-	(2,719)	2,719	-
<u>Other reserves</u>										
Effective portion of changes in fair value of cash flow hedges	<b>21(a)</b>	-	-	-	17,497	-	-	17,497	-	17,497
Net change in fair value of cash flow hedges reclassified to total return	<b>21(a)</b>	-	-	-	(5,672)	-	-	(5,672)	-	(5,672)
Foreign currency translation differences	<b>21(b)</b>	-	-	-	-	(4,300)	-	(4,300)	-	(4,300)
Movements in other reserves		-	-	-	11,825	(4,300)	-	7,525	-	7,525
<u>Transactions with Stapled Securityholders</u>										
Distributions to Stapled Securityholders		-	-	(24,047)	-	-	-	(24,047)	-	(24,047)
Total transactions with Stapled Security holders		-	-	(24,047)	-	-	-	(24,047)	-	(24,047)
<u>Transactions with Perpetual Securities holders</u>										
Distributions to Perpetual Securities holders		-	-	-	-	-	-	-	(4,450)	(4,450)
Redemption of Perpetual Securities		-	-	(1,452)	-	-	-	(1,452)	(98,548)	(100,000)
Total transactions with Perpetual Securities holders		-	-	(1,452)	-	-	-	(1,452)	(102,998)	(104,450)
<b>At 30 September 2021</b>		<b>1,539,879</b>	<b>(25,764)</b>	<b>(124,250)</b>	<b>(9,509)</b>	<b>(131,862)</b>	<b>-</b>	<b>1,248,494</b>	<b>-</b>	<b>1,248,494</b>

# Statements of Changes in Stapled Securityholders' Funds

For the year ended 30 September 2021

FHT	Note	Attributable to Stapled Securityholders								
		Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
<b>At 1 October 2019</b>		<b>1,531,826</b>	<b>(25,764)</b>	<b>53,383</b>	<b>(2,443)</b>	<b>(176,007)</b>	<b>2,459</b>	<b>1,383,454</b>	<b>100,279</b>	<b>1,483,733</b>
<u>Operations</u>										
Total return for the year		-	-	(113,428)	-	-	-	(113,428)	-	(113,428)
Total return for the year, attributable to Perpetual Securities holders		-	-	(4,462)	-	-	-	(4,462)	4,462	-
<u>Other reserves</u>										
Effective portion of changes in fair value of cash flow hedges	21(a)	-	-	-	(16,526)	-	-	(16,526)	-	(16,526)
Net change in fair value of cash flow hedges reclassified to total return	21(a)	-	-	-	(2,365)	-	-	(2,365)	-	(2,365)
Foreign currency translation differences	21(b)	-	-	-	-	48,445	-	48,445	-	48,445
Revaluation of property, plant and equipment	21(c)	-	-	-	-	-	(2,459)	(2,459)	-	(2,459)
Movements in other reserves		-	-	-	(18,891)	48,445	(2,459)	27,095	-	27,095
<u>Transactions with Stapled Securityholders</u>										
REIT Manager's management fees paid and payable in Stapled Securities		3,805	-	-	-	-	-	3,805	-	3,805
Trustee-Manager's management fees paid and payable in Stapled Securities		26	-	-	-	-	-	26	-	26
Other management fees paid and payable in Stapled Securities		1,626	-	-	-	-	-	1,626	-	1,626
Property management fees paid and payable in Stapled Securities		2,596	-	-	-	-	-	2,596	-	2,596
Distributions to Stapled Securityholders		-	-	(47,833)	-	-	-	(47,833)	-	(47,833)
Total transactions with Stapled Security holders		8,053	-	(47,833)	-	-	-	(39,780)	-	(39,780)
<u>Transactions with Perpetual Securities holders</u>										
Distributions to Perpetual Securities holders		-	-	-	-	-	-	-	(4,462)	(4,462)
Total transactions with Perpetual Securities holders		-	-	-	-	-	-	-	(4,462)	(4,462)
<b>At 30 September 2020</b>		<b>1,539,879</b>	<b>(25,764)</b>	<b>(112,340)</b>	<b>(21,334)</b>	<b>(127,562)</b>	<b>-</b>	<b>1,252,879</b>	<b>100,279</b>	<b>1,353,158</b>

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

# Statements of Changes in Stapled Securityholders' Funds

For the year ended 30 September 2021

FH-REIT Group	Note	Attributable to Stapled Securityholders							Perpetual Securities holders' funds \$'000	Total \$'000
		Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000			
<b>At 1 October 2020</b>		<b>1,530,288</b>	<b>(25,759)</b>	<b>(108,565)</b>	<b>(21,334)</b>	<b>(127,889)</b>	<b>1,246,741</b>	<b>100,279</b>	<b>1,347,020</b>	
<u>Operations</u>										
Total return for the year		-	-	15,968	-	-	15,968	-	15,968	
Total return for the year, attributable to Perpetual Securities holders		-	-	(2,719)	-	-	(2,719)	2,719	-	
<u>Other reserves</u>										
Effective portion of changes in fair value of cash flow hedges	<b>21(a)</b>	-	-	-	17,497	-	17,497	-	17,497	
Net change in fair value of cash flow hedges reclassified to total return	<b>21(a)</b>	-	-	-	(5,672)	-	(5,672)	-	(5,672)	
Foreign currency translation differences	<b>21(b)</b>	-	-	-	-	(4,316)	(4,316)	-	(4,316)	
Movements in other reserves		-	-	-	11,825	(4,316)	7,509	-	7,509	
<u>Transactions with Stapled Securityholders</u>										
Distributions to Stapled Securityholders		-	-	(23,427)	-	-	(23,427)	-	(23,427)	
Total transactions with Stapled Security holders		-	-	(23,427)	-	-	(23,427)	-	(23,427)	
<u>Transactions with Perpetual Securities holders</u>										
Distributions to Perpetual Securities holders		-	-	-	-	-	-	(4,450)	(4,450)	
Redemption of Perpetual Securities		-	-	(1,452)	-	-	(1,452)	(98,548)	(100,000)	
Total transactions with Perpetual Securities holders		-	-	(1,452)	-	-	(1,452)	(102,998)	(104,450)	
<b>At 30 September 2021</b>		<b>1,530,288</b>	<b>(25,759)</b>	<b>(120,195)</b>	<b>(9,509)</b>	<b>(132,205)</b>	<b>1,242,620</b>	<b>-</b>	<b>1,242,620</b>	

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

# Statements of Changes in Stapled Securityholders' Funds

For the year ended 30 September 2021

FH-REIT Group	Note	Attributable to Stapled Securityholders							Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
		Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000	Total \$'000			
<b>At 1 October 2019</b>		<b>1,522,261</b>	<b>(25,759)</b>	<b>58,276</b>	<b>(2,443)</b>	<b>(175,135)</b>	<b>1,377,200</b>	<b>100,279</b>	<b>1,477,479</b>		
<u>Operations</u>											
Total return for the year		-	-	(114,703)	-	-	(114,703)	-	(114,703)		
Total return for the year, attributable to Perpetual Securities holders		-	-	(4,462)	-	-	(4,462)	4,462	-		
<u>Other reserves</u>											
Effective portion of changes in fair value of cash flow hedges	21(a)	-	-	-	(16,526)	-	(16,526)	-	(16,526)		
Net change in fair value of cash flow hedges reclassified to total return	21(a)	-	-	-	(2,365)	-	(2,365)	-	(2,365)		
Foreign currency translation differences	21(b)	-	-	-	-	47,246	47,246	-	47,246		
Movements in other reserves		-	-	-	(18,891)	47,246	28,355	-	28,355		
<u>Transactions with Stapled Securityholders</u>											
REIT Manager's management fees paid and payable in Stapled Securities		3,805	-	-	-	-	3,805	-	3,805		
Other management fees paid and payable in Stapled Securities		1,626	-	-	-	-	1,626	-	1,626		
Property management fees paid and payable in Stapled Securities		2,596	-	-	-	-	2,596	-	2,596		
Distributions to Stapled Securityholders		-	-	(47,676)	-	-	(47,676)	-	(47,676)		
Total transactions with Stapled Security holders		8,027	-	(47,676)	-	-	(39,649)	-	(39,649)		
<u>Transactions with Perpetual Securities holders</u>											
Distributions to Perpetual Securities holders		-	-	-	-	-	-	(4,462)	(4,462)		
Total transactions with Perpetual Securities holders		-	-	-	-	-	-	(4,462)	(4,462)		
<b>At 30 September 2020</b>		<b>1,530,288</b>	<b>(25,759)</b>	<b>(108,565)</b>	<b>(21,334)</b>	<b>(127,889)</b>	<b>1,246,741</b>	<b>100,279</b>	<b>1,347,020</b>		

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

# Statements of Changes in Stapled Securityholders' Funds

For the year ended 30 September 2021

FH-BT Group	Note	Attributable to Stapled Securityholders							Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
		Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000	Total \$'000			
<b>At 1 October 2020</b>		<b>9,591</b>	<b>(5)</b>	<b>(6,743)</b>	-	<b>(548)</b>	<b>2,295</b>	-	<b>2,295</b>		
Loss for the year		-	-	(264)	-	-	(264)	-	(264)		
<u>Other comprehensive income</u>											
Foreign currency translation differences	<b>21(b)</b>	-	-	-	-	16	16	-	16		
Total other comprehensive income for the year, net of tax		-	-	-	-	16	16	-	16		
Total comprehensive income for the year, net of tax		-	-	(264)	-	16	(248)	-	(248)		
<u>Transactions with Stapled Securityholders</u>											
Distributions to Stapled Securityholders		-	-	(620)	-	-	(620)	-	(620)		
Total transactions with Stapled Security holders		-	-	(620)	-	-	(620)	-	(620)		
<b>At 30 September 2021</b>		<b>9,591</b>	<b>(5)</b>	<b>(7,627)</b>	-	<b>(532)</b>	<b>1,427</b>	-	<b>1,427</b>		

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

# Statements of Changes in Stapled Securityholders' Funds

For the year ended 30 September 2021

FH-BT Group	Note	Attributable to Stapled Securityholders							Total \$'000	Perpetual Securities holders' funds \$'000	Total \$'000
		Stapled Securities in issue and to be issued \$'000	Issue costs \$'000	Revenue reserves \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000	Total \$'000			
<b>At 1 October 2019</b>		<b>9,565</b>	<b>(5)</b>	<b>(5,840)</b>	-	<b>(677)</b>	<b>3,043</b>	-	<b>3,043</b>		
Loss for the year		-	-	(746)	-	-	(746)	-	(746)		
<u>Other comprehensive income</u>											
Foreign currency translation differences	<b>21(b)</b>	-	-	-	-	129	129	-	129		
Total other comprehensive income for the year, net of tax		-	-	-	-	129	129	-	129		
Total comprehensive income for the year, net of tax		-	-	(746)	-	129	(617)	-	(617)		
<u>Transactions with Stapled Securityholders</u>											
Trustee-Manager's management fees paid and payable in Stapled Securities		26	-	-	-	-	26	-	26		
Distributions to Stapled Securityholders		-	-	(157)	-	-	(157)	-	(157)		
Total transactions with Stapled Security holders		26	-	(157)	-	-	(131)	-	(131)		
<b>At 30 September 2020</b>		<b>9,591</b>	<b>(5)</b>	<b>(6,743)</b>	-	<b>(548)</b>	<b>2,295</b>	-	<b>2,295</b>		

# Statements of Cash Flows

For the year ended 30 September 2021

	Note	FHT		FH-REIT Group		FH-BT Group	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<b>Total return/(Loss) before tax</b>		<b>24,730</b>	<b>(123,409)</b>	<b>24,301</b>	<b>(123,863)</b>	<b>(320)</b>	<b>(874)</b>
<b>Adjustments for:</b>							
Amortisation of debt upfront costs	7(a)	952	824	952	824	-	-
Amortisation of other assets		4	13	4	13	-	-
Depreciation	11	3,929	3,921	-	-	4,570	4,322
Effect of recognising rental income on a straight-line basis over the lease term	15(b)	(641)	(620)	(754)	(726)	-	-
Effect of recognising rental expense on a straight-line basis over the lease term	15(a)	-	-	-	-	113	106
Finance costs	7(b)	20,415	19,750	20,502	19,828	2,465	2,418
Finance income		(210)	(329)	(210)	(326)	(86)	(80)
Impairment loss on trade receivables		4,137	1,690	4,137	1,690	-	-
Net change in fair value of derivative financial instruments		77	328	77	328	-	-
Net change in fair value of investment properties	10	4,574	136,777	(326)	149,604	-	-
Revaluation of property, plant and equipment		(8,444)	9,208	-	-	-	-
Other management fees paid and payable in Stapled Securities		-	1,626	-	1,626	-	-
Property, plant and equipment written off		-	3	-	-	-	3
Property management fees paid and payable in Stapled Securities, net of withholding tax		-	2,596	-	2,596	-	-
REIT Manager's management fees paid and payable in Stapled Securities		-	3,805	-	3,805	-	-
Trustee-Manager's management fees paid and payable in Stapled Securities		-	26	-	-	-	26
Unrealised (gain)/loss on foreign exchange, net		288	(211)	286	(179)	2	(32)
<b>Cash generated from operations before working capital changes</b>		<b>49,811</b>	<b>55,998</b>	<b>48,969</b>	<b>55,220</b>	<b>6,744</b>	<b>5,889</b>
<b>Changes in working capital:</b>							
Inventories		7	11	-	-	7	11
Prepayments		46	17	23	(148)	23	165
Trade and other receivables		(5,790)	4,502	(5,667)	3,739	(1,919)	1,244
Trade and other payables		(3,712)	2,177	(4,624)	4,430	2,645	(2,989)
Deferred income		-	(21)	-	(21)	-	-
<b>Cash generated from operations</b>		<b>40,362</b>	<b>62,684</b>	<b>38,701</b>	<b>63,220</b>	<b>7,500</b>	<b>4,320</b>
Tax paid		(1,353)	(2,693)	(1,333)	(2,496)	(20)	(197)
Interest income received		210	329	210	326	-	3
<b>Net cash generated from operating activities</b>		<b>39,219</b>	<b>60,320</b>	<b>37,578</b>	<b>61,050</b>	<b>7,480</b>	<b>4,126</b>

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

# Statements of Cash Flows

For the year ended 30 September 2021

	Note	FHT		FH-REIT Group		FH-BT Group	
		2021	2020	2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Additions to investment properties		(4,444)	(8,898)	(4,888)	(8,917)	-	-
Additions to property, plant and equipment	11	(507)	(690)	-	-	-	-
Settlement of hedging instruments		(3,900)	-	(3,900)	-	-	-
<b>Net cash used in investing activities</b>		<b>(8,851)</b>	<b>(9,588)</b>	<b>(8,788)</b>	<b>(8,917)</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Distributions paid to Stapled Securityholders		(24,047)	(47,833)	(23,427)	(47,676)	(620)	(157)
Distributions paid to Perpetual Securities holders		(4,450)	(4,462)	(4,450)	(4,462)	-	-
Finance costs paid		(18,465)	(18,349)	(18,465)	(18,349)	-	-
Payment of lease liabilities	29	-	-	-	-	(5,902)	(5,527)
Proceeds from borrowings, net of debt upfront costs		203,377	55,000	203,377	55,000	-	-
Redemption of perpetual securities		(100,000)	-	(100,000)	-	-	-
Repayment of borrowings		(100,000)	(30,000)	(100,000)	(30,000)	-	-
<b>Net cash used in financing activities</b>		<b>(43,585)</b>	<b>(45,644)</b>	<b>(42,965)</b>	<b>(45,487)</b>	<b>(6,522)</b>	<b>(5,684)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(13,217)</b>	<b>5,088</b>	<b>(14,175)</b>	<b>6,646</b>	<b>958</b>	<b>(1,558)</b>
Cash and cash equivalents at the beginning of the financial year		92,473	84,995	88,969	80,175	3,504	4,820
Effect of exchange rate changes on cash and cash equivalents		(1,069)	2,390	(1,079)	2,148	10	242
<b>Cash and cash equivalents at the end of the financial year</b>	13	<b>78,187</b>	<b>92,473</b>	<b>73,715</b>	<b>88,969</b>	<b>4,472</b>	<b>3,504</b>

## Significant non-cash transactions

There were the following non-cash transactions during the year:

- (i) Approximately 1,144,000 (2020: 6,573,000) Stapled Securities amounting to approximately \$548,000 (2020: \$4,182,000) were issued to the MIT Manager as satisfaction of other management fees payable in Stapled Securities.
- (ii) Approximately 761,000 (2020: 8,324,000) Stapled Securities amounting to approximately \$365,000 (2020: \$5,065,000) were issued to property managers as satisfaction of the property management fees payable in Stapled Securities.
- (iii) Approximately 2,910,000 (2020: 12,052,000) Stapled Securities amounting to approximately \$1,379,000 (2020: \$7,440,000) were issued to the REIT Manager as satisfaction of the REIT Manager's management fees payable in Stapled Securities.
- (iv) Approximately 16,000 (2020: 77,000) Stapled Securities amounting to approximately \$8,000 (2020: \$47,000) were issued to the Trustee-Manager as satisfaction of the Trustee-Manager's management fees payable in Stapled Securities.

# Portfolio Statements

As at 30 September 2021

Property	Acquisition date	Tenure	Location	Existing use	FHT			
					30 September 2021		30 September 2020	
					At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
<b>Investment properties</b>								
InterContinental Singapore	14 July 2014	75 year leasehold expiring in 2089	80 Middle Road, Singapore 188966	Hotel	506,000	40.53	506,000	37.39
Fraser Suites Singapore	14 July 2014	75 year leasehold expiring in 2089	491A River Valley Road, Singapore 248372	Serviced Residences	292,000	23.39	292,000	21.58
The Westin Kuala Lumpur	14 July 2014	Freehold	199, Jalan Bukit Bintang, Kuala Lumpur, 55100, Malaysia	Hotel	118,827	9.52	127,166	9.40
ANA Crowne Plaza Kobe	14 July 2014	Freehold	1-Chome, Kitano-Cho Chuo-Ku, Kobe, 650-0002, Japan	Hotel	198,094	15.87	207,495	15.33
Sofitel Sydney Wentworth	7 July 2015	75 year leasehold expiring in 2090	61-101 Phillip Street, Sydney, NSW 2000, Australia	Hotel	264,978	21.22	264,033	19.51
Novotel Sydney Darling Square	14 July 2014	84 year leasehold expiring in 2098	17 Little Pier Street, Darling Harbour, NSW 2000, Australia	Hotel	110,057 <sup>(1)</sup>	8.82	108,566 <sup>(1)</sup>	8.02
Fraser Suites Sydney	14 July 2014	75 year leasehold expiring in 2089	488 Kent Street, Sydney, NSW 2000, Australia	Serviced Residences	125,129	10.02	119,304	8.82
Park International London	14 July 2014	75 year leasehold expiring in 2089	117-129 Cromwell Road, South Kensington, London, SW7 4DS, United Kingdom	Hotel	70,619	5.65	68,098	5.03

<sup>(1)</sup> Includes the right-of-use ("ROU") asset recognised on adoption of FRS116.

# Portfolio Statements

As at 30 September 2021

Property	Acquisition date	Tenure	Location	Existing use	FHT			
					30 September 2021		30 September 2020	
					At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
ibis Styles London Gloucester Road	14 July 2014	75 year leasehold expiring in 2089	108, 110 and 112 Cromwell Road, London, SW7 4ES, United Kingdom	Hotel	35,126	2.81	33,873	2.50
Fraser Place Canary Wharf London	14 July 2014	75 year leasehold expiring in 2089	80 Boardwalk Place, London E14 5SF, United Kingdom	Serviced Residences	67,143	5.38	67,569	4.99
Fraser Suites Queens Gate London	14 July 2014	75 year leasehold expiring in 2089	39B Queens Gate Gardens, London SW7 5RR, United Kingdom	Serviced Residences	99,342	7.95	95,796	7.08
Fraser Suites Glasgow	14 July 2014	75 year leasehold expiring in 2089	1-19 Albion Street Glasgow G1 1LH, Scotland, United Kingdom	Serviced Residences	16,831	1.35	16,230	1.20
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	27,443	2.20	24,699	1.83
Maritim Hotel Dresden	15 June 2016	Freehold	Devrientstrasse 10-12, 01067 Dresden, Germany	Hotel	93,237	7.47	98,738	7.31
<b>Investment properties</b>					<b>2,024,826</b>	<b>162.18</b>	<b>2,029,567</b>	<b>149.99</b>
<b>Property, plant and equipment</b>								
Novotel Melbourne on Collins	19 October 2016	Freehold	270 Collins Street and 233-239 Collins Street, Melbourne Victoria, Australia	Hotel	226,703 <sup>(2)</sup>	18.16	221,005 <sup>(2)</sup>	16.33
<b>Property, plant and equipment</b>					<b>226,703</b>	<b>18.16</b>	<b>221,005</b>	<b>16.33</b>
<b>Other net liabilities</b>					<b>(1,003,035)</b>	<b>(80.34)</b>	<b>(897,414)</b>	<b>(66.32)</b>
<b>Net assets of FHT</b>					<b>1,248,494</b>	<b>100.00</b>	<b>1,353,158</b>	<b>100.00</b>

<sup>(2)</sup> Includes the net book value of capitalised furniture, fittings and equipment.

# Portfolio Statements

As at 30 September 2021

Property	Acquisition date	Tenure	Location	Existing use	FH-REIT Group			
					30 September 2021		30 September 2020	
					At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
<b>Investment properties</b>								
InterContinental Singapore	14 July 2014	75 year leasehold expiring in 2089	80 Middle Road, Singapore 188966	Hotel	506,000	40.72	506,000	37.56
Fraser Suites Singapore	14 July 2014	75 year leasehold expiring in 2089	491A River Valley Road, Singapore 248372	Serviced Residences	292,000	23.50	292,000	21.68
The Westin Kuala Lumpur	14 July 2014	Freehold	199, Jalan Bukit Bintang, Kuala Lumpur, 55100, Malaysia	Hotel	118,827	9.56	127,166	9.44
ANA Crowne Plaza Kobe	14 July 2014	Freehold	1-Chome, Kitano-Cho Chuo-Ku, Kobe, 650-0002, Japan	Hotel	198,094	15.94	207,495	15.40
Sofitel Sydney Wentworth	7 July 2015	75 year leasehold expiring in 2090	61-101 Phillip Street, Sydney, NSW 2000, Australia	Hotel	264,978	21.32	264,033	19.60
Novotel Sydney Darling Square	14 July 2014	84 year leasehold expiring in 2098	17 Little Pier Street, Darling Harbour, NSW 2000, Australia	Hotel	110,057 <sup>(1)</sup>	8.86	108,566 <sup>(1)</sup>	8.06
Fraser Suites Sydney	14 July 2014	75 year leasehold expiring in 2089	488 Kent Street, Sydney, NSW 2000, Australia	Serviced Residences	125,129	10.07	119,304	8.86
Park International London	14 July 2014	75 year leasehold expiring in 2089	117-129 Cromwell Road, South Kensington, London, SW7 4DS, United Kingdom	Hotel	70,619	5.68	68,098	5.06
ibis Styles London Gloucester Road	14 July 2014	75 year leasehold expiring in 2089	108, 110 and 112 Cromwell Road, London, SW7 4ES, United Kingdom	Hotel	35,126	2.83	33,873	2.51

<sup>(1)</sup> Includes the ROU asset recognised on adoption of FRS116.

# Portfolio Statements

As at 30 September 2021

Property	Acquisition date	Tenure	Location	Existing use	FH-REIT Group			
					30 September 2021		30 September 2020	
					At valuation/ carrying value \$'000	Percentage of net assets %	At valuation/ carrying value \$'000	Percentage of net assets %
Fraser Place Canary Wharf London	14 July 2014	75 year leasehold expiring in 2089	80 Boardwalk Place, London E14 5SF, United Kingdom	Serviced Residences	67,143	5.40	67,569	5.02
Fraser Suites Queens Gate London	14 July 2014	75 year leasehold expiring in 2089	39B Queens Gate Gardens, London SW7 5RR, United Kingdom	Serviced Residences	99,342	8.00	95,796	7.11
Fraser Suites Glasgow	14 July 2014	75 year leasehold expiring in 2089	1-19 Albion Street Glasgow G1 1LH, Scotland, United Kingdom	Serviced Residences	16,831	1.36	16,230	1.20
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	27,443	2.21	24,699	1.83
Maritim Hotel Dresden	15 June 2016	Freehold	Devrientstrasse 10-12, 01067 Dresden, Germany	Hotel	93,237	7.50	98,738	7.34
Novotel Melbourne on Collins	19 October 2016	Freehold	270 Collins Street and 233-239 Collins Street, Melbourne Victoria, Australia	Hotel	225,300	18.13	219,291	16.28
<b>Investment properties</b>					<b>2,250,126</b>	<b>181.08</b>	<b>2,248,858</b>	<b>166.95</b>
<b>Other net liabilities</b>					<b>(1,007,506)</b>	<b>(81.08)</b>	<b>(901,838)</b>	<b>(66.95)</b>
<b>Net assets of FH-REIT Group</b>					<b>1,242,620</b>	<b>100.00</b>	<b>1,347,020</b>	<b>100.00</b>

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

# Notes to the Financial Statements

For the year ended 30 September 2021

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 2021.

## 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”).

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 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 units 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.

FH-BT functions as master lessee and may also undertake certain hospitality and hospitality-related development projects, acquisitions 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 FHT relates to the FH-REIT Group and the FH-BT Group.

For financial reporting purposes, the intermediate and ultimate holding entities of FHT are Frasers Property Limited and TCC Assets Limited. The intermediate holding entity is incorporated in the Republic of Singapore whereas the ultimate holding entity is incorporated in the British Virgin Islands.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 1. GENERAL (CONT'D)

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);
  - (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

# Notes to the Financial Statements

For the year ended 30 September 2021

## 1. GENERAL (CONT'D)

### (a) REIT Manager's fees (cont'd)

#### (ii) Acquisition fee and divestment fee (cont'd)

- (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 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.

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.

#### (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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 1. GENERAL (CONT'D)

### (a) REIT Manager's fees (cont'd)

#### (iii) Development management fee (cont'd)

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.

### (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

# Notes to the Financial Statements

For the year ended 30 September 2021

## 1. GENERAL (CONT'D)

### (b) *Managed Investment Trust ("MIT") Manager's fees (cont'd)*

#### (ii) *Acquisition fee and divestment fee (cont'd)*

- (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.
- 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 2021

## 1. GENERAL (CONT'D)

### (d) *Asset-Based Securities ("ABS") Servicer fees*

Pursuant to the ABS Servicing Agreement for Notable Vision Sdn. Bhd., a Servicer Fee (exclusive of applicable Sales and Service Tax), 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 (exclusive of consumption tax) 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 (exclusive of Sales and Service Tax) 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 fee of 8.0% per annum of gross operating profit of the Serviced Residences.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 1. GENERAL (CONT'D)

### (i) *Property management fees (cont'd)*

#### (ii) Trademark License Fees

Pursuant to the Serviced Residences Licence Agreement, trademark license 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 license 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.

- (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 being 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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 1. GENERAL (CONT'D)

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

- (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 any 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.

- (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

The accounting policies set out below have been applied by the FH-REIT Group, the FH-BT Group and FHT consistently to all periods presented in these financial statements, unless otherwise indicated in Note 2.2.

### 2.1 Basis of preparation

The financial statements of the FH-REIT Group and FHT have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Investment Funds* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code of Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("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 ("FRSs").

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of preparation (cont'd)

The financial statements of the FH-BT Group have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), the applicable requirements of the Business Trust Act, Chapter 31A of Singapore and the provisions of FH-BT Trust Deed.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

#### **Significant accounting judgements and estimates**

The preparation of financial statements requires the Managers 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.

#### **(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

FHT's properties are stated at their fair values, which are determined annually. The fair values are based on independent professional valuations conducted annually. Certain valuers have included material uncertainty clauses in the valuations reports, highlighting as a result of the COVID-19 pandemic, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Due to the unknown future impact that COVID-19 pandemic might have on the real estate market, the valuers have also recommended to keep the valuation of the properties under frequent review.

The fair value of properties is determined using discounted cash flow, capitalisation, direct comparison and core and top-slice methods. These fair values may differ from the prices at which FHT'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 Managers' 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) Judgements made in applying accounting policies**

In the process of applying FHT's accounting policies, the Managers have made the following judgements, apart from those involving estimations, which have significant effects on the amounts recognised in the consolidated financial statements.

##### Income taxes

FHT has exposure to income taxes in numerous jurisdictions. 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. FHT 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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Changes in accounting policies

#### New standards and amendments

Various new FRSs or SFRS(I)s, amendments to and interpretations of FRSs or SFRS(I)s have been applied in the financial statements for the first time for the annual period beginning on 1 October 2020.

In addition, FHT has early adopted Interest Rate Benchmark Reform Phase 2 - Amendments to FRS109/SFRS(I) 9 *Financial Instruments*, FRS39/SFRS(I) 1-39 *Financial Instruments: Recognition and Measurement*, FRS107/SFRS(I) 7 *Financial Instruments: Disclosures*, FRS104/SFRS(I) 4 *Insurance Contracts*, and FRS116/SFRS(I) 16 *Leases* in relation to phase 2 of the project on interest rate benchmark reform. FHT applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, FHT has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening Stapled Securityholders' Funds as a result of retrospective application.

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

### 2.3 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.

#### (c) Consolidation

The financial year of the FH-REIT Group, the FH-BT Group and FHT 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 FHT 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 FHT's significant accounting policies. A list of significant subsidiaries is shown in Note 22.

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 FHT obtain control, and continue to be consolidated until the date that such control ceases.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Basis of consolidation and business combinations (cont'd)

#### (d) *Business combinations*

Business combinations are accounted for by applying the acquisition method in accordance with FRS 103/SFRS(I) 3 *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 FHT 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 Statement of Total Return or Statement of Profit or Loss (as the case may be).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be).

The FH-REIT Group, the FH-BT Group and FHT 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/SFRS(I).

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 FHT'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 Statement of Total Return or Statement of Profit or Loss (as the case may be).

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of FHT and are presented separately in the Statement of Total Return or Statement of Profit or Loss (as the case may be), and within the Stapled Securityholders' Funds in the Statement of Financial Position, separately from the Stapled Securityholders' Funds attributable to Stapled Securityholders. Changes in FHT'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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Basis of consolidation and business combinations (cont'd)

#### (e) *Property acquisition and business combinations*

Where a property is acquired, via corporate acquisitions or otherwise, the Managers consider 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 FHT account for an acquisition as business combination where an integrated set of activities is acquired in addition to the property. In determining whether a particular set of activities and assets is a business, the FH-REIT Group, the FH-BT Group and FHT assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The FH-REIT Group, the FH-BT Group and FHT has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Acquisition of an asset or a group of assets will not be accounted for a business combinations when it does not constitute a business. 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.

### 2.4 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 FHT 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 FHT 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.

#### (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 Statement of Total Return or Statement of Profit or Loss (as the case may be), except for differences arising on the translation of qualifying cash flow hedges to the extent the hedge is effective, which are recognised in other comprehensive income ("OCI") or Stapled Securityholders' Funds (as the case may be) directly.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Foreign currencies (cont'd)

#### (c) Foreign operations

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 OCI or Stapled Securityholders' Funds (as the case may be) and accumulated in the foreign currency translation reserve in Stapled Securityholders' Funds.

On the disposal of a foreign operation, the cumulative amount in the foreign currency translation reserve relating to the foreign operation is recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be) 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 in OCI or Stapled Securityholders' Funds (as the case may be).

### 2.5 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 Statement 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 Statement 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 FHT. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 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 revalued amount (based on fair value) less accumulated depreciation and accumulated impairment losses while right-of-use building, furniture, fittings and equipment 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 on revaluation shall be credited directly to the Stapled Securityholders' Funds. However, the increase shall be recognised in the Statement of Total Return to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Total Return. A revaluation deficit is recognised in the Statement 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 FHT 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 Statement of Total Return or Statement of Profit or Loss (as the case may be). 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 Statement of Total Return or Statement of Profit or Loss (as the case may be).

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 land. The estimated useful lives for the current year is as follows:

Building	17 to 50 years
Furniture, fittings and equipment	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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Leases

At inception of a contract, FHT assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (a) *As a lessee*

At commencement or on modification of a contract that contains a lease component, FHT allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, FHT has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

FHT recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to FHT by the end of the lease term or the cost of the ROU asset reflects that FHT will exercise a purchase option. In that case the ROU asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

FHT determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- lease payments in an optional renewal period if FHT is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in Statement of Total Return or Statement of Profit or Loss (as the case may be) if the carrying amount of the ROU asset has been reduced to zero.

FHT presents ROU assets that do not meet the definition of investment property in 'property, plant and equipment' and 'lease liabilities' separately in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

FHT has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases. FHT recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Leases (cont'd)

#### (b) As a lessor

At inception or on modification of a contract that contains a lease component, FHT allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When FHT acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, FHT makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, FHT considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then FHT applies FRS 115/SFRS(I) 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract.

FHT recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

### 2.8 Financial assets

#### (a) Initial recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when FHT becomes a party to the contractual provisions of the financial instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (b) Classification and subsequent measurement

On initial recognition, a financial asset is classified at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless FHT changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.8 Financial assets (cont'd)

#### (b) *Classification and subsequent measurement (cont'd)*

##### ***Business model assessment***

FHT makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with FHT's continuing recognition of the assets.

##### ***Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, FHT considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, FHT considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit FHT's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.8 Financial assets (cont'd)

#### (b) *Classification and subsequent measurement (cont'd)*

##### ***Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (cont'd)***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be). Any gain or loss on derecognition is recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be).

#### (c) *Derecognition*

Financial assets are derecognised when FHT's contractual rights to receive the cash flows from the financial assets expire or if FHT transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets. Transferred assets are not derecognised when FHT enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

#### (d) *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when, and only when, FHT 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 Other assets

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

### 2.10 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.

### 2.11 Cash and cash equivalents

Cash on hand and in banks and fixed deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value.

### 2.12 Financial liabilities

#### (a) *Initial recognition and measurement*

Financial liabilities are recognised when, and only when, FHT 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) *Classification and subsequent measurement*

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method. Interest expense is recognised in Statement of Total Return or Statement of Profit or Loss (as the case may be).

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 Financial liabilities (cont'd)

#### (c) *Derecognition*

FHT derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. FHT also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be).

#### *Interest rate benchmark reform*

When the basis for determining the contractual cash flows of a financial liability measured at amortised cost changed as a result of interest rate benchmark reform, FHT updated the effective interest rate of the financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, FHT first updated the effective interest rate of the financial liability to reflect the change that is required by interest rate benchmark reform. After that, FHT applied the policies on accounting for modifications to the additional changes.

#### (d) *Offsetting*

Financial liabilities and assets are offset and the net amount reported in the Statement of Financial Position when, and only when, FHT 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.

### 2.13 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 consideration received (paid) for rental deposits and its fair value on initial recognition and it is credited (charged) to the Statement of Total Return or Statement of Profit or Loss (as the case may be) as rental income (expense) on a straight-line basis over the individual lease term.

### 2.14 Derivative financial instruments and hedge accounting

FHT uses derivative financial instruments to hedge against risks associated with foreign currency and interest rate fluctuations. It is FHT's policy not to trade in derivative financial instruments. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially recognised at fair value; any attributable transaction costs are recognised in the Statement 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 is not designated in a hedge relationship are recognised immediately in the Statement of Total Return.

FHT designates certain derivative financial instruments as hedging instruments in qualifying hedging relationships. At the inception of a hedge relationship, FHT formally designates and documents the hedge relationship to which FHT wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. FHT also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Derivative financial instruments and hedge accounting

#### (a) Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve within the Stapled Securityholders' Funds. The effective portion of changes in fair value of the derivative that is recognised in the Stapled Securityholders' Funds is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Statement of Total Return.

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. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in Stapled Securityholders' Funds until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the Statement of Total Return in the same period or periods as the hedged item's expected future cash flows affect the Statement of Total Return.

#### (b) Net investment hedges

FHT designates certain derivatives as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in the foreign currency translation reserve within the Stapled Securityholders' Funds. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in the Statement of Total Return. The amount recognised in foreign currency translation reserve is reclassified to the Statement of Total Return as a reclassification adjustment on disposal of the foreign operation. When the hedged net investment is disposed of, the cumulative amount in foreign currency translation reserve within the Stapled Securityholders' Funds is transferred to the Statement of Total Return.

#### Hedges directly affected by interest rate benchmark reform

FHT has early adopted the Phase 2 amendments and retrospectively applied them from 1 October 2020 (see Note 2.2).

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of interest rate benchmark reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, FHT amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Derivative financial instruments and hedge accounting (cont'd)

#### *Hedges directly affected by interest rate benchmark reform (cont'd)*

FHT amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by IBOR reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

FHT amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by IBOR reform described above, then FHT first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then FHT amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, FHT deems that the hedging reserve recognised in Stapled Securityholders' Funds for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

### 2.15 Impairment

#### (a) *Non-financial assets*

The carrying amounts of FHT's non-financial assets, other than investment properties and property, plant and equipment – freehold land and building, 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 Statement of Total Return or Statement of Profit or Loss (as the case may be). 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 Statement of Total Return or Statement of Profit or Loss (as the case may be) 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 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Impairment (cont'd)

#### (b) *Non-derivative financial assets*

FHT recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

Loss allowances of FHT are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

#### *Simplified approach*

FHT applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

#### *General approach*

FHT applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, FHT assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, FHT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on FHT's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

FHT considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to FHT in full, without recourse by FHT to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which FHT is exposed to credit risk.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Impairment (cont'd)

#### (b) *Non-derivative financial assets (cont'd)*

##### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that FHT expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### Credit-impaired financial assets

At each reporting date, FHT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by FHT on terms that FHT would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

##### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when FHT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with FHT's procedures for recovery of amounts due.

### 2.16 Stapled Securityholders' Funds

Stapled Securityholders' Funds represent the Stapled Securityholders' residual interest in the net assets of the FH-REIT Group and the FH-BT Group upon termination.

Expenses incurred in connection with the issuance and placement of Stapled Securities are deducted directly against Stapled Securityholders' Funds.

### 2.17 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. Gain or loss on redemption is recognised in equity.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 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 2015, 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.

### 2.19 Revenue

#### (a) *Master lease rental income from operating leases*

Fixed rental income receivable under operating leases is recognised in the Statement 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 and the amount can be measured reliably.

#### (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 Statement of Total Return or Statement of Profit or Loss (as the case may be) on the date when the right to receive the payment is established.

### 2.20 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) *Trustees' fees*

Fees paid or payable to the Trustees are recognised on an accrual basis. Included in trust expenses are the REIT Trustee's fees, MIT's 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)(i).

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.20 Expenses (cont'd)

#### (e) *Employee benefits*

##### *Defined contribution plans*

As required by law, the FH-BT Group and FHT 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.

### 2.21 Finance income and finance costs

Finance income comprises interest income on funds invested that are recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be).

Finance costs comprises interest expense on borrowings and lease liabilities, and amortisation of debt-related transaction costs that are recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be).

Interest income or all borrowing costs are recognised as it accrues, in the Statement of Total Return or Statement of Profit or Loss (as the case may be), using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

### 2.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and FHT will comply with the conditions associated with the grants.

Grants that compensate FHT for expenses incurred are recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be), net of its related expense, on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

### 2.23 Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Total Return or Statement of Profit or Loss (as the case may be) except to the extent that it relates to items recognised directly in OCI or Stapled Securityholders' Funds (as the case may be).

FHT has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37/SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.23 Taxes

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for 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 FHT 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 FHT 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.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in FHT. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

### 2.24 Earnings per Stapled Security

FHT 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 FHT by the weighted-average number of Stapled Securities outstanding, during the financial period adjusted for own Stapled Securities held. Diluted earnings per Stapled Security is determined by adjusting the total return attributable to Stapled Securityholders and the weighted-average number of Stapled Securities outstanding adjusted for own Stapled Securities held, for the effects of all dilutive potential Stapled Securities.

### 2.25 Segment reporting

An operating segment is a component of FHT, the FH-REIT Group and the FH-BT 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 FHT's, the FH-REIT Group's and the FH-BT 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 Managers. CODMs review FHT's, the FH-REIT Group's and the FH-BT Group's internal reporting in order to assess performance and operations of respective 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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.25 Segment reporting (cont'd)

Segment results and assets 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 costs, trust expenses, non-capitalisable expenses in relation to asset acquisition, and net change in fair value of derivative financial instruments.

Segment capital expenditure is the total costs incurred on investment properties and property, plant and equipment during the financial year.

### 2.26 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 FHT; 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 Statement of Financial Position of FHT, except for contingent liabilities assumed in a business combination (as the case may be) that are present obligations and which the fair values can be reliably determined.

### 2.27 Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that when the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

### 2.28 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. Except as disclosed in Note 2.2, FHT has not early adopted the new or amended standards and interpretations in preparing these financial statements.

FHT is in the process of assessing the impact of the new FRSs/SFRS(I)s, interpretations and amendments to new FRSs/SFRS(I)s on its financial statements.

## 3. STAFF COSTS

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Salaries, bonuses and other costs	3,194	3,619	-	-	3,194	3,619
Contributions to defined contribution plans	338	375	-	-	338	375
	<u>3,532</u>	<u>3,994</u>	<u>-</u>	<u>-</u>	<u>3,532</u>	<u>3,994</u>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 4. MANAGEMENT FEES

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(a) REIT Manager's management fees</b>						
- Base fee	4,521	4,899	4,521	4,899	-	-
- Performance fee	-	567	-	567	-	-
	<u>4,521</u>	<u>5,466</u>	<u>4,521</u>	<u>5,466</u>	<u>-</u>	<u>-</u>
<b>(b) Trustee-Manager's management fees</b>						
- Base fee	36	34	-	-	36	34
- Performance fee	44	20	-	-	44	20
	<u>80</u>	<u>54</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>54</u>
<b>(c) Other management fees</b>						
- MIT Manager's base fee	2,251	2,200	2,251	2,200	-	-
- MIT Manager's performance fee	1,114	1,058	1,114	1,058	-	-
- Kobe Asset Manager's management fee	186	193	186	193	-	-
- ABS Servicer fee	117	118	117	118	-	-
	<u>3,668</u>	<u>3,569</u>	<u>3,668</u>	<u>3,569</u>	<u>-</u>	<u>-</u>

In the financial year ended 30 September 2021, there were no Stapled Securities issued or to be issued to the Managers and the MIT Manager as satisfaction of the management fees.

In the financial year ended 30 September 2020, included in the REIT Manager's, Trustee-Manager's and MIT Manager's management fees are an aggregate of approximately 11,326,000 Stapled Securities, amounting to approximately \$5,457,000 that have been or would be issued to the Managers and the MIT Manager as satisfaction of the management fees payable in Stapled Securities, at prices ranging from 36.60 cents to 71.05 cents per Stapled Security.

## 5. TRUSTEES' FEES

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trustees' fees						
- FH-REIT Trustee's fees	285	293	285	293	-	-
- Other trustee fees	208	202	208	202	-	-
	<u>493</u>	<u>495</u>	<u>493</u>	<u>495</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 6. OTHER TRUST EXPENSES

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Audit fees paid and payable to auditor of the Trusts	465	427	398	365	67	62
Non-audit fees paid and payable to:						
- Auditor of the Trusts	229	308	216	295	13	13
- Other auditors	100	144	98	144	2	-
Valuation fee	164	196	164	196	-	-
Other expenses	1,841	2,193	1,850	2,190	(9)	3
	<u>2,799</u>	<u>3,268</u>	<u>2,726</u>	<u>3,190</u>	<u>73</u>	<u>78</u>

## 7. FINANCE COSTS AND AMORTISATION OF DEBT UPFRONT COSTS

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial liabilities measured at amortised cost:						
<b>(a) Amortisation of debt upfront costs</b>	<u>952</u>	<u>824</u>	<u>952</u>	<u>824</u>	<u>-</u>	<u>-</u>
<b>(b) Finance costs</b>						
- interest expense on borrowings and derivatives	19,713	19,107	19,713	19,107	-	-
- interest expense on lease liabilities	124	111	124	111	2,465	2,418
- others	578	532	665	610	-	-
	<u>20,415</u>	<u>19,750</u>	<u>20,502</u>	<u>19,828</u>	<u>2,465</u>	<u>2,418</u>

## 8. 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 FHT's operations in Singapore, Australia, UK, Japan, Malaysia and Germany.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 8. TAXATION (CONT'D)

Subject to full compliance with the terms and conditions of the following Tax Rulings, the taxation of FH-REIT is as follows:

### (i) Tax Ruling 1

FH-REIT has obtained the Tax Transparency Ruling from the Inland Revenue Authority of Singapore ("IRAS") in respect of the "Specified Taxable Income" (as defined herein) derived from the InterContinental Singapore 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, FH-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% (2020: 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. Under the COVID-19 relief measures announced by IRAS, FH-REIT will have until 31 December 2021 to distribute at least 90% of the Specified Taxable Income derived in the financial year ended 30 September 2021.

### (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.

### (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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 8. TAXATION (CONT'D)

Tax expense/(credit)

The major components of tax expense/(credit) are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current tax expense/(credit)						
- Current year income tax	1,466	497	1,436	514	30	(17)
- Under/(over) provision in respect of prior year	15	(215)	15	(215)	-	-
	1,481	282	1,451	299	30	(17)
Deferred tax expense/(credit)						
- Origination and reversal of deductible temporary differences	1,072	(1,812)	1,033	(1,840)	(106)	(130)
- Origination and reversal of taxable temporary differences	4,611	(9,725)	4,611	(8,874)	-	-
	5,683	(11,537)	5,644	(10,714)	(106)	(130)
Withholding tax expense	1,258	1,274	1,238	1,255	20	19
	8,422	(9,981)	8,333	(9,160)	(56)	(128)

A reconciliation between tax expense/(credit) and the product of accounting profit multiplied by the prevailing corporate tax rate are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Total return/(Loss) for the year before tax</b>	<b>24,730</b>	<b>(123,409)</b>	<b>24,301</b>	<b>(123,863)</b>	<b>(320)</b>	<b>(874)</b>
Tax at the domestic rates applicable to profits in the countries where FHT operates	7,349	(28,097)	6,507	(28,787)	(90)	(234)
<b>Adjustments:</b>						
Expenses not deductible for tax purposes	4,800	25,657	7,497	26,116	36	2,008
Income not subject to tax	(5,873)	(7,416)	(7,797)	(6,202)	(22)	(2,064)
Tax transparency	(130)	(833)	(130)	(833)	-	-
Deferred tax assets not recognised	175	249	175	151	-	98
Utilisation of unrecognised tax losses	(76)	(49)	(76)	(49)	-	-
Effect of change in tax rate on temporary differences previously recognised	1,392	-	1,392	-	-	-
Under/(over) provision of prior year tax	15	(215)	15	(215)	-	-
Withholding tax	1,258	1,274	1,238	1,255	20	19
Others	(488)	(551)	(488)	(596)	-	45
	8,422	(9,981)	8,333	(9,160)	(56)	(128)

# Notes to the Financial Statements

For the year ended 30 September 2021

## 8. TAXATION (CONT'D)

### Deferred tax assets (liabilities)

Deferred tax assets as at 30 September 2021 shown on the Statements of Financial Position are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax assets:</b>						
Provision and accruals	22	(42)	-	-	22	(42)
Lease liabilities	-	-	-	-	1,317	1,172
Unabsorbed capital allowances	(512)	(181)	(1,200)	(969)	688	788
Fair value loss on investment properties	-	-	2,111	2,884	-	-
Revaluation loss on property, plant and equipment	2,111	2,884	-	-	-	-
	<u>1,621</u>	<u>2,661</u>	<u>911</u>	<u>1,915</u>	<u>2,027</u>	<u>1,918</u>

The movements in the deferred tax assets are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	(2,661)	(738)	(1,915)	-	(1,918)	(1,696)
Recognised in Statement of Total Return/ Profit or Loss	1,072	(1,812)	1,033	(1,840)	(106)	(130)
Translation differences	(32)	(111)	(29)	(75)	(3)	(92)
At 30 September	<u>(1,621)</u>	<u>(2,661)</u>	<u>(911)</u>	<u>(1,915)</u>	<u>(2,027)</u>	<u>(1,918)</u>

### Deferred tax liabilities

Deferred tax liabilities as at 30 September 2021 shown on the Statements of Financial Position are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax liabilities:</b>						
Arising from acquisition of subsidiaries	4,516	4,820	4,516	4,820	-	-
Fair value adjustments on properties	32,444	30,299	32,444	30,299	-	-
Others	9,546	7,516	9,546	7,516	-	-
	<u>46,506</u>	<u>42,635</u>	<u>46,506</u>	<u>42,635</u>	<u>-</u>	<u>-</u>

The movements in the deferred tax liabilities are as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	42,635	49,739	42,635	49,739	-	-
Recognised in Statement of Total Return/ Profit or Loss	4,611	(9,725)	4,611	(8,874)	-	-
Recognised in Stapled Securityholders' Funds	-	758	-	-	-	-
Translation differences	(740)	1,863	(740)	1,770	-	-
At 30 September	<u>46,506</u>	<u>42,635</u>	<u>46,506</u>	<u>42,635</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 8. TAXATION (CONT'D)

### Uncertain tax

Since 2018, FHT has relied on a private ruling granted by the Inland Revenue Board of Malaysia ("IRBM") which allows FHT Malaysia Pte Ltd ("FHTM"), a subsidiary of FH-REIT, to receive interest from its investment in medium term notes issued by Notable Vision Sdn. Bhd. ("NVSB") to be exempted from Malaysia withholding tax. In an IRBM letter dated 29 June 2021, the IRBM revoked the private ruling. Consequently, the IRBM may require withholding tax on these interest payments from NVSB to FHTM. If the private ruling applied in the past is retrospectively revoked, the potential additional withholding tax liability from 1 October 2017 to 12 January 2021 approximates \$1.2 million. On 8 September 2021, NVSB filed an appeal to Special Commissioner of Income Tax in Malaysia, and further applied for judicial review with Courts of Malaysia on 23 September 2021. Consequently, no provision for this amount has been made because management believes that the private ruling granted in the past was in compliance with the applicable tax laws, and if revoked, the management believes that NVSB has strong and valid legal grounds to appeal against the decision and defend its position in Court.

## 9. EARNINGS PER STAPLED SECURITY

The calculation of basic earnings per Stapled Security is based on:

	FHT	
	2021	2020
Total return for the year attributable to Stapled Securityholders (\$'000)	13,589	(117,890)
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security ('000):		
Issued Stapled Securities at beginning of the year ('000)	1,921,243	1,894,217
Effect of management fees paid/payable in Stapled Securities ('000)	4,831	23,482
	<u>1,926,074</u>	<u>1,917,699</u>
Basic Earnings per Stapled Security (cents)	0.70	(6.14)

The calculation of diluted earnings per Stapled Security is based on:

	FHT	
	2021	2020
Total return for the year attributable to Stapled Securityholders (\$'000)	13,589	(117,890)
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security ('000):		
Weighted average number of Stapled Securities (basic) ('000)	1,926,074	1,917,699
Effect of contingently issuable Stapled Securities ('000)	-	-
	<u>1,926,074</u>	<u>1,917,699</u>
Diluted Earnings per Stapled Security (cents)	0.70	(6.14)

For financial year ended 30 September 2020, 8,375,000 contingently issuable Stapled Securities were excluded from the diluted weighted average number of Stapled Securities calculation as their effect would have been anti-dilutive.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 10. INVESTMENT PROPERTIES

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Statement of Financial Position:</b>						
At 1 October	2,029,567	2,109,664	2,248,858	2,331,054	-	-
Capital expenditure	4,449	9,339	4,893	9,358	-	-
Net change in fair value	(4,574)	(136,777)	326	(149,604)	-	-
Translation differences	(4,616)	47,341	(3,951)	58,050	-	-
At 30 September	2,024,826	2,029,567	2,250,126	2,248,858	-	-

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Statement of Total Return:</b>						
Rental revenue from investment properties:						
- Minimum lease payments	58,129	57,078	64,031	62,604	-	-
- Variable rent based on lessees' gross operating revenue and/or gross operating profit	5,878	9,385	10,322	12,697	-	-
- Effect of recognising rental income on a straight-line basis over lease term (Note 15(b))	641	620	754	726	-	-
	64,648	67,083	75,107	76,027	-	-

The carrying value of the investment properties as at the reporting date are as follows:

	FHT		FH-REIT Group	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
InterContinental Singapore	506,000	506,000	506,000	506,000
Fraser Suites Singapore	292,000	292,000	292,000	292,000
The Westin Kuala Lumpur	118,827	127,166	118,827	127,166
ANA Crowne Plaza Kobe	198,094	207,495	198,094	207,495
Sofitel Sydney Wentworth	264,978	264,033	264,978	264,033
Novotel Sydney Darling Square <sup>(1)</sup>	110,057	108,566	110,057	108,566
Fraser Suites Sydney	125,129	119,304	125,129	119,304
Park International London	70,619	68,098	70,619	68,098
ibis Styles London Gloucester Road	35,126	33,873	35,126	33,873
Fraser Place Canary Wharf London	67,143	67,569	67,143	67,569
Fraser Suites Queens Gate London	99,342	95,796	99,342	95,796
Fraser Suites Glasgow	16,831	16,230	16,831	16,230
Fraser Suites Edinburgh	27,443	24,699	27,443	24,699
Maritim Hotel Dresden	93,237	98,738	93,237	98,738
Novotel Melbourne on Collins	-	-	225,300	219,291
	2,024,826	2,029,567	2,250,126	2,248,858

<sup>(1)</sup> The carrying value includes the ROU asset of approximately \$3.1 million (2020: \$3.0 million).

# Notes to the Financial Statements

For the year ended 30 September 2021

## 10. INVESTMENT PROPERTIES (CONT'D)

### Measurement of fair value

	FHT		FH-REIT Group	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Fair value of investment properties (based on independent valuation)	2,021,741	2,026,614	2,247,041	2,245,905
Add: Carrying amount of lease liabilities	3,085	2,953	3,085	2,953
Carrying value of investment properties	<u>2,024,826</u>	<u>2,029,567</u>	<u>2,250,126</u>	<u>2,248,858</u>

The fair values of the investment properties were based on independent valuations undertaken by the following independent valuers:

Country	2021	2020
Singapore	Savills Valuation and Professional Services (S) Pte Ltd	CBRE Pte. Ltd.
Malaysia	Savills (Malaysia) Sdn Bhd	C H Williams Talhar & Wong Sdn Bhd
Japan	Savills Japan Co., Ltd.	CBRE K. K.
Australia	Savills Valuations Pty Ltd	CBRE Valuations Pty Limited
UK	Savills (UK) Limited	CBRE Hotels Limited
Germany	Savills (UK) Limited	CBRE GmbH

In relying on the valuation reports, the REIT Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of market conditions prevailing at the end of the financial year. Details of valuation techniques and inputs used are disclosed in Note 26(c).

### Investment property pledged as security

As at 30 September 2021 and 30 September 2020, The Westin Kuala Lumpur is mortgaged to secure the Medium Term Notes (Note 17).

# Notes to the Financial Statements

For the year ended 30 September 2021

## 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<b>FHT</b>			
<b>Cost</b>			
At 1 October 2019	219,852	7,497	227,349
Additions	19	671	690
Written off	-	(20)	(20)
Net change in revaluation recognised in Stapled Securityholder's Funds	(1,701)	-	(1,701)
Net change in revaluation recognised in Statement of Total Return	(9,208)	-	(9,208)
Elimination of accumulated depreciation on revaluation	(3,255)	-	(3,255)
Translation differences	11,598	411	12,009
At 30 September 2020	217,305	8,559	225,864
At 1 October 2020	217,305	8,559	225,864
Additions	446	61	507
Net change in revaluation recognised in Statement of Total Return	8,444	-	8,444
Elimination of accumulated depreciation on revaluation	(3,246)	-	(3,246)
Translation differences	649	29	678
At 30 September 2021	223,598	8,649	232,247
<b>Accumulated depreciation</b>			
At 1 October 2019	-	(3,981)	(3,981)
Depreciation	(3,255)	(666)	(3,921)
Written off	-	17	17
Elimination of accumulated depreciation on revaluation	3,255	-	3,255
Translation differences	-	(229)	(229)
At 30 September 2020	-	(4,859)	(4,859)
At 1 October 2020	-	(4,859)	(4,859)
Depreciation	(3,246)	(683)	(3,929)
Elimination of accumulated depreciation on revaluation	3,246	-	3,246
Translation differences	-	(2)	(2)
At 30 September 2021	-	(5,544)	(5,544)
<b>Carrying amounts</b>			
At 1 October 2019	219,852	3,516	223,368
At 30 September 2020	217,305	3,700	221,005
At 30 September 2021	223,598	3,105	226,703

# Notes to the Financial Statements

For the year ended 30 September 2021

## 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Building \$'000	Furniture, fittings and equipment \$'000	Total \$'000
<b>FH-BT Group</b>			
<b>Cost</b>			
At 1 October 2019	70,128	5,671	75,799
Written off	-	(20)	(20)
Translation differences	3,555	288	3,843
At 30 September 2020	<u>73,683</u>	<u>5,939</u>	<u>79,622</u>
At 1 October 2020	73,683	5,939	79,622
Translation differences	265	21	286
At 30 September 2021	<u>73,948</u>	<u>5,960</u>	<u>79,908</u>
<b>Accumulated depreciation</b>			
At 1 October 2019	(3,195)	(3,693)	(6,888)
Depreciation	(3,976)	(346)	(4,322)
Written off	-	17	17
Translation differences	(323)	(202)	(525)
At 30 September 2020	<u>(7,494)</u>	<u>(4,224)</u>	<u>(11,718)</u>
<b>Accumulated depreciation</b>			
At 1 October 2020	(7,494)	(4,224)	(11,718)
Depreciation	(4,246)	(324)	(4,570)
Translation differences	67	(8)	59
At 30 September 2021	<u>(11,673)</u>	<u>(4,556)</u>	<u>(16,229)</u>
<b>Carrying amounts</b>			
At 1 October 2019	66,933	1,978	68,911
At 30 September 2020	<u>66,189</u>	<u>1,715</u>	<u>67,904</u>
At 30 September 2021	<u>62,275</u>	<u>1,404</u>	<u>63,679</u>

Independent valuation of the freehold land and building was undertaken by Savills Valuations Pty Ltd on 30 September 2021 (2020: CBRE Valuations Pty Limited). In relying on the valuation report, the REIT Manager has exercised its judgement and is satisfied that the valuation methods and estimates used 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 26(c).

The carrying amount of FHT's freehold land and buildings as at 30 September 2021 would be SGD 215.1 million (2020: SGD 217.3 million) if the property had been measured using the cost model.

The carrying amount of the FH-BT Group's building as at 30 September 2021 and 30 September 2020 pertains to right-of-use assets.

## Notes to the Financial Statements

For the year ended 30 September 2021

### 12. TRADE AND OTHER RECEIVABLES

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables:						
- related companies of the REIT Manager	633	85	633	85	-	-
- FH-BT Group	-	-	2,092	970	-	-
- third parties	7,949	2,175	5,774	2,175	2,175	-
	8,582	2,260	8,499	3,230	2,175	-
Allowance for impairment loss	(5,774)	(1,740)	(5,774)	(1,740)	-	-
Net trade receivables	2,808	520	2,725	1,490	2,175	-
Other receivables:						
- related companies of the REIT Manager	183	193	183	193	-	-**
- FH-BT Group	-	-	1,586	893	-	-
- net VAT*/ GST receivable	383	1,090	383	1,090	-	-
- third parties	8,874	1,317	8,874	1,061	-	256
	9,440	2,600	11,026	3,237	-	256
Accrued interest income	7	7	7	7	-	-
Deposits	11	11	11	11	-	-
<b>Total trade and other receivables</b>	<b>12,266</b>	<b>3,138</b>	<b>13,769</b>	<b>4,745</b>	<b>2,175</b>	<b>256</b>

\* VAT: value added tax

\*\* Denotes amount less than \$1,000

Trade receivables from related companies of the REIT Manager and FH-BT Group are mainly relating to the master lessees of FH-REIT Group's properties. The exposure of FHT, the FH-REIT Group and the FH-BT Group to credit risk and impairment losses for trade receivables is disclosed in Note 25(b).

Other receivables from related companies of the REIT Manager and from the FH-BT Group are unsecured, interest-free and repayable on demand. There is no impairment loss arising from these outstanding balances as the ECL is negligible.

Included in other receivables from third parties of FHT and FH-REIT Group is an amount receivable from a bank of approximately SGD 7.5 million (2020: nil) following early termination of a cross currency swap due in October 2021.

### 13. CASH AND CASH EQUIVALENTS

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash in hand and at bank	74,604	68,631	70,132	65,127	4,472	3,504
Fixed deposits	3,583	23,842	3,583	23,842	-	-
<b>Total cash and cash equivalents</b>	<b>78,187</b>	<b>92,473</b>	<b>73,715</b>	<b>88,969</b>	<b>4,472</b>	<b>3,504</b>

Fixed deposits earn interest at 0.02% to 2.00% per annum (2020: 0.03% to 2.00%) with tenures of 1 to 3 months (2020: 1 month).

# Notes to the Financial Statements

For the year ended 30 September 2021

## 14. TRADE AND OTHER PAYABLES

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Trade payables</b>						
- related companies of the REIT Manager	1,009	3,366	1,009	3,366	-	-
- FH-REIT Group	-	-	-	-	2,091	970
- third parties	565	835	136	676	429	159
	1,574	4,201	1,145	4,042	2,520	1,129
<b>Other payables</b>						
- related companies of the REIT Manager	2,605	4,074	2,558	4,046	47	28
- FH-REIT Group	-	-	-	-	1,588	893
- advanced deposits	387	829	-	-	387	829
- net VAT/GST payable	2,410	1,476	2,276	1,476	134	-
- third parties	1,131	103	1,131	103	-	-
	6,533	6,482	5,965	5,625	2,156	1,750
<b>Accruals</b>						
- interest	4,751	3,761	4,751	3,761	-	-
- others	5,537	4,476	3,769	3,687	2,465	1,544
	10,288	8,237	8,520	7,448	2,465	1,544
<b>Provision for employee benefits</b>	302	345	-	-	302	345
<b>Total trade and other payables</b>	<b>18,697</b>	<b>19,265</b>	<b>15,630</b>	<b>17,115</b>	<b>7,443</b>	<b>4,768</b>
Represented by:						
- Current	18,395	18,920	15,630	17,115	7,141	4,423
- Non-current	302	345	-	-	302	345
	<b>18,697</b>	<b>19,265</b>	<b>15,630</b>	<b>17,115</b>	<b>7,443</b>	<b>4,768</b>

Amounts due to related companies of the REIT Manager and amount due to FH-REIT Group are unsecured, interest-free and repayable on demand.

Advanced deposits are contract liabilities under SFRS(I) 15 and they relate primarily to advanced consideration received from hotel customers. Advanced deposits are recognised as revenue when the FH-BT Group fulfils its performance obligation under the contract with the customer. Significant changes in the advanced deposits during the year are as follows:

	FH-BT Group	
	2021 \$'000	2020 \$'000
Revenue recognised that was included in advanced deposits at the beginning of the year	(829)	(1,957)
Increase due to cash received, excluding amounts recognised as revenue during the year	387	829

# Notes to the Financial Statements

For the year ended 30 September 2021

## 15. DEFERRED EXPENSE AND INCOME

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(a) Deferred expense</b>						
<b>Cost</b>						
At 1 October	-	-	-	-	2,198	2,092
Translation differences	-	-	-	-	7	106
At 30 September	-	-	-	-	2,205	2,198
<b>Accumulated amortisation</b>						
At 1 October	-	-	-	-	(435)	(309)
Charge for the financial year	-	-	-	-	(113)	(106)
Translation differences	-	-	-	-	2	(20)
At 30 September	-	-	-	-	(546)	(435)
<b>Net deferred expense</b>	-	-	-	-	<b>1,659</b>	<b>1,763</b>

Deferred expense (non-current) relates to the difference between the consideration paid for a rental deposit arising from FH-BT Group's master lease with FH-REIT Group and its fair value on initial recognition. Deferred expense is charged to the Statement of Profit or Loss as rental expense on a straight-line basis over the individual lease term.

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(b) Deferred income</b>						
<b>Cost</b>						
At 1 October	11,235	10,856	13,433	12,948	-	-
Translation differences	88	379	95	485	-	-
At 30 September	11,323	11,235	13,528	13,433	-	-
<b>Accumulated amortisation</b>						
At 1 October	(3,706)	(2,975)	(4,141)	(3,284)	-	-
Charge for the financial year	(641)	(620)	(754)	(726)	-	-
Translation differences	(17)	(111)	(15)	(131)	-	-
At 30 September	(4,364)	(3,706)	(4,910)	(4,141)	-	-
<b>Net deferred income</b>	<b>6,959</b>	<b>7,529</b>	<b>8,618</b>	<b>9,292</b>	-	-

Deferred income (non-current) relates to the difference between the consideration received from related companies of the REIT Manager for rental deposits arising from FH-REIT Group's master leases and its fair value on initial recognition. Deferred income is credited to the Statement 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 2021

## 16. LEASE LIABILITIES

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current	-	-	-	-	3,480	3,349
Non-current	3,085	2,953	3,085	2,953	63,862	67,101
	<u>3,085</u>	<u>2,953</u>	<u>3,085</u>	<u>2,953</u>	<u>67,342</u>	<u>70,450</u>

The lease liabilities recognised mainly relate to operating leases in respect of ground lease for an investment property and building lease for property, plant and equipment (Note 29(a)).

The incremental borrowing rates of FHT's, the FH-REIT Group's and the FH-BT Group's lease liabilities are 4.01%, 4.01% and 3.48% (2020: 4.01%, 4.01% and 3.48%) per annum respectively.

The lease liability of FH-BT Group is fully repayable by September 2036 whereas the lease liability of FHT and FH-REIT Group is fully repayable by September 2098.

## 17. BORROWINGS

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Non-current</b>						
Medium term notes (secured)	30,676	31,378	30,676	31,378	-	-
Fixed rate notes (unsecured)	120,000	240,000	120,000	240,000	-	-
Bonds (unsecured)	-	30,666	-	30,666	-	-
Bank loans (unsecured)	637,768	537,348	637,768	537,348	-	-
	<u>788,444</u>	<u>839,392</u>	<u>788,444</u>	<u>839,392</u>	<u>-</u>	<u>-</u>
Less: unamortised debt upfront costs	(2,444)	(3,004)	(2,444)	(3,004)	-	-
	<u>786,000</u>	<u>836,388</u>	<u>786,000</u>	<u>836,388</u>	<u>-</u>	<u>-</u>
<b>Current</b>						
Fixed rate notes (non-secured)	120,000	-	120,000	-	-	-
Bonds (unsecured)	28,734	-	28,734	-	-	-
Bank loans (unsecured)	54,000	50,000	54,000	50,000	-	-
	<u>202,734</u>	<u>50,000</u>	<u>202,734</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Less: unamortised debt upfront costs	(227)	-	(227)	-	-	-
	<u>202,507</u>	<u>50,000</u>	<u>202,507</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
<b>Total borrowings</b>	<b><u>988,507</u></b>	<b><u>886,388</u></b>	<b><u>988,507</u></b>	<b><u>886,388</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

Medium Term Notes (secured)

A Medium Term Note – Senior Bond of MYR 95.0 million (equivalent to SGD 30.7 million) (2020: MYR 95.0 million (equivalent to SGD 31.4 million)) is secured by The Westin Kuala Lumpur with a carrying amount of SGD 118.8 million (2020: SGD 127.2 million).

# Notes to the Financial Statements

For the year ended 30 September 2021

## 17. BORROWINGS (CONT'D)

### 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 20).

At the end of the financial year, an aggregate principal amount of SGD 240.0 million (2020: SGD 240.0 million) fixed rate notes have been issued by FH-REIT Treasury Pte. Ltd.. These comprise:

- SGD 120.0 million (2020: SGD 120.0 million) of 5-year fixed rate notes; and
- SGD 120.0 million (2020: SGD 120.0 million) of 7-year fixed rate notes.

SGD 760.0 million (2020: SGD 660.0 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 28.7 million) (2020: JPY 2.35 billion (equivalent to SGD 30.7 million)). The bonds carry a variable interest rate.

### 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 120.0 million (equivalent to SGD 117.8 million) (2020: AUD 120.0 million (equivalent to SGD 117.3 million)) term loan facility. FH-REIT has provided a corporate guarantee to the lending bank in respect of the AUD 120.0 million term loan.
- Term Loan Facility of SGD 70.0 million (2020: SGD 70.0 million) which is unsecured.
- Term Loan Facility of SGD 350.0 million (2020: SGD 350.0 million) which is unsecured and comprises Tranche A - up to SGD 100.0 million; Tranche B - up to SGD 150.0 million and Tranche C - up to SGD 100.0 million.

#### *Facilities partially drawn down or available for utilisation*

- Committed Revolving Credit Facilities of SGD 260.0 million (2020: SGD 20.0 million) of which SGD 154.0 million (2020: SGD 20.0 million) are drawn. At the end of the financial year, SGD 106.0 million (2020: SGD 20.0 million) remained unutilised.
- There were no uncommitted facilities at the end of the financial year ended 30 September 2021 (2020: there were uncommitted Multi-Currency Short-Term Facilities of SGD 75.0 million of which SGD 50.0 million was drawn and SGD 25.0 million remained unutilised).

### Intragroup loan (unsecured)

As at the end of the financial year, the FH-BT Group has a facility available for utilisation:

FH-REIT and FH-BT have entered into a facility agreement dated 24 November 2020 pursuant to which the FH-REIT, as lender (the "Lender") has agreed to extend a revolving credit facility of up to SGD 5.0 million (the "Facility") to FH-BT, as borrower (the "Borrower"). The termination date for the Facility is 31 March 2022, which can be extended if requested by the Borrower and agreed by the Lender, to 31 March 2023. On 9 November 2021, the Lender and the Borrower agreed to extend the Facility to 31 March 2023. At the end of the financial year, SGD 5.0 million remained unutilised.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 17. BORROWINGS (CONT'D)

### Terms and debt repayment structure

	Currency	Nominal Interest rate	Year of maturity	Face Value \$'000	Carrying Value \$'000
<b>FHT and FH-REIT Group</b>					
<b>2021</b>					
Medium term notes (secured)	MYR	4.85%	2024	30,676	30,589
Fixed rate notes (unsecured)	SGD	2.63% to 3.08%	2022 - 2024	240,000	239,703
Bonds (unsecured)	JPY	JPY TIBOR <sup>(1)</sup> + 0.95%	2022	28,734	28,691
Bank loans (unsecured)	SGD	SOR <sup>(2)</sup> + 1.0% to 1.05%	2023 - 2026	420,000	418,461
Bank loans (unsecured)	AUD	BBSY <sup>(3)</sup> + 1.35%	2023	117,768	117,562
Bank loans (unsecured)	SGD	SORA <sup>(4)</sup> + 1.15% to 1.22%	2023 - 2024	100,000	99,619
Bank loans (unsecured)	SGD	1.17% to 1.30%	2022	54,000	53,882
<b>Total loan and borrowings</b>				<b>991,178</b>	<b>988,507</b>
<b>2020</b>					
Medium term notes (secured)	MYR	4.85%	2024	31,378	31,258
Fixed rate notes (unsecured)	SGD	2.63% to 3.08%	2022 - 2024	240,000	239,543
Bonds (unsecured)	JPY	JPY TIBOR <sup>(1)</sup> + 0.95%	2022	30,666	30,558
Bank loans (unsecured)	SGD	SOR <sup>(2)</sup> + 1.0% to 1.05%	2023 - 2026	420,000	418,004
Bank loans (unsecured)	AUD	BBSY <sup>(3)</sup> + 1.35%	2023	117,348	117,025
Bank loans (unsecured)	SGD	1.16% to 1.18%	2021	50,000	50,000
<b>Total loan and borrowings</b>				<b>889,392</b>	<b>886,388</b>

Included in the borrowings as at 30 September 2021 were borrowings of SGD 495.0 million (2020 : SGD 395.0 million) which together with interest rate swaps have been designated as a cash flow hedges (Note 18).

<sup>(1)</sup> Tokyo interbank offered rate ("TIBOR")

<sup>(2)</sup> Swap-offer rate ("SOR")

<sup>(3)</sup> Australian dollar bank bill swap bid rate ("BBSY")

<sup>(4)</sup> Singapore overnight rate average ("SORA")

# Notes to the Financial Statements

For the year ended 30 September 2021

## 17. BORROWINGS (CONT'D)

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	FHT		FH-REIT Group		FH-BT Group	
	Loans and borrowings \$'000	Accrued interest* \$'000	Loans and borrowings \$'000	Accrued interest* \$'000	Lease liabilities \$'000	Lease liabilities \$'000
<b>Balance at 1 October 2020</b>	<b>886,388</b>	<b>3,761</b>	<b>886,388</b>	<b>3,761</b>	<b>2,953</b>	<b>70,450</b>
<b>Changes from financing cash flows</b>						
Finance costs paid	-	(18,465)	-	(18,465)	-	-
Payment of lease liabilities	-	-	-	-	-	(5,902)
Proceeds from borrowings, net of debt upfront costs	203,377	-	203,377	-	-	-
Repayment of borrowings	(100,000)	-	(100,000)	-	-	-
<b>Total changes from financing cash flows</b>	<b>103,377</b>	<b>(18,465)</b>	<b>103,377</b>	<b>(18,465)</b>	<b>-</b>	<b>(5,902)</b>
<b>Effect of changes in foreign exchange rates</b>	<b>(2,210)</b>	<b>(258)</b>	<b>(2,210)</b>	<b>(258)</b>	<b>8</b>	<b>329</b>
<b>Liability - related other changes</b>						
Amortisation of debt-upfront costs	952	-	952	-	-	-
Interest expense	-	19,713	-	19,713	124	2,465
<b>Total liability - related other changes</b>	<b>952</b>	<b>19,713</b>	<b>952</b>	<b>19,713</b>	<b>124</b>	<b>2,465</b>
<b>Balance at 30 September 2021</b>	<b>988,507</b>	<b>4,751</b>	<b>988,507</b>	<b>4,751</b>	<b>3,085</b>	<b>67,342</b>

\* Included as part of trade and other payables



# Notes to the Financial Statements

For the year ended 30 September 2021

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

	Year of maturity	Nominal amount '000	Assets \$'000	Liabilities \$'000
<b>FHT and FH-REIT Group</b>				
<b>2021</b>				
<i>Cash flow hedge</i>				
Interest rate swap	2022	SGD 25,000	-	(66)
Interest rate swap	2023	SGD 170,000	77	(1,305)
Interest rate swap	2024	SGD 50,000	-	(1,226)
Interest rate swap	2025	SGD 150,000	-	(4,119)
Interest rate swap	2026	SGD 100,000	-	(2,869)
			77	(9,585)
<i>Net investment hedge</i>				
Cross-currency swap	2022	AUD 50,000	225	-
Cross-currency swap	2023	EUR 31,075	948	-
Cross-currency swap	2022	GBP 67,099	-	(2,244)
Cross-currency swap	2024	JPY 10,036,600	2,318	-
			3,491	(2,244)
<b>Total</b>			<b>3,568</b>	<b>(11,829)</b>
Represented by:				
Current			-	(2,310)
Non-current			3,568	(9,519)
			<b>3,568</b>	<b>(11,829)</b>
<b>2020</b>				
<i>Cash flow hedge</i>				
Interest rate swap	2022	SGD 25,000	-	(177)
Interest rate swap	2023	SGD 70,000	-	(2,447)
Interest rate swap	2024	SGD 50,000	-	(2,461)
Interest rate swap	2025	SGD 150,000	-	(9,444)
Interest rate swap	2026	SGD 100,000	-	(7,357)
			-	(21,886)
<i>Net investment hedge</i>				
Cross-currency swap	2021	AUD 100,000	7,292	-
Cross-currency swap	2021	EUR 19,249	-	(546)
Cross-currency swap	2021	GBP 33,935	445	-
Cross-currency swap	2022	GBP 67,099	2,699	-
Cross-currency swap	2024	JPY 10,036,600	-	(2,511)
			10,436	(3,057)
<b>Total</b>			<b>10,436</b>	<b>(24,943)</b>
Represented by:				
Current			445	(546)
Non-current			9,991	(24,397)
			<b>10,436</b>	<b>(24,943)</b>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 18. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D)

	FHT		FH-REIT Group	
	2021	2020	2021	2020
Derivative financial instruments as a percentage of net assets	0.66%	1.07%	0.66%	1.08%

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 Group entered into interest rate swaps to exchange the floating-rate interest on Singapore dollar (2020: Singapore dollar) denominated loans into fixed rate loans.

(ii) Cross-currency swaps (net investment hedge)

FH-REIT Group entered into cross-currency swaps to hedge foreign currency risks arising from net investments in the Australia, Japan, Netherlands and Jersey Channel Islands (2020: Australia, Japan, Netherlands and Jersey Channel Islands).

As at 30 September 2021, the fixed interest rates of the outstanding interest rate swaps and cross-currency swaps range between 0.29% to 4.00% (2020: 0.60% to 4.00%) while the floating interest rates are linked to the Singapore dollar SOR or SORA (2020: Singapore dollar SOR) as applicable to FH-REIT Group's borrowings.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 19. STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	Number of Stapled Securities '000	FHT	FH-REIT Group		FH-BT Group	
		2020 \$'000	Number of Stapled Securities '000	2020 \$'000	Number of Stapled Securities '000	2020 \$'000
<b>Stapled Securities in issue</b>						
At 1 October 2019	1,894,217	1,520,845	1,894,217	1,511,309	1,894,217	9,536
REIT Manager's management fees paid in Stapled Securities	12,052	7,440	12,052	7,440	12,052	-
Trustee-Manager's management fees paid in Stapled Securities	77	47	77	-	77	47
Other management fees paid in Stapled Securities	6,573	4,182	6,573	4,182	6,573	-
Property management fees paid in Stapled Securities	8,324	5,065	8,324	5,065	8,324	-
At 30 September 2020	1,921,243	1,537,579	1,921,243	1,527,996	1,921,243	9,583
<b>Stapled Securities to be issued</b>						
REIT Manager's management fees payable in Stapled Securities	2,910	1,379	2,910	1,379	2,910	-
Trustee-Manager's management fees payable in Stapled Securities	16	8	16	-	16	8
Other management fees payable in Stapled Securities	1,144	548	1,144	548	1,144	-
Property management fees payable in Stapled Securities	761	365	761	365	761	-
At 30 September 2020	4,831	2,300	4,831	2,292	4,831	8
<b>Total Stapled Securities in issue and to be issued</b>	<b>1,926,074</b>	<b>1,539,879</b>	<b>1,926,074</b>	<b>1,530,288</b>	<b>1,926,074</b>	<b>9,591</b>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 19. STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (CONT'D)

	FHT		FH-REIT Group		FH-BT Group	
	Number of Stapled Securities '000	2021 \$'000	Number of Stapled Securities '000	2021 \$'000	Number of Stapled Securities '000	2021 \$'000
<b>Stapled Securities in issue</b>						
At 1 October 2020	1,921,243	1,537,579	1,921,243	1,527,996	1,921,243	9,583
REIT Manager's management fees paid in Stapled Securities	2,910	1,379	2,910	1,379	2,910	-
Trustee-Manager's management fees paid in Stapled Securities	16	8	16	-	16	8
Other management fees paid in Stapled Securities	1,144	548	1,144	548	1,144	-
Property management fees paid in Stapled Securities	761	365	761	365	761	-
At 30 September 2021	1,926,074	1,539,879	1,926,074	1,530,288	1,926,074	9,591
<b>Total Stapled Securities in issue</b>	<b>1,926,074</b>	<b>1,539,879</b>	<b>1,926,074</b>	<b>1,530,288</b>	<b>1,926,074</b>	<b>9,591</b>

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 unit carries the same voting rights. Similarly, under the FH-BT Trust Deed, every FH-BT unit 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.

## Notes to the Financial Statements

For the year ended 30 September 2021

### 20. PERPETUAL SECURITIES

On 12 May 2016, FH-REIT issued SGD 100.0 million 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 had no fixed redemption date and redemption was at the option of FH-REIT in accordance with the terms of issue of the securities. The distributions were payable semi-annually at the discretion of FH-REIT and were non-cumulative.

In the event of winding-up of FH-REIT, these perpetual securities ranked pari passu with the most junior class of preferred units (if any) and ranked ahead of the Stapled Securityholders of FHT, but junior to the claims of all other present and future creditors of FH-REIT.

FHT should 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 paid all scheduled distributions to the holders of the perpetual securities.

These perpetual securities were classified as equity instruments and movements were presented in equity in the Statement of Changes in Stapled Securityholders' Funds.

On 12 May 2021, FH-REIT fully redeemed the SGD 100.0 million fixed rate subordinated perpetual securities at a redemption price (inclusive of accrued distributions) of SGD 102.2 million. Consequently, a net amount of SGD 1.5 million was recognised in Stapled Securityholders' Funds.

### 21. RESERVE

#### (a) Hedging reserve

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 October	(21,334)	(2,443)	(21,334)	(2,443)	-	-
Effective portion of changes in fair value of cash flow hedges	17,497	(16,526)	17,497	(16,526)	-	-
Net change in fair value of cash flow hedges reclassified to total return	(5,672)	(2,365)	(5,672)	(2,365)	-	-
At 30 September	(9,509)	(21,334)	(9,509)	(21,334)	-	-

Hedging reserve represents the effective portion of the cumulative fair value changes of derivative hedging financial instruments. The fair value changes are not subjected to tax.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 21. RESERVE (CONT'D)

### (b) Foreign currency translation reserve

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 October	(127,562)	(176,007)	(127,889)	(175,135)	(548)	(677)
Net translation differences arising from translation of foreign operations	(9,790)	55,194	(9,806)	53,995	16	129
Net exchange differences on hedge of net investments in foreign operations	5,490	(6,749)	5,490	(6,749)	-	-
At 30 September	(131,862)	(127,562)	(132,205)	(127,889)	(532)	(548)

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 October	-	2,459	-	-	-	-
Net change in revaluation on property, plant and equipment	-	(1,701)	-	-	-	-
Related deferred tax	-	(758)	-	-	-	-
At 30 September	-	-	-	-	-	-

The revaluation reserve relates to the revaluation of property, plant and equipment, net of deferred tax.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 22. INVESTMENTS IN SUBSIDIARIES

The subsidiaries of FH-REIT and FH-BT are as follows:

Name of subsidiaries	Country of constitution	Principal activities/ place of business	Effective interest held by FHT	
			2021 %	2020 %
<b>Held by FH-REIT</b>				
Excellence Prosperity TMK Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding Singapore	100	100
FHT Australia Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding Singapore	100	100
FHT Australia Trust <sup>(2)</sup>	Australia	Investment holding Australia	100 <sup>(3)</sup>	100 <sup>(3)</sup>
FHT Japan Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding Singapore	100	100
FHT Malaysia Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding Singapore	100	100
FHT UK Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding Singapore	100	100
FH-REIT Treasury Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding Singapore	100	100
FHT Investment 1 Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding Singapore	100	100
<b>Held by FH-REIT subsidiaries</b>				
FHT Australia Trust <sup>(2)</sup>	Australia	Investment holding Australia	100 <sup>(3)</sup>	100 <sup>(3)</sup>
FHT Sydney Trust 1 <sup>(2)</sup>	Australia	Property holding Australia	100	100
FHT Sydney Trust 2 <sup>(2)</sup>	Australia	Property holding Australia	100	100
FHT Sydney Trust 3 <sup>(2)</sup>	Australia	Property holding Australia	100	100
FHT Melbourne Trust 1 <sup>(2)</sup>	Australia	Property holding Australia	100	100

# Notes to the Financial Statements

For the year ended 30 September 2021

## 22. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of constitution	Principal activities/ place of business	Effective interest held by FHT	
			2021 %	2020 %
<b>Held by FH-REIT subsidiaries</b>				
FHT London 1 Ltd <sup>(2)</sup>	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT London 2 Ltd <sup>(2)</sup>	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT London 3 Ltd <sup>(2)</sup>	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT London 4 Ltd <sup>(2)</sup>	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT Scotland 1 Ltd <sup>(2)</sup>	Jersey Channel Islands	Property holding United Kingdom	100	100
FHT Scotland 2 Ltd <sup>(2)</sup>	Jersey Channel Islands	Property holding United Kingdom	100	100
Kobe Excellence TMK <sup>(2)</sup>	Japan	Property holding Japan	100	100
Excellence Prosperity (Japan) KK <sup>(2)</sup>	Japan	Investment holding Japan	100	100
Notable Vision Sdn. Bhd. <sup>(2)</sup>	Malaysia	Property holding Malaysia	100 <sup>(4)</sup>	100 <sup>(4)</sup>
FHT Investment Holding 1 B.V. <sup>(5)</sup>	Netherlands	Investment holding Netherlands	100	100
FHT Property 1 B.V. <sup>(5)</sup>	Netherlands	Property holding Germany	100	100
<b>Held by FH-BT</b>				
FH-BT Australia Operations Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding Singapore	100	100
<b>Held by FH-BT subsidiary</b>				
FH-BT NMCS Operations Pty Ltd <sup>(2)</sup>	Australia	Hotel Australia	100	100

<sup>(1)</sup> Audited KPMG LLP, Singapore.

<sup>(2)</sup> Audited by other member firms of KPMG International.

<sup>(3)</sup> Held by FH-REIT and FHT Australia Pte. Ltd. in shareholdings of 50.0% (2020: 50%) and 50.0% (2020: 50.0%) respectively.

<sup>(4)</sup> Notable Vision Sdn. Bhd. ("NVSB") is a SPV under an asset-backed securitisation programme. NVSB and FH-REIT group of entities are not entities within the same group under the Malaysia Company Act 2016 and Malaysia Income Tax Act 1967. However, for financial reporting purpose, this structured entity is consolidated in the financial statements in accordance with FRS 110 *Consolidated Financial Statements*.

<sup>(5)</sup> Not required to be audited under laws of the country of incorporation.

## Notes to the Financial Statements

For the year ended 30 September 2021

### 23. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those related party information disclosed elsewhere in the financial statements, there were the following significant transactions between FHT, FH-REIT Group, FH-BT Group and related parties took place during the financial year at terms agreed between parties:

	FHT		FH-REIT Group		FH-BT Group	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
With related companies of the Managers						
- Rental income received and receivable	57,605	59,662	57,605	59,661	-	1
- Reimbursement of expenses paid on behalf	(2,278)	(1,551)	(2,278)	(1,551)	-	-
- Servicer fee paid and payable	(49)	-	(49)	-	-	-
With the REIT Manager						
- Base management fee paid and payable	(4,521)	(4,899)	(4,521)	(4,899)	-	-
- Performance management fee paid and payable	-	(567)	-	(567)	-	-
- Reimbursement of expenses paid on behalf	(1)	(81)	-*	(80)	-*	(1)
- Servicer fee paid and payable	(117)	(118)	(117)	(118)	-	-
With the MIT Manager						
- Base management fee paid and payable	(2,251)	(2,200)	(2,251)	(2,200)	-	-
- Performance management fee paid and payable	(1,114)	(1,058)	(1,114)	(1,058)	-	-
With the Trustee-Manager						
- Base management fee paid and payable	(36)	(34)	-	-	(36)	(34)
- Performance management fee paid and payable	(44)	(20)	-	-	(44)	(20)
With the Property Managers						
- Property management fees paid and payable	(2,208)	(3,138)	(2,208)	(3,138)	-	-
With the Trustee						
- FH-REIT Trustee fees paid and payable	(285)	(293)	(285)	(293)	-	-
- Other trustee fees paid and payable	(208)	(202)	(208)	(202)	-	-
Between FH-REIT Group and FH-BT Group						
- Master lease rental received and receivable/(paid and payable)	-	-	10,459	8,944	(10,459)	(8,944)
- Reimbursement of expenses (paid on behalf)/received	-	-	(116)	(139)	116	139

\* Denotes amount less than \$1,000

# Notes to the Financial Statements

For the year ended 30 September 2021

## 24. COMMITMENTS AND CONTINGENCIES

### (a) Financial guarantee contract

As at 30 September 2021, FH-REIT has provided a corporate guarantee of AUD 120.0 million (SGD 117.8 million) (2020: AUD 120.0 million (SGD 117.3 million)) in respect of the term loan undertaken by a subsidiary (Note 17). As at the reporting date, FHT and the FH-REIT Group do not consider it probable that a claim will be made against FH-REIT under the guarantee.

### (b) 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Commitments in respect of:</b>						
- contracted capital expenditure for properties	4,449	5,108	4,247	4,925	202	183

## 25. FINANCIAL RISK MANAGEMENT

Risk management is integral to the business of FHT. FHT 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 FHT'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 FHT. This is supported by comprehensive internal processes and procedures which are formalised in the Managers' 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 FHT's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by FHT. 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 FHT's risk management policies and procedures.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect FHT's and the FH-REIT Group's total return and Stapled Securityholders' funds and the FH-BT Group's profit or loss. 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 FHT normally conduct their business in their respective functional currencies.

FHT'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 FHT'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 FHT's anticipated foreign currency exposure in respect of distribution income and interest income, net of anticipated payments required in the same currency from its foreign subsidiaries.

FHT's investments in its Australia, Japan and Malaysia subsidiaries are naturally hedged by taking offshore foreign currency denominated borrowings. In addition, FHT's investments in Australia, Japan, Netherlands and Jersey Channel Islands subsidiaries are hedged partially using AUD, JPY, EUR and GBP denominated cross-currency swaps (Note 18), 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.

To assess hedge effectiveness, FHT determine the economic relationship between the hedge instrument and the hedge item by comparing changes in the carrying amount of debts that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movement in the spot rate (the offset method). FHT's policy is to hedge the net investment only to the extent of debt principal.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (i) Foreign currency risk (cont'd)

FHT'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
<b>FHT</b>						
<b>2021</b>						
<b>Financial assets</b>						
Cash and cash equivalents	65	886	2,701	3,863	-	-
Trade and other receivables	1	9,171	78	5,891	1,500	-
Derivative financial instruments	-	225	948	-	-	2,318
	66	10,282	3,727	9,754	1,500	2,318
<b>Financial liabilities</b>						
Trade and other payables	(25)	-	-	-	-	-
Derivative financial instruments	-	-	-	(2,244)	-	-
	(25)	-	-	(2,244)	-	-
<b>Net currency exposure</b>	<b>41</b>	<b>10,282</b>	<b>3,727</b>	<b>7,510</b>	<b>1,500</b>	<b>2,318</b>
<b>2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	69	693	966	76	-	-
Trade and other receivables	1	14	-	3,650	576	-
Derivative financial instruments	-	7,292	-	3,144	-	-
	70	7,999	966	6,870	576	-
<b>Financial liabilities</b>						
Trade and other payables	(90)	-	-	-	-	-
Derivative financial instruments	-	-	(546)	-	-	(2,511)
	(90)	-	(546)	-	-	(2,511)
<b>Net currency exposure</b>	<b>(20)</b>	<b>7,999</b>	<b>420</b>	<b>6,870</b>	<b>576</b>	<b>(2,511)</b>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (i) Foreign currency risk (cont'd)

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
<b>FH-REIT Group</b>						
<b>2021</b>						
<b>Financial assets</b>						
Cash and cash equivalents	65	9	2,701	3,863	-	-
Trade and other receivables	1	9,171	78	5,891	1,500	-
Derivative financial instruments	-	225	948	-	-	2,318
	<b>66</b>	<b>9,405</b>	<b>3,727</b>	<b>9,754</b>	<b>1,500</b>	<b>2,318</b>
<b>Financial liabilities</b>						
Trade and other payables	(25)	-	-	-	-	-
Derivative financial instruments	-	-	-	(2,244)	-	-
	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>(2,244)</b>	<b>-</b>	<b>-</b>
<b>Net currency exposure</b>	<b>(41)</b>	<b>9,405</b>	<b>3,727</b>	<b>7,510</b>	<b>1,500</b>	<b>2,318</b>
<b>2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	69	9	966	76	-	-
Trade and other receivables	1	-	-	3,650	576	-
Derivative financial instruments	-	7,292	-	3,144	-	-
	<b>70</b>	<b>7,301</b>	<b>966</b>	<b>6,870</b>	<b>576</b>	<b>-</b>
<b>Financial liabilities</b>						
Trade and other payables	(90)	-	-	-	-	-
Derivative financial instruments	-	-	(546)	-	-	(2,511)
	<b>(90)</b>	<b>-</b>	<b>(546)</b>	<b>-</b>	<b>-</b>	<b>(2,511)</b>
<b>Net currency exposure</b>	<b>(20)</b>	<b>7,301</b>	<b>420</b>	<b>6,870</b>	<b>576</b>	<b>(2,511)</b>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (i) Foreign currency risk (cont'd)

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
<b>FH-BT Group</b>						
<b>2021</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	877	-	-	-	-
<b>Net currency exposure</b>	<b>-</b>	<b>877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2020</b>						
<b>Financial assets</b>						
Cash and cash equivalents	-	684	-	-	-	-
Trade and other receivables	-	14	-	-	-	-
<b>Net currency exposure</b>	<b>-</b>	<b>698</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 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 of FHT and FH-REIT Group and profit or loss (before any tax effects) of FH-BT Group by the amounts as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (i) Foreign currency risk (cont'd)

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
<b>FHT</b>						
<b>2021</b>						
Increase in total return for the financial year						
- 1% weakening of the Singapore dollar	-*	101	28	98	15	-
Decrease in Stapled Securityholders' funds						
- 1% weakening of the Singapore dollar	-	(507)	(508)	(1,257)	-	(1,267)
Decrease in total return for the financial year						
- 1% strengthening of the Singapore dollar	-*	(101)	(28)	(98)	(15)	-
Increase in Stapled Securityholders' funds						
- 1% strengthening of the Singapore dollar	-	497	498	1,232	-	1,267
<b>2020</b>						
Increase in total return for the financial year						
- 1% weakening of the Singapore dollar	-*	7	10	37	6	-
Decrease in Stapled Securityholders' funds						
- 1% weakening of the Singapore dollar	-	(1,028)	(318)	(1,860)	-	(1,383)
Decrease in total return for the financial year						
- 1% strengthening of the Singapore dollar	-*	(7)	(10)	(37)	(6)	-
Increase in Stapled Securityholders' funds						
- 1% strengthening of the Singapore dollar	-	1,007	309	1,815	-	1,356

\* Denotes amount less than \$1,000

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (i) Foreign currency risk (cont'd)

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
<b>FH-REIT Group 2021</b>						
Increase in total return for the financial year						
- 1% weakening of the Singapore dollar	-*	92	28	98	15	-
Decrease in Stapled Securityholders' funds						
- 1% weakening of the Singapore dollar	-	(507)	(508)	(1,257)	-	(1,267)
Decrease in total return for the financial year						
- 1% strengthening of the Singapore dollar	-*	(92)	(28)	(98)	(15)	-
Increase in Stapled Securityholders' funds						
- 1% strengthening of the Singapore dollar	-	497	498	1,232	-	1,267

\* Denotes amount less than \$1,000

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (i) Foreign currency risk (cont'd)

	Singapore Dollar \$'000	Australian Dollar \$'000	Euro \$'000	Sterling Pound \$'000	Malaysian Ringgit \$'000	Japanese Yen \$'000
<b>FH-REIT Group</b>						
<b>2020</b>						
Increase in total return for the financial year						
- 1% weakening of the Singapore dollar	-*	-*	10	37	6	-
Decrease in Stapled Securityholders' funds						
- 1% weakening of the Singapore dollar	-	(1,028)	(318)	(1,860)	-	(1,383)
Decrease in total return for the financial year						
- 1% strengthening of the Singapore dollar	-*	-*	(10)	(37)	(6)	-
Increase in Stapled Securityholders' funds						
- 1% strengthening of the Singapore dollar	-	1,007	309	1,815	-	1,356
<b>FH-BT Group</b>						
<b>2021</b>						
Increase in profit or loss for the financial year						
- 1% weakening of the Singapore dollar	-	9	-	-	-	-
Decrease in profit or loss for the financial year						
- 1% strengthening of the Singapore dollar	-	(9)	-	-	-	-
<b>2020</b>						
Increase in profit or loss for the financial year						
- 1% weakening of the Singapore dollar	-	7	-	-	-	-
Decrease in profit or loss for the financial year						
- 1% strengthening of the Singapore dollar	-	(7)	-	-	-	-

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of 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 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.

At the reporting date, the interest rate profile of the interest-bearing financial instruments based on their nominal amounts were as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Fixed rate instruments</b>						
Borrowings	(270,676)	(271,378)	(270,676)	(271,378)	-	-
<b>Variable rate instruments</b>						
Borrowings	(720,502)	(618,014)	(720,502)	(618,014)	-	-
Interest rate swaps	495,000	395,000	495,000	395,000	-	-
	(225,502)	(223,014)	(225,502)	(223,014)	-	-

#### Fair value sensitivity analysis for fixed rate instruments

FHT does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the financial year would not affect total return.

#### 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) total return (before any tax effects) and Stapled Securityholders' funds by the amounts below. This analysis assumes that all other variables remain constant.

FHT and FH-REIT Group	Total return		Stapled Securityholders' funds	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow sensitivity	\$'000	\$'000	\$'000	\$'000
2021	(2,255)	2,255	14,170	(14,686)
2020	(2,230)	2,230	17,543	(16,585)

#### Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBOR") with alternative nearly risk-free rates (referred to as "IBOR reform"). FHT's main IBOR exposure at the reporting date is Singapore swap offer rate ("SOR"). The alternative reference rate is the Singapore Overnight Rate Average ("SORA").

FHT anticipates that IBOR reform will impact its risk management processes and hedge accounting. The main risks to which FHT is exposed as a result of IBOR reform are operational. For example, renegotiating borrowing contracts through bilateral negotiation with counterparties, implementing new fallback clauses with its derivative counterparties, updating contractual terms and revising operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (ii) Interest rate risk (cont'd)

##### Managing interest rate benchmark reform and associated risks (cont'd)

FHT monitors and manages the transition to alternative rates. FHT evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

FHT monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of non-derivative financial liability contracts and derivatives contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. FHT considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

##### Borrowings

FHT has floating-rate liabilities indexed to SOR (Note 17). There have been no modifications to FHT's borrowings as at 30 September 2021 as a result of IBOR reform. FHT is in discussions with the counterparties of respective borrowings to amend the contractual terms in response to IBOR reform.

The following table shows the total amounts of the unreformed borrowings and amounts that include appropriate fallback language at 1 October 2020 and at 30 September 2021. The amounts shown in the table are the notional amounts.

	Total amount of unreformed contracts \$'000	SOR Amount with appropriate fallback clause \$'000
<b>FHT and FH-REIT Group</b>		
<b>30 September 2021</b>		
Bank loans (unsecured)	434,000	434,000
<b>1 October 2020</b>		
Bank loans (unsecured)	420,000	420,000

##### Derivatives

Interest rate derivative financial instruments 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 derivative financial instruments follow the maturities of the related borrowings.

FHT holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. As at the reporting date, the interest rate swaps (Note 18), have been assessed to be highly effective and no material ineffectiveness have been recognised in the Statement of Total Return.

The interest rate swaps have floating legs that are indexed to SOR or SORA. FHT's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association's ("ISDA") master agreements. There have been no modifications to FHT's derivative financial instruments as at 30 September 2021 as a result of IBOR reform. FHT is in discussions with the counterparties of respective derivative financial instruments to amend the contractual terms in response to IBOR reform.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Market risk (cont'd)

#### (ii) Interest rate risk (cont'd)

##### Derivatives (cont'd)

ISDA has reviewed its definitions in light of IBOR reform and issued an IBOR fallbacks supplement on 23 October 2020, which became effective on 25 January 2021. This sets out how the amendments to new alternative benchmark rates (e.g. Secured Overnight Financing Rate ("SOFR"), Sterling Overnight Index Average ("SONIA")) in the 2006 ISDA definitions will be accomplished. The effect of the supplement is to create fallback provisions in derivatives that describe what floating rates will apply on the permanent discontinuation of certain key IBORs or on ISDA declaring a non-representative determination of an IBOR. FHT has adhered to the protocol to implement the fallbacks to derivative contracts that were entered into before the effective date of the supplement. If derivative counterparties also adhere to the protocol, then new fallbacks will be automatically implemented in existing derivative contracts when the supplement became effective - i.e. on 25 January 2021. From that date, all new derivatives that reference the ISDA definitions will also include the fallbacks. Consequently, FHT is monitoring whether its counterparties will also adhere to the protocol and, if there are counterparties that will not, then FHT plans to negotiate with them bilaterally about inclusion of new fallback clauses.

The following table shows the amounts of unreformed derivative instruments and amounts that include appropriate fallback language at 1 October 2020 and as at 30 September 2021.

	Total amount of unreformed contracts \$'000	SOR Amount with appropriate fallback clause \$'000
<b>FHT and FH-REIT Group</b>		
<b>30 September 2021</b>		
Interest rate swaps	395,000	395,000
<b>1 October 2020</b>		
Interest rate swaps	395,000	395,000

##### Hedge accounting

FHT has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 30 September 2021. FHT's existing hedged items and hedging instruments continue to be indexed to IBOR benchmark rate which is SOR. New hedged items and hedging instruments entered in the current year are indexed to SORA.

FHT's SOR cash flow hedging relationships extend beyond the anticipated cessation date for IBOR. FHT applies the amendments to FRS 109/SFRS(I) 9 to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (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 FHT, as and when they fall due.

#### *Trade and other receivables*

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 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 security deposits, equivalent to 8 months of the monthly fixed rent, were received in cash (except for The Westin Kuala Lumpur which was provided in the form of banker's guarantee and Maritim Dresden) under the Master Lease Agreements.

In addition, Frasers Property 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.

#### Credit risk concentration profile

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position. At the end of the reporting period, approximately 78.6% of FHT's trade and other receivables were due from two third parties. In 2020, approximately 13.9% of FHT's trade and other receivables were due from a third party. Other than as disclosed herein, FHT has no significant concentration of credit risk at the reporting date.

#### Expected credit loss assessment for individual lessees and customers

FHT uses an allowance matrix to measure the ECLs of trade receivables.

For the allowance matrix, loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated based on actual credit loss experiences, adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and FHT's view of economic conditions over the expected lives of the receivables.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

	Not past due \$'000	Past due 1 - 30 days \$'000	Past due 31 - 60 days \$'000	Past due 61 - 90 days \$'000	Past due over 90 days \$'000	Total \$'000
<b>2021</b>						
<b>FHT</b>						
Gross carrying amount	2,804	4	-	79	5,695	8,582
Allowance for impairment loss	-	-	-	(79)	(5,695)	(5,774)
Credit impaired	No	No	N/A	Yes	Yes	
<b>FH-REIT Group</b>						
Gross carrying amount	2,725	-	-	79	5,695	8,499
Allowance for impairment loss	-	-	-	(79)	(5,695)	(5,774)
Credit impaired	No	N/A	N/A	Yes	Yes	
<b>FH-BT Group</b>						
Gross carrying amount	2,171	4	-	-	-	2,175
Allowance for impairment loss	-	-	-	-	-	-
Credit impaired	No	No	N/A	N/A	N/A	
<b>2020</b>						
<b>FHT</b>						
Gross carrying amount	197	348	-	102	1,613	2,260
Allowance for impairment loss	(37)	(291)	-	(79)	(1,333)	(1,740)
Credit impaired	No	No	N/A	No	Yes	
<b>FH-REIT Group</b>						
Gross carrying amount	1,167	348	-	102	1,613	3,230
Allowance for impairment loss	(37)	(291)	-	(79)	(1,333)	(1,740)
Credit impaired	No	No	N/A	No	Yes	
<b>FH-BT Group</b>						
Gross carrying amount	-	-	-	-	-	-
Allowance for impairment loss	-	-	-	-	-	-
Credit impaired	N/A	N/A	N/A	N/A	N/A	

N/A - not applicable

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) Credit risk (cont'd)

#### Movement in allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October	(1,740)	-	(1,740)	-	-	-
Impairment loss recognised	(4,137)	(1,690)	(4,137)	(1,690)	-	-
Translation differences	103	(50)	103	(50)	-	-
At 30 September	(5,774)	(1,740)	(5,774)	(1,740)	-	-

FHT establishes allowances for impairment that represents its estimate of the expected credit loss and specific loss component in respect of trade receivables, after taking into account any collateral held. The Managers believe that no additional exposure beyond what was provided for is inherent in the trade receivables.

Impairment losses are recognised in Statement of Total Return.

#### Derivatives

Derivatives are only entered into with banks and financial institution counterparties with sound credit ratings. Details of the derivatives are set out in Note 18.

#### Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. FHT considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

### (c) Liquidity risk

Liquidity risk is the risk that FHT will encounter 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 also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As at end of the financial year, FHT maintains several lines of credit (Note 17).

FHT has contractual commitments to incur capital expenditure at the reporting date (Note 24(b)).

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (c) Liquidity risk (cont'd)

The table below summarises the maturity profile of 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	Contractual cash flows			Total \$'000
		Within one year \$'000	Between one and five years \$'000	More than five years \$'000	
<b>FHT</b>					
<b>2021</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	(11,149)	(10,847)	(30)	(272)	(11,149)
Borrowings	(988,507)	(202,734)	(788,444)	-	(991,178)
Interest payable on borrowings	(4,751)	(15,587)	(28,186)	-	(43,773)
Lease liabilities	(3,085)	-	-	(21,009)	(21,009)
Rental deposits	(23,698)	-	(7,209)	(24,295)	(31,504)
	(1,031,190)	(229,168)	(823,869)	(45,576)	(1,098,613)
<b>Derivative financial instruments</b>					
Interest rate swaps (net-settled)	(9,585)	(4,385)	(5,249)	-	(9,634)
Cross-currency swaps (gross-settled)	(2,244)				
- outflow		(126,225)	(224,127)	-	(350,352)
- inflow		126,010	230,086	-	356,096
	(11,829)	(4,600)	710	-	(3,890)
	(1,043,019)	(233,768)	(823,159)	(45,576)	(1,102,503)
<b>2020</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	(13,199)	(12,854)	(31)	(314)	(13,199)
Borrowings	(886,388)	(50,000)	(739,392)	(100,000)	(889,392)
Interest payable on borrowings	(3,761)	(20,353)	(56,099)	(1,726)	(78,178)
Lease liabilities	(2,953)	-	-	(20,934)	(20,934)
Rental deposits	(23,281)	-	-	(31,576)	(31,576)
	(929,582)	(83,207)	(795,522)	(154,550)	(1,033,279)
<b>Derivative financial instruments</b>					
Interest rate swaps (net-settled)	(21,886)	(5,785)	(16,516)	(900)	(23,201)
Cross-currency swaps (gross-settled)	(3,057)				
- outflow		(31,990)	(137,087)	-	(169,077)
- inflow		33,047	132,961	-	166,008
	(24,943)	(4,728)	(20,642)	(900)	(26,270)
	(954,525)	(87,935)	(816,164)	(155,450)	(1,059,549)

\* excluding VAT/GST payable, interest payable and advanced deposits (as the case may be)

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (c) Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows			Total \$'000
		Within one year \$'000	Between one and five years \$'000	More than five years \$'000	
<b>FH-REIT Group</b>					
<b>2021</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	(8,603)	(8,603)	-	-	(8,603)
Borrowings	(988,507)	(202,734)	(788,444)	-	(991,178)
Interest payable on borrowings	(4,751)	(15,587)	(28,186)	-	(43,773)
Lease liabilities	(3,085)	-	-	(21,009)	(21,009)
Rental deposits	(25,725)	-	(7,209)	(28,142)	(35,351)
	<u>(1,030,671)</u>	<u>(226,924)</u>	<u>(823,839)</u>	<u>(49,151)</u>	<u>(1,099,914)</u>
<b>Derivative financial instruments</b>					
Interest rate swaps (net-settled)	(9,585)	(4,385)	(5,249)	-	(9,634)
Cross-currency swaps (gross-settled)	(2,244)	-	-	-	-
- outflow		(126,225)	(224,127)	-	(350,352)
- inflow		126,010	230,086	-	356,096
	<u>(11,829)</u>	<u>(4,600)</u>	<u>710</u>	<u>-</u>	<u>(3,890)</u>
	<u>(1,042,500)</u>	<u>(231,524)</u>	<u>(823,129)</u>	<u>(49,151)</u>	<u>(1,103,804)</u>
<b>2020</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	(11,878)	(11,878)	-	-	(11,878)
Borrowings	(886,338)	(50,000)	(739,392)	(100,000)	(889,392)
Interest payable on borrowings	(3,761)	(20,353)	(56,099)	(1,726)	(78,178)
Lease liabilities	(2,953)	-	-	(20,934)	(20,934)
Rental deposits	(25,217)	-	-	(35,410)	(35,410)
	<u>(930,147)</u>	<u>(82,231)</u>	<u>(795,491)</u>	<u>(158,070)</u>	<u>(1,035,792)</u>
<b>Derivative financial instruments</b>					
Interest rate swaps (net-settled)	(21,886)	(5,785)	(16,516)	(900)	(23,201)
Cross-currency swaps (gross-settled)	(3,057)	-	-	-	-
- outflow		(31,990)	(137,087)	-	(169,077)
- inflow		33,047	132,961	-	166,008
	<u>(24,943)</u>	<u>(4,728)</u>	<u>(20,642)</u>	<u>(900)</u>	<u>(26,270)</u>
	<u>(955,090)</u>	<u>(86,959)</u>	<u>(816,133)</u>	<u>(158,970)</u>	<u>(1,062,062)</u>

\* excluding VAT/GST payable, interest payable and advanced deposits (as the case may be)

# Notes to the Financial Statements

For the year ended 30 September 2021

## 25. FINANCIAL RISK MANAGEMENT (CONT'D)

### (c) Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows			Total \$'000
		Within one year \$'000	Between one and five years \$'000	More than five years \$'000	
<b>FH-BT Group</b>					
<b>2021</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	(6,922)	(6,620)	(30)	(272)	(6,922)
Lease liabilities	(67,342)	(5,771)	(23,083)	(57,706)	(86,560)
	<u>(74,264)</u>	<u>(12,391)</u>	<u>(23,113)</u>	<u>(57,978)</u>	<u>(93,482)</u>
<b>2020</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	(3,939)	(3,594)	(31)	(314)	(3,939)
Lease liabilities	(70,450)	(5,750)	(23,000)	(63,250)	(92,000)
	<u>(74,389)</u>	<u>(9,344)</u>	<u>(23,031)</u>	<u>(63,564)</u>	<u>(95,939)</u>

\* excluding VAT/GST payable, interest payable and advanced deposits (as the case may be)

The maturity analyses above show the contractual undiscounted cash flows of FHT'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.

## 26. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) Fair value hierarchy

FHT 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 years ended 30 September 2021 and 30 September 2020.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) Classifications and fair values

The following tables show the carrying amounts and fair values of financial assets and financial 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. The fair value disclosure of lease liabilities is not required.

	Note	Carrying amount			Fair value	
		Derivatives used for hedging \$'000	Fair value through profit or loss \$'000	Amortised cost \$'000	Level 2 \$'000	Level 3 \$'000
<b>FHT 2021</b>						
<b>Financial assets measured at fair value:</b>						
Derivative financial instruments	18					
- interest rate swaps		77	-	-	77	-
- cross-currency swaps		3,491	-	-	3,491	-
		<u>3,568</u>	<u>-</u>	<u>-</u>		
<b>Financial assets not measured at fair value:</b>						
Trade and other receivables*		-	-	11,883		
Cash and cash equivalents	13	-	-	78,187		
		<u>-</u>	<u>-</u>	<u>90,070</u>		
<b>Financial liabilities measured at fair value:</b>						
Derivative financial instruments	18					
- interest rate swaps		(9,585)	-	-	(9,585)	-
- cross-currency swaps		(2,244)	-	-	(2,244)	-
		<u>(11,829)</u>	<u>-</u>	<u>-</u>		
<b>Financial liabilities not measured at fair value:</b>						
Trade and other payables**		-	-	(15,900)		
Borrowings		-	-	(988,507)	(991,953)	-
Lease liabilities		-	-	(3,085)		
Rental deposits		-	-	(23,698)	-	(25,774)
		<u>-</u>	<u>-</u>	<u>(1,031,190)</u>		

\* excluding net VAT/GST receivables

\*\* excluding net VAT/GST payable and advanced deposits

# Notes to the Financial Statements

For the year ended 30 September 2021

## 26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) Classifications and fair values (cont'd)

	Note	Carrying amount			Fair value	
		Derivatives used for hedging \$'000	Fair value through profit or loss \$'000	Amortised cost \$'000	Level 2 \$'000	Level 3 \$'000
<b>FHT</b>						
<b>2020</b>						
<b>Financial assets measured at fair value:</b>						
Derivative financial instruments	18					
- cross-currency swaps		10,436	-	-	10,436	-
		<u>10,436</u>	<u>-</u>	<u>-</u>		
<b>Financial assets not measured at fair value:</b>						
Trade and other receivables*		-	-	2,048		
Cash and cash equivalents	13	-	-	92,473		
		<u>-</u>	<u>-</u>	<u>94,521</u>		
<b>Financial liabilities measured at fair value:</b>						
Derivative financial instruments	18					
- interest rate swaps		(21,886)	-	-	(21,886)	-
- cross-currency swaps		(3,057)	-	-	(3,057)	-
		<u>(24,943)</u>	<u>-</u>	<u>-</u>		
<b>Financial liabilities not measured at fair value:</b>						
Trade and other payables**		-	-	(16,960)		
Borrowings		-	-	(886,388)	(888,335)	-
Lease liabilities		-	-	(2,953)		
Rental deposits		-	-	(23,281)	-	(23,032)
		<u>-</u>	<u>-</u>	<u>(929,582)</u>		

\* excluding net VAT/GST receivables

\*\* excluding net VAT/GST payable and advanced deposits

# Notes to the Financial Statements

For the year ended 30 September 2021

## 26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) Classifications and fair values (cont'd)

	Note	Carrying amount			Fair value	
		Derivatives used for hedging \$'000	Fair value through profit or loss \$'000	Amortised cost \$'000	Level 2 \$'000	Level 3 \$'000
<b>FH-REIT GROUP</b>						
<b>2021</b>						
<b>Financial assets measured at fair value:</b>						
Derivative financial instruments	18					
- interest rate swaps		77	-	-	77	-
- cross-currency swaps		3,491	-	-	3,491	-
		<u>3,568</u>	-	-		
<b>Financial assets not measured at fair value:</b>						
Trade and other receivables*		-	-	13,386		
Cash and cash equivalents	13	-	-	73,715		
		-	-	<u>87,101</u>		
<b>Financial liabilities measured at fair value:</b>						
Derivative financial instruments	18					
- interest rate swaps		(9,585)	-	-	(9,585)	
- cross-currency swaps		(2,244)	-	-	(2,244)	
		<u>(11,829)</u>	-	-		
<b>Financial liabilities not measured at fair value:</b>						
Trade and other payables**		-	-	(13,354)		
Borrowings		-	-	(988,507)	(991,953)	
Lease liabilities		-	-	(3,085)		
Rental deposits		-	-	(25,725)		
		-	-	<u>(1,030,671)</u>		

\* excluding net VAT/GST receivables

\*\* excluding net VAT/GST payable and advanced deposits

# Notes to the Financial Statements

For the year ended 30 September 2021

## 26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) Classifications and fair values (cont'd)

	Note	Carrying amount			Fair value	
		Derivatives used for hedging \$'000	Fair value through profit or loss \$'000	Amortised cost \$'000	Level 2 \$'000	Level 3 \$'000
<b>FH-REIT GROUP</b>						
<b>2020</b>						
<b>Financial assets measured at fair value:</b>						
Derivative financial instruments	18					
- cross-currency swaps		10,436	-	-	10,436	-
		<u>10,436</u>	<u>-</u>	<u>-</u>		
<b>Financial assets not measured at fair value:</b>						
Trade and other receivables*		-	-	3,655		
Cash and cash equivalents	13	-	-	88,969		
		<u>-</u>	<u>-</u>	<u>92,624</u>		
<b>Financial liabilities measured at fair value:</b>						
Derivative financial instruments	18					
- interest rate swaps		(21,886)	-	-	(21,886)	-
- cross-currency swaps		(3,057)	-	-	(3,057)	-
		<u>(24,943)</u>	<u>-</u>	<u>-</u>		
<b>Financial liabilities not measured at fair value:</b>						
Trade and other payables**		-	-	(15,639)		
Borrowings		-	-	(886,388)	(888,335)	-
Lease liabilities		-	-	(2,953)		
Rental deposits		-	-	(25,217)	-	(25,828)
		<u>-</u>	<u>-</u>	<u>(930,197)</u>		

\* excluding net VAT/GST receivables

\*\* excluding net VAT/GST payable and advanced deposits

# Notes to the Financial Statements

For the year ended 30 September 2021

## 26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) Classifications and fair values (cont'd)

	Note	Carrying amount			Fair value	
		Derivatives used for hedging \$'000	Fair value through profit or loss \$'000	Amortised cost \$'000	Level 2 \$'000	Level 3 \$'000
<b>FH-BT GROUP</b>						
<b>2021</b>						
<b>Financial assets not measured at fair value:</b>						
Trade and other receivables*		-	-	2,175		
Cash and cash equivalents	13	-	-	4,472		
Rental deposits		-	-	2,027	-	3,104
		-	-	8,674		
<b>Financial liabilities not measured at fair value:</b>						
Trade and other payables**		-	-	(6,922)		
Lease liabilities		-	-	(67,342)		
		-	-	(74,264)		
<b>2020</b>						
<b>Financial assets not measured at fair value:</b>						
Trade and other receivables*		-	-	256		
Cash and cash equivalents	13	-	-	3,504		
Rental deposits		-	-	1,936	-	2,796
		-	-	5,696		
<b>Financial liabilities not measured at fair value:</b>						
Trade and other payables**		-	-	(3,939)		
Lease liabilities		-	-	(70,450)		
		-	-	(74,389)		

\* excluding net VAT/GST receivables

\*\* excluding net VAT/GST payable and advanced deposits

# Notes to the Financial Statements

For the year ended 30 September 2021

## 26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (c) *Determination of fair value*

The following valuation methods and assumptions are used to estimate the fair values of the following significant classes of assets and liabilities:

#### (i) *Derivative financial instruments*

The fair value measurement for derivative financial instruments has been categorised as a Level 2 fair value.

Interest rate swaps and cross currency swaps are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include swap models, using present valuation calculations. The models incorporate various inputs including the foreign exchange spot and forward rates and interest rate curves.

#### (ii) *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 assets and 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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (c) Determination of fair value (cont'd)

#### (iii) Properties

The fair values measurement for properties – investment properties (Note 10) and property, plant and equipment (Note 11) have been categorised as a Level 3 fair value.

#### Information about valuation techniques and 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	Significant unobservable inputs	2021 Range	2020 Range
Asia	Discounted cash flow method	Discount rate	4.30% – 8.00%	4.50% – 8.00%
		Terminal capitalisation rate	3.75% – 6.25%	4.00% – 6.00%
	Capitalisation method	Capitalisation rate	3.50% – 4.60%	-
	Direct comparison method	Transacted price of comparable properties	\$18,840 psm – \$28,160 psm \$932,754 per room – \$1,388,889 per room	-
Australia	Discounted cash flow method	Discount rate	6.00% – 7.00%	7.00% – 7.75%
		Terminal capitalisation rate	4.75% – 5.50%	5.50% – 6.25%
	Capitalisation method	Capitalisation rate	4.50% – 5.25%	5.25% – 6.00%
Europe	Discounted cash flow method	Discount rate	7.25% – 10.25%	7.00% – 9.75%
		Terminal capitalisation rate	5.25% – 8.25%	5.00% – 7.75%
	Core and top-slice	Market rent yield	4.75%	-
Froth rent yield		7.75%	-	

#### Interrelationship between key unobservable inputs and fair value measurement

The estimated fair values vary inversely against the discount rate, terminal capitalisation rate, capitalisation rate, and market and froth rent yield rates. The estimated fair values would increase with higher transacted price of comparable properties.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (c) *Determination of fair value (cont'd)*

#### (iii) *Properties (cont'd)*

##### **Level 3 assets measured at fair value**

Level 3 assets, which comprise investment properties and property, plant and equipment. Reconciliations from the beginning balances to the ending balances for fair value measurements of Level 3 assets have been disclosed in Note 10 and Note 11.

##### **Valuation policies and procedures**

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 FHT) 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 FHT 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 FHT'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.

## 27. CAPITAL MANAGEMENT

The primary objective of FHT's capital management is to ensure that it maintains an optimal capital structure to support the business and maximise Stapled Securityholders' value.

FHT is in compliance with all externally imposed capital requirements for the financial years ended 30 September 2021 and 30 September 2020. There are no substantial changes in FHT's approach to capital management during the year.

As at 30 September 2021, the FH-REIT Group's aggregate leverage ratio<sup>(1)</sup> was 42.2% (2020: 37.7%) with an interest coverage ratio<sup>(2)</sup> of 2.3 times (2020: 2.3 times), which were within the guidelines prescribed under the Property Fund Guidelines of the CIS Code issued by MAS.

<sup>(1)</sup> The impact of FRS 116 Leases (adopted with effect from 1 October 2020) has been excluded for the purpose of computing the aggregate leverage ratio.

<sup>(2)</sup> For purpose of computing interest coverage ratio, interest expense excludes the unwinding of discounting effect on present value of lease liability and long term security deposits payable.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 28. OPERATING SEGMENTS

Segment information is presented in respect of FHT's operating segments from two dimensions: (a) geographical; and (b) line of business.

The operations of each of FHT'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 FHT. There are six (2020: 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

The operations of FHT under master leases and hotel under management contract have different risks and returns. This forms the basis of identifying the business segments of FHT. There are two (2020: 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 FHT 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 FHT

For the purpose of monitoring segment performance, CODMs monitor the non-financial assets as well as financial assets attributable to each segment.

Information regarding FHT's reportable segments is presented in the following tables.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 28. OPERATING SEGMENTS (CONT'D)

### Major Customers

Revenue from related companies of the Managers accounted for approximately SGD 57.6 million (2020: SGD 59.7 million) of the revenue of the FH-REIT Group. Such revenue is attributable to all geographical segments of the FH-REIT Group except for Germany.

#### (a) By geographical segments

	Singapore \$'000	Australia \$'000	Malaysia \$'000	Japan \$'000	UK \$'000	Germany \$'000	Total \$'000
<b>FHT</b>							
<b>1 October 2020 to 30 September 2021</b>							
Revenue from external parties	16,329	39,275	4,806	7,522	11,198	6,402	85,532
Property operating expenses	(3,967)	(14,685)	(565)	(2,966)	(1,519)	(4,204)	(27,906)
<b>Segment net property income</b>	<b>12,362</b>	<b>24,590</b>	<b>4,241</b>	<b>4,556</b>	<b>9,679</b>	<b>2,198</b>	<b>57,626</b>
Depreciation	-	(3,929)	-	-	-	-	(3,929)
Net change in fair value of investment properties	(1,087)	5,770	(5,586)	2,096	(1,926)	(3,841)	(4,574)
Revaluation of property, plant and equipment	-	8,444	-	-	-	-	8,444
<b>Total reportable segment return</b>							<b>57,567</b>
Unallocated items:							
- Finance income							210
- Trust expenses							(11,561)
- Amortisation of debt upfront costs							(952)
- Finance costs							(20,415)
- Foreign exchange loss, net							(26)
- Net change in fair value of derivative financial instruments							(77)
- Realised gain on derivative financial instruments, net							(16)
<b>Total return for the year, before tax</b>							<b>24,730</b>
Taxation							(8,422)
<b>Total return for the year</b>							<b>16,308</b>
Reportable segmental non-current assets	801,568	728,488	118,827	198,094	316,504	93,237	2,256,718
Reportable segmental current assets	11,945	35,096	5,350	18,902	15,582	5,590	92,465
<b>Total assets for reportable segments</b>	<b>813,513</b>	<b>763,584</b>	<b>124,177</b>	<b>216,996</b>	<b>332,086</b>	<b>98,827</b>	<b>2,349,183</b>
<b>Capital expenditure</b>	<b>1,087</b>	<b>1,375</b>	<b>66</b>	<b>1,601</b>	<b>827</b>	<b>-</b>	<b>4,956</b>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 28. OPERATING SEGMENTS (CONT'D)

### (a) By geographical segments (cont'd)

	Singapore \$'000	Australia \$'000	Malaysia \$'000	Japan \$'000	UK \$'000	Germany \$'000	Total \$'000
<b>FHT</b>							
<b>1 October 2019 to 30 September 2020</b>							
Revenue from external parties	19,510	38,390	4,852	7,791	11,228	6,802	88,573
Property operating expenses	(4,442)	(15,824)	(570)	(3,046)	(2,987)	(1,873)	(28,742)
<b>Segment net property income</b>	<b>15,068</b>	<b>22,566</b>	<b>4,282</b>	<b>4,745</b>	<b>8,241</b>	<b>4,929</b>	<b>59,831</b>
Depreciation	-	(3,921)	-	-	-	-	(3,921)
Net change in fair value of investment properties	(39,688)	(23,946)	(12,373)	(14,672)	(34,194)	(11,904)	(136,777)
Revaluation of property, plant and equipment	-	(9,208)	-	-	-	-	(9,208)
<b>Total reportable segment return</b>							<b>(90,075)</b>
Unallocated items:							
- Finance income							329
- Trust expenses							(12,852)
- Amortisation of debt upfront costs							(824)
- Finance costs							(19,750)
- Foreign exchange loss, net							(165)
- Net change in fair value of derivative financial instruments							(328)
- Realised gain on derivative financial instruments, net							256
<b>Total return for the year, before tax</b>							<b>(123,409)</b>
Taxation							9,981
<b>Total return for the year</b>							<b>(113,428)</b>
Reportable segmental non-current assets	807,991	715,568	127,166	207,495	306,265	98,739	2,263,224
Reportable segmental current assets	41,079	18,855	4,477	21,871	7,272	4,571	98,125
<b>Total assets for reportable segments</b>	<b>849,070</b>	<b>734,423</b>	<b>131,643</b>	<b>229,366</b>	<b>313,537</b>	<b>103,310</b>	<b>2,361,349</b>
<b>Capital expenditure</b>	<b>688</b>	<b>4,089</b>	<b>902</b>	<b>3,079</b>	<b>1,180</b>	<b>91</b>	<b>10,029</b>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 28. OPERATING SEGMENTS (CONT'D)

### (b) Reconciliation of reportable total return

	FHT	
	2021 \$'000	2020 \$'000
<b>Total return</b>		
Total reportable segment return	57,567	(90,075)
Unallocated items	(41,259)	(23,353)
Consolidated total return	<u>16,308</u>	<u>(113,428)</u>

### (c) By business segments

	Master leases \$'000	Hotel under management contract \$'000	Consolidation adjustments \$'000	Total \$'000
<b>FHT</b>				
<b>1 October 2020 to 30 September 2021</b>				
Revenue	75,586	20,405	(10,459)	85,532
Property operating expenses	(18,842)	(13,621)	4,557	(27,906)
<b>Segment net property income</b>	<b>56,744</b>	<b>6,784</b>	<b>(5,902)</b>	<b>57,626</b>
Depreciation	-	(4,570)	641	(3,929)
Net change in fair value of investment properties	326	-	(4,900)	(4,574)
Revaluation of property, plant and equipment	-	-	8,444	8,444
Finance income	210	86	(86)	210
Trust expenses	(11,408)	(153)	-	(11,561)
Amortisation of debt upfront costs	(952)	-	-	(952)
Finance costs	(20,502)	(2,465)	2,552	(20,415)
Foreign exchange (loss)/gain, net	(24)	(2)	-	(26)
Net change in fair value of derivative financial instruments	(77)	-	-	(77)
Realised gain on derivative financial instruments, net	(16)	-	-	(16)
<b>Total return for the year, before tax</b>				<b>24,730</b>
Taxation				(8,422)
<b>Total return for the year</b>				<b>16,308</b>
Inter-segment revenue	10,459	-	(10,459)	-
Revenue from external parties	65,127	20,405	-	85,532
<b>Total segment revenue</b>	<b>75,586</b>	<b>20,405</b>	<b>(10,459)</b>	<b>85,532</b>
Reportable segmental non-current assets	2,254,605	69,392	(67,279)	2,256,718
Reportable segmental current assets	89,294	6,849	(3,678)	92,465
<b>Total assets for reportable segments</b>	<b>2,343,899</b>	<b>76,241</b>	<b>(70,957)</b>	<b>2,349,183</b>
<b>Capital expenditure</b>	<b>4,449</b>	<b>507</b>	<b>-</b>	<b>4,956</b>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 28. OPERATING SEGMENTS (CONT'D)

### (c) By business segments

	Master leases \$'000	Hotel under management contract \$'000	Consolidation adjustments \$'000	Total \$'000
<b>FHT</b>				
<b>1 October 2019 to 30 September 2020</b>				
Revenue	76,676	20,841	(8,944)	88,573
Property operating expenses	(17,619)	(14,956)	3,833	(28,742)
<b>Segment net property income</b>	<b>59,057</b>	<b>5,885</b>	<b>(5,111)</b>	<b>59,831</b>
Depreciation	-	(4,322)	401	(3,921)
Net change in fair value of investment properties	(149,604)	-	12,827	(136,777)
Revaluation of property, plant and equipment	-	-	(9,208)	(9,208)
Finance income	326	80	(77)	329
Trust expenses	(12,720)	(132)	-	(12,852)
Amortisation of debt upfront costs	(824)	-	-	(824)
Finance costs	(19,828)	(2,418)	2,496	(19,750)
Foreign exchange (loss)/gain, net	(198)	33	-	(165)
Net change in fair value of derivative financial instruments	(328)	-	-	(328)
Realised gain on derivative financial instruments, net	256	-	-	256
<b>Total return for the year, before tax</b>				<b>(123,409)</b>
Taxation				9,981
<b>Total return for the year</b>				<b>(113,428)</b>
Inter-segment revenue	8,944	-	(8,944)	-
Revenue from external parties	67,732	20,841	-	88,573
<b>Total segment revenue</b>	<b>76,676</b>	<b>20,841</b>	<b>(8,944)</b>	<b>88,573</b>
Reportable segmental non-current assets	2,260,764	73,521	(71,061)	2,263,224
Reportable segmental current assets	95,996	3,992	(1,863)	98,125
<b>Total assets for reportable segments</b>	<b>2,356,760</b>	<b>77,513</b>	<b>(72,924)</b>	<b>2,361,349</b>
<b>Capital expenditure</b>	<b>9,339</b>	<b>690</b>	<b>-</b>	<b>10,029</b>

# Notes to the Financial Statements

For the year ended 30 September 2021

## 29. LEASES

### (a) Leases as lessee (FRS 116/SFRS(I) 16)

FH-REIT Group has a ground lease with initial lease term of 84 years. The lease rent is subject to periodical increases throughout the lease term under the ground lease agreement. As at 30 September 2021, FH-REIT Group has lease rents to be paid in the future, commencing from September 2048 for 50 years.

FH-BT Group has a master lease agreement with FH-REIT Group for the lease of building - Novotel Melbourne on Collins, with an initial lease term of 20 years and an option to renew the lease for an additional lease term of 20 years.

Information about leases for which FHT, the FH-REIT Group and the FH-BT Group as lessees is presented below.

#### Right-of-use assets

ROU assets related to leased properties that do not meet the definition of investment property is presented as property, plant and equipment.

	Building \$'000
<b>FH-BT Group</b>	
At 1 October 2019	66,933
Depreciation charge for the year	(3,976)
Translation differences	3,232
At 30 September 2020	<u>66,189</u>
At 1 October 2020	66,189
Depreciation charge for the year	(4,246)
Translation differences	332
At 30 September 2021	<u>62,275</u>

#### Amounts recognised in the Statement of Total Return/Profit or Loss

	FHT \$'000	FH-REIT Group \$'000	FH-BT Group \$'000
<b>2021</b>			
Interest on lease liabilities	124	124	2,465
Expenses relating to leases with variable rent	-	-	<u>4,557</u>
<b>2020</b>			
Interest on lease liabilities	111	111	2,418
Expenses relating to leases with variable rent	-	-	<u>3,417</u>

#### Amounts recognised in Statement of Cash Flows

During the financial year, total cash outflow for leases under SFRS(I) 16 for the FH-BT Group is SGD 5.9 million (2020: SGD 5.5 million).

# Notes to the Financial Statements

For the year ended 30 September 2021

## 29. LEASES (CONT'D)

### (a) Leases as lessee (FRS 116/SFRS(I) 16) (cont'd)

#### Extension options

A property lease contain extension option exercisable by the FH-BT Group before the end of the non-cancellable contract period. Where practicable, the FH-BT Group seeks to include extension option in new leases to provide operational flexibility. The extension option held is exercisable only by the FH-BT Group and not by the lessor. The FH-BT Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. The FH-BT Group reassesses whether it is reasonably certain to exercise the option if there is a significant event or significant changes in circumstances within its control.

The FH-BT Group has estimated that the potential future lease payments that are not reflected in the measurement of lease liabilities, should they exercise the extension option, would result in an increase in future cash outflows of SGD 115.4 million (2020: SGD 115.0 million).

### (b) Leases as lessor

The FH-REIT Group leases out their investment properties consisting of hotels and serviced residences. All leases are classified as operating leases from a lessor's perspective.

#### Operating lease

FH-REIT Group leases out its investment properties to related companies and FH-BT Group, 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 each of the lessee to renew the lease for an additional lease term between 5 to 20 years.

The FH-REIT Group have classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The portfolio statement sets out information about the operating leases of investment properties.

Rental revenue from investment properties recognised by the FH-REIT Group is disclosed in Note 10.

The following table sets out a maturity analysis of minimum lease payments, showing the undiscounted lease payments to be received after the reporting date.

	FHT Group \$'000	FH-REIT Group \$'000
<b>2021</b>		
Less than 1 year	57,546	63,316
1 to 2 years	57,546	63,316
2 to 3 years	55,220	60,991
3 to 4 years	46,733	52,503
4 to 5 years	46,733	52,503
More than 5 years	381,366	439,336
Total	645,144	731,965
<b>2020</b>		
Less than 1 year	57,824	63,574
1 to 2 years	57,824	63,574
2 to 3 years	57,824	63,574
3 to 4 years	55,533	61,283
4 to 5 years	46,642	52,392
More than 5 years	428,010	491,575
Total	703,657	795,972

# Notes to the Financial Statements

For the year ended 30 September 2021

## 30. GOVERNMENT GRANTS

### Singapore

There were the following government grants, collectively the “government grants”:

- Under the Resilience Budget announced on 26 March 2020, qualifying non-residential properties (“qualifying properties”) will be granted property tax rebate for the period of 1 January 2020 to 31 December 2020. Under the Resilience Budget, owners of qualifying properties will be granted rebates of up to 100% on their property tax payable. Owners are required to unconditionally and fully pass on the rebate for the property tax to their tenants within the prescribed timeframe.
- Under the COVID-19 (Temporary Measures) (Amendment) Act passed on 5 June 2020, owners of qualifying properties are required to provide rental relief for Small and Medium Enterprises and Non-Profit Organisations operating in qualifying non-residential properties (the “Rental Relief”). The Rental Relief is supported by government assistance whereby owners of such qualifying properties will be granted government cash grant.

During the financial year, FH-REIT received government grants on its qualifying properties amounting to a total of approximately SGD 1.2 million (2020: SGD 2.9 million) (i.e. grant income) out of which approximately SGD 0.7 million (2020: SGD 2.2 million) of the amount received was passed on to the master lessees (i.e. grant expense). The grant income and grant expense were presented net and recognised as “Other income” in the Statement of Total Return of FHT and the FH-REIT Group.

### Australia

The Australian Government enacted on 9 April 2020, the JobKeeper Payments wage subsidy (“JKP”) to support businesses significantly affected by COVID-19. During the financial year, a subsidiary of FH-BT received AUD 1.0 million (approximately SGD 1.0 million) (2020: AUD 1.5 million (approximately SGD 1.4 million)) of JKP (i.e. grant income), out of which AUD 0.3 million (approximately SGD 0.3 million) (2020: AUD 0.7 million (approximately SGD 0.6 million)) of the JKP received was also passed on to eligible employees (i.e. grant expense). Accordingly, the grant income and grant expense were presented net and recognised as “Staff costs” in Statement of Total Return of FHT and in the Statement of Profit or Loss of the FH-BT Group.

## 31. FINANCIAL RATIOS

	FHT		FH-REIT Group	
	2021	2020	2021	2020
	%	%	%	%
Expense to weighted average net assets <sup>(1)</sup>				
- with performance fee of the Managers	0.88	0.87	0.87	0.87
- without performance fee of the Managers	0.79	0.76	0.78	0.76
Total operating expenses to net asset value <sup>(2)</sup>	3.55	3.47	2.43	2.25
Portfolio turnover ratio <sup>(3)</sup>	-	-	-	-

<sup>(1)</sup> 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 FHT and the FH-REIT Group, excluding property expenses, interest expense and tax expense, where applicable.

<sup>(2)</sup> The expense ratios are computed based on total operating expense of SGD 44,362,000 and SGD 30,250,000 (2020: SGD 46,909,000 and SGD 30,338,000) of FHT and the 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).

<sup>(3)</sup> The portfolio turnover ratios are computed based on the lesser of purchases or sales of underlying properties of FHT and the FH-REIT Group expressed as a percentage of daily average net asset value.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 32. NET ASSET VALUE PER STAPLED SECURITY

	FHT		FH-REIT Group		FH-BT Group	
	2021	2020	2021	2020	2021	2020
Net asset value per Stapled Security is computed based on:						
Net assets (\$'000)	1,248,494	1,252,879	1,242,620	1,246,741	1,427	2,295
Total issued Stapled Securities at 30 September ('000) (Note 19)	1,926,074	1,921,243	1,926,074	1,921,243	1,926,074	1,921,243

## 33. SUBSEQUENT EVENTS

- On 28 October 2021, FH-REIT has through The Trust Company (PTAL) Limited, acting as trustee of FHT Sydney Trust 3<sup>(1)</sup> (the "FHT Vendor"), a wholly-owned sub-trust of the REIT Trustee entered into the following:
  - a put and call option agreement (the "PCOA") with Frasers Sydney Wentworth Pty Ltd (the "Reversionary Interest Seller"), an indirect wholly-owned subsidiary of Frasers Property Limited, for the acquisition (the "Reversionary Interest Acquisition") of the freehold reversionary interest ("Reversionary Interest") of the property known as Sofitel Sydney Wentworth (the "Hotel") for a purchase consideration of AUD 10.55 million (approximately SGD 10.4 million); and
  - a sale and purchase agreement with The Trust Company (Australia) Limited as trustee of FHT Australia Trust and a third-party acquirer (the "Hotel Acquirer") for the sale (the "Divestment") of the amalgamated freehold interest<sup>(2)</sup> of the Hotel at the sale price of AUD 315.0 million (approximately SGD 309.1 million).

In segment reporting, the Hotel is classified under "Australia" in the geographical segment, and "master leases" in the business segment.

<sup>(1)</sup> The PCOA grants the Reversionary Interest Seller an option to require the FHT Vendor to purchase the Reversionary Interest from it, and the FHT Vendor an option to require the Reversionary Interest Seller to sell the Reversionary Interest to it, on the terms set out in a sale and purchase agreement the form of which is attached to the PCOA.

<sup>(2)</sup> Upon completion of the Reversionary Interest Acquisition by the FHT Vendor, the Reversionary Interest will be amalgamated with the leasehold interest of a remaining term of 69 years in the Hotel held by the FHT Vendor for the purposes of the Divestment as the Hotel Acquirer wishes to acquire a freehold interest in the Hotel.

- On 29 October 2021, the REIT Manager and Trustee-Manager declared a distribution of 0.8041 cents per Stapled Security to Stapled Securityholders in respect of the period from 1 April 2021 to 30 September 2021.

# **FINANCIAL STATEMENT OF TRUSTEE-MANAGER**

## **FRASERS HOSPITALITY TRUST MANAGEMENT PTE. LTD.**

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# Directors' Statement

For the year ended 30 September 2021

The directors have pleasure in presenting their statement to the member together with the audited financial statements of Frasers Hospitality Trust Management Pte. Ltd. (the "Company") for the financial year ended 30 September 2021.

In our opinion:

- (i) the financial statements set out on pages 278 to 293 are drawn up so as to give a true and fair view of the financial position of the Company as at 30 September 2021 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 (International); 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

## 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 objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, save as disclosed in this statement.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, 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 shares or debentures of, the Company or its related corporations are as follows:

Name of Director and corporation in which interests are held	Direct Interest		Deemed Interest	
	As at 1 October 2020	As at 30 September 2021	As at 1 October 2020	As at 30 September 2021
Panote Sirivadhanabhakdi				
- Frasers Property Limited				
• Ordinary Shares	Nil	Nil	Nil	70,000,000 <sup>(1)</sup>

<sup>(1)</sup> As of 30 September 2021, TCC Group Investments Limited ("TCCGI") (which is equally held by Atinant Bijananda, Thapana Sirivadhanabhakdi, Wallapa Traisorat, Thapanee Techajareonvikul and Panote Sirivadhanabhakdi) held 70,000,000 shares in the Frasers Property Limited ("FPL") through a nominee account. Accordingly, TCCGI's interest in FPL is a deemed interest. Panote Sirivadhanabhakdi, through his 20.0% shareholding in TCCGI, is deemed to be interested in all the shares in FPL in which TCCGI has an interest.

# Directors' Statement

For the year ended 30 September 2021

## 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.

## AUDIT, RISK AND COMPLIANCE COMMITTEE

The Company had established an Audit, Risk and Compliance Committee on 17 October 2016.

The composition of the Audit, Risk and Compliance Committee comprise the following independent directors from the Board of Directors of the Company:

- (i) Dr David Wong See Hong (Chairman)
- (ii) Mr Law Song Keng (Member); and
- (iii) Mr Liew Choon Wei (Member).

## AUDITOR

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Law Song Keng  
Director

Panote Sirivadhanabhakdi  
Director

Singapore  
22 November 2021

# 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 2021, 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 278 to 293.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Company as at 30 September 2021 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 SFRS(I)s, 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  
Fraser's 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 2021

# Statement of Comprehensive Income

For the year ended 30 September 2021

	Note	2021 \$'000	2020 \$'000
<b>REVENUE</b>	4	80	54
<b>COSTS AND EXPENSES</b>	5		
Administrative costs		(5)	(5)
Other operating costs		(2)	(2)
		(7)	(7)
<b>PROFIT BEFORE TAXATION</b>		73	47
Taxation	6	(6)	(3)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER TAXATION</b>		67	44

# Statement of Financial Position

As at 30 September 2021

	Note	2021 \$'000	2020 \$'000
<b>NON-CURRENT ASSETS</b>			
Investment in a subsidiary	7	3	3
Intangible asset	8	10	12
		<u>13</u>	<u>15</u>
<b>CURRENT ASSETS</b>			
Other receivables	9	47	35
Cash at bank		224	164
		<u>271</u>	<u>199</u>
<b>TOTAL ASSETS</b>		<u>284</u>	<u>214</u>
<b>CURRENT LIABILITIES</b>			
Other payables	10	7	6
Income tax payable		6	4
		<u>13</u>	<u>10</u>
<b>NET CURRENT ASSETS</b>		258	189
<b>NET ASSETS</b>		<u>271</u>	<u>204</u>
Financed by: -			
Share capital	11	10	10
Retained earnings		261	194
<b>TOTAL EQUITY</b>		<u>271</u>	<u>204</u>

## Statement of Changes in Equity

For the year ended 30 September 2021

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
<b>2020</b>			
At 1 October 2019	10	150	160
Profit for the year	-	44	44
<b>Total comprehensive income for the year</b>	-	44	44
At 30 September 2020	10	194	204
<b>2021</b>			
At 1 October 2020	10	194	204
Profit for the year	-	67	67
<b>Total comprehensive income for the year</b>	-	67	67
At 30 September 2021	10	261	271

# Statement of Cash Flows

For the year ended 30 September 2021

	2021 \$'000	2020 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	73	47
Adjustment for:		
Amortisation of intangible asset	2	2
<b>Operating cash flow before working capital changes</b>	75	49
Changes in working capital:		
Other receivables	(12)	(7)
Other payables	1	-*
<b>Cash generated from operations</b>	64	42
Income tax paid	(4)	(2)
<b>Net cash generated from operating activities</b>	60	40
<b>Net increase in cash at bank</b>	60	40
Cash at bank at beginning of the year	164	124
<b>Cash at bank at end of the year</b>	224	164

\* Denotes amount less than \$1,000

# Notes to the Financial Statements

For the year ended 30 September 2021

The following notes form an integral part of the financial statements.

The financial statements for the financial year ended 30 September 2021 were authorised for issue in accordance with a resolution of the directors on 22 November 2021.

## 1. CORPORATE INFORMATION

Frasers Hospitality Trust Management Pte. Ltd. (the "Company") is a limited liability company. It is a wholly-owned subsidiary of Frasers Property Limited ("Frasers Property"). 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 and its subsidiaries, and Frasers Hospitality Business Trust and its subsidiaries. FHT is listed on Singapore Exchange Securities Trading Limited ("SGX-ST").

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

### 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.

### 2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) 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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 2. BASIS OF PREPARATION (CONT'D)

### 2.5 Changes in accounting policies

The Company has applied various new accounting standards, amendments to and interpretations of SFRS(I)s for the first time for the annual period beginning on 1 October 2020. The application of these new accounting standards, amendments to and interpretations do not have an impact to the financial statements of the Company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 3.1 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 exchange differences arising on translation are recognised in profit or loss.

### 3.2 Subsidiary

A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it is exposed to, 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.

Investment in a subsidiary is stated in the Company's statement of financial position at cost less accumulated impairment losses.

### 3.3 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

#### **Software**

Software are initially capitalised at cost, which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use.

Subsequent to initial recognition, software are amortised to profit or loss on a straight-line basis over their estimated useful lives of 3 to 10 years.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Non-derivative financial assets

#### *Initial recognition and measurement*

Financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

#### *Classification and subsequent measurement*

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Business model assessment*

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Non-derivative financial assets (cont'd)

#### *Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### **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 financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently 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 2021

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Non-derivative financial liabilities

#### *Initial recognition and measurement*

The Company classifies non-derivative financial liabilities as other financial liabilities.

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 initially measured 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. Interest expense is recognised in profit or loss.

#### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or 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 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.

### 3.6 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, then the asset's recoverable amount is 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 value in use and its fair value less costs to sell. 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 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, if no impairment loss had been recognised.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Impairment (cont'd)

#### (b) *Non-derivative financial assets*

The Company recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

#### Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

#### General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Impairment (cont'd)

#### (b) *Non-derivative financial assets (cont'd)*

##### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

##### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

### 3.7 Share capital

Ordinary share capital is 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.

### 3.8 Revenue

#### *Management fee*

Management fee income is derived from the management of a business trust and it is recognised when the service is rendered.

#### *Acquisition fee*

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.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Taxation

Tax expense comprises current and deferred tax. Current tax and deferred tax are 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.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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.

Current tax assets and liabilities are offset only if certain criteria are met.

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, unused 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.

### 3.10 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The Company is in the process of assessing the impact of the new SFRS(I)s, interpretations and amendments to new SFRS(I)s on its financial statements.

## 4. REVENUE

	2021 \$'000	2020 \$'000
Management fee	80	54

Revenue is derived from a related entity.

The Company generates fee income from providing property fund management services and it is recognised when services are provided. Payment is due on delivery of the services.

## Notes to the Financial Statements

For the year ended 30 September 2021

### 5. COSTS AND EXPENSES

	2021 \$'000	2020 \$'000
Included in costs and expenses:		
Administrative expenses		
- Professional fees	(5)	(4)
- Other administrative costs	-*	(1)
	(5)	(5)
Other operating costs		
- Amortisation of intangible asset	(2)	(2)
	(7)	(7)

\* Denotes amount less than \$1,000

### 6. TAXATION

	2021 \$'000	2020 \$'000
Current tax expense		
- Current year income tax	6	4
- Overprovision in prior year	-	(1)
	6	3

#### Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate is as follows:

	2021 \$'000	2020 \$'000
Profit before tax for the year	73	47
Tax at Singapore income tax rate of 17% (2020: 17%)	12	8
<b>Adjustments:</b>		
Non-deductible expenses	-*	-*
Effect of partial tax exemption	(6)	(4)
Overprovision in prior year	-	(1)
	6	3

\* Denotes amount less than \$1,000

### 7. INVESTMENT IN A SUBSIDIARY

	2021 \$'000	2020 \$'000
Unquoted shares, at cost	3	3

# Notes to the Financial Statements

For the year ended 30 September 2021

## 7. INVESTMENT IN A SUBSIDIARY (CONT'D)

Name of subsidiary	Country of incorporation	Principal activities	Effective equity held	
			2021 %	2020 %
Frasers Hospitality Japan Trust Management GK	Japan	Portfolio, asset and investment management	100	100

Consolidated financial statements have not been prepared as the Company is a wholly-owned subsidiary of Frasers Property, which prepares and publishes consolidated financial statements for public use. Frasers Property is a company incorporated in Singapore and its registered office is located at 438 Alexandra Road, #21-00 Alexandra Point, Singapore 119958.

## 8. INTANGIBLE ASSET

	Total \$'000
<u>Cost</u>	
At 1 October 2019, 30 September 2020 and 30 September 2021	18
<u>Accumulated Amortisation</u>	
At 1 October 2019	(4)
Charge for the year	(2)
At 30 September 2020 and 1 October 2020	(6)
Charge for the year	(2)
At 30 September 2021	(8)
<u>Net Book Value</u>	
At 1 October 2019	14
At 30 September 2020	12
At 30 September 2021	10

## 9. OTHER RECEIVABLES

	2021 \$'000	2020 \$'000
Accrued management fee	47	35

## 10. OTHER PAYABLES

	2021 \$'000	2020 \$'000
Accruals	7	6

# Notes to the Financial Statements

For the year ended 30 September 2021

## 11. SHARE CAPITAL

	2021 \$'000	2020 \$'000
<b>Fully paid ordinary shares</b>		
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.

## 12. 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*

None of the directors earned any directors' fees or other remuneration in respect of their appointments as directors of the Company during the current year and prior year. The directors are not paid directly by the Company but receive remuneration from the Company's immediate holding company or related corporation, in respect of their services to the larger group which includes the Company. No apportionment has been made as the services provided by these directors to the Company are incidental to their responsibilities to the larger group.

## 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. There is no exposure to market 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 policies and guidelines are adhered to.

### *(a) Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

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 30 September 2021 and 30 September 2020, the Company's exposure to credit risk arises primarily from other receivables and cash at bank. There is no impairment loss arising from these balances as the ECL is insignificant. Except as disclosed, the Company does not have significant exposure to credit risk.

Cash is placed with a bank, which is regulated and with sound credit rating.

# Notes to the Financial Statements

For the year ended 30 September 2021

## 13. FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting its 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 reporting date as presented in the Company's statement of financial position represent the contractual undiscounted cash flow due within one year.

## 14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### *Estimation of fair value*

#### *Non-derivative financial assets and liabilities*

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 defines capital as total shareholders' equity attributable to owners of the Company. 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.

The Company is not subject to externally imposed capital requirement.

## Statistics of Stapled Securityholders

### ISSUED AND FULLY PAID-UP STAPLED SECURITIES

As at 22 November 2021

1,926,073,869 Stapled Securities (voting rights: 1 vote per Stapled Security)

Market capitalisation of approximately SGD 953.4 million (based on closing price of SGD 0.495 per Stapled Security on 22 November 2021).

### 20 LARGEST STAPLED SECURITYHOLDERS

As at 22 November 2021

No.	Name	No. of Stapled Securities	%
1	DB Nominees (Singapore) Pte Ltd	721,936,283	37.48
2	Frasers Property Hospitality Trust Holdings Pte. Ltd.	466,618,417	24.23
3	DBS Nominees (Private) Limited	183,035,933	9.50
4	Citibank Nominees Singapore Pte Ltd	109,187,021	5.67
5	Raffles Nominees (Pte.) Limited	48,688,683	2.53
6	Frasers Hospitality Asset Management Pte. Ltd.	19,265,806	1.00
7	DBSN Services Pte. Ltd.	18,169,445	0.94
8	Meren Pte Ltd	14,004,800	0.73
9	UOB Kay Hian Private Limited	12,352,843	0.64
10	Frasers Hospitality Pte. Ltd.	11,668,847	0.61
11	HSBC (Singapore) Nominees Pte Ltd	11,596,808	0.60
12	United Overseas Bank Nominees (Private) Limited	10,094,296	0.52
13	OCBC Securities Private Limited	9,387,826	0.49
14	BNP Paribas Nominees Singapore Pte. Ltd.	7,411,360	0.38
15	Phillip Securities Pte Ltd	6,832,190	0.35
16	Maybank Kim Eng Securities Pte. Ltd.	6,033,643	0.31
17	CGS-CIMB Securities (Singapore) Pte. Ltd.	4,352,492	0.23
18	Jack Investment Pte Ltd	4,064,500	0.21
19	Soon Lee Heng Trading & Transportation Pte Ltd	3,709,000	0.19
20	ABN AMRO Clearing Bank N.V.	3,137,015	0.16
<b>TOTAL</b>		<b>1,671,547,208</b>	<b>86.77</b>

### DISTRIBUTION OF STAPLED SECURITYHOLDINGS

As at 22 November 2021

Size of Holdings	No. of Stapled Securityholders	%	No. of Stapled Securities	%
1 - 99	80	0.63	3,794	0.00
100 - 1,000	1,318	10.43	1,192,289	0.06
1,001 - 10,000	6,340	50.18	33,375,799	1.73
10,001 - 1,000,000	4,865	38.50	191,858,745	9.96
1,000,001 and above	33	0.26	1,699,643,242	88.25
<b>Total</b>	<b>12,636</b>	<b>100.00</b>	<b>1,926,073,869</b>	<b>100.00</b>

Country	No. of Stapled Securityholders	%	No. of Stapled Securities	%
Singapore	12,373	97.92	1,918,935,448	99.63
Malaysia	188	1.49	5,194,729	0.27
Others	75	0.59	1,943,692	0.10
<b>Total</b>	<b>12,636</b>	<b>100.00</b>	<b>1,926,073,869</b>	<b>100.00</b>

# Statistics of Stapled Securityholders

## SUBSTANTIAL STAPLED SECURITYHOLDERS

As at 22 November 2021

Substantial Stapled Securityholders	Direct Interest		Deemed Interest		Total	
	No. of Stapled Securities	%	No. of Stapled Securities	%	No. of Stapled Securities Held	%
Frasers Property Hospitality Trust Holdings Pte. Ltd.	466,618,417	24.23	-	-	466,618,417	24.23
Frasers Property Limited <sup>(1)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
Thai Beverage Public Company Limited <sup>(2)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
International Beverage Holdings Limited <sup>(3)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
InterBev Investment Limited <sup>(4)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
Siriwana Co., Ltd. <sup>(5)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
Maxtop Management Corp. <sup>(6)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
Risen Mark Enterprise Ltd. <sup>(7)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
Golden Capital (Singapore) Limited <sup>(8)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
MM Group Limited <sup>(9)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
TCC Assets Limited <sup>(10)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
Charoen Sirivadhanabhakdi <sup>(11)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
Khunying Wanna Sirivadhanabhakdi <sup>(12)</sup>	-	-	497,553,070	25.83	497,553,070	25.83
TCC Group Investments Limited	707,310,200	36.72	-	-	707,310,200	36.72
Atinant Bijananda <sup>(13)</sup>	-	-	707,310,200	36.72	707,310,200	36.72
Thapana Sirivadhanabhakdi <sup>(13)</sup>	-	-	707,310,200	36.72	707,310,200	36.72
Wallapa Traisorat <sup>(13)</sup>	-	-	707,310,200	36.72	707,310,200	36.72
Thapanee Techajareonviku <sup>(13)</sup>	-	-	707,310,200	36.72	707,310,200	36.72
Panote Sirivadhanabhakdi <sup>(13)</sup>	-	-	707,310,200	36.72	707,310,200	36.72

### Notes:

- <sup>(1)</sup> Frasers Property Limited ("**Frasers Property**") holds a 100% direct interest in each of Frasers Hospitality Asset Management Pte. Ltd. ("**FHAM**"), Frasers Hospitality Pte. Ltd. ("**FHPL**") and Frasers Property Hospitality Trust Holdings Pte. Ltd. ("**FPHTH**"); and each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT. Frasers Property therefore has a deemed interest in the Stapled Securities in FHT in which each of FHAM, FHPL and FPHTH has an interest, by virtue of Section 4 of the Securities and Futures Act (Chapter 289 of Singapore) ("**SFA**").
- <sup>(2)</sup> 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 Frasers Property;
  - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- ThaiBev therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(3)</sup> IBHL holds a 100% direct interest in IBIL;
- IBIL holds a greater than 20% interest in Frasers Property;
  - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- IBHL therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(4)</sup> IBIL holds a greater than 20% interest in Frasers Property;
- Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- IBIL therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(5)</sup> Siriwana Co., Ltd. ("**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 Frasers Property;
  - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - FHAM, FHPL and FPHTH hold Stapled Securities in FHT.
- SCL therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(6)</sup> Maxtop Management Corp. ("**MMC**") together with Risen Mark Enterprise Ltd. ("**RM**") and Golden Capital (Singapore) Limited ("**GC**") collectively hold 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 Frasers Property;
  - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- MMC therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.

## Statistics of Stapled Securityholders

- <sup>(7)</sup> RM together with MMC and GC collectively hold 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 Frasers Property;
  - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- RM therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(8)</sup> GC together with MMC and RM collectively hold 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 Frasers Property;
  - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- GC therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(9)</sup> MM Group Limited ("**MM**") holds a 100% direct interest in each of MMC, RM and GC;
- MMC, RM and GC collectively hold 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 Frasers Property;
  - Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- MM therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(10)</sup> TCC Assets Limited ("**TCCA**") holds a majority interest in Frasers Property;
- Frasers Property holds a 100% direct interest in each of FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- TCCA therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(11)</sup> 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 Frasers Property;
  - Frasers Property holds a 100% direct interest in FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- Charoen Sirivadhanabhakdi therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(12)</sup> 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 Frasers Property;
  - Frasers Property holds a 100% direct interest in FHAM, FHPL and FPHTH; and
  - Each of FHAM, FHPL and FPHTH holds Stapled Securities in FHT.
- Khunying Wanna Sirivadhanabhakdi therefore has a deemed interest in the Stapled Securities in FHT in which Frasers Property has an interest, by virtue of Section 4 of the SFA.
- <sup>(13)</sup> 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 ("**TCCGI**");
- TCCGI 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 TCCGI has an interest, by virtue of Section 4 of the SFA.

### STAPLED SECURITYHOLDINGS OF DIRECTORS OF THE MANAGERS

As at 21 October 2021

Name of Director	No. of Stapled Securities Held	
	Direct Interest	Deemed Interest
Mr Law Song Keng	549,900	-
Mr Panote Sirivadhanabhakdi	-	707,310,200

### FREE FLOAT

Based on information made available to the Managers as at 22 November 2021, approximately 37% of the Stapled Securities in FHT 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 2020 to 30 September 2021 ("FY2021") 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	Nature of relationship	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
<b>Frasers Hospitality Asset Management Pte. Ltd.</b>	REIT Manager of FH-REIT		
- Management fees paid and payable <sup>1</sup>		(4,521)	-
- Reimbursement of expenses paid on behalf of FH-REIT		(1)	-
- Servicer fees paid and payable		(117)	-
<b>Frasers Hospitality Trust Management Pte. Ltd.</b>	Trustee-Manager of FH-BT		
- Management fees paid and payable <sup>1</sup>		(80)	-
<b>FHT Australia Management Pty Ltd</b>	MIT Manager of FHT Australia Trust		
- Management fees paid and payable <sup>1</sup>		(3,365)	-
<b>Frasers Hospitality Pte. Ltd.</b>	Operator of Fraser Suites Singapore and Fraser Suites Sydney		
- Management, marketing and trademark licence fees paid and payable <sup>1</sup>		(1,526)	-
<b>Frasers Hospitality UK Ltd.</b>	Operator of Fraser Place Canary Wharf London, Fraser Suites Queens Gate London, Fraser Suites Edinburgh and Fraser Suites Glasgow		
- Management, marketing and trademark licence fees paid and payable <sup>1</sup>		(682)	-
<b>BCH Hotel Investment Pte. Ltd.</b>	Master Lessee of InterContinental Singapore		
- Rental income from InterContinental Singapore <sup>2</sup>		8,000	-
<b>River Valley Apartments Pte. Ltd.</b>	Master Lessee of Fraser Suites Singapore		
- Rental income from Fraser Suites Singapore <sup>2</sup>		7,731	-

## Interested Person Transactions

Names of Interested Persons	Nature of relationship	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
<b>Fairdace Limited</b> - Rental income from Fraser Place Canary Wharf <sup>2</sup> - Rental income from Fraser Suites Glasgow <sup>2</sup>	Master Lessee of Fraser Place Canary Wharf London and Fraser Suites Glasgow	2,571 735	- -
<b>39QGG Management Limited</b> - Rental income from Fraser Suites Queens Gate <sup>2</sup>	Master Lessee of Fraser Suites Queens Gate London	3,305	-
<b>P I Hotel Management Limited</b> - Rental income from ibis Styles London Gloucester Road <sup>2</sup> - Rental income from Park International London <sup>2</sup>	Master Lessee of Park International London and ibis Styles London Gloucester Road	1,102 2,387	- -
<b>Frasers (St. Giles Street) Management Limited</b> - Rental income from Fraser Suites Edinburgh <sup>2</sup>	Master Lessee of Fraser Suites Edinburgh	918	-
<b>Frasers Town Hall Residences Operations Pty Ltd</b> - Rental income from Fraser Suites Sydney <sup>2</sup> - Reimbursement of expenses paid on behalf of FH-REIT	Master Lessee of Fraser Suites Sydney	4,216 (553)	- -
<b>Frasers Town Hall Land Pty Ltd</b> - Reimbursement of expenses paid on behalf of FH-REIT	Wholly-owned subsidiary of Frasers Property	(855)	-
<b>Frasers Sydney ML Hotel Pty Ltd</b> - Rental income from Novotel Sydney Darling Square <sup>2</sup> - Reimbursement of expenses paid on behalf of FH-REIT	Master Lessee of Novotel Sydney Darling Square	2,509 (17)	- -
<b>JBB Hotels Sdn Bhd</b> - Rental income from The Westin Kuala Lumpur <sup>2</sup> - Reimbursement of expenses paid on behalf of FH-REIT	Master Lessee of The Westin Kuala Lumpur	4,806 (59)	- -
<b>K.K. Shinkobe Holding</b> - Rental income from ANA Crowne Plaza Kobe <sup>2</sup>	Master Lessee of ANA Crowne Plaza Kobe (Hotel)	7,457	-

## Interested Person Transactions

Names of Interested Persons	Nature of relationship	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
<b>Y.K. Toranomom Properties</b> - Rental income from ANA Crowne Plaza Kobe <sup>2</sup> - Reimbursement of expenses paid on behalf of FH-REIT	Master Lessee of ANA Crowne Plaza Kobe (Retail)	2,012 (987)	-
<b>Ananke Holdings Pty Ltd</b> - Rental income from Sofitel Sydney Wentworth <sup>2</sup> - Reimbursement of expenses paid on behalf of FH-REIT	Master Lessee of Sofitel Sydney Wentworth	11,868 (265)	-
<b>Frasers Hospitality Australia Pty Ltd</b> - Reimbursement of expenses paid on behalf of FH-REIT	Wholly-owned subsidiary of Frasers Property	(1,252)	-
<b>Frasers Property Corporate Services Pte. Ltd.</b> - Reimbursement of expenses paid on behalf of FH-REIT	Wholly-owned subsidiary of Frasers Property	(162)	-
<b>Frasers Property Advisory (Europe) B.V.</b> - Corporate services fees paid and payable - Reimbursement of expenses paid on behalf of FH-REIT	Wholly-owned subsidiary of Frasers Property	(49) (52)	-
<b>Frasers Property AHL Limited</b> - Reimbursement of expenses paid on behalf of FH-REIT	Wholly-owned subsidiary of Frasers Property	(70)	-
<b>Frasers Property Limited</b> - Reimbursement of expenses paid on behalf of FH-REIT	Controlling Shareholder of the Manager and Controlling Stapled Securityholder	(17)	-
<b>Perpetual (Asia) Limited</b> - Trustee's fees	Trustee of FH-REIT	(285)	-
<b>The Trust Company (Australia) Limited</b> - Trustee's fees	MIT Trustee of FHT Australia Trust and its sub-trusts	(118)	-

## Interested Person Transactions

Please also refer to Note 23 'Significant related party transactions' in FHT's financial statements.

Management fees, servicer fees and Trustee's fees payable to Frasers Hospitality Asset Management Pte. Ltd. (also referred to as "REIT Manager"), Frasers Hospitality Trust Management Pte. Ltd. (also referred to as "Trustee-Manager"), FHT Australia Management Pty Ltd (also referred to as "MIT Manager"), Frasers Hospitality Pte. Ltd. ("FHPL"), Frasers Hospitality UK Ltd. ("FHUK") and Trustee's fees payable to Perpetual (Asia) Limited 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 FH-BT Trust Deed dated 20 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, Trustee-Manager management fees and MIT management fees to the REIT Manager, the Trustee-Manager and the MIT Manager and serviced residence management fees to FHPL in FY2021 is as follows:

	Issue date	Number of Stapled Security Units issued	Value \$'000
<b>Frasers Hospitality Asset Management Pte. Ltd.</b>			
Base fees for the period from 1 April 2020 to 30 June 2020	4 Nov 2020	2,581,596	1,238
Base fees for the period from 1 July 2020 to 30 September 2020 partially paid in units	4 Nov 2020	328,454	141
<b>Frasers Hospitality Trust Management Pte. Ltd.</b>			
Base fees for the period from 1 April 2020 to 30 June 2020	4 Nov 2020	15,881	8
<b>FHT Australia Management Pty Ltd</b>			
Base fees for the period from 1 April 2020 to 30 June 2020	4 Nov 2020	1,144,135	548
<b>Frasers Hospitality Pte. Ltd.</b>			
Base fees for the period from 1 April 2020 to 30 June 2020	4 Nov 2020	760,776	365

Frasers Property Hospitality Trust Holdings Pte. Ltd. ("Frasers Property Hospitality Trust Holdings"), a wholly-owned subsidiary of Frasers Property Limited, has been nominated by the REIT Manager to receive 2,910,050 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 Frasers Property Hospitality Trust Holdings dated 5 May 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings had paid the REIT Manager approximately SGD 1.4 million being an amount equal to the aggregate issue price of such Stapled Securities.

Frasers Property Hospitality Trust Holdings has been nominated by the Trustee-Manager to receive 15,881 Stapled Securities which the Trustee-Manager is entitled to receive as payment of its fees and pursuant to the nomination agreement between the Trustee-Manager and Frasers Property Hospitality Trust Holdings dated 30 December 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings had paid the Trustee-Manager approximately SGD 8,000 being an amount equal to the aggregate issue price of such Stapled Securities.

Frasers Property Hospitality Trust Holdings has been nominated by the MIT Manager to receive 1,144,135 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 Frasers Property Hospitality Trust Holdings dated 5 May 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings had paid the MIT Manager approximately SGD 0.5 million being an amount equal to the aggregate issue price of such Stapled Securities.

Frasers Property Hospitality Trust Holdings has been nominated by the FHPL to receive 760,776 Stapled Securities which FHPL is entitled to receive as payment of its fees and pursuant to the nomination agreement between FHPL and Frasers Property Hospitality Trust Holdings dated 5 May 2016. In connection with such nomination, Frasers Property Hospitality Trust Holdings had paid FHPL approximately SGD 0.4 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).

## Glossary

Abbreviation/Short Form	Term
<b>ADR</b>	Average Daily Rate
<b>AGM</b>	Annual General Meeting
<b>AR2021</b>	Annual Report 2021
<b>ARCC</b>	Audit, Risk and Compliance Committee
<b>BCM</b>	Business Continuity Management
<b>BCP</b>	Business Continuity Plan
<b>BTA</b>	Business Trusts Act
<b>CAGR</b>	Compound Annual Growth Rate
<b>CBD</b>	Central Business District
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CG Code</b>	Code of Corporate Governance 2018
<b>Chairman</b>	The Chairman of the Board
<b>CIS Code</b>	Code on Collective Investment Schemes
<b>Company Secretary</b>	The Company Secretary of the Managers
<b>Corporate Guarantors</b>	Frasers Property and TCC Land International Limited
<b>DI</b>	Distributable Income Attributable to Stapled Securityholders
<b>Directors</b>	All directors of the REIT Manager and the Trustee-Manager
<b>DPS</b>	Distribution per Stapled Security
<b>ERM</b>	Enterprise-wide Risk Management
<b>ESG</b>	Environmental, Social and Governance
<b>FF&amp;E</b>	Furniture, Fixtures and Equipment
<b>FH-BT</b>	Frasers Hospitality Business Trust
<b>FH-REIT</b>	Frasers Hospitality Real Estate Investment Trust
<b>FHT</b>	Frasers Hospitality Trust
<b>Frasers Property, FPL or the Sponsor</b>	Frasers Property Limited
<b>Frasers Property Group or the Group</b>	Frasers Property and its subsidiaries
<b>FY</b>	Financial Year Ended 30 September
<b>GOP</b>	Gross Operating Profit
<b>GOR</b>	Gross Operating Revenue
<b>GR</b>	Gross Revenue
<b>GRESB</b>	Global Real Estate Sustainability Benchmark
<b>GRI</b>	Global Reporting Initiative
<b>IR</b>	Investor Relations
<b>IT</b>	Information Technology
<b>Key Management Personnel</b>	Senior Management comprising the CEO and the CFO of the Managers
<b>KL</b>	Kuala Lumpur
<b>KPIs</b>	Key Performance Indicators
<b>KRIs</b>	Key Risk Indicators
<b>MAS</b>	Monetary Authority of Singapore
<b>MCO</b>	Movement Control Order

## Glossary

Abbreviation/Short Form	Term
<b>MICE</b>	Meetings, Incentives, Conferences and Exhibitions
<b>MOA</b>	Manual of Authority
<b>Moody's</b>	Moody's Investor Service
<b>NPI</b>	Net Property Income
<b>NRC</b>	Nominating and Remuneration Committee
<b>NSW</b>	New South Wales
<b>QoQ</b>	Quarter-on-Quarter
<b>RAP</b>	Recommended Accounting Practice
<b>REIT Trustee</b>	Trustee of FH-REIT or Perpetual (Asia) Limited
<b>RCF</b>	Revolving Credit Facility
<b>RevPAR</b>	Revenue per available room
<b>REITAS</b>	REIT Association of Singapore
<b>ROU</b>	Right-of-Use
<b>RSSP</b>	Restricted Stapled Securities Plan
<b>Stapled Securities</b>	Stapled Securities of FHT
<b>Stapled Securityholders</b>	Holder of FHT's Stapled Securities
<b>SFA</b>	Securities and Futures Act
<b>SFLCB</b>	Securities and Futures (Licensing and Conduct of Business)
<b>SGX-ST</b>	Singapore Exchange Securities Trading Limited
<b>SID</b>	Singapore Institute of Directors
<b>SPVs</b>	Special Purpose Vehicles
<b>SREITs</b>	Singapore Real Estate Investment Trusts
<b>SSC</b>	Sustainability Steering Committee
<b>STB</b>	Singapore Tourism Board
<b>STI Plans</b>	Short-term Incentive Plans
<b>TAFEP</b>	Tripartite Alliance for Fair and Progressive Employment Practices
<b>The Board</b>	Board of Directors of FH-REIT and FH-BT
<b>The Management</b>	The Management of the Managers
<b>The Managers</b>	The REIT Manager and the Trustee-Manager
<b>The REIT Manager</b>	REIT Manager of FH-REIT or Frasers Hospitality Asset Management Pte. Ltd.
<b>The Trustee-Manager</b>	Trustee-Manager of FH-BT or Frasers Hospitality Trust Management Pte. Ltd.
<b>Trust Deeds</b>	FH-REIT Trust Deed, FH-BT Trust Deed and the Stapling Deed
<b>UK</b>	United Kingdom
<b>UNSDGs</b>	United Nations Sustainable Development Goals
<b>UNWTO</b>	World Tourism Organization
<b>WALE</b>	Weighted Average Lease Expiry
<b>YE</b>	Year Ended
<b>YoY</b>	Year-on-Year
<b>YTD</b>	Year-to-Date

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**FRASERS HOSPITALITY ASSET MANAGEMENT PTE. LTD.**

As REIT 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

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