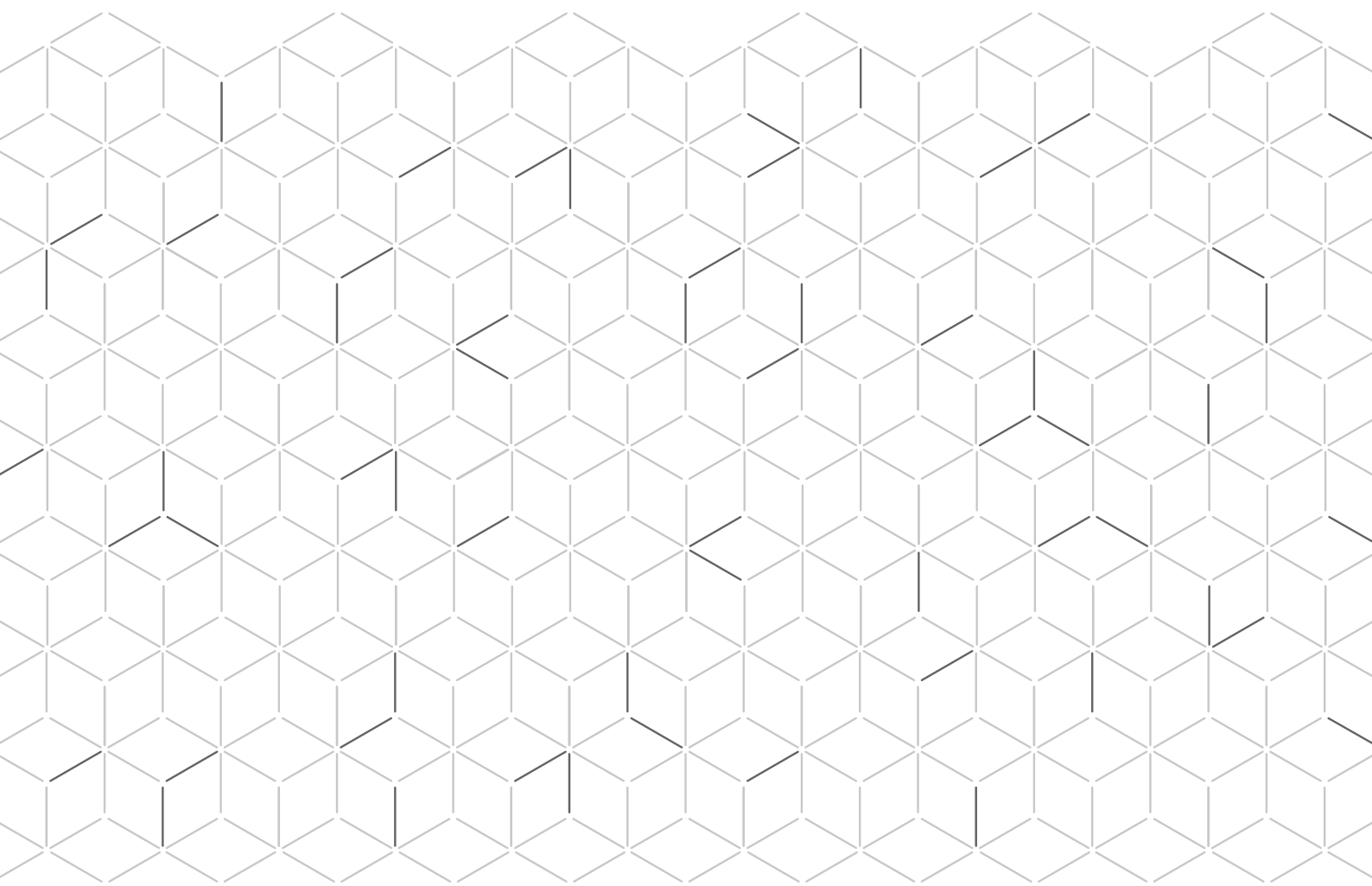


Forging Forward



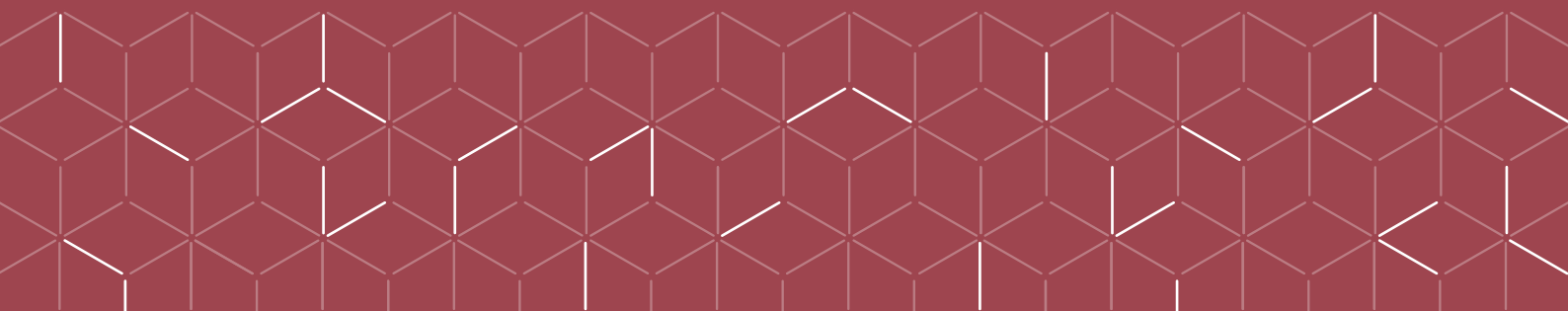
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Forging Forward

With each building block we assemble and put in place, we strengthen our core while remaining steadfast in our journey ahead through challenging times.

Forging forward with well-balanced investment and asset management strategies, we shall continue enhancing our portfolio's performance and embracing change to deliver sustainable returns to our Stapled Securityholders.



About Us

Far East Hospitality Trust (“Far East H-Trust”) is a Singapore-focused hotel and serviced residence hospitality trust listed on the Mainboard of Singapore Exchange Securities Trading Limited (“SGX-ST”).

It commenced trading on SGX-ST on 27 August 2012 (“Listing Date”). Far East H-Trust has a market capitalisation of approximately S\$1.44 billion and the largest diversified hospitality portfolio by asset value in Singapore as at 31 December 2019. Far East H-Trust comprises Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”) and Far East Hospitality Business Trust (“Far East H-BT”). Far East H-REIT is managed by FEO Hospitality Asset Management Pte. Ltd. (the “REIT Manager”) and Far East H-BT is managed by FEO Hospitality Trust Management Pte. Ltd. (the “Trustee-Manager”).

Far East H-REIT has a portfolio of 13 properties consisting of 9 hotels and 4 serviced residences. The assets are valued at about S\$2.65 billion as at 31 December 2019. In addition, Far East H-REIT has a 30.0% stake in a joint venture for the development of a hotel project located on Sentosa, which has officially opened and commenced operations in 2019.

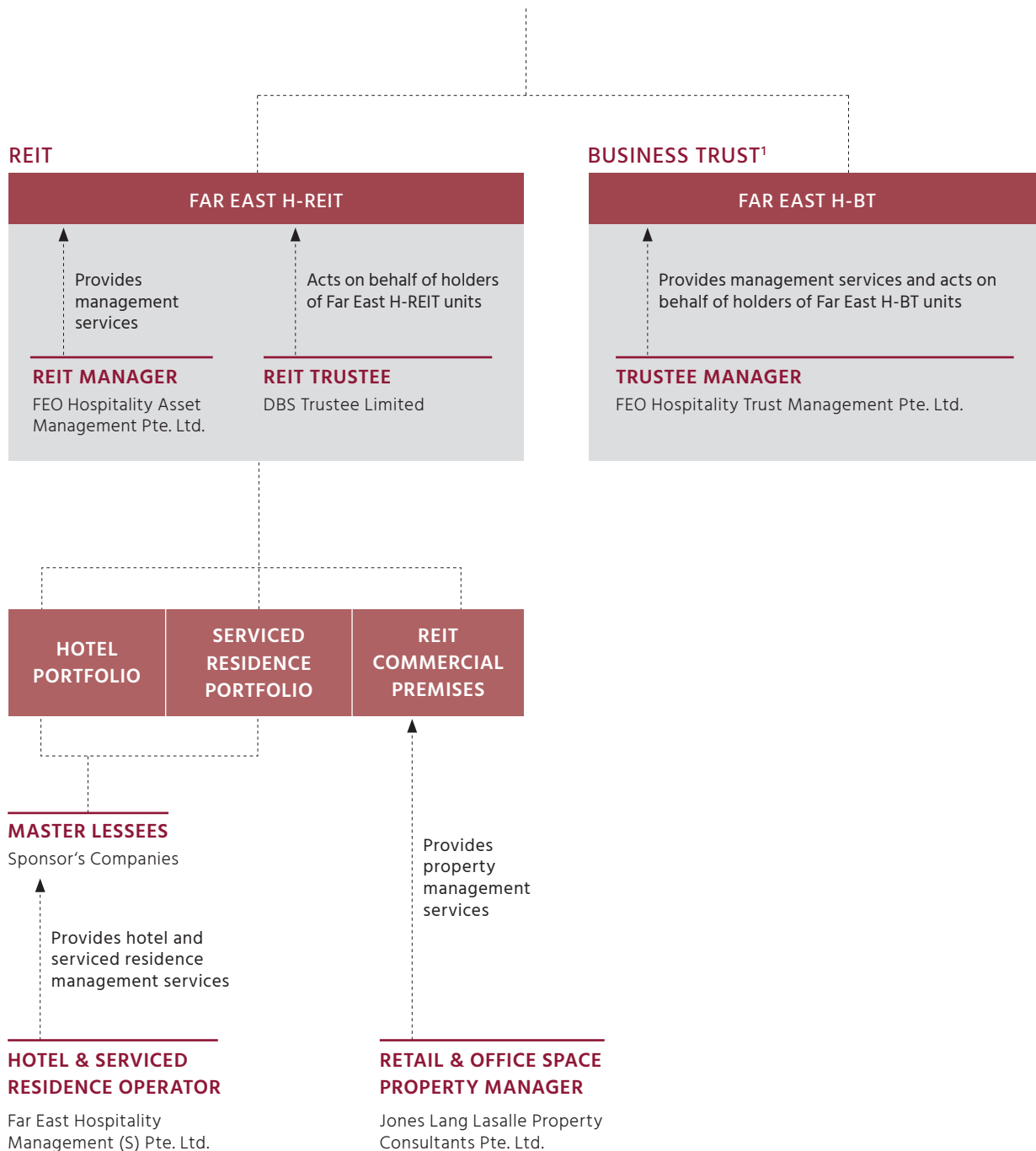
Far East H-REIT is established with the principal investment strategy of investing on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate, used primarily for hospitality and/or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets in connection to the foregoing.

Far East H-BT is established with a view to be appointed as a master lessee of last resort. It remains dormant as at the date of this report.

Oasia Hotel Downtown, Club Lounge



Our Structure



SPONSOR: Far East Organization group of companies
 PORTFOLIO: 13 properties consisting of 9 hotels and 4 serviced residences valued at approximately S\$2.65 billion

¹ Dormant since Listing Date. Serves as master lessee of last resort.

Financial Highlights

Gross Revenue
(S\$ million)

115.5

2019 ————— 115.5
2018 ————— 113.7

Net Property Income
(S\$ million)

104.3

2019 ————— 104.3
2018 ————— 102.8

Income Available for Distribution
(S\$ million)

73.9

2019 ————— 73.9
2018 ————— 75.4

Distribution Per Stapled Security
(Singapore cents)

3.81

2019 ————— 3.81
2018 ————— 4.00

Balance Sheet

	2019	2018
	S\$ million	S\$ million
Investment properties	2,645.7	2,633.5
Total assets	2,699.5	2,699.7
Total liabilities	1,018.3	1,052.1
Net assets	1,681.2	1,647.6

Financial Ratios

	2019	2018
Gearing ratio ¹	39.2%	40.1%
Interest cover ratio ²	3.1x	3.4x
Weighted average debt maturity	3.3 years	3.3 years
Net asset value per Stapled Security (Singapore cents)	86.2	87.6

Operating Expenses

	2019	2018
Total operating expenses ³	S\$25.3 million	S\$24.1 million
Total operating expenses as a percentage of net asset value	1.5%	1.5%

¹ Computed based on total borrowings as a percentage of deposited properties.

² Computed based on EBITDA over interest expense.

³ Comprising property expenses and trust expenses, including all fees paid/payable to Manager and interested parties.

Growth Strategies

The REIT Manager is committed to delivering long-term sustainable distribution growth through three key strategies.

Value-adding acquisitions

The REIT Manager actively pursues acquisition opportunities in the market that provide attractive cash flows and yields to enhance the returns to Stapled Securityholders to boost future income and capital growth.

Far East H-Trust currently has a strong acquisition pipeline of 7 properties, totalling 1,200 hotel rooms and 618 serviced residence units, under a right of first refusal ("ROFR") with its Sponsor. The ROFR properties offer acquisition opportunities for portfolio growth, potentially increasing the keys under ownership by 1,818 rooms.

Far East H-Trust further strives to grow its portfolio by acquiring third party properties, and by capitalising on the pipeline arising from future land sites that the Sponsor successfully bids for.

Asset management and enhancement strategy

The REIT Manager regularly reviews the portfolio and leverages on the extensive experience of Far East H-Trust's Sponsor when embarking on refurbishment programmes. These asset enhancement initiatives aim to enhance the properties' appeal leading to an increase in the operational performance of the properties.

Asset enhancements are also intended to improve the efficiency of space and to reduce operating costs in areas such as utilities.

Far East H-Trust enjoys economies of scale as it focuses on the Singapore hospitality market with operational shared services such as central reservations, revenue management and centralised human resource management across its properties.

Capital and risk management strategy

For capital and risk management, the REIT Manager intends to maintain a prudent level of borrowings while maximising returns for Stapled Securityholders. It endeavours to have a strong balance sheet with diversified funding sources.

The REIT Manager seeks to manage the cost of debt, utilise interest rate hedging strategies to reduce exposure to market volatility and employ an appropriate mix of debt and equity to finance acquisitions. The REIT Manager believes that this strategy puts Far East H-Trust in good stead to capitalise on investment opportunities.



*

Cultivating Stable Growth



Letter from the Chairman

**“We will also continue to source for suitable
yield-accretive acquisitions which would create
greater diversification for our portfolio and
enhance our returns to Stapled Securityholders.”**

Wee Kheng Jin

Chairman

Dear Stapled Securityholders

I am pleased to present our Annual Report for the financial year ended 31 December 2019 (“FY2019”) on behalf of the Board of the REIT Manager and Trustee-Manager of Far East Hospitality Trust (“Far East H-Trust” or the “Trust”).

PERFORMANCE REVIEW

Global economic growth remained lacklustre in 2019 on the back of the ongoing trade war, with escalating tensions weighing on investment and adding to uncertainty. On the home front, Singapore’s economy grew by 0.7 per cent in 2019, marking the country’s slowest growth since the global financial crisis in 2009. Hotel room inventory in Singapore increased by 1.9% or 1,284 rooms in 2019.

Against the challenging operating environment, our gross revenue grew by 1.6% year-on-year to S\$115.5 million, and net property income was up by 1.5% to S\$104.3 million for FY2019. Financing expenses were higher mainly due to the additional loan drawn down to fund the acquisition of Oasia Hotel Downtown in April 2018, and higher interest rates compared to the previous year. Income available for distribution was

S\$73.9 million, 2.0% lower year-on-year. Distribution per Stapled Security (“DPS”) was 3.81 Singapore cents, representing a yield of 5.1% based on the closing Stapled Security price of 74.0 Singapore cents on 31 December 2019. Our DPS performance was lower, due to an enlarged base of 54.1 million new Stapled Securities issued under Far East H-Trust’s distribution reinvestment plan (“DRP”).

Segment-wise, both our hotels and serviced residences saw steady demand for accommodation, particularly from the leisure segment. Despite the lack of major and biennial trade shows, visitor arrivals in Singapore held up well in 2019, increasing 3.3% from 2018 to 19.1 million visitors.

Our hotel portfolio achieved a healthy average occupancy of 89.1% for FY2019, coming in at the same level as the previous year. Average daily rate (“ADR”) decreased 1.3% due mainly to higher contribution from the leisure segment at lower room rates. Corporate travel remained relatively subdued, amidst lingering concerns over the trade war and other global issues. As a result, revenue per available room declined by 1.3%.



Our serviced residences portfolio improved year-on-year, keeping up the momentum which started in the 4th quarter of 2018. While average occupancy was marginally lower by 0.6 percentage points, the ADR was 3.4% higher due to a growth in shorter-stay bookings at higher room rates. This led to an increase of 2.7% in revenue per available unit from the previous year.

Our retail and office spaces (REIT commercial premises) segment remained relatively stable, contributing S\$21.9 million in revenue for FY2019.

STRATEGIC INVESTMENTS AND ASSET ENHANCEMENT FOR SUSTAINABLE RETURNS

Our portfolio value stands at S\$2.65 billion as at 31 December 2019, an increase of 0.5% year-on-year, with a total of 3,143 keys across nine hotels and four serviced residences in Singapore.

Over the years, we have adopted a calibrated approach in augmenting our portfolio through strategic investments and asset enhancement initiatives so as to achieve sustainable returns for our Stapled Securityholders.

Our last acquisition, Oasia Hotel Downtown, strengthened our performance with its revenue contribution. The hotel also enabled us to strike a better balance between our mid-tier and upscale assets, and to achieve greater diversification in terms of location. Importantly, it is well-positioned to capitalise on the growth in visitors to the Central Business District for work and play, with the addition of new attractions and amenities envisaged by the Urban Redevelopment Authority in its Draft Master Plan 2019.

Our investment in the development project on Sentosa with our Sponsor commenced business in 2019. Far East H-Trust holds a 30% stake in the joint venture investment, which comprises three hotels (Village, The Outpost and The Barracks), four blocks of commercial space, and an events centre. Under the Sentosa-Brani Masterplan, the island will be redeveloped into a world-class leisure and tourist destination in phases over the coming decades. As such, we anticipate a brighter outlook for our Sentosa hotels.

Letter from the Chairman



The Barracks Hotel, Premier Room

On asset enhancement, we have actively implemented initiatives across our portfolio which include the newly rebranded Orchard Rendezvous Hotel. We will continue to explore suitable redevelopment opportunities and asset enhancement initiatives for our hospitality assets and commercial premises, to extract greater yield and achieve better returns.

PRUDENT CAPITAL MANAGEMENT FOR STABILITY

As at 31 December 2019, our total debt was S\$994.4 million, comprising S\$657.2 million or 66.1% at fixed interest rates, and S\$337.2 million or 33.9% at floating rates. The average cost of debt was about 2.9% and the interest cover ratio was 3.1 times. Our gearing ratio declined from 40.1% to 39.2%, after implementing the DRP for four quarters that allows the Trust to retain S\$35.8 million.

During the year, the REIT Manager successfully refinanced a term loan of S\$100 million ahead of its maturity in August 2019. In addition, our 2-year

S\$100 million term loan which matures in April 2020 has been extended to a new 2.5-year S\$60 million term loan and a new 5-year S\$40 million term loan. The weighted average debt to maturity was 3.3 years. There is no term loan maturing in 2020.

Far East H-Trust remains committed to practising good financial discipline in maintaining a prudent aggregate leverage limit. We will continue to manage our capital structure judiciously so as to ensure stability in generating returns, and to build and maintain the trust of our Stapled Securityholders.

AUGMENTING CORPORATE GOVERNANCE AND BOARD PERFORMANCE

On the corporate governance front, we were ranked 6th out of 46 companies in both the Singapore Governance and Transparency Index ("SGTI") and the Governance Index for Trusts ("GIFT"). Compared to our rankings in 2018, we improved 29 places under SGTI and 23 places under GIFT. Far East H-Trust was

also placed on the Singapore Exchange Fast Track list which accords prioritised clearance for selected corporate action submissions for companies with good corporate governance and compliance track record. We are encouraged by these recognitions and will seek to further improve our governance standards.

Having initiated the board renewal process in 2018 with the appointment of a new independent director, we continued with our search for another candidate in 2019 to fill the position of a retired director. We engaged third parties, including the Singapore Institute of Directors, in the process of identifying [and selecting from a broader range of suitable candidates. In July 2019, we announced the appointment of an additional independent director which further enhanced our Board composition and diversity. Currently, five out of our six Board members are independent directors, one-third of our Board members are female, and the Board has the spectrum of skills and experience for governing the Trust.

OUTLOOK AND STRATEGY

For 2020, the economic outlook will be impacted by the recent COVID-19 outbreak. At the moment, we expect it to adversely impact our performance for the rest of the year. The management will continue to monitor the situation and work with the operator on the appropriate actions for our hotels and serviced residences, and ensure guest and staff well-being. The decline in demand is felt more intensely by our hotels; our serviced residences and commercial spaces have not been significantly affected so far.

The master lease arrangement for both our hotels and serviced residences affords us some downside protection due to the Trust's minimum gross revenue which is maintained by the fixed rent component of the master leases. The fixed component, with its minimum rental payment, provides a revenue floor for the Trust and mitigates the impact of the volatility experienced during adverse economic or environmental circumstances.

In keeping with the furthering of Stapled Securityholders' interests, a review of the management fee structure of the REIT Manager was carried out with the aim to lower management fees chargeable to the REIT. The Board, with the support of the Trustee, has approved with effect from 1 January 2020, the reduction of the base fee from

0.3% to 0.28% per annum of the value of deposited property. In addition, for the benefit of Stapled Securityholders, the performance fee will be based on the lower of 4.0% of net property income or 4.0% of annual distributable income (after accounting for base fee and deducting trust expenses and finance costs).

Going forward, we will use this period of lower occupancy to expedite asset improvement and refurbishments planned for the latter part of the year. This will position us for the upturn in the sector. We will also continue to source for suitable yield-accretive acquisitions which would create greater diversification for our portfolio and enhance our returns to Stapled Securityholders.

WELCOME AND APPRECIATION

On behalf of the Board, I would like to extend a warm welcome to Ms Catherine Lee who was appointed as an Independent Director on 1 July 2019. As a Chartered Accountant with over 25 years of experience in investment and fund management, Ms Lee is a valuable addition to the Board, bringing new insights and perspectives.

It leaves me now to express my gratitude to my fellow Board members for their counsel and commitment, and appreciation to our staff for their efforts and contribution this past year. I would also like to take this opportunity to acknowledge our Sponsor for their continued support. Last but not least, we would like to thank our Stapled Securityholders for the trust and confidence in us.

WEE KHENG JIN

Chairman

Board of Directors

Wee Kheng Jin

Chairman and Non-Executive Director of the REIT Manager Board and Trustee-Manager Board

Member of the Remuneration Committee of the REIT Manager

Mr Wee Kheng Jin was appointed as a Director of the REIT Manager Board and Trustee-Manager Board in January 2011 and July 2012 respectively. He was appointed Deputy Chairman in February 2017 and subsequently as Chairman in July 2018.

Mr Wee has extensive finance experience in a variety of industries including banking, construction, hospitality services and real estate development.

Mr Wee has been with Far East Organization from February 2000 to December 2018. He served as a board member of Yeo Hiap Seng Limited from April 2010 to April 2017 and of Parkson Retail Asia Limited from September 2011 to October 2017.

Since his retirement as an Executive Director in Far East Organization in 2018, he continues his association with the Group as a Senior Advisor.

Prior to joining Far East Organization, he was the Citibank Country Controller for several years and a board member of Citicorp Investment Bank Singapore Limited. Mr Wee also worked for United Engineers Limited and PricewaterhouseCoopers LLP (formerly known as PriceWaterhouse & Co).

Mr Wee graduated from the University of Singapore with a degree in Accountancy in 1978.

Willie Cheng Jue Hiang

Lead Independent Director of the REIT Manager Board and Trustee-Manager Board

Chairman of the Audit and Risk Committee of the REIT Manager

Member of the Nominating Committee of the REIT Manager

Mr Willie Cheng was appointed as a Director of the REIT Manager Board in July 2012 and was subsequently appointed as Lead Independent Director in February 2013. He was appointed as a Director of the Trustee-Manager Board in April 2012 and subsequently appointed as Lead Independent Director in February 2013.

Mr Cheng has extensive experience in the fields of accountancy, auditing, management consulting, technology implementation and corporate governance. He has also written extensively on corporate governance, directorship and non-profit issues.

Mr Cheng was Chairman of the Governing Council for Singapore Institute of Directors from 2013 to 2018. Over the last 5 years, Mr Cheng held directorship in United Overseas Bank Ltd, Integrated Health Information Systems Pte Ltd, and NTUC Fairprice Co-operative Limited.

Outside the corporate sector, Mr Cheng is actively engaged in several non-profit organisations, including ApVentures, Catholic Foundation Ltd and NTUC Health Cooperative Ltd.

Prior to his retirement in 2003, Mr Cheng was Managing Director of Accenture's Singapore office and Head of its Asian Communications & High-Tech practice in Asia. During his stint at Accenture (and its predecessor, Arthur Andersen & Co), Mr Cheng was involved in audit as well as consulting, for the design and implementation of mission-critical systems and business transformation for its clients in government, financial services and the high tech industries.

Mr Cheng graduated from the University of Singapore with a Bachelor of Accountancy in 1977. He is a Fellow of the Singapore Chartered Accountants, a Fellow of Singapore Institute of Directors, and an Honorary Fellow of the Singapore Computer Society.

Huang Cheng Eng

Independent Director of the REIT Manager Board and Trustee-Manager Board

Chairman of the Remuneration Committee of the REIT Manager

Member of the Audit and Risk Committee of the REIT Manager

Mr Huang Cheng Eng was appointed Director of the REIT Manager Board and Trustee-Manager Board in July 2012 and April 2012 respectively.

Mr Huang has a wealth of experience in commercial and marketing activities for the hospitality, aviation and tourism sectors. Before his retirement in 2010, Mr Huang was Executive Vice President – Marketing and the Regions at Singapore Airlines Limited, where he was overall in charge of commercial and marketing activities as well as the firm's overseas offices.

From 1987 to 1996, Mr Huang was overall in charge of air cargo and developed SIA Cargo into a full-fledged division. During his stint at Singapore Airlines, he was also the Chairman of SilkAir and had also served on the Board of Virgin Atlantic Airways. He had amassed 10 years of overseas experience, working in Taiwan, France and Hong Kong from 1977 to 1987.

Mr Huang had served on the board of the Singapore Tourism Board (STB) from 2002 to 2006. During that period, he worked closely with the STB management and the travel and hospitality industry in formulating long-term growth strategies as well as major tactical promotions. Mr Huang was also an Independent Director of M1 Ltd from 2015 to 2019.

Outside of the corporate sector, Mr Huang serves as an Exco Member in the Children's Aid Society, and formerly sat on the Board of MINDS (Movement for the Intellectually Disabled of Singapore).

Mr Huang graduated from the University of Hawaii with a Bachelor of Business Administration in 1971 and obtained a Master in Business Administration from Michigan State University in 1973.

Board of Directors

Kyle Lee Khai Fatt

Independent Director of the REIT Manager Board and Trustee-Manager Board

Chairman of the Nominating Committee of the REIT Manager

Member of the Audit and Risk and Remuneration Committees of the REIT Manager

Mr Kyle Lee was appointed to the REIT Manager Board and Trustee-Manager Board in July 2012.

Mr Lee has more than three decades of experience in professional services, comprising accounting, auditing and business advisory, having worked in both the United Kingdom and Singapore. In his professional career, Mr Lee served hospitality industry clients that owned and/or managed properties in Singapore and abroad. He has notable experience and knowledge of the hospitality industry in Singapore.

Mr Lee is presently a Director of CapitaLand Mall Trust Management Limited (as manager of CapitaLand Mall Trust), Comfort DelGro Corporation Limited, Great Eastern Holdings Limited and The Great Eastern Life Assurance Company Limited. Over the last 5 years, Mr Lee was a Director of MFS Technology Ltd. and Jurong International Holdings Pte. Ltd.

By profession, Mr Lee is a Chartered Accountant and served as a partner of PricewaterhouseCoopers LLP in Singapore for 20 years, holding leadership positions at firm, practice, industries and sector levels, prior to retirement in 2010. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. He is also a Fellow of the Singapore Institute of Directors.

Mr Lee graduated from the University of London with MSc (Distinction) in International Management (SOAS) and MBA and Diploma in Management (Imperial College).

Vivienne Lim Hui Bian

Independent Director of the REIT Manager Board and Trustee-Manager Board

Member of the Nominating Committee of the REIT Manager

Ms Vivienne Lim was appointed to the REIT Manager Board and Trustee-Manager Board in July 2018.

Ms Lim is a lawyer in private practice. She has over 24 years of experience handling a wide variety of both contentious corporate and commercial litigation matters as well as non-contentious real estate advisory matters. She founded Genesis Law Corporation in 2004 and has been managing it since.

Outside the corporate sector, Ms Lim is actively involved in several non-profit organisations and charities. She is currently the Chairperson of the CHIJ Board of Management that governs all 11 Convent of the Holy Infant Jesus schools in Singapore. She is also a director of Catholic Foundation Limited. Additionally, Ms Lim serves as Vice-Chairperson of the Solicitors Accounts Rules Committee (of the Law Society of Singapore), and sits in the Disciplinary Committee of the Football Association of Singapore and the Independent Review Panel of NTUC First Campus Cooperative Limited.

Ms Lim graduated from the National University of Singapore with an LLB (Hons).

Catherine Lee Khia Yee

Independent
Director of the
REIT Manager
Board and Trustee-
Manager Board

Ms Catherine Lee was appointed to the REIT Manager Board and Trustee-Manager Board in July 2019.

Ms Lee has more than 25 years of banking and finance, investment and fund management experience. In addition to her financial expertise, she has a wealth of experience in strategic planning, regional business expansion and transformation, risk management and stakeholder management in complex public private partnerships.

From 2014 to 2019, she held the position of Chief Financial Officer of Clifford Capital Pte. Ltd., a company specialising in project financing, mezzanine investing, asset securitisation and management with global coverage, and had responsibilities over treasury, finance, credit decisions, strategic development and stakeholder management. Prior to joining Clifford Capital, Ms Lee was the Group CFO in SMRT Corporation Ltd and BreadTalk Group Ltd. Ms Lee also spent a total of 11 years in the banking industry where she specialised in corporate finance activities and in the private equity industry looking after a portfolio of public-listed and private companies in the US and Asia Pacific.

Ms Lee holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University of Singapore and is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

Management Team

Gerald Lee Hwee Keong

Chief Executive Officer

Mr Gerald Lee joined Far East Organization in 2011, and is currently employed by the REIT Manager as Chief Executive Officer (CEO) where he is principally responsible for the management and conduct of the business of the REIT Manager and the Trustee-Manager.

Mr Lee is a director of Fontaine Investment Pte. Ltd., a joint venture company between Far East H-REIT and Far East Organization Centre Pte. Ltd. (a member of the Sponsor) established for the development of a hotel project in Sentosa, which opened and commenced operations in 2019.

From 2005 to 2010, Mr Lee was at CapitaLand Limited/The Ascott Limited. His roles in Ascott included that of CEO (Europe), responsible for growing the business while he was based in that region. He was subsequently appointed as Deputy CEO, responsible for overseeing all aspects of operations across the group.

From 1991 to 2005, Mr Lee was at the Singapore Tourism Board where he held various roles including heading the Planning Division, Business Travel and MICE Division, as well as two overseas offices in North America. His last held position was Assistant CEO (Leisure), in charge of all the leisure divisions.

Mr Lee was seconded to the Ministry of Trade & Industry as Deputy Director from 2000 to 2001, and was responsible for overseeing policies and industry development of the tourism and services sectors. He was concurrently seconded to Sentosa Development Corporation as Director (Strategic Development) from 2001 to 2003, and was in charge of strategic projects and redevelopment initiatives.

Mr Lee graduated from Cornell University with a Bachelor of Science (with Distinction), and obtained an Executive Master of Business Administration (with Distinction) from INSEAD and Tsinghua University.

Regina Yap Siew Buay

Chief Financial Officer

Ms Regina Yap joined the REIT Manager as Chief Financial Officer in 2017. She is responsible for all aspects of finance, tax and capital management, and also oversees compliance and corporate secretarial functions. She provides support for investment and investor relations matters of Far East H-Trust.

Ms Yap has more than 20 years of experience in group financial and management reporting, operational management and control, tax planning, risk and capital management, compliance and corporate secretarial work.

From 2011 to 2017, Ms Yap was the Head of Finance and Company Secretary of AIMS AMP Capital Industrial REIT Management Limited (now known as AIMS APAC REIT Management Limited) as manager of AIMS AMP Capital Industrial REIT (now known as AIMS APAC REIT).

Her responsibilities include financial accounting and reporting, tax and risk management, capital management, compliance as well as corporate secretarial matters.

From 1996 to 2011, Ms Yap held various senior finance roles in CapitaLand Limited within several business units including hospitality, residential, commercial, corporate headquarters and Australand Property Group. Her last held position was Vice President, Finance (South East Asia & Australia) with The Ascott Limited.

Before joining CapitaLand Limited, she was a Tax Consultant with PriceWaterhouse (now known as PricewaterhouseCoopers LLP).

Ms Yap holds a Master of Applied Finance from the Macquarie University of Sydney, Australia and a Bachelor of Accountancy from the Nanyang Technological University of Singapore. She is also a Chartered Accountant with the Institute of Singapore Chartered Accountants.

Irfan Tayabali

Vice President,
Asset Management
and Investment

Mr Irfan Tayabali joined the REIT Manager in 2017. He is responsible for the strategic asset and performance management of the hospitality portfolio, as well as working on new investment acquisitions for Far East H-REIT.

Mr Tayabali has 15 years of hospitality and real estate industry experience.

From 2011 to 2016, Mr Tayabali was with Apari Hotel Advisers, a boutique hotel asset management firm based out of Singapore, where he was responsible for the owner representation and strategic performance management of a broad portfolio of hotel assets across Asia Pacific.

From 2005 to 2011, Mr Tayabali was at Jones Lang LaSalle Hotels, initially based in London, where he trained as a chartered surveyor and registered commercial real estate valuer. He worked across the UK and Europe on hospitality valuation, development and brokerage transactions before moving to Singapore in 2008, where he was focused on hotel asset management and investment advisory assignments.

Mr Tayabali graduated from The University of Manchester with a BA in History of Art & Architecture, followed by a Masters in Property Valuation & Law from the Cass Business School in London. He is a member of the Royal Institution of Chartered Surveyors of England & Wales and is a board member of HAMA (Hotel Asset Managers Asia Pacific).

Management Team

Elaine Chin Shu Peng

Vice President,
Asset Management

Ms Elaine Chin joined the REIT Manager in 2014. She is responsible for implementing long term asset enhancement initiatives. She works closely with the operator for all capital expenditure involving building improvement works and replacement of plant and equipment. She also monitors the leasing and tenancy related matters for the commercial spaces.

Ms Chin has more than 30 years of experience in areas of contract administration, procurement, project management, quantity surveying and all project development related matters.

From 2007 to 2014, Ms Chin was a Senior Manager at Millennium & Copthorne International Limited, where she was responsible for the development, design and planning of hospitality projects for the group.

From 1987 to 2007, Ms Chin was a Senior Contract Manager at Shanghai Chong Kee Furniture & Construction Pte Ltd, where she was responsible for contract administration, procurement, project management and quantity surveying.

Ms Chin obtained her Diploma in Building from the Singapore Polytechnic and also obtained a vocational certificate in Building Drafting from McNair Vocational Institute.

Charissa Liu Suyi

Manager, Investor
Relations and
Asset Management

Ms Charissa Liu joined the REIT Manager in 2018. She is the key point of contact for the investment and research community, and assists in asset management and compliance matters.

Ms Liu is responsible for developing strategic communication and maintaining relations with analysts and investors. She monitors and presents the opinions of the investment community about Far East H-Trust's performance to the management and the Board.

Prior to her current appointment, Ms Liu was with SATS Ltd from 2013 to 2018, where her last held position was in the Public Affairs and Branding department. She was responsible for the investor relations function of the company and also managed initiatives to build effective media coverage and publicity. Before that, from 2008 to 2013, she had assumed various brand management, corporate communications and market research positions in companies including Synovate Pte Ltd and Providend Ltd.

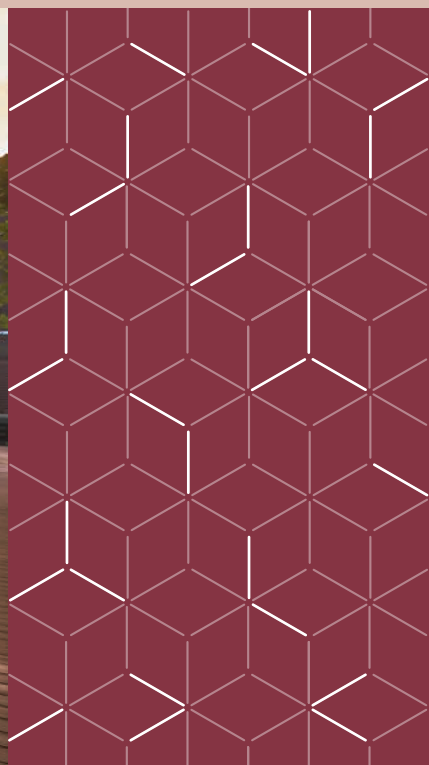
Ms Liu obtained a Bachelor of Business Management from the Singapore Management University, with majors in Marketing and Corporate Communications.





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Maintaining Diverse Growth



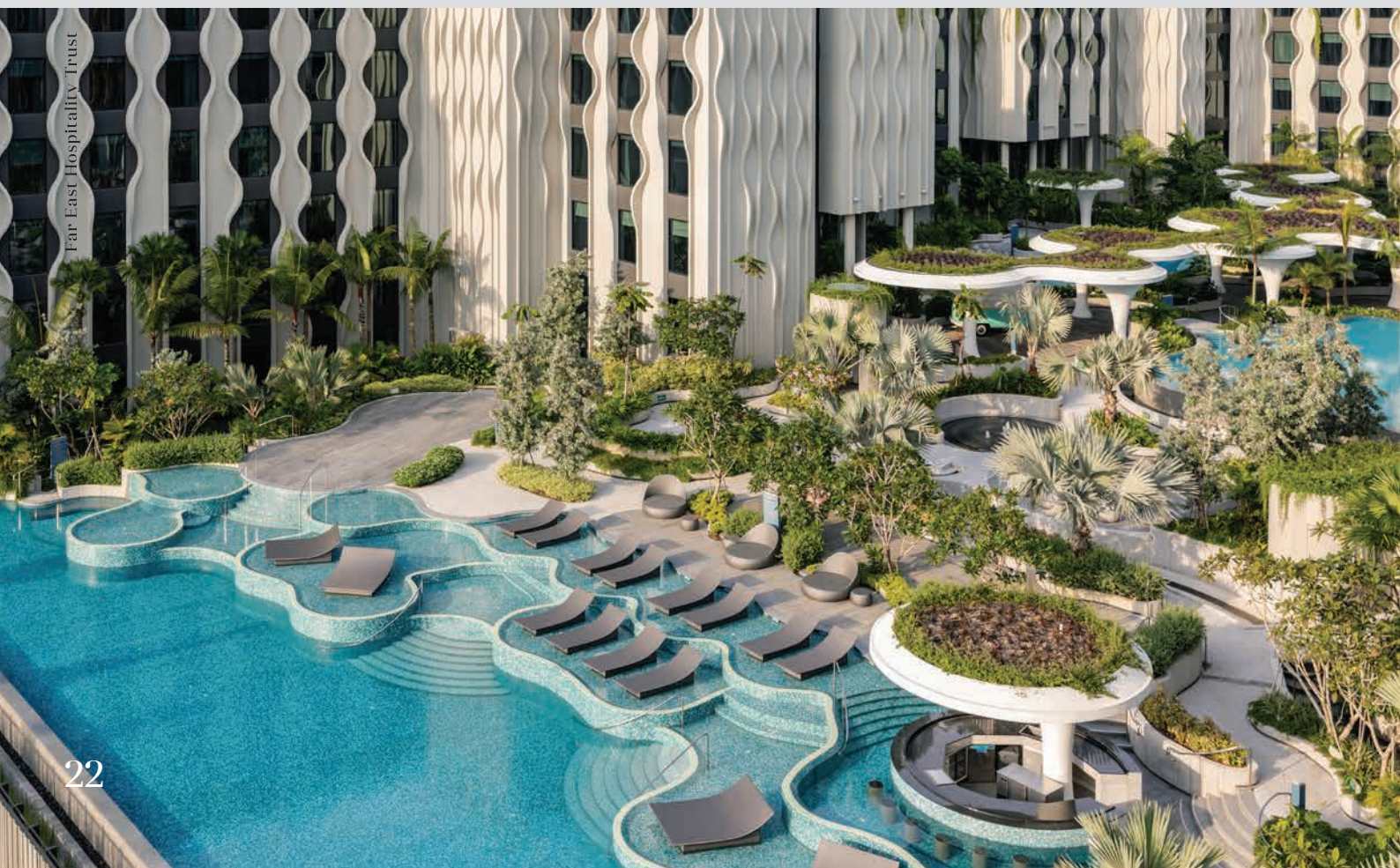


oasia  hotel

Investments and Asset Enhancement Initiatives

The REIT Manager actively pursues investment opportunities to expand the portfolio and drive future income growth. Far East H-Trust has a strong acquisition pipeline of 7 properties under a right of first refusal with its Sponsor, Far East Organization, totaling 1,200 hotel rooms and 618 serviced residence units. In addition, the REIT Manager also seeks out potential hospitality investment opportunities in the market from third parties.

Village Hotel Sentosa, Pamukkale Pool





Revelry Hall, Events Centre, Sentosa

UPDATE ON HOTEL DEVELOPMENT PROJECT ON SENTOSA

In September 2014, Far East H-Trust took a 30% stake in a joint venture with a member of its Sponsor to participate in the development of a hotel project located on Sentosa.

Situated on Artillery Avenue, the integrated development comprises three hotels, namely Village Hotel Sentosa and The Outpost Hotel which officially opened in April 2019, and The Barracks Hotel which officially opened in December 2019. The development encompasses a total of 839 guestrooms, four blocks of commercial spaces, a ballroom, and an Events Centre offering over 8,500 square feet of flexible meeting spaces. A few of these blocks are heritage buildings that have been conserved, retaining elements of elegance and tradition. The multi-tiered pool deck in the resort is situated on elevated ground and includes

cascading pools which have been inspired by the white travertine terraces in Pamukkale.

Catering to the mid-tier segment of the market and located in close proximity to attractions such as KidZania Singapore, Skyline Luge Sentosa and Palawan Beach, the 606-room Village Hotel Sentosa delivers a unique resort experience for families, leisure and meeting groups.

The Outpost Hotel, with 193 guestrooms, is positioned as an offering targeting couples looking for upscale accommodation and a trendy island getaway. It is built for those seeking exclusivity, privacy and attention to detail. The hotel's unique selling point is its exclusive rooftop infinity pool and bar overlooking the beach and sea.

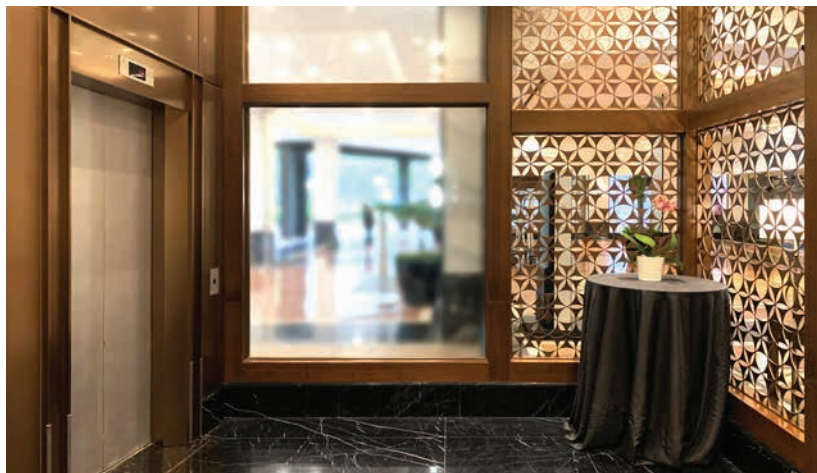


The Outpost Hotel, Rooftop Pool Deck

Investments and Asset Enhancement Initiatives



Orchard Rendezvous Hotel, Facade



Orchard Rendezvous Hotel, Office Lift Lobby

ORCHARD RENDEZVOUS HOTEL

To keep its portfolio of assets competitive and relevant to the changing needs of the market, the REIT Manager carries out asset enhancement programmes at selected properties each year.

In 2019, we focused our efforts on carrying out more enhancement works for Orchard Rendezvous Hotel, formerly known as Orchard Parade Hotel. Orchard Rendezvous Hotel is the second property under the Rendezvous brand in Singapore, the first being Rendezvous Hotel Singapore located along Bras Basah Road.

The Barracks Hotel comprises 40 luxury suites in a heritage building. Through conserving the site's architecture and landscape, the hotel preserves its historical significance. Guests at this hotel have access to an exclusive pool amidst lush greenery, complementing the tranquility and privacy of the site. The décor is sophisticated and elegant, befitting of the hotel's colonial past.

Prior to the official launch dates, trial stays were extended to staff and business partners to gather feedback for the purpose of refining the guest experience before opening the hotels to the public. The hotels have been well-received by international tourists as well as locals looking for a relaxing staycation experience on Sentosa Island. The Events Centre with its well-designed meeting rooms has also become a popular place for companies to hold functions.

The refurbishment of all the guest rooms and corridors, the Club Lounge, swimming pool, gym, function rooms and other public areas of the hotel including the lobby, reception and lobby bar, had been completed in phases over the period from December 2015 to March 2018. In 2019, enhancements were carried out to beautify the hotel façade with new landscaping and lighting. The arrival porch area has also been renovated to incorporate a new green roof.



Village Hotel Bugis, Deluxe Room with Kitchenette

In January 2020, the lift lobbies and corridors of the office podium had been re-designed and refurbished, giving these areas a fresh new look.

There are also plans to renovate the outdoor refreshment area and the forecourt of the hotel.

Upgrading of the main electrical supply including replacement of the High Tension switchgear is scheduled for completion in 2020. This will achieve a higher level of energy efficiency for the hotel.

OTHER ENHANCEMENT WORKS

Improvement works were also carried out at a number of other properties in Far East H-Trust's portfolio in 2019.

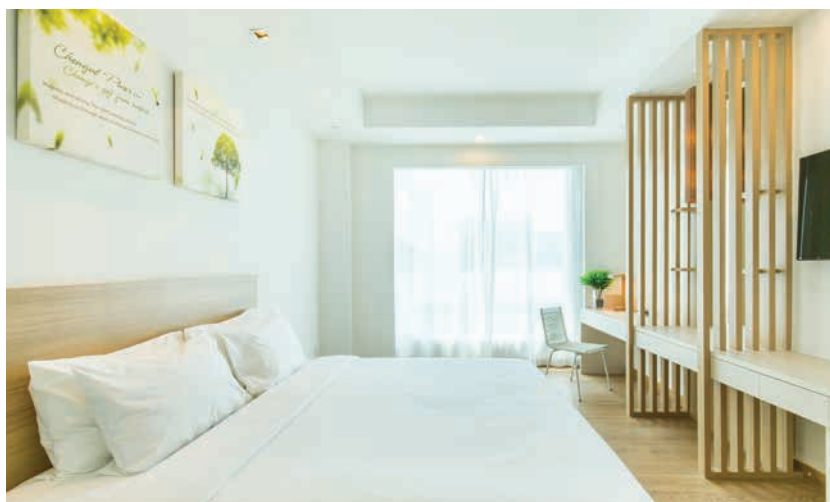
Several rooms in both Village Hotel Bugis and Village Hotel Changi have been refreshed and reconfigured to incorporate a built-in kitchenette for long-stay guests.

At Village Hotel Bugis, the replacement of water pipes in all of the guest rooms had been

completed. In terms of plant and equipment enhancement work, the modernisation of the passenger and service lifts and the upgrading of the entire chiller system had also been finished in this hotel.

For Village Hotel Albert Court, the passenger lifts are undergoing upgrading in stages, with one completed in 2019.

At Village Hotel Changi, the public restrooms on the ground floor had been renovated in 2019, and those on the other floors will be progressively upgraded in 2020. The resurfacing of the carpark flooring with epoxy coating was partially completed in 2019 and will be finished in 2020. The High Tension switchgear at this property had also been replaced, which improved overall efficiency.



Village Hotel Changi, refreshed Deluxe Room

Our Portfolio

Far East H-REIT has 2,775 hotel rooms and 368 serviced residence units in its portfolio, offering investors an opportunity to invest in the largest portfolio of hospitality assets in Singapore by asset value.

The portfolio provides an attractive investment opportunity for investors to benefit from a balanced portfolio of hospitality assets targeting both short-term stays in relation to the hotels and longer-term stays in relation to the serviced residences.

Housed in 9 out of the 13 properties in the portfolio are 287 units of commercial spaces.



VALUATION

2.65

S\$ BILLION

PROPERTIES

9

HOTELS

2,775

KEYS

4

SERVICED
RESIDENCES

368

KEYS



Rendezvous Hotel Singapore, Lobby

RETAIL NLA

14,065
SQM

OFFICE NLA

7,102
SQM

Our Portfolio

Village Hotel Albert Court

180 Albert Street, Singapore 189971

NUMBER OF
GUEST ROOMS

210

GROSS FLOOR
AREA (SQ M)

11,426

RETAIL
NLA (SQ M)

1,003

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

5.7

REMAINING LEASE
TENURE (YEARS)

68

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

127.8

PURCHASE PRICE
(S\$ MILLION)

120.7

MASTER LESSEE

**First Choice
Properties
Pte Ltd**

Minutes away from the cultural enclaves of Little India and Bugis, Village Hotel Albert Court is a pre-war conservation development offering heritage blended with modern day flair. The hotel's charming courtyard provides moments of serenity and offers a wide range of retail and dining options.

For its sustainability efforts, Village Hotel Albert Court was awarded the BCA Green Mark Platinum certification by the Building and Construction Authority of Singapore in 2015, and this had recently been renewed in 2019.

Village Hotel Bugis

390 Victoria Street, Singapore 188061

NUMBER OF
GUEST ROOMS

393

STRATA FLOOR
AREA (SQ M)

21,676

RETAIL
NLA (SQ M)

1,166

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

11.6

REMAINING LEASE
TENURE (YEARS)

59

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

232.7

PURCHASE PRICE
(S\$ MILLION)

218.4

MASTER LESSEE

**Golden
Landmark
Pte Ltd**

Located right at the heart of Singapore's Arab, Peranakan and Indian heritage districts, Village Hotel Bugis offers tourists a glimpse of multi-cultural Singapore.

Surrounded by vibrant eateries, art galleries and boutiques in the nearby conservation buildings, the hotel is a stone's throw away from Bugis MRT station, which conveniently connects to the Central Business District and Orchard areas.



Village Hotel Changi

1 Netheravon Road, Singapore 508502

NUMBER OF
GUEST ROOMS

380

GROSS FLOOR
AREA (SQ M)

22,826

RETAIL
NLA (SQ M)

805

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

9.5

REMAINING LEASE
TENURE (YEARS)

58

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

205.8

PURCHASE PRICE
(S\$ MILLION)

238.5

MASTER LESSEE

Far East
Organization
Centre Pte. Ltd.

Village Hotel Changi is an idyllic retreat, set apart from other hotels in urban Singapore. With its serene surroundings and 17 function spaces of various sizes, the hotel is the choice destination for corporate retreats and team bonding.

Just a 10-minute drive from Changi Airport and a short boat ride away from Pulau Ubin and the Chek Jawa Wetlands, Village Hotel Changi is a favourite for nature lovers and transit passengers on a stopover.



The Elizabeth Hotel

24 Mount Elizabeth, Singapore 228518

NUMBER OF
GUEST ROOMS

256

GROSS FLOOR
AREA (SQ M)

11,723

RETAIL
NLA (SQ M)

583

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

6.0

REMAINING LEASE
TENURE (YEARS)

68

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

163.7

PURCHASE PRICE
(S\$ MILLION)

186.7

MASTER LESSEE

Golden
Development
Private Limited

The Elizabeth Hotel takes inspiration from colonial times and is designed with a distinct European accent. It is a short walk from Orchard Road, Singapore's famous shopping and entertainment belt, providing guests with a wide range of leisure and dining options.

The Elizabeth Hotel is also adjacent to Mount Elizabeth Hospital, one of Singapore's leading hospitals.



Our Portfolio

Oasia Hotel Downtown

100 Peck Seah Street, Singapore 079333

NUMBER OF
GUEST ROOMS

314

STRATA FLOOR
AREA (SQ M)

17,793

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

11.8

REMAINING LEASE
TENURE (YEARS)

63

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

245.0

PURCHASE PRICE
(S\$ MILLION)

210.0¹

MASTER LESSEE/
VENDOR
**Far East SOHO
Pte. Ltd.**

Oasia Hotel Downtown is an iconic award-winning hotel strategically located in the downtown Tanjong Pagar area, which is set to be Singapore's next waterfront city with a hive of business, commercial and residential activities.

The hotel's proximity to the Central Business District appeals to business travellers, and it is well-connected to other parts of the island as well, with the Tanjong Pagar MRT Station right at its doorstep and expressways within a few minutes' drive.

¹ The Vendor and the REIT Trustee had entered into an Earn-out Agreement, in which the REIT Trustee will issue S\$15.0 million worth of Stapled Securities to the Vendor if, by 31 December 2023 (or up to 31 December 2025 if there are any Extension Events as defined in the Earn-out Agreement), the net property income of the Property is at least S\$9.9 million per annum for two full consecutive years.

Oasia Hotel Novena

8 Sinaran Drive, Singapore 307470

NUMBER OF
GUEST ROOMS

428

STRATA FLOOR
AREA (SQ M)

22,457

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

12.7

REMAINING LEASE
TENURE (YEARS)

85

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

330.0

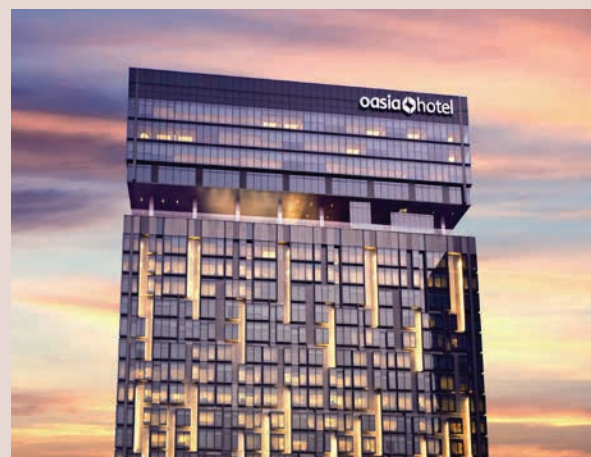
PURCHASE PRICE
(S\$ MILLION)

318.2

MASTER LESSEE
**Transurban
Properties
Pte. Ltd.**

A welcome escape from the hustle and bustle of city life, Oasia Hotel Novena offers both business and leisure travellers the opportunity to refresh, refuel and recharge.

Oasia Hotel Novena is a short commute from the Central Business District and Orchard Road. Strategically located within Singapore's premier medical hub in Novena, the hotel also serves visiting medical tourists and their families.



Orchard Rendezvous Hotel

1 Tanglin Road, Singapore 247905

NUMBER OF
GUEST ROOMS

388

GROSS FLOOR
AREA (SQ M)

34,072

RETAIL
NLA (SQ M)

3,778

OFFICE
NLA (SQ M)

2,515

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

21.1

REMAINING LEASE
TENURE (YEARS)

43

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

431.2

PURCHASE PRICE
(S\$ MILLION)

412.5

MASTER LESSEE

**Far East
Orchard
Limited**

Orchard Rendezvous Hotel is located at the doorstep of major malls and boutiques along Orchard Road, with a wide variety of retail and dining options for business and leisure travellers. Families on vacation will enjoy the 50-60 sqm family rooms that Orchard Rendezvous Hotel has to offer.

The public areas of the hotel – the pool, pool deck, reception and lobby, lobby bar, function rooms and pre-function areas were upgraded in 2016. Refurbishment of the guest rooms was completed in March 2018. In 2019, enhancements were carried out to beautify the hotel facade with new landscaping and lighting. The arrival porch area has also been renovated to incorporate a new green roof.



Rendezvous Hotel Singapore

9 Bras Basah Road, Singapore 189559

NUMBER OF
GUEST ROOMS

298

GROSS FLOOR
AREA (SQ M)

19,720

RETAIL
NLA (SQ M)

2,799

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

12.1

REMAINING LEASE
TENURE (YEARS)

64

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

284.1

PURCHASE PRICE
(S\$ MILLION)

264.3

MASTER LESSEE

**Serene Land
Pte Ltd**

Rendezvous Hotel Singapore reflects the history and trendsetting nature of the arts and heritage district it is situated in. Within walking distance to the Dhoby Ghaut and Bras Basah MRT stations, the hotel is a short commute away from Singapore's business and shopping districts.

Adjoining the hotel is The Rendezvous Gallery, with 3 floors of retail and F&B spaces, offering a mix of gastronomic delights, beauty & wellness and entertainment.



Our Portfolio

The Quincy Hotel

22 Mount Elizabeth, Singapore 228517

NUMBER OF
GUEST ROOMS

108

GROSS FLOOR
AREA (SQ M)

4,810

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

3.0

REMAINING LEASE
TENURE (YEARS)

68

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

82.0

PURCHASE PRICE
(S\$ MILLION)

82.3

MASTER LESSEE

**Golden
Development
Private Limited**

The first local boutique hotel to win the Best Hotel Experience Award at the Singapore Tourism Awards 2017, The Quincy Hotel caters to the busy business executive and discerning leisure traveller.

Guests of The Quincy Hotel can enjoy all-day light refreshments including buffet breakfast, complimentary in-room mini-bar and evening cocktails, making it the perfect getaway for a weekend staycation.

Village Residence Clarke Quay

20 Havelock Road, Singapore 059765

NUMBER
OF UNITS

128

GROSS FLOOR
AREA (SQ M)

17,858

RETAIL
NLA (SQ M)

2,213

OFFICE
NLA (SQ M)

1,473

SERVICE OFFICE
NLA (SQ M)

823

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

8.8

REMAINING LEASE
TENURE (YEARS)

73

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

205.9

PURCHASE PRICE
(S\$ MILLION)

183.3

MASTER LESSEE

**OPH Riverside
Pte Ltd**

Village Residence Clarke Quay is in a mixed-use development comprising residential and commercial components. The commercial component includes offices, shops and restaurants. Refurbishment works to revitalise the property's serviced offices, lobby and common areas were completed in 2017.

Village Residence Clarke Quay is in the vicinity of Singapore's historic Chinatown, which offers a myriad of retail and local delights. Guests can get around the city easily, as the property is served by Clarke Quay MRT and is close to the Central Business District.



Village Residence Hougang

1 Hougang Street 91, Singapore 538692

NUMBER
OF UNITS

78

STRATA FLOOR
AREA (SQ M)

14,257

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

2.4

REMAINING LEASE
TENURE (YEARS)

74

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

62.0

PURCHASE PRICE
(S\$ MILLION)

64.7

MASTER LESSEE
Serene Land
Pte Ltd

Village Residence Hougang is located in the Hougang residential suburb, northeast of Singapore. The serviced residence is conveniently located next to Hougang One Mall and is well connected by expressways and MRT. Village Residence Hougang is popular with companies in the neighbouring industrial estates.



Village Residence Robertson Quay

30 Robertson Quay, Singapore 238251

NUMBER
OF UNITS

72

STRATA FLOOR
AREA (SQ M)

10,570

RETAIL
NLA (SQ M)

1,179

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

4.6

REMAINING LEASE
TENURE (YEARS)

71

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

105.3

PURCHASE PRICE
(S\$ MILLION)

113.2

MASTER LESSEE
Riverland
Pte Ltd

Village Residence Robertson Quay overlooks the historic Singapore River and is located within the trendy dining and entertainment district of Robertson Quay. It is close to the Central Business District ("CBD") and is served by the Fort Canning and Clarke Quay MRT stations which are a short walk away.

Visitors who want to see a different side of the CBD can continue down the river to the Civic District for arts, culture and heritage.



Our Portfolio

Regency House

121 Penang Road, Singapore 238464

NUMBER
OF UNITS

90

GROSS FLOOR
AREA (SQ M)

10,723

RETAIL
NLA (SQ M)

539

OFFICE
NLA (SQ M)

2,291

GROSS REVENUE
FOR FY2019
(S\$ MILLION)

6.2

REMAINING LEASE
TENURE (YEARS)

74

VALUATION AS
AT 31 DEC 2019
(S\$ MILLION)

170.2

PURCHASE PRICE
(S\$ MILLION)

166.4

MASTER LESSEE

**Oxley Hill
Properties
Pte Ltd**

Regency House is an upscale serviced residence located at the junction of Penang Road and Oxley Road, within walking distance from the major shopping malls along Orchard Road. Its prime location is extremely popular with young professionals.

The refurbishment of Regency House was completed in 2016, with all apartment units having undergone a facelift. The studio apartments were refurbished in 2014 and the renovation of the remaining 2 and 3-bedroom units were completed in mid-2016.



Industry Overview

(Prepared by Savills)

Singapore macro-economic overview and outlook

OVERVIEW

Singapore's economy grew by 0.7% in 2019, slower than the 3.4% growth achieved in 2018. The weaker performance of the manufacturing sector, which contracted by 1.4% in 2019, contributed to the softer economic growth. On the other hand, the services sector was more resilient, expanding by 1.1% in 2019, following a 3.4% growth in 2018. The accommodation and food services sector grew by 1.9% in 2019, compared with 3.1% in 2018.

In light of the COVID-19 outbreak, the Ministry of Trade and Industry expects Singapore's Gross Domestic Product growth to range from -0.5% to 1.5% in 2020.

Singapore tourism and hospitality market

OVERVIEW

According to The Travel & Tourism ("T&T") Competitiveness Report 2019 by the World Economic Forum, Singapore remains South East Asia's most competitive T&T country, while ranking 17th globally. This was largely underpinned by the city-state having a world-class business environment, the most qualified workforce globally, as well as strong prioritisation and spending by the government on tourism. For instance, the Singapore Tourism Board ("STB") and Sentosa Development Corporation have been proactive in forging strategic partnerships with far-reaching players such as Alibaba Group, Traveloka, Thomas

Cook India and Royal Caribbean to promote Singapore as a preferred destination for Asia Pacific visitors. This was especially so for Indonesia, China and India, which have consistently been the city-state's top three source markets for visitor arrivals over the past years.

Given the abovementioned, Singapore's tourism market held up well in 2019 with 19.1 million international visitor arrivals, a 3.3% increase from 2018.

Village Hotel Changi, Infinity Pool



Industry Overview

Overview of Singapore hotel sector

SUPPLY

Hotel room stock in Singapore has grown steadily, by an average of 5.1% (3,020 rooms) per annum from 2014 to 2017 (Figure 1). However, overall stock contracted by 0.1% to 66,994 rooms in 2018, due to a decline in non-gazetted room stock. Sentosa Island saw notable hotel openings in 2019, i.e. Village Hotel Sentosa (606 rooms), The Outpost Hotel (193 rooms) and The Barracks Hotel (40 rooms), all of which are developed by Far East Organization. Including all other hotel openings, total new supply in 2019 amounted to around 1,300 rooms¹.

Going forward, hotel room supply is expected to moderate further, despite a marked increase in the number of approved hotel-conversion projects e.g., Wilkie Edge (540 rooms), Golden Wall Centre (556 rooms), Chinatown Plaza (306 rooms), Tower Fifteen (807 rooms) and Fragrance Empire Building (1,000 rooms). According to the Urban Redevelopment Authority, an estimated 7,030 hotel rooms² are expected to be completed from 2020 to 2023, of which the majority are in the upscale category. This represents an average completion of about 1,760 rooms annually over this period. There will be limited new supply in 2020 (around 800 rooms), with The Clan Hotel (324 rooms) by Far East Organization being one of the major projects scheduled for completion in the year.

DEMAND AND PERFORMANCE

Bolstered by the strength of the tourism market, overall hotel demand continued to improve in 2019 since bottoming out in 2017.

This is especially noteworthy, despite the new hotel supply in 2019 as well as tightly-controlled corporate travel allowances.

Islandwide average occupancy rate ("AOR") increased for the third consecutive year to a record high of 87.1% in 2019³. Mid-tier hotels posted the highest YoY increase in occupancy (1.9%-points) among the hotel segments, followed by luxury hotels (1.1%-points). This was fuelled partly by various mid-tier hotels offering lifestyle-centric concepts, while the rise in experiential luxury travel helped lend some support to the luxury segment. In particular, 'bleisure' travellers who integrate leisure into their business trips, also helped drive the popularity of mid-tier hotels which offer an optimal mix of value for money and quality hospitality service offerings.

Backed by the increase in AOR, islandwide average daily rates ("ADR") rose by 1.4% to S\$221.50 in 2019, slightly higher than the 0.6% growth in 2018 (Figure 2).

This marked the second consecutive year of ADR growth, showing signs that the hotel market is recovering. In 2019, ADR of luxury, upscale, mid-tier and economy hotels rose, by 1.9%, 0.8%, 1.5% and 3.2% respectively. Underpinned by the stronger performance of AOR and ADR, islandwide revenue per available room ("RevPAR") sustained its growth momentum, rising by 2.6% to S\$192.80 in 2019, higher than the 2.0% growth in 2018. The industry RevPAR reached its highest level since 2015.

1 This figure excludes serviced residence-style developments i.e., lyf Funan and Citadines Rochor Singapore, which have hotel licences.

2 Pipeline supply figure includes the supply from new development and redevelopment projects with provisional and written permission, as well from other categories of supply such as projects with Outline Provisional Permission and development submitted for planning approval and which are under consideration.

3 Based on STB's hotel statistics for gazetted hotels.

FIGURE 1: SINGAPORE HOTEL ROOM SUPPLY

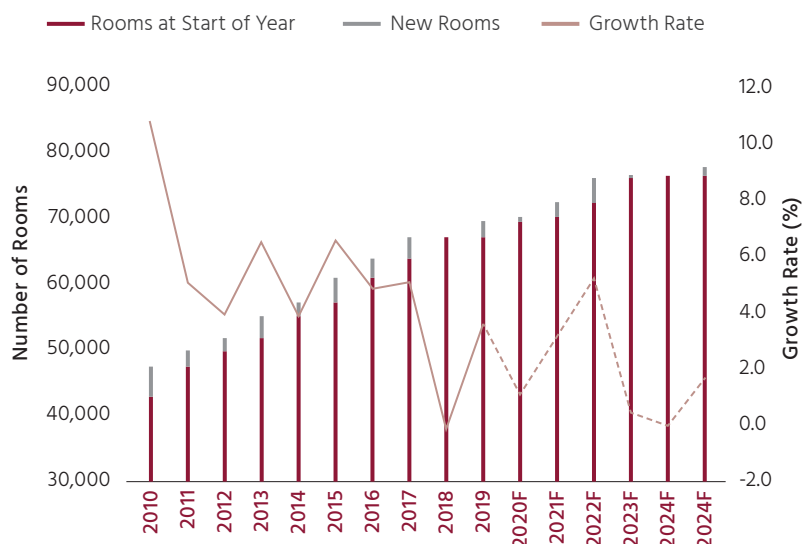
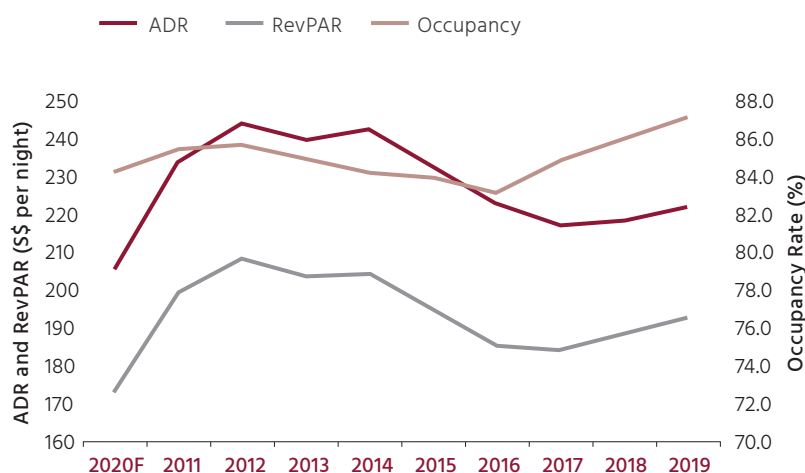


FIGURE 2: SINGAPORE HOTEL MARKET PERFORMANCE (2010 – 2019)



INVESTMENT

Hospitality investment deal flow continued to be robust in 2019, reflecting sustained investor appetite amid the strong liquidity and low interest rate environment. The expanding pool of negative yielding bonds in Europe and the recent turmoil in Hong Kong diverted capital flows to gateway cities such as Singapore. This positive momentum is well reflected by the estimated S\$2.2 billion of hospitality-related assets⁴ transacted in 2019, which was about 33% higher than the S\$1.6 billion in 2018.

There was a notable jump in the average deal size for hospitality assets, from about S\$148 million in 2018 to S\$217 million in 2019. The largest hotel asset transaction in 2019 was Andaz Singapore, which was sold for S\$475.0 million (S\$1.39 million per room). Other major deals included the sale of Novotel Singapore Clarke Quay (S\$375.9 million; S\$932,700 per room) and W Singapore – Sentosa Cove (S\$324.0 million; S\$1.35 million per room). 2019 also saw the awarding

of a Government Land Sales (“GLS”) hotel site along Club Street at a record price of S\$562.2 million (S\$2,149 per sq ft per plot ratio), the highest for a 99-year leasehold site offered in a GLS tender. The elevated level of hospitality deal flows and price points reflect the continued optimism for hotel investment assets in Singapore.

OUTLOOK

Savills’ initial outlook of Singapore’s hospitality sector in early January 2020 was that it was poised to perform well in 2020. This was premised on Singapore’s consistency as a safe haven and leading regional tourism hub, a healthy pipeline of major Meeting, Incentives, Conventions and Events activities over the next two years, as well as a slew of tourism offerings. This includes the rejuvenation of the Mandai nature precinct (which will progressively open from 2020 to 2023), redevelopment and integration of Pulau Brani and Sentosa, as well as the S\$9.0 billion expansion of Marina Bay Sands and Resorts World Sentosa. Coupled with the limited hotel

room supply expected in 2020, initial expectations were that hotel demand and performance indicators were expected to be on an uptrend.

The COVID-19 outbreak has affected Singapore’s tourism sector and is likely to dampen the hospitality sector’s prospects in 2020. STB expects tourism arrivals and receipts to be impacted, with international visitor arrivals likely to decline by 25% to 30% in 2020 and will weigh on occupancy and room rates. Nonetheless, the impact is likely to be cushioned by concerted efforts by the government and industry players to stave off the negative effects of the outbreak. This includes the setting up of a public-private sector Tourism Recovery Action Task Force to lay out plans for recovery and future growth, as well as licence fee waivers for hotels for the rest of 2020. Under the Budget 2020, measures to support the tourism sector include a property tax rebate of 30% for 2020, for the accommodation and function room components of licensed hotels and serviced apartments. Alongside industry-wide initiatives focused on leveraging technology and supporting job redesign efforts in the hotel industry by STB and the Singapore Hotel Association in November 2019 to transform hotels for sustainable growth⁵, Singapore’s hotel sector is well-positioned to weather the current challenges and is poised to make a fast recovery when the outbreak situation abates.

⁴ Including sites purchased for conversion in hotel and excluding Government Land Sales sites.

⁵ Examples include introducing an E-Visitor Authentication System for more seamless check-in experiences, new solutions to drive productivity and better harness data to optimise operations, as well as guiding hotels towards customised transformation.

Industry Overview

Overview of Singapore serviced residences sector

SUPPLY

The serviced residences sector in Singapore has been traditionally supported by corporate travel, benefiting from Singapore's remarkable development into a global financial hub and business destination over the years. Serviced residences offer an alternative value proposition to longer-staying business visitors looking for hotel-style services and the added security and comfort of apartment stays. Fundamentals supporting the serviced residences sector remain robust, as Singapore continues to be well perceived as a choice destination for expatriates. It has also benefited from being a gateway city to Asia Pacific, one of the largest business travel regions globally.

Based on Savills' estimates, the total stock of serviced residences⁶ in Singapore was over 6,800 units as at December 2019. Excluding those which possess hotel licenses, there were around 4,800 serviced residences which are subject to the 6-night minimum stay requirement by the authorities. They are mostly located in the Orchard Planning Area and city centre, although in recent years, there have been more serviced residences offerings at city fringe and suburban locations, in line with the government's push for decentralisation.

Some of the notable completions in 2019 featured serviced residence-style product offerings with hotel licenses, reflecting the blurring line between the hotel and serviced residences sectors.



Oasia Hotel Novena, Club Suite

As more hotels reposition themselves as lifestyle-centric offerings suitable for longer stays to remain relevant to evolving consumer demands, many serviced residences are also redefining their positioning and product offering.

Savills estimates that there are around 13 new serviced residences with a total of approximately 1,200 units in the pipeline from 2020 to 2023. It is likely that a considerable number of these upcoming hospitality developments will have hotel licenses. Meanwhile, the co-living concept is likely to find its way into more hospitality offerings, with almost half (46%; 564 units) of the supply pipeline designed as co-living apartments. These projects comprise lyf Farrer Park Singapore (240 units) and lyf one-north Singapore (324 units), which will likely open in 2021. Other major serviced residences under development include Citadines Raffles Place Singapore (299 units) and Citadines Connect City Centre Singapore (169 units), which are expected to open around 2021/22.

DEMAND AND PERFORMANCE

Given the 6-night minimum-stay requirement imposed by the authorities, serviced residences typically appeal to longer-stay visitors, including expatriate families that have been recently relocated to Singapore, as well as corporate travellers on project-based assignments. Serviced residences usually offer more spacious and affordable accommodation options with similar hospitality amenities and services compared to hotels. Apart from the gradual tightening of corporate/ expatriate travel budgets over the years (resulting in shorter stays and fewer expatriates) amid ongoing economic headwinds, the increased availability of stock for rental in Singapore's private residential market also weighed on the demand for serviced residences, especially those with a minimum-stay requirement of seven days. As a result, occupancy for serviced residences has generally been lower than that of hotels.

⁶ Including those with hotel licenses which are conceptualised with similar facilities to serviced residences.

Nonetheless, with the increasing demand for shorter stays, more serviced residences are redefining their modus operandi, e.g. obtaining a hotel license to allow daily stays, as well as introducing more shared facilities and co-living concepts.

INVESTMENT

The serviced residences investment market benefited from the significant investor focus on the hospitality sector, despite being a niche market. While there were only three serviced residences investment transactions in 2019, the total transacted value of these assets amounted to more than S\$0.8 billion. This far surpassed the total investment volume for serviced residences in 2018 (S\$0.4 billion). Two major deals for the asset class in 2019 were the sale of Ascott Raffles Place for S\$353.3 million and Oakwood Premier OUE Singapore for S\$289.0 million. As part of the redevelopment plan of the Liang Court site, a portion of the floor area for Somerset Liang Court Singapore was sold for S\$163.3 million.

OUTLOOK

According to the Economic Development Board, Singapore attracted S\$15.2 billion in investment commitments in 2019, the highest since 2012, and these projects are expected to create 32,814 new jobs when fully implemented. This estimate significantly exceeded the initial forecast of 16,000 to 18,000 expected jobs. In particular, 54% of these new jobs are digital and innovation-related, while 11% are roles to provide business services regionally. It is likely that

the significant creation of high value-add jobs will help underpin the growth of more project-based (longer-staying) business travellers, as well as expatriates, which are key target segments of serviced residences. Meanwhile, Singapore continues to excel as a destination for expatriates and business travellers, ranking second worldwide in the HSBC Expat Explorer Survey 2019 and the top international meeting country globally in 2018 by the Union of International Associations.

According to the World Travel & Tourism Council⁷, global business travel spending is expected to grow by 3.0% in 2019 and will continue to rise by 3.2% per annum till 2029, lending support to the hospitality sector, including serviced residences in the mid to long-term.

While the serviced residences sector will likely be affected by the COVID-19 outbreak in 2020, it is expected to be more resilient than other hospitality segments, as demand for serviced residences is underpinned by expatriates and long-staying corporate guests, some of which have committed to longer leases i.e., three months and above, as compared to a typical business traveller. Meanwhile, the landscape for serviced residences has become more competitive, with hotels introducing concepts catering to extended stays, while unconstrained by the 6-night minimum-stay requirement. Disruptive accommodation businesses enabled by technology e.g., Airbnb, have also started encroaching on the extended stay market. As a result, the demand for

serviced residences is expected to remain relatively lukewarm in 2020 and this is expected to influence apartment rates, which are likely to remain soft.

Notwithstanding, apart from relief measures from the government to support the accommodation sector, there are ongoing public-private sector consultations to reduce the minimum length of stay for serviced residences. Should a relaxation of the minimum stay regulation come to fruition, it will likely help open up the sector in the mid- to long-term for greater leisure demand and families looking for apartment-style accommodation, which are more attractive compared to hotels from a value perspective.

On a brighter note, serviced residences which have been proactive responding to the shifts in consumer preferences are likely to perform more resiliently and will be better primed for recovery when the COVID-19 outbreak abates. For instance, some serviced residences have diversified their core markets, targeting the expanding middle class and growing 'bleisure' segment, instead of solely business travellers. In particular, some serviced residences are differentiating themselves by offering fully furnished apartments with family-friendly amenities at a lower cost to hotels, appealing to multi-generational holidaymakers, an up-and-coming growth market.

⁷ Travel & Tourism Global Economic Impact & Trends 2019 report.

Performance Review

Market Overview

The Singapore hospitality market in 2019 was softer in the first half of the year, reflecting the absence of major city-wide events compared to 2018. The grounding of the Boeing Max 777 planes might also have impacted regional travel in the initial months of 2019 as airlines cut capacity. The market recovered and rebounded in the second half of 2019 ("2H2019") demonstrating year-on-year growth for FY2019.

Leisure-related demand from key regional inbound destinations such as China, Indonesia and India continued to grow in 2019. While leisure segments saw an uptick in demand, corporate travel and associated corporate demand was more subdued. Due to the sluggish economic conditions, companies continued to take a more measured and cautious approach with their corporate travel policies in 2019.

Oasia Hotel Novena, Pool Deck



Review of Hotel Performance

For FY2019, Far East H-Trust's hotel portfolio achieved an average occupancy of 89.1%, same as that of the previous year. However, the Average Daily Rate ("ADR") decreased 1.3% to S\$160, due to higher contribution from the leisure segment at lower room rates compared to the corporate segment. Contribution from the corporate segment decreased, as companies were more cautious with business travel spending amidst a weakened macroeconomic environment. As a result, revenue per available room ("RevPAR") declined by 1.3% to S\$142.

Revenue from the corporate segment made up 32.8% of the total hotel room revenue in FY2019, down from 33.7% in FY2018. Correspondingly, the proportion of leisure revenue grew to 67.2% in FY2019, compared to 66.3% a year ago, reflecting the growth in visitor arrivals from regional markets.

The geographical mix for the hotel portfolio remained largely unchanged year-on-year. South East Asia and North Asia remained the top two contributors at 25.3% and 23.5% of hotel room revenue in FY2019 respectively.

Proactive asset management and focused revenue management efforts helped to optimise RevPAR during the peak periods and maintain competitiveness with the overall market. Over the course of the year, a wide range of guest experience and strategic marketing initiatives were carried out to improve market awareness of the various Far East hotel brands. Strategic investments were made to optimise online mobile booking capabilities to

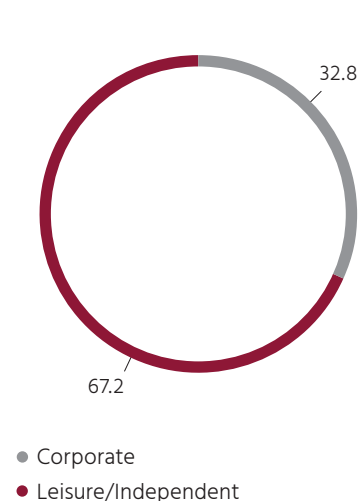
increase the contribution of direct bookings and to reduce reliance on third-party agents. Group-wide efficiency-driven initiatives were also undertaken to enhance productivity and reduce costs, resulting in improved gross operating profit margins. The Manager continues to work closely with the Operator to identify and execute strategic asset enhancement opportunities to ensure that the portfolio remains competitive in the current market.

HOTEL OPERATING PERFORMANCE

Average Occupancy (%)



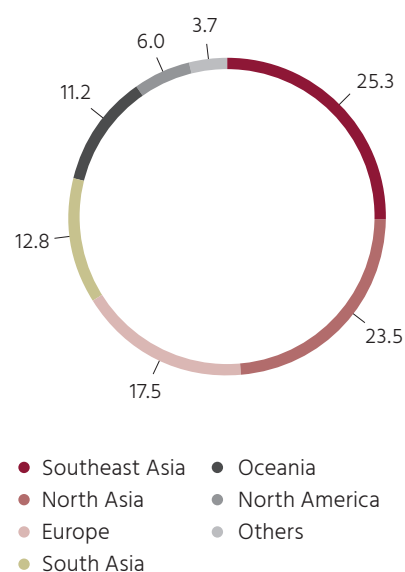
Revenue by Market Segment - Hotels (%)



Revenue per Available Room ("RevPAR") (S\$)



Revenue by Region - Hotels (%)



Performance Review

Review of Serviced Residence Performance

The ADR of Far East H-Trust's serviced residences ("SR") was 3.4% higher at S\$217 for FY2019, while the average occupancy of the portfolio decreased marginally by 0.6pp to 83.5%. Revenue per available unit, as a result, was 2.7% higher at S\$182.

The serviced residences portfolio continued to strategically tap on the dynamic demand from online bookings for shorter stays, which came in at higher room rates. The impact of disruptors such as the increased listings and supply of private apartments on short-term home-rental platforms was closely monitored to ensure that pricing remained competitive. A market-wide uptick in demand for serviced residences in the second half of 2019 provided some confidence to reinstate higher rates towards the later part of the year.

For FY2019, the corporate segment continued to be the main driver of revenue, contributing 71.6% of the revenue for the SRs. Revenue contribution from the corporate segment decreased 4.9pp compared to the preceding year. Corporate demand, especially from project groups, was more subdued during the year, as companies remained cautious given the global economic uncertainties. The drop in corporate revenue contribution was offset by growth in the leisure segment, both in terms of room night volume and ADR.

The Services and Banking & Finance sectors continued to be the two largest contributors to revenue, making up 21.5% and 20.9% of SR revenue in FY2019



Regency House, Studio

respectively. Besides the Services and Fast Moving Consumer Goods sectors, which saw a 2.5pp increase and 1.1pp increase in percentage revenue contribution

year-on-year respectively, all other industries in the corporate segment saw a decrease in proportional contribution. This was offset by an increase in online bookings.

SERVICED RESIDENCE OPERATING PERFORMANCE

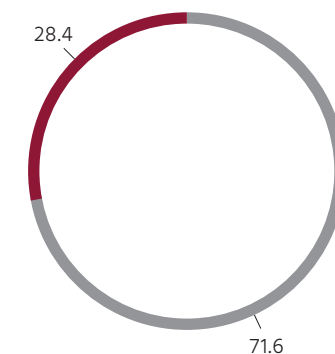
Average Occupancy (%)



Revenue per Available Unit ("RevPAU") (S\$)

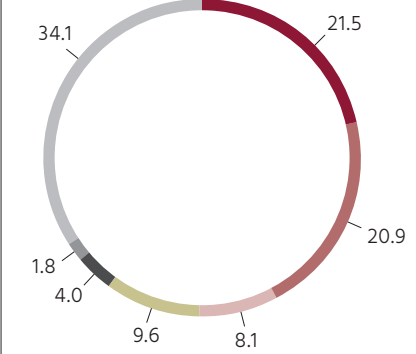


Revenue by Market Segment - SRs (%)



- Corporate
- Leisure/Independent

Revenue by Industry - SRs (%)



- Services
- Banking & Finance
- Oil & Gas
- Electronics & Manufacturing
- Fast Moving Consumer Goods
- Logistics
- Others

REVIEW OF REIT COMMERCIAL PREMISES PERFORMANCE

Far East H-Trust has a total of 287 units of retail, office and serviced office commercial spaces, housed in 9 out of the 13 properties in the portfolio.

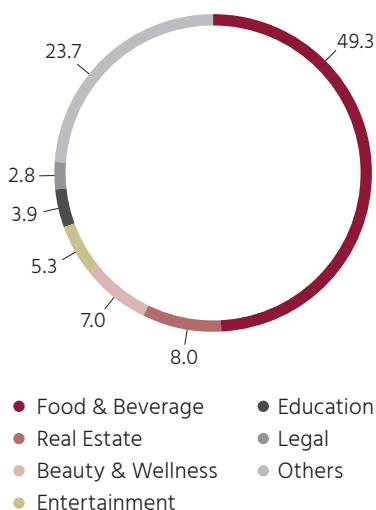
For FY2019, revenue from the REIT commercial premises ("RCP") was S\$21.9 million, 0.7% lower than the previous year. As a portfolio, revenue from RCP made up 19.0% of Far East H-Trust's total gross revenue.

The average occupancy of the RCP increased marginally by 0.4pp and the rental rates per square foot (including turnover rent) was 1.8% lower in FY2019. The average occupancy of the retail and office units was 90.1% and 90.5% respectively.

As at 31 December 2019, there were 156 tenants across various trade sectors, the largest being the food & beverage industry.

As at 31 December 2019, the remaining lease tenure of the

Trade Sector Mix of Tenants (%)



RCP spaces ranged from less than a year to 3.1 years, giving rise to a weighted average lease expiry ("WALE") of 1.4 years. A large proportion of the leases expiring within a year was for the serviced offices at Central Square (Village Residence Clarke Quay). Excluding

the serviced offices leases, which typically have lease tenures of less than a year, the WALE would have been higher at 1.5 years. New leases entered into during the year had a WALE of 1.8 years and made up 41.6% of the monthly RCP revenue.



Village Hotel Albert Court, Courtyard

LEASE MATURITY PROFILE AS AT 31 DECEMBER 2019

YEAR	2020	2021	2022	2023	2024
% of Leases expiring	57%	29%	12%	2%	–
% of total gross monthly RCP revenue	43%	30%	20%	7%	–

TOP 10 RCP TENANTS AS AT 31 DECEMBER 2019

NO.	TENANT	PERCENTAGE OF REVENUE	INDUSTRY
1	Far East Organization entities	12.5%	Real Estate/Hospitality Services/ Food & Beverage
2	UNOS Pte Ltd	6.1%	Food & Beverage
3	Akashi Japanese Restaurant OPH Pte Ltd	4.8%	Food & Beverage
4	Club Chinois Pte Ltd	4.4%	Food & Beverage
5	CV Holdings Pte Ltd	3.4%	Food & Beverage
6	Koshidaka Singapore Pte Ltd	3.1%	Entertainment
7	Sivasanta Group Pte Ltd	2.6%	Education/Food & Beverage
8	Singapore Hospitality Group Pte Ltd	2.4%	Food & Beverage
9	MENU Pte Ltd	2.0%	Food & Beverage
10	HenryBros Singapore Pte Ltd	1.9%	Food & Beverage

Capital Management

Far East H-Trust endeavours to maintain a strong balance sheet, employ an appropriate mix of debt and equity in financing acquisitions of properties, secure diversified funding sources by accessing both financial institutions and capital markets and optimise its cost of debt financing.

As at 31 December 2019, Far East H-Trust had total borrowings of S\$994.4 million, comprising term loan facilities of S\$977.9 million and revolving credit facilities ("RCF") of S\$16.5 million. The total borrowings were S\$36.2 million lower than last year as the proceeds retained from Far East H-Trust's distribution reinvestment plan ("DRP") were utilised to repay the RCF.

The DRP gives Stapled Securityholders the option to receive their distributions in either cash or Stapled Securities. It was applied for the four quarters in 2019 with an encouraging take-up rate. The retention of cash and the issue of Stapled Securities in lieu of cash under the DRP enlarged Far East H-Trust's capital base, strengthened its working capital reserves and improved the liquidity of Stapled Securities. S\$35.8 million were raised over the four quarters and the proceeds were utilised to repay borrowings, bringing gearing down from 40.1% last year to 39.2% as at 31 December 2019. This level is below the 45.0% gearing limit allowed by the Monetary Authority of Singapore for property trusts in Singapore.

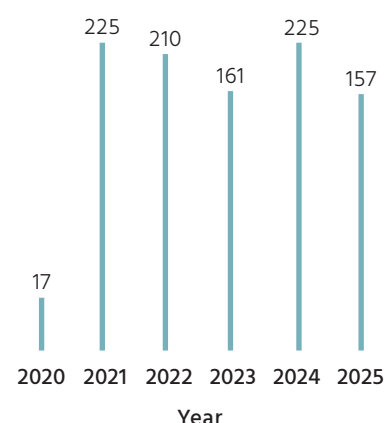
The REIT Manager keeps a well-spread debt maturity profile to minimise any refinancing risk in any one year. There is no more than 23% of debt due for refinancing in any year. The debt portfolio's weighted average debt to maturity was 3.3 years as at 31 December 2019.

During the year, the REIT Manager successfully refinanced a term loan of S\$100 million ahead of its maturity in August 2019. In October 2019, the REIT Manager also extended a 2-year S\$100 million term loan ahead of its maturity in April 2020 to a new 2.5-year S\$60 million term loan and a new 5-year S\$40 million term loan. There is no term loan maturing in 2020.

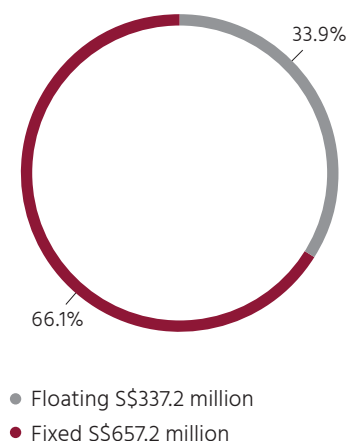
Far East H-Trust has S\$283.5 million of undrawn RCF. All its 13 investment properties with a total value of S\$2.65 billion are unencumbered. These provide Far East H-Trust with ample financial ability and the flexibility to fund future asset enhancement initiatives and acquisitions.

Far East H-Trust continues to maintain an appropriate proportion of interest rate hedges to manage interest rate risk. As at 31 December 2019, 66.1% of its borrowings were on fixed rates, as interest rate swaps contracts were entered into to hedge against the exposure to interest rate volatility. Far East H-Trust achieved a healthy interest cover ratio of 3.1 times and a prudent weighted average cost of debt of 2.9% per annum.

Debt Maturity Profile (S\$ million)
as at 31 December 2019



Interest Rate Profile
as at 31 December 2019



Stapled Security Price Performance

2019 proved to be a good year for investors globally, despite predictions that it would be a year of heightened volatility. Several global stock markets had rebounded at the start of 2019 and experienced most of their gains in the first few months of the year, after poor performance in the last two months of 2018. Whilst there were subsequent ups and downs, some markets had eventually risen by double digits, setting record-breaking highs in the process.

In 2019, global real estate investment trusts ("REITs") had generated their strongest year of gains in 10 years. At the end of 2019, Singapore had 35 REITs, six stapled trusts and two property trusts, which collectively contributed 24% of the day-to-day turnover of Singapore's stock market in 2019. As many as 25 of the 43 trusts had outpaced the 9.4% total return of the Straits Times index ("STI") in 2019, including Far East H-Trust. Investor

interest was generally keen in the hospitality REIT sub-sector, in anticipation of a pick-up in demand as well as easing of supply pressures.

Far East H-Trust's Stapled Security price closed at S\$0.74 on 31 December 2019. A total of 522 million Stapled Securities were traded during the year, up from 370 million the year before. On average, 2.06 million Stapled Securities were traded daily.

FAR EAST H-TRUST STAPLED SECURITY PRICE PERFORMANCE (%)



STAPLED SECURITY PRICE

Closing price as at 31 Dec 2018	S\$0.61
Low	S\$0.60
High	S\$0.75
Closing price as at 31 Dec 2019	S\$0.74

VOLUME

Total trading volume for 2019	522 million
Average daily trading volume	2.06 million

NET ASSET VALUE (NAV) PER STAPLED SECURITY

NAV per Stapled Security as at 31 December 2018	S\$0.88
NAV per Stapled Security as at 31 December 2019	S\$0.86

Investor Relations

Investor relations is integral to maintaining a high level of transparency and good governance. The REIT Manager is committed to keeping Stapled Securityholders abreast of the key developments and performance of Far East H-Trust, and makes timely disclosures as required under the Listing Manual of the SGX-ST. Pertinent or material information is released via the SGXNET, Far East H-Trust's website and other channels including news releases, annual reports and Stapled Securityholders' meetings.

Apart from making fair and timely disclosures, the REIT Manager engages the investment community by way of analyst briefings, investor roadshows and conferences, and one-on-

one meetings. The CEO and CFO, together with the Investor Relations Manager, devote time to engage both prospective and existing investors and analysts on an ongoing basis, both in Singapore and abroad. Site visits to Far East H-Trust's hotels and serviced residences are also arranged for analysts and investors who are keen to have a better understanding of the hospitality business and asset enhancement initiatives.

In 2019, the REIT Manager participated in non-deal roadshows in Singapore, Hong Kong, Bangkok and Tokyo, and met with a total of 111 analysts and institutional investors. In addition, the REIT Manager had participated in a seminar organized by UOB Kay

Hian for its retail investor clients, attended by about 100 investors. Far East H-Trust is covered by eight local and foreign brokerage firms.

Stapled Securityholders are given the opportunity to communicate their views at annual general meetings ("AGM") and extraordinary general meetings ("EGM"). All directors and representatives from DBS Trustee Limited and the external auditor are present to address Stapled Securityholders' queries during the general meetings. Resolutions are moved by voting by electronic polling and an announcement of the results showing the number of votes cast for and against each resolution and the respective percentages will be made through SGXNET. Minutes of general

Mess Hall, Sentosa



EVENTS ATTENDED	DATE
4Q/FY2018 Results Briefing with Analysts	13 Feb 2019
4Q/FY2018 Post-results Investor Luncheon with Maybank Kim Eng	13 Feb 2019
Investor Non-Deal Roadshow in Hong Kong with HSBC Bank	4-5 Mar 2019
Investor Non-Deal Roadshow in Bangkok with DBS Bank	28-29 Mar 2019
1Q 2019 Results Conference Call with Analysts	25 Apr 2019
Investor engagement in Singapore with fund management firms from Thailand and DBS Bank	26-27 Jun 2019
REITs Seminar with UOB Kay Hian	2 Jul 2019
2Q 2019 Results Conference Call with Analysts	30 Jul 2019
3Q 2019 Results Conference Call with Analysts	30 Oct 2019
Investor Non-Deal Roadshow in Tokyo with J.P. Morgan and Singapore Exchange Limited	12 Nov 2019

meetings are made available to Stapled Securityholders at their request. The REIT Manager also publishes minutes of general meetings of Stapled Securityholders on its corporate website (www.fehtrust.com).

Stapled Securityholders and the public can also access the corporate website for the latest information on Far East H-Trust. Quarterly financial reports, corporate announcements, annual reports and circulars, as well as other information, including key insider movements in Stapled Securityholdings, are found on the website. The public can also subscribe to email alerts, to be notified whenever Far East H-Trust has a new SGX filing or announcement.

As at 31 December 2019, about 75% of Far East H-Trust Stapled Securities were held by corporations, and the remaining 25% by individuals. Far East Organization entities continued to hold the majority, or about 61%, of Far East H-Trust's Stapled Securities, giving stability to the price of Far East H-Trust's Stapled Securities. The largest proportion of Far East H-Trust's institutional investors was from Singapore, holding about 43% of outstanding Stapled Securities. Investors from Asia (excluding Singapore) formed the next largest investor group, with about 28% of holdings in Far East H-Trust.

Stapled Securityholders, analysts, fund managers and the media

can reach out to our investor relations team for information on Far East H-Trust.

MS CHARISSA LIU

Manager, Investor Relations
& Asset Management

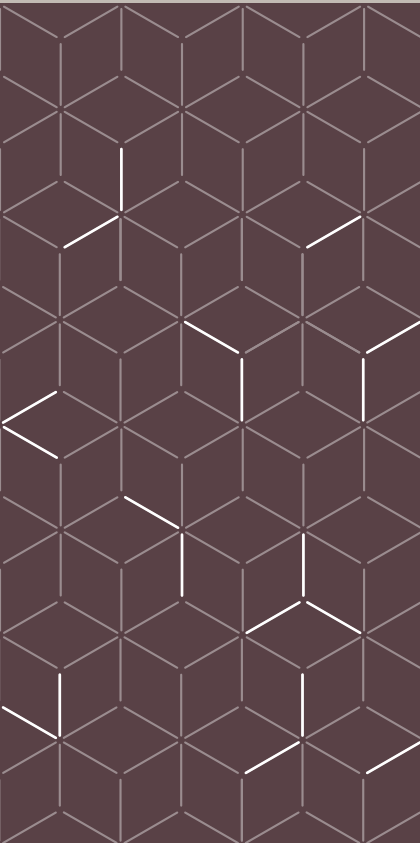
Tel: +65 6833 6607

Email: charissaliu@fareast.com.sg





Delivering Sustainable Growth



“Increasingly, stakeholders and the wider investment community are placing greater importance on long-term sustainable practices to ensure continued growth and value creation for all stakeholders.”

Board of Directors

BOARD STATEMENT

Sustainability continues to be a key focus of Far East Hospitality Trust (“Far East H-Trust” or the “Trust”) in the year as we present our third Sustainability Report.

Increasingly, stakeholders and the wider investment community are placing greater importance on long-term sustainable practices to ensure continued growth and value creation for all stakeholders. Recognising our responsibility in conserving the natural environment, contributing meaningfully to the communities around us and providing a safe, diverse and inclusive work place, Far East H-Trust is committed to managing the environmental, social and governance (“ESG”) impacts, risks and opportunities in a diligent

manner which aligns with the strategic business objectives and those of our stakeholders.

The Board, together with the REIT Manager, is responsible for identifying and responding to the ESG issues that are relevant to our business, and overseeing the management and monitoring of our ESG performance.

We would like to take this opportunity to thank our stakeholders in our sustainability endeavours as we progress on this journey.

BOARD OF DIRECTORS
REIT Manager Board
Trustee-Manager Board

Our efforts at improving our performance across all materiality aspects is an ongoing process and we remain focused on achieving this in the coming years.



Introduction

SCOPE OF THE REPORT

This report covers our ESG activities and performance for all the REIT's hotels¹ and serviced residences² in Singapore (unless otherwise stated), for the financial year from 1 January 2019 to 31 December 2019 ("FY2019").

SUSTAINABILITY REPORTING FRAMEWORK

This report has been prepared in accordance with the latest Global Reporting Initiative ("GRI") standards 2016 (Core option) and also complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. We have used the GRI Standards for defining report quality by applying the Reporting Principles of accuracy, balance, clarity, comparability, reliability and timeliness. A GRI Content Index is included at the end of this report which indicates the location of the relevant disclosures.

We had considered the significance of material ESG topics, concerns and expectations of our stakeholders, risks and opportunities and general sustainability trends in our sector in determining the contents of our inaugural report in the financial year ended 31 December 2017 ("FY2017"). For the FY2019 report, we have reviewed those material issues in light of the existing business landscape, industry trends, prevailing regulations as well as stakeholder views and the material issues remain unchanged.

Data provided in this report has been mainly derived from official records and we have relied on internal verification mechanisms. Our ESG performance data is reported in good faith and to the best of our knowledge to ensure reasonable accuracy and consistency. We did not seek external independent assurance for this reporting period and will review and factor this into consideration when our sustainability reporting matures over time.

ACCESSIBILITY

This report, published as a part of our Annual Report, is available in PDF format for download on our website feht.listedcompany.com/ar.html

In line with our Environmental Policy to conserve resources, only limited copies of this report have been printed.

FEEDBACK

We welcome stakeholders' feedback and suggestions as we seek to improve our practices and the coverage and completeness of our Sustainability Report. Please write to Ms Charissa Liu, Manager, Investor Relations and Asset Management at charissaliu@fareast.com.sg

¹ Village Hotel Albert Court, Village Hotel Bugis, Village Hotel Changi, The Elizabeth Hotel, The Quincy Hotel, Orchard Rendezvous Hotel, Rendezvous Hotel Singapore, Oasia Hotel Novena, Oasia Hotel Downtown

² Village Residence Clarke Quay, Village Residence Robertson Quay, Village Residence Hougang, Regency House

Sustainability Report



STAKEHOLDER ENGAGEMENT

Stakeholder engagement forms an integral part of our sustainability approach. Our stakeholders have been identified as the Board of Directors (the “Board”), employees, Sponsor/master lessees³, Stapled Securityholders and investment community, hotel and serviced residence operator (the “Operator”), media, government/regulators and industry/business associations, and the local community.

We strive to maintain open communication with our stakeholders, to understand their views, concerns and expectations and to use these learnings to make informed management decisions in shaping our policies and strategies so as to create sustainable business growth and value for all stakeholders.

Our approach is to proactively engage with our primary stakeholders on an ongoing basis as we believe building trusted relationships with them is key to achieving our sustainability goals. The following are the various modes of engagement we adopt for the respective stakeholder groups.

³ Sponsor refers to Far East Organization group of companies

STAKEHOLDER GROUP	ENGAGEMENT MODE
Board of Directors	• Monthly updates on Far East H-Trust's operating performance • Quarterly communication and reporting to review portfolio and financial performance, business outlook, movement in Stapled Securityholdings, interested party transactions, and to deliberate growth opportunities and sustainability factors • Annual general meetings • Induction and orientation programmes for new Board members
Employees	• Training and induction programmes • Annual Colleague Engagement Survey • Performance and career development appraisals • Company dialogues and lunch talks • Staff bonding/recreational activities and company retreats • Social and community activities
Sponsor/master lessees	• Quarterly updates on Far East H-Trust's financial and operating performance • One-on-one management briefings/meetings • Annual general meetings
Stapled Securityholders and investment community	• Quarterly financial reporting • Annual reports • Annual general meetings • Corporate website • One-on-one management briefings/meetings • Analyst briefings and investor roadshows • Site visits to properties
Hotel and serviced residence operator	• Monthly performance reviews and meetings with property general managers/residence managers • Site visits to properties • Reviews of asset enhancement and capital expenditure • Quarterly updates to the Board
Media	• Quarterly financial reporting • Announcements/press releases on corporate actions and developments e.g. acquisitions
Government/regulators and industry/business associations	• Regulatory filings • Regulatory, corporate governance, industry briefings and dialogues
Local community	• Social outreach programmes

For more details on our engagement with Stapled Securityholders and investment community and the media, please refer to page 46 on Investor Relations.

Sustainability Report



Sustainability Strategy

WHAT SUSTAINABILITY MEANS TO FAR EAST H-TRUST

Our approach to sustainability centres around the management of the ESG impacts of our business operations and their potential effect on our stakeholders. Our strategy is to manage our most significant sustainability impacts, risks and opportunities with the aim of effecting positive change on the REIT's performance, people and operating environment, and creating long-term value for all stakeholders.

Our policies, procedures and reports as well as contracts with third parties encompass key areas of sustainability such as environmental, employment, occupational health and safety, supply chain management, community development, corporate governance and regulatory compliance. These sustainability management practices are extended to the

hotels and serviced residences. We work closely with the Operator to integrate sustainability across the REIT's portfolio of properties.

SUSTAINABILITY GOVERNANCE

We have established a robust sustainability governance structure to ensure continued development and execution of our sustainability journey, initiatives and practices. The Board reviews Far East H-Trust's strategic plans, provides guidance on sustainability considerations, and ensures conformance with applicable regulations related to sustainability reporting such as the SGX Listing Rules 711A and 711B.

Far East H-Trust's sustainability management is overseen by Mr Gerald Lee, Chief Executive Officer of the REIT Manager, who provides the overall sustainability direction and approves key

sustainability practices. He is supported by the Sustainability Working Committee, comprising of representatives from Finance, Asset Management and Investor Relations, which drives, monitors, improves and communicates our REIT's sustainability initiatives.

AWARDS & RECOGNITION

We have achieved the Building and Construction Authority Green Mark certification for several of our properties. It is a benchmarking scheme which incorporates internationally recognised best practices in environmental design and performance. These properties include Village Hotel Albert Court (Green Mark Platinum), Rendezvous Hotel Singapore (Green Mark Gold) and Oasia Hotel Downtown (Green Mark Certified).



DEFINING MATERIAL FACTORS

We completed a materiality assessment in line with GRI Standards (2016) and SGX sustainability reporting requirements with the support of an external consultant for our inaugural Sustainability Report

in FY2017. We identified the material ESG factors which were then prioritised using a materiality matrix.

The material factors and their respective performance data and targets are reviewed by Far East

H-Trust annually. For this year's report, we have reviewed and prioritised the key material factors using the same methodology. The six ESG factors that we believed to be the most material to Far East H-Trust in FY2019 are listed in the table below.

CATEGORY	NO.	MATERIAL FACTORS	DISCLOSURE
Economic	1	Economic Performance	• Direct economic value generated and distributed
Environment	2	Energy	• Reduction of energy consumption
Social	3	Employment	• Benefits provided to full-time employees that are not provided to temporary or part-time employees
	4	Occupational Health & Safety	• Types of injury and rates of injury and number of work-related fatalities
	5	Broader Community	• Suppliers assessed for social and environmental impacts
Governance	6	Corporate Governance	• Sufficient levels of rules, systems, practices and processes by which the Trust is directed and controlled



Economic Performance

The REIT Manager is committed to delivering long-term sustainable and growing distributions through three key strategies – value adding acquisitions, active asset management and enhancement, and prudent capital and risk management.

A summary of the economic value generated is presented in the table here, in line with the requirements of the GRI Standards.

FAR EAST H-TRUST'S FINANCIAL HIGHLIGHTS & PERFORMANCE

FINANCIAL HIGHLIGHTS & PERFORMANCE	FY2019
Gross Revenue (S\$ million)	115.5
Net Property Income (S\$ million)	104.3
Income Available for Distribution (S\$ million)	73.9
Distribution per Stapled Security (Singapore cents)	3.81

For a detailed breakdown of Far East H-Trust's FY2019 financial results, please refer to the following sections in the 2019 Far East H-Trust Annual Report:

- Financial Highlights, page 4
- Growth Strategies, page 5
- Letter from the Chairman, page 8
- Our Portfolio, page 26

Sustainability Report



A considerable amount of energy and related costs are required for hotel and serviced residence operations which run round the clock, 24/7. We are committed to minimising the energy consumption across our properties as it has a direct impact on the environment and contributes to cost savings. Each year, we work closely with the Operator to implement our Energy Conservation Policy, conduct regular maintenance for optimal energy efficiency, monitor the properties' energy consumption and introduce new initiatives to reduce electricity usage and increase cost savings.

ENERGY CONSERVATION POLICY

We have in place an Energy Conservation Policy and adopts a multi-level and holistic approach in reducing energy consumption and achieving energy efficiency. The key principles, strategies and action plans are monitored and evaluated periodically.

STRATEGIC INITIATIVES FOR ENERGY CONSERVATION

Together with the Operator, we review the energy management strategies and map out key initiatives to meet the objectives, taking into account various

considerations. These include the feasibility and ease of implementation, relevance in terms of costs and benefits and the impact on guests and staff. We review our plant and machinery on a regular basis to identify methods and equipment that are instrumental in reducing energy consumption. Additionally, the team endeavours to keep abreast of the newest technologies available in the market or used in the industry to augment our energy conservation efforts.

The key initiatives implemented in FY2019 include the following:

- At Village Hotel Bugis, the replacement of the entire chiller system had been completed in 2019. With this change, the REIT would be able to obtain an estimated energy savings of 960,000 kWh per year. In addition, the replacement of the cooling tower in the hotel and the Building Management

System had resulted in better tracking of energy usage. The modernisation of all the passenger and service lifts had been completed as well.

- The High Tension switchgear at Village Hotel Changi had been replaced, which improved overall efficiency.
- At Village Hotel Albert Court, the passenger lifts are undergoing upgrading in stages, with one completed in 2019.
- The replacement of fan coil units in the guestrooms in Village Hotel Changi, Village Hotel Bugis, Village Residence Clarke Quay, Village Residence Robertson Quay and Regency House, had improved the efficiency of heat exchange and cut down the cooling load. Older models of air handling units had also been replaced at some of the properties.

FAR EAST H-TRUST'S ENERGY CONSERVATION KEY OBJECTIVES/ PRINCIPLES AND ACTION PLANS

OBJECTIVE/PRINCIPLE	ACTION PLANS
Improve energy savings	• Frequent checks of equipment to be done to maintain efficiency • Set target to reduce building energy consumption year-on-year through improvement works and addition of new energy-saving technologies • Partner with staff and public on green education initiatives
New builds with environmentally preferred designs	• All new Far East Hospitality buildings in Singapore to be designed at least to Singapore Green Mark gold status

OPERATIONAL INITIATIVES FOR OPTIMAL ENERGY EFFICIENCY

We ensure that detailed maintenance checks are conducted regularly by the Operator on the various equipment/facilities within the hotels and serviced residences. These checks enable us to better serve our guests and ensure their safety in all our premises.

They are also critical in supporting optimal building energy efficiency. Through this process, we are able to identify energy-saving opportunities and to invest in technologies that can further improve our energy efficiency.

In FY2019, the initiatives implemented at the properties include:

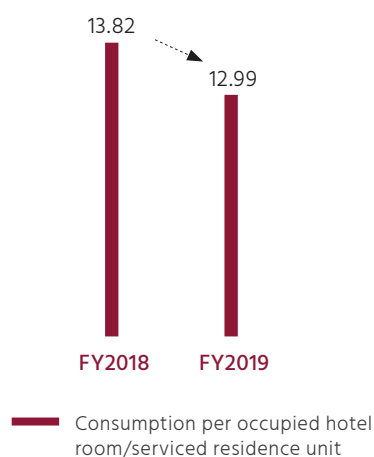
- Conversion of lighting to Light Emitting Diodes ("LED") for higher energy efficiency
- Adjustment of equipment operating hours to ensure equipment is used optimally
- Adjustment of temperature set point of air-con units and water heaters for optimal comfort

ENERGY CONSUMPTION

We work closely with the Operator to track our properties' energy consumption and actively explore and implement ways to reduce usage. Each month, energy consumption data for individual properties are reported so that we can evaluate and set energy consumption targets.

In FY2019, we set the target to reduce the energy consumption of Far East H-Trust properties by 2% and to ensure that all new Far East H-Trust buildings in Singapore are designed to minimally qualify for the Singapore Green Mark Gold status.

FEHT'S ENERGY CONSUMPTION DATA ('000 KWH)



To this end, we reduced our energy consumption per occupied hotel room/ serviced residence unit by 6% to approximately 13,000 kWh due to implementation of energy efficiency initiatives and good practices inculcated amongst staff.

For FY2020, we will continue to work towards achieving our target of a reduction in average energy consumption for our properties of 2% per year. We are also aiming to achieve the Singapore Green Mark Gold certification for the new hotels in Sentosa which Far East H-REIT has a 30% stake in, namely Village Hotel Sentosa, The Outpost Hotel, and The Barracks Hotel, which had progressively opened in FY2019. The application for the Green Mark Gold certification for all three hotels had been submitted to BCA when The Barracks Hotel was opened in December 2019.

FAR EAST H-TRUST'S ENERGY INDICATORS

ENERGY INDICATOR	TARGET
Energy consumption across Far East H-Trust Properties	Target to reduce the average energy consumption of Far East H-Trust properties by 2% per year and ensure that all new Far East H-Trust buildings in Singapore are designed to minimally qualify for the Singapore Green Mark Gold status

Sustainability Report



Far East H-Trust does not have any employee. The data on employees in this report is in relation to the REIT Manager. Our focus is on attracting and retaining the best talent with the relevant competencies, experience and qualifications to contribute to the business objectives of Far East H-Trust. We also aim to deliver a working environment which promotes workplace inclusivity, employee development and engagement, and improving the well-being of our people. We regularly monitor our performance in these areas and periodically review our policies.

EMPLOYEE PROFILE

Far East H-Trust promotes a culture of diversity in terms of age, gender and skill sets. We believe that this diversity in human resource fosters a culture of innovation and inclusiveness that will enable us to build a productive and high-performing team.

As at 31 December 2019, the REIT Manager had nine permanent, full-time employees, eight of whom were Singapore citizens and one of whom was a Singapore permanent resident. The average age of our employees was 43 years.

FOR PERMANENT EMPLOYEES

BY GENDER



BY AGE GROUP



BY EMPLOYEE CATEGORY



EMPLOYEE ENGAGEMENT

Keeping our employees engaged and motivated is a key priority. We conduct an annual Colleague Engagement Survey which seeks to assess our employees' level of engagement and to identify their strengths and areas for improvement.

In 2019, we garnered a participation rate of 100% for the survey and achieved an engagement score of 100%⁴ which is better than the average for real estate management and development companies in the Asia Pacific region.

CAREER DEVELOPMENT & EMPLOYEE TRAINING

Career development and employee training is a crucial part of human resource management. In particular, we actively focus on:

- Inclusion of individual development and career goals in the performance appraisal forms;
- Career development workshops;
- Learning and training opportunities

⁴ Based on survey conducted by Qualtrics

We take proactive steps to help our employees plan and work towards their career goals. New employees attend an orientation programme to understand Far East H-Trust's operations. Yearly goal setting sessions as well as performance appraisals are conducted to encourage self-improvement. There are also regular communication and feedback sessions with supervisors.

In terms of learning and skills upgrading, we develop our people according to their abilities and job specifications. Our employees are encouraged to pursue development opportunities and to acquire new skills through industry seminars

and conferences, skills certification training and professional qualifications courses.

EMPLOYEE WELFARE

The REIT Manager recognises that human resource is the most valuable asset, being the driving force behind our sustained growth and performance. All of our employees are covered by the Employment Act which outlines the employment terms and working conditions including contract requirements, remuneration, hours of work, overtime, rest days and annual leave entitlement. We offer competitive remuneration and

financial rewards, and each year, we engage external consultants to conduct salary benchmarking to better understand, motivate and reward our employees in line with industry peers.

In addition, we believe in investing in the well-being of our people by providing a safe, healthy and fulfilling working environment that will incentivise them to develop progressive, long-term careers with us. All our full-time employees enjoy welfare and benefits which promote employee health, wellness and development. Some examples of the REIT Manager's employment benefits include:

STAKEHOLDER GROUP	ENGAGEMENT MODE
Life Insurance/ Disability and Invalidity Coverage	Group Term Life Insurance Group Personal Accident Insurance
Healthcare	Group Hospitalisation & Surgical Insurance
Parental Leave	Maternity Leave Paternity Leave Childcare Leave Infant Care Leave (Unpaid) Government Paid Adoption Leave (GPAL)
Retirement Provision	Conditional Re-employment (Beyond 62 years)
Employee Health and Wellness	Dental Care, Optical & Vision Care Expenses Preventive Care (e.g. Health Screenings) Maternity/Fertility treatments Personal Insurance Premiums Childcare costs
Wellness and Self-Development	Musculo-skeletal treatments (e.g. Chiropractor) Social & Health Club Membership (e.g. Gym) Fitness Courses (e.g. Personal fitness training) Sports & Physical Fitness Courses (e.g. Tennis, dance) Weight Management Programmes Fees for personal development courses including training offerings from the Skills Future Credit Course Directory and purchase of books/periodicals for self-development

Sustainability Report



Occupational Health & Safety

At Far East H-Trust, health and safety of our employees is a top priority. The REIT Manager and Operator are committed to ensuring the safety and well-being of our employees. Providing a healthy and safe working environment not only enhances employees' comfort and boosts their morale and work performance, it also minimises the incidences of health and safety breaches to safeguard us against reputational risks and costly fines.

INTEGRATING HEALTH & SAFETY IN ALL OPERATIONS

In addition to compliance with statutory regulations such as the Workplace Safety and Health ("WSH") Act and Fire Safety Act, Far East H-Trust proactively seeks to minimise health and safety risks and create a secure environment.

Several key initiatives were implemented. For example, we ensure that WSH risk assessments are carried out by the Operator in all its properties and operational activities. These include identifying hazardous activities and/or workspaces, putting in place mitigation measures where necessary to prevent harm, injuries or accidents.

Periodic equipment testing and maintenance, and regular monitoring of safety performance are carried out.

Across the REIT's properties, an Employee Handbook documents the annual pledge to acknowledge and comply with our commitment to safety. Company Emergency Response Teams ("CERT") have also been established, and employees undergo the necessary health and safety training to perform emergency response roles (e.g. the operation of Automated External Defibrillator drills). They are equipped with safety equipment to prepare for potentially hazardous situations such as power failures, medical emergencies, fires and lift entrapments.

To strengthen Far East H-Trust's health and safety efforts, certified Fire Safety Managers ("FSM") are engaged to evaluate the fire safety measures at the properties. Periodic emergency drills are also conducted by the Operator and by the FSM, to assess our level of preparedness in response to emergencies.

In addition to the above-mentioned efforts, the REIT Manager works with the Operator to put in place procedures to be adopted in the REIT's properties in times of health crises such as widespread occurrences of infectious diseases. The necessary safety and precautionary protocols are implemented across all properties in such situations, e.g. temperature checks, disinfecting of rooms, quarantine of staff and communication.

FAR EAST H-TRUST'S KEY INITIATIVES TO OUTLINE ITS COMMITMENT TO HEALTH & SAFETY



FAR EAST H-TRUST'S SAFETY PLEDGE



FOSTERING A HEALTH & SAFETY CULTURE

To foster a strong health and safety culture, the Operator tracks the health and safety indicators listed in the following table. In the pursuit of high standards, “near-misses” incidents are

also monitored in addition to reportable ones as required under the WSH (Incident Reporting) Regulations. “Near-misses” and reportable incidents are evaluated, and lessons learnt are shared with employees to prevent recurrences.

In FY2019, we maintained zero workplace fatalities and zero cases of occupational disease across Far East H-Trust’s properties. The number of workplace incidents recorded was 163, which includes “near-misses” and minor incidents involving employees and/or third parties which occur at the properties.

We will continue to work with the Operator to review the nature of past accidents and evaluate safety performance to prevent future recurrences. For FY2020, the REIT Manager targets to achieve zero workplace fatality across all its properties.

WORK INJURY COMPENSATION INSURANCE

All employees across the REIT’s properties are covered under the Workmen’s Compensation Insurance Scheme which provides monetary compensation for injuries suffered or sustained during the course of work. The amount of compensation depends on the extent of the injury, in accordance with the Work Injury Compensation Act.

FAR EAST H-TRUST'S HEALTH & SAFETY INDICATORS

HEALTH & SAFETY INDICATORS		FY2019
1	Number of Workplace Fatalities	0
2	Number of Occupational Disease Cases	0
3	Number of Workplace Incidents (including “near-misses”)	163

Sustainability Report



SUSTAINABILITY ACROSS THE VALUE CHAIN

We are committed to the responsible management of our supply chain across our operations. We ensure that all supplies purchased are recognised under the Singapore Green Label Scheme ("SGLS") which endorses industrial and consumer products that have fewer undesirable effects on the environment. Administered by the Singapore Environment Council ("SEC"), the SGLS is the region's most established eco-labelling scheme with over 3,000 unique products certified across 28 countries. We communicate this initiative to our REIT's suppliers which further strengthens and enhances our commitment to the environment.

Additionally, the Operator has put in place the following principles to monitor the safety

and environmental performance of its suppliers, contractors and landscapers:

- Giving preference to suppliers, contractors and landscapers who are ISO 14001 and OHSAS 18001 certified;
- Requiring all suppliers, contractors and landscapers to comply with local government and other legal requirements;
- Reviewing, monitoring and appraising new and re-contracting suppliers, contractors and landscapers on their level of compliance with prevailing laws and regulations; and
- Having appropriate and adequate risk management controls and action plans put forth to ensure health and safety.

ENVIRONMENTAL POLICY: A SAFE AND GREEN CULTURE

We seek to minimise the impact of our operations on the environment. Working with the Operator, the REIT Manager advocates an environmentally-friendly approach in carrying out activities at the properties. The REIT's environmental policy provides guidance on various areas, including the procurement of supplies and consumption of energy. Far East H-Trust aims to:

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • Fully comply with the law, current legislations and regulations, and to take a proactive approach towards future legal requirements or obligations; • Ensure that everybody has a duty to care for the environment, its habitats and biodiversity; | <ul style="list-style-type: none"> • Seek to conserve natural resources by ensuring the responsible use of energy, water and materials and still provide the quality of service expected by the REIT's hotel and serviced residence guests and tenants; | <ul style="list-style-type: none"> • Source for products that have minimal environmental impact; and • Gain support from customers and suppliers and ensure that they are made aware of the REIT Manager's Environmental Policy. |
|---|--|--|



Beyond Social Services Graduation Ceremony

COMMUNITY INVOLVEMENT

As a responsible corporate citizen, Far East H-Trust aims to leave a positive footprint in our local community through volunteerism as well as giving back to those in need through financial contributions and in-kind donations. Over the years, we have been supporting charities and not-for-profit organisations for various causes. We also participate in some of our Sponsor's community activities. In FY2019, we supported two social service organisations, Beyond Social Services and PERTAPIS.

GRADUATION CEREMONY WITH BEYOND SOCIAL SERVICES

In conjunction with Beyond Social Services, the REIT Manager's employees and other volunteers from Far East Organization organised a graduation ceremony for children and youths staying in rental flats at the Whampoa and Lavender estates. Beyond Social Services is a voluntary welfare organisation dedicated to helping children and youths from less privileged backgrounds through a mentorship and support network. The ceremony was organised to recognise the accomplishments

of these young people who had achieved a milestone in their learning journeys, despite their challenging circumstances. About 300 graduating students and their families participated in the graduation celebration at Whampoa Community Club in a fun-filled evening of food, games, performances and entertainment. Mr Gerald Lee, the CEO of the REIT Manager, also presented certificates and prizes to the graduating students.

Sustainability Report



Activity with PERTAPIS for beneficiaries

BUILD-A-HAMPER SHOPPING CHALLENGE WITH PERTAPIS

The employees of the REIT Manager, together with volunteers from our Sponsor, partnered with PERTAPIS, which runs welfare homes and provides education and social support for needy families, for the Build-a-Hamper Shopping Challenge.

The event was organised under PERTAPIS Tabung Amal Jariah or Welfare Trust Fund that provides beneficiaries with skills and opportunities to improve their quality of life. The Build-a-Hamper Shopping Challenge helps beneficiaries learn financial management in a fun and exciting way. Volunteers and

the beneficiaries formed teams to play financial management themed table games. The beneficiaries assembled their hampers with household products and groceries they had purchased, using vouchers provided by our Sponsor, and prizes were awarded for the top three best decorated hampers.



Hamper making activity

The beneficiaries were also treated to a dinner before heading home with their hampers and lessons on planning and managing their finances and budget.



The REIT Manager and the Trustee-Manager are fully committed to upholding the highest standards of corporate governance, business integrity and professionalism in all its activities. The Managers believe that sound and effective corporate governance policies and practices are essential in achieving sustainable growth, and consequently a trusted, successful and respected Far East H-Trust.

Far East H-Trust complied with all applicable laws, rules and regulations, and in all material aspects with the principles laid out in the Code of Corporate Governance 2018. The REIT Manager regularly reviews the relevant policies and guidelines.

In addition, the REIT Manager is a member of the Financial Industry Disputes Resolution Centre Ltd and REIT Association of Singapore.



CORPORATE POLICIES AND GUIDELINES

Far East H-Trust has put in place corporate policies to ensure high standards of corporate governance, including:

- Investment Management Policy
- Personal Data Protection Policy
- Enterprise Risk Management Framework
- Roles and Responsibilities of Board of Directors
- Remuneration Policy
- Employee Code of Conduct

Our Investment Management Policy provides a set of guidelines on making investment and divestment decisions. Beyond financial parameters, the scope of the policy encompasses risks and opportunities related to ESG drivers. The policy is disseminated to all employees, to enable a common understanding, and reduce the likelihood of

subjectivity or non-compliance when making investment or divestment decisions.

Far East H-Trust's Personal Data Protection Policy outlines how Far East H-Trust and the REIT Manager manage all personal data held, in compliance with the Personal Data Protection Act ("PDPA") in Singapore. We also comply with local data protection and privacy laws in all operations out of Singapore. Please refer to www.fehtrust.com for more information.

To ensure that our practices remain relevant and effective, we keep up with changes in policies and current trends through industry news and events. We also regularly monitor and evaluate our compliance level. For more information on Far East H-Trust's corporate governance practices, please refer to pages 69 to 100.

Sustainability Report

Content Index

This report has been prepared in accordance with the GRI Standards Core option:

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102 – 3	Location of headquarters	Corporate Directory, Pg. 108
102 – 4	Location of operations	Corporate Directory, Pg. 108
102 – 5	Ownership and legal form	Our Structure, Pg. 3
102 – 6	Markets served	About Us, Pg. 2
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102 – 8	Information on employees and other workers	Employment, Pg. 58 – 59
102 – 9	Supply chain	Sustainability Across the Value Chain, Pg. 62
102 – 10	Significant changes to the organisation and its supply chain	Sustainability Reporting Framework, Pg. 51 Sustainability Across the Value Chain, Pg. 62
102 – 11	Precautionary principle or approach	Far East H-Trust does not specifically refer to the precautionary approach when managing risk; however, Far East H-Trust applies a risk-based consideration in all Risk Management practices (Risk Management and Internal Controls, Pg. 85)
102 – 12	External initiatives	Sustainability Reporting Framework, Pg. 51
102 – 13	Membership of associations	Corporate Governance, Pg. 65
STRATEGY		
102 – 14	Statement from senior decision-maker	Board Statement, Pg. 50
ETHICS AND INTEGRITY		
102 – 16	Values, principles, standards, and norms of behaviour	Website: Mission & Vision
GOVERNANCE		
102 – 18	Governance structure	Sustainability Governance, Pg. 54

GRI STANDARDS 2016		NOTES/PAGE NUMBER(S)
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STAKEHOLDER ENGAGEMENT		
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102 – 41	Collective bargaining agreements	None of the REIT Manager's employees are covered under collective bargaining agreements.
102 – 42	Identifying and selecting stakeholders	Stakeholder Engagement, Pg. 52 – 53
102 – 43	Approach to stakeholder engagement	Stakeholder Engagement, Pg. 52 – 53
102 – 44	Key topics and concerns raised	Stakeholder Engagement, Pg. 52 – 53
REPORTING PRACTICE		
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¹ Far East H-Trust has identified Corporate Governance as a material factor. This factor is not covered by the GRI topic-specific standards but reported under Corporate Governance (Pg. 69).

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GRI STANDARDS 2016		NOTES/PAGE NUMBER(S)
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Employment		
401 – 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Welfare, Pg. 59
405 – 1	Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old.	Employee Profile, Pg. 58
Occupational Health & Safety		
403 – 9	Number and rate of work-related injuries	Fostering a Health and Safety Culture, Pg. 61
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Corporate Governance Report

Far East Hospitality Trust ("Far East H-Trust") is a hospitality stapled group comprising Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") and Far East Hospitality Business Trust ("Far East H-BT").

Far East H-REIT is a real estate investment trust constituted by the trust deed dated 1 August 2012 (as amended, varied or supplemented from time to time) ("Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. (in its capacity as the manager of Far East H-REIT) (the "REIT Manager") and DBS Trustee Limited (in its capacity as the trustee of Far East H-REIT) (the "REIT Trustee").

Far East H-BT is a business trust constituted by the trust deed dated 1 August 2012 (as amended, varied or supplemented from time to time) and entered into by FEO Hospitality Trust Management Pte. Ltd. (in its capacity as the trustee-manager of Far East H-BT) (the "Trustee-Manager"). Far East H-BT has been dormant since Far East H-Trust was listed on the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST").

The REIT Manager has been issued a Capital Market Services Licence by the Monetary Authority of Singapore ("MAS") for real estate investment management ("CMS Licence") pursuant to the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") on 10 August 2012.

FAR EAST H-TRUST AND CORPORATE GOVERNANCE

The framework of relevant legislations and guidelines governing Far East H-Trust include:

- (i) The SFA;
- (ii) The Code on Collective Investment Schemes (including Appendix 6 thereon on property funds) (the "CIS Code", and Appendix 6 of the CIS Code, the "Property Funds Appendix");
- (iii) The Listing Manual issued by SGX-ST (the "Listing Manual");
- (iv) The Business Trusts Act, Chapter 31A of Singapore;
- (v) The Code of Corporate Governance 2018 (the "Code"); and
- (vi) Written directions, notices, codes and other guidelines that may be issued by the MAS from time to time.

The REIT Manager and the Trustee-Manager (collectively, the "Managers") are fully committed to upholding the highest standards of corporate governance, business integrity and professionalism in all its activities. The Managers believe that sound and effective corporate governance policies and practices are essential in achieving sustainable growth, and consequently a trusted, successful and respected Far East H-Trust.

This corporate governance report ("CG Report") sets out Far East H-REIT's corporate governance framework and practices with specific reference to the principles and the provisions of the Code, in accordance with Rule 710 of the SGX Listing Rules, and where applicable, the Listing Manual and the Companies Act, Chapter 50 of Singapore ("Companies Act"). For the financial year ended 31 December 2019 ("FY2019"), save as stated in the CG Report, Far East H-REIT has complied in all material aspects with the principles of the Code. Where there are variations from any of the provisions of the Code, an explanation has been provided within this Report, which includes the reason for the variation, as well as the practices adopted to be consistent with the intent and philosophy of the relevant principle in question.

Due to the different legislative and regulatory requirements in relation to a REIT as compared with a business trust, the corporate governance disclosure requirements in relation to the REIT Manager are different from those in relation to the Trustee-Manager.

Corporate Governance Report

(A) BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1:

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

ROLE OF THE BOARD

Pursuant to the Trust Deed, the board of directors of the REIT Manager (the "Board") is entrusted with the responsibility for the overall management of the REIT Manager and has general powers of management over the assets of Far East H-REIT.

The key roles and responsibilities of the Board are to:

- Set strategic objectives and direction, and provide guidance to the management of the REIT Manager ("Management") in executing those objectives;
- Manage Far East H-REIT's assets and liabilities for the benefit of the stapled securityholders of Far East H-Trust ("Stapled Securityholders");
- Formulate the business plans in relation to Far East H-REIT's properties;
- Recommend to the REIT Trustee on the acquisition, divestment or enhancement of assets of Far East H-REIT in accordance with its stated investment strategy;
- Ensure Management discharges its duties with integrity and accountability, and demonstrate highest level of skills and professionalism;
- Establish a framework of prudent and effective controls which enables risks to be assessed and managed to safeguard the interests of the Stapled Securityholders and the assets of Far East H-Trust;
- Consider sustainability issues such as environmental issues as part of its strategic formulation;
- Ensure that Management maintains sound measures relating to corporate governance, financial regulations and internal policies including the Code of Conduct (further elaborated on page 99 of the CG Report); and
- Consider the perceptions of stakeholders that will affect Far East H-Trust's reputation.

BOARD COMMITTEES

In the discharge of its functions, the Board is supported by three board committees which also serve to ensure that there are appropriate checks and balances. These committees are the Audit and Risk Committee ("ARC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively known as "Board Committees"). Each of the Board Committees is chaired by independent directors ("IDs") and reports to the Board. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

Each of the Board Committees has its own written terms of reference and operates under delegated authority from the Board. However, the Board retains overall responsibility for all decisions made by the Board Committees. Information on the ARC, NC and RC can be found in the "Accountability and Audit"; "Board Membership" and "Board Performance"; and "Remuneration Matters" section of this CG Report respectively.

Corporate Governance Report

BOARD MEETINGS AND ACTIVITIES

The Board meets regularly, at least once every quarter, and as required by business imperatives or particular circumstances, to discuss and review business strategies and policies, including any significant acquisition and/or disposal, portfolio performance, business outlook, movement in stapled securityholdings, deliberate growth opportunities of Far East H-REIT, and approve the release of quarterly and full year financial results.

In addition, the IDs schedule to meet as and when required to discuss matters without the presence of Management and the Chairman of the Board. In 2019, the IDs had one such meeting chaired by Mr Willie Cheng, lead independent director ("Lead ID").

As a general rule, Board and Board Committee meeting notices and papers are required to be sent to the Directors and members of Board Committees at least five business days before the meetings. This would also enable any Director who is unable to attend a meeting to provide input and raise queries on the agenda items. Board papers are detailed and give the background, explanatory information, justification, risks and mitigation measures for each agenda item and mandate sought by Management, including, where applicable, relevant budgets, business plans, forecasts and projections. Directors can ask for additional information as needed to make informed decisions. However, papers containing price sensitive information may be tabled at the meetings themselves or discussed without any papers being distributed. All Board and Board Committee papers are kept and disseminated via an electronic board portal, which has proven to be an effective, secure and sustainable form of communication.

Executive officers of Far East Organization, external consultants or advisers who can provide additional insight into the relevant matters at hand may be invited to attend the meetings. The executive officers of Far East Organization will not participate in any decision-making process involving transactions between Far East H-Trust and the Sponsor, comprising Far East Organization and its group of companies ("FEO").

Management recognises that the flow of information on an accurate, complete, adequate and timely manner is critical for the Board to be effective in discharging its duties. At the quarterly Board and ARC meetings, Directors are updated on developments, challenges and changes in the operating environment, including changes in accounting standards, changes in laws and regulations governing the REIT industry, or changes that have a bearing on Far East H-REIT. The Board and Board Committee papers given to the Directors include updates on Far East H-REIT's operating and financial performance, strategic plans, regulatory and compliance updates and any other matters for discussion. On a monthly basis, Management also provides the Board with a brief update on the operating performance of Far East H-Trust, to enable the Board to exercise effective oversight over the Trust.

The Directors of the Board have separate and independent access to Management and the Company Secretary at all times, and they are entitled to request from Management additional information to make informed decisions. The Directors, either individually or as a group, may at the REIT Manager's expense seek independent professional advice where appropriate, to discharge his/her/their duties effectively.

The corporate secretarial agent is Tricor Evatthouse Corporate Services, and the named Company Secretaries are Lin Moi Heyang and Low Mei Wan. They attend to all corporate secretarial matters for the REIT Manager. At least one of the Company Secretaries attends all Board and Board Committee meetings and prepares minutes of meeting proceedings. They assist the Chairmen of the Board and Board Committees in ensuring that Board and Board Committee procedures are followed and that the REIT Manager's Constitution, Terms of Reference of the Board and Board Committees, applicable rules and regulations and best practices are complied with. The Company Secretaries advise the Board on all governance matters. They also work with Management to ensure that Board and Board Committee papers are provided to each Director at least five business days ahead of meetings. Their responsibilities also include assisting the REIT Manager in preparing the announcements to be uploaded on the SGXNET as required under the Listing Manual.

Corporate Governance Report

Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the Managers permits the Director to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval. The exception is where a Director has a conflict of interest in a particular matter in which case, he or she will be required to recuse himself or herself from the deliberations and abstain from voting on the matter. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process.

The number of meetings of the Board, ARC, NC and RC held during FY2019, as well as the attendance of every Director at these meetings and at the last AGM are set out in the table below:

	Board Meetings	Annual General Meeting	ARC Meetings	NC Meetings	RC Meetings
Number of meetings held in FY2019	6	1	4	2	4
Board members					
Wee Kheng Jin	6/6	1/1	N.A.	N.A.	4/4
Willie Cheng Jue Hiang	6/6	1/1	4/4	2/2	N.A.
Kyle Lee Khai Fatt	6/6	1/1	4/4	2/2	4/4
Huang Cheng Eng	6/6	1/1	4/4	N.A.	4/4
Vivienne Lim Hui Bian	6/6	1/1	N.A.	2/2	N.A.
Catherine Lee Khia Yee ¹	4/4	N.A.	N.A.	N.A.	N.A.
Chief Executive Officer					
Gerald Lee Hwee Keong	6/6	1/1	4/4	2/2	4/4

1 Ms Catherine Lee Khia Yee was appointed as Independent Director, effective 1 July 2019.

N.A. Not applicable

The Board has approved a list of matters reserved for the Board's decision-making. This sets clear directions for Management on matters that must be approved by the Board.

The list of matters reserved for the Board's approval includes, but is not limited to:

- Long term strategy and objectives of Far East H-REIT
- Annual budget and business plans in relation to Far East H-REIT's properties
- Policies to safeguard the interests of the Stapled Securityholders and the assets of Far East H-REIT
- Investment strategy and mandate
- Distribution policy
- Announcements and press releases concerning Far East H-REIT
- Board memberships and other appointments
- Appointment and removal of the Company Secretary

Corporate Governance Report

In fulfilling its responsibilities to Far East H-REIT, the Board has approved a set of financial controls which sets out approval limits for operating expenditures, capital expenditures, procurements, general and administrative expenses and leases as well as arrangements in relation to cheque signatories. Appropriate delegation of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

ORIENTATION AND TRAINING FOR DIRECTORS

The NC exercises oversight on the orientation, training and professional development of Directors, and also ensures that new Directors are aware of their duties and obligations.

The Board has a comprehensive and structured orientation framework. Newly-appointed Directors attend a familiarisation exercise whereby they undergo a tailored programme to enable them to have a good understanding of Far East H-Trust.

The orientation exercise consists of:

- Management presentations on Far East H-Trust's strategic objectives, business, operations, responsibilities of key management personnel, and financial and governance practices; and
- Site visits to Far East H-Trust's properties (hotels and serviced residences)

In addition to the above, copies of the minutes of immediate past Board and Board Committee meetings are made available to newly-appointed Directors. They are also provided with other materials relating to the Board and Board Committees, including the terms of reference of the various Board Committees on which they are appointed as well as relevant guidelines and policies.

Ms Vivienne Lim, appointed as an Independent Director of Far East H-Trust in July 2018, has completed all modules of the mandatory training provided by the Singapore Institute of Directors ("SID") – the Listed Entity Directors ("LED") programme, Modules 1 to 4, in accordance with SGX Listing Rule 210 (5)(a) which states the requirement for first-time directors of an issuer on the Exchange to undertake training as prescribed by the Exchange. Additionally, Ms Lim has completed LED Module 7 on Nominating Committee Essentials in 2019, as she was appointed as a member of the NC in January 2019, and has also completed all other non-mandatory modules of the programme (LED Modules 5, 6 and 8).

Ms Catherine Lee, Far East H-Trust's newest Independent Director, appointed in July 2019, has commenced the mandatory training programme and completed LED Module 1 in 2019. She is scheduled to complete the remaining LED modules in 2020.

The Board also recognises the importance of continual training and development for its existing Directors so that they can perform their roles on the Board and Board Committees to the best of their abilities. Following their appointment, there is a Continuing Professional Development programme put in place for all Board members, to equip them with the appropriate skills and knowledge required. As part of this programme, Directors undergo ongoing education particularly on relevant new laws, changes to regulations and accounting standards and other industry-related matters. They are briefed about areas such as directors' duties and responsibilities under the Companies Act, Listing Manual, SFA, etc. to enable them to carry out their statutory and fiduciary duties as well as to update and refresh them on matters that may affect and/or enhance their performance as Board members.

Directors are encouraged to participate in industry conferences, seminars, courses and training programmes which are relevant to their duties. Training programmes include those organised by the SID on corporate governance, leadership and industry-related subjects. The Continuing Professional Development programme for Board members comes under the NC's purview, and the REIT Manager funds the training and development programmes for existing and new Board members.

Corporate Governance Report

Apart from courses that the Directors attend and participate in by themselves, the REIT Manager arranged and facilitated the attendance and/or conduct of the following training programmes (which include seminars, conferences and workshops) for its directors in FY2019:

- SID Directors Conference 2019
- SID Listed Entity Directors Program
- SID Corporate Governance Roundup 2019
- Key Regulatory Updates by KPMG

The Board is regularly updated either during Board meetings or at specially convened meetings (with the attendance of professional advisors, consultants, auditors and Management) on areas that may affect Far East H-Trust's business and developments. The Management also provides the Board with timely information through regular updates on financial results, market trends in the hospitality sector, and business developments.

BOARD COMPOSITION AND GUIDANCE

Principle 2:

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board reviews the size and composition of the Board, with a view to ensuring effective decision making by taking into account the scope and nature of the operations of Far East H-Trust.

REVIEW OF DIRECTORS' INDEPENDENCE

The Board presently comprises six directors, five of whom are independent directors and one of whom is a non-independent non-executive director. The composition of the Board therefore complies with Provision 2.3 where majority of the board is made up of non-executive directors and Provision 2.2 where majority of the board is made up of independent directors where the Chairman is not independent. This enables Management to benefit from their invaluable and objective perspectives on issues that are brought before the Board.

The independence of the Directors is reviewed by the NC annually on a formal basis since the formation of the NC on 19 January 2016. The REIT Manager Board was established in 2012, and none of the Directors has served on the Board beyond nine years since the date of his or her first appointment. Additionally, none of the Directors has been a substantial shareholder of the REIT Manager, or substantial Stapled Securityholder of Far East H-REIT.

The Directors complete an annual confirmation of independence, whereby they are required to critically assess their own independence including independence from the major shareholder and management, which the NC takes into account for the purposes of this review. The Board has considered and determined, taking into account the views of the NC, that Mr Willie Cheng, Mr Kyle Lee, Mr Huang Cheng Eng, Ms Vivienne Lim and Ms Catherine Lee have demonstrated independence in character and judgement in the discharge of their responsibilities as directors in FY2019, and is satisfied that each of them has acted with independent judgement. The Board has also assessed the relationships or circumstances which are likely to affect, or could appear to affect, the directors' judgement. Based on the annual review of the directors' independence conducted by the NC, the criteria of independence as set out in the Code and SGX Listing Rule 210 (5)(d), and the declarations by the IDs of their independence, the Board is satisfied that Mr Willie Cheng, Mr Kyle Lee, Mr Huang Cheng Eng, Ms Vivienne Lim and Ms Catherine Lee are independent.

Corporate Governance Report

In FY2019, none of the IDs had any business relationship with the REIT Manager, its related companies, its substantial shareholders or its officers, as well as with Far East H-REIT and its substantial Stapled Securityholders that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of Far East H-Trust.

During FY2019, each of the IDs had been independent from the management of the REIT Manager and Far East H-REIT, as well as from every substantial shareholder of the REIT Manager, and every substantial Stapled Securityholder of Far East H-Trust. This is in accordance with the guidance in the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR), Regulation 13E(b)(i).

Mr Wee Kheng Jin (Chairman of the Board) was previously an Executive Director in FEO until his retirement on 31 December 2018, after which he continued his association with the Group as a Senior Advisor. At the same time, Mr Wee had also retired from the boards of all other FEO-related companies, but remained a director of FEO Hospitality Asset Management Pte. Ltd. (the REIT Manager) and FEO Hospitality Trust Management Pte. Ltd. (the Trustee-Manager). The Board has reviewed and is satisfied that, as at the last day of FY2019, Mr Wee Kheng Jin, although being a non-independent director, was able to act in and has acted in the best interests of all the Stapled Securityholders of Far East H-Trust. This is in accordance with the guidance in the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR), Regulation 13E(b)(ii).

BOARD DIVERSITY POLICY AND COMPOSITION

The REIT Manager believes that a balanced Board can provide the diversity of viewpoints and insights that will enhance decision-making. Towards this end, the Board has established a Board Diversity Policy that seeks to have an appropriate level of diversity in its composition, including the dimensions of skills, knowledge and industry experiences, gender, age and tenure.

A diversity of tenure will achieve the progressive renewal of the Board so that there is the continuity of experienced directors as well as the onboarding of new directors to provide fresh perspectives on an ongoing basis. All director appointments will be based on merit, having due regard to the overall balance and effectiveness of the Board.

Under the Board Diversity Policy, the NC will, in reviewing and assessing the composition of the Board and making recommendations to the Board on the appointment of new directors, consider aspects such as professional qualifications, industry and geographic knowledge, skills, length of service, age, gender, and the needs of the trust. The NC will review the structure, size, balance and diversity of the Board annually and propose any changes to the Board to complement the trust's objectives and strategies. In this regard, the NC will review and report to the Board annually the objectives and progress made in achieving an appropriately diverse board composition.

Currently, the Board and its Board Committees comprise directors with an appropriate balance and diversity of skills, experience and knowledge. The Directors have diverse backgrounds in accounting and auditing, business advisory, banking and finance, investment and fund management, construction, real estate development, hospitality services, aviation and tourism marketing, management consulting, technology implementation, corporate governance, strategic planning, and corporate and commercial law. The Directors engage in open and constructive debate and regularly challenge Management on its assumptions and proposals. The Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Management has benefited from the Directors' invaluable views and experiences.

In FY2019, the Board had sought to achieve a greater balance of diversity in the aspects of gender, age and professional qualifications, and Ms Catherine Lee was appointed to the Board in July 2019. As a Chartered Accountant with extensive experience in investment and fund management, Ms Lee has brought new perspective to Far East H-Trust. With her appointment, the Board currently has five out of six of its members as independent directors and one-third are female, in addition to the broad range of skills and experience needed for the trust. The Board continues to seek to introduce greater diversity as it progressively reviews the composition of the Board and its Board Committees.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3:

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the REIT Manager are held by two different individuals in order to maintain effective segregation of duties, ensure an appropriate balance of power and authority, increased accountability and to maintain effective checks and balances. The Chairman of the Board is Mr Wee Kheng Jin, while the CEO of the REIT Manager is Mr Gerald Lee. Mr Wee Kheng Jin is also the Chairman of the Trustee-Manager Board and Mr Gerald Lee is also the CEO of the Trustee-Manager. They are not related to each other and do not have close family ties.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the REIT Manager. Mr Wee Kheng Jin leads the Board to ensure its effectiveness on all aspects of its role. He ensures that adequate time is given for discussion of all items at the board meeting, in particular strategic issues. He also facilitates effective contribution of the directors and encourages a culture of openness and debate at board meetings. The Chairman also ensures that the Board works together with integrity and competency, and that the Board engages Management in constructive debate on strategy, business operations, enterprise risk and other plans.

Mr Gerald Lee is principally responsible for the management and conduct of the business of the REIT Manager. He has full executive responsibilities over the business direction and operational decisions in managing Far East H-REIT.

Provision 3.3 of the Code recommends the appointment of an independent director to be the lead independent director in certain circumstances, including where the Chairman is not independent. Mr Willie Cheng has been appointed as the Lead Independent Director. He is also the Chairman of the ARC.

Mr Cheng, as the Lead ID, has held meetings with the IDs without the presence of the non-independent directors and Management as he deemed appropriate or necessary, and provided feedback to the Board Chairman after each meeting.

BOARD MEMBERSHIP

Principle 4:

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

NOMINATING COMMITTEE (NC)

The Board established its NC on 19 January 2016. The NC members are appointed by the Board from among its members, all of whom (including the Chairman of the NC) are independent directors. The members of the NC are Mr Kyle Lee (Chairman of the NC), Mr Willie Cheng (Lead ID) and Ms Vivienne Lim (appointed with effect from 1 January 2019, replacing Mr Wee Kheng Jin).

Corporate Governance Report

ROLES AND RESPONSIBILITIES OF THE NC

The NC has written terms of reference setting out its scope and authority in performing the functions of a nominating committee, including assisting the Board in matters relating to:

- Selection and appointment of new directors and re-appointment of the existing Directors of the Board, taking into account their contribution, performance and ability to commit sufficient time and attention to the affairs of Far East H-REIT, as well as their respective commitments outside Far East H-REIT;
- Implementation and monitoring of the Board Diversity Policy in order to make recommendations to the Board on the diversity of skills, experience, gender, age, knowledge, size and composition of the Board;
- Determining annually whether or not a director is independent, having regard to the circumstances set forth in Provisions 2.1 and 2.2 of the Code and SGX Listing Rule 210 (5)(d);
- Deciding whether or not a director is able to and has been adequately carrying out his or her duties as a director;
- Review of succession plans, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- Development of the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- Review of training and professional development programmes for the Board and its Directors; and
- Such other authorities and duties as provided in the Code.

The NC administers nominations to the Board, reviews the structure, size and composition of the Board and reviews the performance and independence of the Directors. In addition, as part of regulatory requirements, MAS also requires prior approval for any change of the Chief Executive Officer or of any appointment of director.

The NC is of the view that the members of the Board provide an appropriate balance and diversity of skills and commercial experience, as elaborated on in the Board Diversity Policy section. The NC believes that a director's eligibility for selection, appointment and re-appointment goes beyond his or her attendance at meetings. The NC takes into consideration a director's competencies, commitment, contribution and performance, and is committed to providing an appropriate balance and diversity of skills, experience and knowledge.

REVIEW OF DIRECTORS' TIME COMMITMENTS

All directors are required to commit sufficient time and attention to the affairs of Far East H-REIT and the REIT Manager. The NC will annually, and as required, assess the major commitments including employment and listed company directorships and whether the director has and can suitably fulfill his or her duties as a director of the REIT Manager.

Towards this end, the REIT Manager has established a policy that any of its directors may not take on more than the following number of listed company directorships without prior consultation and agreement of the NC and the Board:

- For a director who is an executive of a company (including the REIT Manager): not more than two external listed company directorships.
- For a director who is not an executive of any company: not more than five listed company directorships.

None of the current directors have reached the limits set out in the above policy.

Corporate Governance Report

Based on every Director's full attendance record for Board and Board Committee meetings (set out on page 72) and contributions outside of formal Board and Board Committee meetings, the NC is satisfied that all Directors are able to and have committed sufficient time and discharged their duties adequately for the financial year ended 31 December 2019. The REIT Manager has no alternate directors on its Board.

Key information regarding the Directors such as academic and professional qualifications, committee membership, date of appointment, and details about the present and past directorships of each Director are set out on pages 12-15. The Directors' Stapled Securityholdings in Far East H-Trust are set out on page 188.

SELECTION AND APPOINTMENT OF NEW DIRECTORS

The NC regularly reviews the existing attributes and competencies of the Board in order to determine the desired experience or expertise required to strengthen or supplement the Board. The NC is in charge of making recommendations to the Board regarding the identification and selection of new directors.

In identifying candidates for new appointments to the Board as part of the Board's renewal process, the following principles are applied by the NC:

- The Board should comprise directors with a broad range of commercial experience, including expertise in business management, tourism and hospitality, real estate, finance, investments and legal matters;
- The Board should have diversity in terms of gender and age;
- More than half of the Board should comprise independent directors as the Chairman is not an independent director; and
- The candidate is fit and proper in accordance with MAS' fit and proper guidelines, taking into account his or her track record, capabilities and such other relevant experience as may be determined by the Board.

Given the selection criteria, the search for potential candidates is initiated by considering recommendations from Board members and Management, and conducting an external search for candidates that fit the criteria. The external search in 2019 was conducted through the SID's Board Appointment Service.

The NC will then shortlist and interview the candidates. Shortlisted candidates are evaluated by the Chairman of the Board and IDs so that recommendations made on proposed candidates are objective and well-supported. Candidates are evaluated and selected based on their relevant expertise and potential contributions. Other factors including the current and mid-term needs and goals of Far East H-REIT are also considered. Once a candidate is selected for the Board, the NC conducts due diligence through reference checks before putting it up to the Board for approval.

Having initiated the Board renewal process two years ago with the appointment of Ms Vivienne Lim in 2018 and Ms Catherine Lee in 2019, the NC had reviewed the current size and composition of the Board as at 31 December 2019. The Board plans to continue the process of gradually and progressively refreshing its IDs over the next few years, taking into account, among other factors, the implementation of the nine-year rule on director independence in the SGX Listing Rules.

Corporate Governance Report

KEY MANAGEMENT SUCCESSION

In addition to succession planning of the Board, the NC reviews the succession plans for key management positions. Given the small size of the organisation, the succession planning draws upon personnel from FEO.

BOARD PERFORMANCE

Principle 5:

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC assesses and discusses the performance of the Board as a whole and its Board Committees on an annual basis. The NC has in place a process to evaluate the effectiveness of the Board and its Board Committees, as well as the contribution by the Chairman and each individual Director. The review allows each Director to individually express his or her personal and confidential assessment of the Board's overall effectiveness in discharging its duties and responsibilities. It provides insights into the functioning of the Board and its Board Committees, whilst identifying areas that need strengthening or improvement.

The criteria for evaluation of the Board's performance includes board composition, access to information, board process, risk management, strategy and planning, board accountability, and engagement with CEO and Management. These performance criteria are approved by the Board, and are generally unchanged from year to year so that trends may be determined.

The Directors are required to complete evaluation questionnaires for the Board and its Board Committees and an individual director self-assessment questionnaire. The individual Director's performance is assessed based on the Director's duties and performance, knowledge and interactive skills.

An external facilitator, Ms Wong Su Yen, CEO of Bronze Phoenix Consulting Pte Ltd, was engaged to assist the NC in conducting this evaluation and assessment of the performance of the Board, its Board Committees and the individual Directors. The external facilitator is independent, has no other business relationship with the trust, and is not related to the directors.

The Company Secretaries of the REIT Manager (from corporate secretarial agent, Tricor Evatthouse Corporate Services) assist in compiling and tabulating the responses received from the Directors to facilitate the external facilitator's assessment and analysis. The questionnaires are on a no-name basis and the submissions are kept confidential by the Company Secretaries of the REIT Manager who administer this process.

From the responses, a consolidated report is prepared and provided to the NC and external facilitator. They review the responses and feedback, as well as the areas where the Board's performance and effectiveness could be enhanced. The board performance evaluation results and recommendations for improvement are then presented to the Board by the external facilitator for discussion and for implementation to help the Board discharge its duties more effectively.

Each Director is given sufficient opportunity to bring to the Board his or her perspective to enable balanced and well-considered decisions to be made.

The Board, in consultation with the NC, is satisfied that the Board has met its performance objectives for the year under review.

Corporate Governance Report

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6:

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle 7:

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

DISCLOSURE ON REMUNERATION

Principle 8:

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

REMUNERATION COMMITTEE (RC)

The RC members are appointed by the Board from among its members, the majority of whom (including the Chairman of the RC) are independent directors. The members of the RC are Mr Huang Cheng Eng (Chairman of RC), Mr Kyle Lee and Mr Wee Kheng Jin.

ROLES AND RESPONSIBILITIES OF THE RC

The RC plays an important role in ensuring the attraction, recruitment, motivation and retention of talents through competitive remuneration and progressive policies so as to achieve Far East H-Trust's goals, and to deliver sustainable Stapled Securityholder value, distribution income, as well as growth in total returns. Terms of reference setting out the scope and authority in performing the function of the RC have been written, and these include assisting the Board in matters relating to:

- Reviewing and recommending to the Board for endorsement a framework of remuneration for the directors and key management personnel (no member of the Board is involved in any decision of the Board relating to his or her own remuneration). The framework covers all aspects of remuneration, including fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind;
- Reviewing and recommending to the Board the specific remuneration packages for each director as well as for the key management personnel;
- Consulting independent professional consultancy firms where necessary in determining remuneration packages; and
- Considering the various disclosure requirements for directors' remuneration and ensuring that there is adequate disclosure in the financial statements to ensure and enhance transparency between Far East H-Trust and relevant interested parties.

Corporate Governance Report

The RC seeks to ensure that the remuneration paid to the key management personnel of the REIT Manager are closely linked to the achievement of corporate and individual performance targets. The performance targets approved by the Board at the start of each year are set with the purpose of motivating a high degree of business performance with emphasis on both short- and longer-term quantifiable goals. At the close of each financial year, the RC reviews the achievements of the REIT Manager against the targets set to determine the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends and approves a bonus pool that is commensurate with the performance achieved.

Where necessary, the Board modifies the framework of remuneration to align the REIT Manager's compensation with the interests of the Stapled Securityholders. Remuneration of the directors, executive officers and employees of the REIT Manager is not paid out of the deposited property of Far East H-REIT, but paid by the REIT Manager from the fees it receives.

KEY MANAGEMENT EXECUTIVES' REMUNERATION FRAMEWORK

The remuneration of key management personnel is structured to take into account:

- The strategic objectives and goals of Far East H-Trust
- Corporate and individual performance, both in terms of financial and non-financial performance of Far East H-Trust through the incorporation of appropriate key performance indicators that are specific, measurable and result-oriented

The key performance indicators used to determine the remuneration of the CEO and key management personnel of the REIT Manager include:

- Far East H-Trust's income available for distribution (and distribution per Stapled Security)
- Total Stapled Securityholder Return
- Investor relations management
- Asset enhancement initiatives
- Corporate governance
- Other strategic initiatives as determined from time to time

These performance indicators are appropriate and meaningful measures which assess Management's performance, whilst taking into account the risk policies of Far East H-Trust. Structuring the level of remuneration as such aligns the interests of key management personnel with that of the Stapled Securityholders and promotes the long-term success of Far East H-Trust.

The remuneration of key management personnel comprises a fixed and a variable component. The fixed component comprises fixed salary and compulsory employer contribution to the employees' Central Provident Fund. The variable component comprises short-term cash bonuses, and long-term equity-based incentives whereby Stapled Securities are awarded under a Performance Unit Plan based on pre-determined targets (e.g. total Stapled Securityholder return), set over a three-year period.

This structure links rewards only to the performance of Far East H-Trust and the individual's performance, and there is no link to the performance of the controlling shareholder of the REIT Manager. It takes into consideration the risk policies of Far East H-Trust so as to be symmetric with risk outcomes and sensitive to the time horizon of risks.

The remuneration of the CEO and each of the key management personnel are reviewed by the RC and recommended to the Board for approval.

Corporate Governance Report

NON-EXECUTIVE DIRECTORS' REMUNERATION AND FEE STRUCTURE

The RC also ensures that the remuneration of non-executive directors is appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. The RC ensures that independent directors are not over-compensated to the extent that their independence may be compromised. None of the Directors has any service contracts with the REIT Manager.

The structure of directors' fees for non-executive directors comprises a base fee for serving as a director and additional fee for serving as Chairman or member on each Board Committee. It also takes into account the following:

- Directors' responsibilities and contributions; and
- Industry practices and norms on remuneration, including the guidelines set out in the Statement of Good Practice issued by the SID.

The directors' fees (including the Chairman), will be paid in the form of cash (80% of the total fees) and units (20% of the total fees). The incorporation of an equity component in the total remuneration of the Directors is intended to achieve the objective of aligning the interests of the Directors with those of Unitholders and the long-term interests of the REIT. Non-Executive Directors are required to hold the Units awarded under the above policy for at least one year from date of award during their individual Board tenures.

Directors' fees are reviewed and endorsed by the RC. The framework for determining the Directors' fees is shown in the table below:-

Main Board	Chairman	S\$70,000 per annum
	Director	S\$55,000 per annum
Audit & Risk Committee	Chairman	S\$50,000 per annum
	Member	S\$25,000 per annum
Remuneration Committee	Chairman	S\$20,000 per annum
	Member	S\$10,000 per annum
Nominating Committee	Chairman	S\$15,000 per annum
	Member	S\$ 7,500 per annum

INDUSTRY BENCHMARKING AND ENGAGEMENT OF CONSULTANT

In determining the remuneration of its directors and key management personnel, the REIT Manager benchmarks against the industry and seeks views on market practices and trends by engaging an independent remuneration consultant, Aon Hewitt. The consultant is not related to the REIT Manager, its controlling shareholder, its related corporations or any of its Directors. The REIT Manager also takes reference from market practices in the formulation and review of its remuneration policies.

Corporate Governance Report

The REIT Manager applies the principle that remuneration matters are to be sufficiently structured and benchmarked to good market practices in order to attract suitably qualified talent, to grow and manage Far East H-REIT. The REIT Manager applies the principle that the remuneration for the Board and key executives should be viewed in totality. It is a concerted pursuit of strong and ethical leadership for the success of Far East H-Trust and the REIT Manager.

The RC reviews the employment contracts to ensure that they contain fair and reasonable termination clauses which are not overly generous, so as to avoid rewarding poor performance. Contractual provisions have also been instituted to allow the REIT Manager to reclaim incentive components of the remuneration from the CEO and the key management personnel paid in prior years, in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss. The Board and RC have reviewed and ensured that the level and structure of remuneration for the REIT manager's key management personnel and non-executive directors are in alignment with the long-term interests and risk management policies of Far East H-Trust.

DISCLOSURE OF REMUNERATION

Directors' fees¹

The exact remuneration payable to each individual Director for the financial year ended 31 December 2019 is as follows:–

Name of Director	Fee
Wee Kheng Jin	S\$135,000
Willie Cheng Jue Hiang	S\$112,500
Kyle Lee Khai Fatt	S\$105,000
Huang Cheng Eng	S\$100,000
Vivienne Lim Hui Bian	S\$ 62,500
Catherine Lee Khia Yee ²	S\$ 27,500

1 For the financial year ended 31 December 2019, each of the Directors (including the Chairman) will receive 20% of his or her total directors' fees in the form of Stapled Securities in Far East H-Trust. The actual number of Stapled Securities to be awarded will be determined by reference to 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 after the forthcoming annual general meeting of the REIT Manager. The remainder of the directors' fees shall be paid in cash. The Stapled Securities are to be issued from the existing holdings of the REIT Manager, hence no new Stapled Securities will be issued for this purpose.

2 Ms Catherine Lee Khia Yee had been appointed as Independent Director, effective 1 July 2019.

Corporate Governance Report

Level and Mix of Remuneration of the CEO and other Top 5 Key Executives

The exact remuneration paid to or payable to the CEO for the financial year ended 31 December 2019 is as follows:-

	Salary and Allowances ⁽¹⁾	Variable Bonus ⁽²⁾	Benefits-In-Kind	Long-Term Incentive ⁽³⁾	Total ⁽⁴⁾
Gerald Lee Hwee Keong	S\$547,340	S\$83,465	S\$50,113	S\$313,500	S\$994,418
	55%	8%	5%	32%	100%

The remuneration paid to or payable to each of the other top five key executives, in bands of S\$250,000, for the financial year ended 31 December 2019 is as follows:-

Remuneration Band and Names of Top 5 Key Executives	Salary and Allowances ⁽¹⁾	Variable Bonus ⁽²⁾	Benefits-In-Kind	Long-Term Incentive ⁽³⁾	Total ⁽⁴⁾
Between S\$500,000 to S\$750,000					
Regina Yap Siew Buay	55%	17%	0%	28%	100%
Between S\$250,000 to S\$500,000					
Irfan Tayabali	67%	12%	0%	21%	100%
Elaine Chin Shu Peng	63%	11%	2%	24%	100%
Below S\$250,000					
Kate Lai Xiuping	84%	16%	0%	0%	100%
Charissa Liu Suyi	85%	15%	0%	0%	100%
Total for top 5 key executives (excluding CEO)					S\$1,542,545

1 Inclusive of Annual Wage Supplement and employer's Central Provident Fund contributions.

2 Payout is based on the achievement of pre-determined performance targets of FY2019.

3 Long-term incentive will be paid by Stapled Securities of Far East H-Trust pursuant to the REIT Manager's Performance Unit Plan (PUP). The value of Stapled Securities awarded is based on the fair value of the Stapled Securities at the time of grant in FY2019. The actual vesting can range between 0 to 200% of the initial contingent award depending on the achievement of the pre-determined targets at the end of the three-year performance period.

4 Remuneration of the employees including Long-term Incentive is paid by the REIT Manager.

The remuneration of the CEO and other employees of the REIT Manager is paid out of the fees that the REIT Manager receives, rather than borne by Far East H-Trust.

There is no employee with the REIT Manager who is an immediate family member of a Director or the CEO of the REIT Manager or a substantial Stapled Securityholder of Far East H-Trust, and whose remuneration exceeds S\$100,000 during the year. None of our employees are substantial shareholders of the REIT Manager.

Corporate Governance Report

(C) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9:

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

ROLE OF THE BOARD AND ARC IN ENSURING EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises the importance of a sound system of risk management and internal controls to safeguard Stapled Securityholders' interests and Far East H-REIT's assets. The Board affirms its responsibility for Far East H-REIT's system of risk management and internal controls, and for reviewing the adequacy and effectiveness of Far East H-REIT's risk management and internal control systems, including financial, operational, compliance and information technology controls on an annual basis.

The ARC assists the Board in examining the adequacy and effectiveness of internal controls policies and procedures to ensure that a robust risk management framework and internal control system is maintained while the Board reviews the adequacy and effectiveness of the risk management and internal control system. The ARC also assesses the materiality of specific developments or risks that might have an impact on the security price of Far East H-Trust.

FORMULATION OF RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM

In setting up the risk management framework, the extent of risk tolerance and the risk parameters based on Far East H-REIT's current operations have been set and approved by the Board after taking into consideration Far East H-REIT's strategic objectives. The risk parameters guide Management on managing the risks of Far East H-REIT and these parameters will remain unchanged for as long as there is no change in Far East H-REIT's operating profile.

The ARC guides Management in the formulation of risk policies and processes in identifying, evaluating and managing key risks while the ownership of risk management lies with the CEO and he is supported by the respective managers. The nature and extent of risks are assessed regularly by Management and internal auditors and reports are submitted to the ARC as and when necessary. The ARC reports to the Board on material findings and makes recommendations or seeks guidance from the Board in respect of any material risk issues.

Any findings on material non-compliance or weaknesses in internal controls and risk management by the internal auditors are reported to the ARC. The recommendations to further improve the internal control system and risk management system are reported to the ARC and actions are taken by Management.

ASSESSMENT AND MANAGEMENT OF MATERIAL RISKS

In managing business risk, the Board considers the economic environment and risks that are relevant to the hospitality and hospitality-related industries such as stronger than anticipated price competition on room rates due to the supply of new hotel rooms, the impact of a stronger Singapore dollar, higher wage costs, tight labour market, etc.

In assessing the operational risks, the ARC reviews liquidity management such as the aging report which includes analysing accounts receivable and accounts payable.

Corporate Governance Report

In addressing information technology risk, the Sponsor's Information Technology department has assisted in putting in place a framework and process (e.g. to recover critical system within 4 hours of each system failure).

In managing conflicts of interest risk, the REIT Manager has instituted the following procedures:

- The REIT Manager will not manage any other REIT which invests in the same type of properties as Far East H-REIT;
- All executive officers will be employed by the REIT Manager and will not hold executive positions in any other entities;
- All resolutions in writing of the Directors of the REIT Manager in relation to matters concerning Far East H-REIT must be approved by a majority of the Directors, including at least one Director independent from management and business relationships with the REIT Manager;
- At least half of the Board shall comprise such independent directors;
- In respect of matters in which a Director of the REIT Manager or his or her associates (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 Directors of the REIT Manager and must exclude such interested director;
- In respect of matters in which the Sponsor has an interest, direct or indirect, any director appointed by the Sponsor to the Board to represent its interests will abstain from deliberations and voting on such matters. In such matters, the quorum must comprise a majority of the Directors of the REIT Manager independent from management and business relationships with the REIT Manager and must exclude such directors of the Sponsor. Save for resolutions relating to the removal of the REIT Manager, the REIT Manager and its associates (as defined in the Listing Manual) are prohibited from voting or being counted as part of a quorum in Stapled Securityholders' meetings convened to approve any matter in which the REIT Manager and/or any of its associates has an interest, and for so long as the REIT Manager is the manager of Far East H-REIT, the controlling shareholders of the REIT Manager and of any of its associates (as defined in the Listing Manual) are prohibited from voting or being counted as part of a quorum in any Stapled Securityholders' meetings convened to consider a matter in respect of which the relevant controlling shareholders of the REIT Manager and/or of any of its associates have an interest; and
- It is also provided in the Trust Deed that if the REIT Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the REIT Trustee for and on behalf of Far East H-REIT with an Interested Person (as defined in the Listing Manual) and/or, as the case may be, an Interested Party (as defined in the Property Funds Appendix) (collectively, a "Related Party") of the REIT Manager, the REIT Manager shall be obliged to consult with a reputable law firm (acceptable to the REIT Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the REIT Trustee, on behalf of Far East H-REIT, has a *prima facie* case against the party allegedly in breach under such agreement, the REIT Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the REIT Manager will have a duty to ensure that the REIT Manager so complies. Notwithstanding the foregoing, the REIT Manager shall inform the REIT Trustee as soon as it becomes aware of any breach of any agreement entered into by the REIT Trustee for and on behalf of Far East H-REIT with a Related Party of the REIT Manager and the REIT Trustee may take such action as it deems necessary to protect the rights and interests of the Stapled Securityholders of Far East H-Trust. Any decision by the REIT Manager not to take action against a Related Party of the REIT Manager shall not constitute a waiver of the REIT Trustee's right to take such action as it deems fit against such Related Party.

Corporate Governance Report

INTERNAL CONTROL SYSTEM FOR RELATED PARTY AND INTERESTED PERSON TRANSACTIONS

The REIT Manager has established an internal control system to ensure that all Related Party Transactions, Interested Party Transactions (as defined in the Property Fund Appendix) and Interested Person Transactions (as defined in the Listing Manual of the SGX-ST) (collectively "IPT"):

- will be undertaken on an arm's length basis and on normal commercial terms; and
- will not be prejudicial to the interests of the Stapled Securityholders of Far East H-Trust.

Related party transactions have been disclosed in the financial statements of this annual report. As a general rule, the REIT Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the REIT Manager, or obtaining valuations from independent professional valuers (in accordance with the Property Funds Appendix).

The REIT Manager maintains a register to record all IPT which are entered into by Far East H-REIT and the bases, including any quotations from unrelated parties and independent valuations obtained, on which they are entered into.

The REIT Manager has incorporated into its internal audit plan to review all IPT entered into by Far East H-REIT. The ARC will monitor the procedures established to regulate IPT, including reviewing any IPT entered into from time to time, and the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor IPT have been complied with (including relevant provisions of the Listing Manual and Property Funds Appendix). If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

In addition, the REIT Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the ARC.

Further, the following procedures will be adhered to:

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding S\$100,000 in value but less than 3.0% of the value of Far East H-REIT's latest audited net tangible assets/net asset value will be subject to review by the ARC at regular intervals;
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Far East H-REIT's net tangible assets/net asset will be subject to the review and prior approval of the ARC. Such approval shall only be given if such transaction is conducted on an arm's length basis, on normal commercial terms and consistent with similar types of transactions made with third parties which are not interested parties; and
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 5.0% of the value of Far East H-REIT's net tangible assets/net asset value will be reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the ARC 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 the Property Funds Appendix, such transaction would have to be approved by the Far East H-Trust Stapled Securityholders at a meeting duly convened.

Corporate Governance Report

Where matters concerning Far East H-REIT relate to transactions entered into or to be entered into by the REIT Trustee for and on behalf of Far East H-REIT with an interested party (which would include relevant associates thereof), the REIT Trustee is required to ensure that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Far East H-REIT and the Stapled Securityholders of Far East H-Trust, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question. Furthermore, the REIT Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an interested party. If the REIT Trustee is to sign any contract with an interested party, the REIT Trustee will review the contract to ensure that it complies with the requirements relating to IPT in the Property Funds Appendix (as may be amended from time to time) and the provisions of the Listing Manual relating to IPT (as may be amended from time to time) as well as guidance prescribed by the MAS and SGX-ST.

Save for the IPT described under "Setting Up of Far East H-REIT and Future Related Party Transactions" in the IPO prospectus, Far East H-REIT 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 (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of Far East H-REIT's latest audited net tangible assets/net asset value.

The aggregate value of all Interested Person Transactions in accordance with the Listing Manual in FY2019, and which are subject to Rules 905 and 906 of the Listing Manual excluding transactions of less than S\$100,000 in value, is disclosed below:

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
FEO Hospitality Asset Management Pte. Ltd.	REIT Manager		
Rental income ⁽¹⁾		159	–
Management fees ⁽²⁾		12,257	–
Reimbursable expenses ⁽³⁾		158	–
Other revenue ⁽⁴⁾		2	–
DBS Trustee Limited	REIT Trustee		
Trustee's fee		329	–
Far East Organization and its related companies	Controlling Stapled Securityholders of Far East H-Trust and its associate		
Rental income – Master Lease ⁽⁵⁾		93,619	–
Rental income – REIT Commercial Premises ^{(6) (1)}		2,328	–
Rental income – Others ^{(4) (7)}		95	–
Rental expense – REIT Commercial Premises ⁽⁴⁾		7	–
Hotel management fee ^{(8) (4)}		602	–

Corporate Governance Report

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
Shared service fees ⁽⁹⁾	Controlling Stapled Security-holders of Far East H-Trust and its associate	1,194	–
Reimbursable expenses ⁽⁴⁾		578	–
Technical and operation support service fee ⁽¹⁰⁾ ⁽⁴⁾		619	–
Leasing commission expense – REIT Commercial Premises ⁽¹¹⁾		374	–
Other expenses ⁽⁴⁾ ⁽¹²⁾		1,984	–
Project management services ⁽⁴⁾		98	–
Other revenue ⁽⁴⁾		243	–
Reimbursable expenses received/receivable ⁽⁴⁾ ⁽¹³⁾		194	–
Interest income ⁽¹⁴⁾		817	–
Interest expense ⁽⁴⁾ ⁽¹⁵⁾		572	–
Loan to a joint venture company ⁽¹⁶⁾		1,200	–

- (1) DBS Trustee Limited (in its capacity as trustee of Far East H-REIT) has entered into tenancy agreements with the REIT Manager and related corporations of the REIT Manager during the year which has been reviewed and approved by ARC as follows:

Name of interested person	Term	Contract value S\$'000
FEO Hospitality Asset Management Pte. Ltd.	2 years	329
Far East Management Pte. Ltd.	1 – 1.3 year	108
Kitchen Language Pte. Ltd.	3 years	1,372
Far East Property Sales Pte. Ltd.	0.7 year	34

- (2) Pursuant to the Trust Deed, the REIT Manager is entitled to a management fee comprising a base fee of 0.3% per annum of the value of the Deposited Property (as defined in the Trust Deed) and a performance fee of 4.0% per annum of net property income (as defined in the Trust Deed).
- (3) This relates to service fee for website maintenance, annual report production, AGM expenses, air tickets, professional fee and other miscellaneous expenses.
- (4) Far East H-REIT holds 30% interest in Fontaine Investment Pte Ltd (“FIPL”), a joint venture company established to develop a hotel site in Sentosa. FIPL meets the criteria of an Entity at Risk being an associated company that is not listed on the Exchange. The aggregate value of interested person transactions included value at risk for transactions with Interested Persons of 30% on the basis of the Far East H-REIT’s shareholding.
- (5) This relates to the rental income received/receivable from the master lessees of the properties:
- | | |
|--|--------------------------------------|
| – First Choice Properties Pte Ltd | – Golden Development Private Limited |
| – Far East Organization Centre Pte Ltd | – OPH Riverside Pte Ltd |
| – Golden Landmark Pte. Ltd. | – Serene Land Pte Ltd |
| – Transurban Properties Pte Ltd | – Oxley Hill Properties Pte Ltd |
| – Far East Orchard Limited | – Riverland Pte Ltd |
| – Far East SOHO Pte Ltd | |
- (6) This relates to rental income received/receivable from related corporations of the REIT Manager:
- | | |
|-------------------------------------|---|
| – Far East Management Pte. Ltd. | – Far East Hospitality Holdings Pte. Ltd. |
| – Far East Property Sales Pte. Ltd. | – Far East Hospitality Management (S) Pte. Ltd. |
| – Kitchen Language Pte. Ltd. | – Far East Orchard Limited |
| | – Yeo Hiap Seng Ltd |

Corporate Governance Report

- (7) FIPL has entered into a tenancy agreement with an estimated contract sum of S\$0.4 million⁽⁴⁾ for 3 years with an option to renew for 3 years with Kitchen Language Pte. Ltd. during the year which has been reviewed and approved by ARC.
- (8) This relates to hotel management fee paid/payable by FIPL to Far East Hospitality Management (S) Pte. Ltd.
- (9) This relates to the shared services agreements between the master lessees and Far East H-REIT in respect of the properties. The master lessees are paid monthly for a share of the costs of the applicable services provided to and attributed to the REIT Commercial Premises based on the agreed proportion of the total costs and expenses for the properties. The services provided or procured by the master lessees included cleaning and maintenance services, fire alarm system maintenance, lifts maintenance, landscape maintenance, waste disposal services, provision of security services, chiller plant maintenance, air conditioner maintenance and other services.
- (10) This relates to technical and operation support service fee paid/payable to related corporations of the REIT Manager:

- First Choice Properties Pte Ltd	- OPH Riverside Pte Ltd
- Far East Organization Centre Pte Ltd	- Serene Land Pte Ltd
- Golden Landmark Pte. Ltd.	- Oxley Hill Properties Pte Ltd
- Golden Development Private Limited	- Riverland Pte Ltd
- Far East Orchard Limited	- Far East Hospitality Management (S) Pte. Ltd.
- Agape Laundry Pte Ltd	

DBS Trustee Limited (in its capacity as trustee of Far East H-REIT) has extended the technical services agreements with the related corporations of the REIT Manager for 2 years with an estimated contract sum of S\$0.8 million during the year which has been reviewed and approved by ARC.

FIPL has entered into laundry services contracts with an estimated contract sum of S\$0.6 million⁽⁴⁾ for 2 years with Agape Laundry Pte Ltd during the year which has been reviewed and approved by ARC.
- (11) This relates to leasing commission paid/payable to Far East Management (Private) Limited and other third party marketing agents.
- (12) This relates to property management & leasing services, breakfast, all day dining, room service & banquet, technical and back office support fee paid/payable by FIPL to related corporations of the REIT Manager:

- Far East Real Estate Agency Pte. Ltd.
- Kitchen Language Pte. Ltd.
- Far East Management (Private) Limited
- (13) This relates to reimbursement of utilities and other miscellaneous expenses received/receivable from related corporations of the REIT Manager.
- (14) This relates to interest on shareholders' loan received/receivable from FIPL.
- (15) This relates to interest on shareholders' loan paid/payable by FIPL to Far East Organization Centre Pte Ltd.
- (16) This relates to a shareholders' loan made to FIPL.

Far East H-Trust has not obtained a Stapled Securityholders' mandate pursuant to Rule 920 of the Listing Manual for IPT.

Save as disclosed above, (a) there are no other material contracts entered into by Far East H-Trust and/or its subsidiaries including the interests of the CEO, any director or controlling Stapled Securityholder, either still subsisting at the end of the year or entered into since the end of the previous financial year; and (b) there were no additional IPT (excluding transactions of less than S\$100,000 each) entered into during the period under review.

The entry into and the fees and charges payable by Far East H-REIT under the Trust Deed, the Stapling Deed, the Shared Services Agreements, the Shared Electricity Services Agreements, the License Agreement and the leases set out in the section "Other Related Party Transactions" in the IPO Prospectus and/or circular, to the extent that details of these have been specifically disclosed in the IPO Prospectus and/or circular, which each constitutes an Interested Person Transaction, are deemed to have been specially approved by Stapled Securityholders upon purchase of the Stapled Securities and/or in the Extraordinary General Meeting 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 Far East H-REIT.

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BOARD'S COMMENT ON INTERNAL CONTROLS AND RISK MANAGEMENT

The Board receives quarterly certification of assurance from the CEO and CFO which assures that to the best of their knowledge, the accounting records have been properly maintained and the financial statements are drawn up so as to give a true and fair view of the financial position and financial performance, and that they are prepared in accordance with accounting standards. The CEO, CFO and other key management personnel also provide a certification of assurance to the Board that Far East H-Trust's risk management and internal control systems, to the extent that they address the financial, operational, compliance and information technology risks faced by Far East H-Trust in its current business environment, have been adequately designed and are operating effectively in all material aspects, as at 31 December 2019. The Hotel and Serviced Residence Operator provides a certificate of assurance to the Board every quarter that to the best of its knowledge, hotel and serviced residence management services have been rendered in accordance to the hotel management agreement and serviced residence management agreement and each of the properties is kept in accordance with industry's laws and regulations such as the Building and Construction Act, Fire Safety Code, The Workplace Safety and Health Act, etc.

Based on the risk management and internal control systems established and adhered to by Far East H-Trust, the assurance received from the CEO, CFO and other key management personnel, the assurance received from the Hotel and Serviced Residence Operator, work performed by the internal auditor, external auditor and compliance manager, and reviews conducted by Management and various Board Committees, the Board is of the view that Far East H-Trust's internal controls (including financial, operational, compliance and information technology controls) and risk management system have been adequately designed and are operating effectively in all material aspects faced by Far East H-Trust in its business environment as at 31 December 2019.

The Board notes that the internal controls and risk management system established provides reasonable though not absolute assurance against material misstatement of loss and that Far East H-Trust will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board accepts that the internal control systems contain inherent limitations and notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, fraud and other irregularities.

The ARC concurs with the Board's comments above on the internal controls and risk management system of Far East H-Trust.

ROLE AND DUTIES OF COMPLIANCE MANAGER

KPMG Services Pte Ltd ("KPMG"), the Compliance Manager, assists with the REIT's and the REIT Manager's regulatory and compliance matters.

KPMG reports to the ARC of the REIT Manager and their duties include:

- Advising and checking for the REIT Manager's compliance with its regulatory obligations under the SFA and SGX Listing Manual;
- Advising and checking for the representatives' compliance with their regulatory obligations under the SFA, such as the maintenance of their relevant interests in listed specified products;
- Checking the returns and other documents to be submitted by the REIT Manager and its representatives to the MAS under the SFA from time to time, in relation to the REIT Manager's CMS license for the regulated activity of REIT management; and
- Conducting regulatory training, as and when requested, to the REIT Manager, its Directors and its representatives as part of the quarterly compliance review

Corporate Governance Report

AUDIT COMMITTEE

Principle 10:

The Board has an Audit Committee which discharges its duties objectively.

AUDIT AND RISK COMMITTEE

The ARC members are appointed by the Board from among its members. The ARC is comprised entirely of IDs, and its current members are Mr Willie Cheng (Chairman), Mr Huang Cheng Eng and Mr Kyle Lee.

The Board is of the view that the members of the ARC bring with them invaluable and relevant managerial and professional expertise in accounting and related financial management domains to discharge their responsibilities. Both Mr Willie Cheng and Mr Kyle Lee have extensive audit, accounting and financial management expertise and experience. In particular, they are Fellows of the Singapore Chartered Accountants, among other professional affiliations. The Board considers Mr Huang Cheng Eng as having sufficient financial management knowledge to discharge his responsibilities as a member of the ARC.

None of the ARC members are former partners or directors of Far East H-REIT's existing external auditing firm, Ernst & Young LLP ("EY").

KEY RESPONSIBILITIES AND ACTIVITIES OF THE ARC

The ARC's responsibilities include:

- (i) Reviewing the financial statements of Far East H-Trust;
- (ii) Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of Far East H-Trust, and announcements relating to Far East H-Trust's financial performance;
- (iii) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the REIT Manager's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (iv) Reviewing the adequacy and effectiveness of the Manager's internal audit and compliance functions;
- (v) Reviewing the scope and results of the external audit and independence and objectivity of the external auditors;
- (vi) Reviewing IPT and monitoring the procedures established to regulate IPT, including ensuring compliance with the provisions of the Listing Manual and the provisions of the Property Funds Appendix;
- (vii) Deliberating on resolutions relating to conflicts of interest involving Far East H-REIT;
- (viii) Monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Appendix;
- (ix) Reviewing the arrangements by which employees of the REIT Manager may, in confidence, safely raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action;
- (x) Making recommendations to the Board on the appointment, reappointment and removal of external auditors and approving the remuneration and terms of engagement of external auditors;
- (xi) Meeting with internal and external auditors, without the presence of the Management, at least once annually; and
- (xii) Reviewing the financial statements of Far East H-REIT.

The ARC has explicit authority to investigate any matter within its terms of reference. The ARC has full access to and co-operation by Management and the internal and external auditors and has full discretion to invite executive officers of the REIT Manager and the Sponsor, external consultants or advisers to attend its meetings. The internal and external auditors have unrestricted access to the ARC.

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During the year under review, four ARC meetings were held. The ARC has met separately with the internal auditor and external auditor, without the presence of the executive officers of the REIT Manager on two occasions each to discuss issues and to confirm that they had full access to and received co-operation and support from the Management.

The ARC has conducted a review of all non-audit services provided by EY, the external auditor, during the year under review. The aggregate amount of fees paid and payable to EY was S\$153,000, of which audit fees amounted to S\$76,500 and non-audit fees amounted to S\$76,500. The non-audit fees paid/payable to EY relates to general tax and GST compliance work. The statutory audit fee for Far East H-Trust is relatively low compared to peer organisations because a significant part of the audit work relating to Far East H-REIT's gross revenue has been performed by the auditors of the Master Lessees.

The fees paid to EY for non-audit services did not exceed 50% of the total fees paid. The ARC, having regard to the nature and performance of the work by EY, is of the view that the auditor's independence and objectivity are not impaired or threatened.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2019, the ARC had taken into consideration the Audit Quality Indicators Framework introduced by ACRA. The ARC also considered the adequacy and experience of the professional staff and audit engagement partner assigned, EY's experience in the REIT sector and the size and complexity of the audit. The ARC is satisfied with the independence and work of the external auditors and has recommended to the Board the re-appointment of EY as the external auditors of Far East H-Trust at the forthcoming annual general meeting.

The Board confirms that Far East H-Trust complies with the requirements of Rule 712 and Rule 715 of the Listing Manual in respect of the suitability of the auditing firm for Far East H-Trust.

WHISTLE BLOWING POLICY

The REIT Manager has established a Whistle Blowing Policy and a Loss Management Policy for which relevant employees and Directors of the REIT Manager and the Trustee-Manager as well as external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters in good faith, with the confidence that the relevant persons making the reports will be treated fairly and be protected from reprisal. The objective of the Whistle Blowing Policy is to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The Whistle Blowing Policy deals with defalcation, impropriety, or wrongdoing by employees in situations including but not limited to suspected fraud, corruption, and unlawful or dishonest conduct.

Whistle-blowers are given the option to remain anonymous and may report via an external independent hotline or directly to FEO's Head of Internal Audit. Establishing these policies reflects the REIT Manager's commitment to conduct its business within a framework that fosters the highest ethical standards.

The Whistle Blowing Policy is made available to all new employees when they join the REIT Manager, and they are briefed on this together with FEO's Code of Conduct. The Whistle Blowing Policy is also publicly disclosed on Far East H-Trust's website.

Corporate Governance Report

REVIEWS CONDUCTED BY THE ARC

During the year under review, the ARC performed independent reviews of the quarterly and full year financial results of Far East H-Trust before recommending to the Board for approval on the release of the financial statements and SGX announcements relating to Far East H-Trust's financial statements. In the process, the ARC reviewed the significant financial reporting issues and judgements, including the appropriateness of accounting policies and the quality and completeness of disclosure to ensure the integrity of the financial statements. The ARC also reviewed, among other matters, the following key audit matters ("KAM") identified by the external auditor for the financial year ended 31 December 2019:

Key Audit Matter	How the issue was addressed by ARC
Valuation of Investment Properties	The ARC considered the approach and methodology applied to the valuation model in assessing the valuation of investment properties. The ARC noted that: • There was appropriate use of third party valuers who have recognised professional qualification and experience; • The valuers are changed every two years in accordance with the Property Fund Appendix, to provide independent and fresh perspective to the valuation process; and • Material judgmental assumptions used in the valuations were within reasonable parameters. The ARC considered the findings of the external auditor, including the assessment of the appropriateness of the valuation techniques and the underlying assumptions applied. It was noted also that the valuation of investment properties as at 31 December 2019 did not take into account the subsequent event of the COVID-19 outbreak, which had begun with the first confirmed case in Singapore, on 23 Jan 2020. The ARC considered the valuation of the investment properties to be appropriate.

The ARC reviewed and approved the audit plan and scope of the external auditors on the audit of the full year financial statements. The ARC also reviewed and approved the internal audit plan and scope of the internal auditor's work and its audit programme. It reviewed the findings during the year and Management's responses thereto and it satisfied itself to the adequacy of the internal audit function. In addition, the ARC reviewed the IPT to ensure compliance with the Listing Manual and the Property Funds Appendix.

Changes to the accounting standards and issues which have direct impact on the financial statements were reported and discussed with the ARC at its meetings. The ARC has considered the introduction of new accounting standards for the annual periods beginning on 1 January 2020 and the effect to the financial statements of Far East H-Trust.

The ARC does not expect the adoption of the new standards to have material impact to the financial statements of Far East H-Trust.

Corporate Governance Report

ROLE AND DUTIES OF INTERNAL AUDITORS

The role of the internal auditors is to assist the ARC to ensure that the REIT Manager maintains a sound system of internal controls by regularly monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC, and conducting regular in-depth audits of high risk areas.

The ARC approves the hiring, removal, evaluation and compensation of the internal auditor, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. Far East H-Trust and the REIT Manager have engaged BDO LLP as the internal auditor. BDO LLP adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (IIA). The internal auditor is independent of management and reports directly to the Chairman of the ARC and administratively to the CEO.

The internal auditor plans the internal audit schedules in consultation with, but independent of the REIT Manager. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. The internal auditor has unfettered access to all the REIT Manager's documents, records, properties and personnel, including access to the ARC. The ARC reviews the internal audit report quarterly and monitors the implementation of the improvements required on internal control weaknesses identified.

During the year under review, Far East Management (Private) Limited ("FEMPL") assisted in administering the Whistle Blowing Policy and Loss Management Policy of the REIT Manager. FEMPL reports to the ARC on any whistle-blowing report or loss management incidents.

For the year under review, the ARC is of the view that the internal audit function is adequately resourced and has appropriate standing within the company. The ARC has reviewed and is satisfied with the adequacy, independence and effectiveness of the internal audit function.

For the year commencing 1 January 2020, Far East H-Trust and the REIT Manager have engaged another accounting/auditing firm as the internal auditor, to provide internal audit services over a three-year period. This rotation of the outsourced internal audit firm is in line with the REIT Manager's and ARC's continued practice to uphold good corporate governance standards for Far East H-Trust.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11:

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of Far East H-REIT's performance, position and prospects. In this regard, Management provides timely, complete, adequate information to the Board through the most expedient means. On a monthly basis, Management provides the Board with a set of management accounts and analysis, as well as an update on Far East H-REIT's operating performance.

The Board embraces openness and transparency in the management of Far East H-REIT, whilst preserving the commercial interests of Far East H-REIT. Financial reports, press releases, media and analyst presentation slides and other price sensitive information are disseminated to Stapled Securityholders through announcements via SGXNET and Far East H-Trust's website.

Corporate Governance Report

The REIT Manager is committed to treating all Stapled Securityholders fairly and equitably, and seeks to facilitate the exercise of ownership rights by all Stapled Securityholders.

Far East H-Trust is committed to communicating with investors, analysts and the investment community in a timely and comprehensive manner. Far East H-Trust releases corporate information through posting announcements on SGXNET and Far East H-Trust's corporate website. Far East H-Trust continues to strive towards improving the standard of disclosures and transparency to help investors make more informed investment decisions.

At Far East H-Trust's 7th Annual General Meeting ("AGM") held on 17 April 2019, the Chairman of the meeting with the assistance of the service providers, briefed Stapled Securityholders on the rules of the meeting, including poll voting procedures, which govern the meeting before they vote on the resolutions at the meeting by way of poll. The CEO of Far East H-Trust also made a presentation to update Far East H-Trust's Stapled Securityholders on the market and industry operating environment, performance of Far East H-Trust's hotels and serviced residences, asset enhancement initiatives that had taken place during the year, and other recent developments in relation to acquisitions or projects that had been undertaken.

Stapled Securityholders are informed of AGMs or EGMs through reports or circulars sent to them. Notices of the general meetings are also put up in the press and issued via SGXNET. The requisite notice period for general meetings is adhered to.

Stapled Securityholders are encouraged to attend and participate by voting at the general meetings. Opportunity is given to every Stapled Securityholder to interact with Directors and Management of the REIT Manager, to communicate their views and ask questions on matters affecting Far East H-REIT. If any Stapled Securityholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meetings through proxy forms sent in advance. Having considered that Stapled Securityholders who are unable to attend in person may vote by proxy or by attorney, or in the case of a corporation, by a representative, the REIT Manager has decided, for the time being, to refrain from implementing absentia voting until security, integrity, and other pertinent issues are satisfactorily resolved.

All Directors, key management personnel of the REIT Manager and representatives from REIT Trustee are present to address Stapled Securityholders' queries at the AGM and EGM. The external auditor is also present to answer Stapled Securityholders' questions about the conduct of audit and the content of the auditors' report.

Each distinct issue is proposed as a separate resolution at the general meetings and the reasons and material implications are explained. All the resolutions at the AGM and EGM are moved by voting by poll. The voting and vote tabulation procedures are declared before the voting commences, and an independent scrutineer is appointed to count and validate the votes. The voting results, showing the number of votes cast for and against each resolution and the respective percentages, are disclosed at the general meetings right after the votes are casted.

After the general meetings, announcements of the voting results are also made through SGXNET and on Far East H-Trust's website.

The REIT Manager publishes minutes of general meetings of Stapled Securityholders on its corporate website, as soon as practicable. The minutes of Stapled Securityholders' meetings 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 meetings, together with responses from the Board and Management. These minutes are also available to our Stapled Securityholders upon their request.

Corporate Governance Report

Far East H-REIT's distribution policy is to distribute at least 90% of its taxable income. This distribution policy is stated on the corporate website. The actual level of distribution will be determined at the REIT Manager's discretion, taking into account the needs of Far East H-REIT for capital expenditure, working capital requirements and the liquidity position of Far East H-REIT. Since Far East H-Trust's listing in 2012, Far East H-Trust has distributed 100% of its taxable income to Stapled Securityholders.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12:

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The REIT Manager has established an Investor Relations Policy that governs regular, effective and fair communication with Stapled Securityholders.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET and on Far East H-Trust's website. The CEO, CFO and the investor relations team of the REIT Manager actively engage institutional investors, analysts and fund managers to solicit and understand the views of the investment community via:

- Analyst briefings held every quarter after the financial results announcement;
- One-on-one or group meetings, conference calls, investor luncheons, local/overseas road shows and conferences; and
- Far East H-Trust's website at www.fehtrust.com (an email alert option is available to subscribers who wish to be notified of newly posted announcements, press releases, presentations and publications).

During the analyst briefings, analysts are given the opportunity to ask questions. The questions are responded to by the CEO or CFO immediately.

The REIT Manager has established Far East H-Trust's corporate website as an information resource centre for retail and institutional investors and for regular dialogue with investors, such as to gather their views or inputs. They can also send their feedback or voice any concerns through Far East H-Trust's corporate email: enquiry@fehtrust.com.

With a majority of Stapled Securities held by institutional investors, Management considers meetings with local and foreign fund managers an integral part of investor relations. During the year under review, the CEO, CFO and the investor relations team have met with institutional investors from Singapore, Hong Kong, Thailand and Japan. These meetings and road shows with investors enabled the CEO to update potential and existing Stapled Securityholders on Far East H-Trust's developments. The Manager also participated in various local and overseas conferences as part of its efforts to build interest in Far East H-Trust. The Manager also arranged site visits for fund managers and analysts, which enabled them to gain insights into the quality and scale of Far East H-Trust's property portfolio.

Corporate Governance Report

(E) MANAGING STAKEHOLDER RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13:

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Far East H-Trust strives to maintain open and fair communication with its key stakeholders, to understand their views, concerns, and objectives in order to work towards more sustainable growth. With the support of an external consultant, KPMG Services Pte Ltd, the REIT Manager has identified stakeholder groups which have a significant influence and interest in Far East H-Trust's operations and business, and engaged these stakeholders to understand their ESG expectations. The key stakeholders identified are the REIT's Board of Directors (the "Board"), employees, Sponsor, Stapled Securityholders and investment community, hotel and serviced residence operator (the "Operator"), media, government/regulators and industry/business associations, and the local community.

The Sustainability Report section of the Annual Report provides more details about the strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period, including:

- Adoption of environmentally friendly practices (energy conservation, etc)
- Delivering long-term sustainable and growing distributions to the Stapled Securityholders
- Ensuring the safety, welfare and development of employees

Far East H-Trust maintains a current corporate website at www.fehtrust.com, and an email alert option is available to subscribers who wish to be notified of newly posted announcements, press releases, presentations and publications. In this way, the company hopes to have good communication and engagement with all its material stakeholders.

(F) ADDITIONAL INFORMATION

DEALINGS IN STAPLED SECURITIES

The REIT Manager has adopted its own Trading Policy to provide guidance to relevant employees and Directors of the Sponsor, the REIT Manager and the Trustee-Manager in the dealing of the Stapled Securities. The Trading Policy sets out the implications of insider trading and principles that all relevant employees and Directors have to observe at all times:

- To act in the best interests of Stapled Securityholders;
- To avoid, and be seen to avoid, actual or potential conflict between personal interest and that of the Stapled Securityholders;
- To comply with the prohibition on trading in the Stapled Securities;
- To inform the Compliance Manager of Far East H-Trust within two working days of completion of the trade; and
- To avoid dealing in the securities of Far East H-Trust on short term considerations.

All relevant employees and Directors are strictly prohibited to deal in the following instances:

- During the period commencing two weeks before the announcement of Far East H-Trust's financial statements for each quarter of its financial year, and one month before the announcement of Far East H-Trust's financial statements for the full financial year, as the case may be, and ending on the date of announcement of the relevant results; and
- At any time when relevant employees and Directors are in possession of material or price sensitive information that is not available in the market.

Corporate Governance Report

CORRUPTION AND BRIBERY PREVENTION POLICY

The REIT Manager adopts a strong stance against bribery and corruption. There are detailed guidelines and procedures listed in FEO's Code of Conduct for the giving and receiving of gifts (monetary or otherwise), kickbacks, concessionary offers, lavish entertainment, and business dealings that may place the employee under any real or apparent obligation or indebtedness to any party. In relation to these guidelines, all employees of the REIT Manager are required to make a declaration on an annual basis where they pledge to be compliant and uphold the core values in line with the Code of Conduct, which include not engaging in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings. The REIT Manager's zero tolerance policy towards bribery and corruption extends to its business dealings with third parties, and hence the REIT Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

FEO's Code of Conduct is published on the intranet which is accessible by all employees of the REIT Manager. New employees of the REIT Manager are briefed on the Code of Conduct and are required to read and acknowledge the guidelines listed therein when they join the REIT Manager.

DISCLOSURES ON FEES PAYABLE TO THE REIT MANAGER

Pursuant to the Trust Deed, the REIT Manager is entitled to receive fees payable out of the deposited property of Far East H-REIT.

The methodology for the computation and payment of fees, with reference to the relevant clauses in the Trust Deed, is disclosed on pages 131 to 132 under the "Notes to the Financial Statements" section of this Annual Report.

The management fees are earned by the REIT Manager for the management of Far East H-REIT's portfolio of properties. These fees are reviewed from time to time and benchmarking is conducted to ensure alignment to the interests of Far East H-Trust's Stapled Securityholders. In the review conducted this financial year, the Board, with the support of the Trustee, approved changes to the base and performance fee to further align with Securityholders' interests.

The various fees earned by the REIT Manager are elaborated below:

BASE FEE AND PERFORMANCE FEE

The base fee covers the day-to-day operational, compliance, monitoring and reporting costs as well as administrative overheads incurred by the REIT Manager. 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 Far East H-REIT's deposited properties, which is an appropriate metric to determine the resources required for managing Far East H-REIT. As Far East H-REIT grows in portfolio size, the complexity of management increases and the REIT Manager is expected to expend greater effort in fulfilling its responsibilities. From 1 January 2020, the base fee is reduced from 0.3% to 0.28% per annum of the value of deposited property.

The performance fee, which is currently based on net property income, is an objective benchmark and incentivises the REIT Manager to proactively manage its portfolio, which may include but are not limited to asset enhancement initiatives, repositioning or re-branding of its properties, re-segmentation of its properties' customer base and driving cost efficiencies to improve profit margins. From 1 January 2020, the performance fee is changed to the lower of 4% of the net property income or annual distributable amount (after accounting for base fee but before accounting for performance fee).

Such fee methodology aligns the interests of the REIT Manager and Stapled Securityholders and ensures the long-term sustainability of the assets, instead of taking on excessive short-term risks to the detriment of the Stapled Securityholders.

Corporate Governance Report

ACQUISITION FEE AND DIVESTMENT FEE

To continue delivering long-term sustainable distribution income to the Stapled Securityholders, the REIT Manager regularly reviews its portfolio of properties and sources for growth opportunities and yield-accretive acquisitions, and efficiently recycles capital through the divestment of underperforming or non-core assets. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of the acquisition or divestment to the existing portfolio and future growth expectations.

The acquisition fee and divestment fee payable to the REIT Manager serve as a form of compensation for the time, effort and resources spent in sourcing, evaluating and executing potential opportunities to acquire new properties or in rebalancing and unlocking the underlying value of the existing properties within its asset portfolio to optimise Far East H-REIT's returns. The REIT Manager provides these services over and above the provision of ongoing management services with the aim of ensuring income sustainability and achieving the investment objectives of Far East H-REIT.

The acquisition fee is 0.75% of purchase consideration for properties from related parties and 1% for properties for all other cases (or lower as the REIT Manager can determine). The divestment fee is 0.5% of the sale price. 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.

STATEMENT OF POLICIES AND PRACTICES

Apart from the corporate governance practices disclosed in pages 69 to 100, the Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of Far East H-BT (as described in section 87(1) of the Business Trusts Act, Chapter 31A of Singapore) in respect of FY2019, which is set out on pages 101 to 107 in this Annual Report.

Statement of Policies and Practices for Far East Hospitality Business Trust

Far East Hospitality Business Trust ("Far East H-BT") has been dormant since the listing of Far East Hospitality Trust ("Far East H-Trust") on the Main Board of the SGX-ST on 27 August 2012.

Although Far East H-BT is dormant, the board of directors of the Trustee-Manager (the "Trustee-Manager Board") is committed to complying with the requirements under the Listing Manual, the Business Trust Act, Chapter 31A of Singapore (the "BTA") and the Business Trusts Regulations 2005 (the "BTR") (except where waivers have been obtained from the Monetary Authority of Singapore (the "MAS") and disclosed in the IPO prospectus of Far East H-Trust), the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") as well as the Far East H-BT Trust Deed and the Stapling Deed.

The Trustee-Manager has the dual responsibilities of safeguarding the interests of the holders of Far East H-BT units (the "Far East H-BT Unitholders"), and managing the business conducted by Far East H-BT. The Trustee-Manager has general powers of management over the business and assets of Far East H-BT and its main responsibility is to manage Far East H-BT's assets and liabilities for the benefit of the Far East H-BT Unitholders as a whole.

The Trustee-Manager, in exercising its powers and carrying out its duties as Far East H-BT's trustee-manager, is required to:

- Treat the Far East H-BT Unitholders in the same class fairly and equally and Far East H-BT Unitholders who hold Far East H-BT units in different classes (if any) fairly;
- Ensure that all payments out of the Far East H-BT Trust Property are made in accordance with the Far East H-BT Trust Deed and the Stapling Deed;
- Report to the MAS any contravention of the BTA or the Business Trust Regulations by any other person that:
 - Relates to Far East H-BT; and
 - Has had, has or is likely to have, a material adverse effect on the interests of all the Far East H-BT Unitholders, or any class of Far East H-BT Unitholders, as a whole, as soon as practicable after the Trustee-Manager becomes aware of the contravention;
- Ensure that the Far East H-BT Trust Property is properly accounted for and ensure that the Far East H-BT Trust Property is kept distinct from the property held in its own capacity.

In the event that Far East H-BT becomes active, the Trustee-Manager will:

- At all times act honestly and exercise reasonable diligence in the discharge of its duties as Far East H-BT's trustee-manager in accordance with the BTA and the Far East H-BT Trust Deed;
- Act in the best interests of all Far East H-BT Unitholders as a whole and give priority to the interests of all Far East H-BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all Far East H-BT Unitholders as a whole and its own interests;
- Not make improper use of any information acquired by virtue of its position as Far East H-BT's trustee-manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Far East H-BT Unitholders;
- Hold the Far East H-BT Trust Property on trust for all Far East H-BT Unitholders as a whole in accordance with the terms of the Far East H-BT Trust Deed;
- Adhere with the business scope of Far East H-BT as set out in the Far East H-BT Trust Deed;
- Review interested person transactions in relation to Far East H-BT; and
- Review expense and cost allocations payable to the Trustee-Manager in its capacity as trustee-manager of Far East H-BT out of the Trust Property of Far East H-BT, and ensure that fees and expenses charged to Far East H-BT are appropriate and in accordance with the Far East H-BT Trust Deed.

Statement of Policies and Practices for Far East Hospitality Business Trust

The MAS has also granted the Trustee-Manager an exemption 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) require the Trustee-Manager Directors to act in the best interests of the Far East H-BT Unitholders only so long as:

- (i) The Trustee-Manager ensures that the units of Far-East H-BT remains stapled to the units of Far East H-REIT; and
- (ii) The Trustee-Manager and its Directors shall act in the best interests of all the Stapled Securityholders as a whole.

TRUST PROPERTY IS PROPERLY ACCOUNTED FOR

In the event that Far East H-BT becomes active, the trust property of Far East H-BT (the “Far East H-BT Trust Property”) 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 Far East H-BT.

ADHERENCE TO THE BUSINESS SCOPE OF FAR EAST H-BT

In the event that Far East H-BT becomes active, the Trustee-Manager Board shall review and approve all authorised businesses undertaken by Far East H-BT so as to ensure its adherence to the business scope as set out in the Far East H-BT Trust Deed. Such authorised businesses include:

- (i) The acquisition, disposition and ownership of authorised investments 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 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.

FEES PAYABLE TO THE TRUSTEE-MANAGER

Management Fee

The Trustee-Manager shall be entitled under the Far East H-BT Trust Deed to a management fee comprising 10.0% of the profit of Far East H-BT before interest and tax in the relevant financial year (calculated before accounting for this management fee in that financial year), payable in the event that Far East H-BT becomes active.

Trustee Fee

Under the Far East H-BT Trust Deed, 0.1% per annum of the value of the Far East H-BT Trust Property and subject to a minimum fee of S\$10,000 per month, if any, shall be paid to the Trustee-Manager as trustee fees, provided that the value of the Far East H-BT Trust Property is at least S\$50.0 million and Far East H-BT is active.

For the period under review, no management fee and trustee fee were paid to the Trustee-Manager as Far East H-BT remains dormant.

EXPENSES CHARGED TO FAR EAST H-BT

The Trustee-Manager Board will carry out quarterly reviews to ensure that the expenses payable to the Trustee-Manager out of the Far East H-BT Trust Property are appropriate and in accordance with the Far East H-BT Trust Deed, in the event Far East H-BT becomes active.

For the period under review, no expenses were paid to the Trustee-Manager from the Far East H-BT Trust Property as Far East H-BT remains dormant.

Statement of Policies and Practices for Far East Hospitality Business Trust

COMPLIANCE WITH THE BTA AND THE LISTING MANUAL

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 in the event that Far East H-BT becomes active.

Composition of the Trustee-Manager Board

Under Regulation 12(1) of 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 six Directors, five of whom are Independent Directors for the purposes of the BTA. They are:

Name	Position
Mr Wee Kheng Jin	Chairman and Non-Executive Director
Mr Willie Cheng Jue Hiang	Independent Director
Mr Huang Cheng Eng	Independent Director
Mr Kyle Lee Khai Fatt	Independent Director
Ms Vivienne Lim Hui Bian	Independent Director
Ms Catherine Lee Khia Yee	Independent Director

Mr Wee Kheng Jin (Chairman of the Board) is a non-independent director. Mr Wee had retired from his position as Executive Director in FEO on 31 December 2018, after which he had continued his association with the Group as a Senior Advisor.

As the majority of the Trustee-Manager Directors are also the directors of the REIT Manager, none of the Trustee-Manager Directors would, by definition under the BTR, be independent from a Substantial Shareholder as both the Trustee-Manager and the REIT Manager are 67.0% owned by FEO Asset Management Pte. Ltd., which is a wholly-owned subsidiary of Far East Organization Centre Pte. Ltd. ("FEOC"), and 33.0% owned by Far East Orchard Limited, which is 61.26% owned by Far East Organization Pte. Ltd. ("FEOPL"), as at 31 December 2019. FEOC, FEOPL and Far East Orchard Limited are all members of the Sponsor.

The MAS has also granted the Trustee-Manager an exemption from compliance with regulations 12(1)(a) and 12(1)(b) of the BTR to the extent that regulations 12(1)(a) and 12(1)(b) of the BTR require the Trustee-Manager Directors to be independent, subject to certain conditions.

The stapling together of Far East H-BT units and Far East H-REIT units means that the Far East H-BT Unitholders are at the same time the investors of the Stapled Securities, who stand to benefit as a whole regardless of whether the appointed Trustee-Manager Directors are independent of the Sponsor.

Statement of Policies and Practices for Far East Hospitality Business Trust

In the event that Far East H-BT becomes active, the number of directors on the Trustee-Manager Board will be a minimum of six directors, and the Trustee-Manager shall ensure that its board of directors shall comprise a majority of independent directors for the purposes of the BTA. In addition, for so long as Far East H-BT is part of a stapled group and in the event that Far East H-BT becomes active, the boards of directors of the REIT Manager and the Trustee-Manager shall consist of the same individuals. Ms Catherine Lee Khia Yee who has joined the REIT Manager Board on 1 July 2019 has also joined the Trustee-Manager Board on the same day. The composition of directors are identical for both the REIT Manager and the Trustee-Manager, although Far East H-BT was dormant during the year.

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.

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.

Chairman and Chief Executive Officer

The positions of Chairman of the Trustee-Manager Board and Chief Executive Officer of the Trustee- Manager are held by two different individuals in order to ensure an appropriate balance of power, increased accountability and to maintain effective checks and balances. The Chairman of the Trustee-Manager Board is Mr Wee Kheng Jin, while the Chief Executive Officer of the Trustee-Manager is Mr Gerald Lee.

Access to Information

The Trustee-Manager Board has separate and independent access to the management of the Trustee- Manager (the "Management") and the company secretary of the Trustee-Manager (the "Company Secretary") at all times and they are entitled to request from the Management additional information as needed to make informed decisions. The Directors also have access to independent professional advice where appropriate and whenever requested.

The Company Secretaries for the REIT Manager, Ms Lin Moi Heyang and Ms Low Mei Wan are also the Company Secretaries for the Trustee-Manager.

The Company Secretary's responsibilities include assisting the Trustee-Manager in putting in place processes to ensure that the Trustee-Manager fulfils the compliance requirements under the Listing Manual, the SFA as well as the Far East H-BT Trust Deed and the Stapling Deed.

Her roles also include the following:

- Ensuring that board procedures of the Trustee-Manager Board are followed;
- Assisting the Trustee-Manager with corporate secretarial matters for the Trustee-Manager; and
- Assisting the Trustee-Manager in preparing the announcements and notifications to be uploaded on the SGXNET as required under the Listing Manual.

Statement of Policies and Practices for Far East Hospitality Business Trust

Remuneration Matters

As Far East H-BT remains dormant, no compensation is payable to the Directors of the Trustee-Manager.

Audit Committee

The MAS has granted the Trustee-Manager an exemption from compliance with section 15(1) of the BTA to the extent that section 15(1) requires an audit committee to be constituted when Far East H-BT is active, subject to certain conditions.

External Auditor

The Trustee-Manager, on behalf of Far East H-BT, confirms that Far East H-BT has complied with Rules 712 and 715 of the Listing Manual in relation to its auditing firm.

Internal Auditor

As Far East H-BT remains dormant, no internal auditor is appointed.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Trustee-Manager Board will put in place appropriate internal control systems including the following to manage business risk in the event that Far East H-BT becomes active.

The Trustee-Manager Board will meet quarterly or more frequently if necessary and will review the financial performance of Far East H-BT against a previously approved budget. The Trustee-Manager Board will also review the business risks of Far East H-BT, examine liability management and will act upon any comments from both the internal and external auditors of Far East H-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 prior to approving major transactions.

The Management will meet regularly to review the operations of the Trustee-Manager and Far East H-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 Far East H-BT) or any of the subsidiaries or associated companies of Far East H-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 Far East H-BT), an associated company or associated entity of the Trustee-Manager (other than an associated company or associated entity of Far East H-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 Far East H-BT Unitholder or an associate of any such Director, Chief Executive Officer, controlling shareholder or controlling Far East H-BT Unitholder), would constitute an Interested Person Transaction.

Statement of Policies and Practices for Far East Hospitality Business Trust

For so long as Far East H-BT is part of a stapled group and in the event that the Board of Directors of the REIT Manager and the Trustee-Manager Board cannot reach an agreement on any resolution relating to governance or compliance matters before them where such resolution would require the collective approval of both the boards of directors of the REIT Manager and the Trustee-Manager, the votes of the Independent Directors of the REIT Manager will prevail in the event that the Trustee-Manager Board has approved such resolutions.

Since the Far East H-REIT units and Far East H-BT units are held by the same pool of investors in the same proportion, concerns and potential abuses applicable to interested party transactions will be absent in transactions between Far East H-REIT and Far East H-BT.

INTERNAL CONTROL SYSTEM

In the event the Far East H-BT becomes active, the Trustee-Manager will establish an internal control system to ensure that all future Interested Person Transactions:

- Will be undertaken on normal commercial terms; and
- Will not be prejudicial to the interests of Far East H-BT and the Far East H-BT Unitholders.

The Trustee-Manager will maintain a register to record all Interested Person Transactions which are entered into by Far East H-BT and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into.

The Trustee-Manager will also incorporate into its internal audit plan a review of all Interested Person Transactions entered into by Far East H-BT.

Where matters concerning Far East H-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of Far East H-BT with an Interested Person (as defined in the BTA) of the Trustee-Manager (which would include relevant associates thereof) or Far East H-BT, the Trustee-Manager will 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 Far East H-BT and the Far East H-BT Unitholders; and
- In accordance 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 an Interested Person of the Trustee-Manager or Far East H-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.

Far East H-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 Far East H-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 Far East H-Trust's annual report for the relevant financial year.

Save for the Interested Person Transactions in connection with the setting up of Far East H-BT and future Interested Party Transactions (as disclosed in the IPO prospectus of Far East Hospitality Trust), Far East H-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 (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of Far East H-BT's latest audited net tangible assets.

Statement of Policies and Practices for Far East Hospitality Business Trust

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 Far East H-Trust will be approved by a majority of the Trustee-Manager Directors, including at least one Independent Trustee-Manager Director;
- All executive officers of the REIT Manager will be employed by the Trustee-Manager;
- In respect of matters in which a Trustee-Manager Director or his Associates (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 have 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 Far East H-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of Far East H-BT with an Interested Person of the Trustee-Manager (which would include relevant associates thereof) or Far East H-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 Far East H-BT and the Far East H-BT Unitholders 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 an Interested Person of the Trustee-Manager or Far East H-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.

Corporate Directory

MANAGER OF FAR EAST H-REIT

FEO Hospitality Asset Management Pte. Ltd.
1 Tanglin Road #05-01
Orchard Rendezvous Hotel
Singapore 247905
Telephone: (65) 6833 6688
Facsimile: (65) 6833 6622

TRUSTEE-MANAGER OF FAR EAST H-BT

FEO Hospitality Trust Management Pte. Ltd.
1 Tanglin Road #05-01
Orchard Rendezvous Hotel
Singapore 247905
Telephone: (65) 6833 6688
Facsimile: (65) 6833 6622

BOARD OF DIRECTORS

Chairman and
Non-Executive Director
Mr Wee Kheng Jin

Lead Independent Director
Mr Willie Cheng Jue Hiang

Independent Directors
Ms Catherine Lee Khia Yee
Mr Huang Cheng Eng
Mr Kyle Lee Khai Fatt
Ms Vivienne Lim Hui Bian

AUDIT AND RISK COMMITTEE

Chairman
Mr Willie Cheng Jue Hiang

Members
Mr Huang Cheng Eng
Mr Kyle Lee Khai Fatt

NOMINATING COMMITTEE

Chairman
Mr Kyle Lee Khai Fatt
Members
Mr Willie Cheng Jue Hiang
Ms Vivienne Lim Hui Bian

REMUNERATION COMMITTEE

Chairman
Mr Huang Cheng Eng
Members
Mr Kyle Lee Khai Fatt
Mr Wee Kheng Jin

MANAGEMENT TEAM

Chief Executive Officer
Mr Gerald Lee Hwee Keong

Chief Financial Officer
Ms Regina Yap Siew Buay

Vice President,
Asset Management & Investment
Mr Irfan Tayabali

Vice President, Asset Management
Ms Elaine Chin Shu Peng

JOINT COMPANY SECRETARIES

Ms Lin Moi Heyang
Ms Low Mei Wan

TRUSTEE OF FAR EAST H-REIT DBS Trustee Limited

12 Marina Boulevard
Level 44 DBS Asia Central
@ Marina Bay Financial
Centre, Tower 3
Singapore 018982
Telephone: (65) 6878 8888
Facsimile: (65) 6878 3977

HOTEL AND SERVICED RESIDENCE OPERATOR

Far East Hospitality Management (S) Pte. Ltd.
20 Havelock Road #03-14
Central Square
Singapore 059765

RETAIL AND OFFICE SPACE PROPERTY MANAGER

Jones Lang LaSalle
Property Consultants Pte. Ltd.
1 Paya Lebar Link #10-08
Paya Lebar Quarter, Tower 2
Singapore 408533
Telephone: (65) 6220 3888

INDEPENDENT AUDITOR

Ernst and Young LLP
Public Accountants and
Chartered Accountants, Singapore
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Tan Seng Choon
Appointed effective from financial
year ended 31 December 2017

STAPLED SECURITY REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Telephone: (65) 6536 5355
Facsimile: (65) 6536 1360

BANKERS

DBS Bank Ltd
Oversea-Chinese Banking
Corporation Limited
Sumitomo Mitsui Banking
Corporation
The Hongkong and Shanghai
Banking Corporation Limited
United Overseas Bank Limited

Financial Statements

FAR EAST
HOSPITALITY TRUST

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Report of the Trustee of Far East Hospitality Real Estate Investment Trust

DBS Trustee Limited (the “REIT Trustee”) is under a duty to take into custody and hold the assets of Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”) in trust for the holders of units (“Unitholders”) in Far East H-REIT. In accordance with the Securities and Futures Act (Chapter 289) of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the REIT Trustee shall monitor the activities of FEO 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 trust deed dated 1 August 2012, the first supplemental deed dated 19 October 2012, the second supplemental deed dated 18 April 2016 and the third supplemental deed dated 17 April 2019 (collectively referred to as the “Trust Deed”) between the REIT Manager and the REIT Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed Far East H-REIT during the period covered by these financial statements set out on pages 121 to 169, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the REIT Trustee,
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
6 March 2020

Report of the Manager of Far East Hospitality Real Estate Investment Trust

In the opinion of the directors of FEO Hospitality Asset Management Pte. Ltd. (the “REIT Manager”), the Manager of Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”), the accompanying financial statements of Far East H-REIT and Far East Hospitality Trust (the “Stapled Group”), comprising Far East H-REIT and Far East Hospitality Business Trust (“Far East H-BT”), set out on pages 121 to 169, comprising their Balance Sheets, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders’ Funds, Portfolio Statements, Cash Flow Statements and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions and portfolio holdings of Far East H-REIT and the Stapled Group as at 31 December 2019, and the financial performance, distributable income, movements in unitholders’ funds, and cash flows of Far East H-REIT and the Stapled Group for the year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of Far East H-REIT’s trust deed dated 1 August 2012, the first supplemental trust deed dated 19 October 2012, the second supplemental deed dated 18 April 2016 and the third supplemental deed dated 17 April 2019 between DBS Trustee Limited (the “REIT Trustee”) and the REIT Manager (collectively referred to as the “Trust Deed”) and the stapling deed of Far East Hospitality Trust dated 1 August 2012 and the first supplemental deed dated 17 April 2019 between the REIT Trustee, the REIT Manager and FEO Hospitality Trust Management Pte. Ltd. (the trustee-manager of Far East H-BT). At the date of this statement, there are reasonable grounds to believe that Far East H-REIT and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

For and on behalf of the REIT Manager,
FEO Hospitality Asset Management Pte. Ltd.

Wee Kheng Jin
Director

Singapore
6 March 2020

Report of the Trustee-Manager of Far East Hospitality Business Trust

The directors of FEO Hospitality Trust Management Pte. Ltd., the trustee-manager of Far East Hospitality Business Trust ("Far East H-BT", and the trustee-manager of Far East H-BT, the "Trustee-Manager"), submit this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2019.

The directors of the Trustee-Manager in office at the date of this report are as follows:

Wee Kheng Jin (Chairman)
Willie Cheng Jue Hiang
Huang Cheng Eng
Kyle Lee Khai Fatt
Vivienne Lim Hui Bian
Lee Khia Yee (Appointed on 1 July 2019)

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "Act"), 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 units in Far East H-BT are as follow:

Name of director	Direct interest		Deemed interest	
	Holdings at the beginning of the financial year or date of appointment	Holdings at the end of financial year	Holdings at the beginning of the financial year or date of appointment	Holdings at the end of financial year
Wee Kheng Jin	515,318	578,801	–	–
Willie Cheng Jue Hiang	–	–	515,318	580,325
Huang Cheng Eng	515,318	576,514	–	–
Kyle Lee Khai Fatt	507,813	570,087	–	–
Vivienne Lim Hui Bian	–	8,262	–	–
Lee Khia Yee	–	–	–	–

Neither at the end of, nor at any time during the financial year, was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in or debentures of Far East H-BT.

There were no changes in any of the abovementioned interests in Far East H-BT between the end of the financial year and 21 January 2020.

During the financial year, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued units in Far East H-BT; and
- (ii) no units issued by virtue of any exercise of option to take up unissued units of Far East H-BT.

As at the end of the financial year, there were no unissued units of Far East H-BT under options.

The auditor, Ernst & Young LLP, have expressed their willingness to accept re-appointment.

Report of the Trustee-Manager of Far East Hospitality Business Trust

In the opinion of the directors:

- (a) the financial statements of Far East H-BT set out on pages 121 to 169 are drawn up so as to give a true and fair view of the financial position of Far East H-BT as at 31 December 2019 and the financial performance, movements in unitholders' funds and cash flows of Far East H-BT for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that Far East H-BT will be able to pay its debts as and when they fall due as FEO Hospitality Asset Management Pte. Ltd., the REIT Manager has undertaken not to recall the debts due from Far East H-BT.

With respect to the statement of comprehensive income of Far East H-BT for the year ended 31 December 2019, the directors further certify that:

- fees or charges paid or payable out of the trust property of Far East H-BT to the Trustee-Manager are in accordance with Far East H-BT's trust deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019;
- interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; 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 Far East H-BT or on the interests of all the unitholders 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,
FEO Hospitality Trust Management Pte. Ltd.

Wee Kheng Jin
Director

Willie Cheng Jue Hiang
Director

Singapore
6 March 2020

Statement by the Chief Executive Officer of the Trustee-Manager

In accordance with Section 86 of the Act, I 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 Far East H-BT or on the interests of all the unitholders of Far East H-BT as a whole.

Gerald Lee Hwee Keong
Chief Executive Officer

Singapore
6 March 2020

Independent Auditor's Report

To Unitholders of
Far East Hospitality Real Estate Investment Trust
Far East Hospitality Business Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited:

- (i) the financial statements of Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") (constituted in the Republic of Singapore pursuant to a trust deed dated 1 August 2012, the first supplemental deed dated 19 October 2012, the second supplemental deed dated 18 April 2016 and the third supplemental deed dated 17 April 2019), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2019, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Cash Flow Statement for the financial year ended and notes to the financial statements, including a summary of significant accounting policies;
- (ii) the financial statements of Far East Hospitality Business Trust ("Far East H-BT") (constituted in the Republic of Singapore pursuant to a trust deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019), which comprise the Balance Sheet as at 31 December 2019, the Statement of Comprehensive Income, Statement of Movement in Unitholders' Funds and Cash Flow Statement 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 Far East Hospitality Trust ("Far East H-Trust") (constituted in the Republic of Singapore pursuant to a stapling deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019 (the "Stapling Deed")), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2019, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Cash Flow Statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies,

as set out on pages 121 to 169. Far East Hospitality Trust, which comprises Far East H-BT and the Far East H-REIT, is hereinafter referred to as the "Stapled Group".

In our opinion,

- (a) the accompanying financial statements of Far East H-REIT and the Stapled Group present fairly, in all material respects, the financial positions and portfolio positions of Far East H-REIT and the Stapled Group as at 31 December 2019 and the financial performance, distributable income, movement in unitholders' funds and cash flows of the Far East H-REIT and the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants ("ISCA") and the provisions of the Far East H-REIT Trust Deed and the Stapling Deed; and
- (b) the financial statements of Far East H-BT are properly drawn up in accordance with the provisions of the Business Trusts Act, Chapter 31A of Singapore (the "Act") and Singapore Financial Reporting Standards (International) so as to give a true and fair view of the state of affairs of Far East H-BT as at 31 December 2019 and the financial performance, movement in unitholders' funds and cash flows of Far East H-BT for the year ended on that date.

Independent Auditor's Report

To Unitholders of
Far East Hospitality Real Estate Investment Trust
Far East Hospitality Business Trust

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Far East H-REIT, Far East H-BT and the Stapled Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investment properties

The Stapled Group owns a portfolio of 13 Singapore investment properties comprising 9 hotels and 4 serviced residences. The carrying values of investment properties amounted to \$2,645.7 million as at 31 December 2019. These investment properties are stated at their fair values based on independent external valuations and represent the single largest asset category of the Stapled Group.

The valuation of the investment properties is significant to our audit due to their magnitude. In addition, their valuation is complex and highly dependent on a range of estimates made by the external appraisers engaged by the REIT Manager and agreed by management. As disclosed in Note 19(d), the investment properties are measured using significant unobservable inputs. The most significant judgments and estimates affecting the valuations are discount rates, capitalisation rates, revenue per available room/unit and price per square metre used.

Independent Auditor's Report

To Unitholders of
Far East Hospitality Real Estate Investment Trust
Far East Hospitality Business Trust

Key Audit Matters (Cont'd)

Valuation of Investment Properties (Cont'd)

The management uses external appraisers to support its determination of the individual fair value of the Investment Properties annually. We assessed the Stapled Group's process relating to the selection of the external valuers, the determination of the scope of work of the valuers, and the review of the valuation reports issued by the external appraisers. We have considered the objectivity, independence and expertise of the external appraisers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity. In addition, we discussed the valuation techniques adopted with the external appraisers. We assessed the appropriateness of the valuation model, property related data such as operating expenses, property taxes, including estimates as used by the external appraisers. In addition, we evaluated the appropriateness of the data used in the estimation process adopted by the external appraisers, agreed by the management, by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. We also assessed the reasonableness of the fluctuations in the fair value of investment properties. Further, we have assessed the appropriateness of Note 19(d) relating to the assumptions used in the valuation process, given the estimation uncertainty and sensitivity of the valuations.

The results of our independent analyses are consistent with those of management's analyses.

Information Other than the Financial Statements and Auditor's Report Thereon

FEO Hospitality Asset Management Pte. Ltd., the manager of Far East H-REIT (the "REIT Manager"), and FEO Hospitality Trust Management Pte. Ltd., the trustee-manager of Far East H-BT (the "Trustee-Manager") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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, 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 the REIT Manager for the Financial Statements

The REIT Manager is responsible for the preparation and fair presentation of the financial statements of Far East H-REIT and the Stapled Group in accordance with the recommendations of *RAP 7 Reporting Framework for Unit Trusts* issued by the ISCA, and for such internal control 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.

Independent Auditor's Report

To Unitholders of
Far East Hospitality Real Estate Investment Trust
Far East Hospitality Business Trust

Responsibilities of the Trustee-Manager for the Financial Statements

The Trustee-Manager is responsible for the preparation of financial statements of Far East H-BT that gives 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 accounts and to maintain accountability of assets.

In preparing the financial statements, the REIT Manager and the Trustee-Manager are responsible for assessing the ability of Far East H-REIT, Far East H-BT and the Stapled Group to continue as a going concern respectively, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager and the Trustee-Manager either intend to terminate or to cease operations of Far East H-REIT, Far East H-BT and the Stapled Group respectively, or has no realistic alternative but to do so.

The Board of Directors of the REIT Manager and the Trustee-Manager are responsible for overseeing the financial reporting process of Far East H-REIT, Far East H-BT and the Stapled Group.

Auditor's 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 auditor's 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 control.
- Obtain an understanding of internal control 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 Far East H-REIT, Far East H-BT and the Stapled Group.
- 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.

Independent Auditor's Report

To Unitholders of
Far East Hospitality Real Estate Investment Trust
Far East Hospitality Business Trust

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 Far East H-REIT, Far East H-BT and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause Far East H-REIT, Far East H-BT and the Stapled Group 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 Stapled Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Stapled 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 control 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditor's 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.

Independent Auditor's Report

To Unitholders of
Far East Hospitality Real Estate Investment Trust
Far East Hospitality Business Trust

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager on behalf of Far East H-BT have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Seng Choon.

ERNST & YOUNG LLP
Public Accountants and
Chartered Accountants

Singapore
6 March 2020

Balance Sheets

As at 31 December 2019

	Note	2019			2018		
		Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Non-current assets							
Investment properties	3	2,645,700	2,645,700	–	2,633,500	2,633,500	–
Joint venture	4	8,027	8,027	–	14,356	14,356	–
Total non-current assets		2,653,727	2,653,727	–	2,647,856	2,647,856	–
Current assets							
Cash and cash equivalents	5	5,838	5,838	–	12,837	12,837	–
Prepayments		14	14	–	71	71	–
Trade and other receivables	6	39,966	39,966	30	38,516	38,516	30
Derivative financial assets	7	–	–	–	371	371	–
Total current assets		45,818	45,818	30	51,795	51,795	30
Total assets		2,699,545	2,699,545	30	2,699,651	2,699,651	30
Current liabilities							
Trade and other payables	8	3,668	3,665	33	4,108	4,128	10
Borrowings	9	16,500	16,500	–	152,598	152,598	–
Accruals		7,518	7,517	1	7,909	7,908	1
Derivative financial liabilities	7	108	108	–	–	–	–
Rental deposits		3,284	3,284	–	2,926	2,926	–
Deferred income		90	90	–	90	90	–
Income tax payable		96	96	–	54	54	–
Total current liabilities		31,264	31,260	34	167,685	167,704	11
Non-current liabilities							
Borrowings	9	975,694	975,694	–	875,269	875,269	–
Derivative financial liabilities	7	4,881	4,881	–	2,037	2,037	–
Rental deposits		5,408	5,408	–	5,950	5,950	–
Deferred income		1,051	1,051	–	1,141	1,141	–
Total non-current liabilities		987,034	987,034	–	884,397	884,397	–
Total liabilities		1,018,298	1,018,294	34	1,052,082	1,052,101	11
Net assets/(liabilities)		1,681,247	1,681,251	(4)	1,647,569	1,647,550	19
Represented by:							
Unitholders' funds							
Unitholders' funds of Far East H-REIT		1,681,251	1,681,251	–	1,647,550	1,647,550	–
Unitholders' funds of Far East H-BT		(4)	–	(4)	19	–	19
		1,681,247	1,681,251	(4)	1,647,569	1,647,550	19
Stapled Securities/Units in issue ('000)	10	1,943,251	1,943,251	1,943,251	1,872,012	1,872,012	1,872,012
Net asset value per Stapled Security/Unit issued and to be issued (cents)	11	86.18	86.18	(0.00021)	87.59	87.59	0.00101

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Total Return of Far East H-REIT and the Stapled Group

Statement of Comprehensive Income of Far East H-BT

For the financial year ended 31 December 2019

	Note	2019			2018		
		Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Master lease rental		93,619	93,619	–	91,606	91,606	–
Retail and office revenue		21,927	21,927	–	22,072	22,072	–
Gross revenue		115,546	115,546	–	113,678	113,678	–
Property tax		(7,367)	(7,367)	–	(7,337)	(7,337)	–
Property insurance		(112)	(112)	–	(115)	(115)	–
MCST contribution		(257)	(257)	–	(164)	(164)	–
Retail and office expenses		(2,336)	(2,336)	–	(2,430)	(2,430)	–
Property manager fees		(475)	(475)	–	(475)	(475)	–
Impairment losses on trade receivables		(685)	(685)	–	(402)	(402)	–
Property expenses		(11,232)	(11,232)	–	(10,923)	(10,923)	–
Net property income		104,314	104,314	–	102,755	102,755	–
REIT Manager's fees	12	(12,257)	(12,257)	–	(11,963)	(11,963)	–
Trustee's fees		(329)	(329)	–	(322)	(322)	–
Other trust expenses	13	(1,477)	(1,454)	(23)	(907)	(905)	(2)
Interest and other income	14	907	907	–	718	718	–
Finance expenses	14	(29,850)	(29,850)	–	(26,779)	(26,779)	–
Net income before joint venture's results		61,308	61,331	(23)	63,502	63,504	(2)
Share of results of joint venture	4	(6,329)	(6,329)	–	(2,087)	(2,087)	–
Net income before tax and fair value changes		54,979	55,002	(23)	61,415	61,417	(2)
Fair value change in derivative financial instruments		(3,323)	(3,323)	–	(955)	(955)	–
Fair value change in investment properties	3	8,809	8,809	–	30,198	30,198	–
Total return for the year before income tax		60,465	60,488	(23)	90,658	90,660	(2)
Income tax expense	15	(96)	(96)	–	(54)	(54)	–
Total return for the year after income tax		60,369	60,392	(23)	90,604	90,606	(2)
Other comprehensive income for the year, net of income tax				–			–
Total comprehensive income for the year				(23)			(2)
Earnings per Stapled Security (cents)							
Basic	16	3.17	3.17	–	4.86	4.86	–
Diluted	16	3.15	3.15	–	4.84	4.84	–
Distribution per Stapled Security (cents)		3.81	3.81	–	4.00	4.00	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Distribution Statements

For the financial year ended 31 December 2019

	2019		2018	
	Stapled Group \$'000	Far East H-REIT \$'000	Stapled Group \$'000	Far East H-REIT \$'000
Income available for distribution to Stapled Securityholders at the beginning of the year	20,357	20,366	19,085	19,092
Total return for the year after income tax	60,369	60,392	90,604	90,606
Net tax adjustments (Note A)	13,395	13,395	(15,235)	(15,235)
Rollover adjustment	129	129	(6)	(6)
Income available for distribution for the current year (Note B)	73,893	73,916	75,363	75,365
Income available for distribution to Stapled Securityholders	94,250	94,282	94,448	94,457
Distribution of 0.97 cents per Stapled Security for the period from 1 October 2017 to 31 December 2017	–	–	(18,014)	(18,014)
Distribution of 0.94 cents per Stapled Security for the period from 1 January 2018 to 31 March 2018	–	–	(17,543)	(17,543)
Distribution of 1.01 cents per Stapled Security for the period from 1 April 2018 to 30 June 2018	–	–	(18,878)	(18,878)
Distribution of 1.05 cents per Stapled Security for the period from 1 July 2018 to 30 September 2018	–	–	(19,656)	(19,656)
Distribution of 1.00 cents per Stapled Security for the period from 1 October 2018 to 31 December 2018	(18,750)	(18,750)	–	–
Distribution of 0.91 cents per Stapled Security for the period from 1 January 2019 to 31 March 2019	(17,311)	(17,311)	–	–
Distribution of 0.91 cents per Stapled Security for the period from 1 April 2019 to 30 June 2019	(17,487)	(17,487)	–	–
Distribution of 1.04 cents per Stapled Security for the period from 1 July 2019 to 30 September 2019	(20,021)	(20,021)	–	–
	(73,569)	(73,569)	(74,091)	(74,091)
Income available for distribution to Stapled Securityholders at end of the year	20,681	20,713	20,357	20,366

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Distribution Statements

For the financial year ended 31 December 2019

	2019		2018	
	Stapled Group \$'000	Far East H-REIT \$'000	Stapled Group \$'000	Far East H-REIT \$'000
Note A – Net tax adjustments relate to the following non-tax deductible items:				
- REIT Manager's fees paid/payable in Stapled Securities	11,031	11,031	10,767	10,767
- Trustee's fees	329	329	322	322
- Amortisation of debt-related transaction cost	672	672	680	680
- Fair value change in investment properties	(8,809)	(8,809)	(30,198)	(30,198)
- Fair value change in derivative financial instruments	3,323	3,323	955	955
- Share of results of joint venture	6,329	6,329	2,087	2,087
- Other items	520	520	152	152
Net tax adjustments	13,395	13,395	(15,235)	(15,235)
Note B – Income available for distribution for the current year:				
- Taxable income	73,424	73,447	75,100	75,102
- Tax-exempt income	469	469	263	263
Net tax adjustments	73,893	73,916	75,363	75,365

Distributions of the Stapled Group represent the aggregate distributions by Far East H-REIT and Far East H-BT. Income available for distribution of the Stapled Group for the year is contributed solely by Far East H-REIT as Far East H-BT was dormant during the year.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Movements in Unitholders' Funds

For the financial year ended 31 December 2019

	Unitholders' funds of Far East H-REIT			Unitholders' funds of Far East H-BT			Stapled Group
	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Total \$'000
2019							
Balance at 1 January 2019	1,707,433	(59,883)	1,647,550	28	(9)	19	1,647,569
Operations							
Increase/(decrease) in net assets resulting from operations	–	60,392	60,392	–	(23)	(23)	60,369
	–	60,392	60,392	–	(23)	(23)	60,369
Unitholders' transactions							
- Issuance of Stapled Securities							
- Payment of REIT Manager's fees	11,031	–	11,031	–	–	–	11,031
- Distribution reinvestment plan	35,847	–	35,847	–	–	–	35,847
- Distribution to Stapled Securityholders	–	(73,569)	(73,569)	–	–	–	(73,569)
Net increase/(decrease) in net assets resulting from unitholders' transactions	46,878	(73,569)	(26,691)	–	–	–	(26,691)
Balance at 31 December 2019	1,754,311	(73,060)	1,681,251	28	(32)	(4)	1,681,247

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Movements in Unitholders' Funds

For the financial year ended 31 December 2019

	Unitholders' funds of Far East H-REIT			Unitholders' funds of Far East H-BT			Stapled Group
	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Total \$'000
2018							
Balance at 1 January 2018	1,695,091	(76,398)	1,618,693	28	(7)	21	1,618,714
Operations							
Increase/(decrease) in net assets resulting from operations	-	90,606	90,606	-	(2)	(2)	90,604
	-	90,606	90,606	-	(2)	(2)	90,604
Unitholders' transactions							
- Issuance of Stapled Securities							
- Payment of REIT Manager's fees	10,767	-	10,767	-	-	-	10,767
- REIT Acquisition fees	1,575	-	1,575	-	-	-	1,575
- Distribution to Stapled Securityholders	-	(74,091)	(74,091)	-	-	-	(74,091)
Net increase/(decrease) in net assets resulting from unitholders' transactions	12,342	(74,091)	(61,749)	-	-	-	(61,749)
Balance at 31 December 2018	1,707,433	(59,883)	1,647,550	28	(9)	(19)	1,647,569

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Portfolio Statements

As at 31 December 2019

Description of property	Lease tenure	Location	Existing use	Stapled Group		Far East H-REIT	
				Carrying value at 31.12.2019	Percentage of total net assets 31.12.2019	Carrying value at 31.12.2019	Percentage of total net assets 31.12.2019
				\$'000	%	\$'000	%
Investment properties – Singapore							
Village Hotel Albert Court	75-year leasehold from 27 August 2012	180 Albert Street	Hotel	127,800	7.6	127,800	7.6
Village Hotel Bugis	66-year leasehold from 27 August 2012	390 Victoria Street	Hotel	232,700	13.8	232,700	13.8
Village Hotel Changi	65-year leasehold from 27 August 2012	1 Netheravon Road	Hotel	205,800	12.2	205,800	12.2
The Elizabeth Hotel	75-year leasehold from 27 August 2012	24 Mount Elizabeth	Hotel	163,700	9.7	163,700	9.7
Oasia Hotel Novena	92-year leasehold from 27 August 2012	8 Sinaran Drive	Hotel	330,000	19.6	330,000	19.6
Orchard Rendezvous Hotel	50-year leasehold from 27 August 2012	1 Tanglin Road	Hotel	431,200	25.7	431,200	25.7
The Quincy Hotel	75-year leasehold from 27 August 2012	22 Mount Elizabeth	Hotel	82,000	4.9	82,000	4.9
Rendezvous Hotel Singapore	70-year leasehold from 1 August 2013	9 Bras Basah Road	Hotel	284,100	16.9	284,100	16.9
Oasia Hotel Downtown	65-year leasehold from 2 April 2018	100 Peck Seah Street	Hotel	245,000	14.6	245,000	14.6
Village Residence Clarke Quay	80-year leasehold from 27 August 2012	20 Havelock Road	Serviced Residence	205,900	12.2	205,900	12.2
Village Residence Hougang	81-year leasehold from 27 August 2012	1 Hougang Street 91	Serviced Residence	62,000	3.7	62,000	3.7
Village Residence Robertson Quay	78-year leasehold from 27 August 2012	30 Robertson Quay	Serviced Residence	105,300	6.3	105,300	6.3
Regency House	81-year leasehold from 27 August 2012	121 Penang Road	Serviced Residence	170,200	10.1	170,200	10.1
Investment properties, at valuation				2,645,700	157.3	2,645,700	157.3
Joint venture				8,027	0.5	8,027	0.5
Other assets and liabilities (net)				2,653,727 (972,480)	157.8 (57.8)	2,653,727 (972,476)	157.8 (57.8)
Net assets				1,681,247	100.0	1,681,251	100.0

As at 31 December 2019, independent valuations of the investment properties were undertaken by Savills Valuation And Professional Services (S) Pte Ltd based on the income capitalisation approach, the discounted cash flow analysis and the direct comparison approach for the hotels excluding Oasia Hotel Downtown and Knight Frank Pte Ltd based on income capitalisation approach and the discounted cash flow analysis for Oasia Hotel Downtown and the serviced residences. The REIT Manager believes that these independent valuers possess appropriate professional qualifications and recent experience in the location and category of the investment properties being valued.

The net changes in fair values of these investment properties have been recognised in the Statements of Total Return in accordance with the Stapled Group's accounting policies.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Portfolio Statements

As at 31 December 2019

Description of property	Lease tenure	Location	Existing use	Stapled Group		Far East H-REIT	
				Carrying value at 31.12.2018	Percentage of total net assets 31.12.2018	Carrying value at 31.12.2018	Percentage of total net assets 31.12.2018
				\$'000	%	\$'000	%
Investment properties – Singapore							
Village Hotel Albert Court	75-year leasehold from 27 August 2012	180 Albert Street	Hotel	127,200	7.7	127,200	7.7
Village Hotel Bugis	66-year leasehold from 27 August 2012	390 Victoria Street	Hotel	232,400	14.1	232,400	14.1
Village Hotel Changi	65-year leasehold from 27 August 2012	1 Netheravon Road	Hotel	209,200	12.7	209,200	12.7
The Elizabeth Hotel	75-year leasehold from 27 August 2012	24 Mount Elizabeth	Hotel	163,700	9.9	163,700	9.9
Oasia Hotel Novena	92-year leasehold from 27 August 2012	8 Sinaran Drive	Hotel	330,000	20.0	330,000	20.0
Orchard Rendezvous Hotel	50-year leasehold from 27 August 2012	1 Tanglin Road	Hotel	431,100	26.2	431,100	26.2
The Quincy Hotel	75-year leasehold from 27 August 2012	22 Mount Elizabeth	Hotel	83,300	5.1	83,300	5.1
Rendezvous Hotel Singapore	70-year leasehold from 1 August 2013	9 Bras Basah Road	Hotel	282,100	17.1	282,100	17.1
Oasia Hotel Downtown	65-year leasehold from 2 April 2018	100 Peck Seah Street	Hotel	236,400	14.3	236,400	14.3
Village Residence Clarke Quay	80-year leasehold from 27 August 2012	20 Havelock Road	Serviced Residence	204,100	12.4	204,100	12.4
Village Residence Hougang	81-year leasehold from 27 August 2012	1 Hougang Street 91	Serviced Residence	60,200	3.7	60,200	3.7
Village Residence Robertson Quay	78-year leasehold from 27 August 2012	30 Robertson Quay	Serviced Residence	105,200	6.4	105,200	6.4
Regency House	81-year leasehold from 27 August 2012	121 Penang Road	Serviced Residence	168,600	10.2	168,600	10.2
Investment properties, at valuation				2,633,500	159.8	2,633,500	159.8
Joint venture				14,356	0.9	14,356	0.9
Other assets and liabilities (net)				2,647,856	160.7	2,647,856	160.7
				(1,000,287)	(60.7)	(1,000,306)	(60.7)
Net assets				1,647,569	100.0	1,647,550	100.0

As at 31 December 2018, independent valuations of the investment properties were undertaken by Savills Valuation And Professional Services (S) Pte Ltd based on the income capitalisation approach, the discounted cash flow analysis and the direct comparison approach for the hotels and Knight Frank Pte Ltd based on income capitalisation approach and the discounted cash flow analysis for the serviced residences. The REIT Manager believes that these independent valuers possess appropriate professional qualifications and recent experience in the location and category of the investment properties being valued.

The net changes in fair values of these investment properties have been recognised in the Statements of Total Return in accordance with the Stapled Group's accounting policies.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cash Flow Statements

For the financial year ended 31 December 2019

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Cash flows from operating activities						
Total return before income tax	60,465	60,488	(23)	90,658	90,660	(2)
Adjustments for:						
Interest and other income	(907)	(907)	–	(718)	(718)	–
Finance expenses	29,850	29,850	–	26,779	26,779	–
Share of results of joint venture	6,329	6,329	–	2,087	2,087	–
Fair value change in derivative financial instruments	3,323	3,323	–	955	955	–
Fair value change in investment properties	(8,809)	(8,809)	–	(30,198)	(30,198)	–
Impairment losses on trade receivables	685	685	–	402	402	–
REIT Manager's fees paid/payable in Stapled Securities	11,031	11,031	–	10,767	10,767	–
Operating profit/(loss) before working capital changes	101,967	101,990	(23)	100,732	100,734	(2)
Changes in working capital:						
Trade and other receivables	(197)	(197)	–	(556)	(556)	–
Trade and other payables	(296)	(319)	23	587	585	2
Rental deposits	(274)	(274)	–	38	38	–
Income tax paid	(54)	(54)	–	(19)	(19)	–
Net cash generated from operating activities	101,146	101,146	–	100,782	100,782	–
Cash flows from investing activities						
Capital expenditure on investment properties	(2,771)	(2,771)	–	(4,122)	(4,122)	–
Acquisition of investment property	–	–	–	(217,514)	(217,514)	–
Loan to a joint venture company	(1,200)	(1,200)	–	(1,170)	(1,170)	–
Interest received	–	–	–	8	8	–
Net cash used in investing activities	(3,971)	(3,971)	–	(222,798)	(222,798)	–
Cash flows from financing activities						
Proceeds from borrowings	115,700	115,700	–	493,565	493,565	–
Finance costs paid	(30,287)	(30,287)	–	(26,381)	(26,381)	–
Repayment of borrowings	(151,865)	(151,865)	–	(262,150)	(262,150)	–
Distribution to Stapled Securityholders	(37,722)	(37,722)	–	(74,091)	(74,091)	–
Net cash generated (used in)/from financing activities	(104,174)	(104,174)	–	130,943	130,943	–
Net (decrease)/increase in cash and cash equivalents	(6,999)	(6,999)	–	8,927	8,927	–
Cash and cash equivalents at beginning of the year	12,837	12,837	–	3,910	3,910	–
Cash and cash equivalents at end of the year (Note 5)	5,838	5,838	–	12,837	12,837	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cash Flow Statements

For the financial year ended 31 December 2019

SIGNIFICANT NON-CASH TRANSACTIONS

There were the following significant non-cash transactions during the year:

- A total of 10,561,450 (2018: 11,005,241) Stapled Securities amounting to \$7,275,713 (2018: \$7,067,593) were or would be issued to the REIT Manager as partial payment for the base management fees for the financial year ended 31 December 2019;
- A total of 5,151,995 (2018: 6,077,203) Stapled Securities amounting to \$3,755,290 (2018: \$3,699,194) would be issued to the REIT Manager as partial payment for the performance management fees for the financial year ended 31 December 2019. These Stapled Securities to be issued are not entitled to the distribution for this financial year;
- A total of 54,120,108 (2018: Nil) Stapled Securities amounting to \$35,847,283 were issued as partial payment of the distributions, pursuant to the distribution reinvestment plan reintroduced in February 2019; and
- In 2018, 2,232,775 Stapled Securities amounting to \$1,575,000 were issued to the REIT Manager for satisfaction of acquisition fee in relation to the acquisition of Oasia Hotel Downtown.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2019

1. GENERAL

Far East Hospitality Trust ("Far East H-Trust" or "Trust") is a stapled group comprising Far East Hospitality Real Estate Investment Trust ("Far East H-REIT" or "H-REIT") and Far East Hospitality Business Trust ("Far East H-BT" or "H-BT") (collectively, the "Stapled Group").

Far East H-REIT is a Singapore-domiciled real estate investment trust constituted in Singapore pursuant to the trust deed dated 1 August 2012, the first supplemental deed dated 19 October 2012, the second supplemental deed dated 18 April 2016 and the third supplemental deed dated 17 April 2019 (collectively, the "H-REIT Trust Deed") between FEO Hospitality Asset Management Pte. Ltd. (the "REIT Manager") and DBS Trustee Limited (the "REIT Trustee"). The REIT Trustee is under a duty to take into custody and hold the assets of Far East H-REIT in trust for the Stapled Securityholders of Far East H-REIT.

Far East H-BT is a Singapore-domiciled business trust constituted in Singapore by a trust deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019 ("H-BT Trust Deed") and is managed by FEO Hospitality Trust Management Pte. Ltd. (the "Trustee-Manager").

The registered office of the REIT Manager and the Trustee-Manager (collectively, the "Managers") is located at 1 Tanglin Road, #05-01 Orchard Rendezvous Hotel, Singapore 247905.

The securities in each of Far East H-REIT and Far East H-BT are stapled together under the terms of a stapling deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019 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 Far East Hospitality Trust (the "Stapled Security") comprises a unit in H-REIT (the "H-REIT Unit") and a unit in H-BT (the "H-BT Unit").

Far East H-Trust was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 27 August 2012.

The principal activity of H-REIT is to invest in income producing real estate in Singapore, used primarily for hospitality and/or hospitality related purposes, with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth.

As at the reporting date, Far East H-BT is dormant.

Several service agreements were entered into in relation to management of H-REIT and H-BT and its property operations. The fee structures of these services are as follow:

(a) **REIT Manager's management fees**

Under Clauses 15.1.1 and 15.1.2 of the H-REIT Trust Deed, the REIT Manager is entitled to a management fee comprising a base fee of 0.3% per annum of the value of H-REIT's Deposited Property (as defined in the H-REIT Trust Deed) and a performance fee of 4.0% per annum of H-REIT's net property income (as defined in the H-REIT Trust Deed) in the relevant year.

The REIT Manager may elect to receive the base fee and the performance fee in cash or Stapled Securities or a combination of both (as it may in its sole discretion determine). For financial year ended 31 December 2019, 90% of the management fees were or would be paid in Stapled Securities issued at the market price (as defined in the H-REIT Trust Deed) with the remainder to be paid in cash.

Notes to the Financial Statements

For the financial year ended 31 December 2019

1. GENERAL (CONT'D)

(a) *REIT Manager's management fees (cont'd)*

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 holders of the H-REIT units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

The base fee payable in the form of Stapled Securities is paid on a quarterly basis, in arrears. The base fee payable in the form of cash is paid on a monthly basis, in arrears.

The performance fee is crystallised once a year and shall be paid in cash or at the election of the REIT Manager, in Stapled Securities, or combination of both, within 30 days from the date of the audited accounts of Far East H-REIT in arrears.

Under Clause 15.2.1 of the H-REIT Trust Deed, the REIT Manager is entitled to receive an acquisition fee of 0.75% of the purchase consideration for acquisition from related parties and 1% of the purchase consideration for all other cases (or such lower percentage as maybe determined by the REIT Manager in its absolute discretion) and a divestment fee of 0.5% of the sale price. The acquisition or divestment fee is payable to the REIT Manager in the form of cash and/or Stapled Securities (as the REIT Manager may elect) provided that in respect of any acquisition or divestment of real estate assets from or to related parties, such a fee should be in the form of Stapled Securities issued at prevailing market price instead of cash.

(b) *REIT Trustee's fees*

Pursuant to the H-REIT Trust Deed, the REIT Trustee's fee shall not exceed the rate of 0.02% per annum of the value of H-REIT Deposited Property and is subject to a minimum amount of S\$20,000 per month.

The REIT Trustee's fee is presently charged on a scaled basis of up to 0.02% per annum of the value of H-REIT's Deposited Property, subject to a minimum of S\$20,000 per month, excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the REIT Manager and the REIT Trustee from time to time. The REIT Trustee was paid a one-time inception fee of S\$50,000.

Any increase in the REIT Trustee's fee above the permitted limit or change in the structure of the remuneration of the REIT Trustee shall be approved by an extraordinary resolution at a meeting of holders of the H-REIT Units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

The Trustee's fees are payable monthly in arrears.

(c) *H-REIT property management fees*

Under the property management agreement dated 8 February 2019 between REIT Trustee, REIT Manager and Jones Lang LaSalle Property Consultant Pte Ltd ("JLL") in relation to the REIT commercial premises ("RCP"), JLL will provide property management services, lease management services, arrears management services, property tax services and marketing coordination services for the RCP. JLL is entitled to receive a fixed service fee, payable within 14 days upon receipt of invoice.

Notes to the Financial Statements

For the financial year ended 31 December 2019

1. GENERAL (CONT'D)

(d) *H-REIT Leasing commission*

Under the marketing service agreement dated 8 February 2019 between REIT Trustee and Far East Management (Private) Limited ("FEMPL") in relation to the RCP, FEMPL will provide marketing and leasing services for the RCP. FEMPL is entitled to receive a leasing commission, payable within 60 days from the commencement of the new/renewal lease.

(e) *H-REIT Technical service fees*

Under the technical service agreements signed between REIT Trustee and various Far East Organization and its group of companies ("FEO") in relation to the RCP, FEO will provide technical and operation support services for the RCP. FEO is entitled to receive a fixed service fee, payable within 30 days after the date of presentation of each invoice for the monthly fee.

(f) *H-REIT Development management fees*

Under Clause 15.6 of the H-REIT Trust Deed, the REIT Manager is entitled to receive development management fees equivalent to 3.0% of the total project costs incurred in a development project undertaken by the REIT Manager on behalf of H-REIT. H-REIT will only undertake development activities within the limits of the Property Fund Appendix.

(g) *Trustee-Manager's fees*

Pursuant to the H-BT Trust Deed, the Trustee-Manager is entitled to the following:

- a management fee comprising 10.0% of the profit of H-BT before interest and tax in the relevant financial year (calculated before accounting for this management fees in that financial year), payable in the event that H-BT becomes active;

The management fee is payable in the form of cash and/or Stapled Securities as the Trustee-Manager may elect.

Any portion of the management fee payable in the form of Stapled Securities is payable quarterly in arrears and any portion of the management fee payable in cash is payable monthly in arrears.

- a trustee fee of not exceeding 0.1% per annum of the value of H-BT's Trust Property (as defined in the Business Trusts Act), if any, subject to a minimum fee of S\$10,000 per month, provided that the value of H-BT's Trust Property is at least S\$50.0 million and H-BT has become active; and
- an acquisition fee of 0.75% of the purchase consideration for acquisition from related parties and 1.0% of the purchase consideration for all other cases (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) and a divestment fee of 0.5% of the sale price.

The acquisition fee and divestment fee are payable to the Trustee-Manager in the form of cash and/or Stapled Securities as Trustee-Manager may elect, and in such proportion as may be determined by the Trustee-Manager.

Notes to the Financial Statements

For the financial year ended 31 December 2019

1. GENERAL (CONT'D)

(h) *H-BT Development management fees*

The Trustee-Manager is entitled to receive development management fees equivalent to 3.0% of the total project costs incurred in a development project undertaken by the Trustee-Manager on behalf of H-BT.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The financial statements of H-REIT and the Stapled Group have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the H-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 Financial Reporting Standards in Singapore ("FRS").

The financial statements of H-BT have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements are presented in Singapore dollars, which is the functional currencies of H-REIT and H-BT and rounded to the nearest thousand (\$'000), unless otherwise stated, and have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The accounting policies set out below have been applied consistently by H-REIT, H-BT and the Stapled Group.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, H-REIT, H-BT and the Stapled Group have adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of H-REIT, H-BT and the Stapled Group.

2.3 *Fundamental accounting assumption*

As at 31 December 2019, the financial statements of the H-BT have been prepared on a going concern basis, notwithstanding that H-BT was in net current liabilities of \$4,000, as the REIT Manager has undertaken not to recall the debts due from H-BT.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Standards issued but not yet effective*

H-REIT, H-BT and the Stapled Group have not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 103 <i>Definition of a Business</i>	1 January 2020
Amendments to FRS 1 and FRS 8 <i>Definition of Material</i>	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107 <i>Interest Rates Benchmark Reform</i>	1 January 2020
Amendments to FRS 110 & FRS 28 <i>Sales or contribution of Assets Between an Investor and its Associate or Joint Venture</i>	Date to be determined

The REIT Manager and the Trustee-Manager expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

2.5 *Investment properties*

Investment properties are properties held either to earn rental income or capital appreciation or both, rather than for sale in the ordinary course of business, for use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost on acquisition, including transaction costs. 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 H-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 Property Fund Appendix of CIS Code issued by MAS.

Subsequent expenditure relating to investment properties that have 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 H-REIT. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Investment properties are derecognised either 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.

Investment properties are not depreciated. Investment properties are subject to continued maintenance and regularly revalued on the basis set out above. For taxation purposes, H-REIT may claim capital allowances on assets that qualify as plant and machinery under the Singapore Income Tax Act.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 *Joint venture*

A joint venture is an entity over which H-REIT has joint control established by contractual arrangement, whereby H-REIT has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

H-REIT recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture. Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in H-REIT's share of net assets of the joint venture. The profit or loss reflects the share of the results of the operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, H-REIT recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between H-REIT and joint venture are eliminated to the extent of the interest in the joint venture.

When H-REIT's share of losses in joint venture equals or exceeds its interest in the joint venture, H-REIT does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, H-REIT determines whether it is necessary to recognise an additional impairment loss on H-REIT's investment in joint venture. H-REIT determines at the end of each reporting period whether there is any objective evidence that the investment in joint venture is impaired. If this is the case, H-REIT calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in statement of total return.

The financial statements of joint venture is prepared as the same reporting date as the Stapled Group.

2.7 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when H-REIT, H-BT or the Stapled Group becomes a party to the contractual provisions of the instruments.

At initial recognition, the Managers measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of total return.

Trade receivables are measured at the amount of consideration to which H-REIT, H-BT or the Stapled Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 *Financial assets (cont'd)*

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on H-REIT's, H-BT's or the Stapled Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in statement of total return when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at fair value through profit or loss. A gain or loss on debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of total return in the period in which it arises.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in statement of total return.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in statement of total return.

2.8 *Impairment of financial assets*

H-REIT, H-BT or the Stapled Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that H-REIT, H-BT or the Stapled Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 *Impairment of financial assets (cont'd)*

For trade receivables, H-REIT applies a simplified approach in calculating ECLs. Therefore, H-REIT does not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. H-REIT has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

H-REIT considers a financial asset in default when the counterparty fails to make contractual payments when these are past due, taking into account any collateral held. However, in certain cases, the REIT Manager may also consider a financial asset to be in default when internal or external information indicates that H-REIT is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by H-REIT. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.9 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand.

2.10 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, H-REIT, H-BT or the Stapled Group becomes a party to the contractual provisions of the financial instrument. The Managers determine the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in statement of total return when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in statement of total return.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Rental deposits and deferred income*

Rental deposits relate to rental deposits received from tenants of the investment properties. The accounting policy for rental deposits as a financial liability is set out in Note 2.10.

Deferred income relates to the difference between consideration received for rental deposits and its fair value at initial recognition, and is credited to the statement of total return as gross rental income on a straight line basis over individual lease term.

2.12 *Net assets attributable to holders of the Stapled Security*

Net assets attributable to the Stapled Securityholders represent the holders' residual interest in the Stapled Security's net assets upon termination.

Expenses incurred in connection with the initial public offering of the Stapled Security and listing on the SGX-ST are deducted directly against net assets attributable to holders of Stapled Securities.

2.13 *Revenue recognition*

Rental from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Contingent rent, which comprises gross turnover rental, is recognised as income in the accounting period on a receipt basis. No contingent rent is recognised if there are uncertainties that may result in the possible return of amounts received.

All its master lease rental agreements are entered into between H-REIT and related parties.

2.14 *Expenses*

(a) Property expenses

Property expenses are recognised on an accrual basis.

(b) REIT Manager fees

Fees paid or payable to REIT Manager are recognised on an accrual basis based on the applicable formula stipulated in Note 1.

(c) Trust expenses

Trust expenses are recognised on an accrual basis.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 *Taxation*

(a) Current income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates and tax laws enacted or substantively enacted at the balance sheet date.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint venture where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 *Taxation (cont'd)*

(b) Deferred tax (cont'd)

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the income tax treatment of H-REIT. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of H-REIT, the REIT Trustee will not be assessed to tax on the taxable income of H-REIT. Instead, the distributions made by H-REIT out of such taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on H-REIT's distributions (the "tax transparency ruling"). Accordingly, the REIT Trustee and the REIT Manager will deduct income tax at the prevailing corporate tax rate from the distributions made to Unitholders that are made out of the taxable income of H-REIT, except:

- (i) where the beneficial owners are individuals or Qualifying Unitholders, the REIT Trustee and the REIT Manager will make the distributions to such Unitholders without deducting any income tax; and
- (ii) where the beneficial owners are foreign non-individual investors, foreign funds or where the Units are held by nominee Unitholders who can demonstrate that the Units are held for beneficial owners who are foreign non-individual investors, the REIT Trustee and the REIT Manager will deduct/withhold tax at a reduced rate of 10% from the distributions.

A Qualifying Unitholder is a Unitholder who is:

- (i) a company incorporated and tax resident in Singapore;
- (ii) a body of persons (excluding companies or partnerships) incorporated or registered in Singapore, such as:
 - a. charities registered under the Charities Act (Cap. 37) or established by any written law; or
 - b. town councils; or
 - c. statutory boards; or
 - d. co-operative societies registered under the Co-operative Societies Act (Cap. 62); or
 - e. trade unions registered under the Trade Unions Act (Cap. 333);
- (iii) a Singapore branch of a company incorporated outside Singapore;
- (iv) an international organisation that is exempt from tax on such distribution by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145);
- (v) real estate investment trust exchange-traded funds ("REIT ETFs") which have been accorded the tax transparency treatment;
- (vi) an agent bank or a Supplementary Retirement Scheme ("SRS") operator acting as nominee for individuals who have purchased Units in the Trust within the SRS; or
- (vii) a nominee who can demonstrate that the Units are held for beneficial owners who are individuals or who fall within the classes of Unitholders listed in (i) to (v) above.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 *Taxation (cont'd)*

(b) Deferred tax (cont'd)

The above tax transparency ruling does not apply to gains from the sale of real properties. Such gains which are considered as trading gains are assessable to tax on the REIT Trustee. Where the gains are capital gains, the REIT Trustee will not be assessed to tax and may distribute the capital gains without tax being deducted at source.

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the balance sheet.

2.16 *Borrowing costs*

Borrowing costs are expensed in the period they occur, and consist of interest and other costs that H-REIT incurs in connection with the borrowing of funds.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 *Segment reporting*

For management purposes, the Stapled Group is organised into operating segments based on the types of operations within the Stapled Group's portfolio. The segment manager reports to the management of the REIT Manager who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 20, including the factors used to identify the reportable segments and the measurement basis of segment information.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 *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 H-REIT; 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.

A contingent asset is a possible asset 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 H-REIT.

2.19 *Significant accounting estimates and judgements*

The preparation of the financial statements requires the 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. Financial impact arising from revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in Note 3 – Investment properties.

H-REIT assesses at the end of each reporting period whether there is any indication that the investment in joint venture may be impaired. Determining whether there are indicators of impairment require judgements. In assessing whether the investments may be impaired, management reviews the joint venture's financial information, having regards to the financial performance of the hotels held by the joint venture. The carrying amount of H-REIT's investment in joint venture is disclosed in Note 4.

2.20 *Consolidation*

Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the Stapled Group.

Notes to the Financial Statements

For the financial year ended 31 December 2019

3. INVESTMENT PROPERTIES

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
At 1 January	2,633,500	2,633,500	–	2,380,800	2,380,800	–
Acquisition of Investment property	–	–	–	219,089	219,089	–
Capital expenditure capitalised	3,391	3,391	–	3,413	3,413	–
Fair value change recognised in statement of total return	8,809	8,809	–	30,198	30,198	–
At 31 December	2,645,700	2,645,700	–	2,633,500	2,633,500	–

Investment properties are stated at fair value based on valuations performed by independent professional valuers. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yields, terminal yields and discount rates. The REIT Manager is of the view that the valuation methods and estimates are reflective of the market conditions as at 31 December 2019.

Included in the acquisition of investment property are audit-related fees amounting to \$20,400 in 2018.

4. JOINT VENTURE

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Interest in net assets and carrying amount of joint venture						
At 1 January	14,356	14,356	–	16,443	16,443	–
Share of results of joint venture	(6,329)	(6,329)	–	(2,087)	(2,087)	–
At 31 December	8,027	8,027	–	14,356	14,356	–

Details of the joint venture are as follows:

Name of entity	Country of constitution / Principal place of business	Effective equity interest held by Far East H-REIT	
		2019 %	2018 %
Fontaine Investment Pte Ltd ("FIPL") ⁽¹⁾	Singapore	30.0	30.0

(1) Audited by KPMG LLP, Singapore

Notes to the Financial Statements

For the financial year ended 31 December 2019

4. JOINT VENTURE (CONT'D)

Far East H-REIT has a 30% direct interest in the ownership and voting rights in FIPL under a joint venture agreement dated 22 September 2014. Pursuant to the terms of the joint venture agreement, H-REIT jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities. FIPL is incorporated in Singapore with principal activities of property investment and development. FIPL will undertake the development of a new hotel site located at Artillery Avenue, Sentosa comprising Village Hotel Sentosa, The Outpost Hotel Sentosa and The Barracks Hotel Sentosa. The three hotels have obtained their temporary occupancy permit and commenced operations during the year. The investment is accounted using the equity method.

Summarised financial information of FIPL based on its financial statements, and reconciliation with the carrying amount of the investment is as follows:

	2019 \$'000	2018 \$'000
Non-current assets		
Property, plant and equipment	507,547	512,180
Other non-current assets	838	–
	508,385	512,180
Current assets		
Cash and bank balances	17,332	4,796
Other current assets	2,269	2,006
	19,601	6,802
Total assets	527,986	518,982
Current liabilities	31,827	55,410
Non-current liabilities	469,404	415,720
Total liabilities	501,231	471,130
Net assets	26,755	47,852
Total equity	26,755	47,852
Proportion of the Stapled Group's ownership	30%	30%
Stapled Group's share of the net assets	8,027	14,356
Carrying amount of the investment	8,027	14,356
Results		
Revenue	33,397	70
Other income	194	2
Other expenses ⁽¹⁾	(38,508)	(4,947)
Finance expenses	(16,180)	(2,082)
Total comprehensive loss	(21,097)	(6,957)

(1) Includes depreciation expense of \$9.9 million (2018: \$2.1 million)

Notes to the Financial Statements

For the financial year ended 31 December 2019

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following as at the balance sheet date:

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Cash at bank and on hand	5,838	5,838	–	12,837	12,837	–

The cash at bank does not earn interest.

6. TRADE AND OTHER RECEIVABLES

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Trade receivables						
- related companies of REIT Manager	7,903	7,903	–	8,266	8,266	–
- third parties	1,827	1,827	–	1,992	1,992	–
Other receivables						
- related companies of REIT Manager	–	–	30	–	–	30
- loan to a joint venture company	29,229	29,229	–	27,408	27,408	–
- loan interest receivable	817	817	–	621	621	–
- third parties	190	190	–	229	229	–
Total trade and other receivables	39,966	39,966	30	38,516	38,516	30
Add: Cash and cash equivalents (Note 5)	5,838	5,838	–	12,837	12,837	–
Total financial assets at amortised cost	45,804	45,804	30	51,353	51,353	30

Trade receivables are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Outstanding balances with the related parties of the REIT Manager are unsecured, interest-free, repayable on demand and are to be settled in cash.

The loan to a joint venture company is used to fund the development of a new hotel site located at Artillery Avenue, Sentosa. The amount is unsecured, earned interest at 2.83% per annum (2018: 2.27%) and repayable on demand.

Notes to the Financial Statements

For the financial year ended 31 December 2019

6. TRADE AND OTHER RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Far East H-REIT and the Stapled Group	
	2019 \$'000	2018 \$'000
Movement in allowance accounts:		
At the beginning of year	715	357
Charge for the year	685	402
Written off	(19)	(44)
At the end of year	1,381	715

7. DERIVATIVE FINANCIAL ASSETS / (LIABILITIES)

	Far East H-REIT and the Stapled Group	
	2019 \$'000	2018 \$'000
Derivative assets		
Interest rate swaps		
- Non-current	-	-
- Current	-	371
	-	371
Derivative liabilities		
Interest rate swaps		
- Non-current	(4,881)	(2,037)
- Current	(108)	-
	(4,989)	(2,037)
	(4,989)	(1,666)
Financial derivatives as a percentage of Stapled Group's net assets	(0.30%)	(0.10%)

As at 31 December 2019, Far East H-REIT and the Stapled Group have interest rate swap contracts with a total notional amount of \$657.2 million (2018: \$707.2 million). Under the contracts, Far East H-REIT and the Stapled Group receive interest based on floating rates equivalent to 3-month or 6-month (2018: 3-month or 6-month) Swap Offer Rates and pay fixed rates of interest ranging from 1.27% to 1.9875% p.a. (2018: 1.27% to 1.9875% p.a.).

Notes to the Financial Statements

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8. TRADE AND OTHER PAYABLES

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Trade payables						
- the REIT Manager	31	31	–	135	135	–
- related companies of the REIT Manager	338	338	–	235	235	–
- third parties	1,747	1,747	–	2,173	2,173	–
Other payables						
- the REIT Manager	33	–	33	10	–	10
- related companies of the REIT Manager	–	30	–	–	30	–
- third parties	1,519	1,519	–	1,555	1,555	–
Total trade and other payables	3,668	3,665	33	4,108	4,128	10
Add:						
Accruals	7,518	7,517	1	7,909	7,908	1
Borrowings (Note 9)	992,194	992,194	–	1,027,867	1,027,867	–
Less:						
Rental received in advance	–	–	–	(20)	(20)	–
Total financial liabilities carried at amortised cost	1,003,380	1,003,376	34	1,039,864	1,039,883	11

Outstanding balances with the related parties are unsecured, interest-free, repayable on demand and are to be settled in cash.

9. BORROWINGS

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Current liabilities						
Bank loans (unsecured)	–	–	–	100,000	100,000	–
Revolving credit facility	16,500	16,500	–	52,665	52,665	–
Less: Unamortised upfront fees	–	–	–	(67)	(67)	–
	16,500	16,500	–	152,598	152,598	–
Non-current liabilities						
Bank loans (unsecured)	977,900	977,900	–	877,900	877,900	–
Less: Unamortised upfront fees	(2,206)	(2,206)	–	(2,631)	(2,631)	–
	975,694	975,694	–	875,269	875,269	–
Total borrowings	992,194	992,194	–	1,027,867	1,027,867	–

Notes to the Financial Statements

For the financial year ended 31 December 2019

9. BORROWINGS (CONT'D)

The borrowings are made up of unsecured term loan facilities and revolving credit facilities.

As at the reporting date, the unsecured term loan facilities of \$977.9 million (2018: \$977.9 million) provided by five (2018: five) financial institutions have been fully drawn down.

The term loans have maturities ranging from two-year to six-year terms.

As at 31 December 2019, Far East H-REIT and the Stapled Group have revolving credit facilities of \$16.5 million (2018: \$52.7 million) and no outstanding term loan (2018: \$100.0 million) which will be due for repayment within the next 12 months.

The uncommitted revolving credit facilities amounting to \$300 million (2018: \$300 million) are provided by four (2018: four) financial institutions. As at 31 December 2019, Far East H-REIT has uncommitted revolving credit facilities of \$283.5 million (2018: \$247.3 million) which remain unutilised.

A reconciliation of liabilities arising from Far East H-REIT and the Stapled Group's financing activities is as follows:

	1 January 2019	Cash flows	Non-cash changes		31 December 2019
			Amortisation of upfront fees	Others*	
	\$'000	\$'000	\$'000	\$'000	\$'000
Far East H-REIT and the Stapled Group					
Borrowings	1,027,867	(36,982)	672	637	992,194
	1,027,867	(36,982)	672	637	992,194

	1 January 2018	Cash flows	Non-cash changes		31 December 2018
			Amortisation of upfront fees	Others*	
	\$'000	\$'000	\$'000	\$'000	\$'000
Far East H-REIT and the Stapled Group					
Borrowings	797,865	230,093	680	(771)	1,027,867
	797,865	230,093	680	(771)	1,027,867

* Others pertain to reclassifications made from borrowings in lieu of unpaid upfront fees accrued during the year.

Notes to the Financial Statements

For the financial year ended 31 December 2019

10. STAPLED SECURITIES / UNITS IN ISSUE

A Stapled Security means a security comprising one unit of Far East H-REIT and one unit of Far East H-BT stapled together under the terms of the Stapling Deed.

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Stapled Securities / Units in issue						
At 1 January	1,872,012	1,872,012	1,872,012	1,854,701	1,854,701	1,854,701
Issuance of Stapled Securities / Units						
REIT Manager's fees paid in Stapled Securities	17,119	17,119	17,119	15,078	15,078	15,078
REIT Manager's Acquisition fees paid in Stapled Securities	–	–	–	2,233	2,233	2,233
Distribution reinvestment plan ("DRP")	54,120	54,120	54,120	–	–	–
At 31 December	1,943,251	1,943,251	1,943,251	1,872,012	1,872,012	1,872,012
Stapled Securities / Units to be issued						
REIT Manager's fees payable in stapled securities						
- Base fees	2,516	2,516	2,516	2,996	2,996	2,996
- Performance fees	5,152	5,152	5,152	6,077	6,077	6,077
Total Stapled Securities / Units in issue and to be issued at end of year	1,950,919	1,950,919	1,950,919	1,881,085	1,881,085	1,881,085

A total of 15,713,445 (2018: 17,082,444) Stapled Securities were issued or to be issued to the REIT Manager as satisfaction of management fees paid/payable to the REIT Manager in Stapled Securities, amounting to \$11,031,003 (2018: \$10,766,787) for the financial year.

In 2018, 2,232,775 Stapled Securities were issued to the REIT Manager as satisfaction of acquisition fee in relation to the acquisition of Oasia Hotel Downtown paid to the REIT Manager in Stapled Securities, amounting to \$1,575,000 for the financial year.

DRP was established and implemented in May 2017. It provides eligible Stapled Securityholders with the option to receive their distribution, either in the form of Stapled Securities or cash or a combination of both. DRP was reintroduced in February 2019. Under DRP, 54,120,108 (2018: Nil) new Stapled Securities were issued to eligible Stapled Securityholders who have opted to receive their distribution entitlement for the period from 1 October 2018 to 30 September 2019 in Stapled Securities on 28 March 2019, 12 June 2019, 13 September 2019 and 12 December 2019 respectively.

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10. STAPLED SECURITIES / UNITS IN ISSUE (CONT'D)

Each Far East H-REIT unit is stapled together with a Far East H-BT unit under the terms of the Stapling Deed and cannot be traded separately. Each Stapled Security represents an undivided interest in Far East H-REIT and Far East H-BT.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each Stapled Security carries one vote.

11. NET ASSET VALUE PER STAPLED SECURITY

	2019			2018		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Net asset value per Stapled Security is based on:						
Net assets/(liabilities) (\$'000)	1,681,247	1,681,251	(4)	1,647,569	1,647,550	19
Total issued and to be issued Stapled Securities ('000) (Note 10)	1,950,919	1,950,919	1,950,919	1,881,085	1,881,085	1,881,085
Net asset value per Stapled Security (cents)	86.18	86.18	(0.00021)	87.59	87.59	0.00101

12. REIT MANAGER'S FEES

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Base fee	8,084	8,084	–	7,853	7,853	–
Performance fees	4,173	4,173	–	4,110	4,110	–
	12,257	12,257	–	11,963	11,963	–

The REIT manager has opted to receive 90% (2018: 90%) of its fees in the form of Stapled Securities with the balance in cash. An aggregate of 15,713,445 (2018: 17,082,444) Stapled Securities were issued or to be issued to the REIT Manager as satisfaction of the 90% (2018: 90%) of the management fees paid/payable.

Notes to the Financial Statements

For the financial year ended 31 December 2019

13. OTHER TRUST EXPENSES

Other trust expenses comprises of professional fees and other recurring expenses.

Included in other trust expenses are the following items:

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Audit fees	77	76	1	82	81	1
Non-audit fees	77	77	–	76	76	–
	154	153	1	158	157	1
Valuation fees	70	70	–	74	74	–

14. FINANCE INCOME AND EXPENSES

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Interest and other income						
Interest income from fixed deposits	–	–	–	7	7	–
Interest income from loan to joint venture	817	817	–	621	621	–
Others	90	90	–	90	90	–
	907	907	–	718	718	–
Finance expenses						
Amortisation of debt-related transaction costs	(672)	(672)	–	(680)	(680)	–
Amortisation of rental deposits	(89)	(89)	–	(87)	(87)	–
Interest expenses paid / payable to banks	(29,089)	(29,089)	–	(26,012)	(26,012)	–
	(29,850)	(29,850)	–	(26,779)	(26,779)	–

Notes to the Financial Statements

For the financial year ended 31 December 2019

15. INCOME TAX EXPENSE

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2019 and 2018 is as follows:

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Reconciliation of effective tax						
Total return before tax	60,465	60,488	(23)	90,658	90,660	(2)
Income tax using Singapore tax rate of 17%	10,279	10,283	(4)	15,412	15,412	–
Expense/(income) not subject to tax	2,281	2,277	4	(2,590)	(2,590)	–
Tax transparency (Note 2.15b)	(12,486)	(12,486)	–	(12,768)	(12,768)	–
Rollover adjustment	22	22	–	–	–	–
	96	96	–	54	54	–

16. EARNINGS PER STAPLED SECURITY

Earnings per Stapled Security ("EPS") (cents)

	2019			2018		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Basic	3.17	3.17	–	4.86	4.86	–
Diluted	3.15	3.15	–	4.84	4.84	–

The basic EPS is computed using total return for the year after tax over the weighted average number of Stapled Securities outstanding as follows:-

	2019			2018		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Total return for the year after tax (\$'000)	60,369	60,392	(23)	90,604	90,606	(2)
Weighted average number of Stapled Security in issue ('000)	1,907,102	1,907,102	1,907,102	1,865,103	1,865,103	1,865,103

Notes to the Financial Statements

For the financial year ended 31 December 2019

16. EARNINGS PER STAPLED SECURITY (CONT'D)

The diluted EPS is computed using total return for the year after tax over the weighted average number of Stapled Securities outstanding, adjusted for the effect of all dilutive potential Stapled Securities.

	2019			2018		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Total return for the year after tax (\$'000)	60,369	60,392	(23)	90,604	90,606	(2)
Weighted average number of Stapled Security in issue ('000)	1,914,770	1,914,770	1,914,770	1,871,180	1,871,180	1,871,180

17. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following related party transactions were carried out at terms agreed between the parties during the financial year:

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Master lease rental income received / receivable from related corporations of the REIT Manager	93,619	93,619	–	91,606	91,606	–
Rental income received / receivable from related corporations of the REIT Manager	2,328	2,328	–	2,342	2,342	–
Rental income received / receivable from the REIT Manager	159	159	–	161	161	–
Interest receivable from a joint venture company	817	817	–	621	621	–
Reimbursement of expenses received / receivable from related corporations of the REIT Manager	164	164	–	151	151	–

Notes to the Financial Statements

For the financial year ended 31 December 2019

17. RELATED PARTY TRANSACTIONS (CONT'D)

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Management fees paid/payable to the REIT Manager	(12,257)	(12,257)	–	(11,963)	(11,963)	–
Trustee's fees paid/payable to the Trustee	(329)	(329)	–	(322)	(322)	–
Shared service fees paid/payable to related corporations of the REIT Manager	(1,194)	(1,194)	–	(1,213)	(1,213)	–
Reimbursement of expenses paid/payable to the REIT Manager	(158)	(135)	(23)	(91)	(91)	–
Reimbursement of expenses paid/payable to related corporations of the REIT Manager	(16)	(16)	–	(17)	(17)	–
Leasing commission paid/payable to related corporation of the REIT Manager	(291)	(291)	–	(351)	(351)	–
Technical service fee paid/payable to related corporations of the REIT Manager	(386)	(386)	–	(386)	(386)	–
Loan to a joint venture company	(1,200)	(1,200)	–	(1,170)	(1,170)	–
Acquisition of investment property paid to related corporation of the REIT Manager	–	–	–	(210,000)	(210,000)	–
Acquisition fees paid to the REIT Manager	–	–	–	(1,575)	(1,575)	–

Far East H-REIT has entered into the following agreements for the management of the RCP:

- under a property management agreement, JLL was appointed as the property manager to provide property management services, lease and arrears management services, property tax services and marketing coordination services for the RCP. The property manager is entitled to a fixed service fee.
- under a marketing service agreement, FEMPL was appointed as the marketing agent to provide marketing and leasing services for the RCP. The marketing agent is entitled to receive a leasing commission.
- under the technical service agreements with various companies within FEO to provide technical support services for the RCP, FEO is entitled to receive a fixed service fee.

Notes to the Financial Statements

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18. FINANCIAL RISK MANAGEMENT

(a) *Capital management*

The primary objective of the capital management of Far East H-REIT and the Stapled Group is to ensure that it maintains a strong and healthy capital structure in order to support its business and maximise Stapled Securityholder value.

Far East H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of CIS Code issued by MAS. With effect from 1 January 2016, the revised Code on Collective Investment Schemes stipulates that borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's depository property.

As at 31 December 2019, Far East H-REIT's and the Stapled Group's Aggregate Leverage stood at 39.2% (2018: 40.1%) of its Depository Property, which is within the limit set by the Property Fund Appendix.

There were no substantial changes in Far East H-REIT's and the Stapled Group's approach to capital management for the year ended 31 December 2019 and 2018.

(b) *Financial risk management objectives and policies*

Exposure to credit, interest rate and liquidity risks arises in the normal course of Far East H-REIT's business. The REIT Manager continually monitors Far East H-REIT's exposure to the above risks. There has been no change to Far East H-REIT's exposure to these financial risks or the manner in which it manages and measures risks.

(i) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to Far East H-REIT as and when they fall due.

Far East H-REIT'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 customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the REIT Manager before lease agreements are entered into with customers. Credit risk is also mitigated by the rental deposits held for each of the customers.

The REIT Manager considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The REIT Manager has determined the default event on a financial asset to be when the counterparty fails to make contractual payments past due, taking into account any collateral held.

Notes to the Financial Statements

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18. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Financial risk management objectives and policies (cont'd)*

(i) Credit risk (cont'd)

The REIT Manager determined that the financial assets are credit-impaired when:

- There is significant financial difficulty of the customer or counterparty
- A breach of contract, such as a default or past due event
- It is becoming probable that the customer or counterparty will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer or counterparty failing to engage in a repayment plan with Far East H-REIT. Where loans and receivables have been written off, the REIT Manager continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement of total return.

A summary of Far East H-REIT's internal grading category in the computation of the expected credit loss model for the loans and receivables is as follows:

Definition of category	Basis for recognition of expected credit loss provision
Loans and receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due.	Lifetime expected credit losses

Trade receivables

Far East H-REIT provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on historical observed default rates analysed in accordance to days past. The loss allowance provision as at 31 December 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

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18. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Financial risk management objectives and policies (cont'd)*

(i) Credit risk (cont'd)

Summarised below is the information about the credit risk exposure on the Stapled Group's trade receivables:

	Current \$'000	1 to 30 days past due \$'000	More than 30 days past due \$'000	Total \$'000
31 December 2019				
Gross carrying amount	9,170	226	1,715	11,111
Loss allowance provision	–	1	1,380	1,381
	Current \$'000	1 to 30 days past due \$'000	More than 30 days past due \$'000	Total \$'000
31 December 2018				
Gross carrying amount	9,433	465	1,075	10,973
Loss allowance provision	–	1	714	715

Information regarding loss allowance movement of trade receivables is disclosed in Note 6.

During the financial year, Far East H-REIT wrote-off \$19,000 (2018: \$44,000) of trade receivables which are more than 120 days past due as Far East H-REIT does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet. At the balance sheet date, approximately 48% (2018: 46%) of the Stapled Group's trade receivables were due from 5 tenants who are reputable companies located in Singapore.

Trade and other receivables that are neither past due nor impaired represent creditworthy debtors with good payment record with the Stapled Group. Cash are placed with a local bank regulated by the MAS.

Notes to the Financial Statements

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18. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Financial risk management objectives and policies (cont'd)*

(ii) Interest rate risk

Far East H-REIT's exposure to changes in interest rates relates primarily to its interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the REIT Manager 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 REIT Manager adopts a policy of fixing the interest rates for a portion of its outstanding borrowings using financial derivatives or other suitable financial products.

As at 31 December 2019, the REIT Manager has entered into interest rate swap contracts to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional amounts of the unsecured bank loan.

Far East H-REIT's exposure to interest rate risk relates primarily to the remaining portion 33.9% (2018: 36.2%) of the unsecured bank loans that have not been hedged using interest rate swaps. The REIT Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

Sensitivity analysis for interest rate risk

For the floating rate loans, a change of a hundred basis points increase or decrease in interest rate at the balance sheet date, with all other variables held constant, would decrease or increase the Stapled Group's total return for the period by approximately \$3,372,500 (2018: \$3,734,150).

(iii) Liquidity risk

Liquidity risk is the risk that Far East H-REIT will encounter difficulty in meeting financial obligations due to shortage of funds. Far East H-REIT's objective is to maintain sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations. The REIT Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance Far East H-REIT's operations and to mitigate the effects of fluctuations in cash flows. In addition, the REIT Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

Notes to the Financial Statements

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18. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management objectives and policies (cont'd)

(iii) Liquidity risk (cont'd)

The table below summarises the maturity profile of the financial liabilities at the balance sheet date based on contractual undiscounted payments.

	Within 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000	Total \$'000
As at 31 December 2019				
Stapled Group				
Trade and other payables	11,186	–	–	11,186
Derivative financial liabilities	108	4,881	–	4,989
Rental deposits	3,284	1,750	5,000	10,034
Borrowings	43,546	880,479	159,009	1,083,034
	58,124	887,110	164,009	1,109,243
Far East H-REIT				
Trade and other payables	11,182	–	–	11,182
Derivative financial liabilities	108	4,881	–	4,989
Rental deposits	3,284	1,750	5,000	10,034
Borrowings	43,546	880,479	159,009	1,083,034
	58,120	887,110	164,009	1,109,239
Far East H-BT				
Trade and other payables	34	–	–	34
As at 31 December 2018				
Stapled Group				
Trade and other payables	11,997	–	–	11,997
Derivative financial liabilities	–	2,037	–	2,037
Rental deposits	2,926	2,382	5,000	10,308
Borrowings	180,740	182,493	769,070	1,132,303
	195,663	186,912	774,070	1,156,645
Far East H-REIT				
Trade and other payables	12,016	–	–	12,016
Derivative financial liabilities	–	2,037	–	2,037
Rental deposits	2,926	2,382	5,000	10,308
Borrowings	180,740	182,493	769,070	1,132,303
	195,682	186,912	774,070	1,156,664
Far East H-BT				
Trade and other payables	11	–	–	11

Notes to the Financial Statements

For the financial year ended 31 December 2019

19. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value, including their levels in the fair value hierarchy, at the end of the reporting period:

Far East H-REIT and the Stapled Group			
2019			
	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities measured at fair value			
Interest rate swaps	4,989	–	4,989
Non-financial assets measured at fair value			
Investment properties	–	2,645,700	2,645,700

During the financial year ended 31 December 2019, there have been no transfers between the respective levels.

Notes to the Financial Statements

For the financial year ended 31 December 2019

19. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) *Assets and liabilities measured at fair value (cont'd)*

	Far East H-REIT and the Stapled Group		
	2018		
	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value			
Interest rate swaps	371	–	371
Financial liabilities measured at fair value			
Interest rate swaps	2,037	–	2,037
Non-financial assets measured at fair value			
Investment properties	–	2,633,500	2,633,500

During the financial year ended 31 December 2018, there have been no transfers between the respective levels.

(c) *Level 2 fair value measurements*

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Interest rate swap

The fair value of interest rate swaps are derived by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Notes to the Financial Statements

For the financial year ended 31 December 2019

19. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Description	Fair value at 31 December 2019 \$'000	Valuation Techniques	Unobservable inputs	Range
Investment properties - Hotels	2,102,300	Discounted cash flow	Discount rate Revenue per available room	6.50% – 7.50% \$123 – \$264
		Income capitalisation method	Capitalisation rate	4.25% – 5.25%
		Direct comparison method	Price per square metre	\$15,366 – \$52,308
- Serviced residences	543,400	Discounted cash flow	Price per room Discount rate Revenue per available unit	\$0.74 million – \$1.39 million 5.75% – 7.0% \$172 – \$310
		Income capitalisation method	Capitalisation rate	3.00% – 4.75%
	<u>2,645,700</u>			

Description	Fair value at 31 December 2018 \$'000	Valuation Techniques	Unobservable inputs	Range
Investment properties - Hotels	2,095,400	Discounted cash flow	Discount rate Revenue per available room	6.50% – 7.50% \$124 – \$269
		Income capitalisation method	Capitalisation rate	4.25% – 5.25%
		Direct comparison method	Price per square metre	\$15,000 – \$40,909
			Price per room	\$112 million – \$1.28 million
- Serviced residences	538,100	Discounted cash flow	Discount rate Revenue per available unit	6.0% – 7.0% \$163 – \$336
		Income capitalisation method	Capitalisation rate	3.25% – 4.75%
	<u>2,633,500</u>			

Notes to the Financial Statements

For the financial year ended 31 December 2019

19. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) *Level 3 fair value measurements (cont'd)*

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

A significant increase or decrease in the discount rate and/or capitalisation rate would result in a significantly lower or higher fair value measurement. The higher the comparable sales price, the higher the fair value.

(ii) Valuation policies and procedures

The REIT Manager oversees Far East H-REIT's financial reporting valuation process and is responsible for setting its valuation policies and procedures.

For all significant financial reporting valuations using valuation models and input unobservable to the REIT Manager, it is Far East H-REIT's policy to engage external valuation experts to perform the valuation. The REIT Manager is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the REIT Manager reviews the appropriateness of the valuation methodologies and assumptions adopted. The REIT Manager also evaluates the appropriateness and reliability of the input used in the valuations.

In selecting the appropriate valuation models and input to be adopted for each valuation that uses significant unobservable input, external valuation experts are requested to calibrate the valuation models and input to actual market transactions that are relevant to the valuation if such information is reasonably available. External valuation experts are required, to the extent practicable, to use a minimum of two methodologies to cross-check valuations that are sensitive to unobservable input.

Significant changes in fair value measurements from period to period are evaluated by the REIT Manager for reasonableness. Contributable drivers to such fair value changes are identified and assessed for reasonableness against relevant information from independent sources or internal sources if necessary and where appropriate.

Notes to the Financial Statements

For the financial year ended 31 December 2019

20. SEGMENT REPORTING

Business segment

The Stapled Group has two reportable business segments as follows:

- hotels and serviced residences
- retail units, offices and others

Management monitors the operating results of the business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is presented in respect of Far East H-REIT and the Stapled Group's business segments, based on its management and internal reporting structure.

Segment revenue comprises mainly income generated from the master leases and retail and offices tenants. Segment net property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the chief operating decision maker for the purpose of assessment of segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly management fees, performance fee, trust expenses, finance income, finance costs and related assets and liabilities.

Performance is measured based on segment net property income, as included in the internal management reports that are reviewed by the Board of Directors of the REIT Manager. Segment net property income is used to measure performance as management believes that such information is the most relevant in evaluating the results of its segments relative to other entities that operate within the same industry.

Notes to the Financial Statements

For the financial year ended 31 December 2019

20. SEGMENT REPORTING (CONT'D)

Business segment (cont'd)

The reportable segments' results are as below:

2019	Hotels and serviced residences \$'000	Retail units, offices and others \$'000	Total \$'000
Gross revenue	93,619	21,927	115,546
Segment net property income	87,831	16,483	104,314
REIT Manager's fees			(12,257)
Trustee's fees			(329)
Other trust expenses			(1,477)
Interest and other income			907
Finance expenses			(29,850)
Net income before tax and fair value changes			61,308
Fair value change in investment properties	3,775	5,034	8,809
Fair value change in derivative financial instruments			(3,323)
Share of results of joint venture			(6,329)
Total return for the year before income tax			60,465
Income tax expense			(96)
Total return for the year after income tax before distribution			60,369
Segment assets	2,242,959	412,664	2,655,623
Unallocated assets			43,922
Total assets			2,699,545
Segment liabilities	6,034	7,266	13,300
Unallocated liabilities			1,004,998
Total liabilities			1,018,298

Notes to the Financial Statements

For the financial year ended 31 December 2019

20. SEGMENT REPORTING (CONT'D)

Business segment (cont'd)

2018	Hotels and serviced residences \$'000	Retail units, offices and others \$'000	Total \$'000
Gross revenue	91,606	22,072	113,678
Segment net property income	85,986	16,769	102,755
REIT Manager's fees			(11,963)
Trustee's fees			(322)
Other trust expenses			(907)
Interest and other income			718
Finance expenses			(26,779)
Net income before tax and fair value changes			63,502
Fair value change in investment properties	9,784	20,414	30,198
Fair value change in derivative financial instruments			(955)
Share of results of joint venture			(2,087)
Total return for the year before income tax			90,658
Income tax expense			(54)
Total return for the year after income tax before distribution			90,604
Segment assets	2,236,400	407,512	2,643,912
Unallocated assets			55,739
Total assets			2,699,651
Segment liabilities	5,943	7,335	13,278
Unallocated liabilities			1,038,804
Total liabilities			1,052,082

Geographical segments

No geographical information is presented as the Stapled Group operates in Singapore only.

Notes to the Financial Statements

For the financial year ended 31 December 2019

21. COMMITMENTS

Far East H-REIT and the Stapled Group lease out their investment properties. Non-cancellable operating lease rentals receivable are as follows:

	2019			2018		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Receivable:						
Within 1 year	82,252	82,252	–	85,061	85,061	–
After 1 year but within 5 years	281,342	281,342	–	277,889	277,889	–
After 5 years	555,492	555,492	–	622,675	622,675	–
	919,086	919,086	–	985,625	985,625	–

The above operating lease rental receivables comprise amounts receivable under the Master Leases and the leases relating to the commercial units of the Properties.

Rental receivable under the Master Leases are based on the terms of the Master Lease Agreements. The amounts receivable for such leases are based on the fixed rent as set out in the Master Leases.

The REIT Trustee has granted an option to each of the Master Lessees to obtain an additional lease for another 20 years on expiry of the initial 20-year leases based on the same terms save for amendments required due to any changes in law.

Commitments contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	2019 \$'000	2018 \$'000
Capital commitments in relation to investment properties	5,054	3,818
Commitments to provide funding to joint venture	19,230	20,430
	24,284	24,248

22. CONTINGENT CONSIDERATION

On 12 January 2018, the REIT Trustee had entered into a conditional sale and purchase agreement with Far East SOHO Pte. Ltd. (the "Vendor"), a member of Far East Organization to acquire a 65-year leasehold estate in Oasia Hotel Downtown (the "Property") for a purchase consideration of \$210.0 million. The acquisition was completed on 2 April 2018.

On 2 April 2018, the Vendor and the REIT Trustee entered into an Earn-out Agreement, in which the REIT Trustee will issue \$15.0 million worth of Stapled Securities to the Vendor if, by 31 December 2023 (or up to 31 December 2025 if there are any Extension Events (as defined in the Earn-out Agreement), the net property income ("NPI") of the Property is at least \$9.9 million per annum for two full consecutive years (the "Earn-out Event Condition").

In view that the Earn-out Event Condition has not been met yet, these earn-out sum is therefore not recognised in these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2019

23. FINANCIAL RATIOS

	2019		2018	
	Stapled Group %	Far East H-REIT %	Stapled Group %	Far East H-REIT %
Expense ratio ⁽¹⁾	0.84	0.84	0.80	0.80
Turnover ratio ⁽²⁾	–	–	–	–

(1) The expense ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of Far East H-REIT and the Stapled Group, excluding property expenses, interest expense and income tax expense of each entity, where applicable.

(2) The turnover ratio is computed based on the lesser of purchases or sales of underlying investment properties of Far East H-REIT and the Stapled Group expressed as a percentage of daily average net asset value.

24. SUBSEQUENT EVENTS

On 30 January 2020, Far East H-Trust issued 1,833,686 new Stapled Securities at a price of \$0.7289 per Stapled Security in payment of 90% of the REIT Manager's fees (base fees) for the period from 1 October 2019 to 31 December 2019.

On 14 February 2020, the REIT Manager declared a distribution of \$18,484,785 or \$0.0095 per Stapled Security to Stapled Securityholders in respect of the period from 1 October 2019 to 31 December 2019.

With widespread concerns about the ongoing COVID-2019 outbreak, the demand for travel by both leisure and corporate segments were impacted subsequent to the year ended 31 December 2019. This may affect the financial performance of the hotels under the Master Lease Agreements and on the fair value of these investment properties after the reporting period. The serviced residences in the portfolio are not significantly impacted, as the bulk of the businesses is from long-staying corporate guests. The estimate of the financial impact cannot be reasonably determined at this juncture.

25. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with resolutions of the REIT Manager and the Trustee-Manager on 6 March 2020.

Financial Statements

TRUSTEE-MANAGER
FEO HOSPITALITY TRUST
MANAGEMENT PTE. LTD.

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DIRECTORS
Wee Kheng Jin
Willie Cheng Jue Hiang
Huang Cheng Eng
Kyle Lee Khai Fatt
Vivienne Lim Hui Bian
Lee Khia Yee
(Appointed on 1 July 2019)

SECRETARIES
Low Mei Wan
Lin Moi Heyang

REGISTERED OFFICE
1 Tanglin Road
#05-01 Orchard
Rendezvous Hotel
Singapore 247905

AUDITOR
Ernst & Young LLP

Directors’ Statement

The directors are pleased to present their statement to the members together with the audited financial statements of FEO Hospitality Trust Management Pte. Ltd. (the “Company”) for the financial year ended 31 December 2019.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the accompanying statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date, and
- (ii) a date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts on the basis that the ultimate holding company has agreed to provide continuing financial support to enable it to meet its liabilities as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:-

Wee Kheng Jin
Willie Cheng Jue Hiang
Huang Cheng Eng
Kyle Lee Khai Fatt
Vivienne Lim Hui Bian
Lee Khia Yee (Appointed on 1 July 2019)

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 or debentures of the Company or any other body corporate.

Directors' Statement

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year except that the directors had stapled security holdings in Far East Hospitality Trust as follow:

Name of director	Direct interest		Deemed interest	
	At the beginning of the financial year or date of appointment	At the end of financial year	At the beginning of the financial year or date of appointment	At the end of financial year
Wee Kheng Jin	515,318	578,801	–	–
Willie Cheng Jue Hiang	–	–	515,318	580,325
Huang Cheng Eng	515,318	576,514	–	–
Kyle Lee Khai Fatt	507,813	570,087	–	–
Vivienne Lim Hui Bian	–	8,262	–	–
Lee Khia Yee	–	–	–	–

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors

Wee Kheng Jin
Director

Willie Cheng Jue Hiang
Director

Singapore
13 February 2020

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of FEO Hospitality Trust Management Pte. Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of FEO Hospitality Trust Management Pte. Ltd. (the "Company") which comprise the balance sheet of the Company as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2019 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 *Auditor's 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 ("ACRA") *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 other information. The other information comprises General information and Directors' Statement.

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.

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of FEO Hospitality Trust Management Pte. Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 FRSSs, 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.

Auditor's 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 auditor's 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 control.
- Obtain an understanding of internal control 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

For the financial year ended 31 December 2019
To the Members of FEO Hospitality Trust Management Pte. Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 auditor's 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 auditor's 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 control 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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
13 February 2020

Statement of Comprehensive Income

For the financial year ended 31 December 2019

	Note	2019 \$	2018 \$
Administrative expenses		(4,107)	(3,774)
Loss before taxation	4	(4,107)	(3,774)
Income tax expense	5	–	–
Loss for the year, representing total comprehensive income for the year attributable to owners of the Company		(4,107)	(3,774)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheet

As at 31 December 2019

	Note	2019 \$	2018 \$
Current asset			
Other receivables	6	100	972
Current liabilities			
Other payables and accruals	7	(33,085)	(29,850)
Net current liabilities and net liabilities		(32,985)	(28,878)
Equity attributable to the owners of the Company			
Share capital	8	100	100
Accumulated losses		(33,085)	(28,978)
Deficit in equity		(32,985)	(28,878)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity

For the financial year ended 31 December 2019

	Attributable to owners of the Company		
	Share capital (Note 8) \$	Accumulated Losses \$	Total \$
2019			
Balance at 1 January 2019	100	(28,978)	(28,878)
Loss representing total comprehensive income for the year	–	(4,107)	(4,107)
Balance at 31 December 2019	100	(33,085)	(32,985)
2018			
Balance at 1 January 2018	100	(25,204)	(25,104)
Loss representing total comprehensive income for the year	–	(3,774)	(3,774)
Balance at 31 December 2018	100	(28,978)	(28,878)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cash Flow Statement

For the financial year ended 31 December 2019

	2019 \$	2018 \$
Cash flows from operating activities:		
Loss before taxation	(4,107)	(3,774)
Operating loss before working capital changes	(4,107)	(3,774)
Decrease in other receivables	872	–
Increase in other payables and accruals	3,235	3,774
Net cash flows used in operating activities	–	–
Net movement in cash and cash equivalents and balance at end of the year	–	–

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2019

1. CORPORATE INFORMATION

FEO Hospitality Trust Management Pte. Ltd. (the "Company") is a private limited liability company incorporated and domiciled in Singapore.

The registered office and principal place of business of the Company is located at 1 Tanglin Road #05-01, Orchard Rendezvous Hotel, Singapore 247905.

The principal activities of the Company are asset and portfolio management, and to act as trustee-manager for the Far East Hospitality Business Trust ("Far East H-BT").

The immediate and ultimate holding companies are FEO Asset Management Pte. Ltd. and Far East Organization Centre Pte Ltd, respectively. Both companies are incorporated in Singapore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards in Singapore ("FRSs").

The financial statements have been prepared on the historical cost basis and are presented in Singapore Dollars (SGD or \$) which is the Company's functional currency.

The financial statements of the Company have been prepared on the basis of going concern notwithstanding that the Company's total and current liabilities exceeded its total and current asset by \$32,985 (2018: \$28,878) because its ultimate holding company has agreed to provide continuing financial support to enable it to meet its liabilities as and when they fall due.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any effect on the financial performance or position of the Company.

2.3 Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 103 <i>Definition of a Business</i>	1 January 2020
Amendments to FRS 1 and FRS 8 <i>Definition of Material</i>	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107 <i>Interest Rates Benchmark Reform</i>	1 January 2020
Amendments to FRS 110 & FRS 28 <i>Sales or contribution of Assets Between an Investor and its Associate or Joint Venture</i>	Date to be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of debt instruments is:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.6 *Impairment of financial assets*

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.7 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Notes to the Financial Statements

For the financial year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

3.1 Judgements made in applying accounting policies

In the process of applying the Company's accounting policies, the management did not make any judgements that have effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging the following:

	2019	2018
Audit fees	3,000	3,000
Professional fees	500	482
Other expenses	607	292
	4,107	3,774

5. INCOME TAX EXPENSE

A reconciliation between income tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the year ended 31 December 2019 and 2018 is as follows:

	2019	2018
Loss before taxation	(4,107)	(3,774)
Tax benefit at applicable tax rate of 17% (2018: 17%)	(698)	(642)
Non-deductible expenses	698	642
Income tax expense	–	–

6. OTHER RECEIVABLES

	2019	2018
Other receivables – immediate holding company	100	100
Other receivables – related parties	–	872
Total loans and receivables	100	972

Amounts due from immediate holding company and related parties are non-trade, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Notes to the Financial Statements

For the financial year ended 31 December 2019

7. OTHER PAYABLES AND ACCRUALS

	2019	2018
Other payables – related parties	29,255	26,069
Accrued operating expenses	3,830	3,781
Total financial liabilities carried at amortised cost	33,085	29,850

Other payables due to related parties are non-trade, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

8. SHARE CAPITAL

	2019		2018	
	No. of ordinary shares	Amount \$	No. of ordinary shares	Amount \$
Ordinary shares issued and fully paid-up :				
At beginning of financial year and end of financial year	100	100	100	100

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The management reviews and agrees policies for managing these risks and they are summarised below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. For financial assets, the Company adopts the policy of dealing exclusively with high credit quality counterparties.

The Company has no significant concentrations of credit risk and has in place credit policies and procedures to ensure on-going evaluation and active account monitoring.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

(b) Liquidity risk

The Company manages the liquidity risk through the availability of funding from its immediate holding company and related party.

Other payables and accruals based on contractual undiscounted payments have a maturity profile of less than 1 year.

Notes to the Financial Statements

For the financial year ended 31 December 2019

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings. No changes were made in the objectives, policies or processes during the year ended 31 December 2019 and 2018. The Company is not subject to any externally imposed capital requirements.

(d) Fair value measurements

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of other receivables, other payables and accruals approximate fair values due to their short-term nature.

10. RELATED PARTY TRANSACTIONS

In addition to related party transaction disclosed elsewhere in the financial statements, the following significant transaction took place between the Company and related parties at terms agreed between the parties:

	2019	2018
Reimbursement of expenses paid / payable to related company	4,058	3,774

Outstanding balances with related parties as at 31 December 2019 are set out in Notes 6 and 7.

11. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 13 February 2020.

Statistics of Stapled Securityholdings

As at 2 March 2020

There were 1,945,766,804 Stapled Securities (one vote per Stapled Security) in issue as at 2 March 2020.

Each Stapled Security comprises one unit in Far East H-REIT and one unit in Far East H-BT. There is only one class of units in each of Far East H-REIT and Far East H-BT.

DISTRIBUTION OF STAPLED SECURITYHOLDINGS

Size of Stapled Securityholdings	No. of Stapled Securityholders	%	No. of Stapled Securities	%
1 - 99	125	1.04	5,004	0.00
100 - 1,000	1,674	13.94	1,541,245	0.08
1,001 - 10,000	6,095	50.76	31,947,707	1.64
10,001 - 1,000,000	4,075	33.93	191,939,423	9.87
1,000,001 and above	40	0.33	1,720,333,425	88.41
TOTAL	12,009	100.00	1,945,766,804	100.00

LOCATION OF STAPLED SECURITYHOLDERS

Country	No. of Stapled Securityholders	%	No. of Stapled Securities	%
Singapore	11,749	97.84	1,938,021,912	99.60
Malaysia	179	1.49	4,707,123	0.24
Others	81	0.67	3,037,769	0.16
TOTAL	12,009	100.00	1,945,766,804	100.00

TWENTY LARGEST STAPLED SECURITYHOLDERS

No.	Name	No. of Stapled Securities	%
1	Golden Development Private Limited	443,860,963	22.81
2	Golden Landmark Pte. Ltd.	206,629,991	10.62
3	Far East Organization Centre Pte. Ltd.	196,396,847	10.09
4	Oxley Hill Properties Pte Ltd	166,420,277	8.55
5	Citibank Nominees Singapore Pte Ltd	147,850,256	7.60
6	DBS Nominees (Private) Limited	104,032,095	5.35
7	Riverland Pte Ltd	86,499,632	4.45
8	FEO Hospitality Asset Management Pte. Ltd.	84,862,165	4.36
9	DBSN Services Pte. Ltd.	77,703,792	3.99
10	HSBC (Singapore) Nominees Pte Ltd	64,257,230	3.30
11	Raffles Nominees (Pte.) Limited	61,309,853	3.15
12	United Overseas Bank Nominees (Private) Limited	9,088,562	0.47
13	BPSS Nominees Singapore (Pte.) Ltd.	8,395,018	0.43
14	Maybank Kim Eng Securities Pte. Ltd.	6,274,299	0.32
15	UOB Kay Hian Private Limited	6,105,942	0.31
16	Phillip Securities Pte Ltd	3,711,691	0.19
17	OCBC Securities Private Limited	3,673,020	0.19
18	CGS-CIMB Securities (Singapore) Pte. Ltd.	3,256,322	0.17
19	OCBC Nominees Singapore Private Limited	3,124,216	0.16
20	Soon Li Heng Civil Engineering Pte Ltd	3,046,882	0.16
TOTAL		1,686,499,053	86.67

FREE FLOAT

In Compliance with Listing Rule 1207 (9) of the SGX-ST Listing Manual, approximately 38.97% of the total number of Stapled Securities issued is held by the public as at 2 March 2020. Therefore, Listing Rule 723 of the SGX-ST Listing Manual has been complied with.

Statistics of Stapled Securityholdings

As at 2 March 2020

DIRECTORS' INTERESTS IN STAPLED SECURITIES AS AT 21 JANUARY 2020

as listed in the Register of Directors' Stapled Securityholdings maintained by the Managers

Name of Director	Direct Interest		Deemed Interest		No. of Stapled Securities held	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%		
Mr Wee Kheng Jin	578,801	0.03	–	–	578,801	0.03
Mr Willie Cheng Jue Hiang	–	–	580,325	0.03	580,325	0.03
Mr Huang Cheng Eng	576,514	0.03	–	–	576,514	0.03
Mr Kyle Lee Khai Fatt	570,087	0.03	–	–	570,087	0.03
Ms Vivienne Lim Hui Bian	8,262	0.0004	–	–	8,262	0.0004
Ms Catherine Lee Khia Yee	–	–	–	–	–	–

CEO'S INTERESTS IN STAPLED SECURITIES AS AT 2 MARCH 2020

Mr Gerald Lee Hwee Keong	421,415	0.02%	–	–
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SUBSTANTIAL STAPLED SECURITYHOLDERS' INTERESTS AS AT 2 MARCH 2020

as listed in the Register of Substantial Securityholders' Stapled Securityholdings maintained by the Managers

Name of Substantial Stapled Securityholder	Direct Interest		Deemed Interest	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%
Golden Development Private Limited ⁽¹⁾	428,251,365	22.01	161,733,662	8.31
Far East Organization Centre Pte. Ltd. ⁽²⁾	190,866,052	9.81	76,922,395	3.95
Golden Landmark Pte. Ltd.	191,806,000	9.86	–	–
Oxley Hill Properties Pte Ltd	154,481,000	7.94	–	–
Estate of the late Mr Ng Teng Fong ⁽³⁾	–	–	857,773,474	44.08
F.E. Holdings Pte. Ltd. ⁽⁴⁾	–	–	288,891,998	14.85
Mdm Tan Kim Choo ⁽⁵⁾	–	–	361,797,100	18.59
Mr Ng Chee Tat Philip ⁽⁶⁾	–	–	1,142,648,179	58.72
Mr Ng Chee Siong ⁽⁷⁾	–	–	857,773,474	44.08

Notes:

The percentages of the above interests are calculated based on total issued Stapled Securities as at 2 March 2020 which is 1,945,766,804.

(1) As per the announcement made on 29 March 2019, Golden Development Private Limited is deemed to be interested in 161,733,662 Stapled Securities held by Oxley Hill Properties Pte Ltd by virtue of Golden Development Private Limited's controlling interest in Oxley Hill Properties Pte Ltd.

(2) As per the announcement made on 30 April 2019, Far East Organization Centre Pte. Ltd. is deemed to be interested in 76,922,395 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of Far East Organization Centre Pte. Ltd.'s controlling interest in FEO Asset Management Pte. Ltd., which in turn has controlling interest in FEO Hospitality Asset Management Pte. Ltd.

Statistics of Stapled Securityholdings

As at 2 March 2020

- (3) As per the announcement made on 30 April 2019, the Estate of the late Mr Ng Teng Fong (the “Estate”) is deemed to be interested in 428,251,365 Stapled Securities held by Golden Development Private Limited, 190,866,052 Stapled Securities held by Far East Organization Centre Pte. Ltd., 161,733,662 Stapled Securities held by Oxley Hill Properties Pte Ltd and 76,922,395 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of the Estate having controlling interests:-
- a) in Golden Development Private Limited and Far East Organization Centre Pte. Ltd..
 - b) in Golden Development Private Limited, which in turn has controlling interest in Oxley Hill Properties Pte Ltd.
 - c) of more than 20% interest in Far East Organization Pte. Ltd., which in turn has controlling interest in Far East Orchard Limited, which in turn has interest of more than 20% in FEO Hospitality Asset Management Pte. Ltd.. The Estate also has controlling interest in Far East Organization Centre Pte. Ltd., which in turn has controlling interest in FEO Asset Management Pte. Ltd., which in turn has controlling interest in FEO Hospitality Asset Management Pte. Ltd..
- (4) As per announcement made on 13 June 2019, F.E. Holdings Pte. Ltd. is deemed to be interested in 203,642,847 Stapled Securities held by Golden Landmark Pte. Ltd. and 85,249,151 Stapled Securities held by Riverland Pte Ltd.
- (5) As per the announcement made on 30 April 2019, Madam Tan Kim Choo is deemed to be interested in the aggregate of 361,797,100 Stapled Securities as follows:-
- a) Golden Landmark Pte. Ltd. has direct interest in 200,811,017 Stapled Securities. Madam Tan Kim Choo has interest of more than 20% in F.E. Holdings Pte. Ltd., which in turn has controlling interest in Golden Landmark Pte. Ltd..
 - b) Riverland Pte Ltd has direct interest in 84,063,688 Stapled Securities. Madam Tan Kim Choo has interest of more than 20% in F.E. Holdings Pte. Ltd., which in turn has controlling interest in Victory Realty Co Private Ltd, which in turn has controlling interest in Riverland Pte Ltd.
 - c) FEO Hospitality Asset Management Pte. Ltd. has direct interest in 76,922,395 Stapled Securities. Madam Tan Kim Choo has interest of more than 20% in Far East Organization Pte. Ltd., which in turn has controlling interest in Far East Orchard Limited, which in turn has interest of more than 20% in FEO Hospitality Asset Management Pte. Ltd..
- (6) As per announcement made on 30 April 2019, Mr Ng Chee Tat Philip is deemed to be interested in 200,811,017 Stapled Securities held by Golden Landmark Pte. Ltd., 84,063,688 Stapled Securities held by Riverland Pte Ltd, 190,866,052 Stapled Securities held by Far East Organization Centre Pte. Ltd., 428,251,365 Stapled Securities held by Golden Development Private Limited, 161,733,662 Stapled Securities held by Oxley Hill Properties Pte Ltd and 76,922,395 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of:-
- a) Mr Ng Chee Tat Philip has a more than 20% interest in F.E. Holdings Pte. Ltd., which in turn has controlling interest in Golden Landmark Pte. Ltd..
 - b) Mr Ng Chee Tat Philip has a more than 20% interest in F.E. Holdings Pte. Ltd., which in turn has controlling interest in Victory Realty Co Private Ltd, which in turn has a controlling interest in Riverland Pte Ltd.
 - c) Mr Ng Chee Tat Philip is a beneficiary of the Estate who in turn has a controlling interest in Far East Organization Centre Pte. Ltd..
 - d) Mr Ng Chee Tat Philip is a beneficiary of the Estate who in turn has controlling interest in Golden Development Private Limited, which in turn has a controlling interest in Oxley Hill Properties Pte Ltd.
 - e) Mr Ng Chee Tat Philip is a beneficiary of the Estate who has a more than 20% interest in Far East Organization Pte. Ltd., which in turn has a controlling interest in Far East Orchard Limited, which in turn has a more than 20% interest in FEO Hospitality Asset Management Pte. Ltd.. The Estate also has controlling interest in Far East Organization Centre Pte. Ltd., which in turn has controlling interest in FEO Asset Management Pte. Ltd., which in turn has controlling interest in FEO Hospitality Asset Management Pte. Ltd..
- (7) As per announcement made on 30 April 2019, Mr Ng Chee Siong is a beneficiary of the Estate is deemed to be interested in the aggregate of 857,773,474 Stapled Securities held by Golden Development Private Limited, Far East Organization Centre Pte. Ltd., Oxley Hill Properties Pte Ltd and FEO Hospitality Asset Management Pte. Ltd. as stated in (3) above.

Notice of Annual General Meeting



A stapled group comprising:

FAR EAST HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 1 August 2012 under the laws of the Republic of Singapore)

managed by

**FEO Hospitality Asset
Management Pte. Ltd.**

FAR EAST HOSPITALITY BUSINESS TRUST

(a business trust constituted on 1 August 2012 under the laws of the Republic of Singapore)

managed by

**FEO Hospitality Trust
Management Pte. Ltd.**

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting of the holders of stapled securities in Far East Hospitality Trust ("**Far East H-Trust**", and the holders of stapled securities of Far East H-Trust, "**Stapled Securityholders**") will be held at Antica Ballroom, Orchard Rendezvous Hotel, 1 Tanglin Road, Singapore 247905 on Thursday, 23 April 2020 at 2.30 p.m. to transact the following business:

Ordinary Business

Ordinary Resolution 1 :

To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2019, comprising the audited Financial Statements of Far East Hospitality Real Estate Investment Trust ("**Far East H-REIT**") and the audited Financial Statements of Far East Hospitality Business Trust ("**Far East H-BT**"), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT (the "**REIT Trustee**"), the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the "**REIT Manager**"), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the "**Trustee-Manager**"), the Statement by the Chief Executive Officer of the Trustee-Manager, together with the Auditor's Report thereon.

Ordinary Resolution 2 :

To re-appoint Ernst & Young LLP as auditors of Far East H-Trust comprising Far East H-REIT and Far East H-BT to hold office until the conclusion of the next Annual General Meeting of Far East H-Trust and to authorise the REIT Manager and the Trustee-Manager to determine their remuneration.

Notice of Annual General Meeting

Special Business

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

Ordinary Resolution 3 :

THAT authority be and is hereby given to the REIT Manager and the Trustee-Manager, to

- (a) (1) issue new units in Far East H-REIT ("**Far East H-REIT Units**") and new units in Far East H-BT ("**Far East H-BT Units**", together the "**Stapled Securities**") whether by way of rights or otherwise; and/or
- (2) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities, at any time and upon such terms and conditions and for such purposes and to such persons as the REIT Manager and the Trustee-Manager may in their absolute discretion deem fit; and
- (b) issue Stapled Securities in pursuance of any Instrument made or granted by the REIT Manager and the Trustee-Manager while this Resolution is in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force), provided that:
 - (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to Stapled Securityholders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (as calculated in accordance with sub-paragraph (2) below);
 - (2) subject to such manner of calculation as may be prescribed by The Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities shall be based on the number of issued Stapled Securities at the time this Resolution is passed, after adjusting for:
 - (i) any new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;

Notice of Annual General Meeting

- (3) in exercising the authority conferred by this Resolution, the REIT Manager and the Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, Chapter 31A of Singapore for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed constituting Far East H-REIT (as amended) (the **"REIT Trust Deed"**) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed constituting Far East H-BT (as amended) (the **"BT Trust Deed"**) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the stapling deed stapling Far East H-REIT and Far East H-BT (as amended) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) (the **"Stapling Deed"**);
- (4) (unless revoked or varied by the Stapled Securityholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of Far East H-Trust or (ii) the date by which the next Annual General Meeting of Far East H-Trust is required by law to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the REIT Manager and the Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and
- (6) the REIT Manager, the REIT Trustee and the Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the REIT Manager, the REIT Trustee or, as the case may be, the Trustee-Manager may consider expedient or necessary or in the interest of Far East H-REIT, Far East H-BT and Far East H-Trust as a whole to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note below)

By Order of the Board

Lin Moi Heyang
Company Secretary
FEO Hospitality Asset Management Pte. Ltd.
(Company Registration No. 201102629K)
24 March 2020

By Order of the Board

Lin Moi Heyang
Company Secretary
FEO Hospitality Trust Management Pte. Ltd.
(Company Registration No. 201210698W)
24 March 2020

Notice of Annual General Meeting

Important Notice:

1. A Stapled Securityholder who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Stapled Securityholder. Where a Stapled Securityholder appoints two proxies and does not specify the proportion of his/her stapled securityholding to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies.
2. A Stapled Securityholder who is a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than two proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Securityholder. Where such Stapled Securityholder appoints more than two proxies, the appointments shall be invalid unless the Stapled Securityholder specifies the number of Stapled Securities in relation to which each proxy has been appointed.

“relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Stapled Securities in that capacity; or
 - (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Stapled Securities purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies (the “**Proxy Form**”) must be deposited at the Stapled Security Registrar’s office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for holding the Annual General Meeting.

Explanatory Note on Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the REIT Manager and the Trustee-Manager to issue Stapled Securities and to make or grant instruments (such as warrants, debentures or other securities) convertible into Stapled Securities and issue Stapled Securities pursuant to such instruments from the date of the Annual General Meeting until the date of the next Annual General Meeting of Far East H-Trust. The aggregate number of Stapled Securities which the REIT Manager and the Trustee-Manager may issue (including Stapled Securities to be issued pursuant to convertibles) under this Resolution must not exceed fifty per cent. (50%) of the total number of issued Stapled Securities of which up to twenty per cent. (20%) of the total number of issued Stapled Securities may be issued other than on a *pro rata* basis to Stapled Securityholders.

The Ordinary Resolution 3 above, if passed, will empower the REIT Manager and the Trustee-Manager from the date of the Annual General Meeting until the date of the next Annual General Meeting of Far East H-Trust, to issue Stapled Securities as either partial or full payment of the fees which the REIT Manager and the Trustee-Manager are entitled to receive for their own accounts pursuant to the REIT Trust Deed and BT Trust Deed respectively.

Notice of Annual General Meeting

For the purpose of determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the total number of issued Stapled Securities at the time that Ordinary Resolution 3 above is passed, after adjusting for (i) new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and (ii) any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Stapled Securityholders is required under the Listing Manual of SGX-ST, the REIT Trust Deed, the BT Trust Deed and the Stapling Deed or any relevant laws and regulations in such instances, the REIT Manager and the Trustee-Manager will then obtain the approval of Stapled Securityholders accordingly.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Stapled Securityholder (i) consents to the collection, use and disclosure of the Stapled Securityholder's personal data by the REIT Manager, the Trustee Manager and the REIT Trustee (or their agents) for the purpose of the processing and administration by the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Stapled Securityholder discloses the personal data of the Stapled Securityholder's proxy(ies) and/or representative(s) to the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents), the Stapled Securityholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, (iii) and agrees that the Stapled Securityholder will indemnify the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Stapled Securityholder's breach of warranty.



A stapled group comprising:

**FAR EAST HOSPITALITY
REAL ESTATE INVESTMENT TRUST**

(a real estate investment trust constituted on 1 August 2012 under the laws of the Republic of Singapore)

managed by

FEO Hospitality Asset Management Pte. Ltd.

**FAR EAST HOSPITALITY
BUSINESS TRUST**

(a business trust constituted on 1 August 2012 under the laws of the Republic of Singapore)

managed by

FEO Hospitality Trust Management Pte. Ltd.

Important:

1. A relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting (please see Note 2 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the Notes to the Proxy Form.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Stapled Securityholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 24 March 2020.

Proxy Form

8TH ANNUAL GENERAL MEETING OF FAR EAST HOSPITALITY TRUST

I/We _____ (Name(s) with NRIC No./Passport No./

Company Registration No.) _____ of _____

_____ (Address)

being a Stapled Securityholder/Stapled Securityholders of Far East Hospitality Trust ("**Far East H-Trust**") hereby appoint:

Name	Address	NRIC No./ Passport No.	Proportion of Stapled Securityholdings	
			No. of Stapled Securities	%

and/or (delete as appropriate)

Name	Address	NRIC No./ Passport No.	Proportion of Stapled Securityholdings	
			No. of Stapled Securities	%

or, both of whom failing, the Chairman of the meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, at the 8th Annual General Meeting of Far East H-Trust to be held at Antica Ballroom, Orchard Rendezvous Hotel, 1 Tanglin Road, Singapore 247905 on Thursday, 23 April 2020 at 2.30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they may on any other matter arising at the Annual General Meeting.

Ordinary Resolutions		For*	Against*	Abstain*
Ordinary Business				
1	To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2019, comprising the audited Financial Statements of Far East Hospitality Real Estate Investment Trust (" Far East H-REIT ") and the audited Financial Statements of Far East Hospitality Business Trust (" Far East H-BT "), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT (the " REIT Trustee "), the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the " REIT Manager "), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the " Trustee-Manager "), the Statement by the Chief Executive Officer of the Trustee-Manager, together with the Auditor's Report thereon.			
2	To re-appoint Ernst & Young LLP as auditors of Far East H-Trust comprising Far East H-REIT and Far East H-BT to hold office until the conclusion of the next Annual General Meeting of Far East H-Trust and to authorise the REIT Manager and the Trustee-Manager to determine their remuneration.			
Special Business				
3	To authorise the REIT Manager and the Trustee-Manager to issue Stapled Securities and to make or grant convertible instruments.			

* If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick (✓) within the box provided. Alternatively, please indicate the number of votes in the box appropriately.

Dated this _____ day of _____ 2020

Signature(s) of Stapled Securityholder(s)/Common Seal
of Corporate Stapled Securityholder

**Total number of
Stapled Securities held**

Please cut along dotted line



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FEO HOSPITALITY ASSET
MANAGEMENT PTE. LTD.
(as manager of Far East Hospitality
Real Estate Investment Trust)

and

FEO HOSPITALITY TRUST
MANAGEMENT PTE. LTD.
(as trustee-manager of Far East
Hospitality Business Trust)

c/o

STAPLED SECURITY REGISTRAR
BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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NOTES TO PROXY FORM

1. A Stapled Securityholder who is not a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Stapled Securityholder. Where a Stapled Securityholder appoints more than one proxy, he/she must specify the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy. Where a Stapled Securityholder appoints two proxies and does not specify the proportion of his/her stapled securityholding to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies.
2. A Stapled Securityholder who is a relevant intermediary entitled to attend and vote at the Annual General Meeting is entitled to appoint more than two proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Stapled Securityholder. Where such Stapled Securityholder appoints more than two proxies, the appointments shall be invalid unless the Stapled Securityholder specifies the number of Stapled Securities in relation to which each proxy has been appointed.

“relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds Stapled Securities in that capacity; or
- (c) the Central Provident Fund Board (“CPF Board”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Stapled Securities purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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3. A Stapled Securityholder should insert the total number of Stapled Securities held. If the Stapled Securityholder has Stapled Securities entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited (“CDP”), he/she should insert that number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Stapled Securityholder.
4. The instrument appointing a proxy or proxies (the “Proxy Form”) must be deposited at the Stapled Security Registrar’s office at Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for holding the Annual General Meeting.
5. The Proxy Form must be signed by the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where a Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the REIT Manager and the Trustee-Manager) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
7. The REIT Manager and the Trustee-Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Stapled Securities entered in the Depository Register, the REIT Manager and the Trustee-Manager may reject a Proxy Form if the Stapled Securityholder, being the appointor, is not shown to have Stapled Securities entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the REIT Manager and the Trustee-Manager.
8. All Stapled Securityholders will be bound by the outcome of the Annual General Meeting regardless of whether they have attended or voted at the Annual General Meeting.
9. On a poll, every Stapled Securityholder who is present in person or by proxy shall have one vote for every Stapled Security of which he/she is the Stapled Securityholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.

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