

# STAYING STRATEGIC



ANNUAL REPORT 2015

## CONTENTS

**01**

About Us

**03**

Our Structure

**04**

Financial  
Highlights

**05**

Growth  
Strategies

**08**

Letter from  
the Chairman

**12**

Board of  
Directors

**16**

Management  
Team

**23**

Our Portfolio

**30**

Asset  
Enhancement

**34**

Industry  
Overview

**38**

Performance  
Review

**44**

Investor  
Relations

**46**

Community  
Involvement

**47**

Corporate  
Governance

**73**

Statement  
of Policies &  
Practices

**82**

Corporate  
Directory

**83**

Financials •  
Far East  
Hospitality Trust

**84**

Financials •  
Report of the  
Trustee

**159**

Statistics  
of Stapled  
Securityholdings

**161**

Notice of Annual  
General Meeting

Proxy Form

STAYING  
STRATEGIC

At Far East H-Trust, we believe in maintaining a disciplined approach in our investment and asset management. With a core strategy in place, we are able to stay steadfast in our growth journey, while capturing opportunities as we ride the ups and downs of the dynamic hospitality sector.

## ABOUT US

**Far East Hospitality Trust ("Far East H-Trust")** is the first and only Singapore-focused hotel and serviced residence hospitality trust listed on the Main Board 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\$1.19 billion and the largest diversified hospitality portfolio by asset value in Singapore as at 31 December 2015. 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 12 properties consisting of 8 hotels and 4 serviced residences. Far East H-REIT's assets are valued at about S\$2.44 billion as at 31 December 2015. 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 in Singapore, 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.

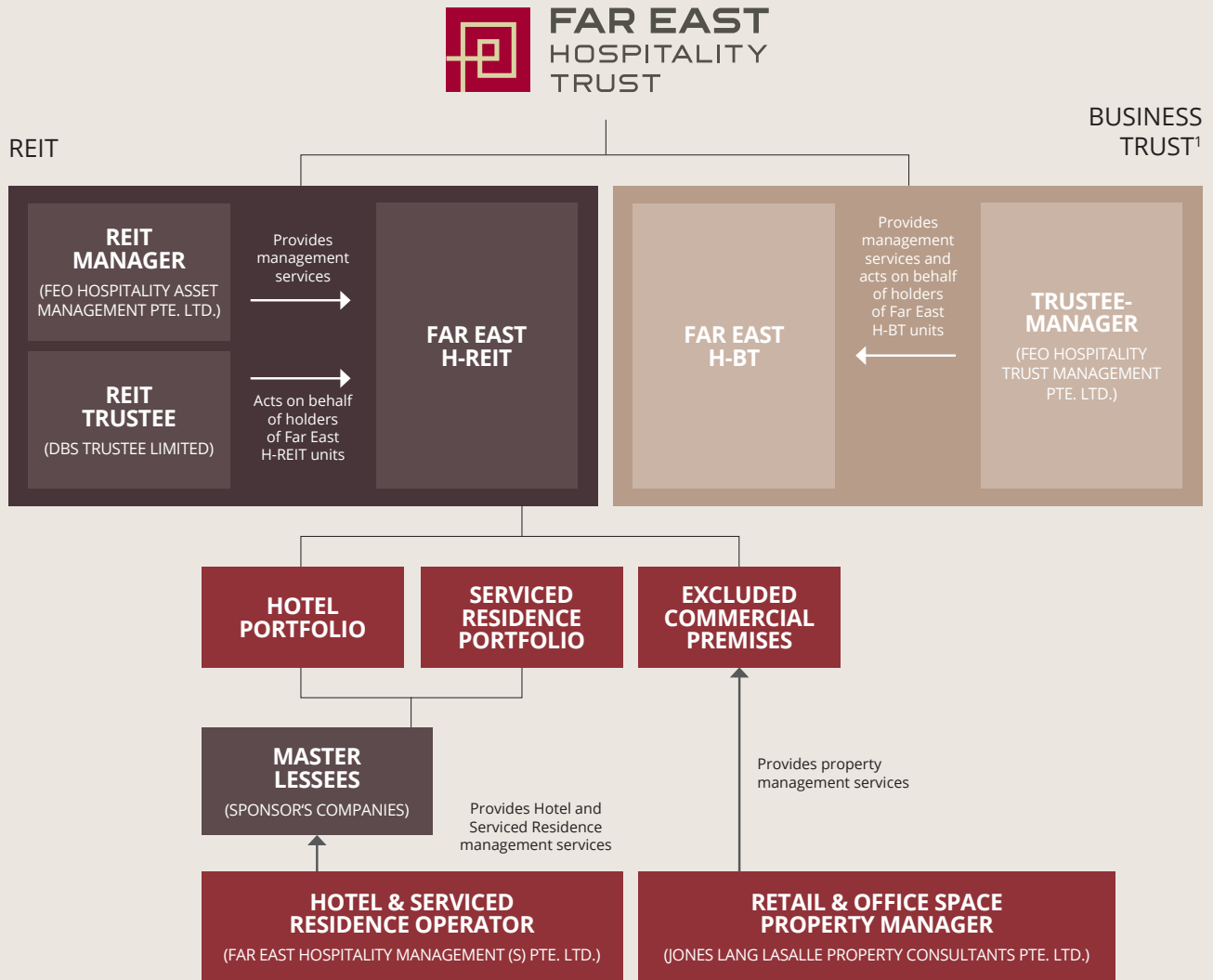






## OUR STRUCTURE

### FAR EAST HOSPITALITY TRUST STRUCTURE



<b>SPONSOR</b>	Far East Organization group of companies
<b>INVESTMENT MANDATE</b>	Hospitality and hospitality-related assets in Singapore
<b>PORTFOLIO</b>	12 properties valued at approximately S\$2.44 billion 8 hotel properties and 4 serviced residences

<sup>1</sup> Dormant since Listing Date and master lessee of last resort.

## FINANCIAL HIGHLIGHTS

## GROSS REVENUE

114.6

S\$ million

(S\$ million)



## NET PROPERTY INCOME

103.7

S\$ million

(S\$ million)



## INCOME AVAILABLE FOR DISTRIBUTION

82.2

S\$ million

(S\$ million)



## DISTRIBUTION PER STAPLED SECURITY

4.60

Singapore cents

(Singapore cents)



Balance sheet	2015 S\$ million	2014 S\$ million
Investment properties	2,439.3	2,476.1
Total assets	2,521.1	2,537.2
Total liabilities	837.2	813.2
Net assets	1,683.9	1,724.0

Balance sheet	2015	2014
Gearing ratio <sup>1</sup>	32.5%	31.4%
Interest cover ratio <sup>2</sup>	4.4x	5.5x
Weighted average debt maturity	3.3 years	3.5 years
Net asset value per Stapled Security (Singapore cents)	93.91	96.97

<sup>1</sup> Defined as: Total borrowings/trust deposited properties.

<sup>2</sup> Defined as: EBITA/Interest expense, based on Moody's methodology.

## GROWTH STRATEGIES

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**The REIT Manager is committed to delivering long term sustainable and growing distributions through three key strategies:**

### VALUE ADDING ACQUISITIONS

The REIT Manager actively pursues acquisition opportunities in the market, seeking out potential asset acquisition opportunities that would potentially 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 8 properties, totalling 1,553 hotel rooms and 599 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 2,152 rooms, equivalent to about 76%.

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 the Sponsor successfully bids for.

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### ASSET MANAGEMENT & 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.

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### CAPITAL & 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. The REIT Manager endeavours to maintain a strong balance sheet with diversified funding sources. It seeks to reduce its 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 a good stead to capitalize on investment opportunities.



*Marmalade Pantry at Oasia Hotel Novena, Singapore*





## S T A Y I N G T H E C O U R S E

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### ENHANCING OUR COMPETITIVE EDGE

We value the strength of teamwork, which propels us to stay on top of our game. At Far East H-Trust, we aim to drive performance by working together and staying committed to our purpose – to build a resilient business and deliver stable returns to our Stapled Securityholders. By leveraging on the right of first refusal granted by our Sponsor for the pipeline projects, we are confident of achieving sustainable growth in the years ahead.

## LETTER FROM THE CHAIRMAN



**Mr Koh Boon Hwee**  
*Chairman*

With the support of our Sponsor and the right of first refusal for its pipeline projects, we remain committed to driving sustainable growth for our Stapled Securityholders.

**Dear Stapled Securityholders,**

On behalf of the Board of the REIT Manager and Trustee-Manager, I am pleased to report the progress that Far East H-Trust has made in the financial year ended 31 December 2015 ("FY2015").

**YEAR IN REVIEW**

2015 continued to be a largely challenging year for the hospitality sector. The operating environment remained competitive with the increased supply of about 4,000 new hotel rooms alongside the softness in both corporate and leisure demand. The uncertain global economic climate and the relatively strong Singapore currency were other factors that weighed on demand from travellers.

For the first half of 2015, international visitor arrivals to Singapore were muted. However, from the middle of the year, there were some signs of recovery with positive year-on-year growth in visitor arrivals based on statistics from the Singapore Tourism Board ("STB").

For the full year, STB reported a 0.9% increase in visitor arrivals to 15.2 million visitors, in spite of the subdued visitorship during the first five months of the year.

Our hotels and serviced residences managed to turn in stable occupancies despite the challenging operating environment.

## LETTER FROM THE CHAIRMAN

Although our average daily rate ("ADR") decreased 8.3% to S\$171 in FY2015, we were able to keep the average occupancy of our hotels healthy at 85.4%. As a result, the revenue per available room ("RevPAR") of our hotels dropped 5.8% to S\$146.

Our serviced residences registered an average occupancy of 87.0% and ADR of S\$230 for the full year. As such, the revenue per available unit ("RevPAU") was S\$200, a decline of 8.8% year-on-year.

Our excluded commercial premises (i.e. retail and office spaces for lease) continued to be a steady contributor, achieving high occupancies and improvements in rental rates. Revenue from the excluded commercial premises was S\$23.7 million in FY2015, or 20.6% of our total gross revenue.

Due to the above, our net property income for FY2015 stood at S\$103.7 million, a 5.8% drop year-on-year. Accordingly, FY2015 income available for distribution was S\$82.2 million, representing a Distribution per Stapled Security ("DPS") of 4.60 Singapore cents and yield of 6.9% (based on the closing Stapled Security price of 66.5 Singapore cents on 31 December 2015).

#### UPDATE ON SENTOSA DEVELOPMENT PROJECT

As announced in September 2014, Far East H-Trust took a 30% stake in a joint venture with Far East Organization Centre Pte. Ltd.,

a member of our Sponsor, Far East Organization, for the development of a new hotel project located on Sentosa.

In April 2015, the project broke ground as we drove the first pile for the 850-room development which will integrate two distinctive hotels – Outpost Hotel Sentosa and Village Hotel Sentosa. Since then, the construction of a temporary coach park to divert traffic away from the construction area has been completed.

Overall, we are on track for completion in 2018, with the development being an ideal opportunity for us to invest in a quality, lifestyle project at an attractive cost. With this investment, we hope to strengthen our portfolio and drive stable income for our Stapled Securityholders.

#### ASSET ENHANCEMENT INITIATIVES

We upgrade our properties as necessary, to ensure that they stay relevant to market needs. During the year, we carried out several asset enhancement initiatives ("AEI") to unlock the value of our properties to their full potential.

For Village Hotel Albert Court, we replaced our old chillers with a new energy efficient chiller plant system. We have started to see savings in energy expenses at Village Hotel Albert Court and the property has been awarded the Building

Construction Authority's Green Mark Platinum certification for its energy and water saving initiatives.

For Village Residence Robertson Quay, we extended the outdoor refreshment areas facing the Singapore River and constructed a new walkway. This was completed in the third quarter of 2015 and has resulted in improved footfall and patronage for our retail tenants.

Following the renovation of the 41 studio apartments at Regency House in 2014, we commenced the refurbishment of all 47 units of two and three-bedroom apartments, breakfast lounge as well as some public areas at Regency House in the second half of 2015. As at 31 December 2015, over 50% of the units have been refurbished and we expect full completion by the second quarter of 2016.

The renovation programme for Orchard Parade Hotel commenced in Q4 2015, starting with works being done to the swimming pool, pool deck, gym and meeting room.

#### PRUDENT CAPITAL MANAGEMENT

Rated Baa2 by Moody's, our financial position remains stable amidst the uncertain interest rate environment, with 59% of our debt portfolio secured at fixed interest rates. As at 31 December 2015, our average cost of debt was approximately 2.5% per annum and our weighted average debt to maturity was 3.3 years.



## LETTER FROM THE CHAIRMAN

In line with our emphasis on financial stability, our three-year term loan of S\$100 million due in August 2015 was refinanced with a seven-year term loan.

Our gearing ratio of 32.5% as at 31 December 2015 is well within the Monetary Authority of Singapore Property Fund Appendix's gearing limit of 60%\*.

### GOING FORWARD

The International Monetary Fund expects the global economy to grow at 3.6% in 2016, as near-term economic growth looks stronger in advanced economies but weaker in the emerging market and developing economies that account for the lion's share of world growth.

The Ministry of Trade and Industry expects the Singapore economy to grow by 1% to 3% in 2016, though it also cautions that growth in labour-intensive sectors such as hospitality, retail and food services may be weighed down by labour constraints.

The STB forecasts visitor arrivals to Singapore in 2016 to be in the range of 15.2 – 15.7 million which is a moderate growth of up to 3% year-on-year.

The hospitality sector continues to face near-term headwinds as a steady supply of hotels is

expected to enter the market in the next 12 months, with CBRE expecting about 2,700 new rooms to come onstream in 2016. This will continue to put pressure on occupancy as well as room rates.

However, by 2017 and 2018, operational headwinds are expected to ease gradually, as the future supply of land for hotel use in Singapore will be limited. There were no new hotel sites released under the 2014 and 2015 government land sales programmes. In addition, the Urban Redevelopment Authority had also tightened approvals for new hotels, backpackers' hotels or boarding houses on sites that are not zoned or permitted for hotel use.

As such, we remain positive on the longer term prospects of the tourism sector in Singapore. Continuing efforts by the government and industry players to strengthen Singapore as a choice travel destination are expected to benefit inbound tourism.

These efforts include the rejuvenation of existing attractions such as Sentosa, including its new Cable Car Sky Network and upcoming Family Entertainment Centre, and the opening of new attractions such as the National Gallery Singapore. In 2016, major events such as the Singapore

Airshow, Food & Hotel Asia, and World Rugby Sevens Series will also provide some uplift.

Going forward, as the operating environment remains uncertain, we will focus on enhancing our revenue management strategies and exercising prudence in our cost management. At the same time, we will be improving the quality of our assets to stay competitive, while seeking out value-adding acquisition opportunities. With the support of our Sponsor and the right of first refusal for its pipeline projects, we remain committed to driving sustainable growth for our Stapled Securityholders.

### APPRECIATION

I would like to take the opportunity to note my appreciation to my fellow board members for their counsel and contribution throughout the year, and the employees of the REIT Manager for their dedication and hard work. We are also thankful to our Sponsor, Stapled Securityholders and Trustee for their support and commitment.

**Koh Boon Hwee**  
Chairman

\* With effect from 1 January 2016, the gearing limit has been revised to 45% under the new guidelines.





## BOARD OF DIRECTORS



*Standing (from left to right): Mr Kyle Lee, Mr Huang Cheng Eng, Mr Chng Kiong Huat and Mr Wee Kheng Jin  
Seated (from left to right): Mr Willie Cheng and Mr Koh Boon Hwee*



## BOARD OF DIRECTORS

**1. MR KOH BOON HWEE****NON-INDEPENDENT CHAIRMAN  
REIT MANAGER BOARD AND  
TRUSTEE-MANAGER BOARD**

Mr Koh Boon Hwee was appointed as a Director and Chairman of the REIT Manager Board and Trustee-Manager Board in January 2011 and April 2012 respectively.

Mr Koh has extensive experience in corporate management. He is currently the Non-Executive Chairman of AAC Technologies Holdings Inc., Far East Orchard Limited, Sunningdale Tech Ltd. and Yeo Hiap Seng Limited.

Mr Koh also holds directorships in Agilent Technologies, Inc., Razer Inc, Bank Pictet & Cie (Asia) Ltd., CM Houlder (SEA) Pte. Ltd., Credence Capital Fund II (Cayman) Ltd., Credence Partners Pte. Ltd., First Spring Ltd., Ge-No-Me Pte. Ltd., Rippledote Capital Advisers Pte. Ltd., Rippledote Capital Management Pte. Ltd. and The Genomic Trust Pte. Ltd. Mr Koh is also a Director with Fontaine Investment Pte. Ltd., a joint venture company between Far East H-Trust and Far East Organization Centre Pte. Ltd. (a member of Far East Organization) established for the development of a new hotel site in Sentosa.

Over the last 3 years, he held directorship in Yeo Hiap Seng (Malaysia) Berhad. From 2005 to 2010, Mr Koh was the Non-Executive Chairman of DBS Group Holdings Ltd and DBS Bank Ltd.

From 1996 to 2010, he served on the board of Temasek Holdings Pte. Ltd., and was a member of the Executive Committee from 1997 to 2010. From 2001 to 2005, Mr Koh served as Non-Executive Chairman of Singapore Airlines Limited, and from 1986 to 2001, he was also the Non-Executive Chairman of the Singapore Telecom Group (SingTel) and its predecessor organisations.

Outside the corporate sector, Mr Koh is also active in several non-profit organisations, including the Securities Industry Council, EDB International Advisory Council, Harvard Singapore Foundation, Nanyang Technological University Board of Trustees, Research, Innovation & Enterprise Council and The William and Flora Hewlett Foundation.

Mr Koh graduated from Imperial College with a Bachelor of Science (Mechanical Engineering), First Class Honours, in 1972, and obtained a Master in Business Administration with Distinction from Harvard Business School in 1976.

**2. MR WILLIE CHENG JUE HIANG****LEAD INDEPENDENT DIRECTOR  
REIT MANAGER BOARD AND  
TRUSTEE-MANAGER BOARD  
CHAIRMAN OF THE AUDIT  
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.

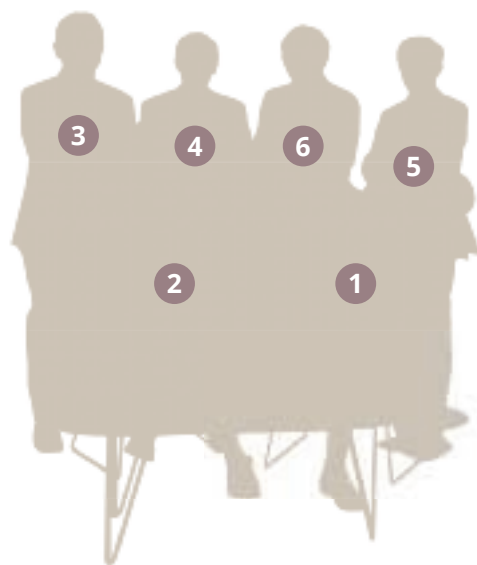
Mr Cheng has extensive experience in the fields of accountancy, management consulting, technology implementation and corporate governance. He is presently a Director of United Overseas Bank Ltd. He also holds directorships in several private limited companies including Singapore Health Services Pte. Ltd. and Integrated Health Information Systems Pte. Ltd.

Over the last 3 years, he held directorship in Singapore Press Holdings Limited and NTUC Fairprice Co-operative Limited.

Outside the corporate sector, Mr Cheng is also active in several non-profit organisations, including ApVentures, Caritas Humanitarian Aid & Relief, Singapore, Catholic Foundation, Council For Third Age, CSCC Agape Fund, NTUC Health Cooperative Ltd., Singapore Institute of Directors, SymAsia Foundation and The Courage Fund.

Prior to his retirement in 2003, Mr Cheng was Managing Director of Accenture's Singapore office and Managing Partner of its Asian Communications & High-Tech practice. During his stint at Accenture (and its predecessor, Arthur Andersen & Co), Mr Cheng was involved in audit as well as

## BOARD OF DIRECTORS



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 (Hons) 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.

### 3. MR KYLE LEE KHAI FATT

**INDEPENDENT DIRECTOR  
REIT MANAGER BOARD AND  
TRUSTEE-MANAGER BOARD  
CHAIRMAN OF THE NOMINATING  
COMMITTEE OF THE REIT MANAGER  
MEMBER OF THE AUDIT 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 extensive experience in professional services, comprising accounting, auditing and business advisory. He is presently a Director of CapitaLand Mall Trust Management Limited (as manager of CapitaLand Mall Trust), Great Eastern Holdings Limited, The Great Eastern Life Assurance Company Limited and MFS Technology Ltd. Outside the corporate sector, he is an Audit Committee Member (co-opt) of the National Art Gallery.

By profession, Mr Lee is a Chartered Accountant and served as a partner of Price Waterhouse and PricewaterhouseCoopers LLP in Singapore for 20 years 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.

Mr Lee holds a Bachelor of Arts (Honours) in Business Studies from the Council for National Academic Awards (UK), Polytechnic of the South Bank. Additionally, he has a Master of Science (Distinction) in International Management from University of London, SOAS and a Master of Business Administration and Diploma in Management from Imperial College, London.

### 4. MR HUANG CHENG ENG

**INDEPENDENT DIRECTOR  
REIT MANAGER BOARD AND  
TRUSTEE-MANAGER BOARD  
CHAIRMAN OF THE REMUNERATION  
OF THE REIT MANAGER  
MEMBER OF THE AUDIT COMMITTEE  
OF THE REIT MANAGER**

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

Mr Huang has extensive experience in commercial and marketing activities. 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, he was overall in charge of

## BOARD OF DIRECTORS

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 and the Singapore Tourism Board. He had amassed 10 years of overseas experience, working in Taiwan, France and Hong Kong from 1977 to 1987.

Mr Huang is also currently an independent director of M1 Ltd.

Outside of the corporate sector, Mr Huang is the Vice-President 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.

#### 5. MR WEE KHENG JIN

**NON-EXECUTIVE DIRECTOR  
REIT MANAGER BOARD AND  
TRUSTEE-MANAGER BOARD  
MEMBER OF THE NOMINATING  
AND REMUNERATION COMMITTEES  
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.

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

development. He is presently a Director of Parkson Retail Asia Limited and Yeo Hiap Seng Limited. He also holds directorships in several companies within Far East Organization (FEO), such as Far East Hospitality Management Services Pte. Ltd., Far East Property Services Pte. Ltd., Orchard Investment Consulting (Chongqing) Co. Ltd. and Orchard Investment Consulting (Fuzhou) Co. Ltd. Mr Wee is also an alternate director with Fontaine Investment Pte. Ltd., a joint venture company between Far East H-Trust and Far East Organization Centre Pte. Ltd. (a member of FEO) established for the development of a new hotel site in Sentosa.

Over the last 3 years, he held directorship in Tung Lok Restaurants (2000) Ltd.

Mr Wee joined FEO in 2000 and is currently an Executive Director. Prior to joining FEO, 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.

#### 6. MR CHNG KIONG HUAT

**NON-EXECUTIVE DIRECTOR  
REIT MANAGER BOARD**

Mr Chng Kiong Huat was appointed as a Director of the REIT Manager Board in February 2014.

Mr Chng has extensive experience in asset management including product development, project management, quality management, customer service, estate management and property enhancement. Over a 21-year period from 1993 to 2014, he held various positions within Far East Organization before becoming Executive Director of the Property Services Division. Currently, he is a General Manager with Kallang Development (Pte.) Ltd.

Mr Chng also holds directorships with various property companies, including Bukit Sembawang Estates Limited, Kallang Development (Pte.) Ltd., Casuarina Properties (Pte.) Ltd. and Pulau Properties (Pte.) Ltd.

Mr Chng has a Bachelor of Arts (Architecture Studies) and a Bachelor of Architecture (Hons) from the National University of Singapore and a LLB (Hons) from the University of London. He has also completed the Stanford Executive Program from Stanford University. He was conferred as a registered architect by the Singapore Board of Architects in 1996.



## MANAGEMENT TEAM



*Standing (from left to right): Ms Sandra Chia, Mr Gerald Lee, Ms Elaine Chin and Ms Lee Pei Yee  
Seated (from left to right): Ms Annie Khung and Ms Denise Wong*



## MANAGEMENT TEAM

### 1. MR GERALD LEE HWEE KEONG

#### CHIEF EXECUTIVE OFFICER

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

From 1991 to 2005, Mr Lee was at the Singapore Tourism Board, and his last held position was Assistant CEO (Leisure), where he was in charge of all the leisure divisions. He was seconded to the Ministry of Trade & Industry as Deputy Director from 2000 to 2001, where he was responsible for overseeing policies and industry development of the tourism and services sectors. Mr Lee was concurrently seconded to Sentosa Development Corporation as Director (Strategic Development) from 2001 to 2003, where he was in charge of strategic projects and redevelopment initiatives.

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 in that region, and Deputy CEO, responsible for overseeing operations of the group. From 2010 to 2011, Mr Lee was Executive Director of 08hundred LLP, where he was responsible for overseeing the company. He remains as a director of the company.

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.

### 2. MS ANNIE KHUNG SHYANG LEE

#### FINANCIAL CONTROLLER

Ms Annie Khung joined Far East Organization in January 2016, and is currently employed by the REIT Manager. Ms Khung is responsible for overseeing all aspects of finance and taxation matters, and provides support for compliance matters of Far East Hospitality Trust.

From 2015 to 2016, Ms Khung was Senior Finance Manager with the Trustee-Manager of Keppel Infrastructure Trust, where she assisted the CFO in the Group's financial and reporting functions, treasury matters and other finance-related matters.

From 2007 to 2015, Ms Khung was Vice President, Finance at CitySpring Infrastructure Trust, where she was involved in all aspects of finance matters, including the statutory and financial reporting of the group results, budgeting, taxation and certain-compliance related matters. She also reviewed the financial performance of the operating companies and assisted in the development of group financial policies and procedures.

From 2000 to 2007, Ms Khung was with Ernst & Young LLP, where she left as an Audit Manager.

Ms Khung obtained her Bachelor of Commerce and Bachelor of Finance degrees from the University of Adelaide, Australia. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants (ISCA) and a non-practicing member of CPA Australia.

### 3. MS LEE PEI YEE

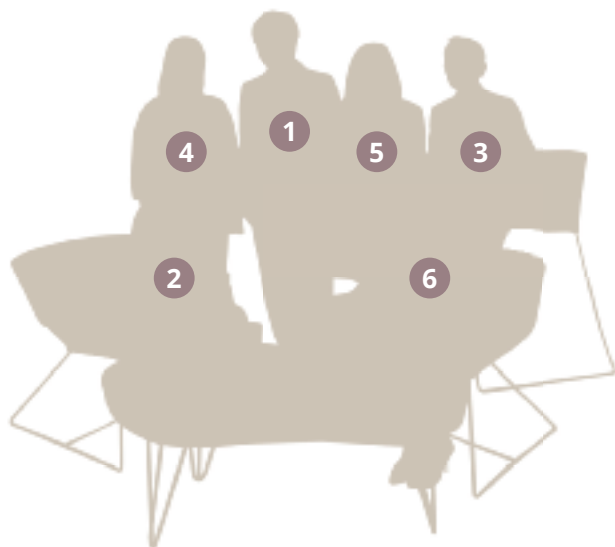
#### VICE PRESIDENT, INVESTMENT

Ms Lee Pei Yee has experience in financial analysis and modelling as well as investment management. She is currently employed by the REIT Manager, where she is responsible for investment management.

From 2011 to 2012, Ms Lee was at Far East Organization as a Manager – Special Projects, where she was responsible for providing corporate finance support to local and overseas business expansion.

From 2009 to 2011, Ms Lee was at Fortune Capital Management Pte. Ltd. as an Investment Manager. From 2007 to 2009, Ms Lee was with PrimePartners Asset Management Pte. Ltd. as an Assistant Manager – Investments, where she assisted in evaluating potential investment deals. In 2007, Ms Lee was with KPMG Business Advisory Pte. Ltd. as a Senior Associate – Business

## MANAGEMENT TEAM



Performance Services, where she assisted in strategic consulting.

From 2000 to 2005, Ms Lee was at the Ministry of Trade and Industry, and her last held position was Assistant Director – International Business Development Division.

Ms Lee graduated from the National University of Singapore with a Bachelor of Arts in 1999 and a Bachelor of Social Sciences (with Honours) in 2000, and obtained a Master in Business Administration (Dean's Honours List) from Nanyang Technological University in 2007. She also participated in "The Global Manager in Europe Summer Module" at ESSEC Business School – Paris in 2006.

**4. MS SANDRA CHIA SIEN INN****VICE PRESIDENT, FINANCE**

Ms Sandra Chia has more than 20 years of experience in areas of financial and management accounting, financial planning and analysis, taxation, treasury, compliance and all finance related matters. She is currently employed by the REIT Manager, where she is responsible for the statutory reporting and compliance, management accounting and analysis, taxation and treasury.

From 2007 to 2012, Ms Chia was at Ascendas Property Fund Trustee Pte. Ltd. as Assistant Vice President, Finance, where she was responsible for the finance function

including accounting, financial and management reporting, analysis and compliance for Ascendas India Trust. From 2000 to 2006, Ms Chia was at Equinix Asia Pacific Pte. Ltd. as Finance Manager, where she was responsible for statutory accounts, group consolidation, financial planning and analysis, management reporting, taxation, cash flow management and SOX compliance. Ms Chia holds a Bachelor of Applied Accounting from Oxford Brooke University (UK) and professional qualification from the Association of Chartered Certified Accountants (ACCA). She is a non-practising member of the Institute of Singapore Chartered Accountants (ISCA).

**5. MS ELAINE CHIN SHU PENG****VICE PRESIDENT, ASSET  
ENHANCEMENT MANAGEMENT**

Ms Elaine Chin has more than 20 years of experience in areas of contract administration, procurement, project management and quantity surveying and all project development related matters. She is employed by the REIT Manager where she is responsible for coordinating and supervising the asset enhancement projects and initiatives.

From 2007 to 2014, Ms Chin was a Senior Manager at Millennium & Copthorne International Limited, where she was responsible in the



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## MANAGEMENT TEAM

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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.

### 6. MS DENISE WONG XIAO FEN

#### MANAGER, INVESTOR RELATIONS & ASSET MANAGEMENT

Ms Denise Wong is experienced in the areas of investor and public relations, financial sales and marketing. She is employed by the REIT Manager where she is responsible for investor relations and assists in asset management.

From 2011 to 2013, Ms Wong was a Consultant at Financial PR Pte. Ltd., where she provided investor relations counsel to the top management of Singapore-listed companies in the real estate, construction and technology sectors. Ms Wong also prepared companies for listing on the SGX, both on the Catalist and Mainboard.

From 2010 to 2011, Ms Wong was a Financial Planning Manager at HSBC Bank, where she managed a portfolio of customers within the emerging affluent business segment.

Ms Wong obtained her Bachelor of Business Management from the Singapore Management University, with majors in Finance (Wealth Management) and Marketing. She also attended the International Student Exchange Programme at the University of Maastricht, Netherlands. Ms Wong obtained the International Certificate in Investor Relations from the Investor Relations Society of UK.





## STAYING FRESH

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### SEIZING NEW OPPORTUNITIES

The welcome a guest receives at a hotel is one of the first and most lasting experiences. Not only do we take pride in making our guests feel valued and cared for, we also ensure that our properties stay fresh through regular asset enhancement initiatives.





## OUR PORTFOLIO

Far East H-REIT has 2,461 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.

### PROPERTIES

8

Hotels

4

Serviced  
Residences

2,461

Hotel Rooms

368

Serviced  
Residence Units

### VALUATION

2.44

S\$ billion

### RETAIL & OFFICE NLA (SQM)

14,073

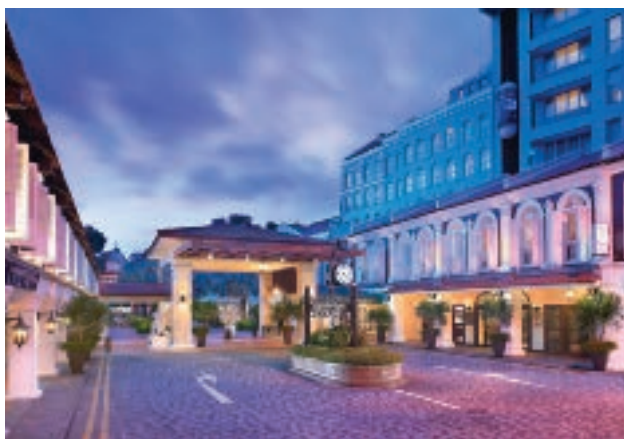
Retail

6,978

Office

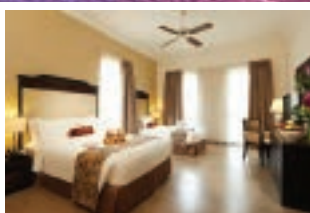
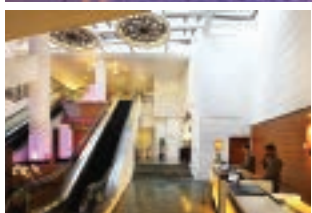
## OUR PORTFOLIO

## HOTELS

**VILLAGE HOTEL ALBERT COURT***180 Albert Street, Singapore 189971*

Village Hotel Albert Court is a pre-war conservation development offering heritage blended with modern day flair. The hotel is conveniently located next to the Rochor MRT Station and is a short walk away from shopping malls. The hotel's charming courtyard provides moments of serenity and offers a wide range of retail and dining options.

The hotel was refurbished in 2014 and upgraded its aircon chiller system to a more efficient one in 2015. For its sustainability efforts, Village Hotel Albert Court was awarded the BCA Green Mark Platinum certification by the Building and Construction Authority of Singapore.

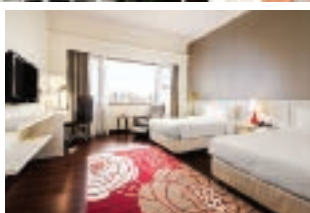


No of guest rooms: **210**  
 GFA/strata area (sqm): **11,426**  
 Gross revenue for FY2015 (S\$ million): **5.8**  
 Remaining lease tenure (years): **72**  
 Valuation as at 31 Dec 2015 (S\$ million): **119.6**  
 Purchase price (S\$ million): **120.7**  
 Master lessee: **First Choice Properties Pte. Ltd.**

**VILLAGE HOTEL BUGIS***390 Victoria Street, Singapore 188061*

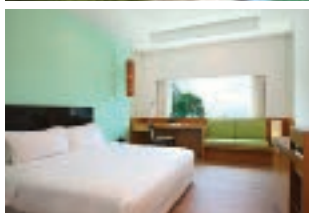
Village Hotel Bugis is located in the Arab Street-Kampong Glam heritage area, a popular tourist destination. It is surrounded by vibrant eateries, art galleries and boutiques in the nearby conservation buildings. The hotel is within walking distance from Bugis MRT station, which conveniently connects to the Central Business District and Orchard areas.

No of guest rooms: **393**  
 GFA/strata area (sqm): **21,676**  
 Gross revenue for FY2015 (S\$ million): **11.8**  
 Remaining lease tenure (years): **63**  
 Valuation as at 31 Dec 2015 (S\$ million): **224.7**  
 Purchase price (S\$ million): **218.4**  
 Master lessee: **Golden Landmark Pte. Ltd.**

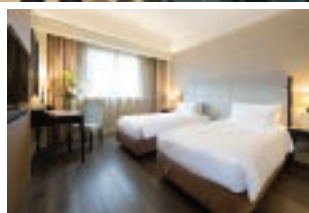
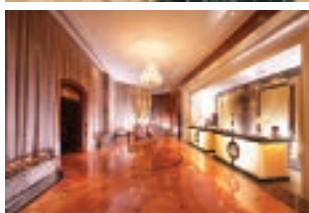


## OUR PORTFOLIO

## HOTELS

**VILLAGE HOTEL CHANGI***1 Netheravon Road, Singapore 508502*

Village Hotel Changi is an idyllic retreat, set apart from other hotels in urban Singapore. The serene surroundings and sea views make it an attractive venue for corporate retreats and weddings. Village Hotel Changi's proximity to Changi International Airport and the Singapore Expo also makes it a favourite with transit passengers and business travellers.

No of guest rooms: **380**GFA/strata area (sqm): **22,826**Gross revenue for FY2015 (S\$ million): **10.7**Remaining lease tenure (years): **62**Valuation as at 31 Dec 2015 (S\$ million): **249.7**Purchase price (S\$ million): **238.5**Master lessee: **Far East Organization Centre Pte. Ltd.****THE ELIZABETH HOTEL***24 Mount Elizabeth, Singapore 228518*

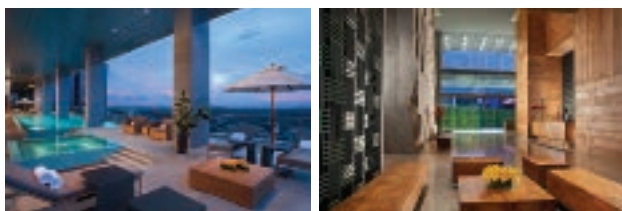
The Elizabeth Hotel is designed with a distinct European accent. It is a short walk from Orchard Road, Singapore's famous shopping and entertainment belt, providing guests with a wide range of leisure and dining options. The Elizabeth Hotel is also adjacent to Mount Elizabeth Hospital, one of Singapore's leading hospitals.

No of guest rooms: **256**GFA/strata area (sqm): **11,723**Gross revenue for FY2015 (S\$ million): **6.9**Remaining lease tenure (years): **72**Valuation as at 31 Dec 2015 (S\$ million): **173.3**Purchase price (S\$ million): **186.7**Master lessee: **Golden Development Private Limited**

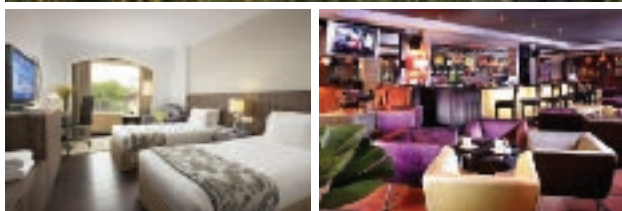


## OUR PORTFOLIO

## HOTELS

**OASIA HOTEL NOVENA***8 Sinaran Drive, Singapore 307470*

Oasia Hotel Novena is designed for both business and leisure travellers and is strategically located in the Novena district, Singapore's premier medical hub. The hotel is selected by Travel Channel as one of the World's Best-Value Club Lounges. It is conveniently located next to Novena MRT station.

No of guest rooms: **428**GFA/strata area (sqm): **22,457**Gross revenue for FY2015 (S\$ million): **14.3**Remaining lease tenure (years): **89**Valuation as at 31 Dec 2015 (S\$ million): **339.0**Purchase price (S\$ million): **318.2**Master lessee: **Transurban Properties Pte. Ltd.****ORCHARD PARADE HOTEL***1 Tanglin Road, Singapore 247905*

Orchard Parade Hotel is located near major shopping malls along Orchard Road, which offer a wide variety of retail and dining options for business and leisure travellers. Guests can also shop and dine at the retail and F&B outlets within the hotel. Adjacent to the hotel is a podium block which consists mainly of office units. For its sustainability efforts, the hotel was awarded the BCA Green Mark Gold certification by the Building and Construction Authority of Singapore in 2014.

No of guest rooms: **388**GFA/strata area (sqm): **34,072**Gross revenue for FY2015 (S\$ million): **23.0**Remaining lease tenure (years): **47**Valuation as at 31 Dec 2015 (S\$ million): **414.0**Purchase price (S\$ million): **412.5**Master lessee: **Far East Orchard Limited**



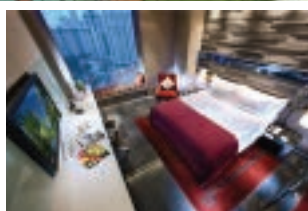
## OUR PORTFOLIO

## HOTELS

**THE QUINCY HOTEL**

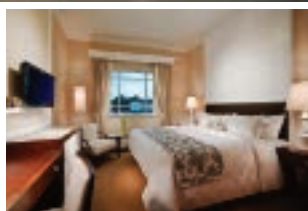
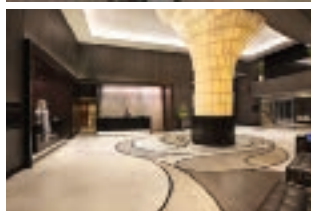
22 Mount Elizabeth, Singapore 228517

The Quincy Hotel is a hip boutique hotel designed for busy business executives and discerning leisure travellers. It is located near Singapore's famous shopping belt, Orchard Road. The hotel recently won a spot in the AsiaOne People's Choice Awards' Top 3 Boutique Hotels in Singapore as well as the Travellers' Choice Award for five years running (2011 – 2015) from TripAdvisor.

No of guest rooms: **108**GFA/strata area (sqm): **4,810**Gross revenue for FY2015 (S\$ million): **3.4**Remaining lease tenure (years): **72**Valuation as at 31 Dec 2015 (S\$ million): **81.8**Purchase price (S\$ million): **82.3**Master lessee: **Golden Development Private Limited****RENDEZVOUS HOTEL SINGAPORE**

9 Bras Basah Road, Singapore 189559

Rendezvous Hotel Singapore is an upscale business and leisure hotel housed in a conservation building. It is within walking distance to the Dhoby Ghaut and Bras Basah MRT stations, providing easy access to 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 and wellness services and entertainment.

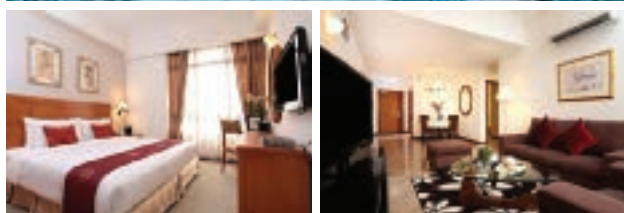
No of guest rooms: **298**GFA/strata area (sqm): **19,720**Gross revenue for FY2015 (S\$ million): **14.6**Remaining lease tenure (years): **68**Valuation as at 31 Dec 2015 (S\$ million): **285.1**Purchase price (S\$ million): **264.3**Master lessee: **Serene Land Pte. Ltd.**

## OUR PORTFOLIO

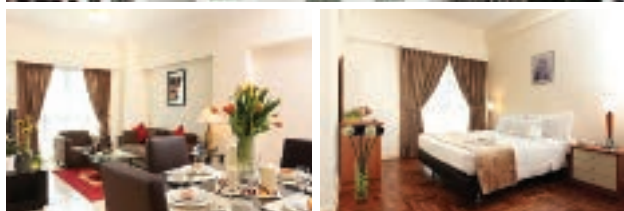
## SERVICED RESIDENCES

**VILLAGE RESIDENCE CLARKE QUAY***20 Havelock Road, Singapore 059765*

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 were undertaken in 2015 to revitalise the property's serviced offices, lobby and common areas, with completion expected by 1Q 2016. 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.

No of units: **128**GFA/strata area (sqm): **17,858**Gross revenue for FY2015 (S\$ million): **9.9**Remaining lease tenure (years): **77**Valuation as at 31 Dec 2015 (S\$ million): **204.7**Purchase price (S\$ million): **183.3**Master lessee: **OPH Riverside Pte. Ltd.****VILLAGE RESIDENCE HOUGANG***1 Hougang Street 91, Singapore 538692*

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.

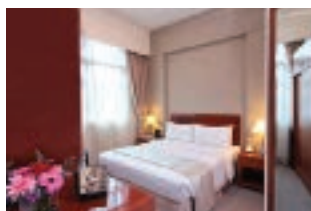
No of units: **78**GFA/strata area (sqm): **8,598**Gross revenue for FY2015 (S\$ million): **3.1**Remaining lease tenure (years): **78**Valuation as at 31 Dec 2015 (S\$ million): **68.0**Purchase price (S\$ million): **64.7**Master lessee: **Serene Land Pte. Ltd.**

## OUR PORTFOLIO

## SERVICED RESIDENCES

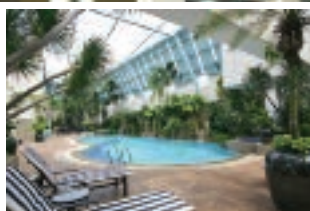
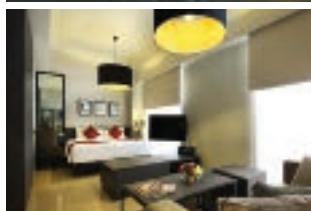
**VILLAGE RESIDENCE ROBERTSON QUAY***30 Robertson Quay, Singapore 238251*

Village Residence Robertson Quay overlooks the historic Singapore River and is located within the trendy dining and entertainment district of Robertson Quay. In 2015, the retail area on the ground floor of the property was given a new lease of life, with an expanded outdoor refreshment area for the restaurants and a new walkway. The Central Business District and Clarke Quay MRT station are a short walk away.

No of units: **72**GFA/strata area (sqm): **10,570**Gross revenue for FY2015 (S\$ million): **4.7**Remaining lease tenure (years): **75**Valuation as at 31 Dec 2015 (S\$ million): **113.3**Purchase price (S\$ million): **113.2**Master lessee: **Riverland Pte. Ltd.****REGENCY HOUSE***121 Penang Road, Singapore 238464*

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 will be completed in 2016, with all 90 apartment units having undergone a facelift. The studio apartments were refurbished in 2014 and the renovation of the remaining 2 and 3-bedroom units is expected to be completed by mid 2016.

No of units: **90**GFA/strata area (sqm): **10,723**Gross revenue for FY2015 (S\$ million): **6.4**Remaining lease tenure (years): **78**Valuation as at 31 Dec 2015 (S\$ million): **166.1**Purchase price (S\$ million): **166.4**Master lessee: **Oxley Hill Properties Pte. Ltd.**



## ASSET ENHANCEMENT

In line with our long-term asset enhancement plan, selected properties within the Far East H-Trust portfolio go through scheduled refurbishments to ensure that they stay competitive and relevant to the needs of the market.

### Village Hotel Albert Court

In early 2015, the old chillers at Village Hotel Albert Court were replaced with a new energy efficient chiller plant system. The existing VRV (Variable Refrigerant Volume) air-conditioning system for the guest rooms was also replaced with a chilled water system.

The upgrade has resulted in a 36% reduction in energy consumption by the hotel. For its energy and water saving initiatives, Village Hotel Albert Court was awarded the BCA Green Mark Platinum

certification by the Building and Construction Authority of Singapore.

### Orchard Parade Hotel

Started in the fourth quarter of 2015, the renovation programme for Orchard Parade Hotel includes a complete rejuvenation of the swimming pool, pool deck, gym and meeting room. The works for this phase is expected to complete by the second quarter of 2016.

### Village Residence Robertson Quay

At Village Residence Robertson Quay, renovation work was done to the outdoor refreshment areas facing the Singapore River. The outdoor refreshment areas were extended and a new walkway was constructed to give patrons an improved dining experience. The works were completed in the third quarter of 2015.

As a result of the asset enhancement, 11 lots of outdoor refreshment area totaling 318 sqm were created and fully taken up by the tenants. The enhancement has helped to improve the footfall and patronage of our retail tenants.

### Regency House

Following the renovation of the 41 studio apartments in 2014, Far East H-Trust embarked on the refurbishment of the remaining 47 units of two and three-bedroom apartments as well as breakfast lounge and some public areas at Regency House.

This phase of the asset enhancement commenced in the second half of 2015 and is expected to complete by the second quarter of 2016.



Orchard Parade Hotel: Renovation programme for the swimming pool and pool deck.

## ASSET ENHANCEMENT



Regency House: Refurbishment of 47 units of two and three-bedroom apartments, breakfast lounge and public areas.



Village Residence Robertson Quay: Creation of new outdoor refreshment areas facing the Singapore River for an improved dining experience.







## STAYING COMPETITIVE

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### DELIVERING SUSTAINABLE RETURNS

In the face of operating headwinds, we seek to be nimble in identifying avenues for growth. To stay competitive, we have enhanced our revenue management strategies and exercised prudence in our cost management. In our pursuit of growth, we have also improved the quality of our assets while keeping a keen eye on acquisition opportunities.

## INDUSTRY OVERVIEW



**Tourism & Hotel Market  
Overview Report ~ Extract**  
(December 2015)

## ECONOMIC OVERVIEW

## Economic Drivers

For full year 2015, the economy grew by 2.0% according to Ministry of Trade (MTI), slower than the 3.3% growth recorded in 2014. The economic performance, the weakest since 2009, was largely affected by sluggish growth in the export dependent sectors and domestic policies such as the government's push to limit the intake of foreign labour, which led to a growing shortage of workers, higher business costs and price pressures.

In its efforts to revive economic growth, the Monetary Authority of Singapore (MAS) has eased its monetary policy for the second time by slowing the pace of the Singapore Dollar's appreciation. This was in view of guarding against imported inflation and allowing the economy to stimulate growth.

## Outlook

Economists expect GDP growth to be limited and core inflation to continue rising. MTI forecasts Singapore's economy to grow at a modest pace of 1.0 % to 3.0 % in 2016. This is taking into account China's extreme stock market volatility and interest rate hikes, which will put further downward pressure on the economy. Moving forward, economists also expect a sharp deceleration in investment growth.

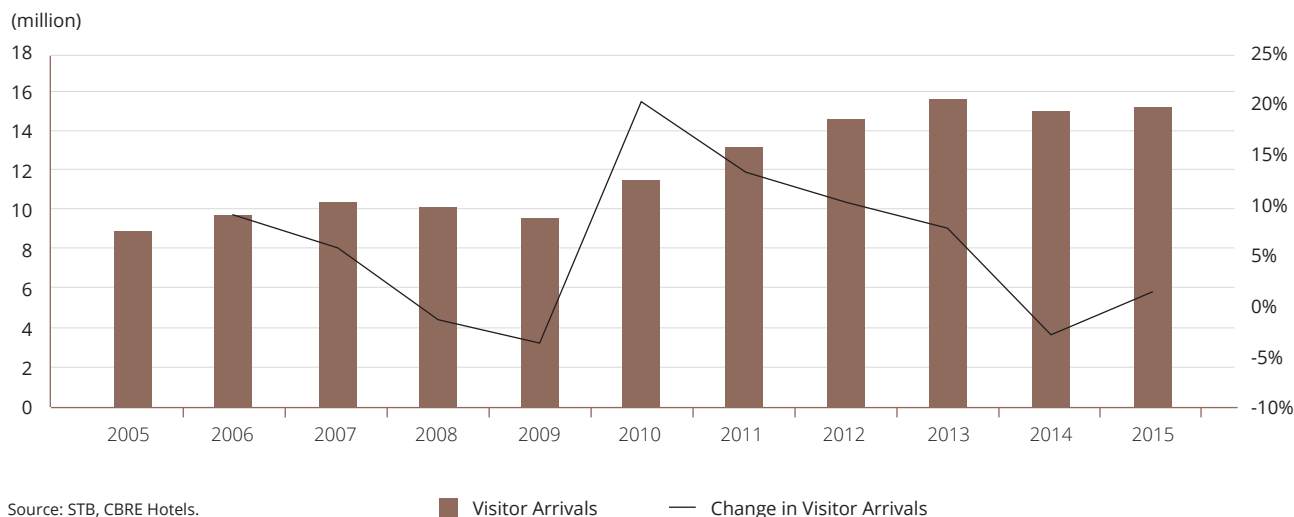
TOURISM & HOSPITALITY  
OVERVIEW

## Visitor Arrivals and Tourism Receipts

For full year 2015, Singapore welcomed 15.2 million visitors. This represents a 0.9% increase year-on-year. Visitor arrivals started trending upwards since May 2015, after 14 months of decline.

Despite the slower growth in arrivals, Singapore continues to be an attractive country - it topped Lonely Planet's "Best in Travel 2015" ranking. In addition, the 156-year old Singapore Botanic Gardens was inscribed as a UNESCO World Heritage Site in July 2015, a key highlight as the nation celebrated its 50<sup>th</sup> year of independence.

SINGAPORE – VISITOR ARRIVALS (2005 - 2015)



## INDUSTRY OVERVIEW

During the year, new attractions that were added to the Singapore landscape include the National Gallery Singapore and the newly renovated 202 hectare Sungei Buloh Nature Reserve. In addition, Singapore played host to the 28<sup>th</sup> Southeast Asia Games in June 2015 and the 8<sup>th</sup> ASEAN Para Games in December 2015.

Similar to previous years' trends, Singapore mainly attracted visitors from Indonesia (2.7 million, 18%), PR China (2.1 million, 14%), Malaysia (1.2 million, 8%), Australia (1.0 million, 7%) and India (1.0 million, 7%) in 2015 and these markets contributed 53.0% of the total arrivals.

In 2015, tourism receipts came in at S\$22.0 billion, registering a 6.8% year-on-year decline, according to STB's preliminary estimates. The fall was largely attributed to fewer business travelers and lower spending per person as companies globally tighten their travel budgets.

For full year 2016, tourism receipts are expected to grow 0% - 2% year-on-year to reach S\$22.0 billion - S\$22.4 billion.

CBRE forecasts visitor arrivals to reach 15.5 million in 2016, a 2.0% increase year-on-year. This estimate is well within STB's 2016 forecast of 15.2 million to 15.7 million visitor arrivals, a conservative 0% - 3% growth

year-on-year. Thereafter, CBRE expects arrivals to increase by 3.5% to reach 16.1 million visitor arrivals in 2017.

### HOTEL MARKET OVERVIEW

#### Hotel Demand and Performance

In terms of hotel demand in 2015, room nights available and room nights sold increased 7.0% and 6.4% respectively, as compared to the earlier period. With a disparity in supply and demand, occupancy decreased 0.5 percentage point (pp) to 85%.

For full year 2015, hotel performance dipped as ADR and RevPAR decreased 4.8% and 5.4% year-on-year to S\$245.7 and S\$208.8 respectively. The decline in trading performance was a result of macroeconomic factors such as a weakening global economy and regional currency depreciation (e.g Indonesian Rupiah and Malaysian Ringgit) which discouraged outbound travel.

CBRE estimates that occupancy levels will continue to decline by 3.7pp to reach 81.3% in 2016. Occupancy is expected to fall over the next two years, given the incoming hotel supply. The ADR, however, is expected to see continual growth with a CAGR of 2.0% in the next 2 years. ADR is forecasted to reach S\$250.6 in 2016 and will continue to achieve a sustainable level in the long

term. Consequently, RevPAR for the Singapore hotel market is forecasted to decrease to S\$203.7 in 2016, a decline of 2.4% year-on-year.

#### Hotel Supply

Hotel supply in Singapore is expected to increase significantly over the next two years from 2016 to 2017.

A number of hotels that have entered the market in 2015 are the 488-key Hotel Grand Chancellor @ Orchard, 654-key The South Beach, 1,500-key Hotel Boss, 442-key Park Hotel Alexandra and 557-key Genting Hotel Jurong, among others. By the end of 2015, a total of approximately 60,908 rooms are estimated to be available in the market.

Of the total supply, 27 new hotels and 3 new serviced residences (SRs) with approximately 6,700 rooms are expected to be added between 2016 and 2017. However, it is likely that some projects will experience delays in construction, postponements or even cancellations. CBRE expects operational headwinds and increased competition to ease gradually as additional supply starts to taper off.

New hotel and SRs that are expected to open or be opened from 2016 to 2017 include Ascott Orchard Singapore, Andaz Duo and InterContinental Singapore Robertson Quay. A large inventory



## INDUSTRY OVERVIEW

of midscale hotel e.g ibis Singapore Styles @ Macpherson and Premier Inn Singapore and upscale hotels like M Social Singapore and Novotel Singapore on Stevens will also be introduced in the market. While this translates to greater hotel stock diversity, the additional inventory will inevitably create downward pressure on the hotel occupancy performance.

### Investment Outlook

Transactions in 2015 include the Capri by Frasers, Changi City and BIG Hotel on Middle Road. The former is a 313-room "hotel residence" sold to Frasers Centrepoint by Ascendas Frasers Pte Ltd for S\$203.4 million, or approximately S\$650,000 per room. BIG Hotel is an 8,800 square metre, 308-room hotel which was acquired by Hong Kong

based GAW Capital Partners for S\$203.0 million.

Singapore will remain a tough market for buyers in the short term as high prices and the lack of assets available continue to impede deals. Opportunities in the CBD and Orchard Road are rare and prices are on the high side. It is a reflection of the strength and stability of the market. Apart from the traditional areas, some investors are also looking at city fringe locations.

In addition to core assets, there are also opportunities to take underperforming hotels and reposition them to increase its capital value via capital expenditure and good marketing strategies. Among overseas buyers, foreign funds including wholesale funds and listed funds have been

most active. There has also been an increase in groups from China looking for boutique hotels.

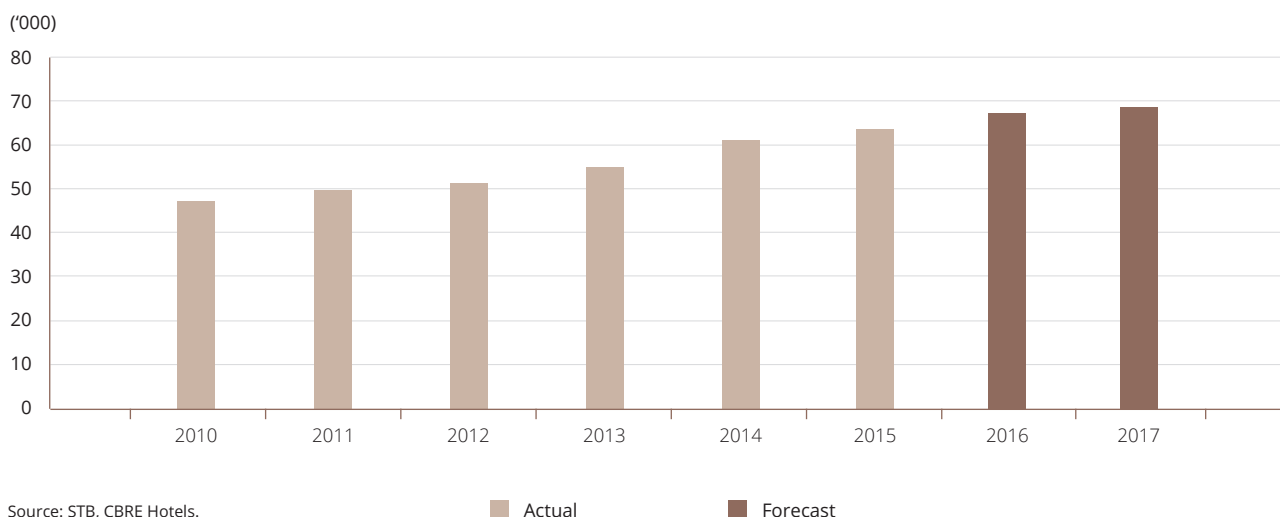
Overall, the outlook for hotel investment remains strong in a mature and stable market like Singapore as investors are shifting towards acquiring prime core assets in light of the uncertain global economy recovery. While there is a lot of capital available in the market, actual deals are scarce as there continues to be a mismatch in price expectations between vendors and purchasers.

### SERVICED RESIDENCE MARKET OVERVIEW

#### Serviced Residence Demand and Performance

Long-term stay SR demand is primarily generated by expatriates working for multinational

SINGAPORE – SUPPLY OF HOTEL ROOMS AND SERVICED RESIDENCES (2010 - 2017)



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## INDUSTRY OVERVIEW

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corporations and embassies, while business travellers account for a significant percentage of short-term demand. The demand captured by the SR market is typically oriented to non-residents, expatriates and long term stay for business purpose. The definition of long and short term stay is widely subjective, but on average, long stay refers to 6 months and above whilst short stay refers to 3 to 6 months.

Over the past few years, the SR industry has re-shaped, as the relocation industry is placing more short term assignments; business travel has picked up and there are more trips of a week or longer driven by the development of the transportation infrastructures.

Generally, there is a correlation between business visitor numbers and demand for SRs. As economic fundamentals improve, CBRE

expects a growth in business visitors over the next two years that will contribute to the demand for SRs.

### **Serviced Residence Supply**

The supply of unit nights available in Singapore has remained relatively stable over the last few years, with limited additions to supply. Most of the developments have been completed in the 1990s.

According to CBRE's research, SRs that opened in the last couple of years will include the 180-key Pan Pacific Serviced Apartments Beach Road and One Farrer Hotel and Spa which has 30 loft units serving as SRs.

Expected openings in 2016 are the 90-unit Oakwood Studios Singapore in Orchard Road and 116-unit Oasia West Residences by Far East Organization.

### **Investment Outlook**

The investment market in Singapore for SRs has not been very active with only a few transactions, because operators and developers have tended to acquire properties for conversion rather than purchasing existing stock.

Institutional investment in the market remains very limited as the focus of private equity for the last few years was on the hotel investment market. It may be two to three years before we see significant institutional investment in the sector, as investors remain largely risk-adverse and continue to focus on the most secure and liquid assets in the prime locations.

## PERFORMANCE REVIEW

### REVIEW OF HOTEL PERFORMANCE

Amidst the uncertain economic environment, the Singapore hospitality sector continued to experience softness in the demand for corporate travel in 2015. The operating landscape was made more competitive with the new supply of hotel rooms that came on-stream during the year. The relatively strong Singapore Dollar also affected visitor arrivals from key source markets in the region.

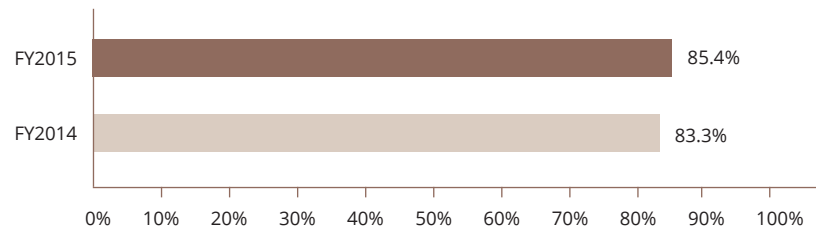
Due to a confluence of the aforementioned factors, ADR of the hotel portfolio for the full year

ended 31 December 2015 declined 8.3% year-on-year to S\$171. The impact of the lower ADR was however partially mitigated by a 2.2pp improvement in the average occupancy to 85.4%. Consequently, RevPAR decreased 5.8% year-on-year to S\$146 in FY2015.

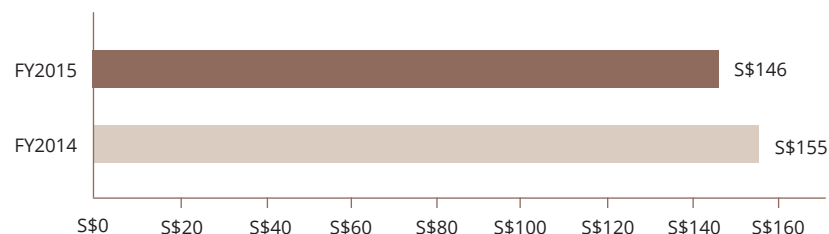
Corporate bookings held steady at 42.7% of the total hotel revenue in FY2015, compared to 42.5% a year ago. This is in line with Far East H-Trust's commitment towards maintaining a balanced mix between corporate and leisure guests to ensure healthy room occupancies during the peak and off-peak travel seasons.

Bookings from Southeast Asia and North Asia were the two largest contributors to revenue, comprising 25.3% and 22.6% of Far East H-Trust's hotel revenue in FY2015 respectively. Proportionately, revenue from Southeast Asia declined marginally by 1.1pp from 26.4% in the previous year as the strength of the Singapore Dollar made travel to Singapore less attractive. North Asia however grew 1.4pp from 21.2% due to growth in source markets such as Taiwan and South Korea.

#### AVERAGE OCCUPANCY



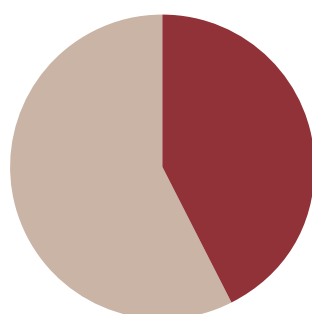
#### REVPAR





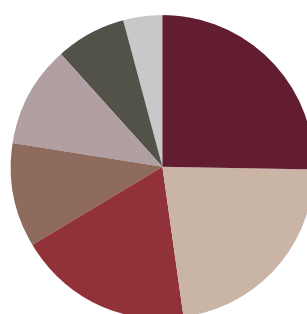
## PERFORMANCE REVIEW

REVENUE BY MARKET SEGMENT – HOTELS



■ Corporate (42.7%)  
■ Leisure/Independent (57.3%)

REVENUE BY REGION – HOTELS



■ SE Asia (25.3%)  
■ N Asia (22.6%)  
■ Europe (18.7%)  
■ Oceania (11.0%)  
■ S Asia (10.9%)  
■ N America (7.4%)  
■ Others (4.1%)

**REVIEW OF SERVICED RESIDENCE PERFORMANCE**

The average occupancy of the serviced residence portfolio was 87.0% in FY2015, compared to 87.5% a year ago. In line with the uncertain economic environment which had resulted in softer demand from the corporate segment, in particular project

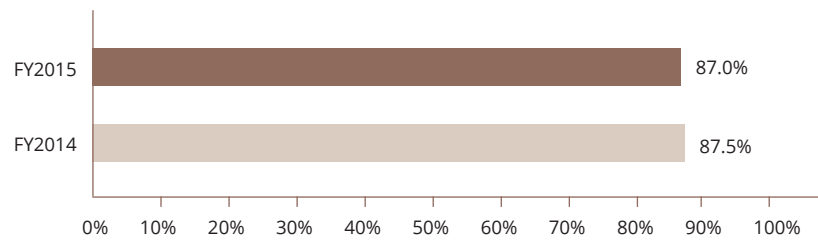
groups, ADR was affected while the average occupancy continued to remain at a healthy level. As result, RevPAU fell 8.8% year-on-year to S\$200 in FY2015.

For FY2015, corporate bookings contributed 84.2% of the serviced residence portfolio revenue, an increase from 78.0% in the preceding year. The customer mix

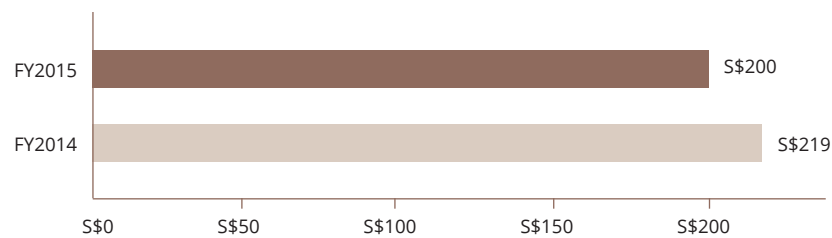
for the serviced residence portfolio remained generally unchanged. The Services and Banking & Finance sectors continued to be the two largest contributors to revenue, making up 31.9% and 22.6% of the serviced residence revenue in FY2015 respectively.

## PERFORMANCE REVIEW

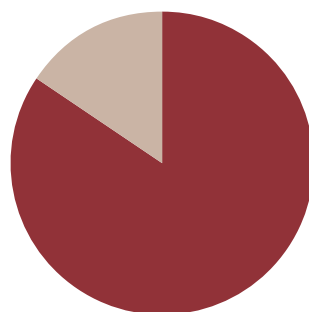
### AVERAGE OCCUPANCY



### REVPAU

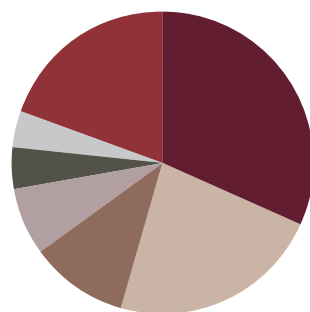


### REVENUE BY MARKET SEGMENT – SRs



- Corporate (84.2%)
- Leisure/Independent (15.8%)

### REVENUE BY INDUSTRY – SRs



- Services (31.9%)
- Banking & Finance (22.6%)
- Oil & Gas (10.4%)
- Electrical & Manufacturing (7.2%)
- FMCG (4.5%)
- Logistics (3.8%)
- Others (19.6%)

## PERFORMANCE REVIEW

**REVIEW OF EXCLUDED  
COMMERCIAL PREMISES (ECP)  
PERFORMANCE**

Far East H-Trust has a total of 276 units of retail, office and serviced office commercial spaces, housed in 9 out of the 12 properties in the portfolio. The average occupancies of the retail and office units in FY2015 were 97% and 91% respectively, with leases up to 3 years.

As at 31 December 2015, the weighted average lease expiry (WALE) of the ECP (i.e. retail and office spaces) was 1.0 years. New leases entered into during the year had a WALE of 1.1 years and made up 41.4% of the monthly ECP revenue.

As at 31 December 2015, there were 150 tenants within the retail and office portfolio. Revenue

from the ECP rose 1.9% year-on-year to S\$23.7 million in FY2015, contributing 20.6% of Far East H-Trust's gross revenue.

## LEASE MATURITY PROFILE AS AT 31 DECEMBER 2015

	0-1 years	1-2 years	2-3 years
Lease expiring	69%	27%	4%
% of total gross monthly ECP revenue	64%	29%	7%

## TOP 10 ECP TENANTS AS AT 31 DECEMBER 2015

No.	Tenant	Percentage of ECP Revenue	Industry
1	Far East Organization Entities	14.1%	Real Estate/Hospitality Services
2	Unos Pte. Ltd.	5.9%	Food & Beverage
3	Club Chinois Pte. Ltd.	4.8%	Food & Beverage
4	Stuart Anderson's Black Angus (Asia) Pte. Ltd.	3.7%	Food & Beverage
5	K Box Entertainment Group Pte. Ltd.	2.8%	Entertainment
6	Sivasanta Group Pte. Ltd.	2.5%	Food & Beverage/Education
7	Akanoya Pte. Ltd.	2.2%	Food & Beverage
8	Akashi Japanese Restaurant Oph Pte. Ltd.	2.1%	Food & Beverage
9	Henrybros Singapore Pte. Ltd.	2.0%	Food & Beverage
10	Menu Pte. Ltd.	1.9%	Food & Beverage



## PERFORMANCE REVIEW

## 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. In order to reduce exposure to market volatility, interest rate hedging strategies are implemented, where appropriate.

As at 31 December 2015, Far East H-Trust had total borrowings of S\$819 million. This includes S\$782 million of term loan facilities and

S\$37 million drawn down from a revolving credit facility ("RCF"). The latter was to finance Far East H-Trust's contribution for its 30% stake in a joint venture investment with Far East Organization Centre Pte. Ltd., to participate in a hotel development in Sentosa. S\$63 million of the RCF remains unutilised.

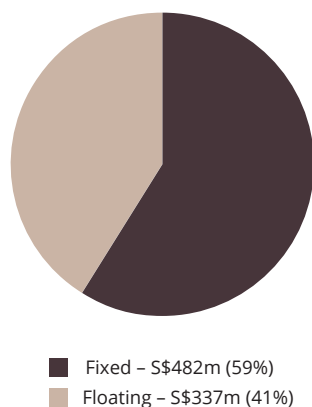
During the year, Far East H-Trust refinanced its S\$100 million three-year term loan maturing in August 2015 with a seven-year term loan. As at 31 December 2015, the debt portfolio's weighted average debt to maturity was 3.3 years and the average cost of debt was approximately 2.5% per annum.

Rated Baa2 with a stable outlook by Moody's Investors Service, Far East H-Trust's aggregate leverage of 32.5% is well within the Monetary Authority of Singapore Property Fund Appendix's gearing limit of 60%, as at 31 December 2015\*.

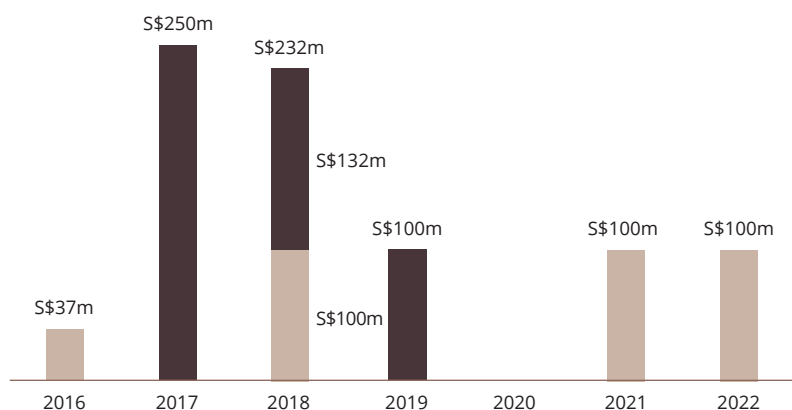
To manage the exposure from potential adverse interest rate movements, Far East H-Trust has entered into interest rate swaps to fix the interest rates of some of its borrowings. As at 31 December 2015, Far East H-Trust's financial position remained stable with 59% of the debt portfolio secured at fixed interest rates.

As at 31 December 2015

INTEREST RATE PROFILE



DEBT MATURITY PROFILE



	Notional amount	Marked-to-market
Interest rate swap	S\$482m	S\$10m
As a % of net assets	28.6%	0.6%

\* With effect from 1 January 2016, the gearing limit has been revised to 45% under the new guidelines.

## PERFORMANCE REVIEW

STAPLED SECURITY PRICE  
PERFORMANCE

The financial markets in 2015 were dogged by several global factors. An unexpected plunge in oil prices and sluggish economic growth sent stock prices on a downward spiral. In August, when China devalued the Yuan, stock markets experienced the largest sell-off on fears that growth in China had hit the wall.

The US Federal Reserve also drew mixed responses from the financial markets each time

they met. On some occasions, investors favoured the idea of the US Federal Reserve maintaining a dovish stance on interest rates. At other times, this was interpreted as a lack of confidence in the growth prospects of the US economy.

The Singapore hospitality sector faced challenges of its own. Impacted by new hotel openings, sluggish tourist arrivals and cut-backs in corporate spending, the sector showed little recovery from the previous year's low. The hospitality sector saw some

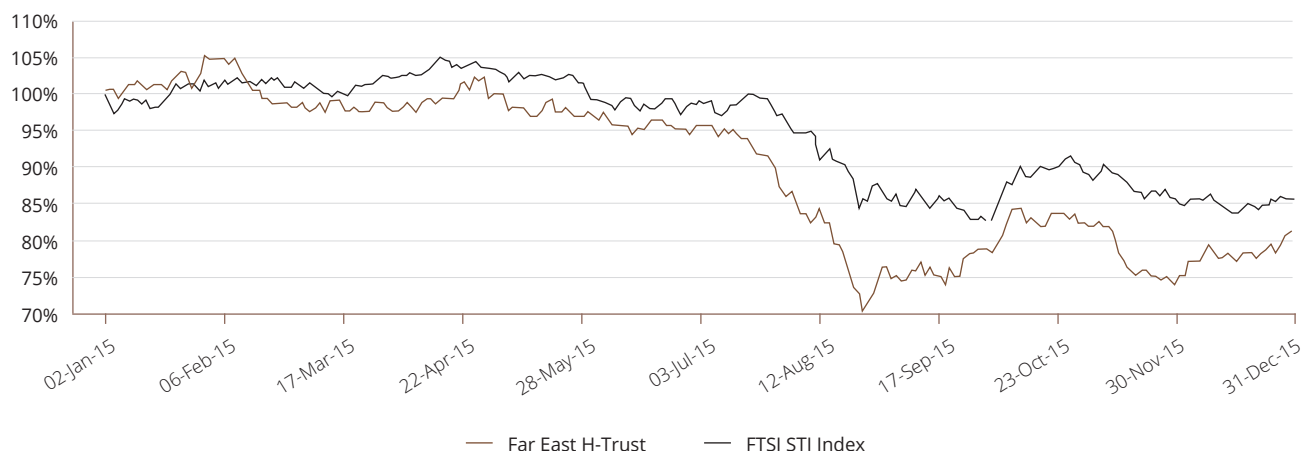
reprieve from May 2015, with positive year-on-year growth in international tourist arrivals into Singapore.

On the back of these headwinds, hospitality REIT counters were the underperformers within the S-REIT universe in 2015.

Far East H-Trust's Stapled Security price closed at S\$0.665 on 31 December 2015. A total of 198 million Stapled Securities were traded during the year, or an average of about 799,000 a day.

Stapled Security price		Net asset value (NAV) per Stapled Security	
Closing price as at 31 Dec 2014	S\$0.81	NAV per Stapled Security as at 31 Dec 2014	S\$0.97
Low	S\$0.56	NAV per Stapled Security as at 31 Dec 2015	S\$0.94
High	S\$0.87	Other information	
Closing price as at 31 Dec 2015	S\$0.665	Total operating expenses (comprising property expenses, REIT and BT level expenses)	S\$24.1 million
Volume		As a % of NAV as at 31 Dec 2015	1.4%
Total trading volume for 2015	198 million		
Average daily trading volume	799,000		

## FAR EAST H-TRUST STAPLED SECURITY PRICE PERFORMANCE



## INVESTOR RELATIONS

Far East H-Trust is committed to maintaining timely, consistent and effective communication with the investing community. The REIT Manager makes disclosures on an immediate basis 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.

The management enables the investing community to keep abreast of Far East H-Trust's performance and outlook by conducting quarterly analyst briefings and one-on-one meetings, as well as participating in conferences and roadshows. In 2015, Management had a total of 162 engagements with analysts and investors locally and abroad. Some of the conferences that Management took part in were the Daiwa Pan Asia REIT Day in Tokyo and Morgan Stanley Annual Asia Pacific Summit in Singapore.

Stapled Securityholders are given the opportunity to communicate their views at annual general meetings ("AGM") and extraordinary general meetings ("EGM"). All resolutions are moved by voting by poll and an announcement of the results showing the number of votes cast for and against each resolution and the respective percentages is made through SGXNET.

Management's investor outreach led to two research houses initiating coverage on Far East H-Trust during the year, bringing to a total of ten houses covering the stock.

As at 31 December 2015, Far East Organization entities continued to hold the majority of Far East H-Trust's stapled securities, with a stapled securityholding of 55.2%. Institutional investors held 26.1% and retail investors accounted for the rest of the stapled securityholdings. Given its pure geographical focus on Singapore, Far East H-Trust mainly attracts investors from Singapore. In 2015, 71.7% of its Stapled Securityholders were from Singapore. The next largest market was Asia (excluding Singapore), with stapled securityholdings of 7.9%. This market experienced a growth from 7.5% in the preceding year.

### ACCESS TO INFORMATION

Stapled Securityholders, analysts, fund managers and the media can reach out to our investor relations team for information on Far East H-Trust.

Far East H-Trust's website ([www.feht.com](http://www.feht.com)) is another avenue through which the public can obtain information on the Trust. This includes its corporate announcements, financial results and presentations slides. Those who would like to receive Far East

H-Trust's latest announcements and SGX filings can subscribe to email alerts via the website. Existing and potential stapled securityholders can also keep track of the stock's performance using the website's stock quotes (with a delay of 10 minutes) and investment calculator.

For details on the REIT Manager's investor relations policy, please refer to Far East H-Trust's website.

Stapled Securityholders with queries relating to Far East H-Trust may contact the investor relations team at:

**Denise Wong**  
Manager, Investor Relations  
& Asset Management  
Tel: +65 6833 6607  
Email: [denisewong@fareast.com.sg](mailto:denisewong@fareast.com.sg)



## INVESTOR RELATIONS

Events Attended	Date
4Q/FY2014 Results Briefing with Analysts	11 February 2015
1Q 2015 Results Con-call with Analysts	29 April 2015
2Q 2015 Results Con-call with Analysts	6 August 2015
HSBC Non-Deal Roadshow in Singapore	12 August 2015
HSBC Non-Deal Roadshow in Hong Kong	27-28 August 2015
Daiwa Pan Asia REIT Day Tokyo 2015	7 September 2015
3Q 2015 Results Con-call with Analysts	3 November 2015
Morgan Stanley Fourteenth Annual Asia Pacific Summit	18 November 2015

## COMMUNITY INVOLVEMENT

Far East H-Trust is committed to sharing its success with the less fortunate and contributing to communities in need. Employees of the REIT Manager participated in the following community programmes, reaching out to beneficiaries from Habitat for Humanity Singapore and the Society for the Physically Disabled.

### BARE YOUR SOLE 2015

Bare Your Sole is an annual barefoot walkathon organized by Habitat for Humanity Singapore, a charity that seeks to improve the living conditions of the elderly, the sick and the physically challenged

living in one-room flats across the nation. Second time participating in Bare Your Sole, employees of the REIT Manager joined over 6,000 participants in a walk along the coast of Sentosa's Palawan Beach to raise S\$350,000 in proceeds. In addition to the walkathon, participants enjoyed a wide array of food, music, games and entertainment.

### VOLUNTEER DAY WITH THE SOCIETY FOR THE PHYSICALLY DISABLED

More than 100 Far East Organization staff participated in its annual Volunteer Day,

accompanying beneficiaries from the Society for the Physically Disabled in a fun-filled evening along Singapore's historical riverside quay. After a sumptuous dinner over table games and entertainment, the beneficiaries were treated to the sights and sounds of the Singapore River and Clarke Quay before shopping to their hearts' delight at The Central.

The Society for the Physically Disabled is a sheltered workshop where the wheelchair-bound and intellectually disabled engage in sub-contract work such as packaging, data entry and book binding.



1,2 Riverside dining and shopping with beneficiaries from the Society for the Physically Disabled.  
3 All set to bare their soles in a barefoot walkathon along Sentosa's Palawan Beach.

## CORPORATE GOVERNANCE

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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 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 "Trustee").

Far East H-BT is a business trust constituted by the trust deed dated 1 August 2012 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 main board of Singapore Exchange Securities Trading Limited (the "SGX-ST").

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

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

- (i) the SFA;
- (ii) Appendix 6 of the Code on Collective Investment Schemes (the "CIS Code", and Appendix 6 of the CIS Code, the "Property Funds Appendix");
- (iii) the Listing Manual of SGX-ST (the "Listing Manual");
- (iv) the Business Trusts Act, Chapter 31A of Singapore; and
- (v) the Code of Corporate Governance 2012 (the "Code").

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

This Report sets out Far East H-REIT's corporate governance framework and practices with specific reference to guidelines set out in the Code of Corporate Governance 2012. 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.

### THE BOARD'S CONDUCT OF ITS AFFAIRS

#### Principle 1: An effective Board to lead and control the REIT Manager

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.



## CORPORATE GOVERNANCE

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The key roles 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 holders of Far East H-REIT Units;
- 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 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;
- Ensure that Management maintains sound measures relating to corporate governance, financial regulations, and internal policies;
- Consider sustainability issues such as environmental issue as part of its strategic formulation; and
- Recognize the perceptions of stakeholders that will affect Far East H-Trust's reputation.

In the discharge of its functions, the Board is supported by three committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committees (collectively known as "Committees"). Each of the board committees has its own written terms of reference and reports to the Board.

The Audit Committee provides independent oversight of Management and serves to ensure that there are appropriate checks and balances. The Audit Committee also operates under delegated authority from the Board. The Board has delegated to the Audit Committee the responsibilities of monitoring and evaluating the effectiveness of internal controls, reviewing quality and reliability of information prepared for inclusion in financial reports, etc. Details of the Audit Committee's terms of reference are listed on page 67 of the Annual Report.

## CORPORATE GOVERNANCE

The Board meets at least once every three months to review the portfolio performance, business outlook, movement in stapled security holdings, deliberate growth opportunities of Far East H-REIT, and approve the quarterly financial announcements. The Board also meets as warranted by particular circumstances or as deemed appropriate by the Directors. The number of meetings of the Board and Audit Committee held during FY2015, as well as the attendance of every Director at these meetings are as disclosed below:

Attendance at Board Meetings and General Meeting	10/2/15 BM	21/4/15 AGM	28/4/15 BM	6/8/15 BM	2/11/15 BM	9/11/15 BM	Total
Koh Boon Hwee	✓	✓	✓	✓	✓	✓	6
Willie Cheng Jue Hiang	✓	✓	✓	✓	✓	✓	6
Kyle Lee Khai Fatt	✓	✓	✓	✓	✓	✓	6
Huang Cheng Eng	✓	✓	✓	✓	✓	✓	6
Wee Kheng Jin	✓	✓	✓	✓	✓	✓	6
Chng Kiong Huat	✓	✓	✓	✓	✓	✓	6

Attendance at Audit Committee Meetings	9/2/15 ACM	27/4/15 ACM	5/8/15 ACM	2/11/15 ACM	Total
Willie Cheng Jue Hiang	✓	✓	✓	✓	4
Kyle Lee Khai Fatt	✓	✓	✓	✓	4
Huang Cheng Eng	✓	✓	✓	✓	4
Wee Kheng Jin <sup>#</sup>	✓	✓	✓	✓	4

<sup>#</sup> Mr Wee is not an Audit Committee member. He has attended the AC meetings by invitation.

ACM – Audit Committee Meeting

BM – Board Meeting

AGM – Annual General Meeting

## CORPORATE GOVERNANCE

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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 is:

- Long term strategy and objective 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
- Change of investment strategy after the expiry of three-year period from listing
- Recommendation to the REIT Trustee on the acquisition, divestment or enhancement of assets of Far East H-REIT in accordance with its stated investment strategy
- Unstapling of Far East H-Trust
- Recommendation to the REIT Trustee on the change in Property Manager for the Excluded Commercial Premises
- Recommendation to the REIT Trustee on the change in Master Lessee
- Change in the REIT Trustee
- Recommendation to the REIT Trustee on the change in percentage pegged to each Property's Gross Operating Revenue across the Portfolio
- Recommendation to the REIT Trustee on the change in management fee comprising a Base Fee of 0.3% per annum of the value of Far East H-REIT Deposited Property and a Performance Fee of 4% of Net Property Income
- Recommendation to the REIT Trustee on the change of 90% of the REIT Manager's management fees in stapled securities instead of cash
- Capital structure
- Distribution Policy
- Significant change in accounting policies
- Material adjustments to financial statements
- Determination of the nature and extent of significant risks that the Board is willing to take in achieving the strategic objective of Far East H-REIT
- Announcements and press releases
- Board memberships and other appointments

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. In addition, approval sub-limits are also delegated to the Chief Executive Officer and Chief Financial Officer\* to facilitate operational efficiency.

All newly-appointed directors go through a comprehensive orientation programme to enable them to have a good understanding of Far East H-Trust. The orientation includes management presentations on Far East H-Trust's business and strategic objectives and site visits to Far East H-Trust properties.

\* As at 31 December 2015.



## CORPORATE GOVERNANCE

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The Board ensures that there is a Continuous Professional Development programme for all Board members, to equip them with the appropriate skills and knowledge to perform their roles effectively on the Board and Board Committees.

The Board is continually updated on developments affecting the Singapore hospitality industry. From time to time, the REIT Manager organises talks and presentations by external professionals and consultants on topics relevant to hospitality industry and the operations of the REIT Manager. Continuing Professional Development for Board members is flexible and they may attend appropriate courses, conferences and seminars conducted by professional bodies which among others include the Singapore Institute of Directors. The REIT Manager funds the training and development programmes for existing and new Board members.

With the formation of the Nominating Committee, the Continuing Professional Development programme for Board members will come under its purview.

### BOARD COMPOSITION AND GUIDANCE

#### Principle 2: A strong and independent element on the Board

The Board presently comprises 6 directors, 3 of whom are Independent Directors and 3 of whom are Non-Independent Directors. The composition of the Board therefore complies with what is prescribed in Guideline 2.2 of the Code of Corporate Governance, which states that at least half of the Board members should be independent when the Chairman is not an independent director. This enables Management to benefit from their invaluable and objective perspective on issues that are brought before the Board.

The independence of the Directors is reviewed annually. Based on the Board's review, the following Directors are presently considered independent:

- Mr Willie Cheng
- Mr Huang Cheng Eng
- Mr Kyle Lee

The Board considers Mr Koh Boon Hwee, Mr Wee Kheng Jin and Mr Chng Kiong Huat to be non-independent. Mr Koh Boon Hwee is the Chairman of the Board of Far East Orchard Limited which owns 33% of the share capital of the REIT Manager. Mr Wee is an Executive Director of Far East Organization ("FEO"), and holds directorships in various FEO companies. Mr Chng Kiong Huat was an Executive Director of FEO up till 1 November 2014.

The Board is satisfied that the Board and Committees comprise directors with an appropriate balance and diversity of skills, experience and knowledge. The Directors have diverse backgrounds in accounting and finance, real estate, business, management and strategic planning. The Directors engage in open and constructive debate and regularly challenge Management on its assumptions and proposals. Management has benefited from their invaluable views and experiences.

## CORPORATE GOVERNANCE

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### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

#### **Principle 3: A clear division of responsibilities between Chairman of the Board and the executives responsible for managing the REIT's business**

The positions of Chairman of the Board and CEO of the REIT Manager are held by two different individuals in order to ensure an appropriate balance of power and authority, increased accountability and to maintain effective checks and balances. The Chairman of the Board is Mr Koh Boon Hwee, while the CEO of the REIT Manager is Mr Gerald Lee. Mr Koh Boon Hwee is also the Chairman of the Trustee-Manager Board and Mr Gerald Lee is also the CEO of the Trustee-Manager.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the REIT Manager. Mr Koh Boon Hwee 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 Non-Executive Directors and encourages a culture of openness and debate at board meetings.

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.

The Code requires that the Board appoints an Independent Director to be the Lead Independent Director where the Chairman is not an Independent Director. As Mr Koh Boon Hwee is a Non-Independent Director, the Board has appointed Mr Willie Cheng as the Lead Independent Director.

Where necessary, the Directors meet and discuss matters such as the Far East H-REIT financial performance, succession planning, leadership development and the remuneration of the key executives without the presence of Management.

### BOARD MEMBERSHIP

#### **Principle 4: Formal and Transparent Process for the appointment and re-appointment of Directors to the Board**

The Board established its Nominating Committee on 19 January 2016. The Nominating Committee members are appointed by the Board from among its members, a majority of whom (including the Chairman of the Nominating Committee) are independent directors. The members of the Nominating Committee are Mr Kyle Lee (Chairman), Mr Willie Cheng and Mr Wee Kheng Jin.

## CORPORATE GOVERNANCE

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The responsibilities of the Nominating Committee include:

- Nomination and re-nomination of the 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;
- Determining annually whether or not a director is independent;
- Deciding whether or not a director is able to and has been adequately carrying out his duties as a director;
- Review of board succession plans for directors.
- Development of a process for evaluation of the performance of the Board, its committees and directors;
- Review of training and professional developments programs for the Board;
- Appointment and re-appointment of directors.

The Nominating Committee is of the view that the members of the Board provide an appropriate balance and diversity of skills and commercial experience including areas such as business management, accounting, finance, property development, investment and property management. The Nominating Committee believes that a director's eligibility for selection, appointment and re-appointment goes beyond his attendance at meetings. The Nominating Committee takes into consideration a director's competencies, commitment, contribution and performance. The Nominating Committee and the Board believe that putting a limit on the number of listed company board representations which a Director may hold is arbitrary, given that time requirements for each varies, and thus should not be prescriptive.

A director with multiple directorships is expected to ensure that sufficient attention is given to the affairs of Far East H-REIT and the REIT Manager. The Nominating Committee and the Board believe that each individual director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a director of the REIT Manager, bearing in mind his other commitments. The Nominating Committee 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 2015.

Key information regarding the Directors such as academic and professional qualifications, committee membership, date of appointment and a list of the present and past directorships of each Director over the last three years are set out on pages 13-15 of this Annual Report. The Directors' Stapled Securityholdings in Far East H-Trust are set out on page 159.



## CORPORATE GOVERNANCE

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

- The Board should comprise directors with a broad range of commercial experience;
- At least 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/her track record, age, experience and capabilities and such other relevant experience as may be determined by the Board.

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.

The search for candidates to be appointed as directors is conducted through contacts and recommendations. The Nominating Committee will first interview the candidates. Suitable candidates are then evaluated by the Chairman of the Board and Independent Directors so that recommendations made on proposed candidates are objective and well supported.

### BOARD PERFORMANCE

#### **Principle 5: Formal Annual Assessment of the effectiveness of the Board as a whole and its committee and the contribution by each Director to the effectiveness of the Board**

The Nominating Committee has in place a process to evaluate the effectiveness of the Board as a whole and the contribution by each Director. The review allows each Director to individually express his 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, whilst identifying areas that need strengthening or improvement. The evaluation of the Board's performance include board composition, access to information, board process, risk management, strategy and planning, board accountability and engagement with CEO and Management. Each Director is required to complete a Board & Committee Evaluation Questionnaire and an Individual Director Assessment Questionnaire. The questionnaire is on a no-name basis and the submissions are kept confidential by the Company Secretaries of the REIT Manager, Ms Lin Moi Heyang and Ms Low Mei Wan (the "Company Secretary"). From the responses, a consolidated report is prepared and presented to the Nominating Committee. The Nominating Committee reviews the responses and feedback, and discusses changes that should be made to help the Board discharge its duties more effectively.

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

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

## CORPORATE GOVERNANCE

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### ACCESS TO INFORMATION

**Principle 6: Directors to be provided with complete, adequate and timely information prior to meetings and on an ongoing basis**

As a general rule, Board and Committee meeting notices and papers are required to be sent to the Directors and the Committee members at least five business days before the meetings. However, papers containing price sensitive information may be tabled at the meetings themselves or discussed without any papers being distributed. All Board and Committee papers are kept and disseminated via an electronic board portal.

Executive officers of FEO, 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 FEO will not participate in any decision-making process involving transactions between Far East H-Trust and the Sponsor, FEO group of companies.

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 Audit Committee meetings, Directors are updated on developments, challenges and changes in the operating environment, including changes in accounting standards, Singapore property taxation as well as laws and regulations governing Far East H-REIT, or changes that have a bearing on Far East H-REIT. The Board and 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 Far East H-Trust's operating and financial performance.

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 also have access to independent professional advice where appropriate and whenever requested.

The Company Secretary attends to all corporate secretarial matters for the REIT Manager. She attends all Board and Committee meetings and prepares minutes of meetings proceedings. She assists the Chairmen of the Board and Committees in ensuring that Board and Committee procedures are followed and that the REIT Manager's Memorandum and Articles of Association, Terms of Reference of the Board and Committees, applicable rules and regulations and best practices are complied with. Under the direction of the Chairmen of the Board and Committees, the Company Secretary advises the Board on all governance matters. She also works with Management to ensure that Board and Committee papers are provided to each director at least five business days ahead of meetings. Her 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

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### REMUNERATION MATTERS

#### **Principle 7: A formal and transparent procedure for developing remuneration policies**

The Board established its Remuneration Committee on 19 January 2016. The Remuneration Committee members are appointed by the Board from among its members, the majority of whom (including the Chairman of the Remuneration Committee) are independent Directors. The members of the Remuneration Committee are Mr Huang Cheng Eng (Chairman), Mr Kyle Lee and Mr Wee Kheng Jin.

The responsibilities of the Remuneration Committee include:

- Reviewing and recommending to the Board for endorsement a framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to director's 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 professional consultancy firms where necessary in determining remuneration packages.
- 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.

#### **Principle 8: Level and mix of remuneration**

The remuneration of key management personnel is structured to take into account corporate and individual performance, to align the interests of key management personnel with that of Stapled Securityholders, as well as to promote the long-term success of Far East H-Trust. Key management personnel are paid a basic salary and an annual variable bonus, based on their achievement of key performance indicators. The Remuneration Committee also considers long-term incentive schemes for the key management personnel. These performance indicators of the annual variable bonus and long-term incentive are not linked to the performance of the controlling shareholder.

The Remuneration Committee 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 Remuneration Committee ensures that Independent Directors are not over-compensated to the extent that their independence may be compromised.

## CORPORATE GOVERNANCE

The REIT Manager takes reference from market practices for its policies in determining the remuneration of its Directors and key executives. Where necessary, the Board modifies the framework of remuneration to align the REIT Manager's compensation with the interests of the REIT's 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.

None of the Directors has any service contracts with the REIT Manager. Directors' fees comprise a base fee for serving as a director and as Chairman and members of board committees. For the financial year ended 31 December 2015, the Directors' fees are paid in cash.

The bonuses and long term incentives paid to executive officers and employees of the REIT Manager are structured so as to link rewards to the performance of Far East H-Trust and the REIT Manager. Such performance-related bonus scheme was designed to align the interests of the Stapled Securityholders and the success of Far East H-Trust.

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 talents, 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.

### Principle 9: Disclosure of remuneration

The exact remuneration payable to each individual Director for the financial ended 31 December 2015 is as follows:

Name of Director	Fee
Koh Boon Hwee	S\$126,000
Willie Cheng Jue Hiang	S\$110,000
Huang Cheng Eng	S\$85,000
Kyle Lee Khai Fatt	S\$85,000
Wee Kheng Jin	S\$60,000
Chng Kiong Huat	S\$56,000



## CORPORATE GOVERNANCE

The exact remuneration paid to or accrued to the CEO and remuneration to the top five key executives, in bands of S\$250,000, for the financial ended 31 December 2015 are as follows:

## THE LEVEL AND MIX OF THE REMUNERATION OF THE CEO

	Base/Fixed Salary (includes Employer CPF)	Variable or Performance related Income/ Bonuses	Benefits-In-Kind	Total	Contingent Award of Units <sup>1</sup>
Gerald Lee Hwee Keong	S\$470,300	S\$66,500	S\$23,763	S\$560,563	310,000 units in Far East Hospitality Trust pursuant to the Performance Unit Plan of the Manager

THE LEVEL AND MIX OF THE REMUNERATION OF EACH OF THE OTHER TOP FIVE KEY EXECUTIVES  
IN BANDS OF S\$250,000

Remuneration Band and Names of Top 5 Key Executives	Base/Fixed Salary (includes Employer CPF)	Variable or Performance related Income/ Bonuses	Benefits-In-Kind	Total	Contingent Award of Units <sup>1</sup>
Above S\$250,000 to S\$500,000					
Gregory Sim Chee Wah <sup>2</sup>	93%	0%	7%	100%	
Below S\$250,000					
Bryant Lee Pettey <sup>3</sup>	93%	0%	7%	100%	
Sandra Chia Sien Inn	85%	11%	4%	100%	45,000 units in Far East Hospitality Trust pursuant to the Performance Unit Plan of the Manager
Lee Pei Yee	88%	11%	1%	100%	45,000 units in Far East Hospitality Trust pursuant to the Performance Unit Plan of the Manager.
Elaine Chin Shu Peng	89%	11%	0%	100%	30,000 units in Far East Hospitality Trust pursuant to the Performance Unit Plan of the Manager.

1 Units awarded under the Manager's Performance Unit Plan (PUP) are subject to pre-determined performance targets set over a three-year period. 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. Remuneration of the employees, including awards from the PUP, is paid by the REIT Manager.

2 Mr Gregory Sim Chee Wah resigned from the REIT Manager and his last day of service was 31 December 2015.

3 Mr Bryant Lee Pettey resigned from the REIT Manager and his last day of service was 10 September 2015.

There is no employee with the REIT Manager who is an immediate family member of a director or the Chairman.

## CORPORATE GOVERNANCE

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### ACCOUNTABILITY AND AUDIT

**Principle 10: The Board should present a balanced and understandable assessment of the REIT's 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.

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.

### RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11: A sound system of risk management and internal controls to safeguard the interests of the Stapled Securityholders and the REIT's assets**

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

The extent of risk tolerance or 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 Audit Committee 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 respective managers. The nature and extent of risks are assessed regularly by Management and internal auditors and reports are submitted to the Audit Committee on a quarterly basis. The Audit Committee reports to the Board on material findings and makes recommendation or seeks guidance from the Board in respect of any material risk issues.

## CORPORATE GOVERNANCE

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

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 Audit Committee reviews liquidity management such as the aging report which includes analysing accounts receivable and accounts payable. In addressing information technology risk, the Sponsor's Information Technology Department has assisted in putting in place a framework and processes (e.g. to recover critical system within 4 hours of each system failure).

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 Audit Committee of the REIT Manager and their duties include:

- advising and checking for the REIT Manager's compliance with its regulatory obligations under the SFA;
- advising and checking for the representatives' compliance with their regulatory obligations under the SFA, such as the maintenance of their relevant interest in securities;
- 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;
- conducting regulatory training for the REIT Manager, its directors and its representatives as part of the quarterly compliance review.

### Conflicts of Interest

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 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 nominees 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

## CORPORATE GOVERNANCE

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management and business relationships with the REIT Manager and must exclude nominee directors of the Sponsor, for example, in matters relating to:

- potential acquisitions of properties or property-related investments by Far East H-REIT in competition with the Sponsor; and
  - competition for tenants between properties owned by Far East H-REIT and properties owned by 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 Far East H-REIT 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 of the holders of Far East H-REIT units and/or which is in the 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.

### **Related Party Transactions**

#### **The REIT Manager's Internal Control System**

The REIT Manager has established an internal control system to ensure that all Related Party Transactions ("RPT" as defined in page 67):

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



## CORPORATE GOVERNANCE

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As a general rule, the REIT Manager must demonstrate to the Audit Committee 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 RPT 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 a review of all RPT entered into by Far East H-REIT. The Audit Committee will review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor RPT have been complied with. 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 Audit Committee. If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction.

Further, the following procedures will be undertaken:

- Any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S\$100,000 in value but less than 3.0% of the value of Far East H-REIT's net tangible assets (based on the latest audited accounts) will be subject to review by the Audit Committee at regular intervals;
- Any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Far East H-REIT's net tangible assets (based on the latest audited accounts) will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if such transaction is on normal commercial terms and is consistent with similar types of transactions made by the REIT Trustee with third parties which are unrelated to the REIT Manager; and
- Any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of Far East H-REIT's net tangible assets (based on the latest audited accounts) will be reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the Audit Committee 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 holders of Far East H-REIT Units at a meeting duly convened.

Pursuant to the Listing Manual, transactions with a value below S\$100,000 are disregarded on the ground that they do not put Far East H-REIT at risk. Accordingly, such transactions are excluded from aggregation with other transactions involving the same Related Parties. 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 a Related Party of the REIT Manager (which would include relevant "associates" as defined under the Listing Manual) or

## CORPORATE GOVERNANCE

Far East H-REIT, the REIT Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Far East H-REIT and the holders of Far East H-REIT Units, and in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question. Further, the REIT Trustee has the ultimate discretion under the Far East H-REIT Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the REIT Manager or Far East H-REIT. If the REIT Trustee is to sign any contract with a Related Party of the REIT Manager or Far East H-REIT, the REIT Trustee will review the contract to ensure that it complies with the relevant requirements relating to RPT (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.

Save for the RPT in connection with the Setting Up of Far East H-REIT and Future RPT (as disclosed 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.

The aggregate value of all Interested Person Transactions in accordance with the Listing Manual in FY2015 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	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
Rental income – Master Lease <sup>1</sup>	90,861	–
Rental Income – Excluded Commercial Premises <sup>2</sup>	1,371	–
Rental income received/receivable from FEO Hospitality Asset Management Pte. Ltd. (the "REIT Manager")	355	–
Total Rental Income	92,587	–

1 The relates to the rental received/receivable from the master lessees of the properties:

- First Choice Properties Pte. Ltd.
- Far East Organization Centre Pte. Ltd.
- Golden Landmark Pte. Ltd.
- Transurban Properties Pte. Ltd.
- Far East Orchard Limited
- Golden Development Private Limited
- OPH Riverside Pte. Ltd.
- Serene Land Pte. Ltd.
- Oxley Hill Properties Pte. Ltd.
- Riverland Pte. Ltd.

2 The relates to rental received/receivable from the related corporation of the REIT Manager:

- Far East Organization Centre Pte. Ltd.
- Far East Management (Private) Limited
- Far East Orchard Limited
- Yeo Hiap Seng Ltd.

## CORPORATE GOVERNANCE

Name of interested person	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
Management fees paid/payable to REIT Manager <sup>3</sup>	11,779	–
Trustee's fee paid/payable to the trustee	316	–
Shared service fees paid/payable to related corporation of the REIT Manager <sup>4</sup>	1,352	–
Reimbursable expenses paid/payable to the REIT Manager <sup>5</sup>	173	–
Reimbursable expenses paid/payable to related corporation of the REIT Manager	4	–
Technical support service fee paid/payable to related corporation of the REIT Manager <sup>6</sup>	386	–
Leasing commission paid/payable to related corporation of the REIT Manager <sup>7</sup>	343	–
Reimbursable expenses received/receivable from related corporation of the REIT Manager <sup>8</sup>	144	–
Loan to a joint venture company <sup>9</sup>	21,300	–
Interest received/receivable from a joint venture company <sup>10</sup>	65	–

- 3 Pursuant to the H-REIT Trust Deed, the H-REIT Manager is entitled to a management fee comprising a base fee of 0.3% per annum of the value of the H-REIT Deposited Property (as defined in the H-REIT Trust Deed) and a performance fee of 4.0% per annum of net property income ("NPI") (as defined in the H-REIT Trust Deed). As performance fee payable is based on a percentage of NPI, as NPI increases, distribution to Stapled Securityholders will increase. Accordingly, the directors are satisfied that such fee arrangement will provide necessary incentive to the REIT Manager to grow the NPI, while constantly looking for new opportunities to increase the NPI in the long term.
- 4 This relates to the shared services agreements between the master lessees and Far East H-REIT in respect of the properties. Far East H-REIT paid to the master lessees monthly, a share of the costs of the applicable services provided to and attributed to the Excluded 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.
- 5 This relates to service fee for engagement of valuer, website design/maintenance, annual report production, AGM expenses, air tickets, retainer fee, MAS lodgement fee and professional fee.
- 6 This relates to technical support service fee paid/payable to the related corporation of the REIT Manager:
- First Choice Properties Pte. Ltd.
  - Far East Organization Centre Pte. Ltd.
  - Golden Landmark Pte. Ltd.
  - Golden Development Private Limited
  - Far East Orchard Limited
  - OPH Riverside Pte. Ltd.
  - Serene Land Pte. Ltd.
  - Oxley Hill Properties Pte. Ltd.
  - Riverland Pte. Ltd.
- 7 This relates to leasing commission paid/payable to Far East Management (Private) Limited.
- 8 This relates to reimbursement of utilities from Kitchen Language Pte. Ltd.
- 9 This relates to shareholders' loan to Fontaine Investment Pte. Ltd. in relation to the Sentosa development project.
- 10 This relates to interest on shareholders' loan received/receivable from Fontaine Investment Pte. Ltd.

## CORPORATE GOVERNANCE

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Save as disclosed above, there were no additional interested person transactions (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 Far East H-REIT Trust Deed, the Stapling Deed, the Property Management Agreement, the Shared Services Agreements, the Shared Electricity Services Agreements, the Licence Agreement and the leases set out in the section “Other Related Party Transactions” in the IPO Prospectus, to the extent that details of these have been specifically disclosed in the IPO Prospectus, which each constitutes an Interested Person Transaction, are deemed to have been specially approved by Stapled Securityholders upon purchase of the Stapled Securities 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.

### **Role of the Audit Committee for RPT**

The Audit Committee will monitor the procedures established to regulate RPT, including reviewing any RPT entered into from time to time and the internal audit reports to ensure compliance with the relevant provisions of the Listing Manual and the Property Funds Appendix.

If a member of the Audit Committee has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction.

### **Board's Opinion on Internal Controls**

On a quarterly basis and for the purposes of the financial results reporting, the CEO and the CFO\* sign a certificate of assurance to the Board that to the best of their knowledge, the accounting records have been properly maintained and the financial statements give a true and fair view of the properties' operations and finance, and that Far East H-Trust's risk management and internal control systems including financial, operational, compliance and information technology controls are adequate and effective. The Hotel and Serviced Residences Operator signs a certificate of assurance to the Board that to the best of their 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.

The Board recognizes the responsibility for the governance of risk and 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-Trust's risk management and internal control systems, including financial, operational, compliance and information technology controls on an annual basis.

Based on the internal control systems established and adhered to by Far East H-Trust, the assurance received from the CEO and CFO\*, the assurance received from the Hotels and Serviced Residences Operator and reports from the external and internal auditors and fine tuning of business processes to address audit recommendations

\* As at 31 December 2015.



## CORPORATE GOVERNANCE

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highlighted, the Audit Committee and the Board are of the opinion that Far East H-Trust's risk management and internal control systems, addressing financial, operational, compliance and information technology controls were adequate and effective as at 31 December 2015.

The CEO and CFO\* have given assurance that:

- (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Far East H-Trust's operations and finances; and
- (b) Far East H-Trust's risk management and internal control systems, addressing financial, operational, compliance and information technology controls were adequate.

Far East H-Trust's internal control systems are designed to manage rather than to eliminate financial, operational, compliance and information technology controls risks to achieve business objectives. The Board accepts that the internal control systems contain inherent limitations. It does not preclude the occurrence of material errors, poor judgment in decision making, human errors, fraud and other irregularities. In the absence of evidence to the contrary, the internal control systems provide reasonable but not absolute assurance against material misstatement of loss.

### AUDIT COMMITTEE

#### Principle 12: Establishment of Audit Committee with written terms of reference

The Audit Committee members are appointed by the Board from among its members, the majority of whom (including the Chairman of the Audit Committee) are independent Directors. The members of the Audit Committee are Mr Willie Cheng (Chairman), Mr Huang Cheng Eng and Mr Kyle Lee.

The three Audit Committee members:

- (i) are Independent Directors (as defined in the Code) of the REIT Manager or any of its related corporation;
- (ii) are not in the management of the REIT Manager or any of its related corporation;
- (iii) do not have a spouse, parent, brother, sister, child or adopted child, step-child who is or has been employed in the past three financial years by the REIT Manager or any of its related corporation as a senior executive officer;
- (iv) are not persons acting as nominees or representatives of any director or substantial shareholder of the REIT Manager or any of its related corporation; and
- (v) are not persons having a relationship which, in the opinion of the Board would interfere in the exercise of independent judgement in carrying out the functions of the Audit Committee.

\* As at 31 December 2015.

## CORPORATE GOVERNANCE

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The Board is of the view that the members of the Audit Committee are appropriately qualified to discharge their responsibilities. Both Mr Willie Cheng and Mr Kyle Lee have extensive accounting and financial management expertise and experience. The Board considers Mr Huang Cheng Eng as having sufficient financial management knowledge to discharge his responsibilities as a member of the Audit Committee.

The Audit Committee's responsibilities include:

- (i) monitoring the procedures established to regulate RPT (as defined herein), including ensuring compliance with the provisions of the Listing Manual relating to Interested Person Transactions and the provisions of the Property Funds Appendix relating to Interested Person Transactions (both such types of transactions constituting RPT);
- (ii) reviewing transactions constituting RPT;
- (iii) deliberating on resolutions relating to conflicts of interest involving Far East H-REIT;
- (iv) monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Appendix;
- (v) reviewing the arrangements by which employees of REIT Manager may, in confidence, 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;
- (vi) examining the effectiveness of financial, operating and compliance controls and risk management policies and systems at least once annually;
- (vii) reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- (viii) reviewing the adequacy of external and internal audits in respect of cost, scope and performance;
- (ix) 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;
- (x) reviewing, on an annual basis, the independence and objectivity of the external auditors and where the external auditors also provide a substantial volume of non-audit services to Far East H-REIT, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (xi) reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor RPT have been complied with;
- (xii) ensuring that the internal audit function is independent from Management and reporting to the Chairman of the Audit Committee who is adequately qualified to perform an effective role;
- (xiii) ensuring, at least annually, the adequacy and the effectiveness of the internal audit function;
- (xiv) meeting with external and internal auditors, without the presence of the Management, at least once annually;
- (xv) reviewing the financial statements of Far East H-REIT;
- (xvi) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of Far East H-REIT and any formal announcements relating to Far East H-REIT's financial performance;
- (xvii) investigating any matters within the Audit Committee's terms of reference, whenever it deems necessary; and
- (xviii) reporting to the Board on material matters, findings and recommendations.

## CORPORATE GOVERNANCE

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

During the year under review, 4 Audit Committee meetings were held. The Audit Committee has met with the external and internal auditors, without the presence of the executive officers of the REIT Manager at its meeting on 9 February 2015.

The Audit Committee has conducted a review of all non-audit services provided by Ernst & Young LLP, the external auditor, during the year under review. The statutory audit fee for Far East H-Trust amounts to S\$65,000, which is relatively low as 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 Audit Committee is of the view that even though the total amount of fees paid to the auditor for non-audit services exceeds 50%, the auditor's independence and objectivity are not impaired due to the low statutory audit fee. A breakdown of the fees paid in total for audit and non-audit services is set out below:

### AUDIT AND NON-AUDIT SERVICES PAID/ACCRUED TO ERNST & YOUNG LLP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Breakdown of audit and non-audit services	Amount (\$\$)
<b>Audit Services</b>	
Statutory Audit	65,000
Sub-total	65,000
<b>Non-Audit Services</b>	
Non-Investment/Acquisition-related Work	
– Review of Quarter GST return	24,000
– Review of Corporate Tax computation/return	45,500
– Corporate Tax advisory service	6,500
Sub-total	76,000
Total	141,000
% of total amount of non-audit fees paid to EY	53.9%

## CORPORATE GOVERNANCE

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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 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. Establishing these policies reflects the REIT Manager's commitment to conduct its business within a framework that fosters the highest ethical standards.

During the year under review, the Audit Committee performed independent review of the financial statements of Far East H-Trust before recommending to the Board for approval on the release of the financial results. In the process, the Audit Committee reviewed the significant financial reporting issues and judgements so as to ensure adequate provisioning and disclosure, critical accounting policies and any changes made that would have a material impact on the financials.

The Audit Committee also reviewed and approved the internal auditor's and external auditor's plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing Far East H-REIT's internal controls. Such controls include financial, operational and information technology controls. All audit findings and recommendations were tabled at Audit Committee meetings for discussion.

Management closely monitors changes to accounting standards and other issues which may potentially have an impact on the financial statements, and provides briefings and updates at Audit Committee meetings so as to enable the Audit Committee members to keep abreast of the changes in Statement of Recommended Accounting Practice ("RAP") 7 issued by the Institute of Singapore Chartered Accountants, which is applicable to Far East H-REIT. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement under the Singapore Financial Reporting Standards.

None of the Audit Committee members is a formal partner of Far East H-REIT's existing auditing firm.

### INTERNAL AUDIT

#### **Principle 13: Establishment of an internal audit function that is adequately resourced and independent of the activities it audits**

The role of the internal auditors is to assist the Audit Committee 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 Audit Committee, and conducting regular in-depth audits of high risk areas.

Far East H-Trust and the REIT Manager had engaged BDO LLP as its internal auditor. The internal auditor planned the internal audit schedules in consultation with, but independent of the REIT Manager. The audit plan was submitted to the Audit Committee for approval prior to the commencement of the internal audit work.

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 Audit Committee on any whistle blowing and loss management incidents.



## CORPORATE GOVERNANCE

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The Audit Committee reviewed the internal audit report quarterly and monitored the implementation of the improvements required on internal control weaknesses identified.

The Internal Auditors performed their function in accordance with the standards of the Institute of Internal Auditors.

### STAPLED SECURITYHOLDERS' RIGHTS AND RESPONSIBILITIES

#### Principle 14: Fair, Equitable, Protect and Facilitate the exercise of Stapled Securityholders' rights

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 3rd Annual General Meeting held on 21 April 2015, the Chairman of the meeting with the assistance of the service providers, briefed Stapled Securityholders of 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.

### COMMUNICATION WITH STAPLED SECURITYHOLDERS

#### Principle 15: Regular, effective and fair communication with Stapled Securityholders

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 and the CFO & Head of Investor Relations\* 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 or conference calls, investor luncheons, local/overseas road shows and conferences;
- Far East H-Trust's website at [www.fehtrust.com](http://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.

During the year under review, there was no inadvertent disclosure made to a select group of Stapled Securityholders.

\* As at 31 December 2015.

## CORPORATE GOVERNANCE

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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, and address their concerns through Far East H-Trust's corporate email: [enquiry@fehtrust.com](mailto: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 and the investor relations team met with institutional investors from Singapore, Hong Kong 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. Far East H-Trust also participated in various local and overseas conferences as part of its efforts to build interest in Far East H-Trust. Far East H-Trust 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.

Far East H-REIT's distribution policy is to distribute at least 90% of Far East H-REIT's taxable income for the financial year ended 31 December 2015. This distribution policy is stated in the corporate website.

### CONDUCT OF STAPLED SECURITYHOLDERS' MEETINGS

#### **Principle 16: Greater participation by Stapled Securityholders at General Meetings**

Stapled Securityholders are informed of annual general meetings ("AGM") or extraordinary general meetings ("EGM") through reports or circulars sent to them. 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 and to communicate their views on matters affecting Far East H-REIT. If any Stapled Securityholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meetings through proxy forms sent in advance.

Each distinct issue is proposed as a separate resolution at the general meetings and the reasons and material implications are explained.

All Directors and representatives from DBS Trustee Ltd 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.

All the resolutions at the AGM and EGM are moved by voting by poll and an announcement of the results showing the number of votes cast for and against each resolution and the respective percentages is made through SGXNET and on Far East H-Trust's website.

Minutes of general meeting are made available to Stapled Securityholders at their request.

## CORPORATE GOVERNANCE

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### 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 (2) working days of completion of the trade
- 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 (2) weeks before the announcement of Far East H-Trust's financial statements for each quarter of its financial year, and one (1) 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.

## STATEMENT OF POLICIES & PRACTICES

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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 Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005 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;



## STATEMENT OF POLICIES & PRACTICES

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- 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.

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:

- (a) the Trustee-Manager ensures that the units of Far-East H-BT remains stapled to the units of Far East H-REIT; and
- (b) the Trustee-Manager and its Directors shall act in the best interest 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.

## STATEMENT OF POLICIES & PRACTICES

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### 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.

### 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.

## STATEMENT OF POLICIES & PRACTICES

The Trustee-Manager Board consists of five Directors, three of whom are Independent Directors for the purposes of the BTA. They are:

<b>Name</b>	<b>Position</b>
Mr Koh Boon Hwee	<i>Chairman and Non-Executive Director</i>
Mr Willie Cheng	<i>Independent Director</i>
Mr Huang Cheng Eng	<i>Independent Director</i>
Mr Kyle Lee Khai Fatt	<i>Independent Director</i>
Mr Wee Kheng Jin	<i>Non-Executive Director</i>

Mr Koh is considered a non-independent director as he is also the Chairman and Non-Executive Director of Far East Orchard Limited. As at 28 March 2013, The Trustee-Manager is 67.0% owned by FEO Asset Management Pte. Ltd. ("FAMPL"), 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 60.4% owned by Far East Organisation Pte. Ltd. ("FEOPL"). Far East Organization Centre ("FEOC"), Far East Organisation Pte. Ltd. ("FEOPL") and Far East Orchard Limited are all members of the Sponsor.

Mr Wee is considered a non-independent director as he is a director of various companies in Far East Organization, such as Far East Hospitality Management Services Pte. Ltd. and Far East Property Services Pte. Ltd..

As 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 FAMPL, which is a wholly-owned subsidiary of FEOC, and 33.0% owned by Far East Orchard Limited, which is 60.4% owned by FEOPL. FEOC, FEOPL and Far East Orchard 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.

In the event that Far East H-BT becomes active, the number of directors on the Trustee-Manager Board will be a minimum of five 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.

## STATEMENT OF POLICIES & PRACTICES

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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 Koh Boon Hwee, while the Chief Executive Officer of the Trustee-Manager is Mr Gerald Lee Hwee Keong.

### **Access to Information**

The Trustee-Manager Board has separate and independent access to the management of the Trustee-Manager (the "Management") and the company 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 & PRACTICES

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### **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.

## STATEMENT OF POLICIES & PRACTICES

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### 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.

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.

## STATEMENT OF POLICIES & PRACTICES

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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-REIT's latest audited net tangible assets.

## STATEMENT OF POLICIES & PRACTICES

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### 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 Parade 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 Parade Hotel  
Singapore 247905  
Telephone: (65) 6833 6688  
Facsimile: (65) 6833 6622

**BOARD OF DIRECTORS**

*Chairman and Non-Executive Director*

**Mr Koh Boon Hwee**

*Lead Independent Director*

**Mr Willie Cheng Jue Hiang**

*Independent Directors*

**Mr Huang Cheng Eng**

**Mr Kyle Lee Khai Fatt**

*Non-Executive Directors*

**Mr Chng Kiong Huat**

**Mr Wee Kheng Jin**

**AUDIT 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**

**Mr Wee Kheng Jin**

**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**

*Financial Controller*

**Ms Annie Khung Shyang Lee**

*Vice President, Investment*

**Ms Lee Pei Yee**

*Vice President, Finance*

**Ms Sandra Chia Sien Inn**

*Vice President, Asset Enhancement*

*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 397

**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.**

9 Raffles Place, #39-00

Republic Plaza

Singapore 048619

Telephone: (65) 6220 3888

Facsimile: (65) 6532 5476

**INDEPENDENT AUDITOR****Ernst and Young LLP**

Public Accountants and  
Chartered Accountants, Singapore

One Raffles Quay, North Tower,  
Level 18,

Singapore 048583

Partner-in-charge: Nelson Chen

Appointed on 24 August 2012

**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 Limited

Oversea-Chinese Banking

Corporation Limited

Sumitomo Mitsui Banking

Corporation Limited

The Hongkong and Shanghai

Banking Corporation Limited

# FINANCIAL STATEMENTS

FAR EAST HOSPITALITY TRUST

## CONTENTS

---

### 84

Report of the  
Trustee

---

### 85

Report of the  
Manager

---

### 86

Report of the  
Trustee-Manager

---

### 88

Statement by the  
Chief Executive  
Officer of the  
Trustee-Manager

---

### 89

Independent  
Auditor's Report

---

### 91

Balance Sheets

---

### 92

Statements of  
Total Return  
of the Far East  
H-REIT and the  
Stapled Group  
Statement of  
Comprehensive  
Income of H-BT

---

### 93

Distribution  
Statements

---

### 95

Statements of  
Movements in  
Unitholders'  
Funds

---

### 97

Portfolio  
Statements

---

### 99

Cash Flow  
Statements

---

### 101

Notes to the  
Financial  
Statements

FAR EAST HOSPITALITY TRUST  
ANNUAL REPORT 2015

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 (“Unitholders”) of units in Far East H-REIT. In accordance with the Securities and Futures Act (Chapter 289), 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 and the supplemental deed dated 19 October 2012 (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 91 to 140, 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

**Soh Ee Fong**  
Director

Singapore  
24 February 2016

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 the Far East H-REIT and Far East Hospitality Business Trust (“Far East H-BT”), set out on pages 91 to 140, 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 of Far East H-REIT and the Stapled Group as at 31 December 2015, the total returns, movements in unitholders’ funds, distributable income and cash flows of the Far East H-REIT and the Stapled Group for the year ended 31 December 2015, 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 and the first supplemental trust deed dated 19 October 2012 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 between the REIT Trustee, the REIT Manager and FEO Hospitality Trust Management Pte Ltd (the Trustee Manager of Far East H-BT) dated 1 August 2012. 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  
24 February 2016

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## 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"), submit this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2015.

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

Koh Boon Hwee (Chairman)  
Willie Cheng Jue Hiang  
Huang Cheng Eng  
Kyle Lee Khai Fatt  
Wee Kheng Jin

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 hold office at the end of the financial year in Far East H-BT are as follow:

Name of director	Unit holdings registered in name of director		Unit holdings in which director is deemed to have an interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Koh Boon Hwee	500,000	500,000	-	-
Willie Cheng Jue Hiang	-	-	500,000	500,000
Huang Cheng Eng	500,000	500,000	-	-
Kyle Lee Khai Fatt	500,000	500,000	-	-
Wee Kheng Jin	500,000	500,000	-	-

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.

Since the end of the previous financial year, no director of the Trustee-Manager has received or become entitled to receive a benefit by reason of a contract made by Far East H-BT or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except that the directors served as directors or employees of related corporations and received remuneration in that capacity from related corporation.

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 2016.



REPORT OF THE TRUSTEE-MANAGER OF  
FAR EAST HOSPITALITY BUSINESS TRUST

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.

In our opinion:

- (a) the financial statements of Far East H-BT set out on pages 91 to 140 are drawn up so as to give a true and fair view of the state of affairs of Far East H-BT as at 31 December 2015 and of the results, and 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; 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.

With respect to the income statement of Far East H-BT for the year ended 31 December 2015:

- 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

**Koh Boon Hwee**  
Director

**Wee Kheng Jin**  
Director

Singapore  
24 February 2016

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  
24 February 2016

FAR EAST HOSPITALITY TRUST  
ANNUAL REPORT 2015

## INDEPENDENT AUDITOR'S REPORT

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

### REPORT ON THE FINANCIAL STATEMENTS

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 and the first supplemental deed dated 19 October 2012), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2015, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Cash Flow Statement for the financial year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information;
- (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), which comprise the Balance Sheet as at 31 December 2015, the Statement of Comprehensive Income, Statement of Movement in Unitholders' Funds and Cash Flow Statement for the financial year then ended, and a summary of significant accounting policies and other explanatory information; 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 (the "Stapling Deed")), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2015, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Cash Flow Statement for the financial year then ended, and a summary of significant accounting policies and other explanatory information,

as set out on pages 91 to 140. Far East Hospitality Trust, which comprises Far East H-BT and the Far East H-REIT, is hereinafter referred to as the "Stapled Group".

#### *Far East H-REIT Manager's responsibilities for the financial statements*

FEO Hospitality Asset Management Pte Ltd, the Manager of Far East H-REIT (the "REIT Manager"), is responsible for the preparation and fair presentation of the financial statements of the Far East H-REIT and the Stapled Group 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 for such internal control as the REIT Manager of the Far East H-REIT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Far East H-BT Trustee-Manager's responsibilities for the financial statements*

FEO Hospitality Trust Management Pte Ltd, the Trustee-Manager of Far East H-BT (the "Far East H-BT 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 Business Trusts Act, Chapter 31A of Singapore (the "Act") and Singapore Financial Reporting Standards, 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.

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## INDEPENDENT AUDITOR'S REPORT

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

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Far East H-BT Trustee-Manager and the REIT Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion:

- (a) the 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 2015 and the total return, movements in unitholders' funds, distributable income 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 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of Far East H-BT as at 31 December 2015 and the results, movements in unitholders' funds and cash flows of Far East H-BT for the year ended on that date.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

### ERNST & YOUNG LLP

Public Accountants and Chartered Accountants  
Singapore

24 February 2016

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## BALANCE SHEETS

As at 31 December 2015

	Note	2015			2014		
		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
<b>Non-current assets</b>							
Investment properties	3	2,439,300	2,439,300	–	2,476,100	2,476,100	–
Investment in joint venture	4	15,515	15,515	–	15,599	15,599	–
<b>Current assets</b>							
Cash and cash equivalents	5	25,381	25,381	–	20,845	20,845	–
Prepayments		93	93	–	120	120	–
Trade and other receivables	6	30,510	30,510	30	19,256	19,256	30
Derivative financial assets	7	10,265	10,265	–	5,334	5,334	–
Total current assets		66,249	66,249	30	45,555	45,555	30
<b>Total assets</b>		2,521,064	2,521,064	30	2,537,254	2,537,254	30
<b>Current liabilities</b>							
Trade and other payables	8	2,797	2,822	5	3,284	3,309	5
Accruals		6,948	6,947	1	4,262	4,260	2
Borrowings	9	36,900	36,900	–	115,530	115,530	–
Rental deposits		3,097	3,097	–	1,907	1,907	–
Deferred income		90	90	–	90	90	–
Income tax payable		1	1	–	–	–	–
Total current liabilities		49,833	49,857	6	125,073	125,096	7
<b>Non-current liabilities</b>							
Borrowings	9	780,134	780,134	–	679,644	679,644	–
Rental deposits		5,801	5,801	–	6,992	6,992	–
Deferred income		1,412	1,412	–	1,502	1,502	–
Total non-current liabilities		787,347	787,347	–	688,138	688,138	–
<b>Total liabilities</b>		837,180	837,204	6	813,211	813,234	7
<b>Net assets</b>		1,683,884	1,683,860	24	1,724,043	1,724,020	23
Represented by:							
<b>Unitholders' funds</b>							
Unitholders' funds of H-REIT		1,683,860	1,683,860	–	1,724,020	1,724,020	–
Unitholders' funds of H-BT		24	–	24	23	–	23
		1,683,884	1,683,860	24	1,724,043	1,724,020	23
Units/Stapled Securities in issue ('000)	10	1,788,925	1,788,925	1,788,925	1,774,636	1,774,636	1,774,636
Net asset value per Stapled Security/unit (cents)	11	93.91	93.91	0.00134	96.97	96.96	0.00129

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



FAR EAST HOSPITALITY TRUST  
ANNUAL REPORT 2015

## STATEMENTS OF TOTAL RETURN OF THE FAR EAST H-REIT AND THE STAPLED GROUP STATEMENT OF COMPREHENSIVE INCOME OF H-BT

For the financial year ended 31 December 2015

	Note	2015			2014		
		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		90,952	90,952	-	98,486	98,486	-
Retail and office revenue		23,665	23,665	-	23,233	23,233	-
<b>Gross revenue</b>		<b>114,617</b>	<b>114,617</b>	<b>-</b>	<b>121,719</b>	<b>121,719</b>	<b>-</b>
Property tax		(7,754)	(7,754)	-	(8,014)	(8,014)	-
Property insurance		(133)	(133)	-	(169)	(169)	-
MCST contribution		(65)	(65)	-	(58)	(58)	-
Retail and office expenses		(2,511)	(2,511)	-	(2,836)	(2,836)	-
Property manager fees		(444)	(444)	-	(550)	(550)	-
Other property expenses		(53)	(53)	-	(66)	(66)	-
<b>Property expenses</b>		<b>(10,960)</b>	<b>(10,960)</b>	<b>-</b>	<b>(11,693)</b>	<b>(11,693)</b>	<b>-</b>
<b>Net property income</b>		<b>103,657</b>	<b>103,657</b>	<b>-</b>	<b>110,026</b>	<b>110,026</b>	<b>-</b>
REIT Manager's fees	12	(11,779)	(11,779)	-	(12,017)	(12,017)	-
Trustee's fees		(316)	(316)	-	(316)	(316)	-
Other trust expenses	13	(1,004)	(1,005)	1	(1,417)	(1,416)	(1)
<b>REIT and BT level expenses</b>		<b>(13,099)</b>	<b>(13,100)</b>	<b>1</b>	<b>(13,750)</b>	<b>(13,749)</b>	<b>(1)</b>
Interest expense		(20,415)	(20,415)	-	(17,492)	(17,492)	-
<b>Total finance costs</b>		<b>(20,415)</b>	<b>(20,415)</b>	<b>-</b>	<b>(17,492)</b>	<b>(17,492)</b>	<b>-</b>
Share of results of joint venture		(84)	(84)	-	(1)	(1)	-
<b>Net income before tax and fair value changes</b>		<b>70,059</b>	<b>70,058</b>	<b>1</b>	<b>78,783</b>	<b>78,784</b>	<b>(1)</b>
Fair value change in investment properties	3	(41,764)	(41,764)	-	(6,686)	(6,686)	-
Fair value change in derivative financial instruments		4,931	4,931	-	(756)	(756)	-
<b>Total fair value changes</b>		<b>(36,833)</b>	<b>(36,833)</b>	<b>-</b>	<b>(7,442)</b>	<b>(7,442)</b>	<b>-</b>
<b>Total return for the year before income tax</b>		<b>33,226</b>	<b>33,225</b>	<b>1</b>	<b>71,341</b>	<b>71,342</b>	<b>(1)</b>
Income tax expense	14	(1)	(1)	-	-	-	-
<b>Total return for the year after income tax</b>		<b>33,225</b>	<b>33,224</b>	<b>1</b>	<b>71,341</b>	<b>71,342</b>	<b>(1)</b>
Other comprehensive income for the year, net of income tax				-			-
<b>Total comprehensive income for the year</b>				<b>1</b>			<b>(1)</b>
<b>Earnings per unit (cents)</b>							
Basic	15	1.86	1.86	-	4.03	4.03	-
Diluted	15	1.86	1.86	-	4.03	4.03	-
<b>Distribution per stapled security (Cents)</b>		<b>4.60</b>	<b>4.60</b>	<b>-</b>	<b>5.14</b>	<b>5.14</b>	<b>-</b>

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

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## DISTRIBUTION STATEMENTS

for the financial year ended 31 December 2015

	2015		2014	
	Stapled Group \$'000	Far East H-REIT \$'000	Stapled Group \$'000	Far East H-REIT \$'000
Income available for distribution to unitholders of Stapled Securities at the beginning of the financial year	23,386	23,391	25,329	25,333
Total return after income tax	33,225	33,224	71,341	71,342
Net tax adjustments (Note A)	48,886	48,886	20,153	20,153
Rollover adjustment	110	110	-	-
	82,221 <sup>(a)</sup>	82,220 <sup>(a)</sup>	91,494 <sup>(a)</sup>	91,495 <sup>(a)</sup>
Income available for distribution to unitholders of Stapled Securities	105,607	105,611	116,823	116,828
Distribution of 1.28 cents per Stapled Security for the period from 1 October 2014 to 31 December 2014	(22,758)	(22,758)	-	-
Distribution of 1.07 cents per Stapled Security for the period from 1 January 2015 to 31 March 2015	(19,059)	(19,059)	-	-
Distribution of 1.16 cents per Stapled Security for the period from 1 April 2015 to 30 June 2015	(20,701)	(20,701)	-	-
Distribution of 1.20 cents per Stapled Security for the period from 1 July 2015 to 30 September 2015	(21,467)	(21,467)	-	-
Distribution of 1.42 cents per Stapled Security for the period from 1 October 2013 to 31 December 2013	-	-	(25,062)	(25,062)
Distribution of 1.30 cents per Stapled Security for the period from 1 January 2014 to 31 March 2014	-	-	(22,986)	(22,986)
Distribution of 1.24 cents per Stapled Security for the period from 1 April 2014 to 30 June 2014	-	-	(21,964)	(21,964)
Distribution of 1.32 cents per Stapled Security for the period from 1 July 2014 to 30 September 2014	-	-	(23,425)	(23,425)
	(83,985)	(83,985)	(93,437)	(93,437)
Income available for distribution to unitholders of Stapled Securities at end of the year	21,622	21,626	23,386	23,391
<b>(a) Comprises:</b>				
- Taxable income	82,215	82,214	91,494	91,495
- Tax-exempt income	6	6	-	-
	82,221	82,220	91,494	91,495

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

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2015

	2015		2014	
	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	10,601	10,601	10,815	10,815
– Trustee's fees	316	316	316	316
– Amortisation of debt upfront cost	735	735	955	955
– Fair value change in investment properties	41,764	41,764	6,686	6,686
– Fair value change in derivative financial instruments	(4,931)	(4,931)	756	756
– Professional and finance cost incurred in relation to the investment in joint venture	291	291	391	391
– Share of results of joint venture	84	84	1	1
– Net effect of other non-tax deductible items	26	26	233	233
Net tax adjustments	48,886	48,886	20,153	20,153

Income available for distribution of the Stapled Group for the year is contributed solely by H-REIT as H-BT was dormant during the year.

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2015

	Unitholders' funds of Far East H-REIT			Unitholders' funds of Far East H-BT			Stapled Group
	Unit in issue \$'000	Accumulated profit \$'000	Total \$'000	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Total \$'000
<b>2015</b>							
Balance at 1 January 2015	1,641,330	82,690	1,724,020	28	(5)	23	1,724,043
<b>Operations</b>							
Increase in net assets resulting from operations	-	33,224	33,224	-	1	1	33,225
	-	33,224	33,224	-	1	1	33,225
<b>Unitholders' transactions</b>							
- Issuance of stapled securities							
- Payment of REIT Manager's fees	10,601	-	10,601	-	-	-	10,601
- Distribution to stapled securityholders (Note 21)	-	(83,985)	(83,985)	-	-	-	(83,985)
Net increase/(decrease) in net assets resulting from unitholders' transactions	10,601	(83,985)	(73,384)	-	-	-	(73,384)
Balance at 31 December 2015	1,651,931	31,929	1,683,860	28	(4)	24	1,683,884

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

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2015

	Unitholders' funds of Far East H-REIT			Unitholders' funds of Far East H-BT			Stapled Group
	Unit in issue \$'000	Accumulated profit \$'000	Total \$'000	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Total \$'000
<b>2014</b>							
Balance at 1 January 2014	1,630,515	104,785	1,735,300	28	(4)	24	1,735,324
<b>Operations</b>							
Increase/(decrease) in net assets resulting from operations	-	71,342	71,342	-	(1)	(1)	71,341
	-	71,342	71,342	-	(1)	(1)	71,341
<b>Unitholders' transactions</b>							
- Issuance of stapled securities							
- Payment of REIT Manager's fees	10,815	-	10,815	-	-	-	10,815
- Distribution to stapled securityholders (Note 21)	-	(93,437)	(93,437)	-	-	-	(93,437)
Net increase/(decrease) in net assets resulting from unitholders' transactions	10,815	(93,437)	(82,622)	-	-	-	(82,622)
Balance at 31 December 2014	1,641,330	82,690	1,724,020	28	(5)	23	1,724,043

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



# PORTFOLIO STATEMENTS

As at 31 December 2015

2015

2015				Stapled Group		Far East H-REIT	
Description of property	Lease tenure	Location	Existing use	Carrying value at	Percentage of total	Carrying value at	Percentage of total
				31.12.2015 \$'000	net assets 31.12.2015 %	31.12.2015 \$'000	net assets 31.12.2015 %
<b>Investment properties – Singapore</b>							
Village Hotel Albert Court	75-year leasehold from 27 August 2012	180 Albert Street	Hotel	119,600	7.1	119,600	7.1
Village Hotel Changi	65-year leasehold from 27 August 2012	1 Netheravon Road	Hotel	249,700	14.8	249,700	14.8
The Elizabeth Hotel	75-year leasehold from 27 August 2012	24 Mount Elizabeth	Hotel	173,300	10.3	173,300	10.3
Village Hotel Bugis	66-year leasehold from 27 August 2012	390 Victoria Street	Hotel	224,700	13.4	224,700	13.4
Oasia Hotel Novena (formerly known as Oasia Hotel Singapore)	92-year leasehold from 27 August 2012	8 Sinaran Drive	Hotel	339,000	20.1	339,000	20.1
Orchard Parade Hotel	50-year leasehold from 27 August 2012	1 Tanglin Road	Hotel	414,000	24.6	414,000	24.6
The Quincy	75-year leasehold from 27 August 2012	22 Mount Elizabeth	Hotel	81,800	4.9	81,800	4.9
Rendezvous Hotel Singapore and Rendezvous Gallery	70-year leasehold from 1 August 2013	9 Bras Basah Road	Hotel	285,100	16.9	285,100	16.9
Village Residence Clarke Quay	80-year leasehold from 27 August 2012	20 Havelock Road	Serviced Residence	204,700	12.2	204,700	12.2
Village Residence Hougang	81-year leasehold from 27 August 2012	1 Hougang Street 91	Serviced Residence	68,000	4.0	68,000	4.0
Regency House	81-year leasehold from 27 August 2012	121 Penang Road	Serviced Residence	166,100	9.9	166,100	9.9
Village Residence Robertson Quay	78-year leasehold from 27 August 2012	30 Robertson Quay	Serviced Residence	113,300	6.7	113,300	6.7
Investment properties, at valuation				2,439,300	144.9	2,439,300	144.9
Investment in joint venture				15,515	0.9	15,515	0.9
Other assets and liabilities (net)				2,454,815 (770,931)	145.8 (45.8)	2,454,815 (770,955)	145.8 (45.8)
<b>Net assets</b>				1,683,884	100.0	1,683,860	100.0

On 31 December 2015, independent valuations of the investment properties were undertaken by Knight Frank Pte Ltd based on both capitalisation approach and the discounted cash flow analysis for hotels and CBRE Pte Ltd based on both capitalisation approach and discounted cash flow analysis for 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.

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## PORTFOLIO STATEMENTS

As at 31 December 2015

2014

2014	Description of property	Lease tenure	Location	Existing use	Stapled Group		Far East H-REIT	
					Carrying value at	Percentage of total	Carrying value at	Percentage of total
					31.12.2014 \$'000	31.12.2014 %	31.12.2014 \$'000	31.12.2014 %
<b>Investment properties – Singapore</b>								
	Village Hotel Albert Court	75-year leasehold from 27 August 2012	180 Albert Street	Hotel	128,300	7.4	128,300	7.4
	Village Hotel Changi	65-year leasehold from 27 August 2012	1 Netheravon Road	Hotel	244,400	14.2	244,400	14.2
	The Elizabeth Hotel	75-year leasehold from 27 August 2012	24 Mount Elizabeth	Hotel	187,500	10.9	187,500	10.9
	Village Hotel Bugis	66-year leasehold from 27 August 2012	390 Victoria Street	Hotel	230,000	13.3	230,000	13.3
	Oasia Hotel Novena (formerly known as Oasia Hotel Singapore)	92-year leasehold from 27 August 2012	8 Sinaran Drive	Hotel	339,000	19.7	339,000	19.7
	Orchard Parade Hotel	50-year leasehold from 27 August 2012	1 Tanglin Road	Hotel	423,400	24.5	423,400	24.5
	The Quincy	75-year leasehold from 27 August 2012	22 Mount Elizabeth	Hotel	84,700	4.9	84,700	4.9
	Rendezvous Hotel Singapore and Rendezvous Gallery	70-year leasehold from 1 August 2013	9 Bras Basah Road	Hotel	282,300	16.4	282,300	16.4
	Village Residence Clarke Quay	80-year leasehold from 27 August 2012	20 Havelock Road	Serviced Residence	205,800	11.9	205,800	11.9
	Village Residence Hougang	81-year leasehold from 27 August 2012	1 Hougang Street 91	Serviced Residence	70,000	4.1	70,000	4.1
	Regency House	81-year leasehold from 27 August 2012	121 Penang Road	Serviced Residence	163,400	9.5	163,400	9.5
	Village Residence Robertson Quay	78-year leasehold from 27 August 2012	30 Robertson Quay	Serviced Residence	117,300	6.8	117,300	6.8
	Investment properties, at valuation				2,476,100	143.6	2,476,100	143.6
	Investment in joint venture				15,599	0.9	15,599	0.9
	Other assets and liabilities (net)				2,491,699	144.5	2,491,699	144.5
	<b>Net assets</b>				(767,656)	(44.5)	(767,679)	(44.5)
					1,724,043	100.0	1,724,020	100.0

On 31 December 2014, independent valuations of the investment properties were undertaken by Knight Frank Pte Ltd based on both capitalisation method and discounted cash flow analysis for hotels and CBRE based on the both capitalization approach and discounted cash flow analysis for 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.

FAR EAST HOSPITALITY TRUST  
ANNUAL REPORT 2015

## CASH FLOW STATEMENTS

For the financial year ended 31 December 2015

	2015			2014		
	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
<b>Cash flows from operating activities</b>						
Total return before income tax	33,226	33,225	1	71,341	71,342	(1)
Adjustments for:						
Finance costs	20,415	20,415	-	17,492	17,492	-
Share of results of joint venture	84	84	-	1	1	-
Fair value change in derivative financial instruments	(4,931)	(4,931)	-	756	756	-
Fair value change in investment properties	41,764	41,764	-	6,686	6,686	-
Deferred income recognised	(90)	(90)	-	(90)	(90)	-
REIT Manager's fees issued/ issuable in Stapled Securities	10,601	10,601	-	10,815	10,815	-
Operating profit/(loss) before working capital changes	101,069	101,068	1	107,001	107,002	(1)
Changes in working capital						
Trade and other receivables	10,138	10,138	-	2,591	2,591	-
Trade and other payables	(647)	(646)	(1)	(252)	(253)	1
Rental deposits	61	61	-	218	218	-
<b>Cash flows generated from operating activities</b>	110,621	110,621	-	109,558	109,558	-
<b>Cash flows from investing activity</b>						
Subsequent expenditure on investment properties	(4,964)	(4,964)	-	(8,086)	(8,086)	-
Investment in joint venture	-	-	-	(15,600)	(15,600)	-
Loan to a joint venture company	(21,300)	(21,300)	-	-	-	-
<b>Cash flows used in investing activity</b>	(26,264)	(26,264)	-	(23,686)	(23,686)	-
<b>Cash flow from financing activities</b>						
Proceeds from borrowings	121,300	121,300	-	215,600	215,600	-
Finance costs paid	(17,136)	(17,136)	-	(16,298)	(16,298)	-
Repayment of borrowings	(100,000)	(100,000)	-	(200,000)	(200,000)	-
Distribution to Stapled Security holders	(83,985)	(83,985)	-	(93,437)	(93,437)	-
<b>Cash flows used in financing activities</b>	(79,821)	(79,821)	-	(94,135)	(94,135)	-
Net increase/(decrease) in cash and cash equivalents	4,536	4,536	-	(8,263)	(8,263)	-
Cash and cash equivalents at beginning of the year	20,845	20,845	-	29,108	29,108	-
<b>Cash and cash equivalents at end of the year (Note 5)</b>	25,381	25,381	-	20,845	20,845	-

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 2015

### SIGNIFICANT CASH AND NON-CASH TRANSACTIONS

In November 2015, \$21.3 million was drawn from the revolving credit facility to finance the shareholders' loan to Fontaine Investment Pte Ltd in connection with the development of a new hotel site located at Artillery Avenue, Sentosa.

The three-year term loan of \$100 million due in August 2015 has been refinanced with a seven-year term loan.

A total of 4,151,174 (2014: 3,365,532) Stapled Securities will be issued to the REIT Manager as satisfaction of management fees payable to the REIT Manager in Stapled Securities, amounting to \$2,679,583 (2014: \$2,728,437) in respect of the financial year ended 31 December 2015.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**1. GENERAL**

Far East Hospitality Trust ("Far East H-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 and the first supplemental deed dated 19 October 2012 (the "Far East 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 held by it in trust for the unitholders 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 ("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 is located at 1 Tanglin Road, Orchard Parade 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 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.

The Far East H-REIT has entered into several service agreements in relation to management of the H-REIT and its property operations. The fee structures of these services are as follow:

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

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

For financial year 2015, 90% of the management fees will be paid in Stapled Securities, as the case may be, H-REIT Units issued at the market price (as defined in the H-REIT Trust Deed) with the remainder to be paid in cash. Thereafter, the H-REIT Manager may elect to receive the base fee and the performance fee in cash or H-REIT Units or a combination of cash and H-REIT Units (as it may in its sole discretion determine).



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 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 H-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 portion of the management fees payable in the form of Stapled Securities is paid on a quarterly basis, in arrears. The portion of the management fees payable in the form of cash is paid on a monthly basis, in arrears.

The H-REIT Manager is entitled to receive an acquisition fee of 0.75% for acquisition from related parties and 1% for all other cases (or such lower percentage as maybe determined by the H-REIT Manager in its absolute discretion) and 0.5% of divestment fee. The acquisition or divestment fee is payable to the H-REIT Manager in the form of cash and/or Stapled Securities or, as the case may be, H-REIT units (as the H-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 in the form of Stapled Securities or, as the case may be, H-REIT Units issued at prevailing market price instead of cash.

(b) ***H-REIT Trustee's fees***

The H-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 H-REIT Manager and the H-REIT Trustee from time to time. The REIT Trustee was paid a one-time inception fee of S\$50,000.

Pursuant to the H-REIT Trust Deed, the H-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.

Any increase in the H-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 of Unitholders passed at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

The Trustee's fees are payable monthly in arrears.

(c) ***H-REIT property management fees***

Under the property management agreement dated 31 December 2014 between the H-REIT and Jones Lang Lasalle Property Consultant Pte Ltd ("JLL") in relation to the excluded commercial premises, JLL will provide property management services, lease management services, arrears management services, property tax services and marketing coordination services for the excluded commercial premises. 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 2015

## 1. GENERAL (CONT'D)

(d) ***H-REIT Leasing commission***

Under the marketing service agreement dated 1 January 2015 between the H-REIT and Far East Management (Private) Limited ("FEM") in relation to the excluded commercial premises, FEM will provide marketing and leasing services for the excluded commercial premises. FEM 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 the H-REIT and various Far East Group of companies ("FEO") in relation to the excluded commercial premises, FEO will provide technical and operation support services for the excluded commercial premises. 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***

The H-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 (which currently allows a REIT to commit no more than 10.0% of its deposited property to development and investment in uncompleted property developments).

(g) ***H-BT Trustee-Manager's fees***

Pursuant to the H-BT Trust Deed, the H-BT 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; and
- a trustee fee of not exceeding 0.1% per annum of the value of H-BT's Trust Property (as defined in the Business Trust Act), if any, subject to a minimum fee of S\$10,000 per month, provided that the value of the H-BT's Trust Property is at least S\$50.0 million and H-BT has become active.

The management fee is payable in the form of cash and/or Stapled Securities or, as the case may be, H-BT Units (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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**1. GENERAL (CONT'D)****(g) H-BT Trustee-Manager's fees (cont'd)**

- the Trustee-Manager is also entitled to receive an acquisition fee of 0.75% for acquisition from related parties and 1.0% for all other cases (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) and 0.5% divestment fee.

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

**(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 the 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 Singapore Financial Reporting Standards ("FRS").

The financial statements of H-BT have been prepared in accordance with FRS.

The financial statements are presented in Singapore dollars, which is the functional currency of H-REIT and H-BT and rounded to the nearest thousand (\$'000), unless otherwise stated, 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 the 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, the H-REIT, H-BT and the Stapled Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the H-REIT, H-BT and the Stapled Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.3 *Standards issued but not yet effective***

The 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 1 Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 27 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Improvements to FRSs (November 2014)	1 January 2016
(a) Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
(b) Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
(c) Amendments to FRS 19 Employee Benefits	1 January 2016
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018

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.

**2.4 *Investment properties***

Investment properties are stated at initial cost on acquisition, including transaction costs, and at valuation thereafter. Valuation is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- at least once a year in accordance with the Property Funds Appendix of CIS Code issued by the MAS; and
- where the H-REIT Manager proposes to issue new units for subscription or to redeem existing units unless the investment properties have been valued not more than 6 months ago.

Any increase or decrease on revaluation is credited or charged to the Statement of Total Return as a net revaluation surplus or deficit in the value of the investment properties.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.4 *Investment properties (cont'd)***

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 the H-REIT. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Investment properties are derecognised when either 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, the H-REIT may claim capital allowances on assets that qualify as plant and machinery under the Singapore Income Tax Act.

**2.5 *Joint Venture***

Far East H-REIT recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date in which it becomes a joint venturer. 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 ventures. The profit or loss reflects the share of the results of the operations of the joint ventures. 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 the 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, the 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, the 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, the 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 profit and loss.

The financial statements of joint venture is prepared as the same reporting date as the Stapled Group.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.6 Financial assets**

Financial assets are recognised when, and only when, Far East H-REIT or Far East H-BT or the Stapled Group becomes a party to the contractual provisions of the financial instrument. The H-REIT Manager and H-BT Trustee-Manager determine the classification of financial assets at initial recognition. Financial assets are initially recognised at fair value plus transaction costs except for financial assets, at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the H-REIT Manager and H-BT Trustee-Manager that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

**Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

**De-recognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On disposal 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 is recognised in statement of total return.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.6 *Financial assets (cont'd)*****Regular way purchase or sale of a financial asset**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the REIT Manager commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

**2.7 *Impairment of financial assets***

A financial asset is assessed at end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in statement of total return.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset. To determine whether there is objective evidence that an impairment loss on financial assets has incurred, factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are considered.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the statement of total return.

**2.8 *Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and bank deposits.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.9 *Financial liabilities*****Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the H-REIT or H-BT or the Stapled Group becomes a party to the contractual provisions of the financial instrument. The H-REIT Manager and H-BT Trustee-Manager 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**

The measurement of financial liabilities depends on their classification as follows:

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the H-REIT Manager that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the statement of total return.

***Financial liabilities at amortised cost***

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 the statement of total return when the liabilities are derecognised, and through the amortisation process.

**De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of total return.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.10 *Rental deposits and deferred income***

Rental deposits relate to rental deposits received from tenants at the H-REIT investment properties. The accounting policy for rental deposits as a financial liability is set out in Note 2.9.

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.

**2.11 *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 Units and listing on the SGX-ST are deducted directly against net assets attributable to holders of Stapled Security Units.

**2.12 *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 the Group and related parties.

**2.13 *Expenses*****(a) *Property expenses***

Property expenses are recognised on an accrual basis.

**(b) *H-REIT Manager fees***

Fees paid or payable to H-REIT Manager is recognised on an accrual basis based on the applicable formula stipulated in Note 1.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.13 Expenses (cont'd)****(c) Trust expenses**

Trust expenses are recognised on an accrual basis.

**2.14 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 and associates, 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 and associates, 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.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.14 Taxation (cont'd)****(b) Deferred tax (cont'd)**

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.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the income tax treatment of the Far East 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 the Far East H-REIT, the Trustee will not be assessed to tax on the taxable income of the H-REIT. Instead, the distributions made by the H-REIT out of such taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on the H-REIT's distributions (the "tax transparency ruling"). Accordingly, the Trustee and the 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 the Far East H-REIT, except:

- (i) where the beneficial owners are individuals or Qualifying Unitholders, the Trustee and the Far East H-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 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 Trustee and the H-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 tax resident Singapore-incorporated company;
- (ii) A non-corporate Singapore constituted or registered entity (e.g. town council, statutory board, charitable organisation, management corporation, club and trade and industry association constituted, incorporated, registered or organised in Singapore);
- (iii) A Singapore branch of a foreign company which has been presented a letter of approval from the Comptroller of Income Tax granting waiver from tax deducted at source in respect of distributions from the Trust;

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.14 Taxation (cont'd)****(b) Deferred tax (cont'd)**

- (iv) An agent bank or a Supplementary Retirement Scheme ("SRS") operator acting as nominee for individuals who have purchased Units in the Trust within the CPF Investment Scheme ("CPFIS") or the SRS respectively; or
- (v) 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 (iii) above.

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 Trustee. Where the gains are capital gains, the 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.

**2.15 Borrowing costs**

Borrowing costs are expensed in the period they occur, and consist of interest and other costs that the Stapled Group 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.16 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 report directly to the management of the H-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 19, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2.17 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 the Stapled Group; 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 the Stapled Group.

**2.18 Related parties**

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Stapled Group if that person:
  - (i) has control or joint control over the Stapled Group;
  - (ii) has significant influence over the Stapled Group; or
  - (iii) is a member of the key management personnel of the H-REIT Manager or of the related corporations of the H-REIT Manager.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.18 *Related parties (cont'd)***

- (b) An entity is related to the Stapled Group if any of the following conditions applies:
- (i) the entity and the Stapled Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the H-REIT Manager or an entity related to the Stapled Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**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 the following notes:

- Note 3 – Valuation of investment properties

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

**3. INVESTMENT PROPERTIES**

	2015			2014		
	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	2,476,100	2,476,100	–	2,474,700	2,474,700	–
Capital expenditure capitalised	4,964	4,964	–	8,086	8,086	–
Revaluation differences recognised in statement of total return	(41,764)	(41,764)	–	(6,686)	(6,686)	–
At 31 December	2,439,300	2,439,300	–	2,476,100	2,476,100	–

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 H-REIT Manager is of the view that the valuation methods and estimates are reflective of the market conditions as at 31 December 2015.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 4. INVESTMENT IN JOINT VENTURE

Far East H-REIT has 30% direct interest in the ownership and voting rights in Fontaine Investment Pte Ltd ("JVCo") under a joint venture agreement dated 22 September 2014. The investment is fully debt-funded. The JVCo is incorporated in Singapore with principal activities of property investment and development. The JVCo will undertake the development of a new hotel site located at Artillery Avenue, Sentosa. The investment is accounted using the equity method.

	2015			2014		
	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
Unquoted equity investments at cost	15,599	15,599	–	15,600	15,600	–
<u>Less:</u>						
Share of post-acquisition loss	(84)	(84)	–	(1)	(1)	–
Total investment in joint venture company	15,515	15,515	–	15,599	15,599	–

Summarised financial information of Fontaine Investment Pte Ltd based on its FRS financial statements, and reconciliation with the carrying amount of the investment is as follows:

	2015 \$'000	2014 \$'000
<b>Non-current assets</b>		
Property, plant & equipment	238,613	–
<b>Current assets</b>		
Cash and bank balances	403	15,555
Other current assets	7,628	36,441
	8,031	51,996
<b>Total assets</b>	246,644	51,996
Current liabilities	76,412	(28)
Non-current liabilities	118,544	–
<b>Total liabilities</b>	194,956	(28)
<b>Net asset</b>	51,688	51,968
<b>Total equity</b>	51,688	51,968
Proportion of Stapled Group's ownership	30%	30%
Stapled Group's share of net assets	15,507	15,591
Goodwill	8	8
Carry amount of the investment	15,515	15,599

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 4. INVESTMENT IN JOINT VENTURE (CONT'D)

Summarised statement of comprehensive income

	2015 \$'000	2014 \$'000
Administrative expenses	281	2
Total comprehensive income	281	2

### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following as at the balance sheet date:

	2015			2014		
	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	17,381	17,381	–	15,845	15,845	–
Short term deposit	8,000	8,000	–	5,000	5,000	–
	25,381	25,381	–	20,845	20,845	–

The cash at bank does not earn interest. Short term deposit is placed for period of three months (2014: six months) and earns interest at 1.21% per annum (2014: 1.03% per annum).

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 6. TRADE AND OTHER RECEIVABLES

	2015			2014		
	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 H-REIT Manager	7,874	7,874	-	17,502	17,502	-
- third parties	492	492	-	355	355	-
Other receivables						
- related companies of H-REIT Manager	95	95	30	90	90	30
- loan to a joint venture company	21,300	21,300	-	-	-	-
- loan interest receivable	65	65	-	-	-	-
- third parties	684	684	-	1,309	1,309	-
Total trade and other receivables	30,510	30,510	30	19,256	19,256	30
Add: Cash and cash equivalents (Note 5)	25,381	25,381	-	20,845	20,845	-
Total loans and receivables	55,891	55,891	30	40,101	40,101	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 H-REIT Manager are unsecured, interest-free and repayable on demand.

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 2.43% per annum (2014: Nil) and repayable on demand.

The H-REIT has trade receivables amounting to \$183,532 (2014: \$9,391,937) that are past due at the balance sheet date but not impaired. The aging receivable at the balance sheet date is as follows:

	Far East H-REIT and Stapled Group	
	2015 \$'000	2014 \$'000
Not past due	8,183	8,465
> 30 days	183	9,392
	8,366	17,857

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 7. DERIVATIVES

	Far East H-REIT and Stapled Group					
	2015			2014		
	Notional Amount \$'000	Assets \$'000	Liabilities \$'000	Notional Amount \$'000	Assets \$'000	Liabilities \$'000
Interest rate swap	482,150	10,265	–	482,150	5,334	–

The interest rate swap receives floating interest equals to 6 months Swap Offer Rate, pays a fixed rate of interest ranging from 0.92% – 1.67% p.a. (2014: 0.92% – 1.67% p.a.) and has maturity dates from August 2017 – August 2019 (2014: August 2017- August 2019).

### 8. TRADE AND OTHER PAYABLES

	2015			2014		
	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						
– related companies of the H-REIT Manager	152	152	–	374	374	–
– the H-REIT Manager	168	168	–	180	180	–
– third parties	575	575	–	911	911	–
Other payables						
– related companies of the H-REIT Manager	406	431	5	375	400	5
– third parties	1,496	1,496	–	1,444	1,444	–
Total trade and other payables	2,797	2,822	5	3,284	3,309	5
Add:						
Accruals	6,948	6,947	1	4,262	4,260	2
Borrowings (Note 9)	817,034	817,034	–	795,174	795,174	–
Total financial liabilities carried at amortised cost	826,779	826,803	6	802,720	802,743	7

Outstanding balances with the related parties are unsecured, interest-free and repayable on demand.

FAR EAST HOSPITALITY TRUST  
ANNUAL REPORT 2015

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 9. BORROWINGS

	2015			2014		
	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 amortised cost:						
<b>Current liabilities</b>						
Bank loans (unsecured)	–	–	–	100,000	100,000	–
Revolving credit facility	36,900	36,900	–	15,600	15,600	–
Less: Unamortised upfront fees	–	–	–	(70)	(70)	–
	36,900	36,900	–	115,530	115,530	–
<b>Non-current liabilities</b>						
Bank loans (unsecured)	782,150	782,150	–	682,150	682,150	–
Less: Unamortised upfront fees	(2,016)	(2,016)	–	(2,506)	(2,506)	–
	780,134	780,134	–	679,644	679,644	–
Total borrowings	817,034	817,034	–	795,174	795,174	–

The borrowings are made up of unsecured term loan facilities and revolving credit facilities.

The unsecured term loan facilities of \$782.15 million (2014: \$782.15 million) provided by four financial institutions have been fully drawn down. These loans have staggered maturities of four-year, five-year and seven-year terms.

The uncommitted revolving credit facilities amounting to \$100 million (2014: \$100 million) are provided by three financial institutions. As at 31 December 2015, Far East H-REIT has uncommitted revolving credit facilities of \$63.1 million (2014: \$84.4 million) which remain unutilised. As at 31 December 2015, \$36.9 million of the facilities has been drawn down and is fully repayable on demand.



**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 10. UNITS/STAPLED SECURITIES 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 dated 1 August 2012.

	2015			2014		
	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
<b>Units/Stapled Securities in issue</b>						
At 1 January	1,774,636	1,774,636	1,774,636	1,761,936	1,761,936	1,761,936
<b>Issue of units/stapled securities</b>						
As H-REIT Manager's fees payable in units	14,289	14,289	14,289	12,700	12,700	12,700
At 31 December	1,788,925	1,788,925	1,788,925	1,774,636	1,774,636	1,774,636
<b>Units/Stapled Securities to be issued</b>						
As H-REIT Manager's fees payable in units	4,151	4,151	4,151	3,365	3,365	3,365
Total issued and issuable units/stapled securities at end	1,793,076	1,793,076	1,793,076	1,778,001	1,778,001	1,778,001

A total of 15,074,530 (2014: 13,082,371) Stapled Securities were issued/ issuable to the REIT Manager as satisfaction of management fees paid/payable to the REIT Manager in Stapled Securities, amounting to \$10,601,044 (2014: \$ 10,815,408) for the financial year.

Each Far East H-REIT unit is stapled together with a Far East H-BT unit under the terms of a stapling deed dated 1 August 2012 (the "Stapling Deed") entered into between the H-REIT Manager, the H-REIT Trustee and the H-BT Trustee-Manager 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.

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 11. NET ASSET VALUE PER STAPLED SECURITY

	2015			2014		
	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 (\$'000)	1,683,884	1,683,860	24	1,724,043	1,724,020	23
Total issued and issuable stapled securities ('000) (Note 10)	1,793,076	1,793,076	1,793,076	1,778,001	1,778,001	1,778,001
Net asset value per stapled security (cents)	93.91	93.91	0.00134	96.97	96.96	0.00129

### 12. REIT MANAGER'S FEES

	2015			2014		
	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	7,633	7,633	–	7,616	7,616	–
Performance fees	4,146	4,146	–	4,401	4,401	–
	11,779	11,779	–	12,017	12,017	–

The REIT manager has opted to receive 90% (2014: 90%) of its fees in the form of Stapled Securities with the balance in cash. An aggregate of 15,074,530 (2014: 13,082,370) Stapled Securities were issued/ issuable to the REIT Manager as satisfaction of the 90% (2014: 90%) of the management fees paid/payable.

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 13. OTHER TRUST EXPENSES

Other trust expenses comprises of professional fees and other recurring expenses. Included in other trust expenses are the following items:

	2015			2014		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Audit fees	65	65	–	64	64	–
Non-audit fees	76	76	–	98	98	–
Auditors' remuneration	141	141	–	162	162	–

	2015			2014		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Valuation fees	78	78	–	85	85	–

### 14. 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 2015 and 31 December 2014 is as follows:

	2015			2014		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reconciliation of effective tax						
Total return before tax	33,226	33,225	1	71,341	71,342	(1)
Income tax using Singapore tax rate of 17%	5,648	5,648	–	12,128	12,128	–
Expense not subject to tax	8,310	8,310	–	3,426	3,426	–
Income exempt from tax	(13,957)	(13,957)	–	(15,554)	(15,554)	–
	1	1	–	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**15. EARNINGS PER UNIT**

The calculation of basic earnings per Unit is based on the weighted average number of Stapled Securities during the year and total return for the year.

	2015			2014		
	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)	33,225	33,224	1	71,341	71,342	(1)
Weighted average number of units in issue ('000)	1,782,090	1,782,090	1,782,090	1,768,762	1,768,762	1,768,762
Earnings per unit (cents)	1.86	1.86	–	4.03	4.03	–

Diluted earnings per Unit are the same as basic earnings per Unit as there is no dilutive instrument in issue during the year.

**16. 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:

	2015			2014		
	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
Rental income received/ receivable from related corporations of the H-REIT Manager	90,861	90,861	–	98,396	98,396	–
Rental income received/ receivable from related corporation of the H-REIT Manager	3,086	3,086	–	3,219	3,219	–
Rental income received/ receivable from H-REIT Manager	149	149	–	129	129	–

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 16. RELATED PARTY TRANSACTIONS (CONT'D)

	2015			2014		
	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 H-REIT Manager	11,779	11,779	–	12,017	12,017	–
Trustee's fees paid/payable to the Trustee	316	316	–	316	316	–
Shared service fees paid/payable to related corporation of the H-REIT Manager	1,352	1,352	–	1,425	1,425	–
Property management fees paid/payable to the Property Manager <sup>(1)</sup>	–	–	–	549	549	–
Reimbursement of expenses paid/ payable to the H-REIT Manager	173	173	–	157	157	–
Reimbursement of expenses paid/ payable to related corporations of the H-REIT Manager <sup>(1)</sup>	4	4	–	1,041	1,041	–
Leasing commission paid / payable to related corporation of the REIT Manager <sup>(1)</sup>	343	343	–	–	–	–
Technical service fee paid / payable to related corporation of the REIT Manager <sup>(1)</sup>	386	386	–	–	–	–
Reimbursement of expenses receivable from related corporation of the REIT Manager	144	144	–	–	–	–
Loan to a joint venture company	21,300	21,300	–	–	–	–
Interest receivable from a joint venture company	65	65	–	–	–	–

- (1) In 2014, under the service agreements signed between Far East H-REIT and Far East Hospitality Management (S) Pte Ltd ("FEHMS") in relation to property management of the excluded commercial premises ("ECP"), FEHMS is entitled to receive a fee of 3.0% per annum of the net property income of the ECP (calculated before the accounting of the property management fee in that financial period) and on reimbursement basis, the leasing commission, and staff cost incurred for arrears management and technical support services.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**16. RELATED PARTY TRANSACTIONS (CONT'D)**

- (1) Effective from 1 January 2015, H-REIT entered into the following agreements for the management of the ECP:
- Under a property management agreement, Jones Lang Lasalle Property Consultants Pte Ltd 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 ECP. The property manager is entitled to a fixed service fee.
  - Under a marketing service agreement, Far East Management (Private) Limited ("FEM") was appointed as the marketing agent to provide marketing and leasing services for the ECP. FEM is entitled to receive a leasing commission.
  - Under the technical service agreements with various Far East Group of companies ("FEO") to provide technical support services for the ECP, FEO is entitled to receive a fixed service fee.

**17. FINANCIAL RISK MANAGEMENT****(a) Capital management**

The primary objective of the Stapled Group's and the Far East H-REIT's capital management is to ensure that it maintains a strong and healthy capital structure in order to support its business and maximise Stapled Securityholder value.

The Far East H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the Code on Collective Investment Schemes ("CIS") Code issued by MAS. The CIS Code stipulates that borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 35.0% of the fund's depository property. The Aggregate Leverage of a property fund may exceed 35.0% of its depository property (up to a maximum of 60.0%) as Far East H-Trust has been accorded a credit rating by Moody's Investor Services. The property fund will continue to maintain and disclose a credit rating so long as its aggregate leverage exceeds 35.0% of its deposited property.

As at 31 December 2015, the Stapled Group's and the H-REIT's Aggregate Leverage stood at 32.5% (2014: 31.4%) of its Depository Property, which is within the limit set by the Property Fund Appendix.

There were no substantial changes in the Far East H-REIT's and Stapled Group's approach to capital management for the year ended 31 December 2015 and 31 December 2014.

**(b) Financial risk management objectives and policies**

Exposure to credit, interest rate and liquidity risks arises in the normal course of the Far East H-REIT's business. The REIT Manager continually monitors the Far East H-REIT's exposure to the above risks. There has been no change to the Far East H-REIT's exposure to these financial risks or the manner in which it manages and measures risks.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Financial risk management objectives and policies (cont'd)*(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 the Far East H-REIT as and when they fall due.

The Far East H-REIT's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The H-REIT Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the H-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. In addition, receivables are monitored on an on-going basis with the result that the exposure to bad debt is not significant.

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 67.0% (2014: 70.1%) 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.

(ii) *Interest rate risk*

The 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 H-REIT Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. The H-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 2015, the H-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.

The Far East H-REIT's exposure to interest rate risk relates primarily to the remaining portion 41.1% (2014: 39.6%) of the unsecured bank loans that have not been hedged using interest rate swaps. The H-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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Financial risk management objectives and policies (cont'd)*(ii) *Interest rate risk (cont'd)**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 \$3,369,000 (2014: \$3,156,000).

(iii) *Liquidity risk*

Liquidity risk is the risk that the Far East H-REIT will encounter difficulty in meeting financial obligations due to shortage of funds. The 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 the Far East H-REIT's operations and to mitigate the effects of fluctuations in cash flows. In addition, the H-REIT Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The table below summarises the maturity profile of the Stapled Group's 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
<b>As at 31 December 2015</b>				
<b>Stapled Group</b>				
Trade and other payables	9,745	–	–	9,745
Rental deposits	3,097	2,488	5,000	10,585
Borrowings	58,005	631,529	207,477	897,011
	70,847	634,017	212,477	917,341
<b>Far East H-REIT</b>				
Trade and other payables	9,769	–	–	9,769
Rental deposits	3,097	2,488	5,000	10,585
Borrowings	58,005	631,529	207,477	897,011
	70,871	634,017	212,477	917,365
<b>Far East H-BT</b>				
Trade and other payables	6	–	–	6

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 17. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Financial risk management objectives and policies (cont'd)*(iii) *Liquidity risk (cont'd)*

	Within 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>As at 31 December 2014</b>				
<b>Stapled Group</b>				
Trade and other payables	7,546	–	–	7,546
Rental deposits	1,907	3,617	5,000	10,524
Borrowings	130,974	619,974	103,904	854,852
	140,427	623,591	108,904	872,922
<b>Far East H-REIT</b>				
Trade and other payables	7,569	–	–	7,569
Rental deposits	1,907	3,617	5,000	10,524
Borrowings	130,974	619,974	103,904	854,852
	140,450	623,591	108,904	872,945
<b>Far East H-BT</b>				
Trade and other payables	7	–	–	7

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 18. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Stapled Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation input used 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 categorized 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 at the end of the reporting period:

	Stapled Group and Far East H-REIT		
	2015		
	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
<b>Recurring fair value measurements</b>			
<b>Financial assets:</b>			
<u>Derivatives</u>			
Interest rate swaps	10,265	–	10,265
Financial assets as at 31 December 2015	10,265	–	10,265
<b>Non-financial assets:</b>			
Investment properties	–	2,439,300	2,439,300
Non-financial assets as at 31 December 2015	–	2,439,300	2,439,300

During the financial year ended 31 December 2015, there have been no transfers between the respective levels.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 18. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) *Assets and liabilities measured at fair value (cont'd)*

	Stapled Group and Far East H-REIT		
	2014		
	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
<b>Recurring fair value measurements</b>			
<b>Financial assets:</b>			
<u>Derivatives</u>			
Interest rate swaps	5,334	–	5,334
Financial assets as at 31 December 2014	5,334	–	5,334
<b>Non-financial assets:</b>			
Investment properties	–	2,476,100	2,476,100
Non-financial assets as at 31 December 2014	–	2,476,100	2,476,100

During the financial year ended 31 December 2014, there have been no transfers between 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 2015

## 18. 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 2015 \$'000	Valuation Techniques	Unobservable inputs	Range
Investment properties				
- Hotels	1,887,200	Discounted cash flow	Discount rate	7.5%
		Income capitalisation method	Capitalisation rate	4.75% – 5.75%
- Service residences	552,100	Discounted cash flow	Discount rate	6.5% – 7.5%
		Income capitalisation method	Capitalisation rate	3.5% – 5.25%
	<u>2,439,300</u>			

A significant increase or decrease in the discount rate and/ or capitalisation rate based on management's assumptions would result in a significantly lower or higher fair value measurement.

Description	Fair value at 31 December 2014 \$'000	Valuation Techniques	Unobservable inputs	Range
Investment properties				
- Hotels	1,919,600	Discounted cash flow	Discount rate	7.75%
		Income capitalisation method	Capitalisation rate	4.75% – 6%
- Service residences	556,500	Discounted cash flow	Discount rate	6.75% – 7.5%
		Income capitalisation method	Capitalisation rate	3.75% – 5.25%
	<u>2,476,100</u>			

A significant increase or decrease in the discount rate and/ or capitalisation rate based on management's assumptions would result in a significantly lower or higher fair value measurement.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**18. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)****(d) Level 3 fair value measurements (cont'd)****(ii) Valuation policies and procedures**

The REIT Manager oversees the 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 the 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 (including those developed internally by the REIT Manager) 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 (which may include transactions entered into by the Far East H-REIT with third parties as appropriate) 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 2015

## 18. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

- (e) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value***

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	As at 31.12.2015		As at 31.12.2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Stapled Group and Far East H-REIT</b>				
<b>Financial liabilities:</b>				
Interest-bearing borrowings (non-current)	780,134	788,390	679,644	683,276
Rental deposits (non-current)	5,801	7,488	6,992	8,617
	785,935	795,878	686,636	691,893

## 19. SEGMENT REPORTING

***Business segment***

The Stapled Group has two reportable business segments as follows:

- Hotels and serviced residences
- Retail and 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 the Far East H-REIT and Stapled Group's business segments, based on its management and internal reporting structure.

Segment revenue comprises mainly income generated from its 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**19. SEGMENT REPORTING (CONT'D)**

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 H-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.

The reportable segments' results are as below:

**2015**

	Hotels and serviced residences \$'000	Retails and offices and others \$'000	Total \$'000
Gross revenue	90,952	23,665	114,617
Segment net property income	84,873	18,784	103,657
REIT Manager's fees			(11,779)
Trustee's fees			(316)
Other trust expenses			(1,004)
Finance costs			(20,415)
Net income before tax and fair value changes			70,143
Fair value change in investment properties	(52,789)	11,025	(41,764)
Fair value change in derivative financial instruments			4,931
Share of results of joint venture			(84)
Total return for the year before income tax			33,226
Income tax expense			(1)
Total return for the year after income tax before distribution			33,225
Segment assets	2,060,872	386,994	2,447,866
Unallocated assets			73,198
Total assets			2,521,064
Segment liabilities	5,761	7,064	12,825
Unallocated liabilities			824,355
Total liabilities			837,180

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 19. SEGMENT REPORTING (CONT'D)

**2014**

	Hotels and serviced residences \$'000	Retails and offices and others \$'000	Total \$'000
Gross revenue	98,486	23,233	121,719
Segment net property income	92,243	17,783	110,026
REIT Manager's fees			(12,017)
Trustee's fees			(316)
Other trust expenses			(1,417)
Finance costs			(17,492)
Net income before tax and fair value changes			78,784
Fair value change in investment properties	(26,760)	20,074	(6,686)
Fair value change in derivative financial instruments			(756)
Share of results of joint venture			(1)
Total return for the year before income tax			71,341
Income tax expense			-
Total return for the year after income tax before distribution			71,341
Segment assets	2,120,611	374,865	2,495,476
Unallocated assets			41,778
Total assets			2,537,254
Segment liabilities	11,587	6,463	18,050
Unallocated liabilities			795,161
Total liabilities			813,211

**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 2015

## 20. COMMITMENTS

The Stapled Group and the Far East H-REIT lease out their investment properties. Non-cancellable operating lease rentals receivable are as follows:

	2015			2014		
	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	78,822	78,822	–	78,066	78,066	–
After 1 year but within 5 years	252,143	252,143	–	254,531	254,531	–
After 5 years	711,484	711,484	–	772,149	772,149	–
	1,042,449	1,042,449	–	1,104,746	1,104,746	–

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 as described above 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:

	2015 \$'000	2014 \$'000
Capital commitments in relation to investment properties	4,398	4,196
Commitments to provide funding to a joint venture company	26,700	48,000
	31,098	52,196

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**21. DISTRIBUTION TO UNITHOLDERS**

	2015 \$'000	2014 \$'000
Distribution of 1.28 cents per Stapled Security paid on 18 March 2015	22,758	–
Distribution of 1.07 cents per Stapled Security paid on 3 June 2015	19,059	–
Distribution of 1.16 cents per Stapled Security paid on 10 September 2015	20,701	–
Distribution of 1.20 cents per Stapled Security paid on 7 December 2015	21,467	–
Distribution of 1.42 cents per Stapled Security paid on 28 March 2014	–	25,062
Distribution of 1.30 cents per Stapled Security paid on 13 June 2014	–	22,986
Distribution of 1.24 cents per Stapled Security paid on 12 September 2014	–	21,964
Distribution of 1.32 cents per Stapled Security paid on 10 December 2014	–	23,425
	<b>83,985</b>	<b>93,437</b>

**22. SUBSEQUENT EVENTS**

On 28 January 2016, the Far East H-Trust issued 4,151,174 new Stapled Securities at a price of \$0.6455 per Stapled Security in payment of 90% of the REIT Manager's fees for the period from 1 October 2015 to 31 December 2015.

On 23 February 2016, the REIT Manager declared a distribution of \$20,978,987 or \$0.0117 per Stapled Security to Stapled Securityholders in respect of the period from 1 October 2015 to 31 December 2015.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**23. FINANCIAL RATIOS**

	2015	
	Stapled Group	Far East H-REIT
Expense ratio <sup>(1)</sup>	0.78	0.78
Turnover ratio <sup>(2)</sup>	–	–
	2014	
	Stapled Group	Far East H-REIT
Expense ratio <sup>(1)</sup>	0.80	0.80
Turnover ratio <sup>(2)</sup>	–	–

- (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 the 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 the Far East H-REIT and the Stapled Group expressed as a percentage of daily average net asset value

**24. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements for the year ended 31 December 2015 were authorised for issue by the REIT Manager and the Trustee-Manager on 24 February 2016.

# FINANCIAL STATEMENTS

Trustee-Manager

FEO HOSPITALITY TRUST MANAGEMENT PTE. LTD.

## CONTENTS

---

### 142

Directors'  
Statement

---

### 144

Independent  
Auditor's Report

---

### 146

Statement of  
Comprehensive  
Income

---

### 147

Balance Sheet

---

### 148

Statement of  
Changes in  
Equity

---

### 149

Cash Flow  
Statement

---

### 150

Notes to the  
Financial  
Statements

---

## Directors

Koh Boon Hwee  
Willie Cheng Jue Hiang  
Huang Cheng Eng  
Kyle Lee Khai Fatt  
Wee Kheng Jin

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## Secretaries

Lim Mei Wan  
Lin Moi Heyang

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## Registered Office

1 Tanglin Road  
#05-01 Orchard Parade Hotel  
Singapore 247905

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## 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 2015.

### 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 flows, 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 2015 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date, and
- (ii) At the 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:-

Koh Boon Hwee  
Willie Cheng Jue Hiang  
Huang Cheng Eng  
Kyle Lee Khai Fatt  
Wee Kheng Jin

### 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	Stapled security holdings registered in the name of the director		Stapled security holdings which the director is deemed to have an interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Koh Boon Hwee	500,000	500,000	-	-
Willie Cheng Jue Hiang	-	-	500,000	500,000
Huang Cheng Eng	500,000	500,000	-	-
Kyle Lee Khai Fatt	500,000	500,000	-	-
Wee Kheng Jin	500,000	500,000	-	-

## AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

**Koh Boon Hwee**  
Director

**Wee Kheng Jin**  
Director

Singapore  
24 February 2016

## INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2015

TO THE MEMBERS OF FEO HOSPITALITY TRUST MANAGEMENT PTE. LTD.

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of FEO Hospitality Trust Management Pte. Ltd. (the "Company") set out on pages 146 to 158, which comprise the balance sheet of the Company as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

**INDEPENDENT AUDITOR'S REPORT**

For the financial year ended 31 December 2015

TO THE MEMBERS OF FEO HOSPITALITY TRUST MANAGEMENT PTE. LTD.

**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  
24 February 2016



FAR EAST HOSPITALITY TRUST  
ANNUAL REPORT 2015

## STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 \$	2014 \$
Administrative expenses		(5,653)	(4,475)
<b>Loss before taxation</b>	4	(5,653)	(4,475)
Income tax expense	5	–	–
<b>Loss for the year, representing total comprehensive income for the year</b>		(5,653)	(4,475)

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

FAR EAST HOSPITALITY TRUST  
ANNUAL REPORT 2015

## BALANCE SHEET

As at 31 December 2015

	Note	2015 \$	2014 \$
<b>Current asset</b>			
Other receivable	6	100	100
<b>Current liabilities</b>			
Other payables and accruals	7	(19,499)	(13,846)
<b>Net current liabilities and net liabilities</b>		(19,399)	(13,746)
<b>Equity attributable to the owners of the Company</b>			
Share capital	8	100	100
Accumulated losses		(19,499)	(13,846)
<b>Deficit in equity</b>		(19,399)	(13,746)

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

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Share capital (Note 8) \$	Accumulated losses \$	Total \$
<b>2015</b>			
Balance at 1 January 2015	100	(13,846)	(13,746)
Loss representing total comprehensive income for the year	–	(5,653)	(5,653)
Balance at 31 December 2015	100	(19,499)	(19,399)
<b>2014</b>			
Balance at 1 January 2014	100	(9,371)	(9,271)
Loss representing total comprehensive income for the year	–	(4,475)	(4,475)
Balance at 31 December 2014	100	(13,846)	(13,746)

FAR EAST HOSPITALITY TRUST  
ANNUAL REPORT 2015

## CASH FLOW STATEMENT

For the financial year ended 31 December 2015

	2015 \$	2014 \$
<b>Cash flows from operating activities:</b>		
Loss before taxation	(5,653)	(4,475)
<b>Operating loss before working capital changes</b>	(5,653)	(4,475)
Increase in other payables and accruals	5,653	4,475
<b>Net cash flows used in operating activities</b>	–	–
<b>Net movement in cash and cash equivalents and balance at end of the year</b>	–	–

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 2015

**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 Parade Hotel, Singapore 247905.

The principal activities of the Company are asset and portfolio management, and to act as Trustee manager for the hospitality Business Trust.

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 Singapore Financial Reporting Standards (FRS).

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 \$19,399 (2014: \$13,746) 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 2015. The adoption of these standards did not have any effect on the financial performance or position of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.3 *Standard 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 1 Disclosure Initiative	1 January 2016

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

**2.4 *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**

The subsequent measurement of financial liabilities depends on their classification as follows:

***Other Financial liabilities***

After initial recognition, other financial liabilities 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.5 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.

**2.6 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 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 ventures, 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.6 Taxes (cont'd)****(b) *Deferred tax (cont'd)***

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 ventures, 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 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.

**2.7 *Related parties***

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****2.7 Related parties (cont'd)**

(b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**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. However, 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.

**3.1 Judgments made in applying accounting policies**

In the process of applying the Company's accounting policies, the management did not make any judgments 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 balance sheet date that have significant risk of causing a material adjustments to the carrying amounts of assets within the next financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**4. LOSS BEFORE TAXATION**

Loss before taxation has been arrived at after charging the following:

	2015 \$	2014 \$
Professional fees	4,650	3,750
Other expenses	1,003	725

**5. INCOME TAX EXPENSE**

A reconciliation between income tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the year ended 31 December 2015 and 2014 is as follows:

	2015 \$	2014 \$
Loss before taxation	(5,653)	(4,475)
Tax benefit at applicable tax rate of 17%	(961)	(761)
Deferred tax assets not recognised	961	761
Income tax expense	–	–

At the end of the reporting period, the Company has unutilised tax losses carried forward of approximately \$19,499 (2014: \$13,846) that are available for offset against future taxable profits of the Company, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

**6. OTHER RECEIVABLE**

	2015 \$	2014 \$
Other receivable – Immediate holding company	100	100
Total loans and receivables	100	100

Amount due from immediate holding company is non-trade related, unsecured, non-interest bearing, repayable upon demand and is to be settled in cash.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 7. OTHER PAYABLES AND ACCRUALS

	2015 \$	2014 \$
Other payables – related parties	14,789	10,096
Accrued operating expenses	4,710	3,750
Total financial liabilities carried at amortised cost	19,499	13,846

Other payables to related parties are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

## 8. SHARE CAPITAL

	2015		2014	
	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. The ordinary share carries 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 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 only 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk*

The Company manages the liquidity risk through the availability of funding from its immediate holding company and related party.

The table below analyses the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows.

	1 year or less \$
<b>At 2015</b>	
Other payables and accruals	19,499
<b>At 2014</b>	
Other payables and accruals	13,846

(c) *Capital risk*

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 2015 and 2014. 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 receivable and other payables and accruals approximate fair values due to their short term nature.



## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**10. RELATED PARTY TRANSACTIONS**

The following significant transaction took place between the Company and related party at terms agreed between the parties:

	2015 \$	2014 \$
Reimbursement of expenses paid / payable to related company	4,693	4,675

Outstanding balances with related parties as at 31 December 2015 are set out in Note 6 and 7.

**11. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements for the financial year ended 31 December 2015 were authorised for issue by the board of directors on 24 February 2016.

## STATISTICS OF STAPLED SECURITYHOLDINGS

As at 7 March 2016

## DISTRIBUTION OF STAPLED SECURITYHOLDINGS

SIZE OF STAPLED SECURITYHOLDINGS	NO. OF STAPLED SECURITYHOLDERS	%	NO. OF STAPLED SECURITIES	%
1 - 99	5	0.04	113	0.00
100 - 1,000	2,092	18.33	2,076,691	0.11
1,001 - 10,000	6,109	53.52	35,443,855	1.98
10,001 - 1,000,000	3,174	27.81	152,920,552	8.53
1,000,001 AND ABOVE	34	0.30	1,602,634,567	89.38
<b>TOTAL</b>	<b>11,414</b>	<b>100.00</b>	<b>1,793,075,778</b>	<b>100.00</b>

## LOCATION OF STAPLED SECURITYHOLDERS

COUNTRY	NO. OF STAPLED SECURITYHOLDERS	%	NO. OF STAPLED SECURITIES	%
SINGAPORE	11,197	98.10	1,787,642,678	99.70
MALAYSIA	159	1.39	4,275,500	0.24
OTHERS	58	0.51	1,157,600	0.06
<b>TOTAL</b>	<b>11,414</b>	<b>100.00</b>	<b>1,793,075,778</b>	<b>100.00</b>

## TWENTY LARGEST STAPLED SECURITYHOLDERS

NO.	NAME	NO. OF STAPLED SECURITIES	%
1	GOLDEN DEVELOPMENT PRIVATE LIMITED	352,242,800	19.64
2	DBS NOMINEES (PRIVATE) LIMITED	192,552,248	10.74
3	GOLDEN LANDMARK PTE LTD	191,806,000	10.70
4	FAR EAST ORGANIZATION CENTRE PTE LTD	182,307,000	10.17
5	OXLEY HILL PROPERTIES PTE LTD	154,481,000	8.62
6	CITIBANK NOMINEES SINGAPORE PTE LTD	145,396,035	8.11
7	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	95,502,100	5.33
8	RIVERLAND PTE LTD	80,294,000	4.48
9	RAFFLES NOMINEES (PTE) LIMITED	38,902,488	2.17
10	FEO HOSPITALITY ASSET MANAGEMENT PTE LTD	36,156,778	2.02
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	26,502,700	1.48
12	HSBC (SINGAPORE) NOMINEES PTE LTD	25,801,864	1.44
13	BANK OF SINGAPORE NOMINEES PTE. LTD.	15,237,424	0.85
14	DBSN SERVICES PTE. LTD.	14,692,116	0.82
15	STC INTERNATIONAL HOLDINGS PTE LTD	13,493,000	0.75
16	DB NOMINEES (SINGAPORE) PTE LTD	4,572,000	0.25
17	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,323,181	0.24
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,948,033	0.16
19	UOB KAY HIAN PRIVATE LIMITED	2,785,800	0.16
20	OCBC SECURITIES PRIVATE LIMITED	2,502,300	0.14
<b>TOTAL</b>		<b>1,582,498,867</b>	<b>88.27</b>

**FAR EAST HOSPITALITY TRUST**  
ANNUAL REPORT 2015

## STATISTICS OF STAPLED SECURITYHOLDINGS

As at 7 March 2016

### DIRECTORS' INTERESTS IN STAPLED SECURITIES AS AT 31 DECEMBER 2015, 21 JANUARY 2016 AND 7 MARCH 2016

Name of Directors	Direct Interests	%	Deemed Interests	%
Mr Koh Boon Hwee	500,000	0.03%	0	
Mr Willie Cheng Jue Hiang	–	–	500,000	0.03%
Mr Kyle Lee Khai Fatt	500,000	0.03%	0	
Mr Huang Cheng Eng	500,000	0.03%	0	
Mr Wee Kheng Jin	500,000	0.03%	0	
Mr Chng Kiong Huat	100,000	0.01%	0	

### CEO'S INTERESTS IN STAPLED SECURITIES AS AT 7 MARCH 2016

Name of Directors	Direct Interests	%	Deemed Interests	%
Mr Gerald Lee Hwee Keong	400,000	0.02%	0	0

### SUBSTANTIAL STAPLED SECURITYHOLDERS' INTERESTS

(as per the Register of Substantial Stapled Securityholders' Interests)

	Direct Interests	%	Deemed Interests	%
Golden Development Pte Ltd	346,493,700	19.32%	154,481,000	8.62% <sup>(1)</sup>
Far East Organization Centre Pte Ltd	182,307,000	10.17%	36,156,778	2.02% <sup>(2)</sup>
Oxley Hill Properties Pte Ltd	154,481,000	8.62%	–	
The Estate of the late Mr Ng Teng Fong	–		715,707,504	39.92% <sup>(3)</sup>
Golden Landmark Pte Ltd	191,806,000	10.70%	–	
F.E. Holdings Pte Ltd	–	–	272,100,000	15.18% <sup>(4)</sup>
Mdm Tan Kim Choo	–	–	308,256,778	17.19% <sup>(5)</sup>
Mr Philip Ng Chee Tat	–	–	272,100,000	15.18% <sup>(6)</sup>
APG Algemene Pensioen Groep N.V.	–	–	94,263,000	5.26% <sup>(7)</sup>
Aberdeen Asset Management Asia Limited	–	–	124,231,200	6.93% <sup>(8)</sup>
Aberdeen Asset Management PLC	–	–	124,231,200	6.93% <sup>(9)</sup>

**Note:**

The percentages of the above interests are calculated based on total issued stapled securities as at 7 March 2016 which is 1,793,075,778.

- (1) Golden Development Pte Ltd is deemed to be interested in the stapled securities held by Oxley Hill Properties Pte Ltd.
- (2) Far East Organization Centre Pte Ltd is deemed to be interested in the stapled securities held by FEO Hospitality Asset Management Pte Ltd.
- (3) The Estate of the late Mr Ng Teng Fong is deemed to be interested in the stapled securities held by Golden Development Pte Ltd, Far East Organization Centre Pte Ltd, Oxley Hill Properties Pte Ltd and FEO Hospitality Asset Management Pte Ltd.
- (4) F.E. Holdings Pte Ltd is deemed to be interested in the stapled securities held by Golden Landmark Pte Ltd and 80,294,000 stapled securities held by Riverland Pte Ltd, a wholly-owned subsidiary of Far East Organization.
- (5) Mdm Tan Kim Choo is deemed to be interested in the stapled securities held by Golden Landmark Pte Ltd, 80,294,000 stapled securities held by Riverland Pte Ltd and FEO Hospitality Asset Management Pte Ltd.
- (6) Mr Philip Ng is deemed to be interested in the stapled securities held by Golden Landmark Pte Ltd and 80,294,000 stapled securities held by Riverland Pte Ltd, a wholly-owned subsidiary of Far East Organization.
- (7) APG Algemene Pensioen Groep N.V. is deemed to be interested in 94,263,000 stapled securities held in custody by Mellon Global Securities Services who then hold the stapled securities through DBS Nominees (Private) Limited.
- (8) Aberdeen Asset Management Asia Limited ("AAMAL") acts as an investment manager for various clients/funds and has the power to exercise, or control the exercise of, a right to vote attached to the securities and has the power to dispose of, or control the disposal of, the securities. The registered holders of the securities is the client's or fund's custodian.
- (9) Aberdeen Asset Management PLC is deemed to be interested in the stapled securities held by AAMAL as AAMAL is a wholly owned subsidiary of Aberdeen Asset Management PLC.

### FREE FLOAT

In compliance with Listing Rule 1207 (9) of the SGX-ST Listing Manual, approximately 32.35% of the total number of stapled securities issued is held by public as at 7 March 2016.

Therefore, Listing Rule 723 of the SGX-ST Listing Manual has been complied.

## NOTICE OF ANNUAL GENERAL MEETING



### FAR EAST HOSPITALITY TRUST

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 4<sup>th</sup> 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 Symphony Ballroom, Rendezvous Hotel Singapore, 9 Bras Basah Road, Singapore 189559 on Monday, 18 April 2016 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 2015, 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"), 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 Hospitality Trust and to authorise the REIT Manager and the Trustee-Manager to fix 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;
- (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 (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 for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);

## NOTICE OF ANNUAL GENERAL MEETING

- (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.

By Order of the Board

By Order of the Board

**Lin Moi Heyang**

Company Secretary  
FEO Hospitality Asset Management Pte. Ltd.  
(Company Registration No. 201102629K)  
30/03/2016

**Lin Moi Heyang**

Company Secretary  
FEO Hospitality Trust Management Pte. Ltd.  
(Company Registration No. 201210698W)  
30/03/2016

**IMPORTANT NOTICE:**

1. Except for Stapled Securityholder who is a Relevant Intermediary as defined below, a Stapled Securityholder is entitled to appoint not more than two proxies to attend, speak and vote instead of the Stapled Securityholder. A proxy need not be a Stapled Securityholder. Where a Stapled Securityholder appoints more than one proxy, the proportion of his/her concerned Stapled Security holding to be represented by each proxy shall be specified in the proxy form.

"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



## NOTICE OF ANNUAL GENERAL MEETING

- 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.
2. A Stapled Securityholder who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, 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 in the proxy form the number of Stapled Securities in relation to which each proxy has been appointed.
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 (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 the applicable regulations to be held, whichever is earlier, unless such authority is earlier revoked or varied by the Stapled Securityholders at a general meeting. 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.

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.



# FAR EAST HOSPITALITY TRUST

## FAR EAST HOSPITALITY TRUST

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.**

## PROXY FORM

### 4<sup>th</sup> 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, to demand a poll, at the 4th Annual General Meeting ("AGM") of Far East H-Trust to be held at Symphony Ballroom, Rendezvous Hotel Singapore, 9 Bras Basah Road, Singapore 189559 on Monday, 18 April 2016 at 2.30 p.m. at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the AGM 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/she/they may on any other matter arising at the AGM.

Ordinary Resolutions		For*	Against*
<b>Ordinary Business</b>			
1.	To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2015, comprising the audited Financial Statement of Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") and the audited Financial Statement 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"), together with the Auditors' 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 Hospitality Trust and to authorise the REIT Manager and the Trustee-Manager to fix their remuneration.		
<b>Special Business</b>			
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", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

**Total number of Stapled  
Securities held**

Signature(s) of Stapled Securityholder(s)/Common Seal  
of Corporate Stapled Securityholder

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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**

- Except for Stapled Securityholder who is a Relevant Intermediary as defined below, a Stapled Securityholder is entitled to appoint not more than two proxies to attend, speak and vote instead of the Stapled Securityholder. A proxy need not be a Stapled Securityholder. Where a Stapled Securityholder appoints more than one proxy, the proportion of his/her concerned Stapled Security holding to be represented by each proxy shall be specified in the proxy form.  
"Relevant Intermediary" means:
  - 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;
  - 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
  - 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.
- A Stapled Securityholder who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, 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 in the proxy form the number of Stapled Securities in relation to which each proxy has been appointed.
- A Stapled Securityholder should insert the total number of Stapled Securities held. If the Stapled Securityholder has Stapled Securities entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he 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.
- 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.
- The Proxy Form must be signed by the appointor or of his 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.
- 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.
- 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 72 hours before the time appointed for holding the Annual General Meeting.
- 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.
- At the meeting, a resolution put to the vote of the meeting shall be decided by way of 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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1 Tanglin Road  
#05-01 Orchard Parade Hotel  
Singapore 247905  
T: +65 68336688  
F: +65 68336622

**[www.fehtrust.com](http://www.fehtrust.com)**