



SHAPING THE  
WAY FORWARD



ANNUAL REPORT  
2017



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# SHAPING THE WAY FORWARD

As the world economy gains momentum, demand for travel and accommodation is set to return. To position for the growth, Far East H-Trust has enhanced some of its properties, shaping the way forward with a more competitive portfolio. Positive on the longer term prospects of the Singapore hospitality sector, Far East H-Trust has also made strategic investments in quality assets - key to delivering greater value to its Staped Securityholders.

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## ABOUT US

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

It commenced trading on SGX-ST on 27 August 2012 ("Listing Date"). Far East H-Trust has a market capitalisation of approximately S\$1.34 billion and the largest diversified hospitality portfolio by asset value in Singapore as at 31 December 2017. Far East H-Trust comprises Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") and Far East Hospitality Business Trust ("Far East H-BT"). Far East H-REIT is managed by FEO Hospitality Asset Management Pte. Ltd. (the "REIT Manager") and Far East H-BT is managed by FEO Hospitality Trust Management Pte. Ltd. (the "Trustee-Manager").

Far East H-REIT has a portfolio of 12 properties consisting of 8 hotels and 4 serviced residences. The assets are valued at about S\$2.38 billion as at 31 December 2017. In addition, Far East H-REIT has a 30.0% stake in a joint venture for the development of a hotel project located on Sentosa. Far East H-REIT is established with the principal investment strategy of investing on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate in Singapore, used primarily for hospitality and/or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets in connection to the foregoing.

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







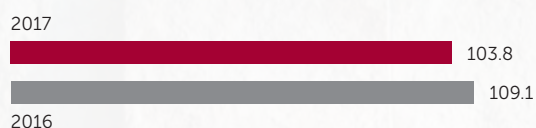




## FINANCIAL HIGHLIGHTS

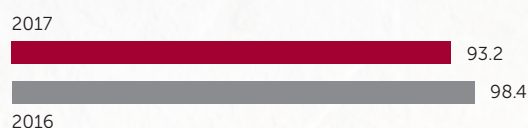
### GROSS REVENUE

**103.8**  
S\$ million



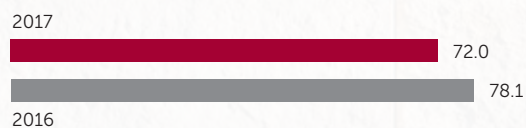
### NET PROPERTY INCOME

**93.2**  
S\$ million



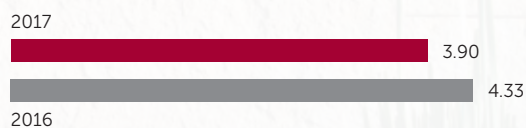
### INCOME AVAILABLE FOR DISTRIBUTION

**72.0**  
S\$ million



### DISTRIBUTION PER STAPLED SECURITY

**3.90**  
Singapore cents



Balance sheet	2017 S\$ million	2016 S\$ million
Investment properties	2,380.8	2,417.9
Total assets	2,437.9	2,488.6
Total liabilities	819.2	843.0
Net assets	1,618.7	1,645.6

Balance sheet	2017	2016
Gearing ratio <sup>1</sup>	34.4%	32.1%
Interest cover ratio <sup>2</sup>	4.1x	4.3x
Weighted average debt maturity	3.0 years	2.3 years
Net asset value per Stapled Security (Singapore cents)	86.94	90.90

Operating Expenses	2017	2016
Total operating expenses <sup>3</sup>	S\$23.4 million	S\$23.3 million
Total operating expenses as a percentage of net asset value	1.4%	1.4%

1 Defined as: Total borrowings deposited properties.

2 Defined as: EBITDA/interest expense.

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



## GROWTH STRATEGIES

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

### VALUE ADDING ACQUISITIONS

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

Far East H-Trust currently has a strong acquisition pipeline of 7 properties, totalling 1,168 hotel rooms and 599 serviced residence units, under a right of first

refusal ("ROFR") with its Sponsor. The ROFR properties offer acquisition opportunities for portfolio growth, potentially increasing the keys under ownership by 1,767 rooms.

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

### ASSET MANAGEMENT AND ENHANCEMENT STRATEGY

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

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

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

### CAPITAL AND RISK MANAGEMENT STRATEGY

For capital and risk management, the REIT Manager intends to maintain a prudent level of borrowings while maximising returns for Stapled Securityholders. The REIT Manager endeavours to maintain a strong balance sheet with diversified funding sources. It seeks to manage the cost of debt, utilise interest rate hedging

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



Orchard Parade Hotel Lobby







DELIVERING >

VALUE





## LETTER FROM THE CHAIRMAN



MR KOH BOON HWEE

### Dear Stapled Securityholders

On behalf of the Board of the REIT Manager and Trustee-Manager of Far East Hospitality Trust ("Far East H-Trust"), I am pleased to present our annual report for the financial year ended 31 December 2017 ("FY 2017").

#### **RESILIENCE AMIDST A COMPETITIVE LANDSCAPE**

The global economy started off on a soft note before gaining momentum in the second half of

2017. The hospitality sector, likewise, was mostly muted in 2017, largely driven by the leisure segment as companies continued to keep a tight rein on business travel spending. Although there were signs of a nascent recovery towards the end of the year, the operating environment remained competitive, as new supply continued to outweigh demand.

According to the Singapore Tourism Board ("STB"), gazetted hotel room revenue increased 3.9% in 2017, vis-a-vis a 6.2% growth in international visitor arrivals. Our hotel portfolio mirrored a similar trend





– revenue per available room (“RevPAR”) registered a decline of 1.9% to S\$136, as the average daily rate (“ADR”) decreased 2.5% while average occupancy improved 0.5pp. The downward pressure on room rates was partly due to the competition from the approximately 2,700 new hotel rooms which opened during the year, exacerbated by the shift in tourist mix towards the leisure segment and a leaner events calendar.

Our serviced residences continued to be challenged by the overall softness in demand from corporate accounts and project groups in FY 2017. The average occupancy of the serviced residences fell 5.0pp to 80.0%, and ADR decreased slightly by 1.3%. Revenue per available unit (“RevPAU”), as a result, decreased 7.1% to S\$175.

The retail and office spaces (REIT commercial premises) booked revenue of S\$22.7 million, which was a slight decline of 1.6% compared to the previous financial year, mainly due to a marginal decrease in rental rates.

In terms of our financial performance, we kept our operating and financing expenses stable at S\$43.3 million for FY 2017. Income available for distribution was S\$72.0 million, which translated into Distribution per Stapled Security (“DPS”) of 3.90 Singapore cents. This represents a yield of 5.4% based on the closing Stapled Security price of 72.0 Singapore cents on 31 December 2017.

#### **VALUE CREATION THROUGH ACTIVE ASSET ENHANCEMENT AND INVESTMENT**

Notwithstanding the soft operating environment, we continued to selectively upgrade our properties to ensure the competitiveness of our portfolio. In 2017, our asset enhancement efforts were focused on Orchard Parade Hotel, to enhance the attractiveness of the property for the eventual upturn in the hospitality sector. Having completed the first two phases of renovation works including the pool, pool deck, function rooms, reception and lobby in 2016, we proceeded onto the third phase of refurbishment to upgrade the guest rooms and club lounge. The renovation works were recently completed in March 2018.

Our development project in Sentosa is progressing well. The project comprises three hotels, with a total of 839 rooms. The 606-room Village Hotel at Sentosa which serves the mid-tier market, and the 193-room The Outpost Hotel which serves the upscale market are expected to be completed by the second half of 2018. The Barracks Hotel, comprising 40 luxurious guest rooms and suites in the heritage buildings, will follow as the second phase in 2019.

Creating and delivering value to our Stapled Securityholders necessitates us to pursue new avenues of growth through accretive investments that will expand and diversify our portfolio. Towards this end, we recently acquired the Oasia Hotel Downtown for S\$210.0 million, from a member of our Sponsor, Far East Organization, under a right of first refusal. The 314-room upscale business hotel is strategically located in the downtown Tanjong Pagar area of Singapore’s Central Business District, which is developing into a vibrant hive of commercial, business and residential activities.

The acquisition demonstrates our commitment to enhance the total return to Stapled Securityholders as well as increase potential opportunities for future income and capital growth. It is also in line with our strategy to diversify our income stream, create a better balance between our mid-tier and upscale assets, and add a property in a locale where we do not have a presence. As the property is relatively new, there is attractive potential to grow its RevPAR. It will also strengthen our revenue contribution from the corporate segment.

#### **MANAGING OUR CAPITAL FOR CONTINUED STABILITY AND GROWTH OPPORTUNITIES**

As at 31 December 2017, Far East H-Trust had total borrowings of S\$799.2 million. Our aggregate leverage was 34.4% and average cost of debt was about 2.5%. 41.6% of our borrowings was secured at fixed interest rates, and the weighted average debt maturity was 3.0 years.



## LETTER FROM THE CHAIRMAN

We have received commitment to refinance S\$132.2 million of debt ahead of its maturity in August 2018 with five and seven-year loans, which would improve our weighted average debt to maturity to 3.9 years. The REIT manager is also working with its lenders to assess the refinancing options for the term loan of S\$100.0 million due in December 2018.

For FY 2017, our Net Asset Value per Stapled Security was 86.94 Singapore cents.

### **INAUGURAL SUSTAINABILITY REPORTING**

As a well-respected Singapore REIT, Far East H-Trust adopts a holistic approach in integrating sustainability with economic returns, taking the view that the long term viability of any organisation is tied to the preservation and enhancement of the greater community and environment.

While sustainable practices have always been a key component in the management of the properties, in compliance with SGX Listing Rule 711A and 711B, we have established a robust sustainability governance structure and prepared a report outlining our sustainability journey and the initiatives pursued and progressive targets set to ensure continued effectiveness in the identified economic, social and governance ("ESG") factors which are material and meaningful to our stakeholders. Our policies, procedures and reports as well as contracts with external parties encompass key areas of sustainability such as corporate governance, regulatory compliance, occupational health and safety, and employee conduct and ethics.

In terms of economic performance, Far East H-Trust seeks to drive value for our Stapled Securityholders through the pursuit of organic and acquisition growth, as well as the execution of asset enhancement initiatives. As the REIT Manager, our

commitment to our employees extends to not only promoting a culture of diversity and rewarding our employees with competitive remuneration pegged to prevailing industry standards, but to welfare and benefits which promote health, wellness and development. The REIT Manager also ensures that the hotel and serviced residence operator adheres strictly to all legislation pertaining to occupational health and safety, which is a top priority for the customers and employees of our properties. Our corporate governance principles encompass policies covering areas such as business conduct, investment management, ethics and data protection ensuring high standards of ethical behaviour.

### **A BRIGHTER OUTLOOK**

The International Monetary Fund has forecast that the global economy will grow by 3.7% in 2018, reflecting healthy domestic demand growth in the developed economies and improved performance in other emerging markets. In Singapore, the Ministry of Trade and Industry's gross domestic product ("GDP") forecast is a more modest 1.5% to 3.5%.

On the tourism front, the STB has forecast tourist arrivals to Singapore to be in the range of 17.6 to 18.1 million in 2018, representing a growth of 1% to 4% year-on-year. The strong events calendar including major and biennial events such as the Singapore Airshow and Food and Hotel Asia, will also help to provide some uplift.

Hotel room supply is expected to ease off with an estimated 750 more rooms coming on the market, representing a growth of 1.1% year-on-year. Although the expected increase in supply in 2018 is small, the hotel industry will likely remain competitive over the next few quarters as the new hotels seek to build up their occupancies.



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“Creating and delivering value to our Stapled Securityholders necessitates us to pursue new avenues of growth through accretive investments that will expand and diversify our portfolio.”

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CBRE expects a pick-up in the hotel sector performance with the tapering off of hotel supply from 2018 onwards, the STB’s continued marketing efforts and partnerships with different agencies as well as the opening of the new terminal 4 at Changi Airport. The ongoing upgrade to existing tourist attractions as well as the introduction of new and exciting ones, such as those in Sentosa and the Mandai precinct, will continue to position Singapore as a premier tourist destination.

While the economic outlook appears to have brightened, demand for serviced residences is expected to remain subdued, as companies continue to exercise prudence in business travel. We also have to be mindful that the retail sector is still soft, given the disruptions caused by e-commerce. Office rentals, however, are expected to strengthen on supply adjustments and in tandem with economic projections.

We will seek to continue to improve the operating performance of our existing portfolio, grow the portfolio organically or pursue accretive acquisition opportunities from the Sponsor’s pipeline as well as from third parties.

#### APPRECIATION

I would like to express my appreciation to my fellow board members for their counsel and contributions. This year, we will be making a few changes to our board composition as part of renewal. Wee Kheng Jin will be taking over as Chairman of the Board as I relinquish my position and directorship on 30 June 2018. Non-Executive Director Chng Kiong Huat will also be stepping down from his position in June. We are grateful for his dedication and contributions throughout his tenure. We are also in the process of bringing in a new independent director.

We are also thankful to the employees of the REIT Manager for their hard work, Sponsor and Trustee for their support and commitment, and to our Stapled Securityholders for their patience and steadfast belief in us. We look forward to the new year and all the opportunities it holds in shaping Far East H-Trust for long-term growth.

MR KOH BOON HWEE  
Chairman



## BOARD OF DIRECTORS





## **MR KOH BOON HWEE**

**Non-Independent Chairman  
REIT Manager Board and Trustee-Manager Board**

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

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

Mr Koh also holds directorships in GIC Private Limited, Innovalues Holdings Pte. Ltd., Bank Pictet & Cie (Asia) Ltd., CM Houlder (SEA) Pte. Ltd., Credence Capital Fund II (Cayman) Ltd., Credence Partners Pte. Ltd., First Spring Ltd., Rippledote Capital Advisers Pte. Ltd., Rippledote Capital Management Pte. Ltd. and The Genomic Trust Pte. Ltd.

Over the last 3 years, he held directorship in Razer Inc., CM Houlder Insurance Brokers (Singapore) Pte. Ltd., Ge-No-Me Pte. Ltd., and Fontaine Investment Pte. Ltd. From 2005 to 2010, Mr Koh was the Non-Executive Chairman of DBS Group Holdings Ltd. and DBS Bank Ltd. From 1996 to 2010, he served on the board of Temasek Holdings Pte. Ltd. and was a member of the Executive Committee from 1997 to 2010. From 2001 to 2005, Mr Koh served as Non-Executive Chairman of Singapore Airlines Limited, and from 1986 to 2001, he was also the Non-Executive Chairman of the Singapore Telecom Group (SingTel) and its predecessor organisations.

Outside the corporate sector, Mr Koh is also active in several non-profit organisations, including the Securities Industry Council, Nanyang Technological University Board of Trustees, Research, Innovation & Enterprise Council and The William and Flora Hewlett Foundation. In the last 3 years, he also served as a Director of the Harvard Singapore Foundation.

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

## **MR WEE KHENG JIN**

**Non-Independent Deputy Chairman  
REIT Manager Board and Trustee-Manager Board**

**Member of the Nominating and Remuneration Committees  
of the REIT Manager**

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

Mr Wee has extensive finance experience in a variety of industries including banking, construction, hospitality services and real estate development. He is presently on the boards of various companies within Far East Organization (FEO), such as Far East Hospitality Management Services Pte. Ltd. and Far East Property Services Pte. Ltd. Mr Wee is also a director with Fontaine Investment Pte. Ltd., a joint venture company between Far East H-REIT and Far East Organization Centre Pte. Ltd. (a member of FEO) established for the development of a new hotel site in Sentosa.

He retired from the Board of Yeo Hiap Seng Limited in April 2017, and from the Board of Parkson Retail Asia Limited in October 2017. He served on the board of Yeo Hiap Seng and Parkson Retail Asia since 2010 and 2011 respectively.

Mr Wee joined FEO in 2000 and is currently an Executive Director. Prior to joining FEO, he was the Citibank Country Controller for several years and a board member of Citicorp Investment Bank Singapore Limited. Mr Wee also worked for United Engineers Limited and PricewaterhouseCoopers LLP (formerly known as PriceWaterhouse & Co).

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



## BOARD OF DIRECTORS

### **MR WILLIE CHENG JUE HIANG**

**Lead Independent Director**  
**REIT Manager Board and Trustee-Manager Board**

**Chairman of the Audit and Risk Committee**  
**of the REIT Manager**

**Member of the Nominating Committee of the REIT Manager**

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

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

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

Outside the corporate sector, Mr Cheng is also active in several non-profit organisations, including the ApVentures, Archdiocesan Land & Properties Singapore, Caritas Humanitarian Aid & Relief Initiatives, Singapore, Catholic Foundation, NTUC Health Cooperative Ltd., Singapore Institute of Directors, SymAsia Foundation Ltd., SymAsia Singapore Fund and The Courage Fund.

Prior to his retirement in 2003, Mr Cheng was Managing Director of Accenture's Singapore office and Head of its Asian Communications & High-Tech practice, where he was responsible for overseeing both divisions. During his stint at Accenture (and its predecessor, Arthur Andersen & Co), Mr Cheng was involved in audit as well as consulting, for the design and implementation of mission-

critical systems and business transformation for its clients in government, financial services and the high tech industries.

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

### **MR KYLE LEE KHAI FATT**

**Independent Director**  
**REIT Manager Board and Trustee-Manager Board**

**Chairman of the Nominating Committee of the REIT Manager**

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

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

Mr Lee has extensive experience in professional services, comprising accounting, auditing and business advisory. He is presently a Director of CapitaLand Mall Trust Management Limited (as manager of CapitaLand Mall Trust), Comfort DelGro Corporation Limited, Great Eastern Holdings Limited and The Great Eastern Life Assurance Company Limited. Over the last 3 years, Mr Lee was a Director of MFS Technology Ltd. and Jurong International Holdings Pte. Ltd.

By profession, Mr Lee is a Chartered Accountant and served as a partner of PricewaterhouseCoopers LLP in Singapore for 20 years prior to retirement in 2010. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. He is also a Fellow of the Singapore Institute of Directors.

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



## **MR HUANG CHENG ENG**

**Independent Director**  
**REIT Manager Board and Trustee-Manager Board**

**Chairman of the Remuneration Committee**  
**of the REIT Manager**

**Member of the Audit and Risk Committee of the REIT Manager**

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

Mr Huang has extensive experience in commercial and marketing activities. Before his retirement in 2010, Mr Huang was Executive Vice President – Marketing and the Regions at Singapore Airlines Limited, where he was overall in charge of commercial and marketing activities as well as the firm’s overseas offices. From 1987 to 1996, he was overall in charge of air cargo and developed SIA Cargo into a full-fledged division. During his stint at Singapore Airlines, he was also the Chairman of SilkAir and had also served on the Board of Virgin Atlantic Airways and the Singapore Tourism Board. He had amassed 10 years of overseas experience, working in Taiwan, France and Hong Kong from 1977 to 1987.

Mr Huang is also currently an Independent Director of M1 Ltd.

Outside of the corporate sector, Mr Huang serves on the board of MINDS (Movement for the Intellectually Disabled of Singapore).

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

## **MR CHNG KIONG HUAT**

**Non-Executive Director**  
**REIT Manager Board**

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

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

Mr Chng also holds directorships with various property companies, such as Bukit Sembawang Ltd. and Pulau Properties Pte. Ltd. He is also an alternate Director with Gunung Impian Development Sdn. Bhd.

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



## MANAGEMENT TEAM

### MR GERALD LEE HWEE KEONG

#### Chief Executive Officer

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

From 2005 to 2010, Mr Lee was at CapitalLand Limited/The Ascott Limited. His roles in Ascott included that of CEO (Europe), responsible for growing the business in that region, and Deputy CEO, responsible for overseeing operations of the group.

Mr Lee was Executive Director of 08hundred LLP from 2010 to 2011, where he was responsible for overseeing the company. He remains as a Director of the company.

From 1991 to 2005, Mr Lee was at the Singapore Tourism Board, and his last held position was Assistant CEO (Leisure), in charge of all the leisure divisions.

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

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

### MS REGINA YAP SIEW BUAY

#### Chief Financial Officer

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

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

From 2011 to 2017, Ms Yap was the Head of Finance and Company Secretary of AIMS AMP Capital Industrial REIT Management Limited as manager of AIMS AMP Capital Industrial REIT. Her responsibilities include financial accounting and reporting, tax and risk management, capital management, compliance as well as corporate secretarial matters.

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

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

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

## **MR IRFAN TAYABALI**

### **Vice President, Asset Management and Investment**

Mr Tayabali has more than 10 years of hospitality industry experience. He is employed by the REIT Manager and is responsible for the strategic performance and asset management of the hospitality portfolio, as well as working on new investment acquisitions for the REIT.

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

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

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

## **MS ELAINE CHIN SHU PENG**

### **Vice President, Asset Management and Enhancement**

Ms Elaine Chin has more than 30 years of experience in areas of contract administration, procurement, project management, quantity surveying and all project development related matters. She is employed by the REIT Manager where she is responsible for implementing, coordinating and supervising the asset enhancement projects and initiatives.

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

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

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

## **MS DENISE WONG XIAO FEN**

### **Manager, Investor Relations & Asset Management**

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

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

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

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









CHARTING >

# STRATEGIC GROWTH





## ASSET ENHANCEMENT INITIATIVES

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

### ORCHARD PARADE HOTEL

In 2017, the asset enhancement efforts were focused on the third phase of the renovation of Orchard Parade Hotel, involving the refurbishment of 244 guest rooms in the Superior, Deluxe Plus and Club categories, as well as 47 suites and the club lounge. The refurbishment commenced in May 2017 and was completed in March 2018.

The first two phases of the renovation were carried out earlier – the first phase, which began

in December 2015, was for the renovation of the hotel's swimming pool, pool deck, gym and meeting room. The second phase, which was completed in July 2016, involved the upgrading of the other public areas of the hotel, including the function rooms, lobby, reception and lobby bar.

### OTHER ENHANCEMENT WORKS

Improvement works were also carried out at Village Hotel Bugis, including the replacement of water pipes in all of its guest rooms, and the modernisation of the passenger and service lifts. The works are still ongoing.

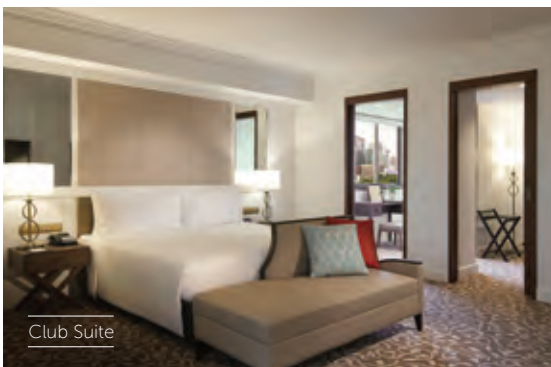
At The Elizabeth Hotel, the water tanks for the main water supply and the cooling tower were replaced. The works were completed in March 2018.



Function room



Club room



Club Suite



Club Suite bathroom







In 2017, the asset enhancement efforts were focused on the third phase of the renovation of Orchard Parade Hotel, involving the refurbishment of 244 guest rooms in the Superior, Deluxe Plus and Club categories, as well as 47 suites and the club lounge.





## INVESTMENTS

The REIT Manager actively pursues investment opportunities to expand the portfolio and drive future income growth. Far East H-Trust has a strong acquisition pipeline of 7 properties, totaling 1,168 hotel rooms and 599 serviced residence units, under a right of first refusal with its Sponsor, Far East Organization. In addition, the REIT Manager also seeks out potential opportunities in the market from third parties.

### ACQUISITION OF OASIA HOTEL DOWNTOWN

On 2 April 2018, Far East H-Trust acquired a 65-year leasehold estate in 314-room Oasia Hotel Downtown from Far East SOHO Pte. Ltd. (the "Vendor"), a member of its Sponsor, for S\$210.0 million. The purchase price was negotiated on a willing-buyer, willing-seller basis and is at the lower end of two independent valuations.

Funded by debt facilities and Far East H-Trust's distribution reinvestment plan proceeds, the acquisition would have been accretive to the distributions to Stapled Securityholders on a pro forma basis.

The 27-storey hotel-cum-office development is strategically located in the downtown Tanjong Pagar area of Singapore's Central Business District, and appeals to business travellers. The property's convenient transport connectivity also provides easy access for hotel guests. Since its opening on

18 April 2016, the property has garnered several accolades for its distinctive design, including the SG Mark Platinum award, the highest accolade at the Singapore Good Design Mark (SG Mark) Awards, and Winner of the Urban Land Institute's 2017-2018 Global Awards for Excellence.

As part of the acquisition, the REIT Manager and the Vendor have also established an earn-out arrangement, whereby an additional S\$15.0 million worth of Stapled Securities will be issued to the Vendor if the net property income ("NPI") of the property achieved is at least S\$9.9 million per annum for two consecutive fiscal years before 31 December 2023<sup>1</sup>.

The earn-out arrangement results in a lower amount that is payable upfront by Far East H-Trust, and fosters a strong alignment of interests between the Vendor and the REIT Manager as the Vendor would have added incentive to work with the REIT Manager to ensure that the property is well managed in order to grow the property's NPI in a strong and sustainable manner.

With the acquisition of Oasia Hotel Downtown, Far East H-Trust will have a better balance between its mid-tier and upscale assets, and greater diversification in terms of asset location. As the property is relatively new, there is also attractive potential to grow its revenue per available room.



<sup>1</sup> In the event of an extension event (as determined in accordance with the earn-out agreement), the earn-out period may be extended by up to 2 years, which shall be up to (and including) 31 December 2025.

**UPDATE ON HOTEL DEVELOPMENT  
PROJECT ON SENTOSA**

In 2014, Far East H-Trust took a 30.0% stake in a joint venture with a member of its Sponsor to participate in the development of a hotel project located on Sentosa.

Located on Artillery Avenue, the hotel project integrates three hotels.

Mainly catering to the mid-tier segment of the market, the 606-room Village Hotel at Sentosa will present an experiential stay for families, leisure and meeting groups where they can have the opportunity to discover the rich cultures and heritage of the surroundings.

Situated on elevated ground, The Outpost Hotel, with 193 rooms, seeks to attract couples looking for upscale accommodation for a trendy island getaway.

The Barracks Hotel comprises 40 luxurious guest rooms and suites. The hotel preserves the building's historical significance, and presents premium guestrooms with exclusive pools complementing the tranquility of the site.

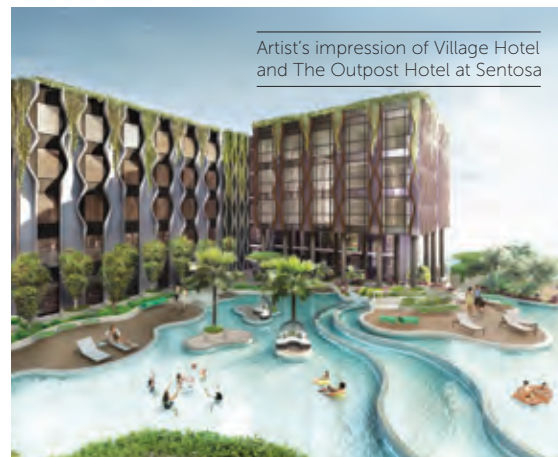
The construction of the project is progressing well and on schedule. Village Hotel and The Outpost Hotel are expected to be completed by the second half of 2018, and The Barracks Hotel is expected to be completed in 2019. Post-completion of the development, the number of keys in Far East H-Trust's hotel portfolio is expected to increase by about 30%.



The Sentosa development as at 31 December 2017



Artist's impression of the development at Sentosa



Artist's impression of Village Hotel and The Outpost Hotel at Sentosa





## OUR PORTFOLIO

Far East H-REIT has 2,461 hotel rooms and 368 serviced residence units in its portfolio, offering investors an opportunity to invest in the largest portfolio of hospitality assets in Singapore by asset value.

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

Housed in 9 out of the 12 properties in the portfolio are 286 units of commercial spaces.





PROPERTIES	KEYS	VALUATION (\$\$ BILLION)	RETAIL AND OFFICE NLA (SQM)
HOTELS 8	HOTELS 2,461	2.38	RETAIL 14,065
SERVICED RESIDENCES 4	SERVICED RESIDENCES 368		OFFICE 7,101

Note: Figures are as at 31 December 2017



Village Hotel Albert Court, Courtyard



## HOTELS



### VILLAGE HOTEL ALBERT COURT

180 Albert Street Singapore 189971

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

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

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No. of guest rooms	210
Gross floor area (sqm)	11,426
Retail NLA (sqm)	1,003
Gross revenue for FY 2017 (S\$ million)	5.9
Remaining lease tenure (years)	70
Valuation as at 31 Dec 2017 (S\$ million)	123.3
Purchase price (S\$ million)	120.7
Master lessee	First Choice Properties Pte Ltd



### VILLAGE HOTEL BUGIS

390 Victoria Street Singapore 188061

Located right at the heart of Singapore's Arab, Peranakan and Indian heritage districts, Village Hotel Bugis offers tourists a glimpse of multi-cultural Singapore. Surrounded by vibrant eateries, art galleries and boutiques in the nearby conservation buildings, the hotel is a stone's throw away from Bugis MRT station, which conveniently connects to the Central Business District and Orchard areas.

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No. of guest rooms	393
Strata floor area (sqm)	21,676
Retail NLA (sqm)	1,166
Gross revenue for FY 2017 (S\$ million)	11.2
Remaining lease tenure (years)	61
Valuation as at 31 Dec 2017 (S\$ million)	232.0
Purchase price (S\$ million)	218.4
Master lessee	Golden Landmark Pte. Ltd.





## HOTELS



### VILLAGE HOTEL CHANGI

1 Netheravon Road Singapore 508502

Village Hotel Changi is an idyllic retreat, set apart from other hotels in urban Singapore. With its serene surroundings and 17 function spaces of various sizes, the hotel is the choice destination for corporate retreats and team bonding. Just a 10-minute drive from Changi Airport and a short boat ride away from Pulau Ubin and the Chek Jawa Wetlands, Village Hotel Changi is a favourite for nature lovers and transit passengers on a stopover.

No. of guest rooms **380**

Gross floor area (sqm) **22,826**

Retail NLA (sqm) **805**

Gross revenue for FY 2017 (S\$ million) **9.5**

Remaining lease tenure (years) **60**

Valuation as at 31 Dec 2017 (S\$ million) **216.0**

Purchase price (S\$ million) **238.5**

Master lessee

**Far East Organization Centre Pte. Ltd.**



### THE ELIZABETH HOTEL

24 Mount Elizabeth Singapore 228518

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

No. of guest rooms **256**

Gross floor area (sqm) **11,723**

Retail NLA (sqm) **583**

Gross revenue for FY 2017 (S\$ million) **6.3**

Remaining lease tenure (years) **70**

Valuation as at 31 Dec 2017 (S\$ million) **162.6**

Purchase price (S\$ million) **186.7**

Master lessee

**Golden Development Private Limited**



## HOTELS



### OASIA HOTEL NOVENA

8 Sinaran Drive Singapore 307470

A welcome escape from the hustle and bustle of city life, Oasia Hotel Novena offers both business and leisure travellers the opportunity to refresh, refuel and recharge. Oasia Hotel Novena is a short commute from the Central Business District and Orchard Road. Strategically located within Singapore's premier medical hub, the hotel also serves visiting medical tourists and their families.

No. of guest rooms **428**  
Strata floor area (sqm) **22,457**  
Gross revenue for FY 2017 (S\$ million) **13.1**  
Remaining lease tenure (years) **87**  
Valuation as at 31 Dec 2017 (S\$ million) **330.0**  
Purchase price (S\$ million) **318.2**  
Master lessee  
**Transurban Properties Pte Ltd**



### ORCHARD PARADE HOTEL

1 Tanglin Road Singapore 247905

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

The public areas of the hotel – the pool, pool deck, reception and lobby, lobby bar, function rooms and pre-function areas were upgraded in 2016. Refurbishment of the guest rooms commenced in 2017 and completed in March 2018.

No. of guest rooms **388**  
Gross floor area (sqm) **34,072**  
Retail NLA (sqm) **3,778**  
Office NLA (sqm) **2,509**  
Gross revenue for FY 2017 (S\$ million) **20.3**  
Remaining lease tenure (years) **45**  
Valuation as at 31 Dec 2017 (S\$ million) **421.5**  
Purchase price (S\$ million) **412.5**  
Master lessee  
**Far East Orchard Limited**



## HOTELS



### THE QUINCY HOTEL

22 Mount Elizabeth Singapore 228517

The first local boutique hotel to win the Best Hotel Experience Award at the Singapore Tourism Awards 2017, the Quincy Hotel caters to the busy business executive and discerning leisure traveller. Guests of the Quincy Hotel can enjoy all-day light refreshments including buffet breakfast, complimentary in-room mini-bar and evening cocktails, making it the perfect getaway for a weekend staycation.

No. of guest rooms **108**

Gross floor area (sqm) **4,810**

Gross revenue for FY 2017 (S\$ million) **3.4**

Remaining lease tenure (years) **70**

Valuation as at 31 Dec 2017 (S\$ million) **81.4**

Purchase price (S\$ million) **82.3**

Master lessee

**Golden Development Private Limited**



### RENDEZVOUS HOTEL SINGAPORE

9 Bras Basah Road Singapore 189559

Rendezvous Hotel Singapore reflects the history and trendsetting nature of the arts and heritage district it is situated in. Within walking distance to the Dhoby Ghaut and Bras Basah MRT stations, the hotel is a short commute away from Singapore's business and shopping districts. Adjoining the hotel is The Rendezvous Gallery, with 3 floors of retail and F&B spaces, offering a mix of gastronomic delights, beauty & wellness and entertainment.

No. of guest rooms **298**

Gross floor area (sqm) **19,720**

Retail NLA (sqm) **2,799**

Gross revenue for FY 2017 (S\$ million) **12.4**

Remaining lease tenure (years) **66**

Valuation as at 31 Dec 2017 (S\$ million) **275.9**

Purchase price (S\$ million) **264.3**

Master lessee

**Serene Land Pte Ltd**



## SERVICED RESIDENCES



### VILLAGE RESIDENCE CLARKE QUAY

20 Havelock Road Singapore 059765

Village Residence Clarke Quay is in a mixed-use development comprising residential and commercial components. The commercial component includes offices, shops and restaurants. Refurbishment works to revitalise the property's serviced offices, lobby and common areas were completed in 1Q 2017.

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

No. of units **128**

Gross floor area (sqm) **17,858**

Retail NLA (sqm) **2,213**

Office NLA (sqm) **1,474**

Serviced office NLA (sqm) **823**

Gross revenue for FY 2017 (S\$ million) **8.9**

Remaining lease tenure (years) **75**

Valuation as at 31 Dec 2017 (S\$ million) **197.4**

Purchase price (S\$ million) **183.3**

Master lessee

**OPH Riverside Pte Ltd**



### VILLAGE RESIDENCE HOUGANG

1 Hougang Street 91 Singapore 538692

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

No. of units **78**

Strata floor area (sqm) **14,257**

Gross revenue for FY 2017 (S\$ million) **2.2**

Remaining lease tenure (years) **76**

Valuation as at 31 Dec 2017 (S\$ million) **64.5**

Purchase price (S\$ million) **64.7**

Master lessee

**Serene Land Pte Ltd**





## SERVICED RESIDENCES



### VILLAGE RESIDENCE ROBERTSON QUAY

30 Robertson Quay Singapore 238251

Village Residence Robertson Quay overlooks the historic Singapore River and is located within the trendy dining and entertainment district of Robertson Quay. The Central Business District, Fort Canning and Clarke Quay MRT stations are a short walk away.

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No. of units **72**  
Strata floor area (sqm) **10,570**  
Retail NLA (sqm) **1,179**  
Gross revenue for FY 2017 (S\$ million) **4.4**  
Remaining lease tenure (years) **73**  
Valuation as at 31 Dec 2017 (S\$ million) **107.7**  
Purchase price (S\$ million) **113.2**  
Master lessee  
**Riverland Pte Ltd**



### REGENCY HOUSE

121 Penang Road Singapore 238464

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

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

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No. of units **90**  
Gross floor area (sqm) **10,723**  
Retail NLA (sqm) **539**  
Office NLA (sqm) **2,295**  
Gross revenue for FY 2017 (S\$ million) **6.2**  
Remaining lease tenure (years) **76**  
Valuation as at 31 Dec 2017 (S\$ million) **168.5**  
Purchase price (S\$ million) **166.4**  
Master lessee  
**Oxley Hill Properties Pte Ltd**



## INDUSTRY OVERVIEW

# CBRE

### TOURISM & HOSPITALITY MARKET OVERVIEW REPORT ~ EXTRACT

#### ECONOMIC OVERVIEW

##### ECONOMIC DRIVERS

According to advanced estimates by the Ministry of Trade and Industry ("MTI"), the Singapore economy grew by 3.5% for the full year 2017. The growth was mainly driven by improved global demand and the export-dependent manufacturing sector, which expanded by 10.5%, a faster pace of growth compared to 3.6% the year before. On the other hand, the construction sector continued to languish in 2017, contracting by 8.1%, largely due to the weakness in private sector construction activities.

Although the Singapore economy performed at the higher end of MTI's earlier estimated growth of 3.0% to 3.5%, Monetary Authority of Singapore ("MAS") kept a neutral monetary policy stance in 2017 as it expects the Singapore economy to expand at a steady but slightly slower pace in 2018. Core inflation averaged 1.5% and CPI-All items inflation was 0.6% in 2017. In line with the pick-up in economic growth, local employment and the median income of Singapore citizens improved in 2017.

##### OUTLOOK

According to MAS, the global economy is experiencing an upswing from an increase in trade flows and strong domestic demand in the Eurozone, Japan and United States. Amid positive business sentiment and an investment catch-up cycle, global capital expenditure is expected to gain more traction.

On the domestic front, trade-dependent clusters will likely remain a key demand driver, and the financial sector is expected to be supported by an increase in trade financing from sustained regional trade expansion and interest from global investors. Overall, Singapore's gross domestic product growth

is expected to come in slightly above the middle of the forecast range of 1.5% to 3.5%.

#### TOURISM & HOSPITALITY OVERVIEW

##### VISITOR ARRIVALS AND TOURISM RECEIPTS

For the full year 2017, Singapore welcomed 174 million visitors. This represents a 6.2% increase year-on-year, fuelled by a surge in visitors from Singapore's top source markets, including China and India.

Despite an increase in international visitor arrivals into Singapore, the strong Singapore dollar vis-a-vis regional currencies has made travel and consumption more costly. In addition, competition for the tourism dollar has intensified in recent years in Asia.

In terms of airport passenger movements, Changi Airport Group ("CAG") received 62.2 million passengers in 2017 – a 6% increase from the previous year. Flights from China and India showed the strongest growth at 12% and 16% respectively. Moving forward, the aviation industry is expected to thrive in light of recovering travel demand from regional markets like Thailand, Malaysia and China. Likewise, the growing affluence from emerging countries will help fuel the aggressive expansion of low cost budget carriers, further improving traffic growth through Changi Airport.

The opening of Terminal 4 in 4Q 2017 is expected to increase Changi Airport's capacity by another 16 million passengers annually, bringing the total to 82 million passengers. The development of Terminal 5 (opening mid-2020s) and the iconic lifestyle project, Jewel Changi Airport, will also strengthen Changi Airport's position as a world class airport and destination.

## HOTEL MARKET OVERVIEW AND OUTLOOK

### HOTEL DEMAND AND PERFORMANCE

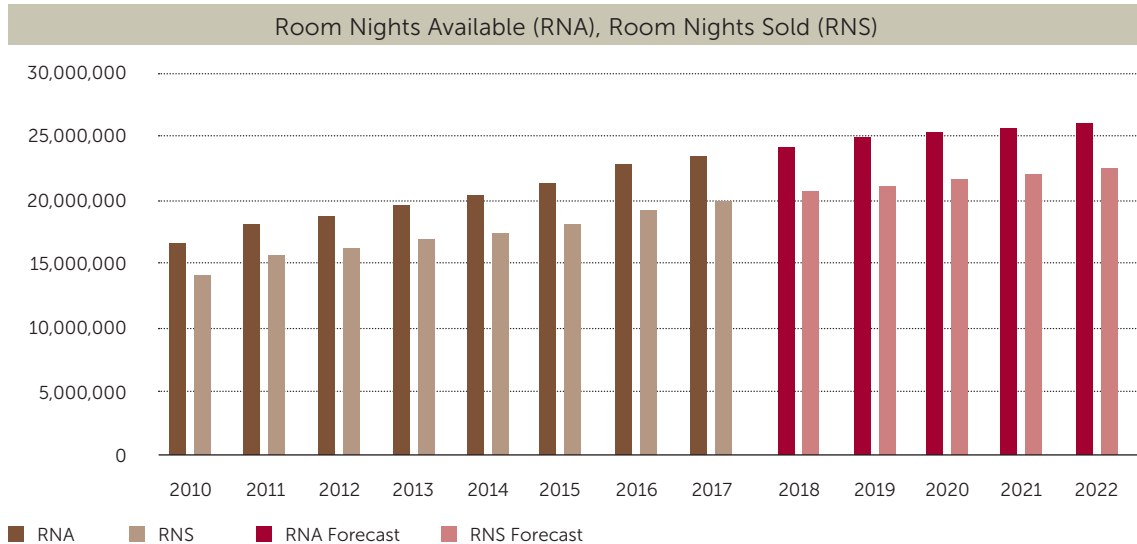
On a year-on-year basis, the average occupancy of Singapore hotels increased 1.5pp to 84.7% for 2017. The average daily rate ("ADR") was S\$216 for 2017, or 3.3% lower, resulting in a 1.5% decrease in Revenue per Available Room ("RevPAR") to S\$183. The decline in trading performance was a result of macroeconomic factors such as a weakening global economy and the large influx of supply.

Going forward, hotel performance in Singapore is expected to stabilise after the downtrend in the past two years. The market will need some time to absorb the excess hotel supply in the recent years, and the demand and supply dynamics are expected to rebalance thereafter.

Singapore's position as a financial hub continues to attract business travellers while the existing capacity in conference and exhibition space enables Singapore

to host larger business and MICE meetings, anchoring Singapore's position as a leading international meeting city. Furthermore, leisure visitors will be drawn to attractions such as the National Gallery of Singapore, Gardens by the Bay, Marine Life Park, River Safari, etc.

CBRE forecasts visitor arrivals to increase by 4.0% to reach 17.8 million visitor arrivals in 2018. For the next five years till 2022, room nights sold ("RNS") is expected to grow at a stable CAGR of 2.5%, in line with the expected CAGR of 2.2% for room nights available ("RNA"). With increasing traffic from both air and sea terminals, and given Singapore's strategic location as a gateway city, CBRE expects the oversupply of hotels to gradually taper off in the longer term. Furthermore, as economic fundamentals improve, business visitor numbers are expected to grow over the next few years, contributing to the demand for accommodation.



Source STB, CBRE Hotels



## INDUSTRY OVERVIEW

### HOTEL SUPPLY

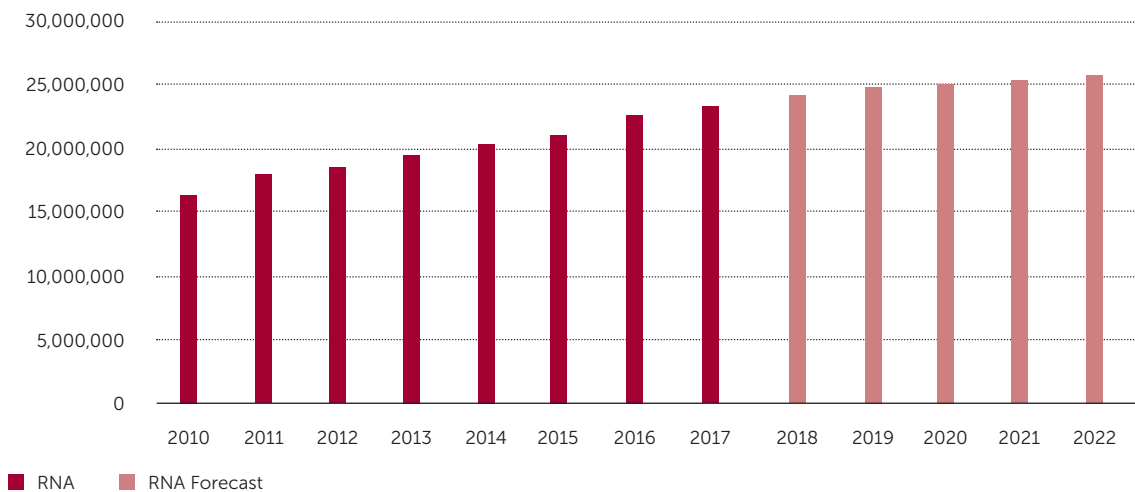
As at end-December 2017, the total number of hotels in Singapore stood at 420. During the year, the supply of hotel rooms increased by about 5%, bringing the total room count to 67,084. The hotel market in Singapore has seen an influx in the supply of rooms over the last couple of years, and the supply is expected to taper off significantly in the next two years as most of the inventory has already come on stream.

Approximately 2,900 rooms are expected to be added between 2018 and 2019, with 2019 having the larger increase in room inventory. Hotels opening in 2018 include Six Senses Duxton, Six Senses Maxwell, Holiday Inn Express Serangoon Singapore and Laguna Dusit Thani, among others. Hotels opening in 2019 include YOTELAIR Changi Airport, Capri by Fraser China Square, Edition Singapore and Far East's hotels in Sentosa – namely Village Hotel and The Outpost Hotel at Sentosa. Although the growth in inventory translates into

greater hotel stock diversity, the average hotel occupancy is expected to face some downward pressure in the short term as the market absorbs the new inventory.

The government previously put a moratorium on the development of hotels. Despite this, Singtel recently obtained provisional permission to redevelop its Hill Street property into a hotel. In addition, the Urban Redevelopment Authority ("URA") has released for public tender a commercial site at Beach Road under the Government Land Sales ("GLS") Programme. The two-hectare site will be predominantly an office development with other uses like hotel and serviced apartments. These two sites highlight the possibility of new hotel developments entering the Singapore market, either via redevelopment or the GLS programme. Any addition is expected to be well absorbed in the next 3-5 years due to the limited supply from 2020 onwards.

Supply of Rooms Nights Available



Source STB, CBRE Hotels



### INVESTMENT OUTLOOK

Investment appetite for hotel assets in Singapore remains firm but deals are still limited. It is challenging for investors to find quality assets at attractive prices.

In 2017, there were several hotel transactions, involving mainly shophouse and boutique hotels.

In June, Hind Group sold Naumi Liora for about S\$75-76 million or approximately S\$955,000 per room to 8M Real Estate, a privately-held boutique property investment fund. 8M Real Estate also purchased the shophouse properties at 28, 30 and 32 Ann Siang Road for S\$52 million.

The Chinatown Hotel, a 42-room boutique hotel, was sold to Hilltop Capital for S\$31 million or approximately S\$738,000 per room. Sloane Court Hotel (and an adjacent land plot) was sold for S\$80.5 million in August.

In November, the New Cape Inn was transacted at S\$67 million. The buyer, Nadathur Far East, plans to refurbish and rebrand the 76-key property as Sage Hotels, a brand under its hospitality arm, Next Story Group's stable.

While the hotel investment market remains challenging, partly due to the strength of the Singapore dollar, the outlook is turning more positive. Several hotel properties, including RB Capital's Park Hotel Farrer Park, have been on sale in recent months and more are expected to be put on the market.

### SERVICED RESIDENCE MARKET OVERVIEW AND OUTLOOK

#### SERVICED RESIDENCE DEMAND AND PERFORMANCE

Prior to 2014, the demand for serviced residences ("SRs") in Singapore had been strong and stable, supported by business visitor arrivals, tourist and corporate travel spending. Post 2014, there was some weakness in the SR market, largely attributed to the softer corporate demand, especially from the finance and oil and gas industries.

Corporates are now focusing more on placing employees on short-term assignments and reducing long-term assignments. Length of stay

has been decreasing as a result and there is now a larger proportion of corporate travellers staying between one to three months. This is largely attributed to cost reduction policies adopted by many organisations in the current economic climate. CBRE expects business traveller numbers to increase over the next two years as economic fundamentals improve, which will contribute to the demand for SRs.

#### SERVICED RESIDENCE SUPPLY

The total supply of SRs is relatively low compared to the hotel lodging market and there are limited proposed additions. In 2017, SR openings included the 98-unit Oakwood Studios Singapore in Orchard Road and the 220-unit Ascott Orchard Singapore.

Expected new openings in the coming years include a 279-unit SR within the redevelopment project of Funan DigitalLife Mall, as well as 320-unit Citadines Rochor, which are scheduled to complete in 2020. 240-unit lyf Farrer Park Singapore is expected to open in 2021, and Citadines Raffles Place, which has 299 units, is expected to be ready by the first half of 2021.

Given the limited new supply of SRs, expected increase in demand from business travellers and non-residents, and Singapore's position as a hub for business and tourism in Southeast Asia, the SR lodging market is forecasted to record a steady performance over the next few years.

#### INVESTMENT OUTLOOK

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

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



## PERFORMANCE REVIEW

### REVIEW OF HOTEL PERFORMANCE

2017 was a challenging year for the hotel portfolio as a combination of weaker corporate demand and new room supply in the Singapore market applied downward pressure on room rates.

In light of wider geopolitical and economic uncertainty, companies continued to take a measured approach with their corporate travel policies. The rise of competing regional destinations together with fewer city-wide events in 2017 compared to the preceding year also contributed to the overall softness in corporate demand. To offset this shortfall, more leisure bookings were secured to maintain occupancy at healthy levels, and revenue management strategies were utilised to optimise ADR performance.

For FY 2017, Far East H-Trust's hotel portfolio achieved an average occupancy of 87.5%, an increase of 0.5pp year-on-year. ADR decreased 2.5% to S\$155 and RevPAR was 1.9% lower at S\$136 as a result.

Revenue from the corporate segment made up 35.1% of the total hotel room revenue in FY 2017, down from 37.6% year ago. Correspondingly, the proportion of leisure revenue grew to 64.9% in FY 2017, compared to 62.4% a year ago.

With a larger proportion of regional leisure business, the revenue contribution from the top two regions, Southeast Asia and North Asia, increased year-on-year, making up 25.6% and 23.5% of hotel room revenue in FY 2017 respectively.

### HOTEL OPERATING PERFORMANCE

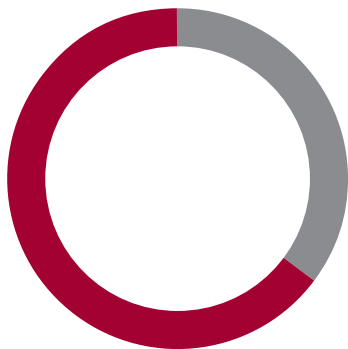
#### AVERAGE OCCUPANCY



#### REVENUE PER AVAILABLE ROOM (RevPAR)



#### REVENUE BY MARKET SEGMENT - HOTELS



■ Leisure 64.9% ■ Corporate 35.1%

#### REVENUE BY REGION - HOTELS



■ Southeast Asia 25.6%  
■ North Asia 23.5%  
■ Europe 18.2%  
■ South Asia 11.8%  
■ Oceania 10.9%  
■ North America 6.3%  
■ Others 3.7%

### REVIEW OF SERVICED RESIDENCE PERFORMANCE

The average occupancy of Far East H-Trust's serviced residence ("SR") portfolio decreased 5.0pp to 80.0% and the ADR was 1.3% lower at S\$219 for FY 2017. RevPAU, as a result, was 7.1% lower at S\$175.

Soft corporate demand, especially from project groups, resulted in heightened price competition in the market. To secure occupancy, the rental rates of the SRs were lowered in FY 2017.

For FY 2017, the corporate segment continued to be the main driver of revenue, contributing 77.6% of

the revenue for the SRs. Revenue contribution from the corporate segment decreased 6.9pp compared to the preceding year. The shortfall in corporate business was partially offset by a growth in the long stay leisure segment.

The Services and Banking & Finance sectors continued to be the two largest contributors to revenue, making up 20.6% and 20.5% of SR revenue in FY 2017 respectively. While the Services sector saw a 8.2pp decrease in contribution year-on-year, growth in the Oil & Gas sector and online leisure bookings helped to partially offset the decline.

### SERVICED RESIDENCE OPERATING PERFORMANCE

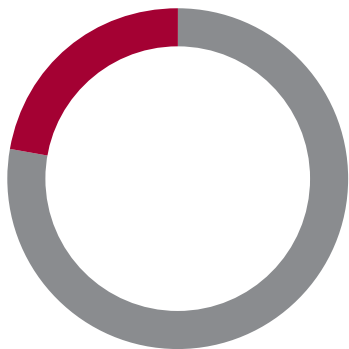
#### AVERAGE OCCUPANCY



#### REVENUE PER AVAILABLE UNIT (RevPAU)

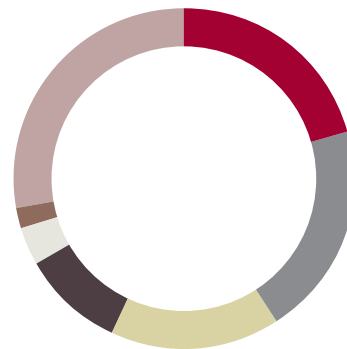


#### REVENUE BY MARKET SEGMENT - SRs



■ Corporate **77.6%** ■ Leisure **22.4%**

#### REVENUE BY INDUSTRY - SRs



■ Services **20.6%**  
 ■ Banking & Finance **20.5%**  
 ■ Oil & Gas **15.9%**  
 ■ Electronics & Manufacturing **9.8%**  
 ■ FMCG **3.7%**  
 ■ Logistics **1.9%**  
 ■ Others **27.6%**





## PERFORMANCE REVIEW

### REVIEW OF REIT COMMERCIAL PREMISES PERFORMANCE

Far East H-Trust has a total of 286 units of retail, office and serviced office commercial spaces, housed in 9 out of the 12 properties in the portfolio.

For FY 2017, revenue from the REIT commercial premises ("RCP") was lower by 1.6% at S\$22.7 million, as revenue from the retail spaces decreased year-on-year. As a portfolio, revenue from RCP made up 21.8% of Far East H-Trust's total gross revenue.

The average occupancy of the RCP decreased marginally by 0.7pp and the rental rates per square foot (including turnover rent) was lower by 1.3% in FY 2017. The average occupancy of the retail and office units was 92.9% and 85.1% respectively.

As at 31 December 2017, there were 162 tenants across various trade sectors, the largest being the food & beverage industry.

As at 31 December 2017, the remaining lease tenure of the RCP spaces ranged up to 4 years, giving rise to a weighted average lease expiry ("WALE") of 1.312 years. A large proportion of the leases which were expiring within a year were attributable to the serviced offices at Central Square (Village Residence Clarke Quay). Excluding the serviced offices leases, which typically have lease tenures of less than a year, the WALE would have been higher at 1.354 years. New leases entered into during the year had a WALE of 1.715 years, and made up 49.1% of the monthly RCP revenue.

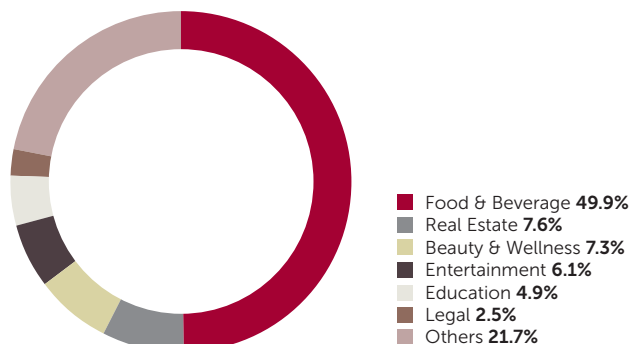
### LEASE MATURITY PROFILE AS AT 31 DECEMBER 2017

	0-1 years	1-2 years	2-3 years	>=3 years
No. of leases expiring	55%	32%	12%	1%
% of total gross monthly RCP revenue	44%	36%	18%	2%

### TOP 10 RCP TENANTS AS AT 31 DECEMBER 2017

No.	Tenant	Percentage of RCP Revenue	Industry
1	Far East Organization entities	11.6%	Real Estate/Hospitality Services
2	UNOS Pte Ltd	6.4%	Food & Beverage
3	Club Chinois Pte Ltd	4.8%	Food & Beverage
4	Akashi Japanese Restaurant OPH Pte Ltd	4.3%	Food & Beverage
5	CV Holdings Pte Ltd	3.6%	Food & Beverage
6	Koshidaka Singapore Pte Ltd	3.0%	Entertainment
7	Sivasanta Group Pte Ltd	2.4%	Education/Food & Beverage
8	Singapore Hospitality Group Pte Ltd	2.2%	Food & Beverage
9	HenryBros Singapore Pte Ltd	2.2%	Food & Beverage
10	MENU Pte Ltd	2.0%	Food & Beverage

### TRADE SECTOR MIX OF TENANTS





## CAPITAL MANAGEMENT

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

As at 31 December 2017, Far East H-Trust had total unsecured borrowings of S\$799.2 million, comprising term loan facilities of S\$782.2 million and revolving credit facilities ("RCF") of S\$17.0 million. The total borrowings were S\$25.0 million lower than last year, as the proceeds retained from Far East H-Trust's distribution reinvestment plan ("DRP") were utilised to repay the RCF.

The DRP gives Stapled Securityholders the option to receive their distributions in either cash or Stapled Securities. Implemented in 2017 and applied for the first two financial quarters, Far East H-Trust's DRP had an encouraging take-up rate which ranged from 62.0% to 71.0%. The retention of cash and the issue of Stapled Securities in lieu of cash under the DRP enlarged Far East H-Trust's capital base, strengthened its working capital reserves and improved the liquidity of Stapled Securities. A total of approximately S\$22.7 million was raised over the two quarters, and the proceeds were temporarily utilised to repay the RCF pending the intended use to finance the acquisition of Oasia Hotel Downtown.

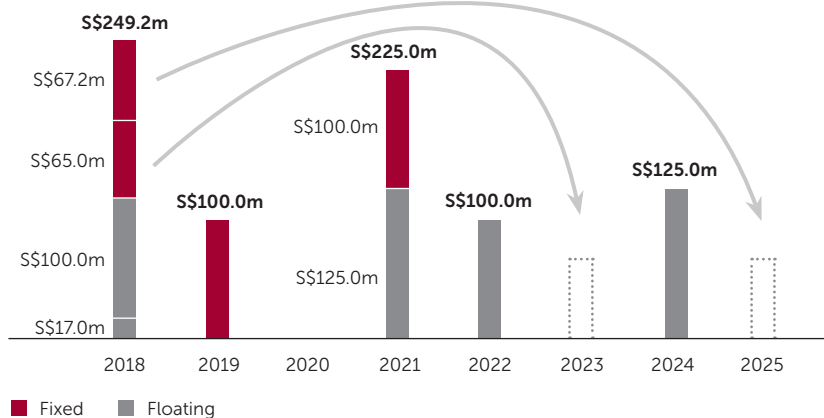
The REIT Manager keeps a well-spread debt maturity profile to minimise any refinancing risk in any one year. The debt portfolio's weighted average debt to maturity was 3.0 years as at 31 December 2017.

In January 2017, the REIT Manager successfully refinanced the term loans of S\$250.0 million ahead of their maturity in August 2017, and kept the overall average cost of debt at about 2.5% per annum. To date, the REIT Manager has also received commitment to refinance the term loans of S\$132.2 million due in August 2018, with a new five-year term loan of S\$65.0 million and seven-year loan of S\$67.2 million. With these new facilities, the weighted average debt maturity would increase to 3.9 years on a pro-forma basis. As for the term loan of S\$100.0 million due to mature in December 2018, the REIT Manager is working with its lenders to assess the refinancing options.

Far East H-Trust has S\$83.0 million of undrawn RCF. These provide Far East H-Trust with ample financial ability for its investment in the hotel development in Sentosa, and the flexibility to fund future asset enhancement initiatives and acquisitions.

Far East H-Trust continues to maintain an appropriate proportion of interest rate hedges to manage interest rate risk. As at 31 December 2017, 41.6% of its borrowings was on fixed interest rates, as interest rate swaps contracts were entered into to hedge against the exposure to market volatility. Far East H-Trust's aggregate leverage remains healthy at 34.4% as at 31 December 2017, well below the 45.0% gearing limit allowed by the Monetary Authority of Singapore for property trusts in Singapore.

### DEBT MATURITY PROFILE AS AT 31 DECEMBER 2017





## STAPLED SECURITY PRICE PERFORMANCE

Global equity markets experienced a broad-based rally in 2017 against a positive backdrop of global economic growth and modest inflation. The year started on a bullish note, with enthusiasm over the pro-business agenda of the Trump administration. Outside of North America, strong economic growth and accommodative monetary policy supported the stock markets in Europe and Japan.

While there was some political uncertainty arising from Brexit negotiations and tensions in the Korean peninsula, global markets remained largely focused on the improving global economic fundamentals and rising corporate earnings.

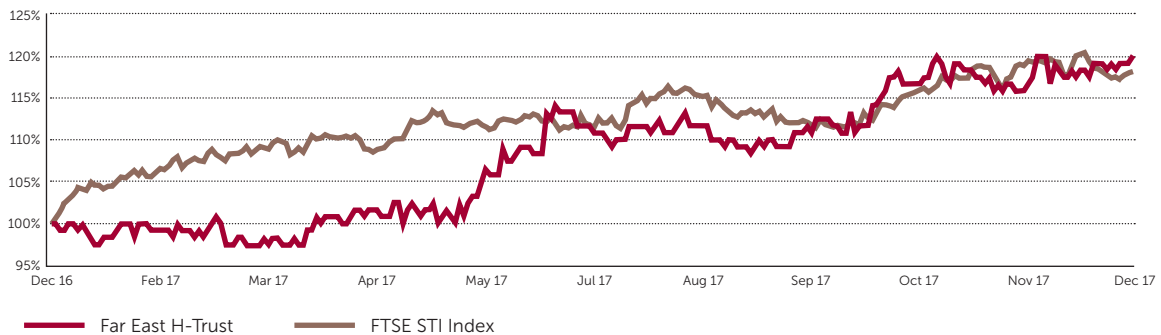
In Singapore, economic growth surpassed initial forecasts. The Straits Times Index recorded

strong gains, led by the property, financial, minerals and semiconductor sectors.

S-REITS turned in a stellar performance in 2017, rallying more than 20% despite initial concerns that interest rate hikes by the US Federal Reserve would impact the performance of yield stocks. Investor interest was generally keen in the hospitality REIT sub-sector, in anticipation of a pick-up in demand as well as easing of supply pressures.

Far East H-Trust's Stapled Security price closed at S\$0.72 on 31 December 2017. A total of 434 million Stapled Securities were traded during the year, up from 239 million the year before. On average, 1.74 million Stapled Securities were traded daily.

### FAR EAST H-TRUST STAPLED SECURITY PRICE PERFORMANCE



#### Stapled Security price

Closing price as at 31 Dec 2016	S\$0.60
Low	S\$0.58
High	S\$0.74
Closing price as at 31 Dec 2017	S\$0.72

#### Volume

Total trading volume for 2017	434 million
Average daily trading volume	1.74 million

#### Net asset value (NAV) per Stapled Security

NAV per Stapled Security as at 31 December 2016	S\$0.91
NAV per Stapled Security as at 31 December 2017	S\$0.87



## INVESTOR RELATIONS

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

Apart from making fair and timely disclosures, the REIT Manager engages the investing community by way of analyst briefings, investor roadshows and conferences, and one-on-one meetings. The CEO and CFO, together with the Investor Relations Manager, devote time to engage both prospective and existing investors and analysts on an ongoing basis, both in Singapore and abroad. Site visits to Far East H-Trust's hotels and serviced residences are also arranged for analysts and investors who are keen to have a better understanding of the hospitality business and asset enhancement initiatives.

In 2017, the REIT Manager participated in non-deal roadshows in Singapore, Hong Kong, Bangkok and Tokyo, and met with a total of 181 analysts and investors. Far East H-Trust is covered by six local and foreign brokerage firms.

Stapled Securityholders are given the opportunity to communicate their views at annual general meetings ("AGM") and extraordinary general meetings ("EGM"). All directors and representatives from DBS Trustee Ltd and the external auditor are present to address Stapled Securityholders' queries during the general meetings. Resolutions are moved by voting by poll and an announcement of the results showing the number of votes cast

for and against each resolution and the respective percentages will be made through SGXNET. Minutes of general meetings are made available to Stapled Securityholders at their request.

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

As at 31 December 2017, about 88% of Far East H-Trust Stapled Securities were held by corporations, and the remaining 12% were held by individuals. Far East Organization entities continued to hold the majority, or 59%, of Far East H-Trust's Stapled Securities, giving stability to the price of Far East H-Trust's Stapled Securities. The majority of Far East H-Trust's institutional investors were from Singapore, holding about 55% of outstanding Stapled Securities. Investors from North America formed the next largest investor group, with about 22% of holdings in Far East H-Trust.

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

**Ms Denise Wong**  
Manager, Investor Relations & Asset Management

Tel: +65 6833 6607  
Email: [denisewong@fareast.com.sg](mailto:denisewong@fareast.com.sg)

Events Attended	Date
4Q/FY 2016 results briefing with analysts	22 Feb 2017
Non-deal roadshow to Hong Kong with HSBC	10-11 Apr 2017
1Q 2017 results conference call	12 May 2017
Citi ASEAN C-Suite Investor Conference 2017	25 May 2017
Non-deal roadshow to Bangkok with DBS	12-13 Jun 2017
Non-deal luncheon with Maybank Kim Eng	15 Jun 2017
2Q 2017 results conference call	4 Aug 2017
Daiwa Pan Asia REIT Day in Tokyo	7-8 Sep 2017
3Q 2017 results conference call	2 Nov 2017
Post-results luncheon with CIMB	2 Nov 2017





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STRIVING FOR >

# SUSTAINABLE CHANGE

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# SUSTAINABILITY REPORT



## INTRODUCTION

### GLOBAL SUSTAINABILITY REPORTING FRAMEWORK

Far East Hospitality Trust ("Far East H-Trust") is pleased to publish its first annual Sustainability Report, developed in accordance with the Global Reporting Initiative (GRI) Standards 2016 (Core option). Refer to the GRI Content Index at the end of this report for the relevant references.

### SCOPE OF THE REPORT AND PERIOD

This report covers the Economic, Social and Governance ("ESG") activities and performance of Far East H-Trust, from 1 January to 31 December 2017. The scope of this report also covers all the hotels<sup>1</sup> and serviced residences<sup>2</sup> in Singapore within the Far East Hospitality REIT (the "REIT") portfolio unless otherwise stated.

### ACCESSIBILITY OF REPORT

In line with its efforts towards greater environmental conservation, limited copies of this report have been printed. Far East H-Trust's Sustainability Report can be downloaded separately from the corporate website.

Far East H-Trust has not sought external independent assurance for this reporting period and will factor

this into its consideration when its sustainability reporting matures over time.

Far East H-Trust constantly seeks to enhance the accuracy, completeness and coverage of its Sustainability Report and practices and welcomes feedback and suggestions for improvements.

Please write to Ms Denise Wong, Manager, Investor Relations & Asset Management, Sustainability Champion for Far East H-Trust's Sustainability Working Committee, at [denisewong@fareast.com.sg](mailto:denisewong@fareast.com.sg).

### STAKEHOLDER ENGAGEMENT

Far East H-Trust strives to maintain open and fair communication with its key stakeholders, to understand their views, concerns, and objectives in order to work towards more sustainable growth. The REIT Manager has identified stakeholder groups which have a significant influence and interest in Far East H-Trust's operations and business, and engaged these stakeholders to understand their ESG expectations. The key stakeholders identified are the REIT's Board of Directors (the "Board"), employees, Sponsor<sup>3</sup>, Stapled Securityholders and hotel and serviced residence operator (the "Operator").

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

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

3 Sponsor refers to Far East Organization group of companies

## OUR KEY STAKEHOLDERS



Engaging Far East H-Trust's stakeholders in ongoing dialogue provides important input that enables the REIT Manager to make informed business decisions while working towards its sustainability goals. The following are various modes of engagement which the REIT Manager adopts for the respective stakeholder groups.

Stakeholder Group	Engagement mode
Board of Directors	<ul style="list-style-type: none"> <li>✦ Monthly updates on Far East H-Trust's financial and operating performance</li> <li>✦ Quarterly communication and reporting to review portfolio and financial performance, business outlook, movement in Stapled Securityholdings, and to deliberate growth opportunities and sustainability factors</li> <li>✦ Annual General Meetings</li> <li>✦ Induction and orientation programmes for new Board members</li> </ul>
Employees	<ul style="list-style-type: none"> <li>✦ Training and induction programmes</li> <li>✦ Annual Colleague Engagement Survey</li> <li>✦ Performance and career development appraisals</li> <li>✦ Company dialogues and lunch talks</li> <li>✦ Staff bonding/recreational activities and company retreats</li> </ul>
Sponsor	<ul style="list-style-type: none"> <li>✦ Monthly updates on Far East H-Trust's financial and operating performance</li> <li>✦ Quarterly financial reporting</li> <li>✦ One-on-one Management briefings/meetings</li> <li>✦ Annual General Meetings</li> </ul>
Stapled Securityholders	<ul style="list-style-type: none"> <li>✦ Quarterly financial reporting</li> <li>✦ One-on-one Management briefings/meetings</li> <li>✦ Annual General Meetings</li> <li>✦ Corporate website</li> </ul>
Hotel and Serviced Residence Operator	<ul style="list-style-type: none"> <li>✦ Monthly performance reviews and meetings with property general managers/residence managers</li> <li>✦ Site visits to properties</li> <li>✦ Quarterly updates to the Board</li> </ul>

For more details on other methods of engagement with stakeholders, please refer to page 41 on Investor Relations.





# SUSTAINABILITY REPORT



## SUSTAINABILITY STRATEGY

### WHAT SUSTAINABILITY MEANS TO FAR EAST H-TRUST

Far East H-Trust's policies, procedures and reports as well as contracts with third parties encompass key areas of sustainability such as corporate governance, regulatory compliance, occupational health and safety, and employee conduct and ethics. These sustainability management practices are extended to the hotels and serviced residences. The REIT Manager works closely with the Operator to integrate sustainability across the REIT's property portfolio.

Together with its stakeholders, Far East H-Trust's management seeks to improve on the management of its ESG factors, to effect positive change on the REIT's performance, people and operating environment.

In recognition of its efforts to reduce environmental footprint, the REIT has been awarded the BCA Green Mark certification by the Building and Construction Authority ("BCA") of Singapore for several of its properties.

### ENVIRONMENTAL POLICY: A SAFE AND GREEN CULTURE

Far East H-Trust seeks to minimise the impact of its operations on the environment. Working with the Operator, Far East H-Trust's management advocates an environmentally-friendly approach in carrying

out activities at the REIT's properties. The REIT's Environmental Policy provides guidance on various areas, including the procurement of supplies and consumption of energy. Far East H-Trust aims to:

- ✧ Fully comply with the law, current legislation and regulations, and to take a proactive approach towards future legal requirements or obligations;
- ✧ Ensure that everybody within the company has a duty to care for the environment, its habitats and biodiversity;
- ✧ Seek to conserve natural resources by ensuring the responsible use of energy, water and materials and still provide the quality of service expected by the REIT's tenants and hotel and serviced residence guests;
- ✧ Source for products that have minimal environmental impact;
- ✧ Gain support from customers and suppliers and ensure that they are made aware of the REIT Manager's Environmental Policy.



**LEADING SUSTAINABILITY PRACTICES**

Far East H-Trust has established a robust sustainability governance structure to ensure continued development and execution of its sustainability journey, initiatives and practices. The Board reviews Far East H-Trust’s strategic plans, factoring in sustainability considerations and ensuring conformance with applicable regulations related to sustainability such as SGX Listing Rules 711A and 711B. Far East H-Trust’s sustainability management is overseen by its CEO who provides the overall sustainability direction and approves key sustainability practices. He is supported by the Sustainability Working Committee (“SWC”), comprising of representatives from Finance, Asset Enhancement Management, and Investor Relations, which helps to drive, guide and improve Far East H-Trust’s sustainability action plans as change-agents of the REIT’s properties and REIT Manager’s employees.





# SUSTAINABILITY REPORT

## DEFINING MATERIAL FACTORS

Far East H-Trust conducted a materiality assessment in line with GRI Standards (2016) and SGX sustainability reporting requirements, to identify several key material factors relevant to the REIT and its key stakeholders.

A materiality matrix was then used to prioritise the material factors and their topics, factoring in the significance to stakeholders and significance to the business.

An external sustainability consultant was appointed to facilitate the sustainability workshop, which was attended by Far East H-Trust's management and other key stakeholders. The workshop factored in existing business risks (related to ESG factors) as well as key material factors observed across other hospitality/property REITs, GRI Standards (2016) and the hospitality sector.

Far East H-Trust's management identified five ESG factors (illustrated in the table below) that it believes to be most material to Far East H-Trust in 2017.

Category	No.	Material Factors	Disclosure*
Economic	1	Economic Performance	⌘ Direct economic value generated and distributed
Environment	2	Energy	⌘ Reduction of energy consumption
	3	Employment	⌘ Benefits provided to full-time employees that are not provided to temporary or part-time employees
Social	4	Occupational Health & Safety	⌘ Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities
	5	Corporate Governance	⌘ Sufficient levels of rules, systems, practices and processes by which the company is directed and controlled

\*Material factors 1, 2, 3, 4 and their specific disclosures are extracted from GRI Standards (2016)

The material factors and their respective performance data and targets are reviewed by Far East H-Trust on an annual basis.





## ECONOMIC PERFORMANCE

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

### FINANCIAL HIGHLIGHTS

	FY 2017
Gross Revenue (S\$ million)	103.8
Net Property Income (S\$ million)	93.2
Income Available for Distribution (S\$ million)	72.0
Distribution per Stapled Security (Singapore cents)	3.90

For a detailed breakdown of Far East H-Trust's FY 2017 financial results, please refer to the following sections:

- ✧ Financial Highlights, Pg. 4
- ✧ Growth Strategies, Pg. 5
- ✧ Letter from the Chairman, Pg. 8
- ✧ Our Portfolio, Pg. 24



## ENERGY

Far East H-Trust makes a conscious effort to minimize the energy consumption across the REIT's properties, as it has a direct impact on the environment and carbon footprint. A considerable amount of energy and related costs are required to run hotels and serviced residences, which operate round the clock, 24/7.

Each year, Far East H-Trust monitors the properties' energy consumption and introduces new initiatives

to reduce usage. Several of its properties have achieved the Green Mark certification by BCA. For example, Orchard Parade Hotel and Rendezvous Hotel Singapore have been awarded the Green Mark Gold certification and Village Hotel Albert Court has been awarded the Green Mark Platinum certification. The BCA Green Mark provides a meaningful differentiation of buildings in the real estate market. It is a benchmarking scheme which incorporates internationally recognised best practices in environmental design and performance.





# SUSTAINABILITY REPORT



### RENDEZVOUS HOTEL SINGAPORE

At Rendezvous Hotel Singapore, energy efficient lighting systems involving the use of Light Emitting Diodes ("LED") and motion sensors are installed in the staircases and carparks. Electrical sub-meters are used to monitor energy consumption at various major end-uses, and natural daylight is also available at the courtyard of the hotel, reducing the need for artificial lighting. In addition, double-glazed glass is also used, to introduce skylight into the courtyard while minimizing heat emitted into the area. With these measures in place, the REIT is able to obtain an estimated energy savings of 57,938 kWh/year.

### ENERGY CONSERVATION POLICY

The REIT Manager's Energy Conservation Policy outlines the key principles and action plans that the properties must put in place to reduce the consumption of energy. These action plans are periodically monitored and evaluated by the Operator.

### CONTINUOUS MAINTENANCE FOR OPTIMAL ENERGY EFFICIENCY

A crucial aspect of the REIT's operations is in ensuring that detailed maintenance checks are conducted on the various equipment/facilities within the hotels and serviced residences. These checks not only allow Far East H-Trust to better serve its guests and ensure their safety in all its premises, but are also essential in supporting optimal building energy efficiency.

Through this process, Far East H-Trust can also seize opportunities to identify energy-saving technologies to invest in, to better reduce energy consumption. In 2016, the REIT's hotel and serviced residence operator replaced 50 Fan Coil Units ("FCU") at guestrooms and guest corridors, which improved the efficiency of heat exchange and hence cut down the cooling load and energy consumption of the chiller system. In 2017, the Operator converted Programmable Logic Controller ("PLC") lighting, which emits a larger amount of heat, to LED lighting, likewise reducing the cooling load and energy consumption. These initiatives have been implemented at Rendezvous Hotel Singapore, Village Hotel Bugis and Village Hotel Albert Court.

Objective/Principle	Action Plans
Improve energy savings	<ul style="list-style-type: none"> <li>✧ Frequent checks of equipment to be done to maintain efficiency</li> <li>✧ To set target to reduce building energy consumption year on year through improvement works and addition of new energy saving technologies</li> </ul>
Improve green features of buildings	<ul style="list-style-type: none"> <li>✧ Partner with staff and public on green education initiatives</li> </ul>
New builds with environmentally-preferred designs	<ul style="list-style-type: none"> <li>✧ All new Far East Hospitality buildings in Singapore to be designed at least to Singapore Green Mark gold status</li> </ul>

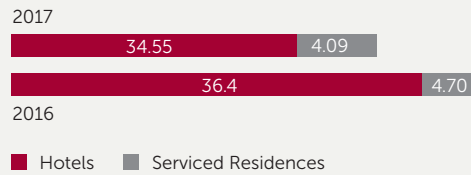
### MONITORING ENERGY CONSUMPTION

All Far East H-Trust properties monitor their energy consumption each month and work towards achieving energy consumption targets. The energy consumption data is reported by each property to Far East H-Trust.

Between FY 2016 and FY 2017, energy consumption for both hotels and serviced residences decreased by approximately 5.2% from 40.7 million kWh to 38.6 million kWh. This decrease is in line with the REIT Manager's energy saving targets and the result of the REIT Manager's oversight of the properties in its portfolio.

For 2018, Far East H-Trust targets to reduce the energy consumption of Far East H-Trust properties by 2% and ensure that all new Far East H-Trust buildings in Singapore are designed to minimally qualify for the Singapore Green Mark Gold status.

### ENERGY CONSUMPTION (million kWh)



## EMPLOYMENT

As a REIT, Far East H-Trust does not have any employees. The data on employees in this report is in relation to the REIT Manager. As at 31 December 2017, the REIT Manager had nine full-time equivalent employees, seven of whom were Singapore citizens and two of whom were Singapore Permanent Residents. Far East H-Trust promotes a culture of diversity in terms of age, gender and skill sets. The REIT Manager believes that this diversity in talent pool fosters a culture of innovation and inclusiveness that results in productivity for all members of staff.

### EMPLOYEE WELFARE

The REIT Manager's human resources remain its most valuable asset, representing the driving force behind the REIT's sustained growth and performance. Apart from ensuring that its employees are adequately

rewarded and compensated, the REIT Manager also believes that a safe, healthy and fulfilling working environment provides for a productive and high performing team.

All employees of the REIT Manager are covered by the Employment Act, which outlines the basic employment terms and working conditions including contract requirements, remuneration, hours of work, overtime, rest days and annual leave entitlement. On top and above the statutory benefits outlined in the Employment Act, full-time employees also enjoy welfare and benefits which promote employee health, wellness and development. Annual salary benchmarking is conducted by external consultants for the REIT Manager to better understand, motivate and reward its employees in line with industry peers.





# SUSTAINABILITY REPORT

Some examples of the REIT Manager's employment benefits include:

<b>Life insurance/ Disability and invalidity coverage</b>	<ul style="list-style-type: none"><li>✎ Group term life insurance</li><li>✎ Group personal accident insurance</li></ul>
<b>Healthcare</b>	<ul style="list-style-type: none"><li>✎ Group hospitalisation and surgical insurance</li></ul>
<b>Parental leave</b>	<ul style="list-style-type: none"><li>✎ Maternity leave</li><li>✎ Paternity leave</li><li>✎ Childcare leave</li><li>✎ Infant care leave (unpaid)</li><li>✎ Government paid adoption leave (GPAL)</li></ul>
<b>Retirement provision</b>	<ul style="list-style-type: none"><li>✎ Conditional re-employment (beyond 62 years)</li></ul>
<b>Employee health and wellness</b>	<ul style="list-style-type: none"><li>✎ Dental care, optical and vision care expenses</li><li>✎ Preventive care (e.g. health screenings)</li><li>✎ Maternity / Fertility treatments</li><li>✎ Personal insurance premiums</li><li>✎ Childcare costs</li></ul>
<b>Wellness and self-development</b>	<ul style="list-style-type: none"><li>✎ Musculo-skeletal treatments (e.g. chiropractor)</li><li>✎ Social &amp; health club membership (e.g. gym)</li><li>✎ Fitness courses (e.g. personal fitness training)</li><li>✎ Sports &amp; physical fitness courses (e.g. tennis, dance)</li><li>✎ Weight management programmes</li><li>✎ Fees for personal development courses including training offerings from the Skills Future credit course directory and purchase of books / periodicals for self-development</li></ul>

## EMPLOYEE ENGAGEMENT

Employees of the REIT Manager participate in an annual Colleague Engagement Survey, which seeks to delve into the team's level of engagement, identifying areas of strength and improvement.

For 2018, Far East H-Trust aims to benchmark its engagement score against real estate management and development companies in the Asia Pacific region, and attain a score which is in line with these companies<sup>4</sup>.

## CAREER DEVELOPMENT

The REIT Manager takes proactive steps to help its employees plan and work towards their career goals. This involves regular communication and feedback with supervisors as well as opportunities for learning and skills upgrading. In particular, the REIT Manager actively focuses on:

- ✎ Inclusion of individual development and career goals in the performance appraisal forms;
- ✎ Career development workshops;
- ✎ Learning and training opportunities; and
- ✎ Employee transfers – internal mobility

<sup>4</sup> Based on survey conducted by Aon Hewitt



## OCCUPATIONAL HEALTH & SAFETY

At Far East H-Trust, health and safety is a top priority for both customers and employees, the two biggest stakeholder groups which the Operator engages with on a daily basis.

As employers, the REIT Manager and Operator are responsible for their employees' safety and well-being. Not only does providing a healthy working environment offer employees a sense of comfort, thereby boosting morale and work performance, the avoidance of health and safety breaches also safeguards against reputational risks and costly fines.

### WORK INJURY COMPENSATION INSURANCE

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

### INTEGRATING HEALTH & SAFETY IN ALL OPERATIONS

Beyond ensuring compliance with regulations such as the Workplace Safety and Health Act and Fire Safety Act, Far East H-Trust seeks to proactively

minimise health and safety risks and has put in place several key initiatives at the REIT's properties.

The REIT Manager ensures that Workplace Safety & Health ("WSH") risk assessments are incorporated by the Operator into all of the properties' operational activities, to identify hazardous activities and/or workspaces, and put in mitigation measures where necessary to prevent harm, injury or accidents from taking place.

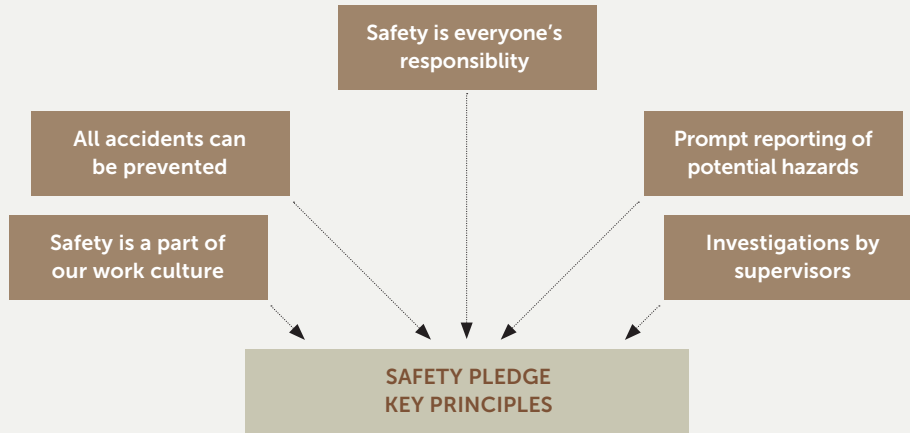
In doing so, Company Emergency Response Teams ("CERT") are formed and members of staff are provided with necessary health and safety training on a periodic basis. The CERT are equipped with safety equipment to perform emergency response roles (e.g. operation of Automated External Defibrillator drills), and emergency drills are also conducted to prepare for potentially hazardous situations such as power failures, medical emergencies, fires and lift entrapment. To strengthen Far East H-Trust's health and safety efforts, certified Fire Safety Managers ("FSM") are engaged to evaluate the fire safety measures at the properties. Periodic emergency drills are also conducted by the FSM, to assess the level of preparedness in response to an emergency.







# SUSTAINABILITY REPORT



Across the REIT's properties, an Employee Handbook documents the annual pledge to acknowledge and comply with Far East H-Trust's commitment to safety.

#### FOSTERING A HEALTH & SAFETY CULTURE

To foster a strong health and safety culture, Far East H-Trust's Operator tracks the following health and safety indicators. The statistics for FY 2017 are presented in the table below. In FY 2017, there were no workplace fatalities across Far East H-Trust's

properties. There were seven workplace injuries which resulted in 88 lost days, an accident frequency rate of 5.3 and an accident severity rate of 66.3.

As the REIT Manager continues to work with its Operator to review the nature of past accidents and evaluate safety performance to prevent future recurrences, the REIT Manager targets to achieve zero workplace fatality across all properties in 2018.

Health & Safety Indicators <sup>5</sup>	FY 2017
Number of Workplace Fatalities	0
Number of Workplace Injury	7
Number of Lost Days	88
Accident Frequency Rate (per million work-hours)	5.3
Accident Severity Rate (per million work-hours)	66.3

<sup>5</sup> Health and safety definitions and calculations are adopted from the Singapore Workplace Safety & Health Institute's guidance on Workplace Safety and Health Reporting.



## CORPORATE GOVERNANCE

The REIT Manager and the Trustee-Manager believe that sound and effective corporate governance policies and practices are essential in achieving sustainable growth, and consequently a trusted, successful and respected Far East H-Trust.

Far East H-Trust is focused on complying with the principles and requirements of the various legislations and guidelines governing Far East H-Trust, including the Code of Corporate Governance 2012. For more information on Far East H-Trust's corporate governance practices, you may refer to pages 60 to 82.

### CORPORATE POLICIES AND GUIDELINES

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

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

Far East H-Trust's Investment Management Policy provides a set of guidelines on making investment and divestment decisions. Beyond financial parameters, the scope of the policy encompasses risks and opportunities related to ESG drivers. The policy is disseminated to all employees, which enables a common understanding and reduces the likelihood of subjectivity or non-compliance when making investment or divestment decisions.

Far East H-Trust's Personal Data Protection Policy outlines how the REIT Manager manages all personal data held, in compliance with the Personal Data Protection Act ("PDPA") in Singapore. The policy applies to Far East H-Trust and the REIT Manager. Far East H-Trust also complies with local data protection and privacy laws in all operations out of Singapore. Refer to [www.fehtrust.com](http://www.fehtrust.com) for more information.

In 2017, Far East H-Trust was ranked 21st out of 42 locally listed REITs and Business Trusts in the Singapore Governance and Transparency Index ("SGTI"), which is the leading index for assessing corporate governance practices of Singapore-listed companies. Sustainable governance is an integral component in today's business landscape, as stakeholders demand greater transparency and accountability from companies. For 2018, Far East H-Trust aims to further improve its SGTI score.



# SUSTAINABILITY REPORT



## BROADER COMMUNITY

### SUSTAINABILITY ACROSS THE VALUE CHAIN

As part of responsible supply chain management, Far East H-Trust ensures that all its supplies purchased are recognized under the Singapore Green Label Scheme ("SGLS"). The scheme endorses industrial and consumer products that have less undesirable effects on the environment. Administered by the Singapore Environment Council, the SGLS is the region's most established eco-labelling scheme with over 3,000 unique products certified across 28 countries. Through this initiative, Far East H-Trust makes aware its commitment to the environment across all of the REIT's suppliers.

Far East H-Trust's Operator has also put in place principles to monitor the safety and environmental performance of its suppliers, contractors, or landscapers. These principles include:

- ※ Giving preference to suppliers, contractors or landscapers who are ISO 14001 and OHSAS 18001 certified;
- ※ Requiring all suppliers, contractors or landscapers to comply with local government and other legal requirements;

- ※ Reviewing, monitoring, and appraising all re-contracting suppliers, contractors or landscapers on their level of compliance with prevailing laws and regulations;
- ※ Considering appropriate and adequate risk management controls and action plans put forth to ensure health and safety.

### COMMUNITY INVOLVEMENT

Far East H-Trust is committed to giving back to communities in need. Together with volunteers from Far East Organization, the employees of the REIT Manager spent time with the elderly from St John's Home and those living in one-room rental flats in Chai Chee.

#### St John's Home for Elderly Persons

An adopted charity of Far East Organization, St. John's Home for Elderly Persons provides shelter and care for elderly who have no suitable accommodation and relatives with adequate resources to look after them. The home bustled with activity when the volunteers from Far East paid a visit to the senior citizens one Saturday morning, interacting and eating with the senior citizens, and engaging them in a rojak competition and game of pass-the-parcel.



Senior citizens of St John's Home and volunteers from Far East had fun over lunch and games

### Elderly at Chai Chee

Volunteers from Far East and employees of the REIT Manager spread the Christmas cheer by organising a morning of activity for the elderly living in one-room rental flats in Chai Chee. The senior citizens were accompanied on a walk around East Coast Park and Bedok jetty, before they were treated to a sumptuous peranakan spread at Village Hotel Katong. The brilliant smiles of the elderly certainly brought warmth to the festive season.



Volunteers from Far East accompanying the elderly from Chai Chee on a walk around East Coast Park

### GRI CONTENT INDEX

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

GRI Standards 2016		Notes/Page Number(s)
<b>General Disclosures</b>		
<b>Organisational Profile</b>		
102 – 1	Name of the organisation	Far East Hospitality Trust
102 – 2	Activities, brands, products, and services	FY 2017 Annual Report, Pg. 1
102 – 3	Location of headquarters	Scope of the Report and Period, Pg. 44
102 – 4	Location of operations	Scope of the Report and Period, Pg. 44
102 – 5	Ownership and legal form	FY 2017 Annual Report, Pg. 2
102 – 6	Markets served	FY 2017 Annual Report, Pg. 1
102 – 7	Scale of the organisation	FY 2017 Annual Report, Pg. 1
102 – 8	Information on employees and other workers	Employment, Pg. 51-52
102 – 9	Supply chain	Sustainability Across the Value Chain Pg. 56
102 – 10	Significant changes to the organisation and its supply chain	First reporting in FY 2017
102 – 11	Precautionary principle or approach	Far East H-Trust does not specifically refer to the precautionary approach when managing risk; however, Far East H-Trust applies a risk-based consideration in all risk management practices (Risk Management and Internal Controls, Pg. 70-75)
102 – 12	External initiatives	First reporting in FY 2017
102 – 13	Membership of associations	Far East H-Trust is not a member of any associations.
<b>Strategy</b>		
102 – 14	Statement from senior decision-maker	Letter from the Chairman, Pg. 10
<b>Ethics and Integrity</b>		
102 – 16	Values, principles, standards, and norms of behaviour	Website: Mission & Vision
<b>Governance</b>		
102 – 18	Governance structure	Leading Sustainability Practices, Pg. 47





# SUSTAINABILITY REPORT

## Stakeholder Engagement

102 – 40	List of stakeholder groups	Stakeholder Engagement, Pg. 44-45
102 – 41	Collective bargaining agreements	None of the REIT Manager's employees are covered under collective bargaining agreements
102 – 42	Identifying and selecting stakeholders	Stakeholder Engagement, Pg. 44-45
102 – 43	Approach to stakeholder engagement	Stakeholder Engagement, Pg. 44-45
102 – 44	Key topics and concerns raised	Stakeholder Engagement, Pg. 44-45

## Reporting Practice

102 – 45	Entities included in the consolidated financial statements	FY 2017 Annual Report, Pg. 112
102 – 46	Defining report content and topic boundaries	Scope of the Report and Period, Pg. 44
102 – 47	List of material topics	Defining Material Factors, Pg. 48
102 – 48	Restatements of information	First reporting in FY 2017
102 – 49	Changes in reporting	First reporting in FY 2017
102 – 50	Reporting period	Scope of the Report and Period, Pg. 44
102 – 51	Date of most recent report	First reporting in FY 2017
102 – 52	Reporting cycle	Annual
102 – 53	Contact point for questions regarding the report	Accessibility of Report, Pg. 44
102 – 54	Claims of reporting in accordance with the GRI Standards	Global Sustainability Reporting Framework, Pg. 44
102 – 55	GRI content index	GRI Content Index, Pg. 57-59
102 – 56	External assurance	Accessibility of Report, Pg. 44

<b>Management Approach</b>		
103-1	Explanation of the material topic and its boundary	Economic Performance, Pg. 49
103-2	The management approach and its components	Energy, Pg. 49-51 Employment, Pg. 51-52
103-3	Evaluation of the management approach	Occupational Health & Safety, Pg. 53-54 Corporate Governance <sup>6</sup> , Pg. 55
<b>Material Topics</b>		
<b>Economic Performance</b>		
201 – 1	Direct economic value generated and distributed	FY 2017 Annual Report, Pg. 4, 102-105
<b>Energy</b>		
302 – 4	Reduction of energy consumption	Continuous Maintenance for Optimum Energy Efficiency, Pg. 50 Monitoring Energy Consumption, Pg. 51
<b>Employment</b>		
401 – 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Welfare, Pg. 51-52
<b>Occupational Health &amp; Safety</b>		
403 – 2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Fostering a Health and Safety, Culture Pg. 54
<b>Corporate Governance</b>		
102 – 18	Governance structure	Leading Sustainability Practices, Pg. 47
-	Sufficient levels of rules, systems, practices and processes by which company is directed and controlled	Corporate Governance, Pg. 55

<sup>6</sup> Far East H-Trust has identified Corporate Governance as a material factor. This factor is not covered by the GRI topic-specific standards but reported under Corporate Governance (Pg. 55) and Leading Sustainability Practices (Pg. 47).



# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

- (i) The SFA;
- (ii) The Code on Collective Investment Schemes (including Appendix 6 thereon on property funds) (the “CIS Code”, and Appendix 6 of the CIS Code, the “Property Funds Appendix”);
- (iii) The Listing Manual issued by SGX-ST (the “Listing Manual”);
- (iv) The Business Trusts Act, Chapter 31A of Singapore; and
- (v) The Code of Corporate Governance 2012 (the “Code”)
- (vi) Written directions, notices, codes and other guidelines that may be issued by the MAS from time to time.

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

This report sets out Far East H-REIT’s corporate governance framework and practices with specific reference to guidelines set out in the Code and where applicable, the Listing Manual and the Companies Act (Chapter 50 of Singapore) (“Companies Act”). Deviations from the Code are also explained. Due to the different legislative and regulatory requirements in relation to a REIT as compared with a business trust, the corporate governance disclosure requirements in relation to the REIT Manager are different from those in relation to the Trustee-Manager.

## THE BOARD’S CONDUCT OF ITS AFFAIRS

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

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

The key roles of the Board are to:

- Set strategic objectives and direction, and provide guidance to the management of the REIT Manager (“Management”) in executing those objectives;
- Manage Far East H-REIT’s assets and liabilities for the benefit of the Stapled Securityholders of Far East H-Trust;



# CORPORATE GOVERNANCE REPORT

- Formulate the business plans in relation to Far East H-REIT's properties;
- Recommend to the REIT Trustee on the acquisition, divestment or enhancement of assets of Far East H-REIT in accordance with its stated investment strategy;
- Ensure Management discharges its duties with integrity and demonstrate highest level of skills and professionalism;
- Establish a framework of prudent and effective controls which enables risks to be assessed and managed to safeguard the interests of the Stapled Securityholders and the assets of Far East H-Trust;
- Ensure that Management maintains sound measures relating to corporate governance, financial regulations, and internal policies;
- Consider sustainability issues such as environmental issues as part of its strategic formulation; and
- Recognise the perceptions of stakeholders that will affect Far East H-Trust's reputation.

In the discharge of its functions, the Board is supported by three board committees which also serve to ensure that there are appropriate checks and balances. These committees are the Audit and Risk Committee ("ARC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively known as "Board Committees"). Each of the Board Committees are chaired by Independent Directors and reports to the Board.

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

The Board meets regularly, at least once every three months, and as warranted by particular circumstances to discuss and review business strategies and policies, including any significant acquisition and/or disposal, portfolio performance, business outlook, movement in Stapled Securityholdings, deliberate growth opportunities of Far East H-REIT, and approve the release of quarterly and full year financial results. The number of meetings of the Board, ARC, NC and RC held during financial year 2017 ("FY 2017"), as well as the attendance of every Director at these meetings are set out in the table below:

	Board Meetings	Annual General Meeting	ARC Meetings	NC Meetings	RC Meetings
<b>Number of meetings held in FY 2017</b>	5	1	4	2	3
<b>Board members</b>					
Koh Boon Hwee	5/5	1/1	–	–	–
Wee Kheng Jin	5/5	1/1	–	2/2	3/3
Willie Cheng Jue Hiang	5/5	1/1	4/4	2/2	–
Kyle Lee Khai Fatt	5/5	1/1	4/4	2/2	3/3
Huang Cheng Eng	5/5	1/1	4/4	–	3/3
Chng Kiong Huat	5/5	1/1	–	–	–

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

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

- Long term strategy and objective of Far East H-REIT
- Annual budget and business plans in relation to Far East H-REIT's properties
- Policies to safeguard the interests of the Stapled Securityholders and the assets of Far East H-REIT
- Investment strategy and mandate





# CORPORATE GOVERNANCE REPORT

- Distribution policy
- Announcements and press releases concerning Far East H-REIT
- Board memberships and other appointments
- Appointment and removal of the Company Secretary

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

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

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

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

Directors are encouraged to participate in industry conferences, seminars and training programmes which are relevant to their duties. Training programmes include those organised by the Singapore Institute of Directors, among others. The Continuing Professional Development programme for Board members comes under the NC's purview, and the REIT Manager funds the training and development programmes for existing and new Board members.

## BOARD COMPOSITION AND GUIDANCE

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

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

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

None of the Independent Directors have any relationship with the REIT Manager, its related companies, its 10% shareholders or its officers and the 10% Stapled Securityholders of Far East H-Trust that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of Far East H-Trust.

The independence of the Directors is reviewed by the NC annually on a formal basis since the formation of the NC on 19 January 2016. The REIT Manager Board was established in 2012, and none of the Independent Directors has served on the Board beyond nine years since the date of his first appointment. The Board has considered and determined, taking into account the views of the NC, that Mr Willie Cheng, Mr Kyle Lee and Mr Huang Cheng Eng have demonstrated

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# CORPORATE GOVERNANCE REPORT

independence in character and judgement in the discharge of their responsibilities as directors in FY 2017, and is satisfied that each of them has acted with independent judgement. The Board has also assessed the relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement. Based on the annual review of the Directors' Independence conducted by the NC, the criteria of independence as set out in the Code, and the declarations by the independent directors of their independence, the Board is satisfied that Mr Willie Cheng, Mr Kyle Lee and Mr Huang Cheng Eng are considered independent.

The Board seeks to ensure that the Board and its Board Committees comprise directors who as a group provide an appropriate balance and diversity of skills, experience and knowledge of the industry and core competencies relevant to Far East H-Trust's business. The NC also takes this into consideration when identifying new directors.

The Board and its Board Committees comprise Directors with an appropriate balance and diversity of skills, experience and knowledge. The Directors have diverse backgrounds in accounting and finance, real estate, business, management and strategic planning. The Directors engage in open and constructive debate and regularly challenge Management on its assumptions and proposals. The Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Management has benefited from the Directors' invaluable views and experiences. The Board seeks to introduce greater diversity as it progressively reviews the composition of the Board and its Board Committees.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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The positions of Chairman of the Board and CEO of the REIT Manager are held by two different individuals in order to maintain effective segregation of duties, ensure an appropriate balance of power and authority, increased accountability and to maintain effective checks and balances. The Chairman of the Board is Mr Koh Boon Hwee, while the CEO of the REIT Manager is Mr Gerald Lee. Mr Koh Boon Hwee is also the Chairman of the Trustee-Manager Board and Mr Gerald Lee is also the CEO of the Trustee-Manager. They are not related to each other.

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

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

The Code recommends every company to appoint an independent director to be the lead independent director in certain circumstances, including where the Chairman is not an independent director. Mr Koh Boon Hwee is the Chairman of the Board of Far East Orchard Limited which owns 33% of the share capital of the REIT Manager. As such, the Board appointed Mr Willie Cheng as the Lead Independent Director. He is also the Chairman of the ARC.

Mr Cheng, as the Lead Independent Director, has held meetings with the Independent Directors without the presence of the Non-Independent Directors and Management as he deemed appropriate or necessary, and provided feedback to the Board after each meeting.

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# CORPORATE GOVERNANCE REPORT

## BOARD MEMBERSHIP

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### Principle 4: Formal and transparent process for the appointment and re-appointment of Directors to the Board

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

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

- Nomination and re-nomination of the directors of the Board taking into account their contribution, performance and ability to commit sufficient time and attention to the affairs of Far East H-REIT, as well as their respective commitments outside Far East H-REIT;
- Determining annually whether or not a director is independent;
- Deciding whether or not a director is able to and has been adequately carrying out his duties as a director;
- Review of board succession plans for directors;
- Development of a process for evaluation of the performance of the Board, its committees and directors;
- Review of training and professional developments programmes for the Board; and
- Appointment and re-appointment of directors.

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

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

A director with multiple directorships is expected to ensure that sufficient attention is given to the affairs of Far East H-REIT and the REIT Manager. The NC and the Board believe that each individual director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the REIT Manager, bearing in mind his other commitments. Based on the Directors' attendance record at Board and Board Committee meetings (set out on page 61) and contributions outside of formal Board and Board Committee meetings, the NC is satisfied that all Directors are able to and have committed sufficient time and discharged their duties adequately for the financial year ended 31 December 2017. The REIT Manager has no alternate directors on its Board.

Key information regarding the Directors such as academic and professional qualifications, committee membership, date of appointment and a list of the present and past directorships of each Director over the last three years are set out on pages 13-15. The Directors' Stapled Securityholdings in Far East H-Trust are set out on page 166.

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# CORPORATE GOVERNANCE REPORT

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

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

Candidates are evaluated and selected based on their relevant expertise and potential contributions. Other factors including the current and mid-term needs and goals of Far East H-REIT are also considered.

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

## BOARD PERFORMANCE

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### **Principle 5: Formal annual assessment of the effectiveness of the Board as a whole and its committees and the contribution by each Director to the effectiveness of the Board**

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

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

The Directors are required to complete evaluation questionnaires for the Board and its committees and an individual director self-assessment questionnaire. The individual Director's performance is assessed based on the director's duties and performance, knowledge and interactive skills. The questionnaires are on a no-name basis and the submissions are kept confidential by the Company Secretaries of the REIT Manager. From the responses, a consolidated report is prepared and presented to the NC. The NC reviews the responses and feedback, as well as the areas where the Board's performance and effectiveness could be enhanced. The recommendations for improvement are then submitted to the Board for discussion and for implementation to help the Board discharge its duties more effectively.

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

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





# CORPORATE GOVERNANCE REPORT

## ACCESS TO INFORMATION

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

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

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

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

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

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

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# CORPORATE GOVERNANCE REPORT

## REMUNERATION MATTERS

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

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

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

The RC has written terms of reference setting out the scope and authority in performing the function of the RC, which include assisting the Board in matters relating to:

- Reviewing and recommending to the Board for endorsement a framework of remuneration for the Directors and key management personnel. The framework covers all aspects of remuneration, including fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind;
- Reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel;
- Consulting professional consultancy firms where necessary in determining remuneration packages; and
- Considering the various disclosure requirements for Directors' remuneration and ensuring that there is adequate disclosure in the financial statements to ensure and enhance transparency between Far East H-Trust and relevant interested parties.

The remuneration of key management personnel is structured to take into account corporate and individual performance, both in terms of financial and non-financial performance of Far East H-Trust through the incorporation of appropriate key performance indicators that are specific, measurable and result-oriented. Some of the key performance indicators of the REIT Manager include Far East H-Trust's income available for distribution, investor relations, asset enhancement initiatives and corporate governance. This aligns the interests of key management personnel with that of Stapled Securityholders, as well as to promote the long-term success of Far East H-Trust.

The remuneration of key management personnel comprises a fixed and a variable component. The fixed component comprises fixed salary and compulsory employer contribution to the employees' Central Provident Fund. The variable component is in the form of short-term cash bonuses and long-term equity-based incentives. These performance indicators are appropriate and meaningful measures which assess Management's performance, while taking into account the risk policies of Far East H-Trust. The Remuneration Committee also considers long-term incentive schemes for the key management personnel, where units are awarded under a Performance Unit Plan based on pre-determined targets (e.g. total Stapled Securityholder return), set over a three-year period. These performance indicators of the annual variable bonus and long-term incentive are structured to link rewards to the performance of Far East H-Trust, rather than the performance of the controlling shareholder of the REIT Manager.

The Remuneration Committee also ensures that the remuneration of Non-Executive Directors is appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. The Remuneration Committee ensures that Independent Directors are not over-compensated to the extent that their independence may be compromised.

None of the Directors has any service contracts with the REIT Manager. Directors' fees comprise a base fee for serving as a director and as Chairman and member for board committees. For the financial year ended 31 December 2017, the Directors' fees are paid in cash. The remuneration framework remains unchanged from the previous financial year. Non-Executive Directors who hold Far East H-Trust Stapled Securities have been holding their Stapled Securities since their appointments.



# CORPORATE GOVERNANCE REPORT

In determining the remuneration of its Directors and key management personnel, the REIT Manager benchmarks against the industry by engaging an independent remuneration consultant, Aon Hewitt. The REIT Manager also takes reference from market practices in the formulation and review of its remuneration policies.

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

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

The Remuneration Committee reviews the employment contracts to ensure that they contain fair and reasonable termination clauses which are not overly generous, so as to avoid rewarding poor performance. Contractual provisions have also been instituted to allow the REIT Manager to reclaim incentive components of the remuneration from the Executive Directors and the key management personnel paid in prior years, in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss.

## Principle 9: Disclosure of remuneration

The exact remuneration payable to each individual Director for the financial ended 31 December 2017 is as follows: –

Name of Director	Fee
Koh Boon Hwee	S\$125,000
Wee Kheng Jin	S\$72,500
Willie Cheng Jue Hiang	S\$112,500
Kyle Lee Khai Fatt	S\$105,000
Huang Cheng Eng	S\$100,000
Chng Kiong Huat	S\$55,000

The exact remuneration paid to or payable to the CEO and remuneration to the top five key management personnel, in bands of S\$250,000, for the financial year ended 31 December 2017 is as follows: –

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

	Base / Fixed Salary (includes Employer CPF)	Variable or Performance related Income/ Bonuses	Benefits- In-Kind	Total	Contingent Award of Units <sup>1</sup>
Gerald Lee Hwee Keong	S\$472,340	S\$70,000	S\$92,133	S\$634,473	663,000 units in Far East Hospitality Trust pursuant to the Performance Unit Plan of the Manager.



# CORPORATE GOVERNANCE REPORT

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

Remuneration Band and Names of Top 5 Key Executives	Base / Fixed Salary (includes Employer CPF)	Variable or Performance related Income/Bonuses	Benefits-In-Kind	Total	Contingent Award of Units <sup>1</sup>
<b>Above S\$250,000 to S\$500,000</b>					
Regina Yap Siew Buay <sup>2</sup>	91.3%	8.7%	0.0%	100.0%	212,000 units in Far East Hospitality Trust pursuant to the Performance Unit Plan of the Manager.
<b>Below S\$250,000</b>					
Irfan Tayabali <sup>3</sup>	89.3%	10.6%	0.1%	100.0%	–
Elaine Chin Shu Peng	87.6%	10.1%	2.3%	100.0%	80,000 units in Far East Hospitality Trust pursuant to the Performance Unit Plan of the Manager.
Sandra Chia Sien Inn <sup>4</sup>	99.4%	0.0%	0.6%	100.0%	–
Lee Pei Yee <sup>5</sup>	93.7%	0.0%	6.3%	100.0%	–

- 1) Units awarded under the Manager's Performance Unit Plan (PUP) are subject to pre-determined performance targets set over a three-year period. The actual vesting can range between 0 to 200% of the initial contingent award depending on the achievement of the pre-determined targets at the end of the three-year performance period. Remuneration of the employees, including awards from the PUP, is paid by the REIT Manager.
- 2) Ms Regina Yap Siew Buay joined the REIT Manager on 1 June 2017.
- 3) Mr Irfan Tayabali joined the REIT Manager on 22 May 2017.
- 4) Ms Sandra Chia Sien Inn resigned from the REIT Manager and her last day of service was 22 July 2017. Her base/fixed salary includes annual leave encashment.
- 5) Ms Lee Pei Yee resigned from the REIT Manager and her last day of service was 30 March 2017. Her base/fixed salary includes annual leave encashment.

It is a requirement under the Code of Corporate Governance to disclose the aggregate total remuneration paid to the top five key management personnel. However, the Board has reviewed, assessed and decided against such disclosure as it will not be in the best interests of the REIT Manager, Far East Hospitality Trust or its Stapled Securityholders due to the competitiveness for key talent in the REIT industry. The Board felt that such information is sensitive in nature and disclosing it could affect the stability of the management team, and is of the opinion that the interests of the Stapled Securityholders will be prejudiced as a result.

There is no employee with the REIT Manager who is an immediate family member of a Director or the CEO of the REIT Manager and whose remuneration exceeds S\$50,000 during the year.

## ACCOUNTABILITY AND AUDIT

### Principle 10: The Board should present a balanced and understandable assessment of the REIT's performance, position and prospects

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



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# CORPORATE GOVERNANCE REPORT

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

## RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

In managing business risk, the Board considers the economic environment and risks that are relevant to the hospitality and hospitality-related industries such as stronger than anticipated price competition on room rates due to the supply of new hotel rooms, the impact of a stronger Singapore dollar, higher wage costs, tight labour market, etc. In assessing the operational risks, the ARC reviews liquidity management such as the aging report which includes analysing accounts receivable and accounts payable. In addressing information technology risk, the Sponsor's Information Technology department has assisted in putting in place a framework and process (e.g. to recover critical system within 4 hours of each system failure).

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



# CORPORATE GOVERNANCE REPORT

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

- Advising and checking for the REIT Manager's compliance with its regulatory obligations under the SFA;
- Advising and checking for the representatives' compliance with their regulatory obligations under the SFA, such as the maintenance of their relevant interest in securities;
- Checking the returns and other documents to be submitted by the REIT Manager and its representatives to the MAS under the SFA from time to time, in relation to the REIT Manager's CMS license for the regulated activity of REIT management; and
- Conducting regulatory training to the REIT Manager, its directors and its representatives as part of the quarterly compliance review.

## Conflicts of Interest

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

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



# CORPORATE GOVERNANCE REPORT

## Related Party and Interested Person Transactions

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

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

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

Related party transactions have been disclosed in the financial statements of this annual report.

As a general rule, the REIT Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the REIT Manager, or obtaining valuations from independent professional valuers (in accordance with the Property Funds Appendix).

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

The REIT Manager has incorporated into its internal audit plan to review all IPT entered into by Far East H-REIT. The ARC will review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor IPT have been complied with. In addition, the REIT Trustee will also review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the ARC. If a member of the ARC has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction.

Further, the following procedures will be adhered to:

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



# CORPORATE GOVERNANCE REPORT

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

Save for the IPT described under “Setting Up of Far East H-REIT and Future RPT” in the IPO prospectus, Far East H-REIT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of Far East H-REIT’s latest audited net tangible assets/net asset value.

The aggregate value of all Interested Person Transactions in accordance with the Listing Manual in FY 2017, and which are subject to Rules 905 and 906 of the Listing Manual excluding transactions of less than S\$100,000 in value, is disclosed below:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) S\$’000	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$’000
Rental income – Master Lease <sup>(1)</sup>	81,043	–
Rental income – REIT Commercial Premises <sup>(2)</sup>	656	–
Rental income received/receivable from FEO Hospitality Asset Management Pte Ltd (the “REIT Manager”)	342	–
Management fees paid/payable to REIT Manager <sup>(3)</sup>	11,175	–
Trustee’s fee paid/payable to the trustee	312	–
Shared service fees paid/payable to related corporations of the REIT Manager <sup>(4)</sup>	1,171	–
Reimbursable expenses paid/payable to the REIT Manager <sup>(5)</sup>	219	–
Reimbursable expenses paid/payable to related corporations of the REIT Manager	8	–
Technical support service fee paid/payable to related corporation of the REIT Manager <sup>(6)</sup>	773	–
Leasing commission paid / payable to related corporations of the REIT Manager for REIT Commercial Premises <sup>(7)</sup>	517	–



# CORPORATE GOVERNANCE REPORT

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
Reimbursable expenses received/receivable from related corporations of the REIT Manager <sup>(8)</sup>	134	–
Interest received/receivable from a joint venture company <sup>(9)</sup>	449	–

(1) This relates to the income rental received/receivable from the master lessees of the properties:

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

(2) This relates to income rental received/receivable from related corporations of the REIT Manager:

- Far East Organization Centre Pte. Ltd.
- Far East Management Pte. Ltd.
- Far East Property Sales Pte. Ltd.

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

As performance fee payable is based on a percentage of NPI, as NPI increases, distribution to Stapled Securityholders will increase. Accordingly, the directors are satisfied that such fee arrangement will provide necessary incentive to the REIT Manager to grow the NPI, while constantly looking for new opportunities to increase the NPI in the long term.

(4) This relates to the shared services agreements between the master lessees and Far East H-REIT in respect of the properties. The master lessees are paid monthly for a share of the costs of the applicable services provided to and attributed to the REIT Commercial Premises based on the agreed proportion of the total costs and expenses for the properties. The services provided or procured by the master lessees included cleaning and maintenance services, fire alarm system maintenance, lifts maintenance, landscape maintenance, waste disposal services, provision of security services, chiller plant maintenance, air conditioner maintenance and other services.

(5) This relates to service fee for website maintenance, annual report production, AGM expenses, air tickets, professional fee and other miscellaneous expenses.

(6) This relates to technical support service fee paid/payable to related corporations of the REIT Manager:

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

(7) This relates to leasing commission paid/payable to Far East Management (Private) Limited and other third party marketing agents.

(8) This relates to reimbursement of utilities and other miscellaneous expenses from related corporations of the REIT Manager.

(9) This relates to interest on shareholders' loan received/receivable from Fontaine Investment Pte Ltd.

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

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





# CORPORATE GOVERNANCE REPORT

The entry into and the fees and charges payable by Far East H-REIT under the Far East H-REIT Trust Deed, the Stapling Deed, the Shared Services Agreements, the Shared Electricity Services Agreements, the Licence Agreement and the leases set out in the section “Other Related Party Transactions” in the IPO Prospectus, to the extent that details of these have been specifically disclosed in the IPO Prospectus, which each constitutes an Interested Person Transaction, are deemed to have been specially approved by Stapled Securityholders upon purchase of the Stapled Securities and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Far East H-REIT.

## ***Role of the ARC for IPT***

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

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

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

The Board receives quarterly certification of assurance from the CEO and CFO, which assures that to the best of the CEO and CFO’s knowledge, the accounting records have been properly maintained and the financial statements are drawn up so as to give a true and fair view of the financial position and financial performance, and that they are prepared in accordance with accounting standards. The certification of assurance also assures the Board that Far East H-Trust’s risk management and internal control systems, to the extent that they address the financial, operational, compliance and information technology risks faced by Far East H-Trust in its current business environment, have been effectively designed, are operating effectively in all material aspects, and adequate as at 31 December 2017. The Hotel and Serviced Residence Operator provides a certificate of assurance to the Board every quarter that to the best of its knowledge, hotel and serviced residence management services have been rendered in accordance to the hotel management agreement and serviced residence management agreement and each of the properties is kept in accordance with industry’s laws and regulations such as the Building and Construction Act, Fire Safety Code, The Workplace Safety and Health Act, etc.

The Board recognises the responsibility for the governance of risk and affirms its responsibility for Far East H-REIT’s system of risk management and internal controls, and for reviewing the adequacy and effectiveness of Far East H-Trust’s risk management and internal control systems, including financial, operational, compliance and information technology controls on an annual basis.

Based on the internal control systems established and adhered to by Far East H-Trust, the assurance received from the CEO and CFO, the assurance received from the Hotel and Serviced Residence Operator, work performed by the internal and external auditors, and compliance manager, reviews conducted by Management and various Board Committees, the Board, with the concurrence of the ARC, is of the opinion that Far East H-Trust’s risk management and internal control systems have been adequately designed and are operating effectively in all material aspects to address the financial, operational, compliance and information technology risks faced by Far East H-Trust in its current business environment as at 31 December 2017.

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

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# CORPORATE GOVERNANCE REPORT

## AUDIT AND RISK COMMITTEE

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### Principle 12: Establishment of ARC with written terms of reference

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

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

None of the ARC members is a former partner of Far East H-REIT's existing external auditing firm, Ernst & Young LLP ("EY").

The ARC's responsibilities include:

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



## CORPORATE GOVERNANCE REPORT

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

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

The ARC has conducted a review of all non-audit services provided by EY, the external auditor, during the year under review. The aggregate amount of fees paid and payable to EY was S\$137,900, of which audit fees amounted to S\$67,000 and non-audit fees amounted to S\$70,900. The non-audit fees paid/payable to EY relate to general tax and GST compliance work. The statutory audit fee for Far East H-Trust is relatively low as a significant part of the audit work relating to Far East H-REIT's gross revenue has been performed by the auditors of the Master Lessees.

The ARC, having considered the nature of the provision of the non-audit services, is of the view that even though the fees paid to the auditor for non-audit services exceed 50% of the total fees paid to EY, the auditor's independence and objectivity are not impaired or threatened.

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2018, the ARC had taken into consideration the Audit Quality Indicators Framework introduced by ACRA. The ARC also considered the adequacy and experience of the professional staff and audit engagement partner assigned, EY's experience in the REIT sector and the size and complexity of the audit exercise. The ARC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board the re-appointment of EY as the external auditors of Far East H-Trust at the forthcoming annual general meeting.

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

The REIT Manager has established a Whistle Blowing Policy and a Loss Management Policy for which relevant employees and Directors of the REIT Manager and the Trustee-Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters in good faith, with the confidence that the relevant persons making the reports will be treated fairly and be protected from reprisal. The Whistle Blowing Policy deals with defalcation, impropriety, or wrongdoing by employees in situations including but not limited to suspected fraud, corruption, and unlawful or dishonest conduct. Whistle blowers are given the option to remain anonymous and may report via an external independent hotline or directly to FEO's Head of Internal Audit. Establishing these policies reflects the REIT Manager's commitment to conduct its business within a framework that fosters the highest ethical standards.



# CORPORATE GOVERNANCE REPORT

During the year under review, the ARC performed independent reviews of the quarterly and full year financial results of Far East H-Trust before recommending to the Board for approval on the release of the financial statements and SGX announcements relating to Far East H-Trust's financial statements. In the process, the ARC reviewed the significant financial reporting issues and judgements, including the appropriateness of accounting policies and the quality and completeness of disclosure to ensure the integrity of the financial statements. The ARC also reviewed, among other matters, the following key audit matters ("KAM") identified by the external auditor for the financial year ended 31 December 2017:

Key Audit Matter	How the issue was addressed by ARC
Valuation of Investment Properties	<p>The ARC considered the approach and methodology applied to the valuation model in assessing the valuation of investment properties.</p> <p>The ARC noted that:</p> <ul style="list-style-type: none"> <li>• There was appropriate use of third party valuers who have recognised professional qualification and experience;</li> <li>• The valuers are changed every two years in accordance with the Property Fund Appendix, to provide independent and fresh perspective to the valuation process; and</li> <li>• Material judgemental assumptions used in the valuations were within reasonable parameters.</li> </ul> <p>The ARC considered the findings of the external auditor, including the assessment of the appropriateness of the valuation techniques and the underlying assumptions applied.</p> <p>The ARC considered the valuation of the investment properties to be appropriate.</p>

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

Changes to the accounting standards and issues which have direct impact on the financial statements were reported and discussed with the ARC at its meetings. The ARC has considered the introduction of new accounting standards, Singapore Financial Reporting Standards (International), for the annual periods starting 1 January 2018 and the effect to the financial statements of Far East H-Trust.

The financial statements of Far East H-REIT will continue to be prepared in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 Reporting Framework for Units Trusts issued by the Institute of Singapore Chartered Accountants, as the Code on Collective Investment Scheme requires authorised unit trusts to prepare their financial statement in the manner prescribed under RAP 7.

As for Far East H-BT which is currently dormant, the ARC does not expect the adoption of the above new financial reporting framework to have an impact on its financial statements for financial year ending 31 December 2018.



# CORPORATE GOVERNANCE REPORT

## INTERNAL AUDIT

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

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

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

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

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

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

## STAPLED SECURITYHOLDERS' RIGHTS AND RESPONSIBILITIES

### **Principle 14: Fair and equitable treatment of all Stapled Securityholders, and the recognition, protection and facilitation of the exercise of their rights**

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

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

At Far East H-Trust's 5<sup>th</sup> Annual General Meeting held on 17 April 2017, the Chairman of the meeting with the assistance of the service providers, briefed Stapled Securityholders on the rules of the meeting, including poll voting procedures, which govern the meeting before they vote on the resolutions at the meeting by way of poll.





# CORPORATE GOVERNANCE REPORT

## COMMUNICATION WITH STAPLED SECURITYHOLDERS

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

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

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

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

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

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

The REIT Manager has established Far East H-Trust's corporate website as an information resource centre for retail and institutional investors and for regular dialogue with investors, such as to gather their views or inputs, and address their concerns through Far East H-Trust's corporate email: [enquiry@fehtrust.com](mailto:enquiry@fehtrust.com).

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

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



# CORPORATE GOVERNANCE REPORT

## CONDUCT OF STAPLED SECURITYHOLDERS' MEETINGS

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

Stapled Securityholders are informed of annual general meetings ("AGM") or extraordinary general meetings ("EGM") through reports or circulars sent to them. Notices of the general meetings are also put up in the press and issued via SGXNet. The requisite notice period for general meetings is adhered to.

Stapled Securityholders are encouraged to attend and participate by voting at the general meetings. Opportunity is given to every Stapled Securityholder to interact with Directors and Management of the REIT Manager, to communicate their views and ask questions on matters affecting Far East H-REIT. If any Stapled Securityholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meetings through proxy forms sent in advance.

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

Each distinct issue is proposed as a separate resolution at the general meetings and the reasons and material implications are explained. All the resolutions at the AGM and EGM are moved by voting by poll. The voting and vote tabulation procedures are declared before the voting commences, and an independent scrutineer is appointed to count and validate the votes. The voting results, showing the number of votes cast for and against each resolution and the respective percentages, are disclosed at the general meetings right after the votes are casted. After the general meetings, announcements of the results are also made through SGXNET and on Far East H-Trust's website.

Minutes of general meeting, which include a record of the Stapled Securityholders' questions and answers, are taken and made available to Stapled Securityholders at their request.

## DEALINGS IN STAPLED SECURITIES

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

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

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

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



# CORPORATE GOVERNANCE REPORT

## ADDITIONAL DISCLOSURES ON FEES PAYABLE TO THE REIT MANAGER

Pursuant to the revised Code on CIS which came into effect on 1 January 2016, the methodology and justifications for each type of fees payable to the REIT Manager should be disclosed, where such fees are payable out of the deposited property of Far East H-REIT.

The methodology for the computation and payment of fees, with reference to the relevant clauses in the trust deed, is disclosed on pages 112 to 114 under the “Notes to the Financial Statements” section of this Annual Report.

The management fees are earned by the REIT Manager for the management of Far East H-REIT’s portfolio of properties. The various fees earned by the REIT Manager and their rationale are further elaborated below:

### Base Fee and Performance Fee

The Base Fee covers the day-to-day operational, compliance, monitoring and reporting costs as well as administrative overheads incurred by the REIT Manager. The Base Fee represents the compensation to the REIT Manager for executing its core responsibilities and is based on a percentage of the value of the Far East H-REIT’s deposited properties, which is an appropriate metric to determine the resources required for managing Far East H-REIT. As Far East H-REIT grows in portfolio size, the complexity of management increases and the REIT Manager is expected to expend greater effort in fulfilling its responsibilities.

The Performance Fee, which is based on net property income, is an objective benchmark and incentivises the REIT Manager to proactively manage its portfolio, which may include but are not limited to asset enhancement initiatives, repositioning or re-branding of its properties, re-segmentation of its properties’ customer base and driving cost efficiencies to improve profit margins. Such fee methodology aligns the interests of the REIT Manager and Stapled Securityholders and ensures the long-term sustainability of the assets, instead of taking on excessive short-term risks to the detriment of the Stapled Securityholders.

### Acquisition Fee and Divestment Fee

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

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

The Acquisition Fee is higher than the Divestment Fee because the time and efforts undertaken in terms of sourcing, evaluating and conducting due diligence, and fund raising for an acquisition, are higher as compared to a divestment.



## STATEMENT OF POLICIES AND PRACTICES

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

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

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

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

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

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

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



## STATEMENT OF POLICIES AND PRACTICES

The MAS has also granted the Trustee-Manager an exemption from compliance with sections 10(2)(a) and 11(1)(a) of the BTA to the extent that sections 10(2)(a) and 11(1)(a) require the Trustee-Manager Directors to act in the best interests of the Far East H-BT Unitholders only so long as:

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

### **TRUST PROPERTY IS PROPERLY ACCOUNTED FOR**

In the event that Far East H-BT becomes active, the trust property of Far East H-BT (the “Far East H-BT Trust Property”) shall be properly accounted for and kept distinct from the property of the Trustee-Manager in its own capacity. Different bank accounts shall be maintained for the Trustee-Manager in its personal capacity and its capacity as trustee-manager of Far East H-BT.

### **ADHERENCE TO THE BUSINESS SCOPE OF FAR EAST H-BT**

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

- (i) The acquisition, disposition and ownership of authorised investments and all activities, concerns, functions and matters reasonably incidental thereto;
- (ii) Ownership of subsidiaries which are engaged in the acquisition, disposition and ownership of authorised investments and all activities, concerns, functions and matters reasonably incidental thereto; and
- (iii) Any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (i) and (ii), including the management and leasing of the authorised investments.

### **FEES PAYABLE TO THE TRUSTEE-MANAGER**

#### ***Management Fee***

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

#### ***Trustee Fee***

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

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





## STATEMENT OF POLICIES AND PRACTICES

### EXPENSES CHARGED TO FAR EAST H-BT

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

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

### COMPLIANCE WITH THE BTA AND THE LISTING MANUAL

The Trustee-Manager will engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual in the event that Far East H-BT becomes active.

#### *Composition of the Trustee-Manager Board*

Under Regulation 12(1) of the BTR, the Trustee-Manager Board is required to comprise:

- At least a majority of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager;
- At least one-third of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager and from every Substantial shareholder of the Trustee-Manager; and
- At least a majority of Trustee-Manager Directors who are independent from any single Substantial shareholder of the Trustee-Manager.

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

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

Mr Koh is considered a non-independent director as he is also the Chairman and Non-Executive Director of Far East Orchard Limited. As at 31 December 2017, the Trustee-Manager is 67.0% owned by FEO Asset Management Pte Ltd ("FAMPL"), which is a wholly-owned subsidiary of Far East Organization Centre Pte Ltd ("FEOC"), and 33.0% owned by Far East Orchard Limited, which is 61.0% owned by Far East Organization Pte Ltd ("FEOPL"). Far East Organization Centre ("FEOC"), Far East Organization Pte Ltd ("FEOPL") and Far East Orchard Limited are all members of the Sponsor.

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



## STATEMENT OF POLICIES AND PRACTICES

As majority of the Trustee-Manager Directors are also the directors of the REIT Manager, none of the Trustee-Manager Directors would, by definition under the BTR, be independent from a Substantial Shareholder as both the Trustee-Manager and the REIT Manager are 67.0% owned by FAMPL, which is a wholly-owned subsidiary of FEOC, and 33.0% owned by Far East Orchard Limited, which is 61.0% owned by FEOPL. FEOC, FEOPL and Far East Orchard Limited are all members of the Sponsor.

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

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

In the event that Far East H-BT becomes active, the number of directors on the Trustee-Manager Board will be a minimum of five directors, and the Trustee-Manager shall ensure that its board of directors shall comprise a majority of independent directors for the purposes of the BTA. In addition, for so long as Far East H-BT is part of a stapled group and in the event that Far East H-BT becomes active, the boards of directors of the REIT Manager and the Trustee-Manager shall consist of the same individuals.

In addition to compliance with requirements under the BTA, the composition of the Trustee-Manager Board is determined using the following principles:

- The Chairman of the Trustee-Manager Board should be a non-executive director; and
- The Trustee-Manager Board should consist of directors with a broad range of commercial experience.

The composition of the Trustee-Manager Board will be reviewed regularly to ensure that the Trustee-Manager Board has the appropriate mix of expertise and experience.

### ***Chairman and Chief Executive Officer***

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

### ***Access to Information***

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

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



## STATEMENT OF POLICIES AND PRACTICES

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

Her roles also include the following:

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

### ***Remuneration Matters***

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

### ***Audit Committee***

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

### ***External Auditor***

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

### ***Internal Auditor***

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

## **RISK MANAGEMENT AND INTERNAL CONTROLS**

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

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

In assessing business risk, the Trustee-Manager Board will consider the economic environment and risks relevant to the property industry. It will review management reports prior to approving major transactions.

The Management will meet regularly to review the operations of the Trustee-Manager and Far East H-BT and discuss any disclosure issues.



# STATEMENT OF POLICIES AND PRACTICES

## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

In general, transactions between:

- An entity at risk (in this case, the Trustee-Manager (acting in its capacity as the trustee manager of Far East H-BT) or any of the subsidiaries or associated companies of Far East H-BT); and
- Any of the Interested Persons (namely the Trustee-Manager (acting in its personal capacity), a related corporation or related entity of the Trustee-Manager (other than a subsidiary or subsidiary entity of Far East H-BT), an associated company or associated entity of the Trustee-Manager (other than an associated company or associated entity of Far East H-BT) (as defined in the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005), a Director, CEO or controlling shareholder of the Trustee-Manager, a controlling Far East H-BT Unitholder or an associate of any such Director, CEO, controlling shareholder or controlling Far East H-BT Unitholder), would constitute an Interested Person Transaction.

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

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

## INTERNAL CONTROL SYSTEM

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

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

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

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

Where matters concerning Far East H-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of Far East H-BT with an Interested Person (as defined in the BTA) of the Trustee-Manager (which would include relevant associates thereof) or Far East H-BT, the Trustee-Manager will consider the terms of such transactions to satisfy itself that such transactions are conducted:

- On normal commercial terms;
- Are not prejudicial to the interests of Far East H-BT and the Far East H-BT Unitholders; and
- In accordance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question.



## STATEMENT OF POLICIES AND PRACTICES

If the Trustee-Manager is to sign any contract with an Interested Person of the Trustee-Manager or Far East H-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to business trusts.

Far East H-BT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person during the same financial year, is 3.0% or more of Far East H-BT's latest audited net tangible assets.

The aggregate value of all Interested Person Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in Far East H-Trust's annual report for the relevant financial year.

Save for the Interested Person Transactions in connection with the setting up of Far East H-BT and Future Interested Party Transactions (as disclosed in the IPO prospectus of Far East Hospitality Trust), Far East H-BT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of Far East H-REIT's latest audited net tangible assets.

### POTENTIAL CONFLICTS OF INTEREST

The Trustee-Manager has instituted the following procedures to deal with conflict of interest issues:

- All resolutions in writing of the Trustee-Manager Directors in relation to matters concerning Far East H-Trust will be approved by a majority of the Trustee-Manager Directors, including at least one Independent Trustee-Manager Director;
- All executive officers of the REIT Manager will be employed by the Trustee-Manager;
- In respect of matters in which a Trustee-Manager Director or his Associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Trustee-Manager Directors and must exclude such interested director;
- In respect of matters in which the Sponsor have an interest, direct or indirect, any nominees appointed by the Sponsor to the Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Trustee-Manager Directors and must exclude any nominee directors of the Sponsor; and
- Where matters concerning Far East H-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of Far East H-BT with an Interested Person of the Trustee-Manager (which would include relevant associates thereof) or Far East H-BT, the Trustee-Manager Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of Far East H-BT and the Far East H-BT Unitholders and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question. If the Trustee-Manager is to sign any contract with an Interested Person of the Trustee-Manager or Far East H-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the MAS and SGX-ST that apply to business trusts.





CORPORATE  
DIRECTORY

#### MANAGER OF FAR EAST H-REIT

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

#### TRUSTEE-MANAGER OF FAR EAST H-BT

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

#### BOARD OF DIRECTORS

*Chairman and  
Non-Executive Director*  
**Mr Koh Boon Hwee**

*Deputy Chairman and  
Non-Executive Director*  
**Mr Wee Kheng Jin**

*Lead Independent Director*  
**Mr Willie Cheng Jue Hiang**

*Independent Directors*  
**Mr Huang Cheng Eng**  
**Mr Kyle Lee Khai Fatt**

*Non-Executive Director*  
**Mr Chng Kiong Huat**

#### AUDIT AND RISK COMMITTEE

*Chairman*  
**Mr Willie Cheng Jue Hiang**

*Members*  
**Mr Huang Cheng Eng**  
**Mr Kyle Lee Khai Fatt**

#### NOMINATING COMMITTEE

*Chairman*  
**Mr Kyle Lee Khai Fatt**

*Members*  
**Mr Willie Cheng Jue Hiang**  
**Mr Wee Kheng Jin**

#### REMUNERATION COMMITTEE

*Chairman*  
**Mr Huang Cheng Eng**

*Members*  
**Mr Kyle Lee Khai Fatt**  
**Mr Wee Kheng Jin**

#### MANAGEMENT TEAM

*Chief Executive Officer*  
**Mr Gerald Lee Hwee Keong**

*Chief Financial Officer*  
**Ms Regina Yap Siew Buay**

*Vice President,  
Asset Management & Investment*  
**Mr Irfan Tayabali**

*Vice President, Asset Enhancement  
and Management*  
**Ms Elaine Chin Shu Peng**

#### JOINT COMPANY SECRETARIES

**Ms Lin Moi Heyang**  
**Ms Low Mei Wan**

#### TRUSTEE OF FAR EAST H-REIT

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

#### HOTEL AND SERVICED RESIDENCE OPERATOR

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

#### RETAIL AND OFFICE SPACE PROPERTY MANAGER

**Jones Lang LaSalle  
Property Consultants Pte. Ltd.**  
9 Raffles Place, #39-00  
Republic Plaza  
Singapore 048619  
Telephone: (65) 6220 3888  
Facsimile: (65) 6532 5476

#### INDEPENDENT AUDITOR

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

#### STAPLED SECURITY REGISTRAR

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

#### BANKERS

**DBS Bank Limited**  
Oversea-Chinese Banking  
Corporation Limited  
Sumitomo Mitsui Banking  
Corporation Limited  
The Hongkong and Shanghai  
Banking Corporation Limited



# FAR EAST HOSPITALITY TRUST

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# REPORT OF THE TRUSTEE OF FAR EAST HOSPITALITY REAL ESTATE INVESTMENT TRUST

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

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed Far East H-REIT during the period covered by these financial statements set out on pages 102 to 147, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

**Jane Lim Puay Yuen**  
Director

Singapore  
12 March 2018

# REPORT OF THE MANAGER OF FAR EAST HOSPITALITY REAL ESTATE INVESTMENT TRUST

In the opinion of the directors of FEO Hospitality Asset Management Pte Ltd (the “REIT Manager”), the Manager of Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”), the accompanying financial statements of Far East H-REIT and Far East Hospitality Trust (the “Stapled Group”), comprising Far East H-REIT and Far East Hospitality Business Trust (“Far East H-BT”), set out on pages 102 to 147, comprising their Balance Sheets, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders’ Funds, Portfolio Statements, Cash Flow Statements and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions and portfolio holdings of Far East H-REIT and the Stapled Group as at 31 December 2017, and the financial performance, distributable income, movements in unitholders’ funds, and cash flows of Far East H-REIT and the Stapled Group for the year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of Far East H-REIT’s trust deed dated 1 August 2012, the first supplemental trust deed dated 19 October 2012 and the second supplemental deed dated 18 April 2016 between DBS Trustee Limited (the “REIT Trustee”) and the REIT Manager (collectively referred to as the “Trust Deed”) and the stapling deed of Far East Hospitality Trust between the REIT Trustee, the REIT Manager and FEO Hospitality Trust Management Pte Ltd (the trustee-manager of Far East H-BT) dated 1 August 2012. At the date of this statement, there are reasonable grounds to believe that Far East H-REIT and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

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

**Wee Kheng Jin**  
Director

Singapore  
12 March 2018

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

The directors of FEO Hospitality Trust Management Pte Ltd, the trustee-manager of Far East Hospitality Business Trust ("Far East H-BT", and the trustee-manager of Far East H-BT, the "Trustee-Manager"), submit this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2017.

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

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

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in units in Far East H-BT are as follow:

Name of director	Direct interest		Deemed interest	
	Holdings at the beginning of financial year	Holdings at the end of financial year	Holdings at the beginning of financial year	Holdings at the end of financial year
Koh Boon Hwee	500,000	500,000	–	–
Wee Kheng Jin	500,000	515,318	–	–
Willie Cheng Jue Hiang	–	–	500,000	515,318
Huang Cheng Eng	500,000	515,318	–	–
Kyle Lee Khai Fatt	500,000	507,813	–	–

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

There were no changes in any of the abovementioned interests in Far East H-BT between the end of the financial year and 21 January 2018.

During the financial year, there were:

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

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

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



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

In the opinion of the directors:

- (a) the financial statements of Far East H-BT set out on pages 102 to 147 are drawn up so as to give a true and fair view of the financial position of Far East H-BT as at 31 December 2017 and the financial performance, movements in unitholders' funds and cash flows of Far East H-BT for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that Far East H-BT will be able to pay its debts as and when they fall due.

With respect to the statement of comprehensive income of Far East H-BT for the year ended 31 December 2017, the directors further certify that:

- fees or charges paid or payable out of the trust property of Far East H-BT to the Trustee-Manager are in accordance with Far East H-BT's trust deed dated 1 August 2012;
- interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and
- the Board of Directors is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of Far East H-BT or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

For and on behalf of the Board of Directors of the Trustee-Manager,  
FEO Hospitality Trust Management Pte Ltd

.....  
Koh Boon Hwee  
Director

.....  
Wee Kheng Jin  
Director

Singapore  
12 March 2018

## STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

In accordance with Section 86 of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of Far East H-BT or on the interests of all the unitholders of Far East H-BT as a whole.

Gerald Lee Hwee Keong  
Chief Executive Officer

Singapore  
12 March 2018

# INDEPENDENT AUDITOR'S REPORT

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

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited:

- (i) the financial statements of Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") (constituted in the Republic of Singapore pursuant to a trust deed dated 1 August 2012, the first supplemental deed dated 19 October 2012 and the second supplemental deed dated 18 April 2016), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2017, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Cash Flow Statement for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies;
- (ii) the financial statements of Far East Hospitality Business Trust ("Far East H-BT") (constituted in the Republic of Singapore pursuant to a trust deed dated 1 August 2012), which comprise the Balance Sheet as at 31 December 2017, the Statement of Comprehensive Income, Statement of Movement in Unitholders' Funds and Cash Flow Statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies; and
- (iii) the consolidated financial statements of Far East Hospitality Trust ("Far East H-Trust") (constituted in the Republic of Singapore pursuant to a stapling deed dated 1 August 2012 (the "Stapling Deed")), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2017, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Cash Flow Statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies,

as set out on pages 102 to 147. Far East Hospitality Trust, which comprises Far East H-BT and Far East H-REIT, is hereinafter referred to as the "Stapled Group".

In our opinion,

- (a) the accompanying financial statements of Far East H-REIT and the Stapled Group present fairly, in all material respects, the financial positions and portfolio positions of Far East H-REIT and the Stapled Group as at 31 December 2017 and the financial performance, distributable income, movements in unitholders' funds and cash flows of Far East H-REIT and the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants ("ISCA") and the provisions of the Far East H-REIT Trust Deed and the Stapling Deed; and
- (b) the accompanying financial statements of Far East H-BT are properly drawn up in accordance with the provisions of the Business Trusts Act, Chapter 31A of Singapore (the "Act") and Financial Reporting Standards in Singapore so as to give a true and fair view of the state of affairs of Far East H-BT as at 31 December 2017 and the financial performance, movement in unitholders' funds and cash flows of Far East H-BT for the year ended on that date.

# INDEPENDENT AUDITOR'S REPORT

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

## **BASIS FOR OPINION**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Far East H-REIT, Far East H-BT and the Stapled Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

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

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

### Valuation of Investment Properties

The Stapled Group owns a portfolio of 12 Singapore investment properties comprising 8 hotels and 4 serviced residences. The carrying values of investment properties amounted to \$2,308.8 million as at 31 December 2017. These investment properties are stated at their fair values based on independent external valuations and represent the single largest asset category of the Stapled Group.

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

## **INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **RESPONSIBILITIES OF THE REIT MANAGER FOR THE FINANCIAL STATEMENTS**

The REIT Manager is responsible for the preparation and fair presentation of the financial statements of Far East H-REIT and the Stapled Group in accordance with the recommendations of *RAP 7 Reporting Framework for Unit Trusts* issued by the ISCA, and for such internal control as the REIT Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **RESPONSIBILITIES OF THE TRUSTEE-MANAGER FOR THE FINANCIAL STATEMENTS**

The Trustee-Manager is responsible for the preparation of financial statements of Far East H-BT that gives a true and fair view in accordance with the provisions of the Act and FRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

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

The responsibilities of the REIT Manager and the Trustee-Manager include overseeing the financial reporting process of Far East H-REIT, Far East H-BT and the Stapled Group.



# INDEPENDENT AUDITOR'S REPORT

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Far East H-REIT, Far East H-BT and the Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager and the Trustee-Manager.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the REIT Manager and the Trustee-Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Far East H-REIT, Far East H-BT and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Far East H-REIT, Far East H-BT and the Stapled Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Stapled Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

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

We communicate with the REIT Manager and the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the REIT Manager and the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the REIT Manager and the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

**Ernst & Young LLP**  
Public Accountants and  
Chartered Accountants  
Singapore  
12 March 2018

# BALANCE SHEETS

As at 31 December 2017

	Note	2017			2016		
		Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Non-current assets</b>							
Investment properties	3	2,380,800	2,380,800	–	2,417,900	2,417,900	–
Joint venture	4	16,443	16,443	–	16,584	16,584	–
Derivative financial assets	7	288	288	–	–	–	–
Total non-current assets		2,397,531	2,397,531	–	2,434,484	2,434,484	–
<b>Current assets</b>							
Cash and cash equivalents	5	3,910	3,910	–	15,385	15,385	–
Prepayments		99	99	–	40	40	–
Trade and other receivables	6	36,408	36,408	30	34,712	34,712	30
Derivative financial assets	7	–	–	–	3,933	3,933	–
Total current assets		40,417	40,417	30	54,070	54,070	30
<b>Total assets</b>		<b>2,437,948</b>	<b>2,437,948</b>	<b>30</b>	<b>2,488,554</b>	<b>2,488,554</b>	<b>30</b>
<b>Current liabilities</b>							
Trade and other payables	8	3,621	3,643	8	1,934	1,958	6
Borrowings	9	248,986	248,986	–	291,830	291,830	–
Accruals		6,658	6,657	1	7,811	7,810	1
Derivative financial liabilities	7	204	204	–	–	–	–
Rental deposits		2,363	2,363	–	2,695	2,695	–
Deferred income		90	90	–	90	90	–
Income tax payable		19	19	–	13	13	–
Total current liabilities		261,941	261,962	9	304,373	304,396	7
<b>Non-current liabilities</b>							
Borrowings	9	548,879	548,879	–	530,987	530,987	–
Derivative financial liabilities	7	794	794	–	–	–	–
Rental deposits		6,389	6,389	–	6,298	6,298	–
Deferred income		1,231	1,231	–	1,321	1,321	–
Total non-current liabilities		557,293	557,293	–	538,606	538,606	–
<b>Total liabilities</b>		<b>819,234</b>	<b>819,255</b>	<b>9</b>	<b>842,979</b>	<b>843,002</b>	<b>7</b>
<b>Net assets</b>		<b>1,618,714</b>	<b>1,618,693</b>	<b>21</b>	<b>1,645,575</b>	<b>1,645,552</b>	<b>23</b>
Represented by:							
<b>Unitholders' funds</b>							
Unitholders' funds of Far East H-REIT		1,618,693	1,618,693	–	1,645,552	1,645,552	–
Unitholders' funds of Far East H-BT		21	–	21	23	–	23
		1,618,714	1,618,693	21	1,645,575	1,645,552	23
Stapled Securities/Units in issue ('000)	10	1,854,701	1,854,701	1,854,701	1,801,415	1,801,415	1,801,415
Net asset value per Stapled Security/ Unit issued and to be issued (cents)	11	86.94	86.94	0.00113	90.90	90.90	0.00127

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

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

For the financial year ended 31 December 2017

	Note	2017			2016		
		Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Master lease rental		81,133	81,133	–	85,988	85,988	–
Retail and office revenue		22,692	22,692	–	23,067	23,067	–
<b>Gross revenue</b>		<b>103,825</b>	<b>103,825</b>	<b>–</b>	<b>109,055</b>	<b>109,055</b>	<b>–</b>
Property tax		(7,101)	(7,101)	–	(7,457)	(7,457)	–
Property insurance		(122)	(122)	–	(121)	(121)	–
MCST contribution		(141)	(141)	–	(85)	(85)	–
Retail and office expenses		(2,854)	(2,854)	–	(2,593)	(2,593)	–
Property manager fees		(453)	(453)	–	(444)	(444)	–
<b>Property expenses</b>		<b>(10,671)</b>	<b>(10,671)</b>	<b>–</b>	<b>(10,700)</b>	<b>(10,700)</b>	<b>–</b>
<b>Net property income</b>		<b>93,154</b>	<b>93,154</b>	<b>–</b>	<b>98,355</b>	<b>98,355</b>	<b>–</b>
REIT Manager's fees	12	(11,175)	(11,175)	–	(11,487)	(11,487)	–
Trustee's fees		(312)	(312)	–	(313)	(313)	–
Other trust expenses	13	(1,281)	(1,279)	(2)	(810)	(809)	(1)
Finance expenses (net)	14	(19,811)	(19,811)	–	(19,817)	(19,817)	–
<b>Net income before joint venture's results</b>		<b>60,575</b>	<b>60,577</b>	<b>(2)</b>	<b>65,928</b>	<b>65,929</b>	<b>(1)</b>
Share of results of joint venture		(141)	(141)	–	(41)	(41)	–
<b>Net income before tax and fair value changes</b>		<b>60,434</b>	<b>60,436</b>	<b>(2)</b>	<b>65,887</b>	<b>65,888</b>	<b>(1)</b>
Fair value change in investment properties	3	(41,477)	(41,477)	–	(29,475)	(29,475)	–
Fair value change in derivative financial instruments		(4,643)	(4,643)	–	(6,332)	(6,332)	–
<b>Total return for the year before income tax</b>		<b>14,314</b>	<b>14,316</b>	<b>(2)</b>	<b>30,080</b>	<b>30,081</b>	<b>(1)</b>
Income tax expense	15	(19)	(19)	–	(13)	(13)	–
<b>Total return for the year after income tax</b>		<b>14,295</b>	<b>14,297</b>	<b>(2)</b>	<b>30,067</b>	<b>30,068</b>	<b>(1)</b>
Other comprehensive income for the year, net of income tax				–			–
<b>Total comprehensive income for the year</b>				<b>(2)</b>			<b>(1)</b>
<b>Earnings per Stapled Security (cents)</b>							
Basic and diluted	16	0.78	0.78	–	1.67	1.67	–
<b>Distribution per Stapled Security (cents)</b>		<b>3.90</b>	<b>3.90</b>	<b>–</b>	<b>4.33</b>	<b>4.33</b>	<b>–</b>

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

# DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2017

	2017		2016	
	Stapled Group \$'000	Far East H-REIT \$'000	Stapled Group \$'000	Far East H-REIT \$'000
Income available for distribution to Stapled Securityholders at the beginning of the year	21,049	21,054	21,622	21,626
Total return for the year after income tax	14,295	14,297	30,067	30,068
Net tax adjustments (Note A)	57,718	57,718	47,515	47,515
Rollover adjustment	–	–	560	560
Income available for distribution for the current year (Note B)	72,013	72,015	78,142	78,143
Income available for distribution to Stapled Securityholders	93,062	93,069	99,764	99,769
Distribution of 1.17 cents per Stapled Security for the period from 1 October 2015 to 31 December 2015	–	–	(20,979)	(20,979)
Distribution of 1.08 cents per Stapled Security for the period from 1 January 2016 to 31 March 2016	–	–	(19,394)	(19,394)
Distribution of 1.01 cents per Stapled Security for the period from 1 April 2016 to 30 June 2016	–	–	(18,165)	(18,165)
Distribution of 1.12 cents per Stapled Security for the period from 1 July 2016 to 30 September 2016	–	–	(20,177)	(20,177)
Distribution of 1.12 cents per Stapled Security for the period from 1 October 2016 to 31 December 2016	(20,208)	(20,208)	–	–
Distribution of 0.93 cents per Stapled Security for the period from 1 January 2017 to 31 March 2017	(16,862)	(16,862)	–	–
Distribution of 0.97 cents per Stapled Security for the period from 1 April 2017 to 30 June 2017	(17,804)	(17,804)	–	–
Distribution of 1.03 cents per Stapled Security for the period from 1 July 2017 to 30 September 2017	(19,103)	(19,103)	–	–
	(73,977)	(73,977)	(78,715)	(78,715)
Income available for distribution to Stapled Securityholders at end of the year	19,085	19,092	21,049	21,054

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



# DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2017

	2017		2016	
	Stapled Group \$'000	Far East H-REIT \$'000	Stapled Group \$'000	Far East H-REIT \$'000
Note A – Net tax adjustments relate to the following non-tax deductible items:				
– REIT Manager’s fees paid/payable in Stapled Securities	10,058	10,058	10,339	10,339
– Trustee’s fees	312	312	313	313
– Amortisation of debt-related transaction cost	671	671	682	682
– Fair value change in investment properties	41,477	41,477	29,475	29,475
– Fair value change in derivative financial instruments	4,643	4,643	6,332	6,332
– Share of results of joint venture	141	141	41	41
– Other items	416	416	333	333
Net tax adjustments	57,718	57,718	47,515	47,515
Note B – Income available for distribution for the current year:				
– Taxable income	71,920	71,922	78,079	78,080
– Tax-exempt income	93	93	63	63
Net tax adjustments	72,013	72,015	78,142	78,143

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

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

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2017

	Unitholders' funds of Far East H-REIT			Unitholders' funds of Far East H-BT			Stapled Group
	Unit in issue \$'000	Accumulated profit/(loss) \$'000	Total \$'000	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Total \$'000
<b>2017</b>							
Balance at 1 January 2017	1,662,270	(16,718)	1,645,552	28	(5)	23	1,645,575
<b>Operations</b>							
Increase/(decrease) in net assets resulting from operations	–	14,297	14,297	–	(2)	(2)	14,295
	–	14,297	14,297	–	(2)	(2)	14,295
<b>Unitholders' transactions</b>							
– Issuance of Stapled Securities							
– Payment of REIT Manager's fees	10,058	–	10,058	–	–	–	10,058
– Distribution investment plan	22,763	–	22,763	–	–	–	22,763
– Distribution to Stapled Securityholders	–	(73,977)	(73,977)	–	–	–	(73,977)
Net increase/(decrease) in net assets resulting from unitholders' transactions	32,821	(73,977)	(41,156)	–	–	–	(41,156)
Balance at 31 December 2017	1,695,091	(76,398)	1,618,693	28	(7)	21	1,618,714

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

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2017

	Unitholders' funds of Far East H-REIT			Unitholders' funds of Far East H-BT			Stapled Group
	Unit in issue \$'000	Accumulated profit/(loss) \$'000	Total \$'000	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Total \$'000
<b>2016</b>							
Balance at 1 January 2016	1,651,931	31,929	1,683,860	28	(4)	24	1,683,884
<b>Operations</b>							
Increase/(decrease) in net assets resulting from operations	–	30,068	30,068	–	(1)	(1)	30,067
	–	30,068	30,068	–	(1)	(1)	30,067
<b>Unitholders' transactions</b>							
– Issuance of Stapled Securities							
– Payment of REIT Manager's fees	10,339	–	10,339	–	–	–	10,339
– Distribution to Stapled Securityholders	–	(78,715)	(78,715)	–	–	–	(78,715)
Net increase/(decrease) in net assets resulting from unitholders' transactions	10,339	(78,715)	(68,376)	–	–	–	(68,376)
Balance at 31 December 2016	1,662,270	(16,718)	1,645,552	28	(5)	23	1,645,575

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

# PORTFOLIO STATEMENTS

As at 31 December 2017

Description of property	Lease tenure	Location	Existing use	Stapled Group		Far East H-REIT	
				Carrying value at 31.12.2017	Percentage of total net assets 31.12.2017	Carrying value at 31.12.2017	Percentage of total net assets 31.12.2017
				\$'000	%	\$'000	%
<b>Investment properties – Singapore</b>							
Village Hotel Albert Court	75-year leasehold from 27 August 2012	180 Albert Street	Hotel	123,300	7.6	123,300	7.6
Village Hotel Bugis	66-year leasehold from 27 August 2012	390 Victoria Street	Hotel	232,000	14.4	232,000	14.4
Village Hotel Changi	65-year leasehold from 27 August 2012	1 Netheravon Road	Hotel	216,000	13.3	216,000	13.3
The Elizabeth Hotel	75-year leasehold from 27 August 2012	24 Mount Elizabeth	Hotel	162,600	10.0	162,600	10.0
Oasia Hotel Novena	92-year leasehold from 27 August 2012	8 Sinaran Drive	Hotel	330,000	20.4	330,000	20.4
Orchard Parade Hotel	50-year leasehold from 27 August 2012	1 Tanglin Road	Hotel	421,500	26.0	421,500	26.0
The Quincy Hotel	75-year leasehold from 27 August 2012	22 Mount Elizabeth	Hotel	81,400	5.0	81,400	5.0
Rendezvous Hotel Singapore	70-year leasehold from 1 August 2013	9 Bras Basah Road	Hotel	275,900	17.0	275,900	17.0
Village Residence Clarke Quay	80-year leasehold from 27 August 2012	20 Havelock Road	Serviced Residence	197,400	12.2	197,400	12.2
Village Residence Hougang	81-year leasehold from 27 August 2012	1 Hougang Street 91	Serviced Residence	64,500	4.0	64,500	4.0
Village Residence Robertson Quay	78-year leasehold from 27 August 2012	30 Robertson Quay	Serviced Residence	107,700	6.7	107,700	6.7
Regency House	81-year leasehold from 27 August 2012	121 Penang Road	Serviced Residence	168,500	10.4	168,500	10.4
Investment properties, at valuation							
Joint venture							
				2,380,800	147.0	2,380,800	147.0
				16,443	1.0	16,443	1.0
Other assets and liabilities (net)				2,397,243	148.0	2,397,243	148.0
<b>Net assets</b>				(778,529)	(48.0)	(778,550)	(48.0)
				1,618,714	100.0	1,618,693	100.0

As at 31 December 2017, independent valuations of the investment properties were undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd based on both income capitalisation approach and the discounted cash flow analysis for the hotels and Savills Valuation And Professional Services (S) Pte Ltd based on income capitalisation approach, discounted cash flow analysis and direct comparison method for the serviced residences. The REIT Manager believes that these independent valuers possess appropriate professional qualifications and recent experience in the location and category of the investment properties being valued.

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

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

# PORTFOLIO STATEMENTS

As at 31 December 2017

Description of property	Lease tenure	Location	Existing use	Stapled Group		Far East H-REIT	
				Carrying value at	Percentage of total net assets	Carrying value at	Percentage of total net assets
				31.12.2016 \$'000	31.12.2016 %	31.12.2016 \$'000	31.12.2016 %
<b>Investment properties – Singapore</b>							
Village Hotel Albert Court	75-year leasehold from 27 August 2012	180 Albert Street	Hotel	119,200	7.2	119,200	7.2
Village Hotel Bugis	66-year leasehold from 27 August 2012	390 Victoria Street	Hotel	228,000	14.0	228,000	14.0
Village Hotel Changi	65-year leasehold from 27 August 2012	1 Netheravon Road	Hotel	232,800	14.1	232,800	14.1
The Elizabeth Hotel	75-year leasehold from 27 August 2012	24 Mount Elizabeth	Hotel	170,000	10.3	170,000	10.3
Oasia Hotel Novena	92-year leasehold from 27 August 2012	8 Sinaran Drive	Hotel	339,000	20.6	339,000	20.6
Orchard Parade Hotel	50-year leasehold from 27 August 2012	1 Tanglin Road	Hotel	417,000	25.3	417,000	25.3
The Quincy Hotel	75-year leasehold from 27 August 2012	22 Mount Elizabeth	Hotel	80,000	4.9	80,000	4.9
Rendezvous Hotel Singapore	70-year leasehold from 1 August 2013	9 Bras Basah Road	Hotel	280,500	17.0	280,500	17.0
Village Residence Clarke Quay	80-year leasehold from 27 August 2012	20 Havelock Road	Serviced Residence	203,300	12.4	203,300	12.4
Village Residence Hougang	81-year leasehold from 27 August 2012	1 Hougang Street 91	Serviced Residence	67,000	4.1	67,000	4.1
Village Residence Robertson Quay	78-year leasehold from 27 August 2012	30 Robertson Quay	Serviced Residence	112,600	6.8	112,600	6.8
Regency House	81-year leasehold from 27 August 2012	121 Penang Road	Serviced Residence	168,500	10.2	168,500	10.2
Investment properties, at valuation				2,417,900	146.9	2,417,900	146.9
Joint venture				16,584	1.0	16,584	1.0
Other assets and liabilities (net)				2,434,484	147.9	2,434,484	147.9
<b>Net assets</b>				(788,909)	(47.9)	(788,932)	(47.9)
				1,645,575	100.0	1,645,552	100.0

As at 31 December 2016, independent valuations of the investment properties were undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd based on both income capitalisation approach and the discounted cash flow analysis for the hotels and Savills Valuation And Professional Services (S) Pte Ltd based on both income capitalisation approach and discounted cash flow analysis for the serviced residences. The REIT Manager believes that these independent valuers possess appropriate professional qualifications and recent experience in the location and category of the investment properties being valued.

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

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



# CASH FLOW STATEMENTS

For the financial year ended 31 December 2017

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Cash flows from operating activities</b>						
Total return before income tax	14,314	14,316	(2)	30,080	30,081	(1)
Adjustments for:						
Finance expenses (net)	19,811	19,811	–	19,817	19,817	–
Share of results of joint venture	141	141	–	41	41	–
Fair value change in derivative financial instruments	4,643	4,643	–	6,332	6,332	–
Fair value change in investment properties	41,477	41,477	–	29,475	29,475	–
Deferred income	(90)	(90)	–	(90)	(90)	–
REIT Manager's fees paid/ payable in Stapled Securities	10,058	10,058	–	10,339	10,339	–
Operating profit/(loss) before working capital changes	90,354	90,356	(2)	95,994	95,995	(1)
Changes in working capital:						
Trade and other receivables	(1,367)	(1,367)	–	274	274	–
Trade and other payables	(140)	(142)	2	(261)	(262)	1
Rental deposits	(326)	(326)	–	12	12	–
Income tax paid	(13)	(13)	–	(1)	(1)	–
<b>Net cash generated from operating activities</b>	<b>88,508</b>	<b>88,508</b>	<b>–</b>	<b>96,018</b>	<b>96,018</b>	<b>–</b>
<b>Cash flows from investing activities</b>						
Capital expenditure on investment properties	(3,104)	(3,104)	–	(8,075)	(8,075)	–
Loan to a joint venture company	–	–	–	(5,100)	(5,100)	–
Interest received	24	24	–	–	–	–
<b>Net cash used in investing activities</b>	<b>(3,080)</b>	<b>(3,080)</b>	<b>–</b>	<b>(13,175)</b>	<b>(13,175)</b>	<b>–</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings	258,000	258,000	–	5,100	5,100	–
Finance expenses paid	(20,689)	(20,689)	–	(19,224)	(19,224)	–
Repayment of borrowings	(283,000)	(283,000)	–	–	–	–
Distribution to Stapled Securityholders	(51,214)	(51,214)	–	(78,715)	(78,715)	–
<b>Net cash used in financing activities</b>	<b>(96,903)</b>	<b>(96,903)</b>	<b>–</b>	<b>(92,839)</b>	<b>(92,839)</b>	<b>–</b>
Net decrease in cash and cash equivalents	(11,475)	(11,475)	–	(9,996)	(9,996)	–
Cash and cash equivalents at beginning of the year	15,385	15,385	–	25,381	25,381	–
<b>Cash and cash equivalents at end of the year (Note 5)</b>	<b>3,910</b>	<b>3,910</b>	<b>–</b>	<b>15,385</b>	<b>15,385</b>	<b>–</b>

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

# CASH FLOW STATEMENTS

For the financial year ended 31 December 2017

## **SIGNIFICANT NON-CASH TRANSACTIONS**

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

- A total of 10,166,085 (2016: 11,246,951) Stapled Securities amounting to \$6,704,236 (2016: \$6,798,083) were or would be issued to the REIT Manager as partial payment for the base management fees for the financial year ended 31 December 2017;
- A total of 4,708,722 (2016: 6,039,151) Stapled Securities amounting to \$3,353,552 (2016: \$3,540,754) would be issued to the REIT Manager as partial payment for the performance management fees for the financial year ended 31 December 2017. These Stapled Securities to be issued are not entitled to the distribution for this financial year; and
- A total of 36,533,340 (2016: Nil) Stapled Securities amounting to \$22,763,822 (2016: Nil) were issued as partial payment of the distributions, pursuant to the distribution reinvestment plan implemented in May 2017.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 1. GENERAL

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

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

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

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

The securities in each of Far East H-REIT and Far East H-BT are stapled together under the terms of a stapling deed dated 1 August 2012 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager (the "Stapling Deed") and cannot be traded separately. Each stapled security in Far East Hospitality Trust (the "Stapled Security") comprises a unit in H-REIT (the "H-REIT Unit") and a unit in H-BT (the "H-BT Unit").

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

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

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

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

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

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

The REIT Manager may elect to receive the base fee and the performance fee in cash or H-REIT Units or a combination of both (as it may in its sole discretion determine). For financial year ended 31 December 2017, 90% of the management fees were or would be paid in Stapled Securities, as the case may be, H-REIT Units issued at the market price (as defined in the H-REIT Trust Deed) with the remainder to be paid in cash.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 1. GENERAL (CONT'D)

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

Any increase in the rate or any change in the structure of the REIT Manager's management fees must be approved by an extraordinary resolution at a meeting of holders of the H-REIT units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

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

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

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

### (b) *REIT Trustee's fees*

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

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

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

The Trustee's fees are payable monthly in arrears.

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

Under the property management agreement dated 6 February 2017 between the H-REIT and Jones Lang LaSalle Property Consultant Pte Ltd ("JLL") in relation to the REIT commercial premises ("RCP"), JLL will provide property management services, lease management services, arrears management services, property tax services and marketing coordination services for the RCP. JLL is entitled to receive a fixed service fee, payable within 14 days upon receipt of invoice.

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For the financial year ended 31 December 2017

**1. GENERAL (CONT'D)**

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

Under the marketing service agreement dated 6 February 2017 between H-REIT and Far East Management (Private) Limited ("FEM") in relation to the RCP, FEM will provide marketing and leasing services for the RCP. FEM is entitled to receive a leasing commission, payable within 60 days from the commencement of the new/renewal lease.

(e) ***H-REIT Technical service fees***

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

(f) ***H-REIT Development management fees***

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

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

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

- a management fee comprising 10.0% of the profit of H-BT before interest and tax in the relevant financial year (calculated before accounting for this management fees in that financial year), payable in the event that H-BT becomes active;
- a trustee fee of not exceeding 0.1% per annum of the value of H-BT's Trust Property (as defined in the Business Trust Act), if any, subject to a minimum fee of S\$10,000 per month, provided that the value of H-BT's Trust Property is at least S\$50.0 million and H-BT has become active; and

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

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

- an acquisition fee of 0.75% of the purchase consideration for acquisition from related parties and 1.0% of the purchase consideration for all other cases (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) and a divestment fee of 0.5% of the sale price.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 1. GENERAL (CONT'D)

### (h) *H-BT Development management fees*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 *Basis of preparation*

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

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

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

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

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, H-REIT, H-BT and the Stapled Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of H-REIT, H-BT and the Stapled Group.

### 2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 2.4 *Investment properties*

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

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

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

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

Subsequent expenditure relating to investment properties that have already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to H-REIT. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of total return in the year of retirement or disposal.

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

### 2.5 *Joint venture*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 2.5 *Joint venture (cont'd)*

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

After application of the equity method, H-REIT determines whether it is necessary to recognise an additional impairment loss on H-REIT's investment in joint venture. H-REIT determines at the end of each reporting period whether there is any objective evidence that the investment in joint venture is impaired. If this is the case, H-REIT calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit and loss.

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

### 2.6 *Financial assets*

#### Initial recognition and measurement

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

#### Subsequent measurement

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

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

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

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

#### Loans and receivables

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

NOTES TO  
THE FINANCIAL STATEMENTS  
For the financial year ended 31 December 2017

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

**2.6 *Financial assets (cont'd)***

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statement of total return.

Regular way purchase or sale of a financial asset

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

**2.7 *Impairment of financial assets***

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

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

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

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

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

**2.8 *Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and bank deposits.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 2.9 *Financial liabilities*

#### Initial recognition and measurement

Financial liabilities are recognised when, and only when, H-REIT, H-BT or the Stapled Group becomes a party to the contractual provisions of the financial instrument. The Managers determine the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

#### Subsequent measurement

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

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

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

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

#### Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of total return when the liabilities are derecognised, and through the amortisation process.

#### De-recognition

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 2.10 *Rental deposits and deferred income*

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

Deferred income relates to the difference between consideration received for rental deposits and its fair value at initial recognition, and is credited to the statement of total return as gross rental income on a straight line basis over individual lease term.

### 2.11 *Net assets attributable to holders of the Stapled Security*

Net assets attributable to the Stapled Security holders represent the holders' residual interest in the Stapled Security's net assets upon termination.

Expenses incurred in connection with the initial public offering of the Stapled Security and listing on the SGX-ST are deducted directly against net assets attributable to holders of Stapled Securities.

### 2.12 *Revenue recognition*

#### Rental from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Contingent rent, which comprises gross turnover rental, is recognised as income in the accounting period on a receipt basis. No contingent rent is recognised if there are uncertainties that may result in the possible return of amounts received.

All its master lease rental agreements are entered into between the Stapled Group and related parties.

### 2.13 *Expenses*

#### (a) Property expenses

Property expenses are recognised on an accrual basis.

#### (b) REIT Manager fees

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

#### (c) Trust expenses

Trust expenses are recognised on an accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 2.14 *Taxation*

#### (a) Current income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates and tax laws enacted or substantively enacted at the balance sheet date.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint venture where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint venture deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.



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

**2.14 Taxation (cont'd)**

(b) Deferred tax (cont'd)

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the income tax treatment of H-REIT. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of H-REIT, the REIT Trustee will not be assessed to tax on the taxable income of H-REIT. Instead, the distributions made by H-REIT out of such taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on H-REIT's distributions (the "tax transparency ruling"). Accordingly, the REIT Trustee and the REIT Manager will deduct income tax at the prevailing corporate tax rate from the distributions made to Unitholders that are made out of the taxable income of H-REIT, except:

- (i) where the beneficial owners are individuals or Qualifying Unitholders, the REIT Trustee and the REIT Manager will make the distributions to such Unitholders without deducting any income tax; and
- (ii) where the beneficial owners are foreign non-individual investors or where the Units are held by nominee Unitholders who can demonstrate that the Units are held for beneficial owners who are foreign non-individual investors, the REIT Trustee and the REIT Manager will deduct/withhold tax at a reduced rate of 10% from the distributions.

A Qualifying Unitholder is a Unitholder who is:

- (i) a tax resident Singapore-incorporated company;
- (ii) a non-corporate Singapore constituted or registered entity (e.g. town council, statutory board, charitable organisation, management corporation, club and trade and industry association constituted, incorporated, registered or organised in Singapore);
- (iii) a Singapore branch of a foreign company;
- (iv) an international organisation that is exempt from tax on such distribution by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145);
- (v) an agent bank or a Supplementary Retirement Scheme ("SRS") operator acting as nominee for individuals who have purchased Units in the Trust within the SRS; or
- (vi) a nominee who can demonstrate that the Units are held for beneficial owners who are individuals or who fall within the classes of Unitholders listed in (i) to (iv) above.

The above tax transparency ruling does not apply to gains from the sale of real properties. Such gains which are considered as trading gains are assessable to tax on the REIT Trustee. Where the gains are capital gains, the REIT Trustee will not be assessed to tax and may distribute the capital gains without tax being deducted at source.

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

**2.14 Taxation (cont'd)**

**(c) Sales tax**

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the balance sheet.

**2.15 Borrowing costs**

Borrowing costs are expensed in the period they occur, and consist of interest and other costs that the Stapled Group incurs in connection with the borrowing of funds.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**2.16 Segment reporting**

For management purposes, the Stapled Group is organised into operating segments based on the types of operations within the Stapled Group's portfolio. The segment manager report to the management of the REIT Manager who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 20, including the factors used to identify the reportable segments and the measurement basis of segment information.

**2.17 Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Stapled Group; or

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For the financial year ended 31 December 2017

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

**2.17 Contingencies (cont'd)**

- (b) a present obligation that arises from past events but is not recognised because:
- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Stapled Group.

**2.18 Significant accounting estimates and judgements**

The preparation of the financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Financial impact arising from revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in Note 3 – Investment properties and Note 4 – Joint venture.

**2.19 Consolidation**

Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the Stapled Group.

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**3. INVESTMENT PROPERTIES**

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
At 1 January	2,417,900	2,417,900	–	2,439,300	2,439,300	–
Capital expenditure capitalised	4,377	4,377	–	8,075	8,075	–
Fair value change recognised in statement of total return	(41,477)	(41,477)	–	(29,475)	(29,475)	–
At 31 December	2,380,800	2,380,800	–	2,417,900	2,417,900	–

Investment properties are stated at fair value based on valuations performed by independent professional valuers. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yields, terminal yields and discount rates. The REIT Manager is of the view that the valuation methods and estimates are reflective of the market conditions as at 31 December 2017.

**4. JOINT VENTURE**

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Interest in net assets and carrying amount of joint venture						
At 1 January	16,584	16,584	–	15,515	15,515	–
Additional subscription of equity by way of capitalising shareholders' loan	–	–	–	1,110	1,110	–
Share of results of joint venture	(141)	(141)	–	(41)	(41)	–
At 31 December	16,443	16,443	–	16,584	16,584	–

Details of the joint venture are as follows:

Name of entity	Country of constitution/ Principal place of business	Effective equity interest held by Far East H-REIT	
		2017 %	2016 %
Fontaine Investment Pte Ltd ("FIPL") <sup>(1)</sup>	Singapore	30.0	30.0

(1) Audited by KPMG LLP

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**4. JOINT VENTURE (CONT'D)**

Far East H-REIT has a 30% direct interest in the ownership and voting rights in FIPL under a joint venture agreement dated 22 September 2014. The investment is fully debt-funded. Pursuant to the terms of the joint venture agreement, H-REIT jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities. FIPL is incorporated in Singapore with principal activities of property investment and development. FIPL will undertake the development of a new hotel site located at Artillery Avenue, Sentosa. The investment is accounted using the equity method.

Summarised financial information of FIPL based on its financial statements, and reconciliation with the carrying amount of the investment is as follows:

	2017 \$'000	2016 \$'000
<b>Non-current assets</b>		
Property, plant and equipment	387,406	274,621
<b>Current assets</b>		
Cash and bank balances	3,051	1,101
Other current assets	2,123	757
	<u>5,174</u>	<u>1,858</u>
<b>Total assets</b>	<u>392,580</u>	<u>276,479</u>
Current liabilities	35,318	98,614
Non-current liabilities	302,451	122,613
<b>Total liabilities</b>	<u>337,769</u>	<u>221,227</u>
<b>Net assets</b>	54,811	55,252
<b>Total equity</b>	<u>54,811</u>	<u>55,252</u>
<b>Results</b>		
Administrative expenses	470	136
Total comprehensive loss	<u>470</u>	<u>136</u>

**NOTES TO  
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For the financial year ended 31 December 2017

**5. CASH AND CASH EQUIVALENTS**

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

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Cash at bank	3,910	3,910	–	15,385	15,385	–

The cash at bank does not earn interest.

**6. TRADE AND OTHER RECEIVABLES**

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Trade receivables						
– related companies of REIT Manager	7,626	7,626	–	8,287	8,287	–
– third parties	2,257	2,257	–	450	450	–
Other receivables						
– related companies of REIT Manager	–	–	30	–	–	30
– loan to a joint venture company	25,789	25,789	–	25,601	25,601	–
– loan interest receivable	449	449	–	188	188	–
– third parties	287	287	–	186	186	–
Total trade and other receivables	36,408	36,408	30	34,712	34,712	30
Add: Cash and cash equivalents (Note 5)	3,910	3,910	–	15,385	15,385	–
Total loans and receivables	40,318	40,318	30	50,097	50,097	30

Trade receivables are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Outstanding balances with the related parties of REIT Manager are unsecured, interest-free, repayable on demand and are to be settled in cash.

The loan to a joint venture company is used to fund the development of a new hotel site located at Artillery Avenue, Sentosa. The amount is unsecured, earned interest at 1.74% per annum (2016: 1.74%) and repayable on demand.



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**6. TRADE AND OTHER RECEIVABLES (CONT'D)**

H-REIT has trade receivables amounting to \$935,444 (2016: \$269,448) that are past due at the balance sheet date but not impaired. The aging receivable at the balance sheet date is as follows:

	Far East H-REIT and Stapled Group	
	2017 \$'000	2016 \$'000
Not past due	8,948	8,468
1 day to 30 days	378	–
> 30 days	557	269
	9,883	8,737

Receivables that are impaired

H-REIT trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Far East H-REIT and Stapled Group	
	2017 \$'000	2016 \$'000
Trade receivables – nominal amounts	357	56
Less: Allowance for impairment	(357)	(56)
	–	–

Movements in allowance for doubtful debts are as follows:

	Far East H-REIT and Stapled Group	
	2017 \$'000	2016 \$'000
At the beginning of year	56	1
Charge for the year	301	55
At the end of year	357	56

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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**7. DERIVATIVE FINANCIAL ASSETS / (LIABILITIES)**

	Far East H-REIT and Stapled Group	
	2017 \$'000	2016 \$'000
<b>Derivative assets</b>		
Interest rate swaps		
– Non-current	288	–
– Current	–	3,933
	288	3,933
<b>Derivative liabilities</b>		
Interest rate swaps		
– Non-current	(794)	–
– Current	(204)	–
	(998)	–
	(710)	3,933
Financial derivatives as a percentage of Stapled Group's net assets	(0.04%)	0.24%

As at 31 December 2017, Far East H-REIT and the Stapled Group have interest rate swap contracts with a total notional amount of \$332.2 million (2016: \$582.2 million). Under the contracts, Far East H-REIT and the Stapled Group receive interest based on floating rates equivalent to 6-month Swap Offer Rates and pay fixed rates of interest ranging from 0.92% to 1.975% p.a. (2016: 0.92% to 1.975% p.a.).

**8. TRADE AND OTHER PAYABLES**

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Trade payables						
– the REIT Manager	107	107	–	3	3	–
– related companies of the REIT Manager	377	377	–	37	37	–
– third parties	1,808	1,808	–	388	388	–
Other payables						
– related companies of the REIT Manager	8	30	8	6	30	6
– third parties	1,321	1,321	–	1,500	1,500	–
Total trade and other payables	3,621	3,643	8	1,934	1,958	6
Add:						
Accruals	6,658	6,657	1	7,811	7,810	1
Borrowings (Note 9)	797,865	797,865	–	822,817	822,817	–
Total financial liabilities carried at amortised cost	808,144	808,165	9	832,562	832,585	7

Outstanding balances with the related parties are unsecured, interest-free, repayable on demand and are to be settled in cash.

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**9. BORROWINGS**

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Current liabilities</b>						
Bank loans (unsecured)	232,150	232,150	–	250,000	250,000	–
Revolving credit facility	17,000	17,000	–	42,000	42,000	–
Less: Unamortised upfront fees	(164)	(164)	–	(170)	(170)	–
	248,986	248,986	–	291,830	291,830	–
<b>Non-current liabilities</b>						
Bank loans (unsecured)	550,000	550,000	–	532,150	532,150	–
Less: Unamortised upfront fees	(1,121)	(1,121)	–	(1,163)	(1,163)	–
	548,879	548,879	–	530,987	530,987	–
Total borrowings	797,865	797,865	–	822,817	822,817	–

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

As at the reporting date, the unsecured term loan facilities of \$782.2 million (2016: \$782.2 million) provided by four financial institutions have been fully drawn down.

The term loans have maturities ranging from one-year to six-year terms.

As at 31 December 2017, Far East H-REIT and the Stapled Group have outstanding term loans of \$232.2 million (2016: \$250.0 million) and revolving credit facilities of \$17.0 million (2016: \$42.0 million) which will be due for repayment within the next 12 months. Far East H-REIT has received commitments to refinance the term loans of \$132.2 million. Discussions with banks for the refinancing of the remaining \$100.0 million loan are ongoing and refinancing of this term loan is expected to be completed before the repayment date.

The uncommitted revolving credit facilities amounting to \$100 million (2016: \$100 million) are provided by three financial institutions. As at 31 December 2017, Far East H-REIT has uncommitted revolving credit facilities of \$83.0 million (2016: \$58.0 million) which remain unutilised.

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## 10. STAPLED SECURITIES / UNITS IN ISSUE

A Stapled Security means a security comprising one unit of Far East H-REIT and one unit of Far East H-BT stapled together under the terms of the Stapling Deed dated 1 August 2012.

	2017			2016		
	Stapled Group '000	Far East H-REIT '000	Far East H-BT '000	Stapled Group '000	Far East H-REIT '000	Far East H-BT '000
<b>Stapled Securities / Units in issue</b>						
At 1 January	1,801,415	1,801,415	1,801,415	1,788,925	1,788,925	1,788,925
<b>Issuance of Stapled Securities / Units</b>						
REIT Manager's fees paid in Stapled Securities	16,753	16,753	16,753	12,490	12,490	12,490
Distribution reinvestment plan ("DRP")	36,533	36,533	36,533	–	–	–
At 31 December	1,854,701	1,854,701	1,854,701	1,801,415	1,801,415	1,801,415
<b>Stapled Securities / Units to be issued</b>						
REIT Manager's fees payable in stapled securities						
– Base fees	2,360	2,360	2,360	2,908	2,908	2,908
– Performance fees	4,709	4,709	4,709	6,039	6,039	6,039
Total Stapled Securities / Units in issue and to be issued at end	1,861,770	1,861,770	1,861,770	1,810,362	1,810,362	1,810,362

A total of 14,874,807 (2016: 17,286,102) Stapled Securities were issued or to be issued to the REIT Manager as satisfaction of management fees paid/payable to the REIT Manager in Stapled Securities, amounting to \$10,057,788 (2016: \$10,338,837) for the financial year.

DRP was established and implemented in May 2017. It provides eligible Stapled Securityholders with the option to receive their distribution, either in the form of Stapled Securities or cash or a combination of both. Under DRP, 36,533,340 new Stapled Securities were issued to eligible Stapled Securityholders who have opted to receive their distribution entitlement for the period from 1 January 2017 to 30 June 2017 in Stapled Securities on 27 June 2017 and 20 September 2017.

Each Far East H-REIT unit is stapled together with a Far East H-BT unit under the terms of a stapling deed dated 1 August 2012 (the "Stapling Deed") entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in Far East H-REIT and Far East H-BT.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each Stapled Security carries one vote.

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**11. NET ASSET VALUE PER STAPLED SECURITY**

	2017			2016		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Net asset value per Stapled Security is based on:						
Net assets (\$'000)	1,618,714	1,618,693	21	1,645,575	1,645,552	23
Total issued and to be issued Stapled Securities ('000) (Note 10)	1,861,770	1,861,770	1,861,770	1,810,362	1,810,362	1,810,362
Net asset value per Stapled Security (cents)	86.94	86.94	0.00113	90.90	90.90	0.00127

**12. REIT MANAGER'S FEES**

	2017			2016		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Base fee	7,449	7,449	–	7,553	7,553	–
Performance fees	3,726	3,726	–	3,934	3,934	–
	11,175	11,175	–	11,487	11,487	–

The REIT manager has opted to receive 90% (2016: 90%) of its fees in the form of Stapled Securities with the balance in cash. An aggregate of 14,874,807 (2016: 17,286,102) Stapled Securities were issued or to be issued to the REIT Manager as satisfaction of the 90% (2016: 90%) of the management fees paid/payable.

**13. OTHER TRUST EXPENSES**

Other trust expenses comprises of professional fees and other recurring expenses.

Included in other trust expenses are the following items:

	2017			2016		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Audit fees	67	66	1	66	65	1
Non-audit fees	71	71	–	74	74	–
Auditors' remuneration	138	137	1	140	139	1

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## 13. OTHER TRUST EXPENSES (CONT'D)

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Valuation fees	75	75	–	67	67	–

## 14. FINANCE EXPENSES (NET)

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Finance income</b>						
Interest income from fixed deposits	24	24	–	81	81	–
Interest income from loan to joint venture	449	449	–	434	434	–
	473	473	–	515	515	–
<b>Finance expenses</b>						
Amortisation of debt-related transaction costs	(671)	(671)	–	(682)	(682)	–
Amortisation of rental deposits	(85)	(85)	–	(83)	(83)	–
Interest expenses paid / payable to banks	(19,528)	(19,528)	–	(19,567)	(19,567)	–
	(20,284)	(20,284)	–	(20,332)	(20,332)	–
	(19,811)	(19,811)	–	(19,817)	(19,817)	–

## 15. INCOME TAX EXPENSE

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2017 and 2016 is as follows:

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Reconciliation of effective tax						
Total return before tax	14,314	14,316	(2)	30,080	30,081	(1)
Income tax using Singapore tax rate of 17%	2,433	2,433	–	5,114	5,114	–
Expense not subject to tax	9,812	9,812	–	8,077	8,077	–
Income exempt from tax	(12,226)	(12,226)	–	(13,178)	(13,178)	–
	19	19	–	13	13	–



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**16. EARNINGS PER STAPLED SECURITY**

Earnings per Stapled Security ("EPS") (cents)

	2017			2016		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Basic and diluted	0.78	0.78	–	1.67	1.67	–

The basic EPS is computed using total return for the year after tax over the weighted average number of Stapled Securities during the year.

	2017			2016		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Total return for the year after tax (\$'000)	14,295	14,297	(2)	30,067	30,068	(1)
Weighted average number of Stapled Security in issue ('000)	1,826,587	1,826,587	1,826,587	1,796,295	1,796,295	1,796,295

The diluted EPS is computed using total return for the year after tax over the weighted average number of Stapled Securities outstanding, adjusted for the effect of all dilutive potential Stapled Securities.

	2017			2016		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Total return for the year after tax (\$'000)	14,295	14,297	(2)	30,067	30,068	(1)
Weighted average number of Stapled Security in issue ('000)	1,831,296	1,831,296	1,831,296	1,802,334	1,802,334	1,802,334

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**17. RELATED PARTY TRANSACTIONS**

In addition to the related party information disclosed elsewhere in the financial statements, the following related party transactions were carried out at terms agreed between the parties during the financial year:

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Rental income received/receivable from related corporations of the REIT Manager	81,043	81,043	–	85,897	85,897	–
Rental income received/receivable from related corporation of the REIT Manager	656	656	–	2,505	2,505	–
Rental income received/receivable from REIT Manager	342	342	–	171	171	–
Interest receivable from a joint venture company	449	449	–	434	434	–
Reimbursement of expenses received/receivable from related corporation of the REIT Manager	134	134	–	163	163	–
Management fees paid/payable to REIT Manager	(11,175)	(11,175)	–	(11,487)	(11,487)	–
Trustee's fees paid/payable to the Trustee	(312)	(312)	–	(313)	(313)	–
Shared service fees paid/payable to related corporation of the REIT Manager	(1,171)	(1,171)	–	(1,164)	(1,164)	–
Reimbursement of expenses paid/payable to the REIT Manager	(219)	(219)	–	(175)	(175)	–
Reimbursement of expenses paid/payable to related corporations of the REIT Manager	(8)	(8)	–	(31)	(31)	–
Leasing commission paid/payable to related corporation of the REIT Manager	(517)	(517)	–	(490)	(490)	–
Technical service fee paid/payable to related corporation of the REIT Manager	(773)	(773)	–	(386)	(386)	–
Loan to a joint venture company	–	–	–	(5,100)	(5,100)	–
Share of cost for asset enhancement works	–	–	–	(3,769)	(3,769)	–

# NOTES TO THE FINANCIAL STATEMENTS

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

H-REIT has entered into the following agreements for the management of the RCP:

- under a property management agreement, JLL was appointed as the property manager to provide property management services, lease and arrears management services, property tax services and marketing coordination services for the RCP. The property manager is entitled to a fixed service fee.
- under a marketing service agreement, FEM was appointed as the marketing agent to provide marketing and leasing services for the RCP. The marketing agent is entitled to receive a leasing commission.
- under the technical service agreements with various companies within FEO Group to provide technical support services for the RCP, FEO Group is entitled to receive a fixed service fee.

## 18. FINANCIAL RISK MANAGEMENT

### (a) *Capital management*

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

Far East H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the Code on Collective Investment Schemes ("CIS") Code issued by MAS. With effect from 1 January 2016, the revised Code on Collective Investment Schemes stipulates that borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's depository property.

As at 31 December 2017, Far East H-REIT's and the Stapled Group's Aggregate Leverage stood at 34.4% (2016: 32.1%) of its Depository Property, which is within the limit set by the Property Fund Appendix.

There were no substantial changes in Far East H-REIT's and Stapled Group's approach to capital management for the year ended 31 December 2017 and 2016.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

#### (i) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to Far East H-REIT as and when they fall due.

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

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet. At the balance sheet date, approximately 67% (2016: 67%) of the Stapled Group's trade receivables were due from 5 tenants who are reputable companies located in Singapore.

Trade and other receivables that are neither past due nor impaired represent creditworthy debtors with good payment record with the Stapled Group. Cash are placed with a local bank regulated by the MAS.

#### (ii) Interest rate risk

Far East H-REIT's exposure to changes in interest rates relates primarily to its interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the REIT Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. The REIT Manager adopts a policy of fixing the interest rates for a portion of its outstanding borrowings using financial derivatives or other suitable financial products.

As at 31 December 2017, the REIT Manager has entered into interest rate swap contracts to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional amounts of the unsecured bank loan.

Far East H-REIT's exposure to interest rate risk relates primarily to the remaining portion 58.4% (2016: 29.4%) of the unsecured bank loans that have not been hedged using interest rate swaps. The REIT Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

#### *Sensitivity analysis for interest rate risk*

For the floating rate loans, a change of a hundred basis points increase or decrease in interest rate at the balance sheet date, with all other variables held constant, would decrease or increase the Stapled Group's total return for the period by approximately \$4,670,000 (2016: \$2,420,000).

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**18. FINANCIAL RISK MANAGEMENT (CONT'D)**

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

(iii) Liquidity risk

Liquidity risk is the risk that Far East H-REIT will encounter difficulty in meeting financial obligations due to shortage of funds. Far East H-REIT's objective is to maintain sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations. The REIT Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance Far East H-REIT's operations and to mitigate the effects of fluctuations in cash flows. In addition, the REIT Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The table below summarises the maturity profile of the financial liabilities at the balance sheet date based on contractual undiscounted payments.

	Within 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>As at 31 December 2017</b>				
<b>Stapled Group</b>				
Trade and other payables	10,279	–	–	10,279
Derivative financial liabilities	204	794	–	998
Rental deposits	2,363	2,908	5,000	10,271
Borrowings	267,713	387,496	203,689	858,898
	280,559	391,198	208,689	880,446
<b>Far East H-REIT</b>				
Trade and other payables	10,300	–	–	10,300
Derivative financial liabilities	204	794	–	998
Rental deposits	2,363	2,908	5,000	10,271
Borrowings	267,713	387,496	203,689	858,898
	280,580	391,198	208,689	880,467
<b>Far East H-BT</b>				
Trade and other payables	9	–	–	9

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**18. FINANCIAL RISK MANAGEMENT (CONT'D)**

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

(iii) Liquidity risk (cont'd)

	Within 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>As at 31 December 2016</b>				
<b>Stapled Group</b>				
Trade and other payables	9,745	–	–	9,745
Rental deposits	2,695	2,902	5,000	10,597
Borrowings	311,280	364,184	202,116	877,580
	323,720	367,086	207,116	897,922
<b>Far East H-REIT</b>				
Trade and other payables	9,768	–	–	9,768
Rental deposits	2,695	2,902	5,000	10,597
Borrowings	311,280	364,184	202,116	877,580
	323,743	367,086	207,116	897,945
<b>Far East H-BT</b>				
Trade and other payables	7	–	–	7

**19. FAIR VALUE OF ASSETS AND LIABILITIES**

(a) *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.



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**19. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)**

(b) **Assets and liabilities measured at fair value**

The following table shows an analysis of each class of assets and liabilities measured at fair value, including their levels in the fair value hierarchy, at the end of the reporting period:

	Far East H-REIT and Stapled Group		
	2017		
	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets measured at fair value</b>			
Interest rate swaps	288	–	288
<b>Financial liabilities measured at fair value</b>			
Interest rate swaps	998	–	998
<b>Non-financial assets measured at fair value</b>			
Investment properties	–	2,380,800	2,380,800

During the financial year ended 31 December 2017, there have been no transfers between the respective levels.

	Far East H-REIT and Stapled Group		
	2016		
	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets measured at fair value</b>			
Interest rate swaps	3,933	–	3,933
<b>Non-financial assets measured at fair value</b>			
Investment properties	–	2,417,900	2,417,900

During the financial year ended 31 December 2016, there have been no transfers between the respective levels.

(c) **Level 2 fair value measurements**

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

*Interest rate swap*

The fair value of interest rate swaps are derived by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

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

(d) **Level 3 fair value measurements**

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Description	Fair value at 31 December 2017 \$'000	Valuation Techniques	Unobservable inputs	Range
Investment properties				
– Hotels	1,842,700	Discounted cash flow	Discount rate Revenue per available room	7.50% \$122 – \$269
		Income capitalisation method	Capitalisation rate	4.5% – 5.0%
– Serviced residences	538,100	Discounted cash flow	Discount rate Revenue per available unit	6.5% – 7.5% \$174 – \$287
		Income capitalisation method	Capitalisation rate	3.5% – 5.0%
		Direct comparison method	Price per square metre	\$7,300 – \$44,938
	2,380,800			

Description	Fair value at 31 December 2016 \$'000	Valuation Techniques	Unobservable inputs	Range
Investment properties				
– Hotels	1,866,500	Discounted cash flow	Discount rate Revenue per available room	7.75% \$124 – \$269
		Income capitalisation method	Capitalisation rate	4.75% – 5.25%
– Serviced residences	551,400	Discounted cash flow	Discount rate Revenue per available unit	6.5% – 7.5% \$191 – \$308
		Income capitalisation method	Capitalisation rate	3.5% – 5.0%
	2,417,900			

A significant increase or decrease in the discount rate and / capitalisation rate would result in a significantly lower or higher fair value measurement. The higher the comparable sales price, the higher the fair value.

NOTES TO  
THE FINANCIAL STATEMENTS  
For the financial year ended 31 December 2017

**19. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)**

(d) **Level 3 fair value measurements (cont'd)**

(ii) Valuation policies and procedures

The REIT Manager oversees Far East H-REIT's financial reporting valuation process and is responsible for setting its valuation policies and procedures.

For all significant financial reporting valuations using valuation models and input unobservable to the REIT Manager, it is Far East H-REIT's policy to engage external valuation experts to perform the valuation. The REIT Manager is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the REIT Manager reviews the appropriateness of the valuation methodologies and assumptions adopted. The REIT Manager also evaluates the appropriateness and reliability of the input used in the valuations.

In selecting the appropriate valuation models and input to be adopted for each valuation that uses significant unobservable input, external valuation experts are requested to calibrate the valuation models and input to actual market transactions that are relevant to the valuation if such information is reasonably available. External valuation experts are required, to the extent practicable, to use a minimum of two methodologies to cross-check valuations that are sensitive to unobservable input.

Significant changes in fair value measurements from period to period are evaluated by the REIT Manager for reasonableness. Contributable drivers to such fair value changes are identified and assessed for reasonableness against relevant information from independent sources or internal sources if necessary and where appropriate.

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

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

	2017		2016	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Far East H-REIT and Stapled Group</b>				
<b>Financial liabilities</b>				
Interest-bearing borrowings (non-current)	548,879	550,000	530,987	538,289
Rental deposits (non-current)	6,389	7,908	6,298	7,902
	555,268	557,908	537,285	546,191

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 20. SEGMENT REPORTING

### *Business segment*

The Stapled Group has two reportable business segments as follows:

- hotels and serviced residences
- retail units, offices and others

Management monitors the operating results of the business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is presented in respect of Far East H-REIT and Stapled Group's business segments, based on its management and internal reporting structure.

Segment revenue comprises mainly income generated from the master leases and retail and offices tenants. Segment net property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the chief operating decision maker for the purpose of assessment of segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly management fees, performance fee, trust expenses, finance income, finance costs and related assets and liabilities.

Performance is measured based on segment net property income, as included in the internal management reports that are reviewed by the board of directors of the REIT Manager. Segment net property income is used to measure performance as management believes that such information is the most relevant in evaluating the results of its segments relative to other entities that operate within the same industry.

NOTES TO  
THE FINANCIAL STATEMENTS  
For the financial year ended 31 December 2017

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

***Business segment (cont'd)***

The reportable segments' results are as below:

**2017**

	Hotels and serviced residences \$'000	Retail units, offices and others \$'000	Total \$'000
Gross revenue	81,133	22,692	103,825
Segment net property income	75,755	17,399	93,154
REIT Manager's fees			(11,175)
Trustee's fees			(312)
Other trust expenses			(1,281)
Finance expenses (net)			(19,811)
Net income before tax and fair value changes			60,575
Fair value change in investment properties	(44,635)	3,158	(41,477)
Fair value change in derivative financial instruments			(4,643)
Share of results of joint venture			(141)
Total return for the year before income tax			14,314
Income tax expense			(19)
Total return for the year after income tax before distribution			14,295
Segment assets	2,003,729	387,328	2,391,057
Unallocated assets			46,891
Total assets			2,437,948
Segment liabilities	6,783	7,005	13,788
Unallocated liabilities			805,446
Total liabilities			819,234

NOTES TO  
THE FINANCIAL STATEMENTS  
For the financial year ended 31 December 2017

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

*Business segment (cont'd)*

**2016**

	Hotels and serviced residences \$'000	Retail units, offices and others \$'000	Total \$'000
Gross revenue	85,988	23,067	109,055
Segment net property income	80,292	18,063	98,355
REIT Manager's fees			(11,487)
Trustee's fees			(313)
Other trust expenses			(810)
Finance expenses (net)			(19,817)
Net income before tax and fair value changes			65,928
Fair value change in investment properties	(22,822)	(6,653)	(29,475)
Fair value change in derivative financial instruments			(6,332)
Share of results of joint venture			(41)
Total return for the year before income tax			30,080
Income tax expense			(13)
Total return for the year after income tax before distribution			30,067
Segment assets	2,045,138	381,632	2,426,770
Unallocated assets			61,784
Total assets			2,488,554
Segment liabilities	6,927	6,326	13,253
Unallocated liabilities			829,726
Total liabilities			842,979

Geographical segments

No geographical information is presented as the Stapled Group operates in Singapore only.



**NOTES TO  
THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2017

**21. COMMITMENTS**

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

	2017			2016		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Receivable:						
Within 1 year	77,870	77,870	–	78,807	78,807	–
After 1 year but within 5 years	254,890	254,890	–	258,127	258,127	–
After 5 years	590,484	590,484	–	650,984	650,984	–
	923,243	923,243	–	987,918	987,918	–

The above operating lease rental receivables comprise amounts receivable under the Master Leases and the leases relating to the commercial units of the Properties.

Rental receivable under the Master Leases are based on the terms of the Master Lease Agreements. The amounts receivable for such leases are based on the fixed rent as set out in the Master Leases.

The REIT Trustee has granted an option to each of the Master Lessees to obtain an additional lease for another 20 years on expiry of the initial 20-year leases based on the same terms as described above save for amendments required due to any changes in law.

Commitments contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	2017 \$'000	2016 \$'000
Capital commitments in relation to investment properties	3,884	6,966
Commitments to provide funding to joint venture	21,600	21,600
	25,484	28,566

**NOTES TO  
THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2017

**22. FINANCIAL RATIOS**

	2017		2016	
	Stapled Group %	Far East H-REIT %	Stapled Group %	Far East H-REIT %
Expense ratio <sup>(1)</sup>	0.79	0.79	0.77	0.77
Turnover ratio <sup>(2)</sup>	–	–	–	–

(1) The expense ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of Far East H-REIT and the Stapled Group, excluding property expenses, interest expense and income tax expense of each entity, where applicable.

(2) The turnover ratio is computed based on the lesser of purchases or sales of underlying investment properties of Far East H-REIT and the Stapled Group expressed as a percentage of daily average net asset value.

**23. SUBSEQUENT EVENTS**

On 12 January 2018, the REIT Trustee had entered into a conditional sale and purchase agreement with Far East SOHO Pte. Ltd. (the "Vendor"), a member of FEO Group to acquire a 65-year leasehold estate in Oasia Hotel Downtown for a purchase consideration of \$210.0 million. The completion of the transaction is conditional on the convening of the Extraordinary General Meeting on 12 March 2018 for Stapled Securityholders to approve the proposed acquisition. The completion of the acquisition is expected to be by 2 April 2018.

On 30 January 2018, Far East H-Trust issued 2,360,012 new Stapled Securities at a price of \$0.7122 per Stapled Security in payment of 90% of the REIT Manager's fees (base fees) for the period from 1 October 2017 to 31 December 2017.

On 15 February 2018, the REIT Manager declared a distribution of \$18,013,495 or \$0.0097 per Stapled Security to Stapled Securityholders in respect of the period from 1 October 2017 to 31 December 2017.

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

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with resolutions of the REIT Manager and the Trustee-Manager on 12 March 2018.



TRUSTEE-MANAGER  
FEO HOSPITALITY TRUST MANAGEMENT PTE. LTD.

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**Directors**

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

**Secretaries**

Lin Moi Heyang  
Low Mei Wan

**Registered Office**

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

**Auditor**

Ernst & Young LLP

# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited financial statements of FEO Hospitality Trust Management Pte. Ltd. (the "Company") for the financial year ended 31 December 2017.

## **OPINION OF THE DIRECTORS**

In the opinion of the directors,

- (i) the accompanying statement of comprehensive income, balance sheet and statement of changes in equity, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and the financial performance and changes in equity of the Company for the financial year ended on that date, and
- (ii) a date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts on the basis that the ultimate holding company has agreed to provide continuing financial support to enable it to meet its liabilities as and when they fall due.

## **DIRECTORS**

The directors of the Company in office at the date of this statement are:-

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

## **ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

# DIRECTORS' STATEMENT

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year except that the directors had stapled security holdings in Far East Hospitality Trust as follow:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Koh Boon Hwee	500,000	500,000	–	–
Wee Kheng Jin	500,000	515,318	–	–
Willie Cheng Jue Hiang	–	–	500,000	515,318
Huang Cheng Eng	500,000	515,318	–	–
Kyle Lee Khai Fatt	500,000	507,813	–	–

## AUDITOR

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

On behalf of the board of directors:

**Koh Boon Hwee**  
Director

**Wee Kheng Jin**  
Director

Singapore  
14 February 2018

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017  
To the Members of FEO Hospitality Trust Management Pte. Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### **Opinion**

We have audited the financial statements of FEO Hospitality Trust Management Pte. Ltd. (the "Company") which comprise the balance sheet of the Company as at 31 December 2017, the statement of comprehensive income and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

### **Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

Management is responsible for other information. The other information comprises General information and Directors' Statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017  
To the Members of FEO Hospitality Trust Management Pte. Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### ***Responsibilities of Management and Directors for the Financial Statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017  
To the Members of FEO Hospitality Trust Management Pte. Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### *Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Ernst & Young LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
14 February 2018

# STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 \$	2016 \$
Administrative expenses		(3,755)	(1,950)
<b>Loss before taxation</b>	4	(3,755)	(1,950)
Income tax expense	5	–	–
<b>Loss for the year, representing total comprehensive income for the year attributable to owners of the Company</b>		(3,755)	(1,950)

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

# BALANCE SHEET

As at 31 December 2017

	Note	2017 \$	2016 \$
<b>Current asset</b>			
Other receivables	6	972	972
<b>Current liabilities</b>			
Other payables and accruals	7	(26,076)	(22,321)
<b>Net current liabilities and net liabilities</b>		(25,104)	(21,349)
<b>Equity attributable to the owners of the Company</b>			
Share capital	8	100	100
Accumulated losses		(25,204)	(21,449)
<b>Deficit in equity</b>		(25,104)	(21,349)

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

**STATEMENT OF  
CHANGES IN EQUITY**  
For the financial year ended 31 December 2017

	<b>Attributable to owners of the Company</b>		
	<b>Share capital (Note 8) \$</b>	<b>Accumulated Losses \$</b>	<b>Total \$</b>
<b>2017</b>			
Balance at 1 January 2017	100	(21,449)	(21,349)
Loss representing total comprehensive income for the year	–	(3,755)	(3,755)
Balance at 31 December 2017	100	(25,204)	(25,104)
<b>2016</b>			
Balance at 1 January 2016	100	(19,499)	(19,399)
Loss representing total comprehensive income for the year	–	(1,950)	(1,950)
Balance at 31 December 2016	100	(21,449)	(21,349)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

## 1. CORPORATE INFORMATION

FEO Hospitality Trust Management Pte. Ltd. (the "Company") is a private limited liability company incorporated and domiciled in Singapore.

The registered office and principal place of business of the Company is located at 1 Tanglin Road #05-01, Orchard Parade Hotel, Singapore 247905.

The principal activities of the Company are asset and portfolio management, and to act as trustee-manager for the Far East Hospitality Business Trust ("Far East H-BT").

The immediate and ultimate holding companies are FEO Asset Management Pte. Ltd. and Far East Organization Centre Pte Ltd, respectively. Both companies are incorporated in Singapore.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards in Singapore ("FRSs").

The financial statements have been prepared on the historical cost basis and are presented in Singapore Dollars (SGD or \$) which is the Company's functional currency.

The financial statements of the Company have been prepared on the basis of going concern notwithstanding that the Company's total and current liabilities exceeded its total and current asset by \$25,104 (2016: \$21,349) because its ultimate holding company has agreed to provide continuing financial support to enable it to meet its liabilities as and when they fall due.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 2.3 *Standards issued but not yet effective*

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

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

### 2.4 *Financial assets*

#### Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial asset at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

#### Subsequent measurement

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

#### Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 2.5 *Financial liabilities*

#### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

#### Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### Derecognition

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

### 2.6 *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

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

NOTES TO  
THE FINANCIAL STATEMENTS  
For the financial year ended 31 December 2017

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

**2.6 *Impairment of financial assets (cont'd)***

Financial assets carried at amortised cost (cont'd)

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

**2.7 *Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**2.8 *Taxes***

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

### 2.8 *Taxes (cont'd)*

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 3.1 *Judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, the management did not make any judgements that have effect on the amounts recognised in the financial statements.

NOTES TO  
THE FINANCIAL STATEMENTS  
For the financial year ended 31 December 2017

**3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)**

**3.2 Key sources of estimation uncertainty**

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**4. LOSS BEFORE TAXATION**

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

	2017 \$	2016 \$
Professional fees	3,755	1,950

**5. INCOME TAX EXPENSE**

A reconciliation between income tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the year ended 31 December 2017 and 2016 is as follows:

	2017 \$	2016 \$
Loss before taxation	(3,755)	(1,950)
Tax benefit at applicable tax rate of 17%	(638)	(331)
Non-deductible expenses	638	331
Income tax expense	-	-

**6. OTHER RECEIVABLES**

	2017 \$	2016 \$
Other receivables – immediate holding company	100	100
Other receivables	872	872
Total loans and receivables	972	972

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

**NOTES TO  
THE FINANCIAL STATEMENTS**  
For the financial year ended 31 December 2017

**7. OTHER PAYABLES AND ACCRUALS**

	2017 \$	2016 \$
Other payables – related parties	22,295	18,540
Accrued operating expenses	3,781	3,781
Total financial liabilities carried at amortised cost	26,076	22,321

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

**8. SHARE CAPITAL**

	2017		2016	
	No. of ordinary shares	Amount \$	No. of ordinary shares	Amount \$
Ordinary shares issued and fully paid-up:				
At beginning of financial year and end of financial year	100	100	100	100

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

**9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main risks arising from the Company's financial instruments credit risk and liquidity risk. The management reviews and agrees policies for managing these risks and they are summarised below:

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. For financial assets, the Company adopts the policy of dealing exclusively with high credit quality counterparties.

The Company has no significant concentrations of credit risk and has in place credit policies and procedures to ensure on-going evaluation and active account monitoring.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

NOTES TO  
THE FINANCIAL STATEMENTS  
For the financial year ended 31 December 2017

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

(b) Liquidity risk

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

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

	<b>1 year or less \$</b>
<hr/>	
<b>At 2017</b>	
Other payables and accruals	26,076
<b>At 2016</b>	
Other payables and accruals	22,321

(c) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings. No changes were made in the objectives, policies or processes during the year ended 31 December 2017 and 2016. The Company is not subject to any externally imposed capital requirements.

(d) Fair value measurements

***Financial instruments whose carrying amount approximates fair value***

Management has determined that the carrying amounts of other receivables and other payables and accruals approximate fair values due to their short term nature.

NOTES TO  
THE FINANCIAL STATEMENTS  
For the financial year ended 31 December 2017

**10. RELATED PARTY TRANSACTIONS**

In addition to related party transaction disclosed elsewhere in the financial statements, the following significant transaction took place between the Company and related parties at terms agreed between the parties:

	2017 \$	2016 \$
Reimbursement of expenses paid / payable to related company	3,755	3,750
Reimbursement of expenses paid on behalf of Far East H-BT	–	872

Outstanding balances with related parties as at 31 December 2017 are set out in Notes 6 and 7.

**11. STATEMENT OF CASH FLOWS**

The Company did not prepare a statement of cash flows as the Company does not maintain a bank account. All expenses are paid for by the related party on the Company's behalf.

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

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 14 February 2018.



# STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 2 MARCH 2018

There were 1,857,061,305 Stapled Securities (one vote per Stapled Security) in issue as at 2 March 2018.

Each Stapled Security comprises one unit in Far East H-REIT and one unit in Far East H-BT. There is only one class of units in each of Far East H-REIT and Far East H-BT.

## DISTRIBUTION OF STAPLED SECURITYHOLDINGS

Size of Stapled Securityholdings	No. of Stapled Securityholders	%	No. of Stapled Securities	%
1 – 99	49	0.42	1,886	0.00
100 – 1,000	1,762	15.10	1,682,738	0.09
1,001 – 10,000	6,042	51.79	32,245,276	1.74
10,001 – 1,000,000	3,772	32.33	176,184,163	9.49
1,000,001 and above	42	0.36	1,646,947,242	88.68
<b>TOTAL</b>	<b>11,667</b>	<b>100.00</b>	<b>1,857,061,305</b>	<b>100.00</b>

## LOCATION OF STAPLED SECURITYHOLDERS

Country	No. of Stapled Securityholders	%	No. of Stapled Securities	%
Singapore	11,423	97.91	1,851,216,426	99.69
Malaysia	176	1.51	4,451,366	0.24
Others	68	0.58	1,393,513	0.07
<b>TOTAL</b>	<b>11,667</b>	<b>100.00</b>	<b>1,857,061,305</b>	<b>100.00</b>

## TWENTY LARGEST STAPLED SECURITYHOLDERS

No.	Name	No. of Stapled Securities	%
1	GOLDEN DEVELOPMENT PRIVATE LIMITED	418,589,092	22.54
2	GOLDEN LANDMARK PTE LTD	197,682,633	10.64
3	FAR EAST ORGANIZATION CENTRE PTE LTD	187,892,598	10.12
4	CITIBANK NOMINEES SINGAPORE PTE LTD	182,110,842	9.81
5	OXLEY HILL PROPERTIES PTE LTD	159,214,054	8.57
6	DBS NOMINEES (PRIVATE) LIMITED	90,943,212	4.90
7	RIVERLAND PTE LTD	82,754,081	4.46
8	HSBC (SINGAPORE) NOMINEES PTE LTD	64,966,120	3.50
9	FEO HOSPITALITY ASSET MANAGEMENT PTE LTD	58,408,965	3.15
10	RAFFLES NOMINEES (PTE) LIMITED	40,881,200	2.20
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	40,286,604	2.17
12	BPSS NOMINEES SINGAPORE (PTE.) LTD.	36,278,581	1.95
13	DBSN SERVICES PTE. LTD.	22,431,368	1.21
14	STC INTERNATIONAL HOLDINGS PTE LTD	13,493,000	0.73
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,047,166	0.27
16	PHILLIP SECURITIES PTE LTD	3,879,965	0.21
17	OCBC SECURITIES PRIVATE LIMITED	3,149,869	0.17
18	DB NOMINEES (SINGAPORE) PTE LTD	3,077,149	0.17
19	SOON LI HENG CIVIL ENGINEERING PTE LTD	3,046,882	0.16
20	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,602,514	0.14
	<b>TOTAL</b>	<b>1,616,735,895</b>	<b>87.07</b>

# STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 2 MARCH 2018

## DIRECTORS' INTERESTS IN STAPLED SECURITIES AS AT 21 JANUARY 2018

as listed in the Register of Directors' Stapled Securityholdings maintained by the Managers

Name of Director	Direct Interest		Deemed Interest	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%
Mr Koh Boon Hwee	500,000	0.03	–	–
Mr Wee Kheng Jin	515,318	0.03	–	–
Mr Willie Cheng Jue Hiang	–	–	515,318	0.03
Mr Kyle Lee Khai Fatt	507,813	0.03	–	–
Mr Huang Cheng Eng	515,318	0.03	–	–
Mr Chng Kiong Huat	103,063	0.01	–	–

## CEO'S INTERESTS IN STAPLED SECURITIES AS AT 2 MARCH 2018

Mr Gerald Lee Hwee Keong	406,250	0.02	–	–
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## SUBSTANTIAL STAPLED SECURITYHOLDERS AS AT 2 MARCH 2018

as listed in the Register of Substantial Securityholders' Stapled Securityholdings maintained by the Managers

Name of Substantial Stapled Securityholder	Direct Interest		Deemed Interest	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%
Golden Development Pte Ltd <sup>(1)</sup>	418,039,092	22.51	159,214,054	8.57
Far East Organization Centre Pte Ltd <sup>(2)</sup>	185,156,025	9.97	54,623,886	2.94
Golden Landmark Pte Ltd	191,806,000	10.33	–	–
Oxley Hill Properties Pte Ltd	154,481,000	8.32	–	–
Estate of the late Mr Ng Teng Fong <sup>(3)</sup>	–	–	808,083,628	43.51
F.E. Holdings Pte Ltd <sup>(4)</sup>	–	–	272,100,000	14.65
Mdm Tan Kim Choo <sup>(5)</sup>	–	–	330,976,162	17.82
Mr Ng Chee Tat Philip <sup>(6)</sup>	–	–	1,081,950,011	58.26
Mr Ng Chee Siong <sup>(7)</sup>	–	–	808,083,628	43.51

### Notes:

The percentages of the above interests are calculated based on total issued Stapled Securities as at 2 March 2018 which is 1,857,061,305.

- (1) Golden Development Private Limited is deemed to be interested in the Stapled Securities held by Oxley Hill Properties Pte Ltd by virtue of Golden Development Private Limited's controlling interest in Oxley Hill Properties Pte. Ltd..
- (2) Far East Organization Centre Pte. Ltd. is deemed to be interested in the Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of Far East Organization Centre Pte. Ltd.'s controlling interest in FEO Asset Management Pte. Ltd., which in turn has controlling interest in FEO Hospitality Asset Management Pte. Ltd..

# STATISTICS OF STAPLED SECURITYHOLDINGS

AS AT 2 MARCH 2018

- (3) As per the announcement made on 28 July 2017, the Estate of the late Mr Ng Teng Fong (the "Estate") is deemed to be interested in 411,408,546 Stapled Securities held by Golden Development Private Limited, 185,156,025 Stapled Securities held by Far East Organization Centre Pte. Ltd., 156,895,171 Stapled Securities held by Oxley Hill Properties Pte. Ltd. and 54,623,886 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of the Estate having controlling interests:
- a) in Golden Development Private Limited and Far East Organization Centre Pte. Ltd..
  - b) in Golden Development Private Limited, which in turn has controlling interest in Oxley Hill Properties Pte. Ltd..
  - c) of more than 20% interest in Far East Organisation Pte. Ltd., which in turn has controlling interest in Far East Orchard Limited, which in turn has interest of more than 20% in FEO Hospitality Asset Management Pte. Ltd.. The Estate also has controlling interest in Far East Organization Centre Pte Ltd, which in turn has controlling interest in FEO Asset Management Pte. Ltd., which in turn has controlling interest in FEO Hospitality Asset Management Pte. Ltd..
- (4) As per announcement made on 5 August 2013, F.E. Holdings Pte. Ltd. is deemed to be interested in 191,806,000 Stapled Securities held by Golden Landmark Pte. Ltd. and 80,294,000 Stapled Securities held by Riverland Pte. Ltd..
- (5) As per the announcement made on 28 July 2017, Madam Tan Kim Choo is deemed to be interested in the aggregate of 330,976,162 Stapled Securities as follows:
- a) Golden Landmark Pte. Ltd. has direct interest in 194,803,472 Stapled Securities. Madam Tan Kim Choo has interest of more than 20% in F.E. Holdings Pte. Ltd., which in turn has controlling interest in Golden Landmark Pte. Ltd..
  - b) Riverland Pte. Ltd. has direct interest in 81,548,804 Stapled Securities. Madam Tan Kim Choo has interest of more than 20% in F.E. Holdings Pte. Ltd., which in turn has controlling interest in Victory Realty Co Private Ltd, which in turn has controlling interest in Riverland Pte. Ltd..
  - c) FEO Hospitality Asset Management Pte. Ltd. has direct interest in 54,623,886 Stapled Securities. Madam Tan Kim Choo has interest of more than 20% in Far East Organisation Pte. Ltd., which in turn has controlling interest in Far East Orchard Limited, which in turn has interest of more than 20% in FEO Hospitality Asset Management Pte. Ltd..
- (6) As per announcement made on 28 June 2017, Mr Ng Chee Tat Philip is deemed to be interested in 194,803,472 Stapled Securities held by Golden Landmark Pte. Ltd., 81,548,804 Stapled Securities held by Riverland Pte. Ltd., 185,156,025 Stapled Securities held by Far East Organization Centre Pte. Ltd., 411,408,546 Stapled Securities held by Golden Development Private Limited, 156,895,171 Stapled Securities held by Oxley Hill Properties Pte. Ltd. and 52,137,993 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of:-
- a) Mr Ng Chee Tat Philip has a more than 20% interest in F.E. Holdings Pte. Ltd., which in turn has controlling interest in Golden Landmark Pte. Ltd..
  - b) Mr Ng Chee Tat Philip has a more than 20% interest in F.E. Holdings Pte. Ltd., which in turn has controlling interest in Victory Realty Co Private Ltd, which in turn has a controlling interest in Riverland Pte. Ltd..
  - c) Mr Ng Chee Tat Philip is a beneficiary of the Estate who in turn has a controlling interest in Far East Organization Centre Pte. Ltd..
  - d) Mr Ng Chee Tat Philip is a beneficiary of the Estate who in turn has controlling interest in Golden Development Private Limited, which in turn has a controlling interest in Oxley Hill Properties Pte. Ltd..
  - e) Mr Ng Chee Tat Philip is a beneficiary of the Estate who has a more than 20% interest in Far East Organisation Pte. Ltd., which in turn has a controlling interest in Far East Orchard Limited, which in turn has a more than 20% interest in FEO Hospitality Asset Management Pte. Ltd.. The Estate also has controlling interest in Far East Organization Centre Pte. Ltd., which in turn has controlling interest in FEO Asset Management Pte. Ltd., which in turn has controlling interest in FEO Hospitality Asset Management Pte. Ltd..
- (7) Mr Ng Chee Siong is a beneficiary of the Estate is deemed to be interested in the aggregate of 808,083,628 Stapled Securities held by Golden Development Private Limited, Far East Organization Centre Pte. Ltd., Oxley Hill Properties Pte. Ltd. and FEO Hospitality Asset Management Pte. Ltd. as stated in (3) above.

## FREE FLOAT

In Compliance with Listing Rule 1207 (9) of the SGX-ST Listing Manual, approximately 40.36% of the total number of Stapled Securities issued is held by the public as at 2 March 2018.

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

# NOTICE OF ANNUAL GENERAL MEETING



## FAR EAST HOSPITALITY TRUST

A stapled group comprising:

### FAR EAST HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 1 August 2012  
under the laws of the Republic of Singapore)

managed by

**FEO Hospitality Asset Management Pte. Ltd.**

### FAR EAST HOSPITALITY BUSINESS TRUST

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

managed by

**FEO Hospitality Trust Management Pte. Ltd.**

**NOTICE IS HEREBY GIVEN** that the 6<sup>th</sup> Annual General Meeting of the holders of stapled securities in Far East Hospitality Trust ("Far East H-Trust, and the holders of stapled securities of Far East H-Trust, "Stapled Securityholders") will be held at Antica Ballroom, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 on Monday, 23 April 2018 at 2.30 p.m. to transact the following business:

#### Ordinary Business

- Ordinary Resolution 1 : To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2017, comprising the audited Financial Statements of Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") and the audited Financial Statements of Far East Hospitality Business Trust ("Far East H-BT"), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT (the "REIT Trustee"), the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the "REIT Manager"), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the "Trustee-Manager"), together with the Auditor's Report thereon.
- Ordinary Resolution 2 : To re-appoint Ernst & Young LLP as auditors of Far East H-Trust comprising Far East H-REIT and Far East H-BT to hold office until the conclusion of the next Annual General Meeting of Far East Hospitality Trust and to authorise the REIT Manager and the Trustee-Manager to determine their remuneration.

# NOTICE OF ANNUAL GENERAL MEETING

## Special Business

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

Ordinary Resolution 3 :

**THAT** authority be and is hereby given to the REIT Manager and the Trustee-Manager, to

- (a) (1) issue new units in Far East H-REIT ("Far East H-REIT Units") and new units in Far East H-BT ("Far East H-BT Units", together the "**Stapled Securities**") whether by way of rights or otherwise; and/or
- (2) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities,

at any time and upon such terms and conditions and for such purposes and to such persons as the REIT Manager and the Trustee-Manager may in their absolute discretion deem fit; and

- (b) issue Stapled Securities in pursuance of any Instrument made or granted by the REIT Manager and the Trustee-Manager while this Resolution is in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force), provided that:
  - (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to Stapled Securityholders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (as calculated in accordance with sub-paragraph (2) below);
  - (2) subject to such manner of calculation as may be prescribed by The Singapore Exchange Securities Trading Limited ("SGX-ST") for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities shall be based on the number of issued Stapled Securities at the time this Resolution is passed, after adjusting for:
    - (i) any new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
    - (ii) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;

## NOTICE OF ANNUAL GENERAL MEETING

- (3) in exercising the authority conferred by this Resolution, the REIT Manager and the Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, Chapter 31A of Singapore for the time being in force (unless otherwise exempted or waived by The Monetary Authority of Singapore), the trust deed constituting Far East H-REIT (as amended) (the “**REIT Trust Deed**”) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed constituting Far East H-BT (the “**BT Trust Deed**”) for the time being in force (unless otherwise exempted or waived by The Monetary Authority of Singapore) and the stapling deed stapling Far East H-REIT and Far East H-BT for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) (unless revoked or varied by the Stapled Securityholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of Far East H-Trust or (ii) the date by which the next Annual General Meeting of Far East H-Trust is required by law to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the REIT Manager and the Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and
- (6) the REIT Manager, the REIT Trustee and the Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the REIT Manager, the REIT Trustee or, as the case may be, the Trustee-Manager may consider expedient or necessary or in the interest of Far East H-REIT, Far East H-BT and Far East H-Trust as a whole to give effect to the authority conferred by this Resolution.

By Order of the Board

**Lin Moi Heyang**  
Company Secretary  
FEO Hospitality Asset Management Pte. Ltd.  
(Company Registration No. 201102629K)  
29 March 2018

By Order of the Board

**Lin Moi Heyang**  
Company Secretary  
FEO Hospitality Trust Management Pte. Ltd.  
(Company Registration No. 201210698W)  
29 March 2018

# NOTICE OF ANNUAL GENERAL MEETING

## **Important Notice:**

1. A Stapled Securityholder entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Stapled Securityholder.
2. Where a Stapled Securityholder appoints two proxies and does not specify the proportion of his/her stapled securityholding to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies.
3. All resolutions at the Annual General Meeting and at any adjournment thereof will be voted on by way of a poll.
4. The instrument appointing a proxy or proxies (the "Proxy Form") must be deposited at the Stapled Security Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for holding the Annual General Meeting.

## **Explanatory Note on Ordinary Resolution 3**

The Ordinary Resolution 3 above, if passed, will empower the REIT Manager and the Trustee-Manager to issue Stapled Securities and to make or grant instruments (such as warrants, debentures or other securities) convertible into Stapled Securities and issue Stapled Securities pursuant to such instruments from the date of the Annual General Meeting until (i) the conclusion of the next Annual General Meeting of Far East H-Trust or (ii) the date by which the next Annual General Meeting of Far East H-Trust is required by the applicable regulations to be held, whichever is earlier, unless such authority is earlier revoked or varied by the Stapled Securityholders at a general meeting. The aggregate number of Stapled Securities which the REIT Manager and the Trustee-Manager may issue (including Stapled Securities to be issued pursuant to convertibles) under this Resolution must not exceed fifty per cent. (50%) of the total number of issued Stapled Securities of which up to twenty per cent. (20%) of the total number of issued Stapled Securities may be issued other than on a pro rata basis to Stapled Securityholders.

The Ordinary Resolution 3 above, if passed, will empower the REIT Manager and the Trustee-Manager from the date of the Annual General Meeting until the date of the next Annual General Meeting of Far East H-Trust, to issue Stapled Securities as either partial or full payment of the fees which the REIT Manager and the Trustee-Manager are entitled to receive for their own accounts pursuant to the REIT Trust Deed and BT Trust Deed respectively.

For the purpose of determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the total number of issued Stapled Securities at the time that Ordinary Resolution 3 above is passed, after adjusting for (i) new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and (ii) any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Stapled Securityholders is required under the Listing Manual of SGX-ST, the REIT Trust Deed, the BT Trust Deed and the Stapling Deed or any relevant laws and regulations in such instances, the REIT Manager and the Trustee-Manager will then obtain the approval of Stapled Securityholders accordingly.





## FAR EAST HOSPITALITY TRUST

A stapled group comprising:

**FAR EAST HOSPITALITY REAL ESTATE INVESTMENT TRUST**

(a real estate investment trust constituted on 1 August 2012 under the laws of the Republic of Singapore)

managed by

**FEO Hospitality Asset Management Pte. Ltd.**

**FAR EAST HOSPITALITY BUSINESS TRUST**

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

managed by

**FEO Hospitality Trust Management Pte. Ltd.**

## PROXY FORM

### 6<sup>th</sup> ANNUAL GENERAL MEETING OF FAR EAST HOSPITALITY TRUST

I/We \_\_\_\_\_ (Name(s) with NRIC No./Passport No./  
Company Registration No.) \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ (Address)

being a Stapled Securityholder/Stapled Securityholders of Far East Hospitality Trust ("Far East H-Trust") hereby appoint:

Name	Address	NRIC No./ Passport No.	Proportion of Stapled Securityholdings	
			No. of Stapled Securities	%

and/or (delete as appropriate)

Name	Address	NRIC No./ Passport No.	Proportion of Stapled Securityholdings	
			No. of Stapled Securities	%

or, both of whom failing, the Chairman of the meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, at the 6th Annual General Meeting of Far East H-Trust to be held at Antica Ballroom, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 on Monday, 23 April 2018 at 2.30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/she/they may on any other matter arising at the Annual General Meeting.

Ordinary Resolutions		For*	Against*
<b>Ordinary Business</b>			
1.	To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2017, comprising the audited Financial Statement of Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") and the audited Financial Statement of Far East Hospitality Business Trust ("Far East H-BT"), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT (the "REIT Trustee"), the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the "REIT Manager"), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the "Trustee-Manager"), together with the Auditors' Report thereon.		
2.	To re-appoint Ernst & Young LLP as auditors of Far East H-Trust comprising Far East H-REIT and Far East H-BT to hold office until the conclusion of the next Annual General Meeting of Far East Hospitality Trust and to authorise the REIT Manager and the Trustee-Manager to determine their remuneration.		
<b>Special Business</b>			
3.	To authorise the REIT Manager and the Trustee-Manager to issue Stapled Securities and to make or grant convertible instruments.		

\* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

<b>Total number of Stapled Securities held</b>

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

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**FEO HOSPITALITY ASSET  
MANAGEMENT PTE. LTD.**

(as manager of Far East  
Hospitality Real Estate  
Investment Trust)

and

**FEO HOSPITALITY TRUST  
MANAGEMENT PTE. LTD.**

(as trustee-manager of Far East  
Hospitality Business Trust)

c/o

**STAPLED SECURITY REGISTRAR  
BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.**

50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

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**Notes to Proxy Form**

1. A Stapled Securityholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead.
2. Where a Stapled Securityholder appoints more than one proxy, he/she must specify the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy. Where a Stapled Securityholder appoints two proxies and does not specify the proportion of his/her stapled securityholding to be represented by each proxy, then the Stapled Securities held by the Stapled Securityholder are deemed to be equally divided between the proxies.
3. A proxy need not be a Stapled Securityholder.
4. A Stapled Securityholder should insert the total number of Stapled Securities held. If the Stapled Securityholder has Stapled Securities entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Stapled Securityholder.
5. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Stapled Security Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for holding the Annual General Meeting.
6. The Proxy Form must be signed by the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where a Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the REIT Manager and the Trustee-Manager) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
8. The REIT Manager and the Trustee-Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Stapled Securities entered in the Depository Register, the REIT Manager and the Trustee-Manager may reject a Proxy Form if the Stapled Securityholder, being the appointor, is not shown to have Stapled Securities entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting.
9. All Stapled Securityholders will be bound by the outcome of the Annual General Meeting regardless of whether they have attended or voted at the Annual General Meeting.
10. At the meeting, a resolution put to the vote of the meeting shall be decided by way of a poll.
11. Every Stapled Securityholder who is present in person or by proxy shall have one vote for every Stapled Security of which he/she is the Stapled Securityholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.

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