

## **FAR EAST HOSPITALITY TRUST**

Comprising  
Far East Hospitality Real Estate Investment Trust  
(managed by FEO Hospitality Asset Management Pte Ltd) and  
Far East Hospitality Business Trust  
(managed FEO Hospitality Trust Management Pte Ltd)

Minutes of the 11th Annual General Meeting of Far East Hospitality Trust (“Far East H-Trust”) held at Antica Ballroom, Orchard Rendezvous Hotel, 1 Tanglin Road, Singapore 247905 on Thursday, 20 April 2023 at 2.30 pm.

### **PRESENT**

Directors of FEO Hospitality Asset Management Pte Ltd as manager of Far East Hospitality Real Estate Investment Trust (“REIT Manager”) and FEO Hospitality Trust Management Pte Ltd as trustee manager of Far East Hospitality Business Trust (“Trustee-Manager”) (collectively the “Managers”)

Mr Wee Kheng Jin	-	Chairman of the Meeting
Ms Vivienne Lim Hui Bian		
Ms Catherine Lee Khia Yee		
Ms Celestine Khoo Geok Choo		
Mr Benedict Leh Song Boon		
Mr Gerald Lee	-	Chief Executive Officer (“CEO”)

### Stapled Securityholders/ Proxies

As per attendance list

### Key Management of the REIT Manager

Mr Gerald Lee	-	Chief Executive Officer (“CEO”)
Ms Regina Yap	-	Chief Financial Officer

### **IN ATTENDANCE**

DBS Trustee Limited as trustee of Far East Hospitality Real Estate Investment Trust (“REIT Trustee”)

Chan Kim Lim  
Noor Azizah Ador  
Chan Han Jie  
Chua Zhi Yun

### Tricor Evatthouse Corporate Services

Ms Lin Moi Heyang	-	Company Secretary
Ms Tang Pei Chan	-	Tricor Evatthouse Corporate Services

## BY INVITATION

### Ernst & Young LLP

- |                |   |  |
|----------------|---|--|
| Mr Nelson Chen | - | Audit Partner-in-charge, Ernst & Young LLP |
| Mr Jason Ho    | - | Ernst & Young LLP                          |

## 1.0 WELCOME AND INTRODUCTION

- 1.1 Mr Wee Kheng Jin<sup>1</sup>, the Chairman of the Managers' Board, who had been nominated by the REIT Trustee to preside as Chairman of the meeting ("Chairman") in accordance with paragraph 8 of the Schedule 1 of the Trust Deed constituting Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") dated 1 August 2012 (as amended), welcomed the stapled securityholders of Far East H-Trust ("Stapled Securityholder"), corporate representatives and proxies to the 11<sup>th</sup> annual general meeting of Far East H-Trust ("AGM" or "Meeting").
- 1.2 The Chairman introduced the Directors on the panel comprising Mr Gerald Lee, Mr Benedict Leh Song Boon, Ms Celestine Khoo Geok Choo, Ms Vivienne Lim Hui Bian and Ms Catherine Lee Khia Yee.

The Chairman then introduced the Representatives from DBS Trustee Limited as trustee of Far East Hospitality Real Estate Investment Trust, Ernst & Young LLP, the Auditor, the Company Secretary and the Chief Financial Officer, who was also at the Meeting.

## 2.0 RESPONSES TO QUESTIONS FROM STAPLED SECURITYHOLDERS PRIOR TO THE AGM

- 2.1 The Chairman informed the meeting that Far East H-Trust had received some questions from Stapled Securityholders and the Securities Investors Association (Singapore) ("SIAS") prior to the AGM. Responses to the substantive and relevant questions received had been addressed in the announcement uploaded on SGXNET and published at Far East H-Trust's website on 14 April 2023. The presentation to be delivered by the CEO will provide more insights on the business performance and outlook of Far East H-Trust.

(The responses to the substantive and relevant questions to the proposed resolutions were uploaded on SGXNET on 14 April 2023 and are as contained in the document attached herein and marked as "**Annex A**" for identification purpose).

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<sup>1</sup>The Chairman of the Board of Trustee-Manager presided as chairman at a general meeting in accordance with paragraph 3.1 of the Schedule 1 of trust deed constituting Far East Hospitality Business Trust dated 1 August 2012 (as amended).

### **3.0 PRESENTATION ON THE PERFORMANCE OF FAR EAST H-TRUST**

- 3.1 The CEO gave a presentation on the year in review for Far East H-Trust in FY2022, covering financial and operational performance, capital management, portfolio optimisation with the divestment of Central Square, asset enhancement initiatives, sustainability and corporate governance, and an update on current operating environment and the outlook.

(The presentation slides were uploaded on SGXNET after the Meeting and are as contained in the document attached herein and marked as “**Annex B**” for identification purpose).

### **4.0 QUORUM**

- 4.1 The Chairman noted that a quorum was present and declared the 11<sup>th</sup> AGM of Far East H-Trust open at 3.00 p.m..

### **5.0 NOTICE OF AGM**

- 5.1 The notice of AGM dated 22 March 2023 convening the meeting, having been in the hands of the Stapled Securityholders for the requisite period was, with the concurrence of the meeting, taken as read.
- 5.2 The Chairman informed the Stapled Securityholders that all resolutions put forth at the meeting would be voted by way of a poll after they have been formally tabled at the meeting and after all the questions posed by Stapled Securityholders have been answered.
- 5.3 The Chairman proceeded with the formal proceedings of the meeting.

### **6.0 PROPOSED ORDINARY RESOLUTIONS**

#### **6.1 Ordinary Resolution 1 - Audited Financial Statements of Far East H-Trust**

The Chairman tabled the following first proposed resolution:-

“That the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2022, 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 Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the “REIT Manager”), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the “Trustee-Manager”), the Statement by the Chief Executive Officer of the Trustee-Manager, together with the Auditor’s Report contained therein be hereby received and adopted.”

## **6.2 Ordinary Resolution 2 - Re-appointment of Auditors**

The Chairman tabled the following second proposed resolution:-

“That Ernst & Young LLP, Certified Public Accountants, Singapore, be and are hereby re-appointed as auditors of Far East H-Trust to hold office until the conclusion of the next annual general meeting at a remuneration to be determined by the REIT Manager and the Trustee-Manager.”

## **6.3 Ordinary Resolution 3 – Authority to Issue Stapled Securities**

The Chairman tabled the following third proposed resolution:-

“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 2004 of Singapore for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed constituting Far East H-REIT (as amended) (the “REIT Trust Deed”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed constituting Far East H-BT (as amended) (the “BT Trust Deed”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the stapling deed stapling Far East H-REIT and Far East H-BT (as amended) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) (the “Stapling Deed”);
- (4) (unless revoked or varied by the Stapled Securityholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next annual general meeting of Far East H-Trust or (ii) the date by which the next annual general meeting of Far East H-Trust is required by law to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the REIT Manager and the Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and
- (6) the REIT Manager, the REIT Trustee and the Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the REIT Manager, the REIT Trustee or, as the case may be, the Trustee-Manager may consider expedient or necessary or in the interest of Far East H-REIT, Far East H-BT and Far East H-Trust as a whole to give effect to the authority conferred by this Resolution.”

## 7.0 QUESTIONS AND ANSWERS SESSION

After all the proposed resolutions have been duly tabled and before poll was conducted for voting on the ordinary resolutions, the Chairman invited questions from Stapled Securityholders.

(The full text of the substantive questions raised and answers given are contained in the document attached herein and marked as “**Annex C**” and forms part of these minutes.)

## 8.0 VOTING BY ELECTRONIC POLL

8.1 After all the questions have been duly answered, the Chairman invited the representative from CNP Business Advisory Pte Ltd, being the scrutineer appointed to conduct electronic poll. Scrutineer explains the voting procedures and brief the Stapled Securityholders on electronic poll voting process.

8.2 Following the briefing, the Chairman announced the commencement of voting.

## 9.0 RESULTS OF THE POLLING

9.1 The Chairman then proceeded to read Resolution 1 contained in the Notice of AGM and put Ordinary Resolution 1 to vote:-

<b><u>Resolution 1</u></b>	<b><u>Number of shares</u></b>	<b><u>Percentage</u></b>
FOR	1,301,521,124	99.97%
AGAINST	346,928	0.03%
Total No. of Valid Votes	1,301,868,052	100.00%

Based on the results of the poll, the Chairman declared Resolution 1 carried as an Ordinary Resolution.

9.2 The Chairman then proceeded to read Resolution 2 contained in the Notice of AGM and put Ordinary Resolution 2 to vote:-

<b><u>Resolution 2</u></b>	<b><u>Number of shares</u></b>	<b><u>Percentage</u></b>
FOR	1,294,376,369	99.40%
AGAINST	7,849,928	0.60%
Total No. of Valid Votes	1,302,226,297	100.00%

Based on the results of the poll, the Chairman declared Resolution 2 carried as an Ordinary Resolution.

9.3 The Chairman then proceeded to read Resolution 3 contained in the Notice of AGM and put Ordinary Resolution 3 to vote:-

<b><u>Resolution 3</u></b>	<b><u>Number of shares</u></b>	<b><u>Percentage</u></b>
FOR	1,289,697,775	99.02%
AGAINST	12,722,062	0.98%

Total No. of Valid Votes	1,302,419,837	100.00%
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Based on the results of the poll, the Chairman declared Resolution 3 carried as an Ordinary Resolution.

## **10.0 CLOSE OF AGM**

10.1 On behalf of the Board and Management, the Chairman thanked the Stapled Securityholders for their attendance and feedback.

10.2 There being no other business, the 11<sup>th</sup> AGM was declared closed at 3.50 p.m..

Confirmed as true and correct record of the proceedings.

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Wee Kheng Jin  
Chairman of the Board



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 FEO Hospitality Trust Management Pte. Ltd. Co. Reg. No.: 201210698W  
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## 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)

### Far East Hospitality Business Trust

(a business trust constituted on 1 August 2012 under the laws of the Republic of Singapore)

## ANNOUNCEMENT

### Annual General Meeting held on 20 April 2023 Responses to Substantial and Relevant Questions

FEO Hospitality Asset Management Pte. Ltd., as manager of Far East Hospitality Real Estate Investment Trust (“**Far East H-REIT**”, and the manager of Far East H-REIT, the “**REIT Manager**”), and FEO Hospitality Trust Management Pte. Ltd. as trustee-manager of Far East Hospitality Business Trust (“**Far East H-BT**”, and the trustee-manager of Far East H-BT, the “**Trustee-Manager**”, and together with the REIT Manager, the “**Managers**”, and Far East H-REIT and Far East H-BT together, “**Far East H-Trust**”) would like to thank all stapled securityholders of Far East H-Trust (“**Stapled Securityholders**”) who have submitted their questions in advance of our Annual General Meeting (“**AGM**”) to be held at Antica Ballroom, Orchard Rendezvous Hotel, 1 Tanglin Road, Singapore 247905 on Thursday, 20 April 2023 at 2.30 p.m.. The Managers have also received a set of questions from the Securities Investors Association (Singapore) (“**SIAS**”) in relation to Far East H-Trust’s annual report for the financial year ended 31 December 2022.

Questions that are similar in nature are grouped together as shown below. Please refer to the subsequent pages for responses to the list of substantial and relevant questions.

A. Business Performance	
1.	<p><b>As noted in the chairman’s statement, the group has maintained a prudent capital management strategy in light of the rising interest rate environment, despite its strong underlying operational performance.</b></p> <p><b>The divestment of Central Square was completed on 24 March 2022 at an exit yield of 1.8%. As a result, the group is now in a much stronger financial position, with a gearing ratio of 32%, an interest coverage ratio of 3.8 times, and a weighted average debt maturity of 3.1 years. The board has also decided to distribute a portion of divestment gains at a rate of approximately S\$8.0 million per year over three years while exploring new yield-accretive investment opportunities. On 27 March 2023, the managers announced that the group has received an additional payment of S\$18.0 million, being the maximum amount of the incentive fee, related to the redevelopment of Central Square.</b></p> <p><b>The group has also completed several rejuvenation projects, including the asset enhancement works of Orchard Rendezvous Hotel, as well as the rebranding of Regency House as Adina Serviced Apartments Singapore Orchard and The Elizabeth Hotel as Vibe Hotel Singapore Orchard.</b></p> <p><b>i. To what extent has the rebranding of Regency House and The Elizabeth Hotel disrupted operations?</b></p> <p><b>Manager’s Response:</b> The REIT Manager took the opportunity during the downturn caused by the COVID-19 pandemic to undertake some rejuvenation and strategic asset enhancement initiatives to better position the properties to compete and benefit from the</p>

recovery in the hospitality sector. The disruptions were therefore minimised, and lesser than if they were carried out when the industry is in full recovery.

For the rebranding of Regency House to Adina Serviced Apartments Singapore Orchard (“ASO”), the disruptions to the operations were minimal as the refurbishment works were at the reception as well as the common areas.

At The Elizabeth Hotel, the renovation was more extensive due to the age of the property. To expedite the work, the hotel was closed for 6 months from early 2022. Upon completion, all the guestrooms and common areas were upgraded with new furnishings, and the hotel was rebranded to Vibe Hotel Singapore Orchard (“VHSO”). During the closure, Far East H-REIT continued to receive fixed rent income from the master lessee as part of the master lease structure.

ii. **What strategic considerations led to the decision to rebrand the properties? Were other major hotel brands considered when evaluating the options?**

**Manager’s Response:** The REIT Manager actively reviews and regularly discusses with the Operator on the performance of each of the properties within the portfolio.

The decision to rebrand both Regency House and The Elizabeth Hotel was an effort to maximise the pricing potential of both properties which are well located in Orchard, the iconic shopping belt of Singapore.

A key consideration was to tap on well-received lifestyle brands that are already managed by our Operator’s JV partner, the TOGA group which has properties across Australia, New Zealand and Europe. Other considerations also included the familiarity of brands with the intended target markets, product and experience differentiators, and synergy with the overall portfolio.

With ASO and VHSO, Far East H-REIT now offers two reputable Australian-branded accommodations to cater to both transient and long-stay guests.

iii. **Looking ahead, how does the manager plan to position the properties to take advantage of the expected recovery in the hospitality sector?**

**Manager’s Response:** The REIT Manager keeps up to date with the latest developments as well as competition in the hospitality sector and works closely with the Operator to ensure that the properties are marketed effectively to secure bookings from a diverse set of corporate and independent travellers. The REIT Manager actively monitors and reviews the operational performance of each of its property segment, against benchmarked peers in the hospitality industry.

iv. **How is the group addressing the challenges posed by the tight labour market?**

**Manager’s Response:** The tight labour market has been a key topic of concern amongst companies within the hospitality industry, as well as many other industries in Singapore.

Far East H-REIT benefits from an economy of scale with 12 properties in Singapore, all managed by the same Operator. This enables centralisation of some key functions that help to improve productivity and the ability to hire more qualified personnel. It also allows for better pooling and allocation of resources amongst the different properties when the need arises.

In addition, F&B services which are labour-intensive, are outsourced to tenants that are able to provide all-day dining for our hotel guests. This model helps to keep the manning at our hotels lean.

	<p>With our Operator as a sizeable industry player headquartered in Singapore, it is also able to offer a better career path for employees with the added opportunity of progressing into positions within the larger group of our Sponsor.</p>
<p>2.</p>	<p><b>The group's 30% owned joint venture, Fontaine Investment Pte. Ltd. ("FIPL"), developed the three hotels, namely Village Hotel Sentosa, The Outpost Hotel, and The Barracks Hotel. As shown in Note 5 (Joint venture; pages 163 &amp; 164) of the 2022 Annual Report, revenue increased to S\$38.1 million but the total comprehensive loss was S\$(16.38) million in FY 2022.</b></p> <p><b>FIPL is in a negative equity position of S\$(16.5) million.</b></p> <p><b>i. What is the manager's view on the progress of the three new hotels?</b></p> <p><b>Manager's Response:</b> The Sentosa development has a total of 839 guest rooms across three hotels, namely Village Hotel Sentosa ("VHS") and The Outpost Hotel ("TOH") which officially opened in April 2019, and The Barracks Hotel ("TBH") which officially opened in December 2019. In addition, the development has four blocks of commercial spaces, a ballroom and an event centre.</p> <p>These three hotels were well received when they opened, attracting a good mix of local and foreign guests. Unfortunately, the untimely arrival of the COVID-19 pandemic in early 2020 and the subsequent closure of international borders disrupted the momentum and performance of our Sentosa hotels.</p> <p>A decision was made to contract both VHS and TOH to the Government for isolation purposes in March 2020 so that both hotels could continue to generate cashflow and retain their employees. TBH, with its luxury positioning within a heritage setting, was kept open to the market to tap the staycation market, and it performed very well during the period.</p> <p>Since the reopening of Singapore's borders, both VHS and TOH have returned to the market in August 2022 to capture pent-up demand from leisure travellers. Despite the short return to the market, RevPAR performance has shown consecutive month-on-month growth.</p> <p>The REIT Manager remains positive on our Sentosa hotels as they continue to progress towards a steady state of growth.</p> <p><b>ii. Does FIPL require any capital injection?</b></p> <p><b>Manager's Response:</b> At the onset of signing the joint venture agreement in September 2014, there were commitments to provide funding to the joint venture. As part of these commitments, Far East H-REIT had provided loans of S\$1.5 million in January 2022 to help FIPL with its cashflow as VHS, TOH and TBH were still recovering from the effects of the COVID-19 pandemic and no equity injection was provided in 2022. As at 31 December 2022, the remaining untapped commitments are S\$10.5 million.</p> <p><b>iii. Has the board/manager considered increasing its stake in FIPL at the right valuation if FIPL is considered strategic to the group's long-term growth plans?</b></p> <p><b>Manager's Response:</b> Due to the disruption of operations arising from the COVID-19 pandemic, both the REIT Manager and Sponsor would require performance of FIPL to reach a stable state before discussions and negotiations can take place on an arm's length basis. The REIT Manager will consider increasing its stake in FIPL at an appropriate time, provided that it is yield accretive and meets Far East H-REIT's investment criteria so as to maximise value for Stapled Securityholders. However, as any increase in stake in FIPL will constitute an interested party transaction, it will be subject to the necessary approvals as set out in the SGX Listing Manual, including the approval of unitholders at an extraordinary general meeting, if required.</p>

**iv. What are the properties under the right of first refusal (“ROFR”) with the sponsor?**

**Manager’s Response:** At present, the Sponsor has identified seven properties with a total of approximately 1,600 rooms that could potentially be offered to Far East H-Trust. Amongst the pipeline of properties available are notable new developments such as The Clan Hotel, the hotel development on Sentosa (VHS, TOH and TBH), and Oasia Residence which were launched in 2021, 2019 and 2016 respectively.

Apart from Sponsor properties, the REIT Manager actively engages third-party brokers for other potential hospitality assets locally and abroad.

**The group has a debt headroom of over \$961 million.**

**v. Has the manager conducted due diligence on any investment opportunities, including third-party properties?**

**Manager’s Response:** The REIT Manager maintains close contact with third-party brokers, and regularly receives leads on prospective third-party properties. The REIT Manager has carried out preliminary assessment of properties that were deemed suitable and have conducted more in-depth analyses on some of them. The REIT Manager will carry out thorough due diligence and will make an announcement at an appropriate time should there be an intention to acquire a property.

**vi. What are the investment criteria for any possible acquisitions?**

**Manager’s Response:** The REIT Manager has various investment criteria in relation to acquisition opportunities. Some of the key criteria include:

- 1) Risk-Adjusted Return Requirements – acquisitions that are value-enhancing and can improve returns to Stapled Securityholders while balancing various risks associated with any investment.
- 2) Location – properties that are well-located and have long-term real estate value.
- 3) Strong Fundamentals and Organic Growth Potential – properties with good potential for further improvement in performance and contribution to the REIT in the longer term.
- 4) Strategic Considerations – acquisitions that align with the vision, mission and strategy of Far-East H-REIT.

## **B. Capital Management**

- 3. As disclosed in Note 19 (page 178 – Financial risk management: Financial risk management objectives and policies: Interest rate risk) of the 2022 Annual Report, the manager has implemented a policy of mitigating interest rate risk by using financial derivatives or other appropriate financial instruments to fix the interest rates on a portion of the group’s outstanding borrowings.**

**As at 31 December 2022, approximately 54.1% of the group’s borrowings were on fixed interest rates arising from interest rate swap (“IRS”) contracts entered into to hedge against the exposure to interest rate volatility.**

**The manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, taking into account prevailing market conditions.**

	<p>i. <b>What is the board’s view on interest rate trends?</b></p> <p><b>Manager’s Response:</b> Based on the Federal Reserve’s latest statement in March 2023 and the Monetary Authority of Singapore’s Monetary Policy Statement in October 2022, it is likely that interest rates will remain elevated in the short-term until inflation pressures have been tamed. However, in the longer run, it is also possible that interest rates may head lower should the early signs of global economic uncertainty and recessionary pressures prevail and take greater centre stage.</p> <p>ii. <b>What is the weighted average tenure of the interest swap contracts?</b></p> <p><b>Manager’s Response:</b> As at 31 December 2022, the interest rate swap (“<b>IRS</b>”) contracts range between 0.6 to 2.3 years. The REIT Manager monitors interest rate movements and explores other financial products with various banks on ways to reduce the overall interest cost. The REIT Manager is monitoring the interest rate markets closely and would execute IRS contracts at the appropriate time when the rates are more favourable.</p> <p>iii. <b>How costly is it to enter into these swaps?</b></p> <p><b>Manager’s Response:</b> As at 31 December 2022, the average cost of debt is 2.2%. Current Singapore Overnight Rate Average (“<b>SORA</b>”) rates are much higher and entering into any IRS contract now will increase the cost of debt significantly for a prolonged period.</p> <p>iv. <b>For the benefit of Stapled Securityholders, what is the rationale behind hedging 54.1% of the interest rate risks while retaining 45.9% on the books? What factors are considered in making this decision?</b></p> <p><b>Manager’s Response:</b> In managing the interest rate exposure, the REIT Manager enters into IRS contracts to swap the variable-rate borrowings to a fixed-rate to reduce exposure to adverse interest rate movements. The hedge ratio of approximately 50% provides more certainty to finance cost and stability of distribution income to Stapled Securityholders. The remaining variable-rate borrowings give Far East H-REIT the flexibility to benefit during low floating rates environment and opportunities to enter into hedges as and when it is appropriate.</p>
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## C. Financial Ratios

4.	<p>i. <b>What is the manager doing to bridge the gap between Net Asset Value (“NAV”) and the share price?</b></p> <p><b>Manager’s Response:</b> The challenging operating environment over the past few years due to the downcycle within the hospitality sector and the COVID-19 pandemic had resulted in downward pressure on our price-to-book (“<b>P/B</b>”) ratio. Many of our peers in comparable industries have also been similarly impacted.</p> <p>Our strategy to bridge the P/B ratio gap is mutli-pronged, including:</p> <p>1) Continued focus to improve our operational and financial performance. As recovery for the hospitality sector is underway, we expect to benefit from the upturn as our operational figures continue to improve.</p>
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- 2) The strong divestment gains of Central Square has demonstrated the latent value of the assets in our portfolio and we will continue to educate the market about this potential. Amidst the rising interest rate environment, proceeds from the divestment has also enabled us with the funds to pare down debt and strengthen our balance sheet.
- 3) The REIT Manager will also continue to work on improving the value of its existing properties through asset enhancement initiatives, so that the improvement in performance of the assets would translate into higher distribution per stapled security (“DPS”) and in turn, positively impact the stapled security price in the future.
- 4) With greater financial flexibility and ample debt headroom, the REIT Manager is actively looking at yield accretive hospitality assets locally and abroad to grow the Far East H-REIT portfolio in the years ahead to become one of the leading hospitality S-REIT in Singapore.

ii. **Please also explain the reason for having a resolution to issue units when Far East H-REIT is trading at discount relative to NAV? Why not have a resolution to allow for a unit buyback instead?**

**Manager’s Response:** A resolution to issue units (“**Units Issuance Mandate**”) provides the Managers with the flexibility to issue stapled securities for various purposes, including, payment of management fees in the form of stapled securities, equity fund raising for acquisitions, as well as the potential application of a distribution reinvestment plan, etc.

With the completion of the divestment of Central Square, the REIT Manager is actively looking for yield accretive acquisitions to add to our portfolio of hospitality assets. The Units Issuance Mandate also allows the REIT Manager the flexibility and agility to pursue any opportunities (within the issuance mandate limit) which may arise in a timely manner. Unitholders approval will still be required to be sought if the amount of equity fund raising is larger than the Units Issuance Mandate proposed.

While buyback of units reduces the overall number of stapled securities and would theoretically increase the P/B ratio and DPS, the REIT Manager also has to consider other implications of such an exercise, including free float considerations, cashflow requirements, cost of funding buybacks and guidelines for inclusion in indexes such as the FTSE EPRA Nareit Global Real Estate Index.

On a cashflow front, Far East H-REIT has distributed all of its taxable income to unitholders every year, even though it is only required to distribute at least 90% of its Singapore taxable income in each financial year to unitholders. Given the limited excess funds due to the above, any buyback would require additional debt financing which at the current high interest rate environment could potentially negate any positive impacts of such buybacks.

Nevertheless, the REIT Manager has noted the feedback of having an units buyback mandate and will review and deliberate on the merits and practicality of such a mandate for the next AGM.

**By Order of the Board**

Gerald Lee Hwee Keong  
 Chief Executive Officer and Executive Director  
**FEO Hospitality Asset Management Pte. Ltd.**  
 (Company Registration No. 201102629K)

14 April 2023

**By Order of the Board**

Gerald Lee Hwee Keong  
 Chief Executive Officer and Executive Director  
**FEO Hospitality Trust Management Pte. Ltd.**  
 (Company Registration No. 201210698W)

14 April 2023



**FAR EAST**  
HOSPITALITY  
TRUST

Presentation at  
11<sup>th</sup> Annual General Meeting

20 April 2023

# Important Notice

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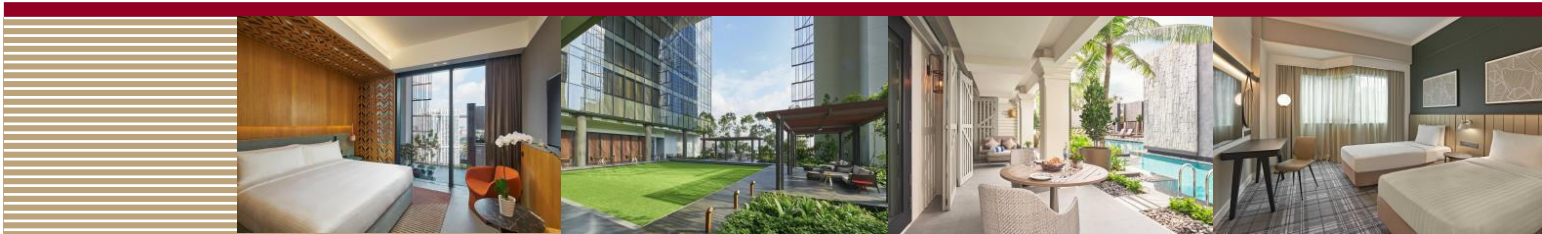


# Agenda

- Year in Review:
  - Financial & Operational Performance
  - Capital Management
  - Portfolio Optimisation – Divestment of Central Square
  - Asset Enhancement Initiatives
  - Sustainability & Corporate Governance
  
- Outlook



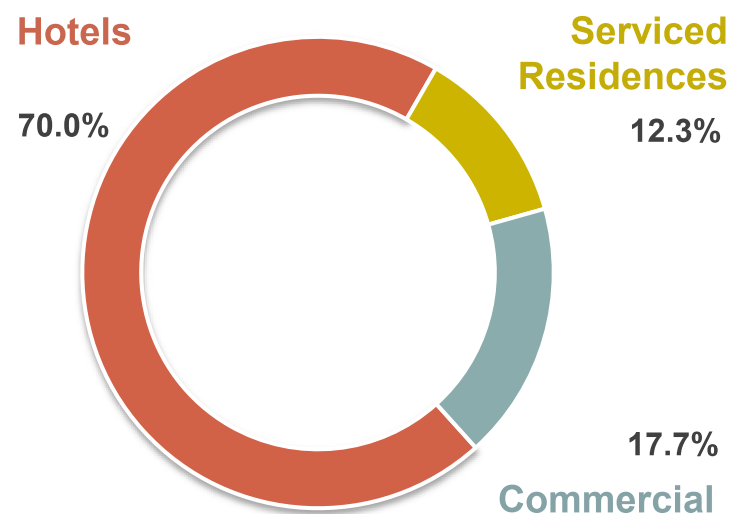
# Financial & Operational Performance



# FY 2022 Financial Performance

	FY 2022 S\$'000	YoY Variance %
Gross Revenue	83,579	0.4
Net Property Income	77,329	2.9
Income Available for Distribution	58,986	7.5
Distribution to Stapled Securityholders	65,024	25.2
Distribution per Stapled Security (cents)	3.27	24.3

## Breakdown of Revenue by Segment



- Gross revenue for FY 2022 grew 0.4% year-on-year to S\$83.6 million led by growth from the Hotel segment which increased 2.7%.
- **Excluding the effects of Central Square's divestment, gross revenue would have grown 7.0% year-on-year with contributions from the SRs and Commercial Premises having grown 23.3% and 16.9% year-on-year respectively.**
- **Distribution to Stapled Securityholders grew 25.2%** to S\$65.0 million on the back of higher net property income, lower finance expenses, and sharing of gains from the divestment of Central Square, translating into a higher DPS of 3.27 cents.



# Portfolio Performance – Hotels

## Operating Performance

### Average Occupancy

**73.7%** (-5.7pp YoY)

### Average Daily Rate

**S\$125** (+78.6% YoY)

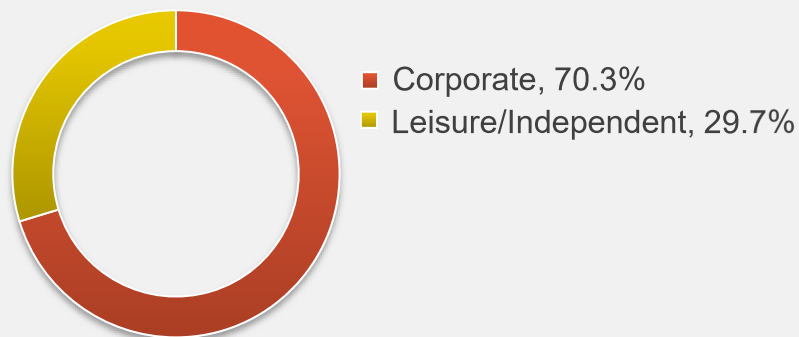
### Revenue per Available Room

**S\$92** (+64.3% YoY)

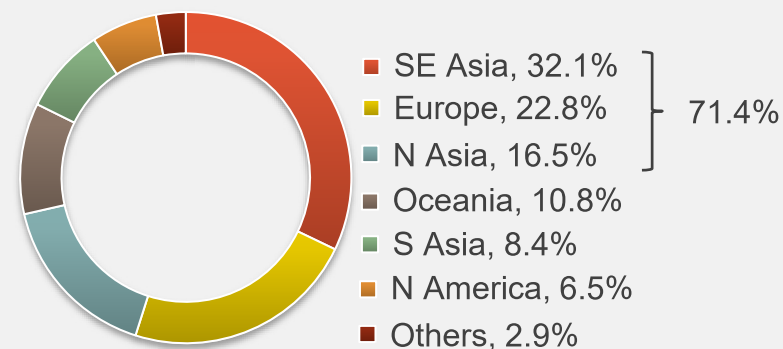
- For FY 2022, overall RevPAR grew 64.3% on the back of higher ADR supported in part by healthy demand from corporate groups and improved pick-up from leisure travellers returning to Singapore.

## Revenue Contribution

### By Market Segment



### By Region



- While majority of the hotel's revenue was formed by the Corporate segment of 70.3%, the Leisure segment experienced a greater expansion increasing its contribution from 15.0% to 29.7%, reflecting the influx of tourist arrivals with the full reopening of Singapore's borders since April 2022.
- Guests from South East Asia, Europe and North Asia formed the top 3 markets contributing to 71.4% of overall revenue.



# Portfolio Performance – Serviced Residences

## Operating Performance

### Average Occupancy

**87.5%** (+10pp YoY)

### Average Daily Rate

**S\$223** (+23.2% YoY)

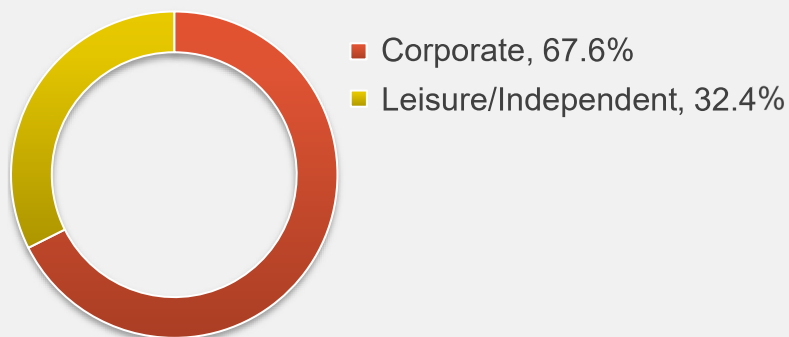
### Revenue per Available Unit

**S\$195** (+39.3% YoY)

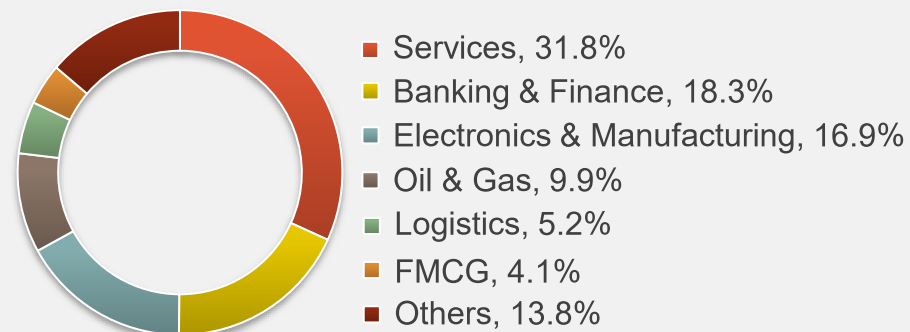
- For FY 2022, the Serviced Residences continued to demonstrate strong performance generating variable rent above the fixed rent level of the master leases with RevPAU surpassing that of 2019, supported by robust demand from corporate project groups and professionals requiring long-stay accommodation.

## Revenue Contribution

### By Market Segment



### By Industry



- Revenue contribution by the Corporate segment was 67.6% while the Leisure/Independent segment grew from 21.5% to 32.4% reflecting the reopening of borders since April 2022.
- Services, Banking & Finance and Electronics & Manufacturing formed the top 3 segments contributing to 67.0% of overall revenue.





# Portfolio Performance – Commercial Premises

## Performance

### Revenue (millions)

**S\$14.8** (-1.9% YoY)

### Average Occupancy

**75.3%** (+5.6pp YoY)

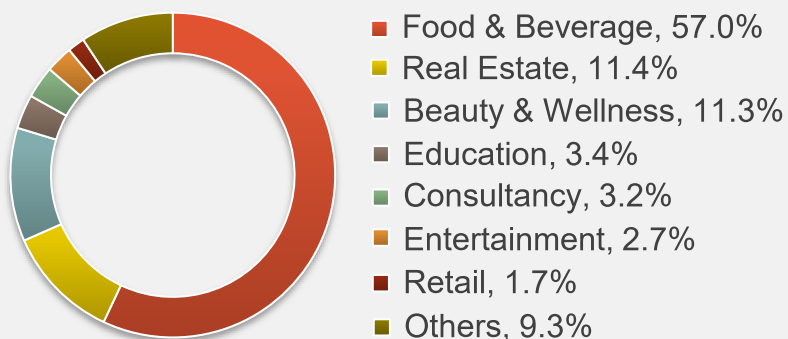
### WALE (Years)

**1.37** (+0.19 year YoY)

- For FY 2022, revenue from the Retail and Office spaces decreased 1.9% year-on-year to S\$14.8 million due to lower revenue recorded following the divestment of Central Square. **Excluding the effects of the divestment, revenue would have increased 16.9% year-on-year.**
- New leases entered during the year had a WALE of 1.95 years and made up 6.4% of Retail and Office revenue for the year.

## Revenue Contribution

### Trade Sector Mix of Tenants by Revenue



### Top 10 RCP Tenants (Revenue Contribution)

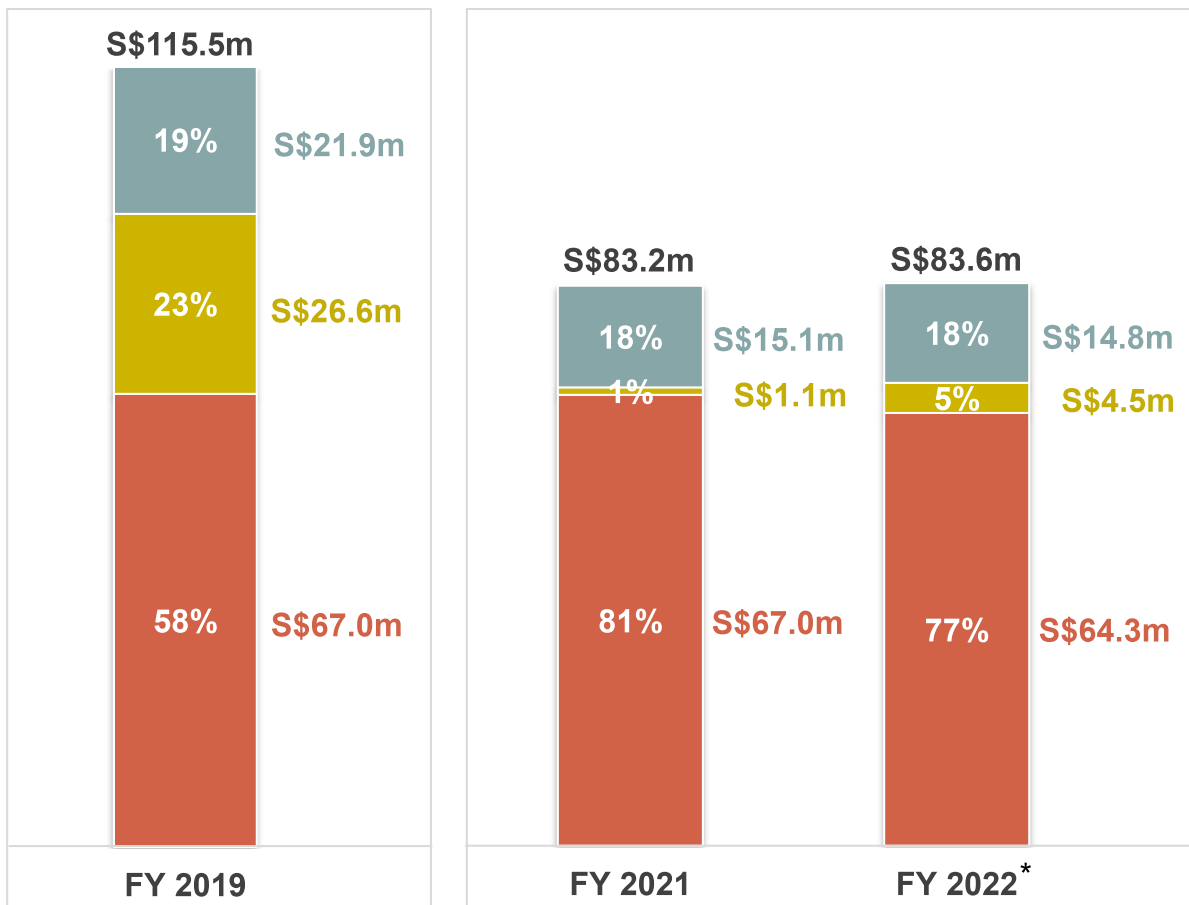
1.	Far East Organization entities	7.3%
2.	Akashi Japanese Restaurant OPH Pte Ltd	6.8%
3.	Club Chinois Pte Ltd	5.6%
4.	White Marble (2021) Pte Ltd	4.1%
5.	Singapore Hospitality Group Pte Ltd	4.1%
6.	SPH Media Limited	2.7%
7.	Kam Boat Chinese Cuisine Pte Ltd	2.5%
8.	328 F&B Holding Pte Ltd	2.4%
9.	Commonwealth Concepts Pte Ltd	2.3%
10.	G & R Fusion Pte Ltd	2.2%

- Top 10 tenants contributed approximately 40.0% of Retail and Office revenue.



# Breakdown of Rental Revenue

## Revenue Mix



■ Fixed Rent (Hotels & SRs)
 ■ Variable Rent (Hotels & SRs)
 ■ Rental Revenue (Retail Commercial Premises)

### Variable rent increases as hospitality sector recovery begins

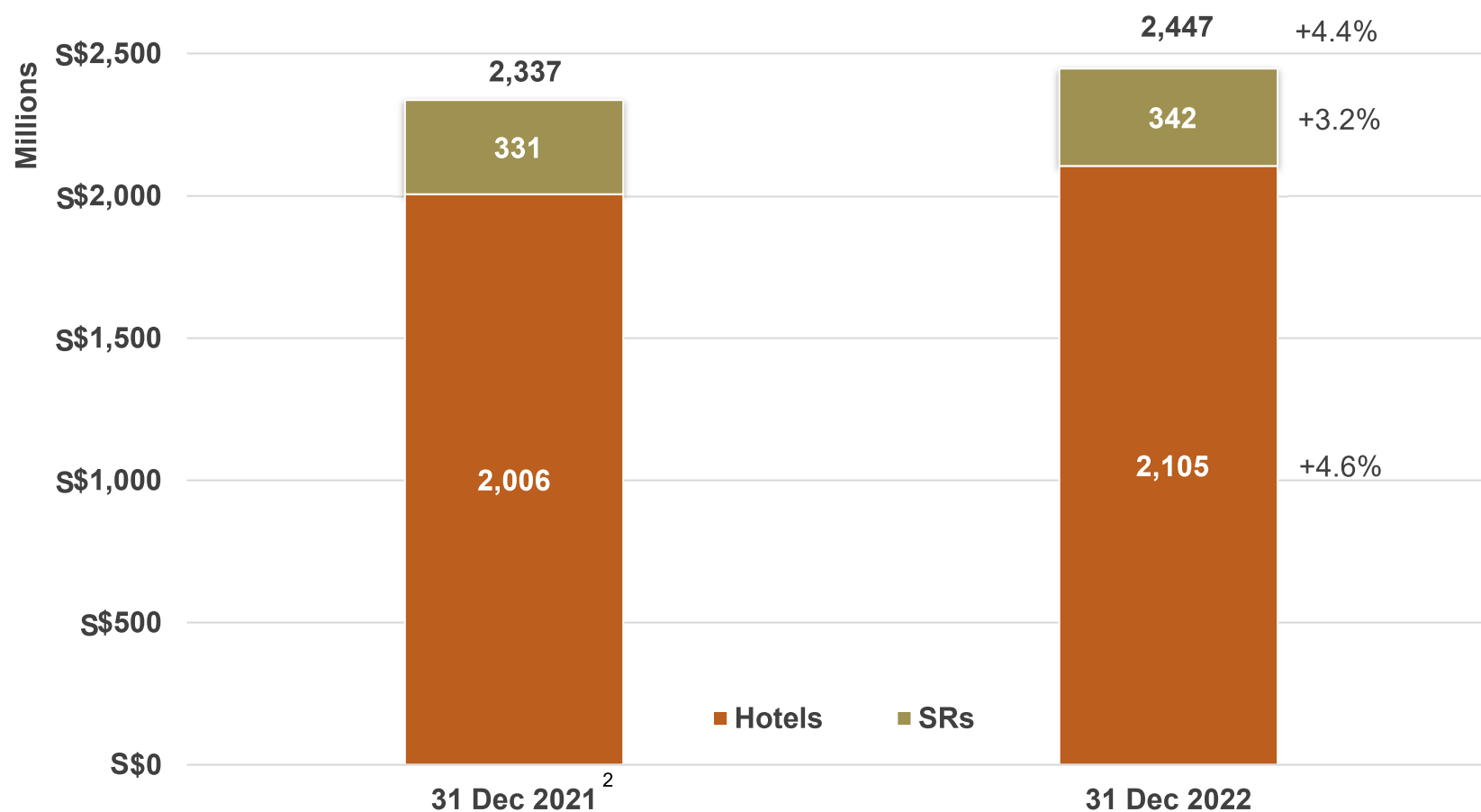
- Despite Central Square's divestment completion on 24 March 2022, revenue for FY 2022 still managed to grow 0.4% year-on-year.
- Variable Rent grew ~4.1 times to S\$4.5 million, contributing 5% of overall revenue with further room for growth.
- Minimum rental payment (Fixed Rent) provided downside protection for Stapled Securityholders and mitigated the impact of volatility experienced during adverse economic circumstances.
- Long remaining tenure for all master leases of approximately 10 years.



\* Excluding the effects of Central Square's divestment, gross revenue for FY 2022 would have grown 7.0% year-on-year

# Portfolio Valuation

Fair value gain<sup>1</sup> in investment properties of S\$102 million in FY2022



- 1 Based on the differences between the carrying amount (including capitalised capital expenditure) and the latest fair value
- 2 Excludes Central Square for a same-store-basis comparison

# Capital Management



# Capital Management

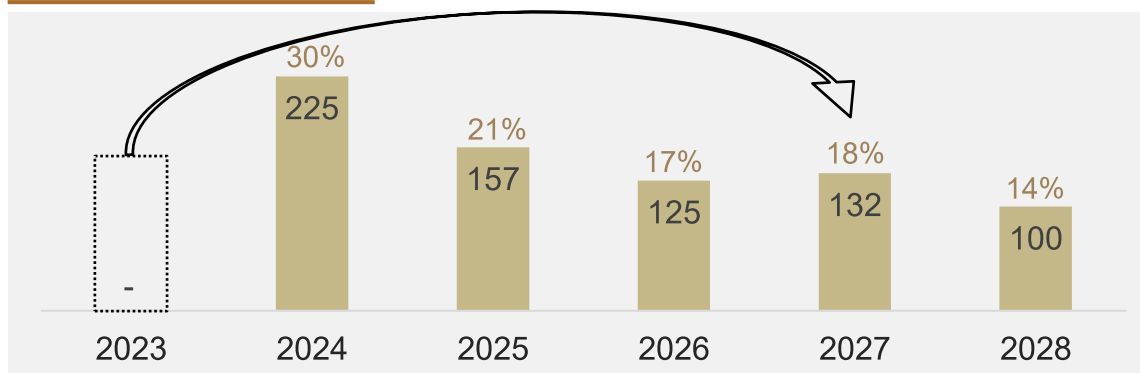
29

- Pared down debt of S\$210.0 million with proceeds from the divestment of Central Square in March 2022
- Refinanced two term loans totalling S\$132.2 million to a two new 5-year term loans in December 2022

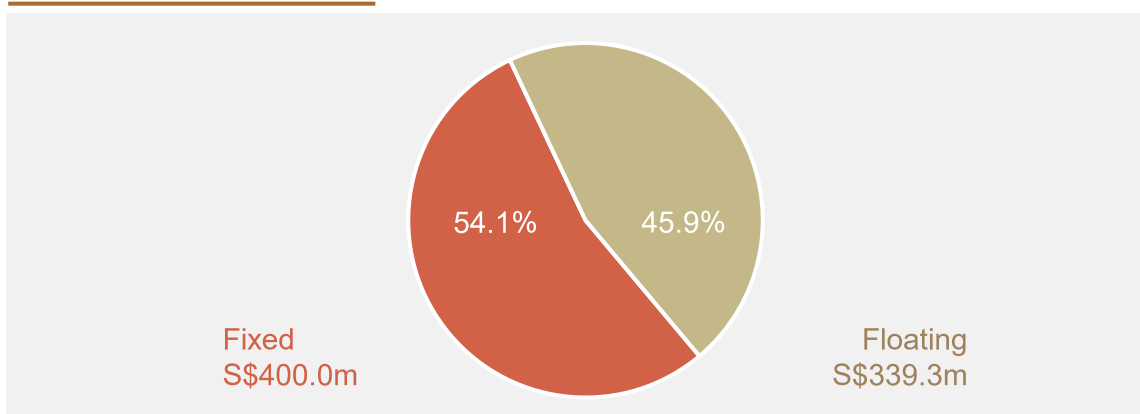
## As at 31 Dec 2022

<b>Total Debt</b>	S\$739.3m
<b>Available Revolving Facility</b>	S\$300.0m
<b>Aggregate Leverage</b>	32.0%
<b>Unencumbered Asset as % Total Asset</b>	100%
<b>Proportion of Fixed Rate</b>	54.1%
<b>Weighted Average Debt Maturity</b>	3.1 years
<b>Average Cost of Debt</b>	2.2%
<b>Interest Coverage Ratio<sup>1</sup></b>	3.8x

## Debt Maturity Profile



## Interest Rate Profile



<sup>1</sup> Interest coverage ratio is computed based on EBITDA over interest expense as per the definition in the loan covenants. This would be 3.6x based on the definition prescribed by Appendix 6 of the Code on Collective Investment Schemes.

# Portfolio Optimisation – Divestment of Central Square



# Divestment of Central Square

Crystallisation of value resulting from a multi-year effort by the REIT Manager in master planning and consultations with various parties



①

Unlock latent value within the portfolio of hospitality assets

②

Strengthen balance sheet with proceeds used to pare down debt

③

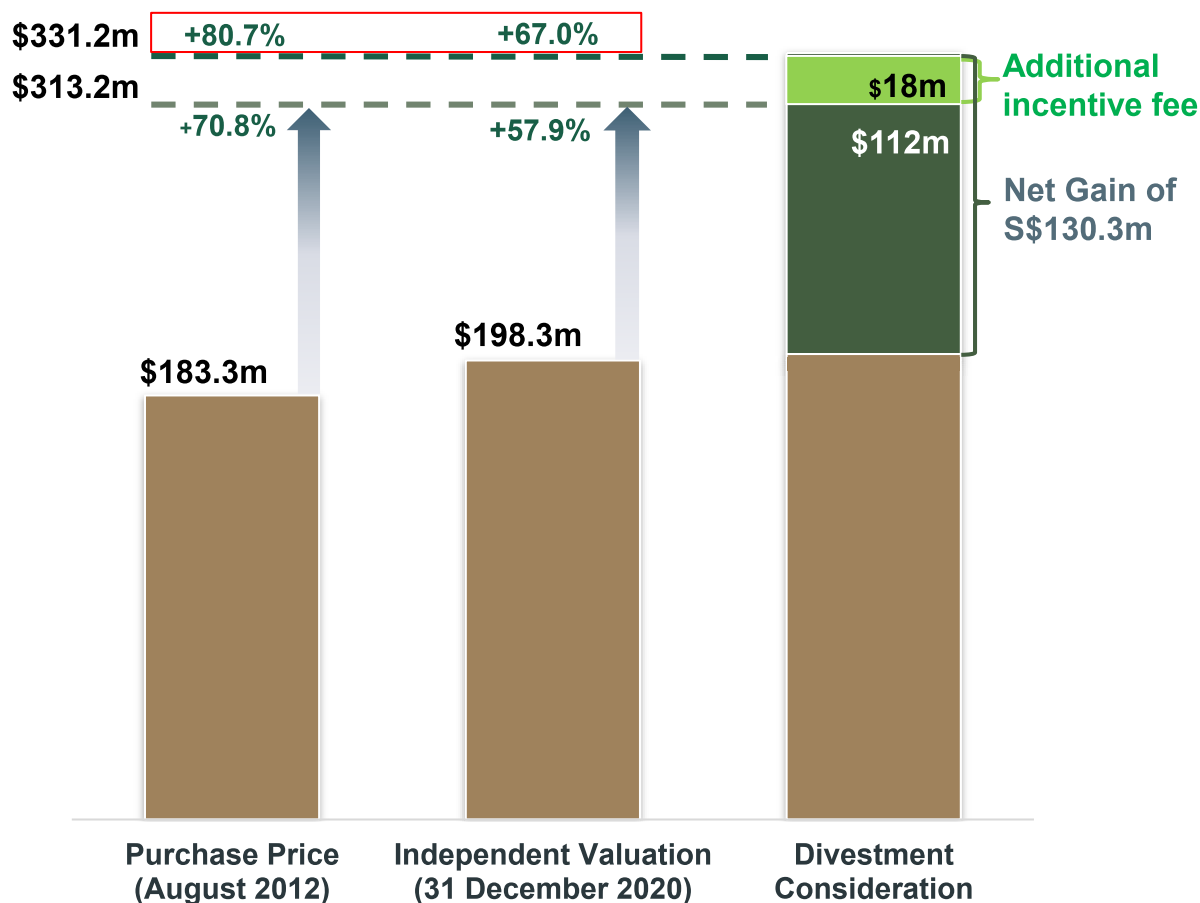
Greater financial flexibility with higher debt headroom to finance higher yielding acquisitions





# Divestment of Central Square

## Unlocked Asset Potential to Realise Value



### March 2022

- Completed divestment of Central Square for a consideration of S\$313.2m with an additional incentive fee of up to S\$18.0m, subject to certain conditions being fulfilled by 31 December 2023
- Divestment represented an attractive exit yield of 1.8%<sup>1</sup>

### March 2023

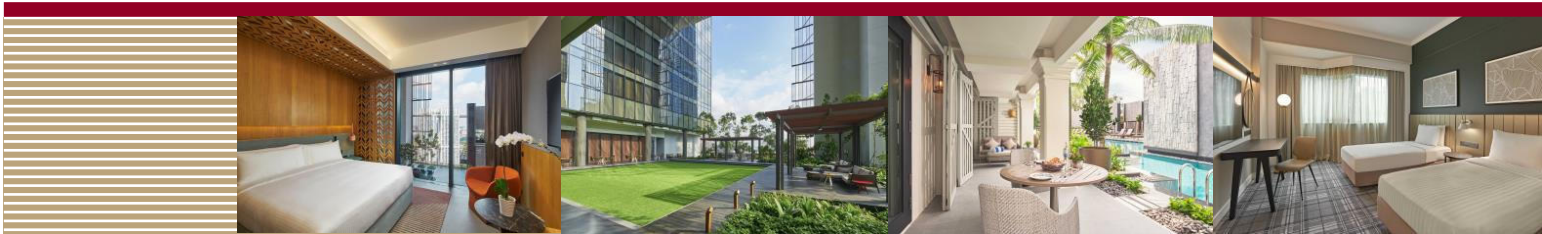
- Received additional payment of **S\$18.0m**, being maximum amount of incentive fee payable by the acquirer
- Premium:
  - ↑ 81% over purchase price
  - ↑ 67% over valuation as at 31 December 2020
- Total Net gain of S\$130.3m
- Final exit yield of 1.7%<sup>1</sup>



<sup>1</sup> Exit yield is calculated based on FY 2020 Net Property Income over purchase consideration in March 2022 (plus additional incentive fee in March 2023).



# Asset Enhancement Initiatives



# Completed Initiatives

## Orchard Rendezvous Hotel



Completion of multi-phase improvement works to the facade and revamped outdoor refreshment area

## Adina Serviced Apartments Singapore Orchard



Refurbishment and rebranding of Regency House to Adina Serviced Apartments Singapore Orchard

## Vibe Hotel Singapore Orchard



Renovation and rebranding of The Elizabeth Hotel to Vibe Hotel Singapore Orchard



# Orchard Rendezvous Hotel

## Scope of Works



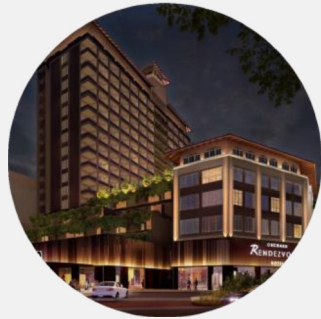
1 New Ribbon Cladding @ L2 Podium Terrace



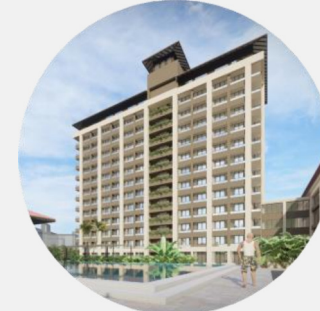
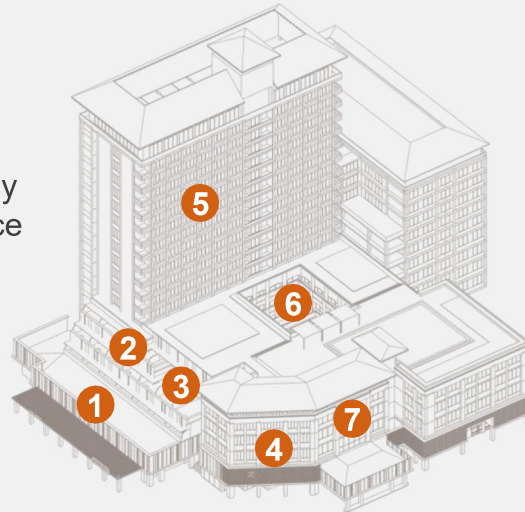
2 New Aluminum Canopy @ L3-5 Podium Terrace



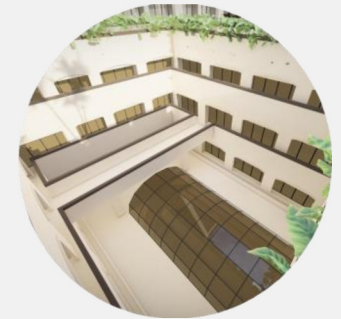
3 New Planters with Irrigation @ L3-5 Podium Terrace



4 Night Lighting @ Podium



5 Removal of Existing Planter Boxes



6 Painting Works @ Courtyard



7 Overall Painting Scheme





# Orchard Rendezvous Hotel



**New  
Ribbon  
Cladding**



**Removal of  
Existing  
Planter  
Boxes**



**New  
Aluminium  
Canopy &  
Plants with  
Auto  
Irrigation  
System**



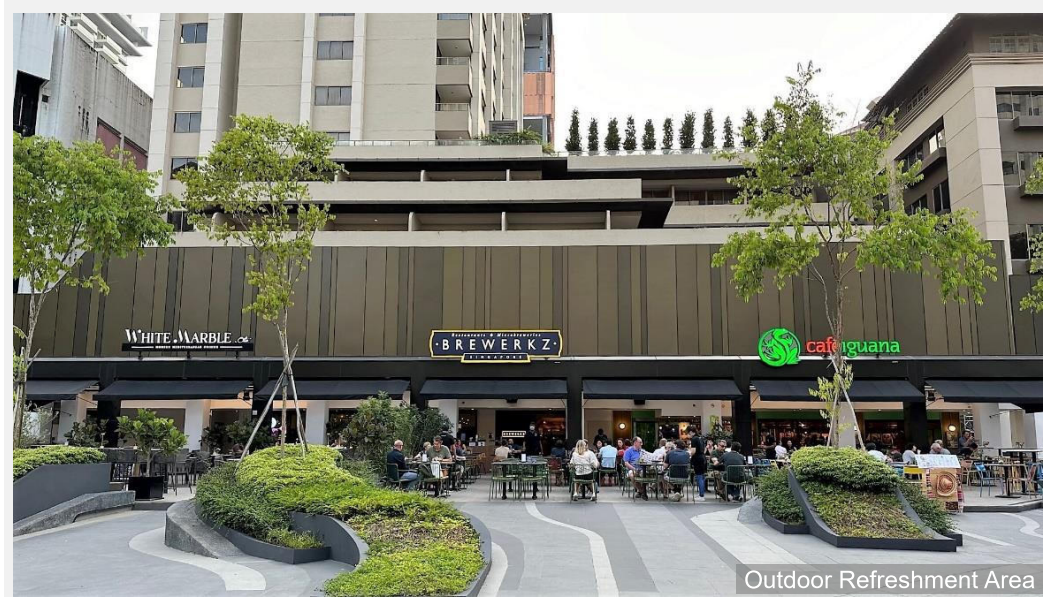
**Overall  
Painting  
Scheme**





# Orchard Rendezvous Hotel

## Outdoor Refreshment Area



## Refreshed Tenant Mix





# Adina Serviced Apartments Singapore Orchard\*



\*Previously known as Regency House



# Adina Serviced Apartments Singapore Orchard\*

Refurbishment and rebranding of Regency House to Adina Serviced Apartments Singapore Orchard

(Officially rebranded on 7 July 2022)

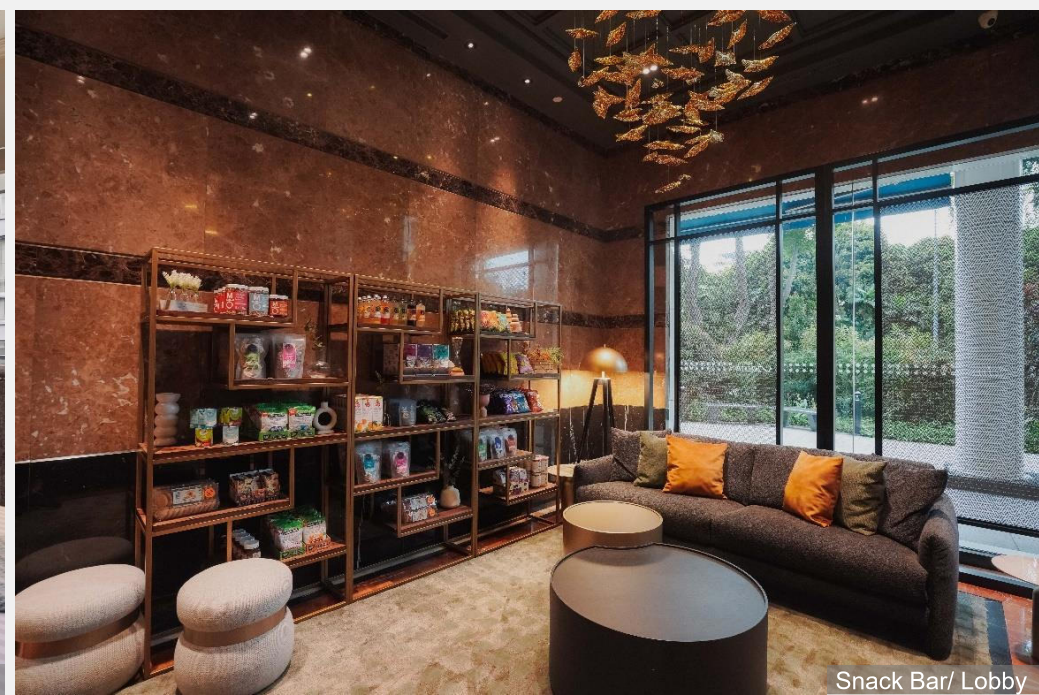


\*Previously known as Regency House

# Adina Serviced Apartments Singapore Orchard\*

Refurbishment and rebranding of Regency House to Adina Serviced Apartments Singapore Orchard

(Officially rebranded on 7 July 2022)



\*Previously known as Regency House



# Vibe Hotel Singapore Orchard\*



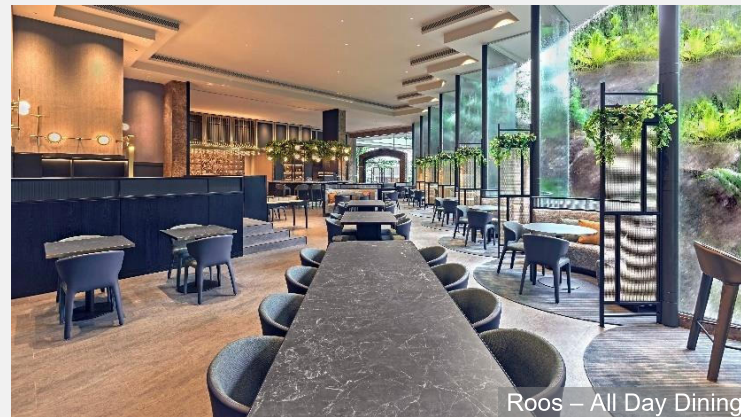
\*Previously known as The Elizabeth Hotel



# Vibe Hotel Singapore Orchard\*

## Renovation of The Elizabeth Hotel and rebranding to Vibe Hotel Singapore Orchard

(Officially opened on 3 November 2022)

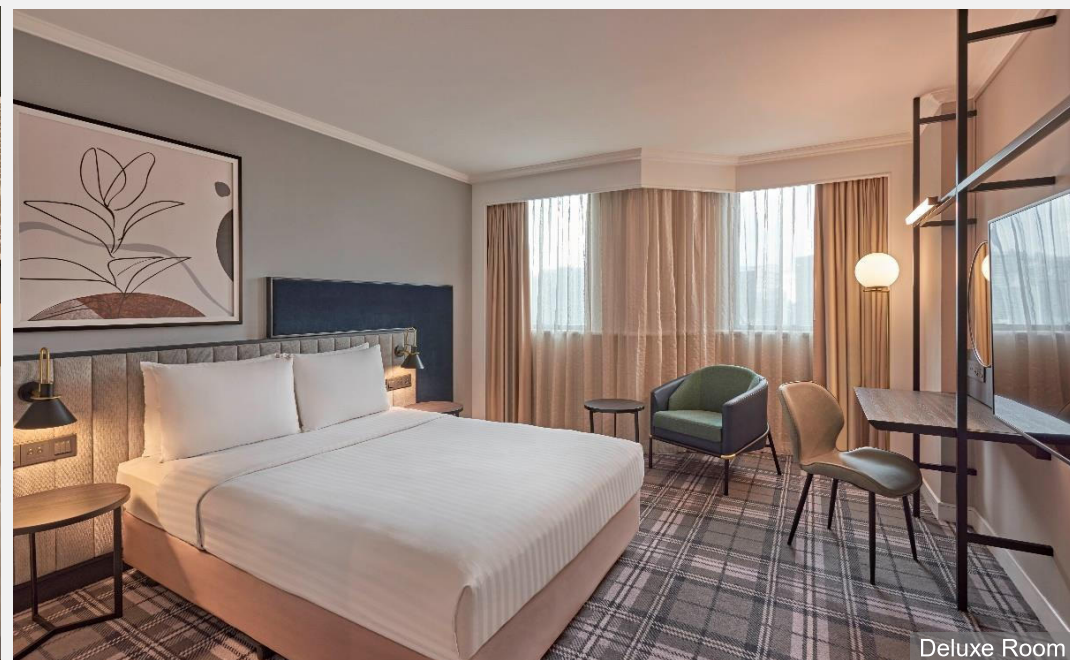
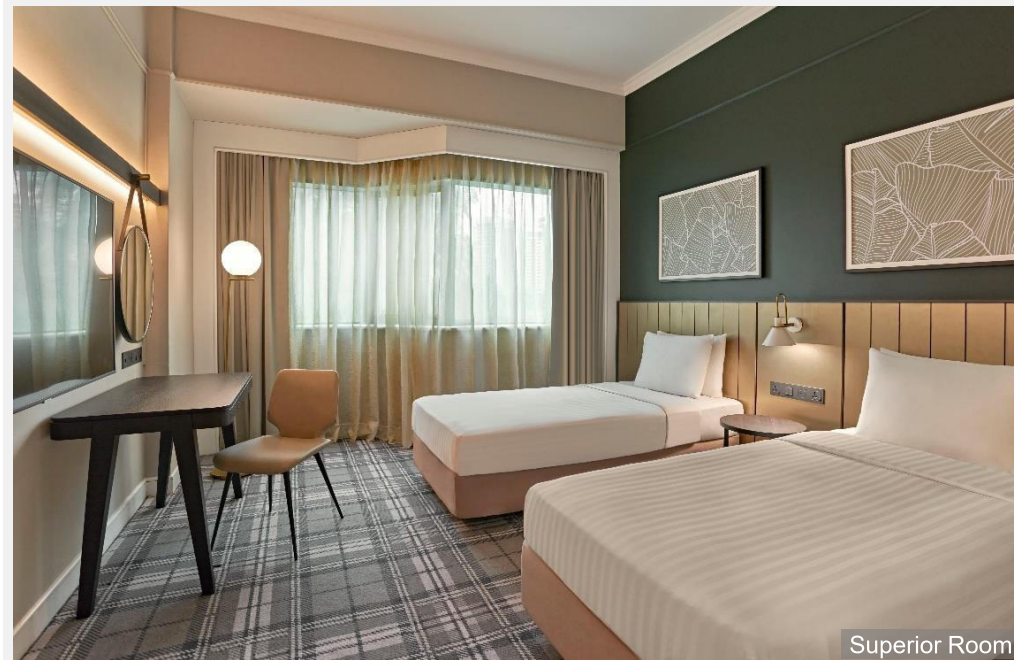


\*Previously known as The Elizabeth Hotel

# Vibe Hotel Singapore Orchard\*

Renovation of The Elizabeth Hotel and rebranding to Vibe Hotel Singapore Orchard

(Officially opened on 3 November 2022)



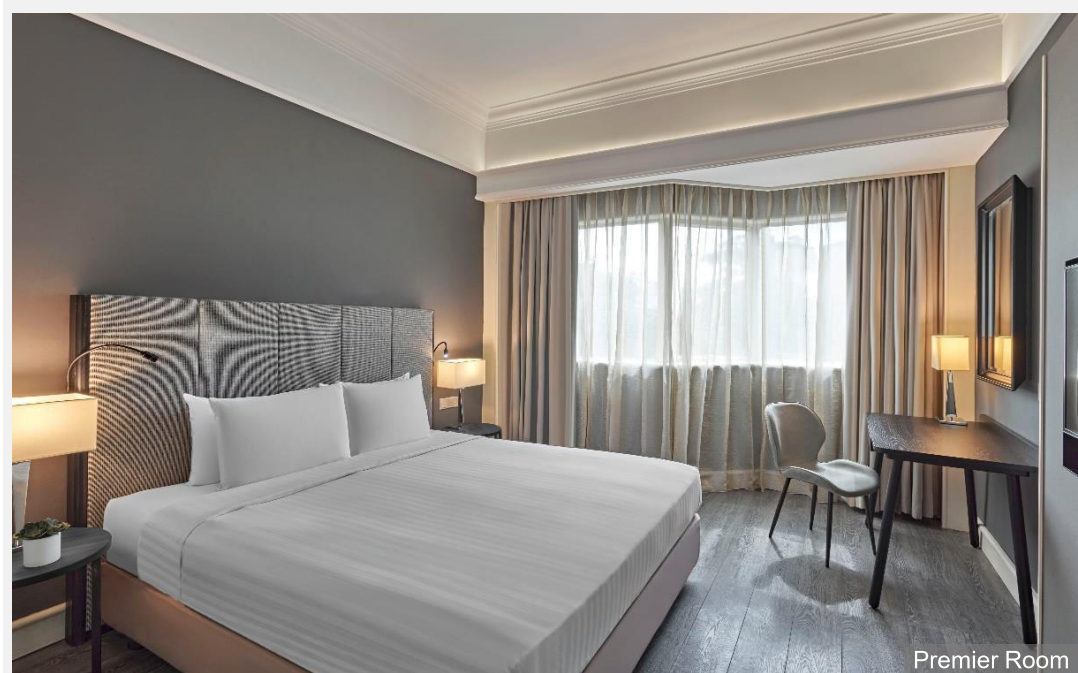
\*Previously known as The Elizabeth Hotel



# Vibe Hotel Singapore Orchard\*

## Renovation of The Elizabeth Hotel and rebranding to Vibe Hotel Singapore Orchard

(Officially opened on 3 November 2022)



\*Previously known as The Elizabeth Hotel

# Sustainability & Corporate Governance



# Sustainability Strategy

## Responsible Stewardship

Far East H-Trust's sustainability vision is about partnering our stakeholders to positively impact communities and the environment in markets we operate in.

### Creating Lasting Value

We focus on long-term growth of our hospitality portfolio to unlock value for all stakeholders.



### Securing Our Future

We collaborate with stakeholders to adopt energy-efficient initiatives and manage our resources responsibly to achieve climate resilience.



### Impacting Lives

We proactively engage staff, tenants, customers, and the community to generate positive impacts.



### Good Governance

We strive to maintain stakeholders' trust through continuous strengthening of our governance policies (aligned to global best practices), which underpin all of our sustainability efforts.



# Continued Commitments on Sustainability Efforts

## FEHT's Sustainability Journey

**2017**

Inaugural Sustainability Report

**2018 – 2021**

- Progressive refinement of sustainability initiatives and strategic review of sustainability framework
- Linking of management incentives to ESG KPIs and targets
- Reconstituted the Audit and Risk Committee as the ASRC, reinforcing our commitment towards integrating ESG and climate-risk considerations into our business

**2022**

- First TCFD disclosure published
- Comprehensive review of ERM framework, integration of ESG-related risk and inclusion of ESG considerations in all relevant strategic planning and decisions
- Preliminary climate risk assessment completed
- Setting long-term target of net zero emissions by 2050



# Accolades and Corporate Governance Highlights

## Singapore Governance and Transparency Index 2022 (“SGTI”)

Ranked 3rd

- In August 2022, FEHT was **ranked 3rd** out of 44 REITs and Business Trusts on the SGTI.
- SGTI is a collaboration between CPA Australia, NUS Business School’s Centre for Governance and Sustainability and Singapore Institute of Directors.

## Governance Index For Trusts 2022 (“GIFT”)

Ranked Joint 7th

- In November 2022, FEHT was **ranked 7th** out of 43 REITs and Business Trusts on the GIFT, maintaining its top 10 positioning from 2020.



## ASEAN Corporate Governance Scorecard 2021 (“ACGS”)

ASEAN Asset Class

- In December 2022, FEHT was awarded the ASEAN Asset Class award and **ranked 8th** out of 100 largest publicly listed companies on the Singapore Exchange.



## Securities Investors Association (Singapore) (“SIAS”) Investors’ Choice Awards 2022



### Shareholder Communications Excellence Award

Runner-up

- For a **second consecutive year**, in recognition of the Manager’s efforts in transparent disclosure and excellent communication with shareholders.



### Singapore Corporate Governance Award

Runner-up

- In recognition of the Manager’s efforts in adopting good corporate governance, transparency and sustainability practices.

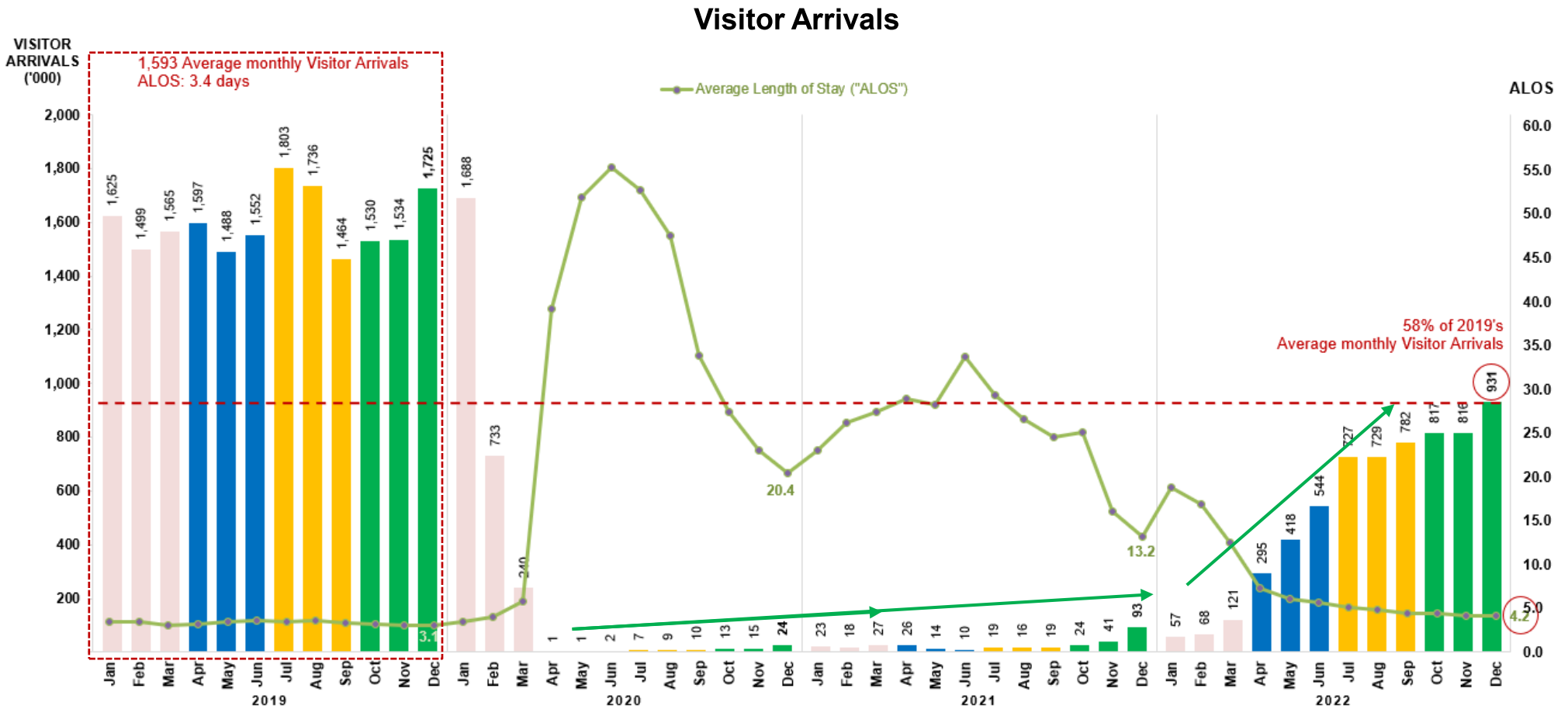




# Outlook



# Increase of Visitor Arrivals to Singapore



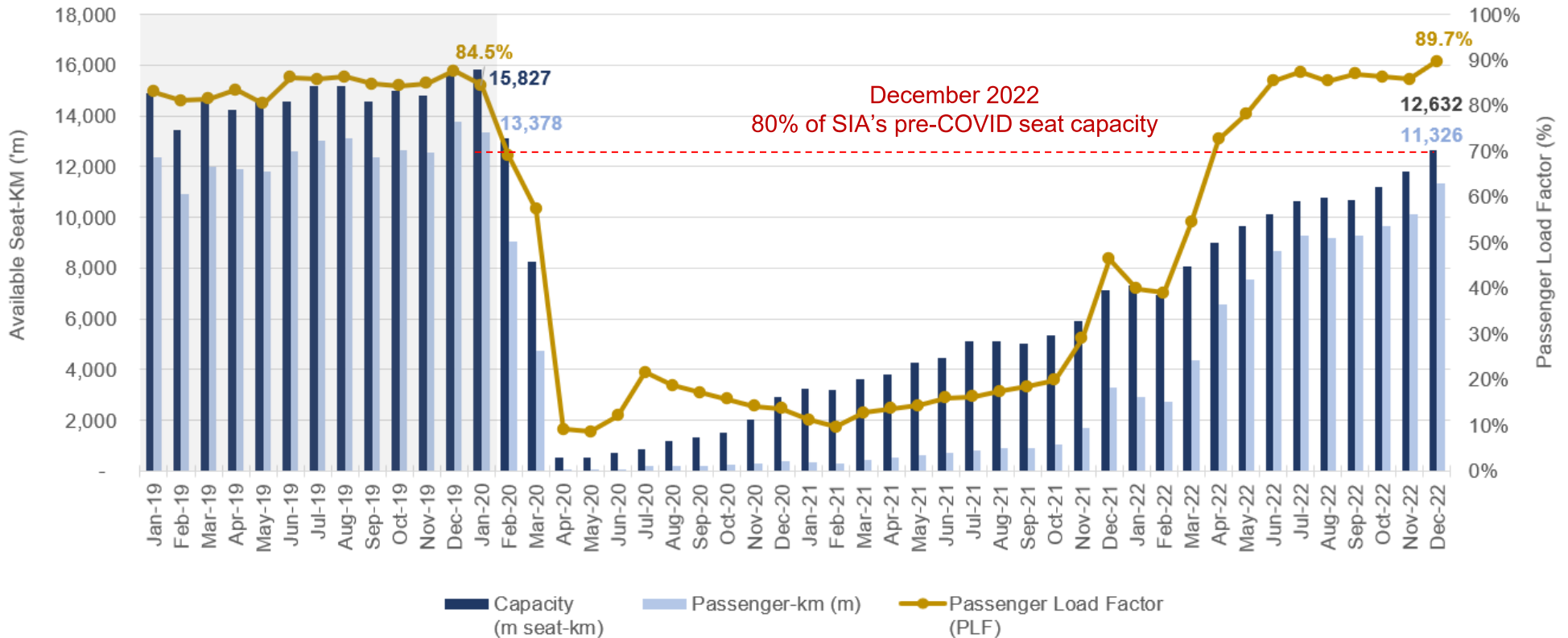
- In 2022, Singapore saw a steady increase of visitor arrivals reaching 6.3 million arrivals, performing above Singapore Tourism Board's ("STB") expectations of between four and six million visitor arrivals.
- Visitor arrivals for the first quarter of 2023 is on-track to reach STB's full-year target of 12 to 14 million arrivals. In the first quarter of 2023, Singapore saw 2.9 million arrivals being almost two-third of 2019 levels.



Source: Singapore Tourism Board

# Recovery of Air Passengers Numbers

## SIA Group Passenger Capacity



- As the main conduit for arrivals in Singapore, airlines' passenger capacity is a leading indicator for the recovery in cross-border travel.
- In the fourth quarter of 2022, SIA's seat capacity and total number of passengers carried continued to grow quarter-on-quarter by 11.1% and 16.9% respectively.
- The International Air Transport Association has projected global airline passenger demand to reach 85.5 per cent of 2019 levels in 2023.



Source: Singapore Airlines Limited

## Outlook for 2023

### **Continued recovery for the hospitality sector**

- Singapore Tourism Board expects between twelve million and fourteen million visitor arrivals in 2023 with a full recovery to pre-pandemic levels by 2024.
- The World Tourism Organization expects international tourism to reach 80% to 95% of the pre-pandemic level with strong demand from the Asia Pacific.
- The International Air Transport Association has projected global airline passenger demand to reach 85.5% of 2019 levels in 2023.

### **Increasing number of meetings, incentives, conventions and exhibitions events held in Singapore**

- The Singapore Association of Convention and Exhibition Organisers and Suppliers expects recovery by 2023 to 2024.

### **Far East H-Trust's portfolio expected to benefit from sector's recovery**

- With further improvement in visitor arrivals into Singapore arising from the reopening of more major markets and increased flight capacity in 2023, more properties in Far East H-Trust's portfolio are expected to perform above fixed rents and achieve variable rents.



## Medium-Term Outlook

### **Growing business hub – Singapore continues to attract foreign investments**

- Record high of S\$22.5 billion in fixed asset investments in 2022, above the medium to long-term yearly target of between S\$8 billion and S\$10 billion set by the Economic Development Board.
- Strong investments in the Electronics sector form 67% of investment commitments.
- New investments expected to drive demand for accommodation from corporate travellers and project groups.

### **Expanding tourism offerings**

- S\$500m set aside by the Singapore Tourism Board for the next few years to strengthen Singapore's position as a global hub for business tourism and as an urban wellness haven.
- Major expansion of key tourism areas such as the Mandai Wildlife Reserve, Sentosa (*including development of Pulau Brani, collectively known as the Greater Southern Waterfront project*) and the Integrated Resorts at Marina Bay Sands and Resorts World Sentosa.

### **Ongoing infrastructure projects to enable Singapore to remain connected and relevant to the world**

- Continued development of infrastructure projects such as Changi Airport Terminal 5, Tuas Mega port, the North-South Corridor and the Cross Island MRT line.



# Thank You

For more information, please visit  
<https://www.fehtrust.com>



**FAR EAST HOSPITALITY TRUST**  
Comprising  
Far East Hospitality Real Estate Investment Trust  
(managed by FEO Hospitality Asset Management Pte Ltd) and  
Far East Hospitality Business Trust  
(managed by FEO Hospitality Trust Management Pte Ltd)

**ANNEX “C”**

**SUBSTANTIVE QUESTIONS AND ANSWERS WITH  
STAPLED SECURITYHOLDERS AT FAR EAST HOSPITALITY TRUST’S  
11TH ANNUAL GENERAL MEETING  
HELD ON 20 APRIL 2023**

**Revenue Performance, Hedging and Capital Management Strategies**

Q1 Mr Venkatachalam Alagappan posed the following questions which were answered by the Chairman and Management as below:

Q1(a) With regards to Far East H-REIT’s finance cost management, about 54.1% of the loans were hedged with fixed interest rate swap (“IRS”) contracts with overall average cost of debt of 2.2% for FY 2022. Any particular reason why the percentage of fixed rate loans was low and not higher?

A1(a) Thank you for the good questions. The Board and Management are mindful about the cost of hedging and conscientiously adopt a strategy of hedging 50% or more of Far East H-Trust’s loans. The reason why Far East H-Trust was unable to hedge more in the past few years was due to the transition from the Swap Offer Rates (“SOR”) to Singapore Overnight Rate Average (“SORA”) whereby banks cease to issue SOR derivatives progressively. Management would continue to monitor the interest rate closely and would hedge more when interest rate becomes favorable to allow the portfolio to consist of a good proportion of fixed and floating interest rate loans, as part of the capital management efforts.

In addition, the successful divestment of Central Square in FY 2022 had also helped to pare down some debt and reduce overall interest cost for FY 2022.

Q1(b) On the loans refinanced in December 2022, was the loan refinanced at floating rate? The interest rate seemed to have peaked then, should the interest rate goes down, will Far East H-Trust be benefited on that basis?

A1(b) The loan refinanced in December 2022 was on a floating interest rate with a very competitive margin from the banks. Management is monitoring the interest rate markets closely and would execute IRS contracts at the appropriate time when the rates are more favourable.

Q1(c) The average daily rate (“ADR”) was recorded at S\$125 for FY 2022 with the majority of the uplift coming from the second half of FY 2022. On this basis, how much percentage of upside can Stapled Securityholders expect in terms of the potential revenue for FY 2023?

After asking the question, the unitholder expressed his sincere appreciation to the Board and the Management for their continued efforts in ensuring Far East H-Trust’s performance during the past three years of the coronavirus pandemic (“COVID-19”).

- A1(c) The revenue per available room (“RevPAR”) for the hotel portfolio was at \$92 while the revenue per average unit (“RevPAU”) for the service residence (“SR”) portfolio was at S\$195 for FY 2022. For the few contracts with the government, the hotel room rate for the first half of FY 2022 was locked at a low rate. As the borders re-opened, the Operator was able to renegotiate better rates for the government contracts and that had helped bring up the ADR and RevPAR, and eventually improved the overall performance of Far East H-REIT in the second half of FY 2022.

With the re-opening of borders and the continuing improvement on the operating and business environment over the last year, Management expects the RevPAR and RevPAU to continue trending higher going forward.

### **Cost of Debts Management, Divestment Opportunity & Expiring Leases**

- Q2 Mr Lim Meng Wee posed the following questions which were answered by the Chairman and Management as follows:

- Q2(a) On average cost of debt of 2.2%, it is a credible performance under the current rising interest rate environment. Thank you to the Board and the Management for such a good job. Could the Board or the Management give some indication as to where the interest rate will be heading and what kind of interest cost can the unitholders expect in two years' time?
- A2(a) The Board and the Management are mindful that the floating rate loans incur higher interest costs. However, with the completion of the divestment of Central Square in March 2022, Management had pared down the total loans from approximately S\$1 billion to S\$739.3 million from the net proceeds. In addition, Management expects the higher interest cost to be cushioned by the improved operating performance of the portfolio and the intended distribution of S\$8 million per annum arising from the divestment gain of Central Square committed by the Board to Stapled Securityholders over 3 years. Management is very conscious about the interest rate cost and will monitor interest rate movements as well as explore other financial products to reduce overall interest cost.
- Q2(b) The carrying value of some of the assets are less than their cost, are there any further opportunity which the Board and the Management could work on for divestment of such assets like the Central Square divestment? The Central Square divestment was a fantastic deal for all the Stapled Securityholders and the Management.
- A2(b) In terms of other divestment opportunities, there are 12 assets in the portfolio and some are newer hotels like Oasia Hotel Downtown and Oasia Hotel Novena. There are also some older assets situated at very good locations with redevelopment opportunities in the future, such as Village Hotel Bugis (“VHB”) and Village Hotel Albert Court (“VHAC”). Management will continue to assess and unlock the latent value within the portfolio of hospitality assets, in particular the older assets with potential for redevelopment like Central Square.



Management was happy with the outcome of the Central Square divestment and will continue to look for opportunities to create value to Stapled Securityholders for the rest of the assets. Management will provide an update and share with Stapled Securityholders when more information is available.

Q2(c) There are a lot of leases which are expiring in 2023 for retail commercial spaces and is this matter being well taken care of by Management?

A2(c) On lease expiry of retail commercial spaces, the overall tenure of such spaces is typically short, depending on the nature of the business and the profile of the tenant. In general, Far East H-REIT has quite a number of F&B tenants with leases that are normally 2-3 years as compared to leases for office tenants which are longer in general. The shorter leases also provide opportunities for Management to increase the rents, if viable and possible.

### **Master Lessee Agreement**

Q3 Mr Henry Ho Hai Pang posed the following question which were answered by the Chairman and Management as follows:

Q3(a) The portfolio consists of mainly hotels from Singapore. During the two years of COVID-19, how did other hotels in Singapore survive during that period while Far East H-Trust was protected by the master lease agreement?

A3(a) As far as Far East H-REIT is concerned, the master lessees are all part of Far East Organization (“FEO”), which is also a substantial Stapled Securityholder of Far East H-Trust. The master lessees honoured their commitment and paid the minimum fixed rents in accordance with the master lease agreements, even though the properties were incurring operating losses during the pandemic. Mr Gerald Lee also clarified that Far East H-Trust distributed S\$65 million in FY 2022. As a substantial Stapled Securityholder of Far East H-Trust with over 50% interest, FEO, also received its proportionate share of the distribution from Far East H-Trust. That in turn cushioned the outlay for the rent payment under the master lease agreements.

### **Investment Opportunity & Investment in Budget Hotels**

Q4 Mr Anselm Richter posed the following questions which were answered by the Chairman and Management as follows:

Q4(a) On a question relating to what can be expected for FY 2023, you mentioned that there might be an opportunity to enhance the existing older hotels and improve the performance of the portfolio. What would be Management’s investment strategy, and will Management be looking for opportunity to acquire new hotels in FY 2023?

- A4(a) In terms of asset acquisition, Management takes a prudent approach and will not try to grow the portfolio purely for earning more fee. The acquisition of new assets will be for long-term investment purposes and for sustainable growth.

Management is also mindful of the high interest rate environment and will monitor the market for the appropriate timing for asset acquisition. In addition, the Sponsor have a few assets in the pipeline for Management's consideration. Some SR assets in the pipeline are actually performing well and began to stabilise after COVID-19. However, with the current high interest rate environment, Management will monitor closely and consider acquisition when it is yield accretive to Far East H-Trust. Realistically, it is unlikely for any asset acquisition from the Sponsor in 1H of 2023.

- Q4(b) Is Management considering the purchase of any hotels in other countries?

On the statement relating to getting more corporate guests with better room rates and better yield. There are a lot of leisure tourists coming to Singapore from Malaysia and Indonesia who are looking for budget hotels at about S\$100 room rate. There are not many hotels with a S\$100 room rate available in Singapore, is budget hotels a market where Management could explore for investing or venturing in?

- A4(b) For overseas investments, Management will explore countries where the Sponsor has presence such as Australia, Japan, and the United Kingdom ("UK"). Australia and the UK are having a high interest rate environment like Singapore, hence, Management is not actively looking for asset at these regions but may consider Japan as the interest rate is still relatively low. Moreover, Japan is a mature market with proper rules and regulations. A few of the Singapore REITs also have investments in Japan. Management will consider acquiring asset(s) in Japan if there is a good yield accretive asset to add to the portfolio of Far East H-Trust, and make the necessary announcement at the appropriate time.

At the request of the Chairman to share some of the criteria the Manager considers when acquiring assets, Mr Gerald Lee apprised that the first criteria is that an asset must have a positive risk-adjusted return which will give the portfolio a reasonable and healthy yield accretion. The second criteria is on macro factors such as the country, city, and location of the asset to ensure that the asset has potential for long-term capital appreciation. The third criteria is the ability for further value creation, for example through asset enhancement initiatives. Fourthly, the asset should be able to provide sustainable and stable income to Far East H-Trust over the long run.

In terms of customer profiles, corporate clients do give higher room rates. However, the portfolio also has some "Village" branded hotels such as VHB and VHAC which are servicing the mid-tier segment. VHB continued to perform well and was able to achieve about 70% to 80% occupancy at the rate of S\$150-S\$200 per room night in general over the past year. VHB is located amongst other 5-star hotels charging much higher room rates. This allows VHB to serve tourists and business travelers' who are more cost conscious and who want to stay in that vicinity. Generally, the hotel assets in the portfolio are diverse in brands and products to cater to the different segments of the market.

### **Revenue Stabilisation and Gearing Ratio**

Q5 Mr Venkatachalam Alagappan posed the following questions which were answered by the Chairman and Management as below:

Q5(a) One of the competitors of Far East H-Trust, CapitaLand Ascott Trust is buying residential apartments and student accommodation in Japan instead of hotels. This is something for Management to take note and discuss to avoid mixing hotel assets with residential spaces.

CapitaLand Ascott Trust had gone into student accommodation as a form of revenue stabilisation strategy. Revenue stabilisation needs to be considered as while an acquired asset may be yield accretive, it may not be sustainable should there be another round of outbreak like COVID-19. Will Management look at revenue stabilisation going forward?

A5(a) The Board and Management thanked the Stapled Securityholder for the comment and good advice and will take that into consideration.

Q5(b) Is Management comfortable with the current 32% gearing ratio?

A5(b) 32% gearing is one of the lowest in the market when compared to peers.

### **Leverage & Yield Accretion Value**

Q6 Ms Emilia Jeow Ah Eng commended the Management and the Board for managing Far East H-REIT well and cautiously. However, there are plenty of room and opportunities to have more leverage which is far below the peer average. She posed the following question which were answered by the Chairman and Management as below:

Q6(a) In terms of acquisition of an asset with a reasonable yield accretion, could Management share with the unitholders what yield accretion means and how does Management calculate the yield accretion value?

A6(a) The point on more leverage is well noted.

Generally, what it means by yield accretion is if Far East H-REIT declared 3.27 cents distribution per stapled security (“DPS”) to a Stapled Securityholder for FY 2022, Management would expect the asset to be acquired to give a higher than DPS of 3.27 cents rather than bring down the existing DPS.

When the income derived from the new asset is added to the portfolio after operating and financing costs, there is still positive net cash flow added to the distributable income for declaration to Stapled Securityholders.

If equity fund raising is required for the acquisition of the identified asset and resulted in the number of stapled security in issue being enlarged, the DPS after the asset being added will need to be higher than the existing DPS

computed with the enlarged stapled security base to be considered as yield accretive acquisition.

Signed as true and correct record of the proceedings

Wee Kheng Jin  
Chairman of the Board