

FRASERS CENTREPOINT TRUST

(Constituted in the Republic of Singapore pursuant to a trust deed dated 5 June 2006 (as amended, restated and supplemented))

ANNUAL GENERAL MEETING TO BE HELD ON 18 JANUARY 2022

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS AND QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

Fraser's Centrepoint Asset Management Ltd., as manager (the "**Manager**") of Fraser's Centrepoint Trust ("**FCT**") refers to its announcement dated 12 January 2022 (the "**Initial Announcement**") on its responses to substantial and relevant questions received from the unitholders of FCT (the "**Unitholders**").

Further to the Initial Announcement, the Manager has received substantial and relevant questions from another Unitholder and certain questions from the Securities Investors Association (Singapore) ("**SIAS**").

The Manager has made minor editorial amendments to some of the questions to ensure that the meaning of each of the questions is clear. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions.

Please refer to Annex A for the list of substantial and relevant questions from the Unitholder, the Manager's responses thereto, as well as the Manager's responses to the questions from SIAS.

BY ORDER OF THE BOARD

Fraser's Centrepoint Asset Management Ltd.

As manager of Fraser's Centrepoint Trust
Company Registration No: 200601347G

Catherine Yeo
Company Secretary
14 January 2022

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Important Notice

The value of the units in FCT (the "**Units**") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by the Manager, or any of its affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders of FCT may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of FCT is not necessarily indicative of the future performance of FCT.

Section 1: Responses to the substantial and relevant questions from a Unitholder

1. I note that from the article, Filmgarde Cineplexes (“Filmgarde”) will vacate its space at Century Square very soon (reference: <https://www.channelnewsasia.com/singapore/filmgarde-cineplexes-shut-2-cinemas-singapore-2427921>). Filmgarde accounts for 3.1% of the GRI of Century Square. Hence, I would like to ask the following questions:
 - i. Is Filmgarde current with its rental payments?
 - ii. Did Filmgarde default on any of its rental payments?
 - iii. Is the space occupied by Filmgarde specially catered for cinema operations?
 - iv. Would it be difficult/cumbersome to reconfigure the space for other (non-cinema) purposes?
 - v. Have FCT started sourcing for replacement tenants for the space soon to be vacated by Filmgarde?
 - vi. What are FCT's plans for the space soon to be vacated by Filmgarde?

We had been working closely with Filmgarde at Century Square as the Covid-19 situation unfolds over the past two years. This includes rendering of various support to ensure the sustainability of their business impacted by the safe-distancing capacity limits. Whilst regrettable, we respect Filmgarde's strategic decision to consolidate their Singapore business and will continue to engage with them on their plans at Century Square. Our team had been seeking indication of leasing interest from alternative players in the market. There is opportunity to convert the cinema space to alternative and potentially higher yielding retail use. This is subject to feasibilities.

Section 2: Responses to the questions from SIAS

1. In the financial year ended 30 September 2021, the REIT completed the acquisition of the remaining 63.11% interest in AsiaRetail Fund Limited, and added five retail properties (namely Tampines 1, Century Square, Tiong Bahru Plaza, White Sands, Hougang Mall) and one office property Central Plaza to the REIT's property portfolio.

The REIT also divested three retail properties, Bedok Point, Anchorpoint and YewTee Point, in line with FCT's strategy of portfolio re-constitution.

After the portfolio re-constitution, the portfolio comprises nine retail properties: Causeway Point, Northpoint City North Wing (including Yishun 10 Retail Podium), Changi City Point, Tampines 1, Tiong Bahru Plaza, Century Square, Hougang Mall, White Sands and Waterway Point (40%-owned by FCT) and one office property Central Plaza.

- i. Have the newly acquired ARF properties performed up to management's expectations?

The performance of the ARF properties is in line with Manager's expectations. We refer to our most recent financial results for the year ended 30 September 2021, which is available on FCT's website. The table below shows the comparison of the occupancy of the ARF properties from before the acquisition (disclosed in the Circular dated 3 September 2020, available from FCT's website) and as at 30 September 2021, being the end of FY2021. Tampines 1, Tiong Bahru Plaza and Hougang Mall registered higher occupancy.

Properties	Committed Occupancy		Remarks
	30 June 2020 (before acquisition) *	30 September 2021 (most recent)	
Tampines 1	91.9%	97.1%	Improved
Tiong Bahru Plaza	97.4%	98.3%	Improved
Century Square	96.7%	91.8%	See Comments
Hougang Mall	95.5%	97.8%	Improved
White Sands	97.7%	95.4%	See Comments
Central Plaza (office)	94.3%	91.8%	See Comments

* As disclosed in the Circular to Unitholders dated 3 September 2020, available from FCT's corporate website at: <https://fct.frasersproperty.com/misc/Circular-to-Unitholders-dated-3-September-2020.pdf>

Comments:

In the case of Century Square, the mall underwent its bulk lease expiry in 2021 (being three years after the completion of its asset enhancement in 2018), where a significant proportion of the property's leases had expired in the second half of FY2021. Despite the timing of the lumpy lease expiries which coincided with the periods of heightened restrictions, committed occupancy was 91.8% as at end of FY2021.

A portion of the asset included trades that were operating at unsustainable levels with lower sales productivity at the time of acquisition. FCT has taken the opportunity during this bulk expiry to actively replace them with brands that were able to generate higher sales. The focus on refreshing the retail offering and the consequent churn created leasing downtime. However, we are happy to share that the sales productivity of Century Square has improved compared to FY2020.

Since 4QFY21, popular F&B brands have opened at Century Square. On the upper floors, shoppers would have noticed that a new Chinese supermarket brand has announced their opening in February 2022. We have also signed up new tenants in categories such as enrichment, sports apparel and beauty services which would be opening in the subsequent months.

The occupancies of White Sands and Central Plaza were lower, but this was mainly transitional due to tenant changeover and tenant mix refreshing.

There is no year-on-year comparison for financial performance in FY2021 as the ARF acquisition was completed on 27 October 2020, which is during FY2021.

ii. Can the manager confirm that the REIT is not looking to divest any more assets in the near term following the completion of its “portfolio reconstitution”?

We will act in the best interests of FCT and its unitholders in evaluating options. A divestment would be considered if it is in line with our proactive portfolio management strategy to unlock value and re-deploy capital to higher yielding assets.

iii. With 35.6% of the leases by gross rental income due to expire in FY2022, the manager has stated that the market uncertainties will be expected to exert pressure on rents for both new and renewal leases. The manager has adopted a targeted approach in its lease negotiation which could include concessionary rents for an initial short period of time. What are the other strategies by the manager to maintain/increase the rental income other than giving concessionary rents? With changes to consumption patterns and trends caused by COVID-19, how sustainable are the rental yields of the portfolio, especially the newly acquired assets? The average rental reversion for the retail portfolio in FY2021 was -0.6%, based on the variance between the rent in the first year of the incoming lease and

the rent in the final year of the outgoing lease (page 24 – Operations review). Does the manager expect negative rental reversion as a result of its “targeted approach”?

The assistance scheme we provide to our tenants comprises much more than just giving rental rebates or concessionary rents. The scheme encompasses marketing and promotion initiatives on our Frasers Experience loyalty program to draw shopper traffic to the malls to help increase tenants’ sales; waiver of onboarding fee to our online retail platforms Frasers eStore and Makan Master platforms; free delivery to both tenants and shoppers for all orders placed through Frasers Makan Master and 30-minute grace period for parking at Frasers retail malls which benefits shoppers and delivery service providers for quick order pick-ups. More importantly, we strive to provide our tenants and shoppers with safe and hygienic premises and facilities for them to carry out their retail business and to enjoy their shopping / dining experience respectively.

Through the waiver of onboarding fees on our online retail platforms and our partnership with third party logistics partners, we help our tenants pivot to omnichannel retailing, which expands their ability to take and fulfil online orders to make up for lost physical store sales due to the constraints from the safe management measures and COVID-19 situation. All these efforts have helped our tenants to recover from the impact of the pandemic and in turn, help FCT to keep occupancy and rental reversions stable.

We believe that with the stabilisation of the COVID-19 situation in Singapore and the gradual easing of the restrictions, retail sales should continue to recover, and this will in turn ease the pressure on the leasing market.

- iv. The contribution of F&B by net lettable area and gross rental income was 27.7% and 34.1% in FY2016. In FY2021, the figures are 29.1% and 37.8% respectively. Can the manager help unitholders understand if it is increasingly reliant on the F&B sector? Given how the pandemic has affected dining-in and accelerated the adoption of delivery services, how sustainable is the reliance on the F&B sector?**

The F&B sector has always been an important and significant contributor to FCT’s gross rental income and in its tenant mix. FCT’s F&B trade comprises family restaurants, food courts, cafes, fast food and takeaways. These offerings serve predominantly the mass market comprising families and commuters. We refresh our tenant mix in the F&B as consumer preference and dining habits evolve, by introducing certain new dining concepts (for example specialty pancakes and French roast chicken) to ensure our offering remain competitive and relevant to our consumers. The contribution of F&B is significant in our total gross rental income and net lettable space and is likely to remain this way in the foreseeable future, it is underpinned by consumer demand. We will continue to adopt proactive lease and asset management to ensure FCT’s retail portfolio properties remain competitive and relevant to our consumers.

During the pandemic, we expanded our Makan Master digital F&B concierge app on our Frasers Experience platform, where we have onboarded more than 50% of our total number of F&B brands. The sales on Makan Master grew seven-fold since its launch in April 2020 and the average order size has doubled in the same period. The close proximity of our malls to homes is a competitive advantage to cut delivery time compared to a central kitchen and it also offers consumers an additional option for self-pick up. Makan Master also allows consumers to mix and match orders from up to three different F&B outlets within the same mall in one delivery, which gives consumers more options and savings on delivery fees and delivery time. Our F&B tenants are able to tap on both the dine-in customers and the online orders via the Makan Master platform to capture more sales as compared to just dine-in customers previously. We believe this change has enabled our F&B tenants to continue to grow their businesses and for FCT, this underpins the stability of F&B in its tenant mix. However, F&B is a competitive sector, and we will continue to manage the operations of FCT's malls to deliver healthy performance.

- v. **The trust experienced a negative rental reversion of -0.6% for FY2021, predominantly driven by Changi City Point (-9.8%), Century Square (-2.8%), and Tampines 1 (-0.1%), with perceivably lower occupancy rates than the group's average. Are the negative rental reversion and lower occupancy a result of the malls' concentration and/or competition in the Eastern region?**

Changi City Point's performance was significantly affected by the working population of Changi Business Park mostly working from home and the absence of the crowds to Singapore Expo. This has in turn affected the tenants' sales and has therefore weakened the rent performance of the mall in general.

Century Square's lower occupancy is due to the lumpy lease expiries and the transition time between tenant changeover as described in the response to question 1(i). The reason for the lower occupancy at Tampines 1 is also due to transitional downtime due to tenancy changeover and fitting out.

- vi. **In addition, as at 30 September 2021, the REIT has hedged 56% of its debt to fixed rate interest. Can the board/manager elaborate further on its capital management strategy, including its view on interest rates?**

We adopt a prudent capital management strategy in managing FCT's gearing, interest rate risk exposure, liquidity and debt maturity profile among other things. Further details are provided in the Capital Resources and Risk Management sections of the Annual Report 2021 on page 36 and page 77, respectively. While we proactively manage FCT's interest risk exposure through adopting appropriate hedging strategy (our policy is to hedge at least 50% of its borrowings to fixed interest rate debts), we do not speculate on the future movement of interest rates.

2. The REIT's business objectives and growth strategies can be found on page 4 of the annual report. The three growth drivers are:

- Acquisition growth;
- Enhancement growth; and
- Organic growth

Over the past 3 years, the REIT has embarked on an acquisition strategy which saw its total assets more than double in three years (FY2018: \$2.84 billion; FY2021: \$5.90 billion).

i. While total assets more than doubled to \$5.90 billion since FY2016, DPU increased by 2.8% from 11.76 cents to 12.085 cents per unit. In addition, the asset management fees for the manager increased from \$14.2 million (\$7.7 million in base fee, \$6.5 million in performance fee) in FY2016 to \$32.4 million (\$18.9 million in base fee, \$13.5 million in performance fee) in FY2021. The increase in asset management fees for the manager is 128% whereas DPU for unitholders increased by 2.8%. Can the manager elaborate further if the increase in the size of the REIT has benefitted unitholders substantially?

The asset management fee is stipulated clearly in FCT's trust deed (as amended, supplemented and restated) ("**Trust Deed**") and comprises the following:

(a) a base fee equal to a rate of 0.3% per annum of the value of Deposited Property (being all assets, as stipulated in the Trust Deed) of FCT and any Special Purpose Vehicles of the Group (as defined in the Trust Deed); and

(b) an annual performance fee equal to a rate of 5.0% per annum of the Net Property Income (as defined in the Trust Deed) of FCT and any Special Purpose Vehicles of the Group (as defined in the Trust Deed) for each financial year.

Any increase in the rate or any change in the structure of the asset management fees must be approved by an Extraordinary Resolution of unitholders passed at a unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

The asset management fee scales with the size of the portfolio, as with its complexity and resources required to manage the portfolio. As a REIT, growth by acquisition is one of the key engines of growth. FCT completed the acquisition of the 63.11% remaining interest in AsiaRetail Fund Limited (the "**ARF Acquisition**") on 27 October 2020. The ARF Acquisition contributed significantly to FCT's financial performance in FY2021. Gross revenue, net property income and distributable income for FY2021 more than doubled compared to FY2020 (see Chart 1).

The enlarged portfolio helps FCT achieve better economies of scale, diversification, enhances its competitiveness in the capital markets and strengthens its tenant base. Hence, investors need to evaluate the growth of FCT holistically, and not just by a singular metric.

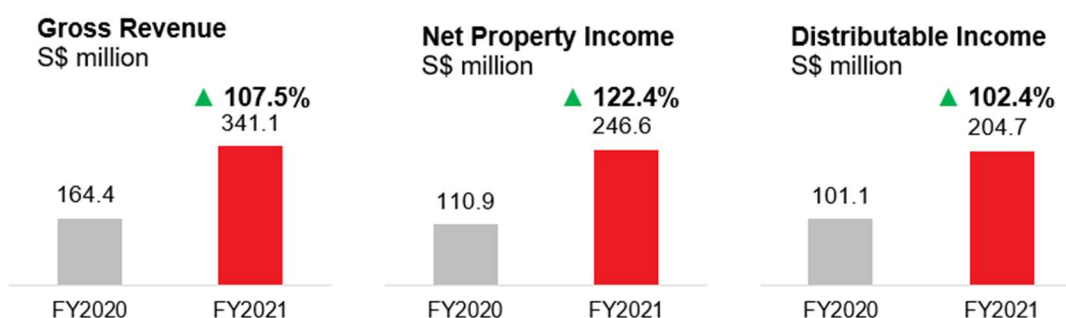


Chart 1: FCT's financial performance for FY2021 versus FY2020

FCT's objectives are to deliver regular and stable distributions to its unitholders and to achieve long-term growth in its net asset value. It has also demonstrated its prudent capital management by maintaining strong financial positions through the 15 years since its IPO through healthy gearing levels, low cost of borrowings, healthy interest coverage and robust risk management and corporate governance. Its track record of DPU and NAV in past years is outlined in the chart below. FCT has delivered higher DPU and NAV for its unitholders every year since FY07, except for FY2020 and FY2021 which were affected by the COVID-19 pandemic (see Chart 2). We believe this track record demonstrates how FCT has delivered long-term value to its unitholders.

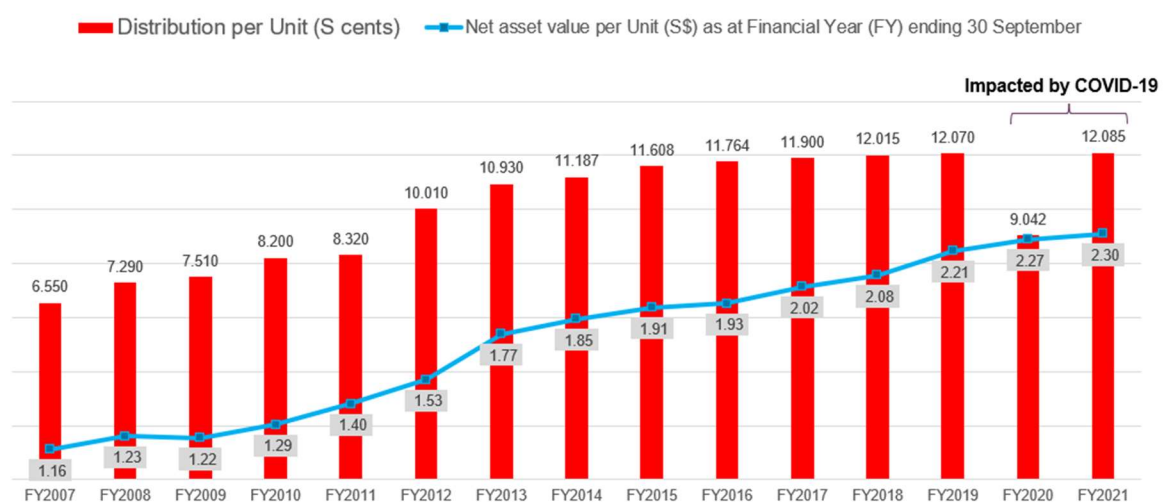


Chart 2: FCT's distribution per unit and Net asset value per unit by financial year (FY2007 – FY2021)

- ii. **Can the manager help unitholders recall the asset enhancement efforts carried out by the REIT in the past 3-5 years? What are the opportunities for further AEI by the manager to create value for unitholders?**

FCT completed the 18-month AEI at Northpoint City North Wing (formerly called Northpoint Shopping Centre) in end of September 2017. The key benefits of the AEI included the seamless integration with Northpoint City South Wing to form the largest retail mall in the north of Singapore with more than 500,000 square feet of retail space. The details of the AEI can be found in the past quarterly financial results announcements for 2QFY2016 ([link](#)) and 4QFY2017([link](#)).

In 2019, FCT completed the AEI at the basement of Causeway Point. The AEI involved reconfiguring the retail space at the basement of Causeway Point to link up with the Underpass Pedestrian Link (UPL) between Causeway Point and the neighboring Wood Square to provide shoppers and commuters with seamless passage between the two buildings and also to the Woodlands MRT station.

We evaluate asset enhancement opportunities for FCT portfolio properties from time to time and will carry out AEIs when the timing and conditions are appropriate.

- iii. **Has the board evaluated the REIT's performance in the past 3 years, especially as it carried out an aggressive acquisition strategy? If so, is it satisfied with the performance of the manager? (The REIT's performance is shown on page 10 of the annual report.)**

The investment opportunities presented to the board of the Manager are subject to a disciplined and rigorous appraisal process. All investment proposals are evaluated based on a comprehensive set of investment criteria including alignment with FCT's investment mandate, asset quality, expected returns, sustainability of asset performance and future growth potential, having due regard to market conditions and outlook.

The performance of the Manager is subject to regular quarterly reviews and annual appraisal by the board. In particular, the Corporate Governance Report (pages 128 to 131) of our Annual Report 2021 sets out details in respect of the performance indicators for key management personnel of the Manager, the Manager's remuneration policy and relevant disclosures.

3. **In October 2020, the REIT launched an equity fund raising comprising a private placement and a non-renounceable preferential offering to raise gross proceeds of approximately S\$1,334.7 million. Both the private placement and the preferential offering were priced at the bottom end of the indicative range, i.e. \$2.350 per private placement unit and \$2.340 per preferential offering unit. At the close of the preferential offering, valid acceptances and excess applications (excluding the sponsor group) amounted to 74.8% and 3.6%.**

- i. **Can the board, especially the independent directors, help unitholders understand the reasons for a non-renounceable preferential offering (versus a renounceable rights issue)? Unitholders who are unwilling or unable to apply for the non-renounceable preferential offering will experience dilution. Did the independent directors consider the impact on its minority unitholders?**

The non-renounceable preferential offering was part of the equity fundraising of which part of the proceeds was used to finance the ARF Acquisition (the other part being the private placement). Non-renounceable preferential offering was the preferred choice (versus renounceable preferential offering) as it was determined to be in the best interests of FCT and its unitholders.

All eligible unitholders can participate in the preferential offering and their interests are not diluted if they choose to participate and take up their entitlements offered to them. All relevant and material information relating to the preferential offerings are also made publicly available via SGXNET and on FCT's corporate website to enable unitholders to make informed decisions. We had also reached out to SIAS to hold a webcast forum for us to address retail unitholders' questions in relation to the proposed ARF Acquisition (for which part of the proceeds of the equity fundraising was used).

- ii. **In addition, has the manager carried out a review to understand the reasons for the low valid acceptances to the preferential offering? Without the sponsor's support, the preferential offering would have only garnered 78.4% support from unitholders.**

There was significant market volatility and the concerns on the impact of COVID-19 measures on businesses and the economy during the period between the announcement of the non-renounceable preferential offering and the closing date of the offer. FCT's unit price was also affected and traded at or around the preferential offer price of S\$2.34 per unit. We believe this affected the unitholders' decisions (other than Frasers Property Limited (the "**Sponsor**")) to take up their allocation of the preferential units. The Sponsor gave their irrevocable undertaking to subscribe for excess preferential units not taken up by other unitholders (see page 7, section 8 of the announcement dated 28 September 2020, [link](#)), and this demonstrated its strong support for FCT. We believe that, given the market environment and volatility during that period, the outcome of a fully subscribed preferential offering of that quantum was a good and reasonable one.

- iii. **In addition, did the manager also review its acquisition and fund-raising framework given the relatively low valid acceptance rate and the bookbuilding process that priced the private placement at the bottom end of the indicative range?**

The Manager, together with its financial advisers, reviews (and if necessary, improves) the frameworks employed by it (in relation to acquisitions, fund-raising or otherwise) periodically and at appropriate time to ensure that such frameworks are in line with the best interests of FCT and for its unitholders.

- iv. **The private placement units were issued on 7 October 2020 while the preferential offering units for unitholders were only issued on 27 October 2020. Has the board considered the potential disadvantage to then-existing unitholders given that the new preferential offering units were issued nearly 3 weeks after the issuance of the private placement units?**

This timeframe for FCT's preferential offering was in-line with market practice and in compliance with the regulatory framework prescribed by the authorities and regulators.

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