FAR EAST HOSPITALITY TRUST

ACQUISITION OF OASIA HOTEL DOWNTOWN

1. INTRODUCTION

1.1 The Acquisition by Far East Hospitality Real Estate Investment Trust ("Far East H-REIT"), the Master Lease and the Earn-out Agreement

FEO Hospitality Asset Management Pte. Ltd., as 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**") (the Trustee-Manager together with the REIT Manager, the "**Managers**"), are pleased to announce that DBS Trustee Limited (in its capacity as trustee of Far East H-REIT) (the "**REIT Trustee**" or "**Master Lessor**") had on 11 January 2018, entered into a conditional sale and purchase agreement with Far East SOHO Pte. Ltd. (the "**Vendor**" or "**Master Lessee**"), a company incorporated in Singapore which is a wholly-owned subsidiary of Golden Development Private Limited ("**Golden Development**"), a member of the Far East Organization group of companies (the "**FEO Group**"), to acquire a 65-year leasehold estate (the "**Leasehold Interest**") in the property known as Oasia Hotel Downtown, which is located at 100 Peck Seah Street, Singapore 079333 (the "**Property**") (the "**Acquisition**", and the conditional sale and purchase agreement for the Acquisition, the "**Sale and Purchase Agreement**").

In connection with the Acquisition, the following agreements will be entered into on the completion of the Acquisition:

(i) the REIT Manager, the Master Lessor and the Master Lessee will enter into a master lease agreement (the "**Master Lease Agreement**") in relation to the lease of the Property (the "**Master Lease**"). Pursuant to the Master Lease Agreement, the Master Lessee will lease the Property for an initial term of 20 years commencing from the Completion Date (as defined herein), with an option for the Master Lessee to obtain a lease for a further 20 years on the same terms and conditions, save for any variations made to the Master Lease during the initial term of 20 years, amendments required due to any change in the law and excluding any further option to renew. The Master Lessee shall pay a fixed rent of S$6.5 million per annum ("**Fixed Rent**") and a variable rent of 33% of the Gross Operating Revenue (as defined in the Master Lease Agreement) and 25% of the Gross Operating Profit (as defined in the Master Lease Agreement) less the Fixed Rent (the "**Variable Rent**"), for that fiscal year.

In connection with the security deposit required to be paid by the Master Lessee pursuant to the Master Lease Agreement, the Master Lessee is entitled to pay the security deposit by cash or in lieu of cash by way of a bank guarantee or corporate guarantee. In this respect, in the form of corporate guarantee attached to the Master Lease (the "**Corporate Guarantee**"), the corporate guarantor, Golden Development (the "**Corporate Guarantor**") will unconditionally and irrevocably guarantee to pay to the Master Lessor within five business days on demand in writing by the Master Lessor, any sum or sums demanded not exceeding in aggregate the sum of S$3,250,000;

(ii) the Vendor and the REIT Trustee (the "**Parties to the Earn-out Agreement**") will enter into an earn-out agreement (the "**Earn-out Agreement**"), pursuant to which the REIT Trustee will issue an aggregate of S$15.0 million (the "**Earn-out Amount**") worth of stapled securities in Far East Hospitality Trust ("**Far East H-Trust**", and the stapled securities in Far East H-Trust, the "**Stapled Securities**") to the Vendor (the "**Earn-out Stapled Securities**") if, during the Earn-out Period[1], the net property income ("**NPI**") of the Property is not less than S$9.9 million per annum (the "**Target NPI PA**") for each of (a) an entire Earn-out Year[2] (the "**First Consecutive Earn-out Year**") and (b) the "Second Consecutive Earn-out Year" which means (x) the entire Earn-out Year immediately following the First Consecutive Earn-out Year, or (y) if the First Consecutive Earn-out Year is followed by one or two consecutive Fiscal Year(s) in which an Extension Event (each a "**Disrupted Year**") has occurred, the Fiscal Year immediately following the Disrupted Year(s) (the "**Earn-out Event Condition**"), and the Earn-out Event Condition is deemed to have been met in accordance with clause 2.3 of the Earn-out Agreement[3], the REIT Trustee shall cause to be issued to the

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1 "**Earn-out Period**" refers to the period commencing from (and including) the date of completion of the Acquisition, up to (and including) 31 December 2023, or such extended expiry date (the "**Earn-out Expiry Date**") in accordance with clause 2.5 of the Earn-out Agreement, whichever is the later.

Clause 2.5 of the Earn-out Agreement states that in the event of occurrence of any one or more of the following events (the "**Extension Events**" and each an "**Extension Event**") during any one full Fiscal Year (as defined herein) within the Earn-out Period, the cause of which is not attributable to the Vendor:

(i) an event of an extraordinary nature which was not caused (whether directly or indirectly) by the Party to the Earn-out Agreement claiming for it, to the extent that it could not be reasonably foreseen and/or avoided by all reasonable means of such Party to the Earn-out Agreement (the "**Force Majeure Event**"). Subject to the above, a Force Majeure Event includes but is not limited to any strike, labour walkout and other labour interruption, acts of God, war, failure of power, riots, insurrections, acts of terrorism, damage or destruction and epidemic and local, regional or world crises, outbreaks of pandemic or infectious disease but does not include inability to borrow or lack of funds; or

(ii) any damage or destruction,

rendering any of the following parts of the Property unusable, inaccessible or not operational, and which requires one month or more to be repaired and reinstated to such condition as to render them fully operational and accessible:

(a) sixty or more rooms;

(b) the lobby; or

(c) access to the Property,

the Earn-Out Expiry Date shall be postponed by only one full calendar year commencing 1 January and ending on 31 December (each a "**Fiscal Year**"), regardless of the actual period of disruption and regardless of the number of Extension Events occurring within that Earn-Out Year provided always that the maximum postponement of the Earn-Out Expiry Date shall be by two Fiscal Years, which shall be up to (and including) 31 December 2025. If the Parties to the Earn-out Agreement are unable to agree on the cause of the Extension Event and whether such cause is attributable to the Vendor, the Parties to the Earn-out Agreement shall jointly appoint an independent third party expert to decide on the matter and the determination of such third party expert shall be conclusive and binding on the Parties to the Earn-out Agreement.

2 "**Earn-out Year**" refers to any full Fiscal Year within the Earn-out Period.

3 Clause 2.3 of the Earn-out Agreement states that the Earn-out Event Condition is deemed to have been satisfied if, in respect of each of the First Consecutive Earn-out Year and the Second Consecutive Earn-Out Year, either a confirmation (in the form set out in the Earn-out Agreement) has been executed by the parties to the Earn-out Agreement, or an auditor jointly appointed by both Parties to the Earn-out Agreement has notified the Parties to the Earn-out Agreement in writing that the Specific Target NPI (as defined herein) has been achieved.

"**Specific Target NPI**" refers to the Target NPI PA for that Earn-out Year to which the audited profit and loss statement:

(i) delivered by the Vendor (as the master lessee of the Property) to the REIT Trustee and pursuant to the terms of the Master Lease Agreement; or

(ii) (where the Master Lease Agreement is no longer subsisting and the REIT Trustee enters into a master occupation agreement in respect of the Property with another party (the "**Master Occupation Agreement**")), delivered by the then occupier to the REIT Trustee pursuant to the Master Occupation Agreement,

relates.

Vendor or its nominee, the Earn-out Stapled Securities. The obligation of Far East H-Trust to issue the Earn-out Stapled Securities under the Earn-out Agreement would cease after the Earn-out Period; and

(iii) the Vendor shall issue a registrable lease to Far East H-REIT for the Leasehold Interest (the "**Vendor Lease**"), which shall be registered with the Singapore Land Authority.

1.2 Information on the Property

The Property comprises the hotel known as Oasia Hotel Downtown.

The Property is part of a 27-storey hotel-cum-office development located at 100 Peck Seah Street, Singapore 079333.

The Property is located within the downtown Tanjong Pagar area, which has a hive of business, commercial and residential activities. It is within walking distance of the Tanjong Pagar MRT station as well as numerous prominent office buildings. The development comprises car parks on the 4th and 5th storeys, offices on the 6th to 11th storeys and the hotel on the 12th to 27th storeys. The office component, which is not part of the Acquisition, is known as PS100.

The hotel has a total of 314 modern and well-equipped guest rooms which occupy the 13th to the 20th storeys, and club rooms and suites on the 22nd to 25th storeys of the building. Facilities provided within the hotel include an all-day dining restaurant and a bar on the first storey; two meeting rooms, a 24-hour gymnasium and sky terrace on the 12th storey; a club lounge, an infinity pool and skyline pavilion on the 21st storey for the exclusive use of club guests; and two rooftop pools, a roof terrace and a restaurant on the 27th storey.

Far East Hospitality Management (S) Pte. Ltd., a subsidiary of Far East Orchard Limited ("**FEOR**"), has been engaged by the Master Lessee to operate the Property under a hotel management agreement.

1.3 Management Corporation Strata Title

The Property forms part of a Management Corporation Strata Title Plan ("**MCST**") and its share value of contributions towards maintenance and other expenses of the development to the MCST must be paid. In this regard, Far East SOHO Pte. Ltd. will bear the maintenance fund contributions levied for regular maintenance of the development while Far East H-REIT will bear the sinking fund contributions which are levied for the eventual replacement of a facility or asset. The sinking fund imposed by the management corporation is intended for use to meet actual or expected liabilities of the management corporation under the Building Maintenance and Strata Management Act. These include (but are not limited to) the painting or treating of any part of the common property which is a structure, major repairs and improvements to, and maintenance of, the common property and the renewal or replacement of parts of the common property, fixtures, fittings and other property held by or on behalf of the management corporation, the acquisition of movable property, any non-lot acquisition related expenses of the management corporation, and such other liabilities expected to be incurred in the future, where the management corporation determines in a general meeting that the whole or part thereof should be met from the sinking fund.

1.4 Interested Person Transaction and Interested Party Transaction (collectively, the "Related Party Transaction")

As at the date of this announcement, the FEO Group holds an aggregate direct and indirect interest in approximately 59.4% of the total number of Stapled Securities in issue as at the date of this announcement, and is therefore regarded as a "controlling unitholder" of Far East H-REIT under both the Listing Manual and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "**Property Funds Appendix**") and a "controlling unitholder" of Far East H-BT under the Listing Manual. In addition, as the Managers are members[4] of the FEO Group, the FEO Group is therefore regarded as a "controlling shareholder" of the REIT Manager under both the Listing Manual and the Property Funds Appendix and a "controlling shareholder" of the Trustee-Manager under the Listing Manual.

As Far East SOHO Pte. Ltd. (being the Master Lessee and Vendor) is a member of the FEO Group, which is regarded as a "controlling unitholder" of Far East H-REIT and Far East H-BT and a "controlling shareholder" of the Managers for the purposes of Chapter 9 of the Listing Manual, Far East SOHO Pte. Ltd. is (for the purposes of the Listing Manual) an "interested person" of Far East H-REIT.

Therefore, the Acquisition, the Master Lease and the Earn-out Agreement will constitute Interested Person Transactions[5] under Chapter 9 of the Listing Manual, and the Acquisition will also constitute an Interested Party Transaction[6] under the Property Funds Appendix, in respect of which approval of the holders of Stapled Securities ("**Stapled Securityholders**") is required.

2. DETAILS OF THE ACQUISITION, THE MASTER LEASE AND THE EARN-OUT AGREEMENT

2.1 Purchase Consideration and Valuation

The purchase consideration payable to the Vendor under the Sale and Purchase Agreement is S$210.0 million (the "**Purchase Consideration**"). The Purchase Consideration will be satisfied fully in cash. The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis and is supported by independent valuations.

The REIT Manager has commissioned an independent property valuer, Knight Frank Pte. Ltd. ("**Knight Frank**"), and the REIT Trustee has commissioned another independent property valuer, Savills Valuation and Professional Services (S) Pte. Ltd. ("**Savills**" and together with Knight Frank, the "**Independent Property Valuers**"), to value the Leasehold Interest. Knight Frank, in its report dated 5 January 2018, stated that the open market value of the Leasehold Interest (taking into account the Master Lease) is S$210.0 million and Savills, in its report dated 29 December 2017, stated that the open market value of the Leasehold Interest (taking into account the Master Lease) is S$226.0 million. The methods used by Savills were the income capitalisation method, discounted cash flow analysis and direct comparison method and the methods used by Knight Frank were the capitalisation approach and the discounted cash flow analysis.

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4 As at the date of this announcement, the Managers are each 67.0% owned by FEO Asset Management Pte. Ltd., which is a wholly-owned subsidiary of Far East Organization Centre Pte. Ltd. ("**FEOC**") and 33.0% owned by FEOR. FEOR is 60.6% owned by Far East Organisation Pte. Ltd. ("**FEOPL**") as of the date of this announcement. FEOC, FEOPL and FEOR are all members of the FEO Group.

5 "**Interested Person Transaction**" has the meaning ascribed to it in the Listing Manual.

6 "**Interested Party Transaction**" has the meaning ascribed to it in the Property Funds Appendix.

For the avoidance of doubt, it should be noted that the aggregate amount of S$225.0 million which comprises the Purchase Consideration and the Earn-out Amount that may be payable to the Vendor, is not more than the higher of the two valuations by the Independent Property Valuers[7].

2.2 Estimated Total Acquisition Cost

The estimated total cost of the Acquisition (the "**Total Acquisition Cost**") is approximately S$220.1 million, comprising:

(i) the Purchase Consideration of S$210.0 million;

(ii) the acquisition fee payable to the REIT Manager for the Acquisition pursuant to the trust deed dated 1 August 2012 (as amended) constituting Far East H-REIT (the "**REIT Trust Deed**") (the "**Acquisition Fee**"), which amounts to approximately S$1.6 million (being 0.75% of the Purchase Consideration); and

(iii) the estimated stamp duty, professional and other fees and expenses incurred or to be incurred by Far East H-REIT in connection with the Acquisition (inclusive of debt financing related expenses) of approximately S$8.5 million.

For the avoidance of doubt, the Total Acquisition Cost excludes the S$15.0 million, which may be payable under the Earn-out Agreement.

As the Acquisition will constitute an "interested party transaction" under paragraph 5 of the Property Funds Appendix, the Acquisition Fee payable to the REIT Manager in respect of the Acquisition will be in the form of Stapled Securities, which shall not be sold within one year from the date of issuance.

2.3 Certain Principal Terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement include, among others, the condition precedent that the Stapled Securityholders' approval for, *inter alia,* the Acquisition, the entry into of the Earn-out Agreement and the Master Lease Agreement, is obtained before completion, which is expected to take place on 2 April 2018 (the "**Completion Date**").

2.4 Certain Principal Terms of the Earn-out Agreement

The principal terms of the Earn-out Agreement include, among others, the following:

(i) In the event that, during the Earn-out Period, the Target NPI PA is reached for each of (a) an entire Earn-out Year and (b) the Second Consecutive Earn-out Year, and the Earn-out Event Condition is deemed to have been met in accordance with Clause 2.3 of the Earn-out Agreement, the REIT Trustee shall cause to be issued to the Vendor or its nominee the Earn-out Stapled Securities on the date falling not more than 120 days after the date on which the Earn-out Event Condition is satisfied.

(ii) If the REIT Trustee sells or assigns its interest in the Property during the Earn-out Period, the REIT Trustee shall, even if the Earn-out Event Condition has not been met, cause to be issued to the Vendor or its nominee the Earn-out Stapled Securities within 120 days after the date of completion of the REIT Trustee's sale or assignment of the Property, provided always that the REIT Trustee shall not be obliged to issue

7 Paragraph 5.1(d) of the Property Funds Appendix states that assets acquired from interested parties shall be at a price not more than the higher of two values assessed by independent valuers.

the Earn-out Stapled Securities to the Vendor if all of the Cessation Conditions[7] have been fulfilled.

(iii) The NPI shall be determined according to the following formula:

NPI = Master Lease Rent[9] – Property Tax[10] – Insurance[11] – MCST Sinking Fund[12]

2.5 Certain Principal Terms of the Master Lease Agreement

The principal terms of the Master Lease Agreement include, among others, the following:

(i) the Master Lessee will provide a security deposit, by way of cash or bank guarantee, of an amount equivalent to six months of the monthly Fixed Rent payable under the Master Lease Agreement. In lieu of such security deposit, the Master Lessee may furnish a bank guarantee or the Corporate Guarantee;

(ii) the FF&E[13] located in the Property at the commencement date of the Master Lease Agreement and the FF&E acquired or replaced by the Master Lessee during the term of the Master Lease Agreement will be the property of the Master Lessee, subject to the condition that such FF&E shall be transferred to the REIT Trustee, at its option, at the end or earlier termination of the Master Lease at the net book value of the FF&E, computed on a straight line depreciation over a three-year period and where the aggregate net book value of the FF&E, computed on a straight line depreciation over a three-year period is zero, for S$1.00;

(iii) For each fiscal year, the Master Lessee is required to set aside in the FF&E reserve an amount equivalent to a specified percentage of the Property's revenue for such fiscal year to be utilised in accordance with an annual FF&E plan approved by the Master Lessor. Any unutilised balance in the FF&E reserve at the end of a fiscal year

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8 Means the following conditions:
  (a) completion of the sale or assignment of the Property has taken place and the date of completion falls within the final Earn-out Year of the Earn-out Period; and
  (b) as at the date of completion of the sale or assignment of the Property, the Specific Target NPI had not been achieved for the Earn-out Year immediately preceding the final Earn-out Year of the Earn-out Period.

9 The aggregate of the Fixed Rent and the Variable Rent, payable to the Master Lessor, for the relevant Earn-Out Year.

10 Property tax levied by Inland Revenue Authority of Singapore attributable to the Property for the relevant Earn-out Year as set out in the annual property tax bill and/or valuation notice for the relevant Earn-out Year including any adjustment, whether retrospective or not, to property tax for the relevant Earn-out Year received by the REIT Trustee before the date the Vendor delivers to the REIT Trustee the profit and loss statement audited by a reputable firm of accountants, showing the results of the operation of the Property during the Fiscal Year, and containing a computation of the Gross Operating Revenue and Gross Operating Profit, which statement shall be delivered 90 days after the end of each Fiscal Year (the "**MLA PL Statement**"),for that relevant Earn-out Year. For the avoidance of doubt, any adjustment to property tax set out in any revision to the annual property tax bill and/or valuation notice in respect of any period within a Earn-out Year, whether retrospective or not, which is received by the REIT Trustee after the date the Vendor delivers to the REIT Trustee the MLA PL Statement for that relevant Earn-out Year, shall not be taken into consideration in the determination of the NPI for that Earn-out Year.

11 Insurance premium payable by the REIT Trustee attributable to the Property for the relevant Earn-out Year including but not limited to property insurance (a) insuring the Property under the Master Lease Agreement, and (b) insuring business interruption in respect of the loss of Gross Rent (as defined in the Master Lease Agreement), payable to the REIT Trustee under the Master Lease Agreement.

12 Contributions made or required to be made by the REIT Trustee to the sinking fund established by the Management Corporation Strata Title constituted or to be constituted under the Land Titles (Strata) Act, Cap 158, Singapore, in relation to the Property, for the relevant Earn-Out Year.

13 Refers to all furniture, fixtures, furnishings and equipment (now or in the future) used, or held in storage for use in (or if the context so dictates, required in connection with) the operation of the hotel business including conference (if any), catering and bar facilities, commercial and retail letting operated at or from the Premises (as defined herein).

must be carried forward and made available in the next fiscal year but this shall not reduce the required contribution to the FF&E reserve in the next fiscal year. Where the total expenditure by the Master Lessee in any fiscal year is in excess of the unutilised balance in the FF&E reserve, the excess shall be carried forward and debited against the contribution to the FF&E reserve in the next fiscal year. Any unutilised amounts standing to the credit of the FF&E reserve at the end of the Master Lease Agreement shall be released to the Master Lessee;

(iv) the Master Lessee must submit to the Master Lessor for review and approval by no later than 15th November of the preceding fiscal year, an annual budget for that fiscal year which includes, among others, a proposed capital budget for capital improvements. In respect of such proposed capital budget, the Master Lessor is not obliged to undertake any expenditure for capital improvements unless (a) it is approved in writing by the REIT Manager, or (b) such capital improvements are (i) required to comply with any directive, order or requirement of any relevant government authorities or (ii) required to meet safety or health requirements relating to the Property;

(v) the Master Lessee must, at its cost, repair and maintain the Property, the Services[14], the Services Infrastructure[15], and Plant[16] in good and substantial repair, and in working order but the Master Lessee is not responsible for works which are in the nature of capital improvements. The Master Lessee must, at its cost, repair and replace all FF&E and operating equipment required for the operations of the Property, unless such repair and replacement works are in the nature of capital improvements;

(vi) all necessary licences and permits must be obtained and maintained by the Master Lessee at its cost; and

(vii) the Master Lessee must, at its cost, take out and maintain public liability insurance policy, insurance relating to workers' compensation and contract works insurance in respect of any works undertaken or carried out by the Master Lessee. The Master Lessor will take out and maintain, at its cost, a property insurance insuring the Property, the Plant, the Services Infrastructure and the contents of the Premises, and business interruption in respect of the rent payable by the Master Lessee.

A circular is expected to be issued to Stapled Securityholders (the "**Circular**") in due course, together with a notice of an extraordinary general meeting of Stapled Securityholders, for the purpose of seeking Stapled Securityholders' approval for the (a) Acquisition, (b) the Master Lease and (c) the Earn-out Agreement and the issuance of the Earn-out Stapled Securities pursuant to the Earn-out Agreement.

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14 Refers to any services provided to the Property, Plant and Services Infrastructure (the "**Premises**") such as air-conditioning, oil, drainage, grease disposal, sewerage, electricity, escalators, fire and emergency services, fire protection, gas, heating, information booths, lifts, trade waste or water and any other system or service designed to improve the amenity or enhance the enjoyment of the Premises.

15 Refers to the infrastructure required for the operation of the Services and includes cables, wires, pipes, sewers, pits, traps, drains, ducts, fans, pumps, conduits, switchboards, cooling towers, water tanks, chillers, air handling units, meters, valves, laser and optical fibres, electronic data or impulse communication, transitional reception systems and any other machinery, plant, equipment or means by which the Premises are supplied with the Services.

16 Refers to all plant, machinery, equipment and all component parts thereof relating to the Services.

2.6 Certain Principal Terms of the Vendor Lease

Under the Vendor Lease, Far East H-REIT as the owner of the Property, is *inter alia*, required to comply with the following conditions:

(i) pay an annual rent of S$12 (waived by the Vendor until further notice);

(ii) pay all rates, taxes, charges, assessments and outgoings imposed on the Property; and

(iii) shall not use the Property otherwise than in accordance with the approved use approved by the relevant authorities.

2.7 Certain Principal Terms of the Corporate Guarantee

Under the Corporate Guarantee, the Corporate Guarantor will unconditionally and irrevocably guarantee to Far East H-REIT to pay to the Master Lessor within five business days on demand in writing by the Master Lessor, any sum or sums demanded not exceeding in aggregate the sum of S$3,250,000.

3. RATIONALE FOR AND KEY BENEFITS OF THE ACQUISITION

The REIT Manager believes that the Acquisition will bring the following key benefits to the Stapled Securityholders:

3.1 Yield Accretion

The Acquisition would be accretive to the distribution per Stapled Security ("**DPS**") of Far East H-Trust for the nine-month period ended September 2017 ("**9M2017**"). Stapled Securityholders would have enjoyed an increase in the DPS from 2.97 cents[17] to 3.09 cents, which is an increase of 4.0% for 9M2017 (assuming that the Property was acquired on 1 January 2017), as a result of the Acquisition being made with a Purchase Consideration which is reflective of levels of cash flow which the Property is expected to generate, together with an optimal financing structure.

3.2 High Quality Property with Strategic Location Providing for Easy Access to the Business, Shopping and Cultural Districts

The Property is an upscale hotel which is strategically located in Singapore's CBD in the downtown Tanjong Pagar area which is set to be transformed into Singapore's next waterfront city with a hive of business, commercial and residential activities. The Property is minutes away from Robinson Road, Shenton Way, Raffles Place, Chinatown, Marina Bay and Sentosa.

The Property's proximity to the CBD appeals to business travellers, and it has convenient transport connectivity. The Tanjong Pagar MRT station is within walking distance from the Property, providing easy accessibility for hotel guests. Additionally, the Property is also within a 30-minute drive from Singapore's Changi Airport. The Marina Coastal Expressway, East Coast Parkway and Ayer Rajah Expressway are also within a few minutes' drive from the Property, providing easy access to other parts of the island.

17 Based on the distributable income divided by the number of Stapled Securities in issue, adjusted for the interest savings from the repayment of the revolving credit facilities ("**RCF**") using the Far East H-Trust Distribution Reinvestment Plan ("**DRP**") proceeds. The proceeds were temporarily utilised to repay the RCF pending the intended use to finance the Acquisition. The number of Stapled Securities in issue and issuable as at 30 September 2017 was adjusted for the approximately 36.5 million Stapled Securities issued under the DRP.

3.3 Attractive Revenue per Available Room ("RevPAR") Growth Potential

The RevPAR for the Property for 9M2017 was S$170.0, compared to the RevPAR as reflected by the Singapore Tourism Board's Singapore hotel industry average of S$201.2, for the same period[18]. Given that the Property is relatively new, this presents Far East H-Trust with an attractive opportunity to leverage on the expertise of the REIT Manager and the hotel operator to grow the room rates further, as occupancy levels stabilise over the next two years.

3.4 Greater Income Diversification

With the Acquisition, the concentration risk of Far East H-Trust's income stream on any single property would be reduced and the maximum gross revenue contribution by any single property would be lower, from 19.8% to 18.0% for 9M2017.

3.5 Increased Exposure to Singapore's Upscale Segment and Growth in Corporate Contribution

The Acquisition is in line with the REIT Manager's strategy to increase Far East H-Trust's exposure to the upscale hotel segment, and create a better balance in the portfolio between mid-tier and upscale hotel assets.

The Property is also located in a key business district where Far East H-Trust does not have a presence. Given the proximity to Singapore's CBD, the hotel is well positioned to drive mid-week corporate business at attractive room rates. Therefore, the Acquisition is also in line with the REIT Manager's strategy to increase overall corporate contribution to Far East H-Trust's portfolio of hospitality assets.

3.6 Benefit from Potential Increase in Leisure Demand Underpinned by Investment in Tourism Infrastructure

Visitor arrivals are expected to increase over the coming years, underpinned by significant additional tourism infrastructure due to materialise, such as the makeover of the Mandai area and the redevelopment of six precincts in Sentosa. The recent opening of Singapore Changi Airport's Terminal 4 in 4Q 2017 and the future development of Terminal 5 should further increase airline traffic and visitor arrivals to Singapore. These developments are likely to translate into further opportunities for the hospitality sector and increase leisure business especially for the weekends.

4. RATIONALE FOR AND KEY BENEFITS OF THE (I) MASTER LEASE AND (II) ISSUANCE OF THE EARN-OUT STAPLED SECURITIES

The Managers believe that the (i) Master Lease and (ii) issuance of the Earn-out Stapled Securities will bring the following key benefits to Stapled Securityholders:

4.1 Downside Protection through the Master Lease Agreement with Expected Rental Growth

The Property will be leased to the Master Lessee pursuant to the Master Lease Agreement. The initial term of the Master Lease Agreement is 20 years from the Completion Date, with an option for the Master Lessee to obtain a lease for a further 20 years on the same terms and

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18 Singapore Tourism Board Hotel Statistics by Tier 2017 – published 13 December 2017. The STB has not provided its consent to the inclusion of the information extracted from the relevant report published by it and therefore is not liable for such information. While the Managers have taken reasonable actions to ensure that the information from the relevant report published by the STB is reproduced in its proper form and context, and that the information is extracted accurately and fairly from such report, neither the Managers nor any other party has conducted an independent review of the information contained in such report nor verified the accuracy of the contents of the relevant information.

conditions, save for any variations made to the Master Lease during the initial term of 20 years, amendments required due to change in law and excluding any further option to renew. The long tenure of the Master Lease Agreement is expected to provide Far East H-REIT with a long-term stream of quality rental income. The rental payment under the Master Lease Agreement comprise the Fixed Rent and Variable Rent. The Fixed Rent is approximately 63.6% of the total rental payment of the Property for 9M2017. The Fixed Rent provides downside protection to Far East H-REIT as it provides for a minimum rental payment regardless of the Master Lessee's performance. This mitigates any risk on income caused by the uncertainty and volatility of global economic conditions.

4.2 The Earn-out Arrangement Results in a Lower Amount that is Payable Upfront by Far East H-REIT and Provides the Vendor with a Stronger Incentive to Achieve Better and Sustainable Future Performance of the Property

The REIT Manager has negotiated a Purchase Consideration which is at the lower of the two valuations conducted by the Independent Property Valuers. The Vendor agreed to this Purchase Consideration, coupled with the Earn-out Amount, which has resulted in a lower amount that is payable upfront by Far East H-REIT. The aggregate of the upfront Purchase Consideration and the Earn-out Amount is also supported by the higher of the two valuations conducted by the Independent Property Valuers.

The Earn-out Agreement benefits Stapled Securityholders by providing the Vendor with a stronger incentive to achieve better and sustainable future performance of the Property. The Property will continue to be managed by related parties of the Vendor after the completion of the Acquisition. The Earn-out Agreement fosters a greater alignment of interests between the Vendor, the Managers and Stapled Securityholders, as the Vendor would have added incentive to work with the Managers to ensure that the Property is well-managed in order to grow the Property's NPI in a strong and sustainable manner so that the Earn-out Event Condition may be fulfilled. Far East H-Trust is only liable to issue, and the Vendor would only be entitled to receive, the Earn-out Stapled Securities if the Property achieves better performance during the Earn-out Period.

5. METHOD OF FINANCING AND FINANCIAL EFFECTS

5.1 Method of Financing

The REIT Manager intends to finance the Total Acquisition Cost (excluding the Acquisition Fee to be paid in the form of Stapled Securities) from a combination of:

(i) DRP proceeds[19] accumulated over the first two financial quarters in 2017, amounting to approximately S$22.7 million; and

(iii) debt facilities of approximately S$195.8 million.

Upon completion of the Acquisition, Far East H-Trust's aggregate leverage would be 37.5%[20].

5.2 Issue Price of the Earn-out Stapled Securities

The Earn-out Stapled Securities will be issued at an issue price determined on the volume weighted average price for a Stapled Security for all trades on the SGX-ST for the period of 10 business days commencing on the first day of "ex-dividend" trading in relation to the books

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19 Based on the unaudited financial statements for 9M2017 (the "**9M2017 Unaudited Financial Statements**"), the proceeds were temporarily utilised to repay the RCF pending the intended use to finance the Acquisition.

20 Based on the pro forma capitalisation of Far East H-Trust as at 30 September 2017, as if Far East H-REIT had completed the Acquisition on 30 September 2017.

closure date for the advanced distribution or, as the case may be, cumulative distribution declared by the REIT Manager (in relation to the Stapled Securities in issue).

5.3 Financial Effects

The pro forma financial effects of the Acquisition and the Master Lease on the DPS and the net asset value ("**NAV**") per Stapled Security presented below are **strictly for illustrative purposes only** and were prepared based on the audited financial statements of Far East H-REIT for the financial year ending 2016 ("**FY2016**", and the audited financial statements, the "**FY2016 Audited Financial Statements**") and the 9M2017 Unaudited Financial Statements, taking into account the Total Acquisition Cost, the pro forma rent from the Property and certain assumptions including (but not limited to) the following:

(i) bank borrowings of approximately S$195.8 million are drawn down to partly finance the Acquisition;

(ii) the Acquisition Fee payable in Stapled Securities to the REIT Manager, paid through the issuance of approximately 2.2 million Stapled Securities; and

(iii) 90.0% of the REIT Manager's management fee incurred in relation to the Property is paid in the form of Stapled Securities.

5.3.1 FY2016

Pro Forma DPS of the Acquisition and the Master Lease

The pro forma financial effects of the Acquisition and the Master Lease on the DPS for FY2016, as if Far East H-REIT had purchased the Leasehold Interest on 1 January 2016 and the Property had been leased out and operated by the Master Lessee through to 31 December 2016, are as follows:

	Pro Forma Effects of the Acquisition for FY2016	
	Before the Acquisition(1)	**After the Acquisition**
Net Income of Far East H-REIT (S$'000)	30,068	33,629(2)
Distributable Income (S$'000)	78,143	82,825
No. of Stapled Securities ('000)	1,804,323	1,844,053(3)
DPS (cents)(4)	4.33	4.49
DPS Yield (%)(5)	6.10	6.32

Notes:

(1) Based on the FY2016 Audited Financial Statements.

(2) The net income and the distributable income of the Property were based on the performance for 9M2017 and annualised to full year, as the Property only commenced operations on 18 April 2016 and the performance of the Property had not stabilised over the remaining period for 2016. The net income and distributable income of the Property from 18 April 2016 to 31 December 2016 is therefore not representative of the performance of the Property and will not be meaningful to Stapled Securityholders in assessing the pro forma financial effects of the Acquisition if applied against Far East H-REIT's actual net income and distributable income for FY2016.

(3) Based on the number of Stapled Securities in issue and issuable as at 31 December 2016, and assuming (i) approximately 2.2 million new Stapled Securities were issued to the Manager as payment for the Acquisition Fee; (ii) approximately 1.0 million new Stapled Securities were issued to the Manager as base management fees; and (iii) approximately 36.5 million new Stapled Securities were issued under the DRP.

(4) Based on Distributable Income divided by the number of Stapled Securities in issue.

(5) Based on issue price of S$0.71 per Stapled Security (the "**Illustrative Issue Price**").

Pro Forma NAV of the Acquisition

The pro forma financial effects of the Acquisition on the NAV per Stapled Security as at 31 December 2016, as if the Acquisition were completed on 31 December 2016, are as follows:

	Pro Forma Effects of the Acquisition as at 31 December 2016	
	Before the Acquisition[1]	**After the Acquisition**
NAV (S$'000)	1,645,575	1,669,914
No. of Stapled Securities ('000)	1,810,362	1,849,114[2]
NAV per Stapled Security (S$)	0.9090	0.9031

Notes:

(1) Based on the FY2016 Audited Financial Statements.

(2) Based on the number of Stapled Securities as at 31 December 2016, and assuming (i) approximately 2.2 million new Stapled Securities were issued as payment for the Acquisition Fee; and (ii) approximately 36.5 million new Stapled Securities were issued under DRP.

Pro Forma Capitalisation of the Acquisition

The following table sets forth the pro forma capitalisation of Far East H-Trust as at 31 December 2016, as if Far East H-REIT had completed the Acquisition on 31 December 2016.

	As at 31 December 2016	
	Before the Acquisition[1]	**After the Acquisition**
	(S$'000)	**(S$'000)**
Current debt:		
Revolving credit facilities	42,000	42,000
Unsecured debt[2]	249,830	249,830
Total current debt	291,830	291,830
Non-current debt:		
Unsecured debt[2]	530,987	725,824
Total non-current debt	530,987	725,824
Total debt	822,817	1,017,654
Stapled Securityholders' funds	1,645,575	1,669,914
Total Capitalisation	2,468,392	2,687,568

Notes:

(1) Based on the FY2016 Audited Financial Statements.

(2) Stated net of unamortised transaction costs.

5.3.2 9M2017

Pro Forma DPS of the Acquisition and Master Lease

The pro forma financial effects of the Acquisition and the Master Lease on the DPS for 9M2017, as if Far East H-REIT had purchased the Property on 1 January 2017 and the Property had been leased out and operated by the Master Lessee through to 30 September 2017, are as follows:

	Pro Forma Effects of the Acquisition for 9M2017	
	Before the Acquisition	After the Acquisition
Net Income of Far East H-REIT (S$'000)	40,723(1)	43,388
Distributable Income (S$'000)	53,984(1)	57,487
No. of Stapled Securities ('000)	1,818,168(2)	1,857,608(3)
DPS (cents)(4)	2.97	3.09
DPS Yield (%)(5)	5.59	5.82

Notes:

(1) Based on the 9M2017 Unaudited Financial Statements, adjusted for the interest savings from the repayment of RCF using the DRP proceeds. The proceeds were temporarily utilised to repay the RCF pending the intended use to finance the Acquisition.

(2) Based on the number of Stapled Securities in issue and issuable as at 30 September 2017, adjusted for approximately 36.5 million Stapled Securities issued under DRP.

(3) Based on the number of Stapled Securities in issue and issuable as at 30 September 2017, and assuming (i) approximately 2.2 million new Stapled Securities were issued to the Manager as payment for the Acquisition Fee; (ii) approximately 0.7 million new Stapled Securities were issued to the Manager as base management fees; and (iii) approximately 36.5 million new Stapled Securities were issued under the DRP.

(4) Based on distributable income divided by number of Stapled Securities in issue.

(5) Based on Illustrative Issue Price.

Pro Forma NAV of the Acquisition

The pro forma financial effects of the Acquisition on the NAV per Stapled Security as at 30 September 2017, as if the Acquisition were completed on 30 September 2017, are as follows:

	Pro Forma Effects of the Acquisition as at 30 September 2017	
	Before the Acquisition(1)	After the Acquisition
NAV (S$'000)	1,661,776	1,663,351
No. of Stapled Securities ('000)	1,858,467	1,860,686(2)
NAV per Stapled Security (S$)	0.8942	0.8939

Notes:

(1) Based on the 9M2017 Unaudited Financial Statements.

(2) Based on the number of Stapled Securities as at 30 September 2017, and assuming approximately 2.2 million new Stapled Securities were issued as payment for the Acquisition Fee.

Pro Forma Capitalisation of the Acquisition

The following table sets forth the pro forma capitalisation of Far East H-Trust as at 30 September 2017, as if Far East H-REIT had completed the Acquisition on 30 September 2017.

	As at 30 September 2017	
	Before the Acquisition(1)	**After the Acquisition**
	(S$'000)	**(S$'000)**
Current debt:		
Revolving Credit Facility	37,764(3)	37,764(4)
Unsecured debt(2)	132,040	132,040
Total current debt	169,804	169,804
Non-current debt:		
Unsecured debt(2)	648,692	843,529
Total non-current debt	648,692	843,529
Total debt	818,496	1,013,333
Stapled Securityholders' funds	1,661,776	1,663,351
Total Capitalisation	2,480,272	2,676,684

Notes:

(1) Based on the 9M2017 Unaudited Financial Statements.

(2) Stated net of unamortised transaction costs.

(3) Based on the 9M2017 Unaudited Financial Statements, adjusted for the DRP proceeds that were temporarily utilised to repay the RCF pending the intended use to finance the Acquisition.

6. INTERESTS OF DIRECTORS AND CONTROLLING STAPLED SECURITYHOLDERS

As at the date of this announcement, the directors of the Managers (the "**Directors**") collectively hold an aggregate direct and deemed interest in 2,656,830 Stapled Securities.

Save as disclosed above and based on the information available to the Managers as at the date of this announcement, none of the Directors or the controlling Stapled Securityholders have an interest, direct or indirect, in the Acquisition.

7. OTHER INFORMATION

7.1 Director's Service Contracts

No person is proposed to be appointed as a director of the Managers in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

7.2 Relative Figures Computed on the Bases set out in Rule 1006

The relative figures computed on the following bases set out in Rules 1006(b) and 1006(c) of the Listing Manual are as follows:

(i) the net profits attributable to the assets acquired compared with Far East H-Trust's net profits; and

(ii) the aggregate value of the consideration given compared with Far East H-Trust's capitalisation.

Comparison of:	The Acquisition	Far East H-Trust	Relative Figure
Profits[1] (S$ million)	9.6[2]	98.4[3]	9.8
Consideration against market capitalisation (S$ million)	210.0	1,328.9[4]	15.8

Notes:

(1) Based on NPI. In the case of a REIT, the NPI is a close proxy to the net profits attributable to its assets.

(2) Based on the NPI of the Property for 9M2017 and annualised to full year, as the Property only commenced operations on 18 April 2016 and the performance of the Property had not stabilised over the remaining period for 2016. The NPI of the Property from 18 April 2016 to 31 December 2016 is therefore not representative of the performance of the Property and will not be meaningful to Stapled Securityholders in assessing the pro forma financial effects of the Acquisition if applied against Far East H-Trust's actual NPI for FY2016.

(3) Related to Far East H-Trust's actual NPI for FY2016.

(4) Based on the weighted average price of S$0.717 per Stapled Security on the SGX-ST on 10 January 2017, being the market day preceding the date of the Sale and Purchase Agreement.

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. Accordingly, the REIT Manager is of the view that the Acquisition is in the ordinary course of Far East H-REIT's business as it falls within Far East H-REIT's investment policy and does not change its risk profile. As such, the Acquisition is not subject to Chapter 10 of the Listing Manual.

7.3 Independent Directors' and Audit and Risk Committee's Statements

KPMG Corporate Finance Pte. Ltd. has been appointed as the independent financial adviser (the "**IFA**") to provide an opinion as to whether the entry into of Acquisition, the Master Lease Agreement and the Earn-out Agreement are based on normal commercial terms and are not prejudicial to the interests of Far East H-Trust and the minority Stapled Securityholders. The independent directors and audit and risk committee of the REIT Manager will form its own view after reviewing the opinion of the IFA, which will be set out in the Circular.

7.4 Other Interested Person Transactions

Except for those transactions which have been specifically approved by Stapled Securityholders upon purchase of the Stapled Securities during the initial public offering and listing of Far East H-Trust, both the REIT Trustee and the Managers have not entered into any Interested Person Transaction with any of the FEO Group, its subsidiaries and associates during the course of the current financial year.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the REIT Manager[21] at 1 Tanglin Road, Orchard Parade Hotel, Singapore 247905, from the date of this announcement up to and including the date falling three months after the date of this announcement:

(i) the Sale and Purchase Agreement;

(ii) the Master Lease Agreement;

(iii) the Earn-out Agreement;

(iv) the valuation certificates and the full valuation reports on the Property issued by the Independent Property Valuers;

(v) the FY2016 Audited Financial Statements; and

(vi) the 9M2017 Unaudited Financial Statements.

The REIT Trust Deed, the trust deed constituting Far East H-BT and the stapling deed of Far East H-Trust, will also be available for inspection at the registered offices of the Managers, for so long as Far East H-Trust is in existence.

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer

FEO Hospitality Asset Management Pte. Ltd. (Company Registration No. 201102629K)
(as manager of Far East Hospitality Real Estate Investment Trust)

FEO Hospitality Trust Management Pte. Ltd. (Company Registration No. 201210698W)
(as trustee-manager of Far East Hospitality Business Trust)

12 January 2018

IMPORTANT NOTICE

The value of the Stapled Securities and the income derived from them may fall as well as rise. The Stapled Securities are not obligations of, deposits in, or guaranteed by the Managers, DBS Trustee Limited (in its capacity as trustee of Far East H-REIT), or any of their respective affiliates.

An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that Stapled Securityholders may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.

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21 Prior appointment with the REIT Manager (telephone number: +65 6833 6622) will be appreciated.