



# Proposed Acquisition of Oasia Hotel Downtown

12 March 2018



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# Agenda

**Overview of the Proposed Acquisition**

**Rationale for and Key Benefits of the Proposed Acquisition**

**Rationale for and Key Benefits of the Master Lease and Earn-out Agreement**

**Pro Forma Financial Effects**

**EGM Resolutions**



# Overview of the Proposed Acquisition

<b>Location</b>	100 Peck Seah Street, Singapore 079333
<b>Tier</b>	Upscale
<b>Leasehold Tenure<sup>(1)</sup></b>	65 years commencing from the Completion Date
<b>Number of Guest Rooms</b>	314
<b>Food &amp; Beverage Outlets</b>	3
<b>Independent Valuation by Knight Frank</b>	S\$210.0m (as at 5 January 2018)
<b>Independent Valuation by Savills</b>	S\$226.0m (as at 29 December 2017)
<b>Purchase Consideration Amount</b>	<b>S\$210.0m</b>
<b>Price per Key</b>	<b>S\$668,789</b>
<b>Vendor and Master Lessee</b>	Far East SOHO Pte. Ltd.
<b>Annualised 9M2017 Net Property Income (“NPI”)</b>	S\$9.6m <sup>(2)</sup>
<b>Earn-out Agreement</b>	Issuance of S\$15.0m worth of Stapled Securities to Vendor if the Earn-out Event Condition is satisfied <sup>(3)</sup>

**Notes:**

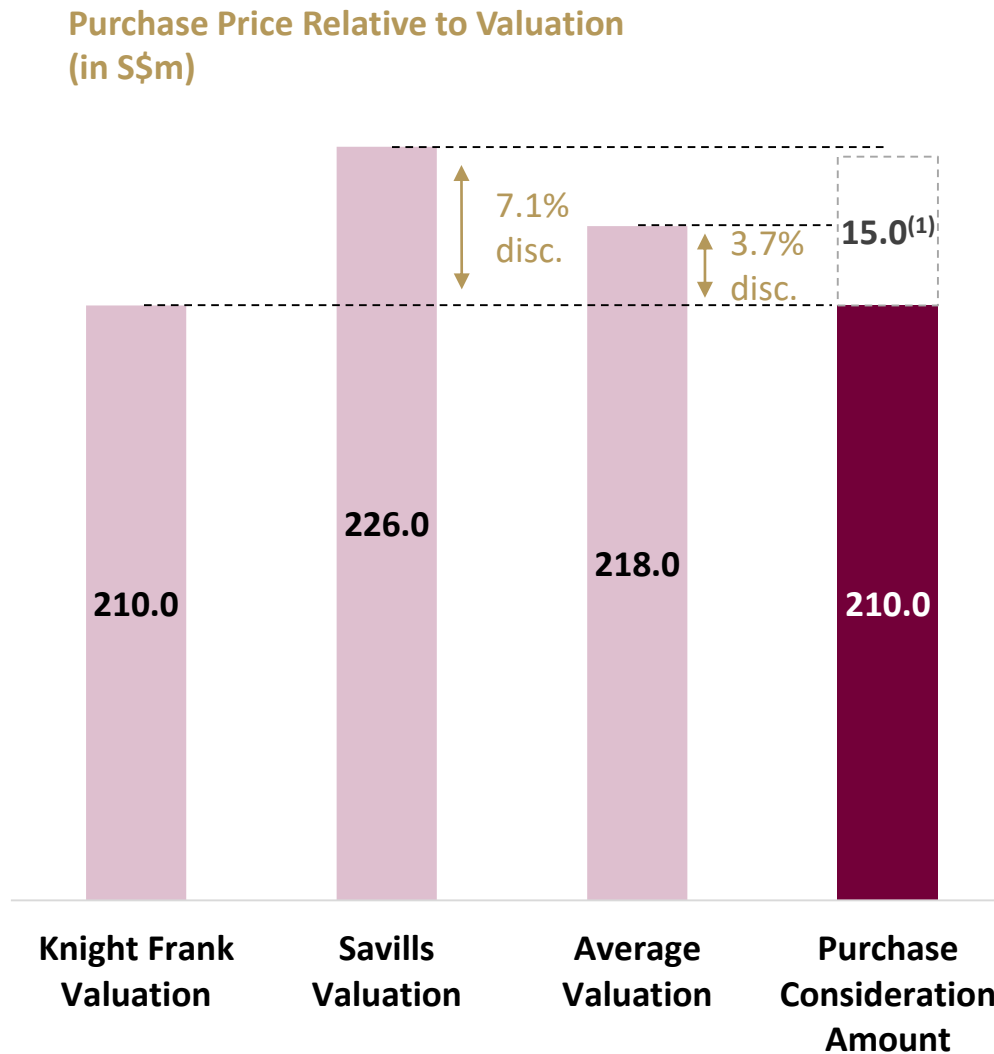
- (1) The Vendor currently owns a leasehold interest of 99 years commencing from 13 April 2011. As the leasehold tenure in the Property to be acquired by the REIT Trustee is in respect of a shorter leasehold period than the length of the leasehold title held by the Vendor, upon expiry of the leasehold tenure held by the REIT Trustee, the title to the Property will revert back to the Vendor.
- (2) Based on the NPI of the Property for the nine-month period ended 30 September 2017 (“9M2017”) and annualised to full year.
- (3) Please see slide 24 for further information on the Earn-out Agreement.



Oasia Hotel Downtown



# Purchase Price Relative to Valuation

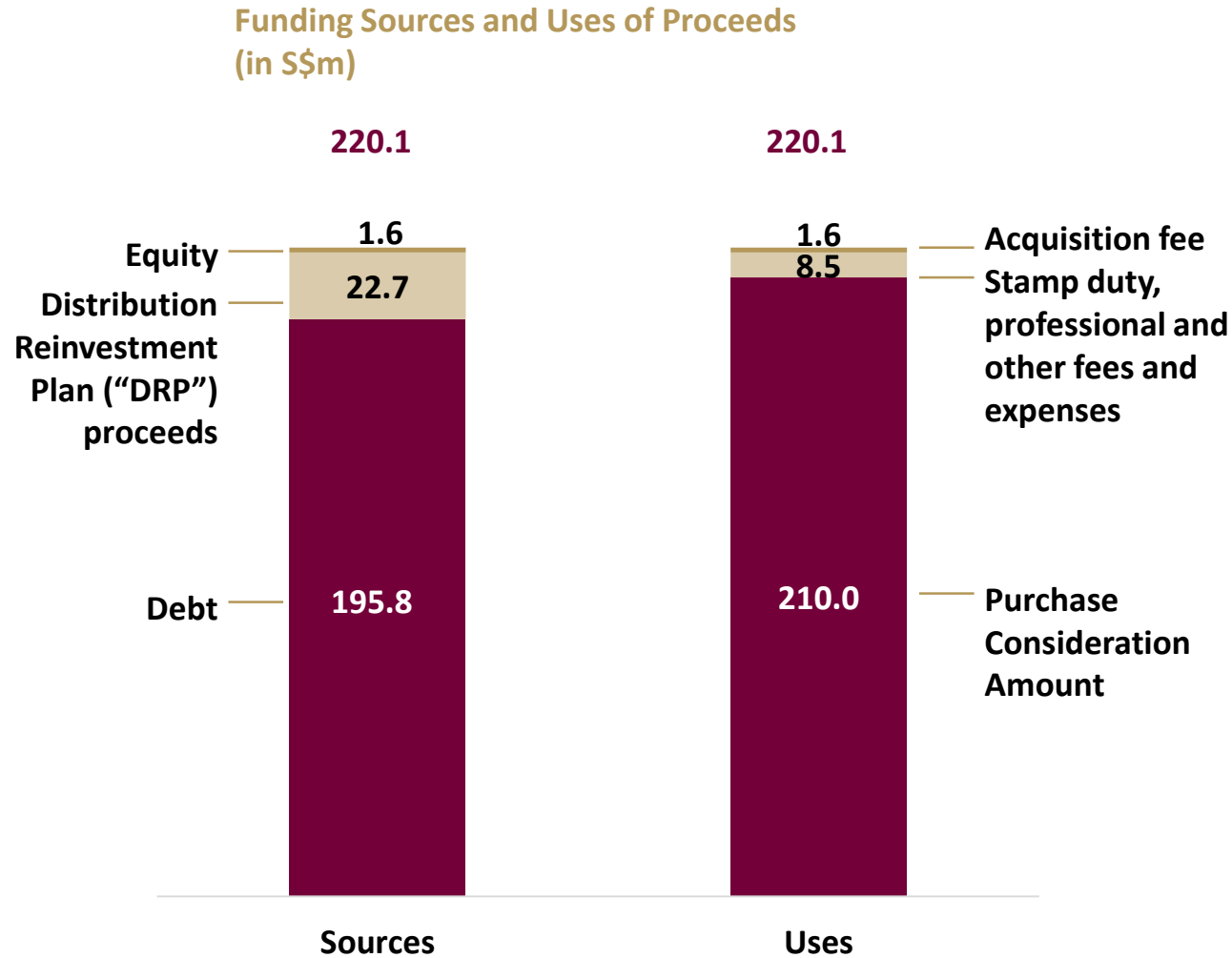


**Note:**

(1) Issuance of S\$15.0m worth of Stapled Securities to Vendor if the Earn-out Event Condition is satisfied, pursuant to the Earn-out Agreement.



# Funding Sources and Uses of Proceeds



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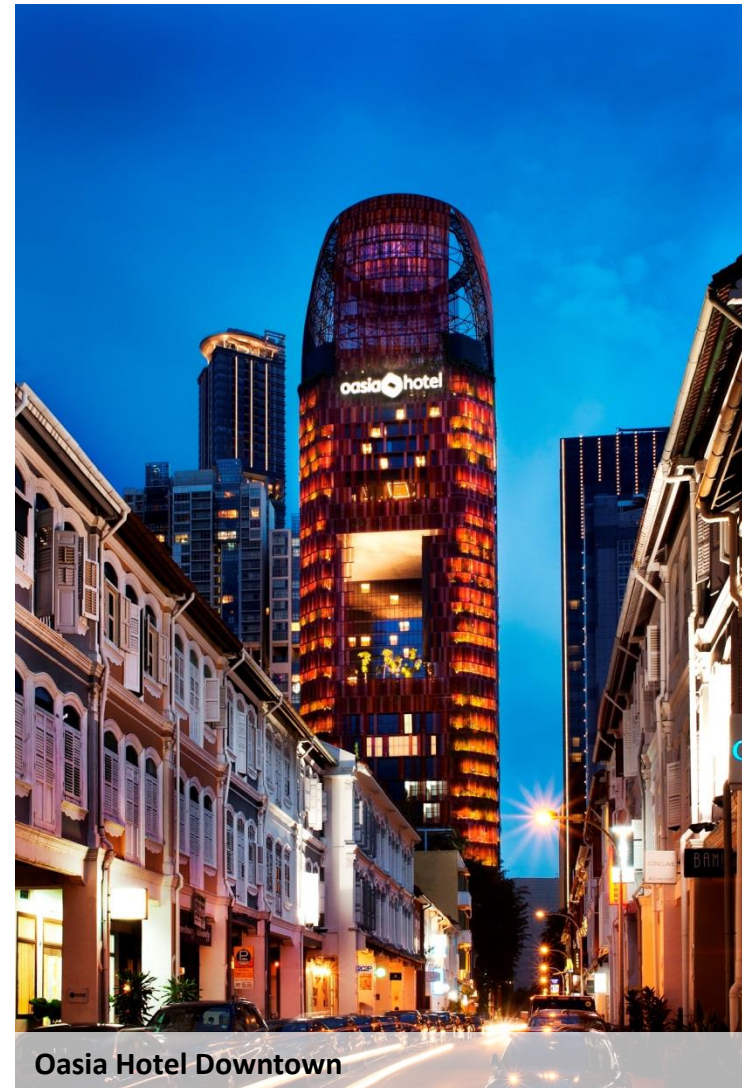
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# Rationale for and Key Benefits of the Proposed Acquisition

- 1 **Yield Accretion**
- 2 **High Quality Property with Strategic Location Providing for Easy Access to the Business, Shopping and Cultural Districts**
- 3 **Attractive RevPAR Growth Potential**
- 4 **Greater Income Diversification**
- 5 **Increased Exposure to Singapore's Upscale Segment and Growth in Corporate Contribution**
- 6 **Benefit from Potential Increase in Leisure Demand Underpinned by Investment in Tourism Infrastructure**



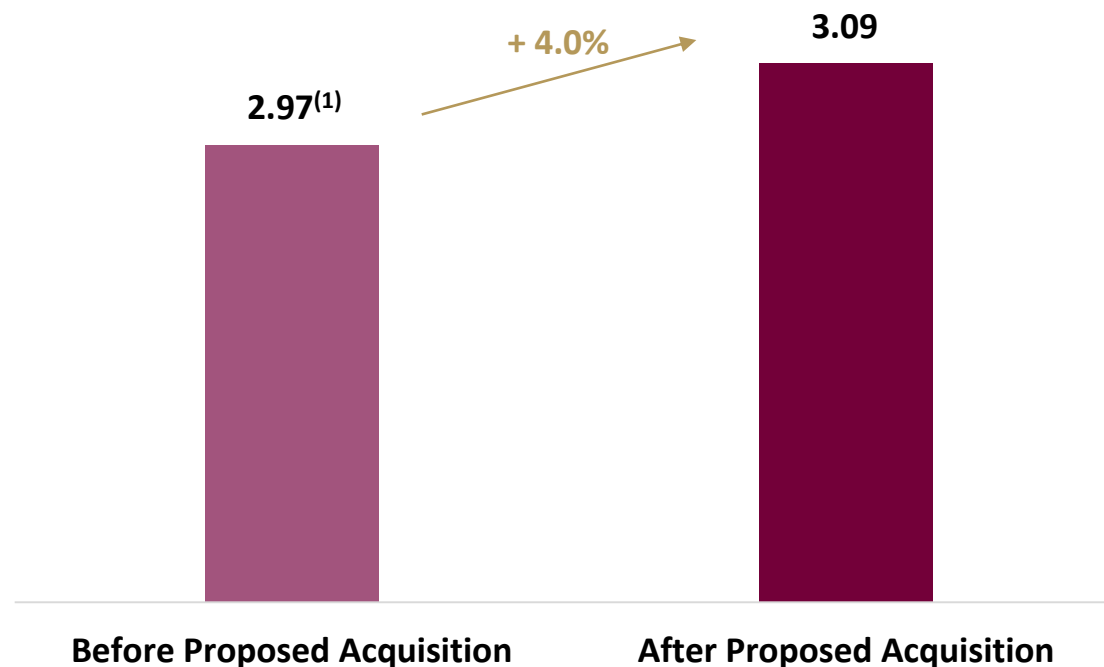
Oasia Hotel Downtown





# Yield Accretive Acquisition

Distribution per Stapled Security for 9M2017  
(in Singapore cents)



**Stapled Securityholders would have enjoyed an increase in distribution per Stapled Security as a result of the Proposed Acquisition, assuming that the Property was acquired on 1 January 2017**

**Note:**

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



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CIN CIN Bar



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



- Strategically located in Singapore's Central Business District, in the downtown Tanjong Pagar area
- Minutes away from Robinson Road, Shenton Way, Raffles Place, Chinatown, Marina Bay and Sentosa
- Convenient transport connectivity
  - Walking distance from Tanjong Pagar MRT
  - Few minutes' drive to MCE, ECP and AYE
  - 30-minute drive from the Singapore Changi Airport

**Oasia Hotel Downtown's proximity to the Central Business District appeals to business travellers**



# An Award-winning Designer Business Hotel

**Multiple-award wins**



**Urban Land Institute (ULI) 2017-2018  
Global Awards for Excellence Winner**



**Singapore Institute of Architects  
Architectural 2017 Design Awards for  
Building Of The Year Winner and Design  
Award Winner (Commercial Projects)**



**Singapore Good Design Mark (SG Mark)  
Platinum Award 2017, the highest accolade**



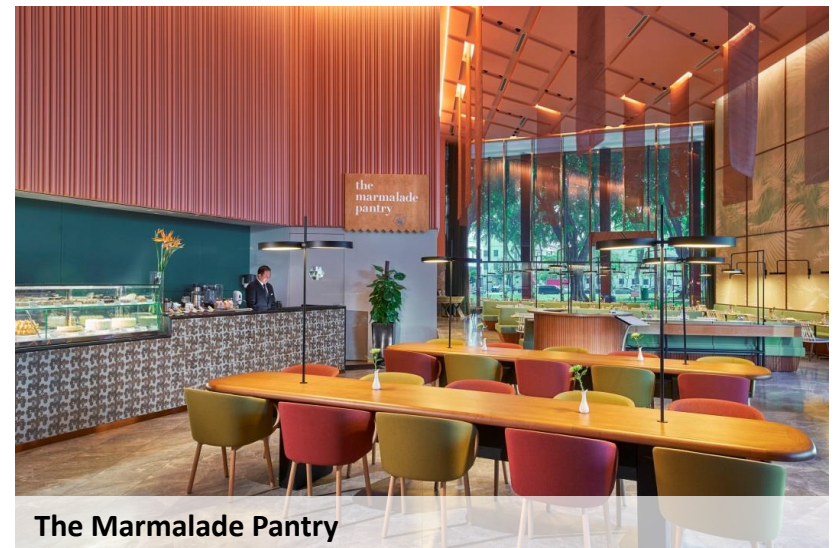


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Concierge

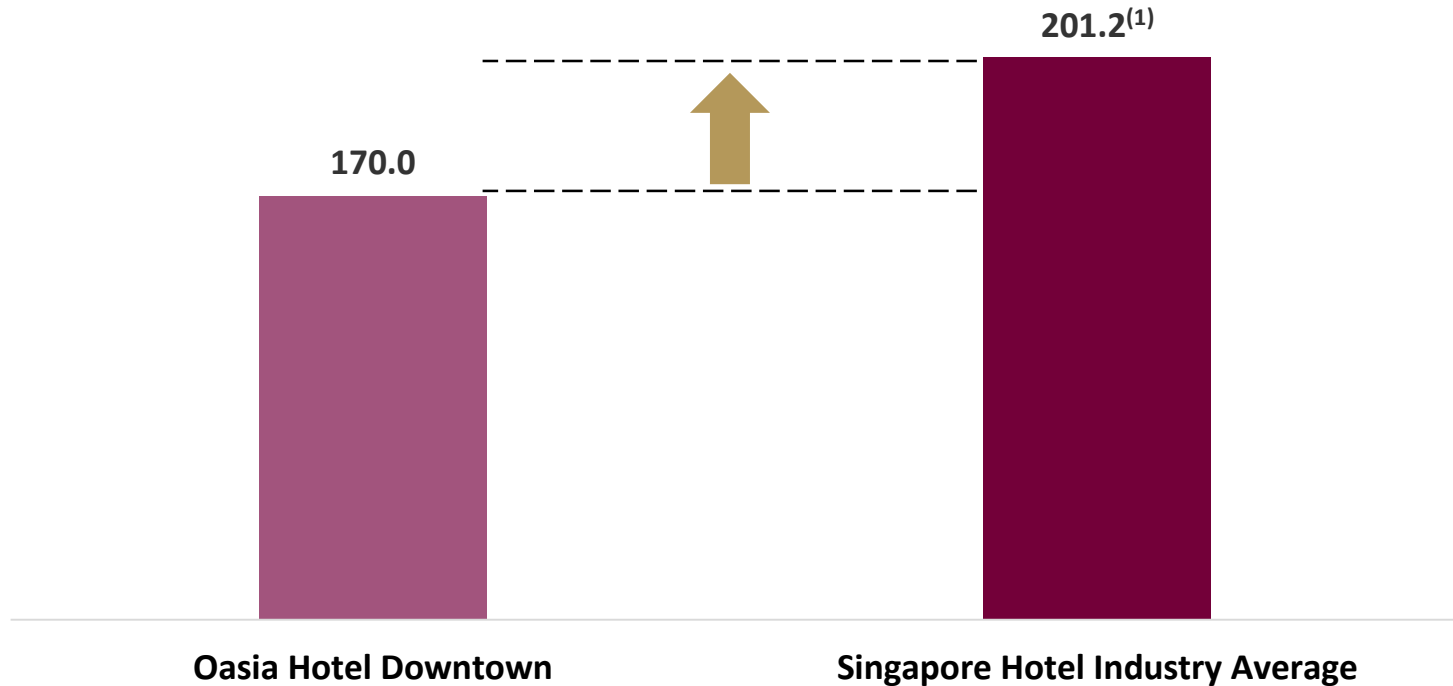


The Marmalade Pantry



# Attractive RevPAR Growth Potential

9M2017 Revenue per Available Room (“RevPAR”)  
(in S\$)



**Relatively new property with attractive opportunity to leverage on the expertise of the REIT Manager and the hotel operator to grow room rates further as occupancy levels stabilise over the next two years**

Source:

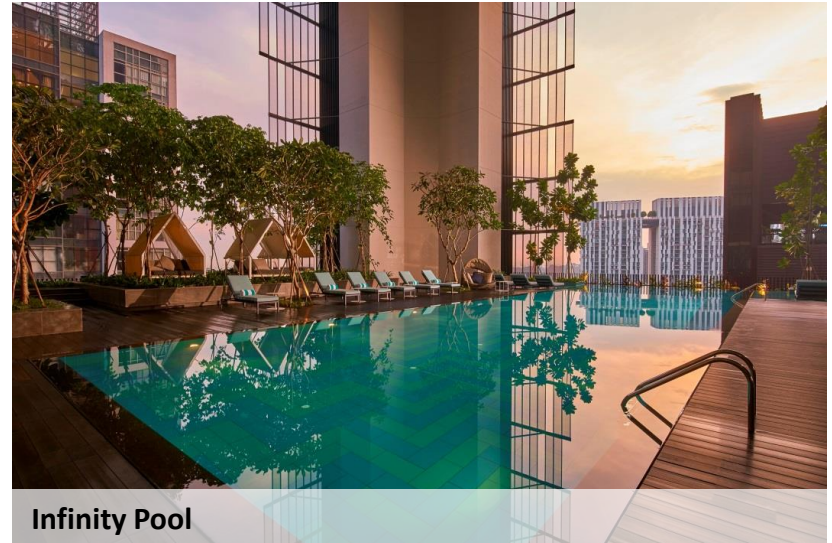
(1) Singapore Tourism Board (“STB”) Hotel Statistics by Tier 2017, published on 13 December 2017. STB has not provided its consent to the inclusion of the information extracted from the relevant report published by it and therefore is not liable for such information. While the Managers have taken reasonable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





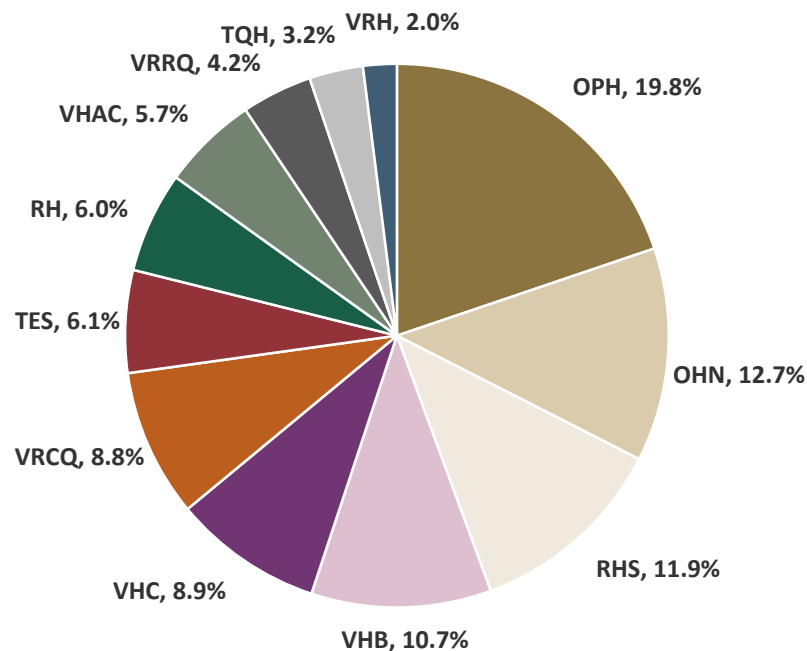
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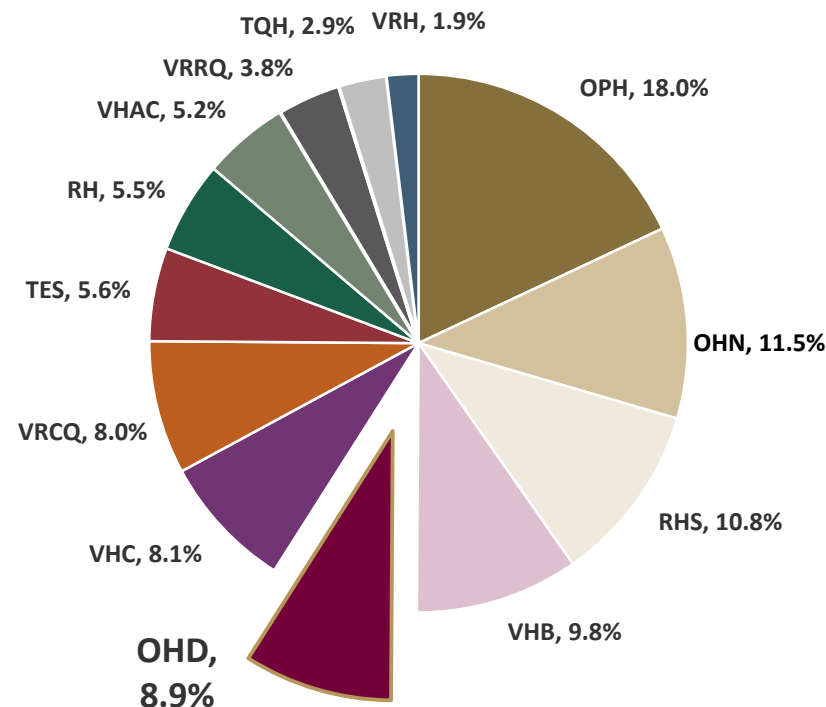


# Greater Income Diversification

Pre-Proposed Acquisition Breakdown of Gross Revenue by Property for 9M2017



Post-Proposed Acquisition Breakdown of Gross Revenue by Property for 9M2017



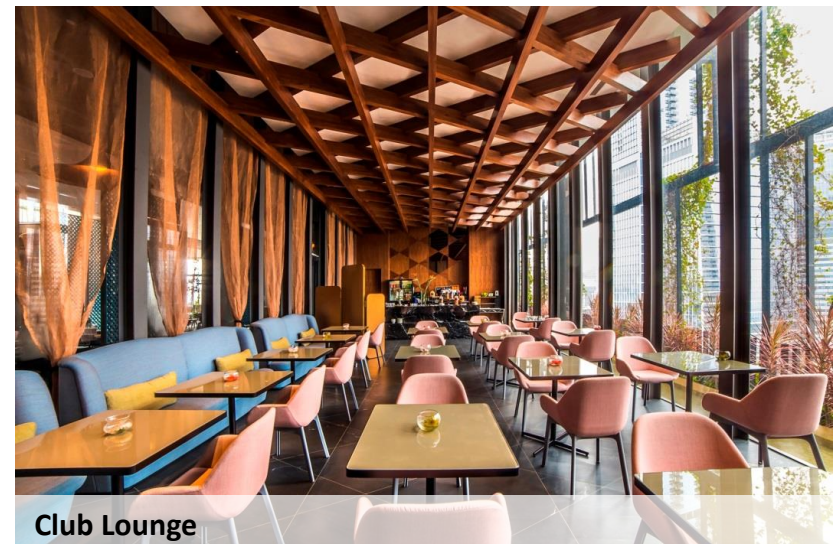
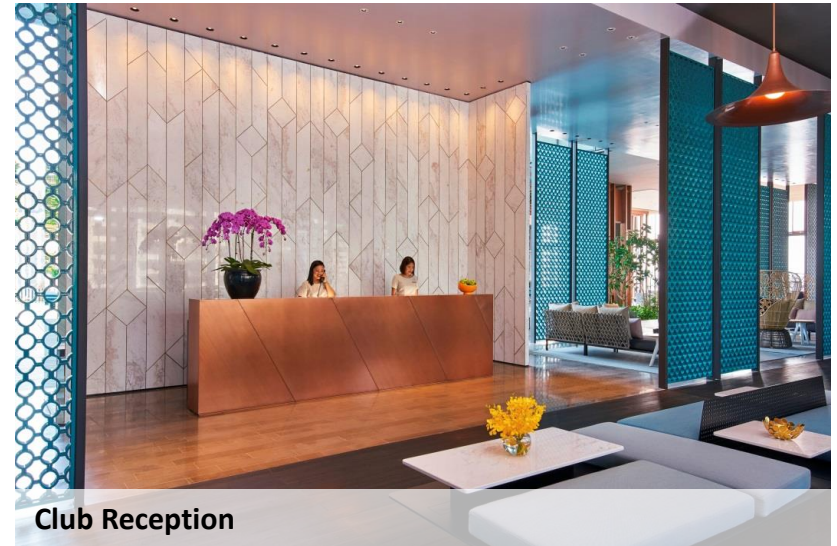
**Maximum gross revenue contribution by any single property would be lower, from 19.8% to 18.0% for 9M2017**

**Notes:**

- (1) Based on the gross revenue of Far East H-REIT's Existing Portfolio and the Property for 9M2017.
- (2) "OPH" – Orchard Parade Hotel, "OHN" – Oasia Hotel Novena, "RHS" – Rendezvous Hotel Singapore, "VHB" – Village Hotel Bugis, "OHD" – Oasia Hotel Downtown, "VHC" – Village Hotel Changi, "VRCQ" – Village Residence Clarke Quay, "TES" – The Elizabeth Hotel, "RH" – Regency House, "VHAC" – Village Hotel Albert Court, "VRRQ" – Village Residence Robertson Quay, "TQH" – The Quincy Hotel and "VRH" – Village Residence Hougang.

# Rationale for and Key Benefits of the Proposed Acquisition

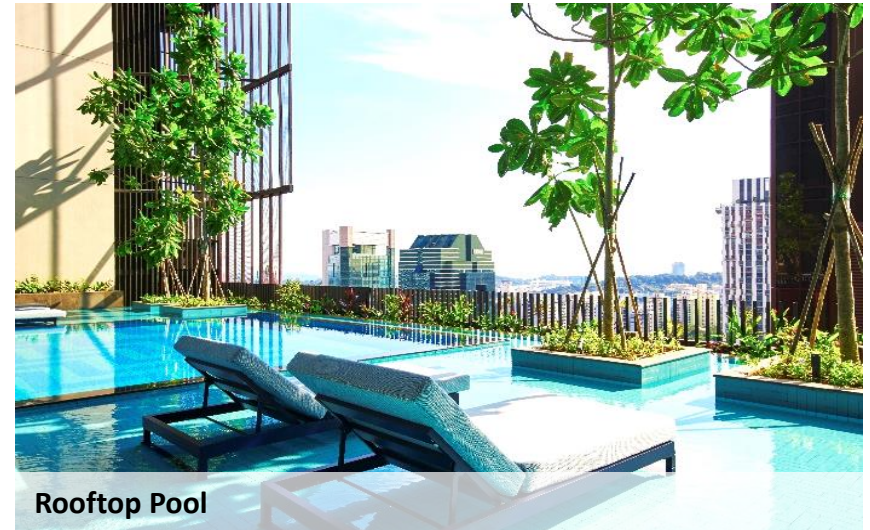
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# Increased Exposure to Singapore's Upscale Segment and Growth in Corporate Contribution

- In line with the REIT Manager's strategy to
  - increase Far East H-Trust's exposure to the upscale hotel segment, and to
  - create a better balance between mid-tier and upscale hotel assets in the portfolio
- Well positioned to drive mid-week corporate business at attractive room rates given proximity to Singapore's Central Business District
- Increase overall corporate contribution to Far East H-Trust's portfolio of hospitality assets

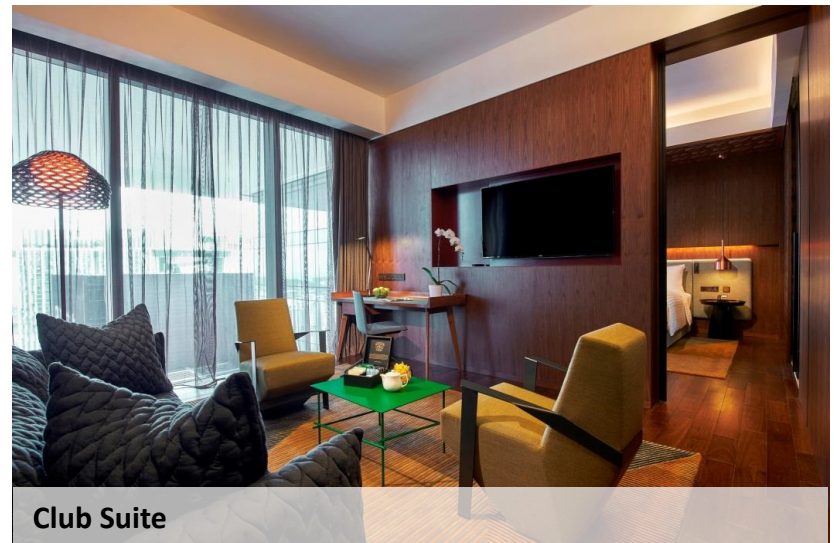


Rooftop Pool



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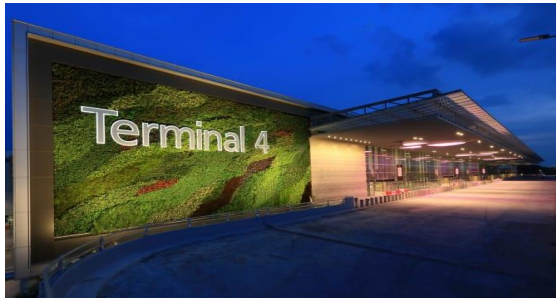
# Benefit from Potential Increase in Leisure Demand Underpinned by Investment in Tourism Infrastructure



*Mandai area makeover*



*Redevelopment of six precincts in Sentosa*



*Changi Airport Terminal 4*

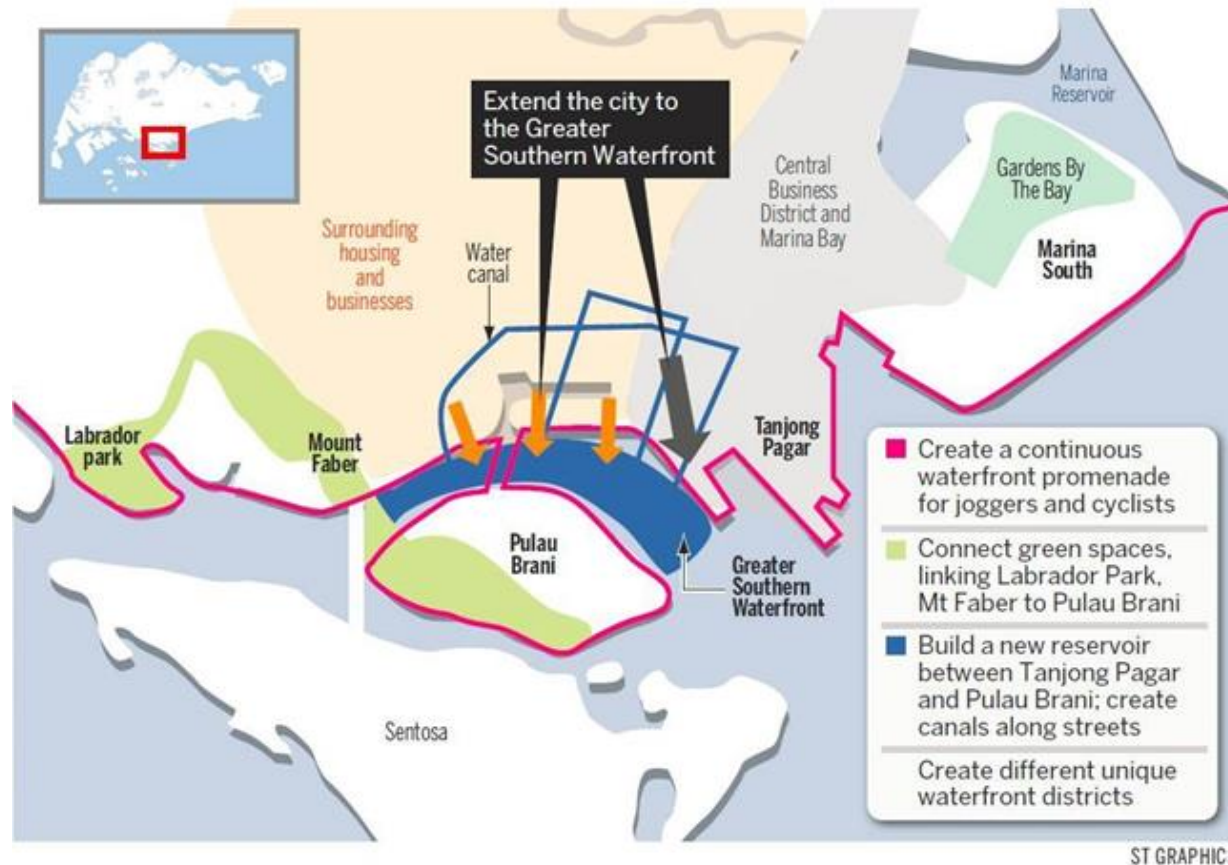


*Concept of Changi Airport Terminal 5*

- Visitor arrivals expected to increase over the coming years
  - Significant additional tourism infrastructure under development (makeover of the Mandai area, redevelopment of six precincts in Sentosa)
- Recent opening of Singapore Changi Airport's Terminal 4 in October 2017 and the future development of Terminal 5 should further increase airline traffic and visitor arrivals to Singapore
- Further opportunities for the hospitality sector, to increase leisure business especially for the weekends



# Well-positioned to Benefit from the Future Greater Southern Waterfront



**Situated in the Tanjong Pagar area, the Property is well-positioned to benefit from the development of the Greater Southern Waterfront, which the government envisions to be a seamless extension of the city with new live-work-play opportunities<sup>(1)</sup>**

Image source: The Straits Times, 23 November 2013

Source:

(1) Today Online, 20 November 2013 (URL: <http://www.todayonline.com/singapore/ura-unveils-concept-greater-southern-waterfront>). Today Online has not provided its consent to the inclusion of the information extracted from the relevant article published by it and is therefore not liable for such information. While the Managers have taken reasonable actions to ensure that the information from the relevant article published by Today Online is reproduced in its proper form and context, and that the information is extracted accurately and fairly from such article, neither the Managers nor any other party has conducted an independent review of the information contained in such article nor verified the accuracy of the contents of the relevant information.

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# Key Terms, Rationale for and Key Benefits of the Master Lease

<b>Master Lessee</b>	Far East SOHO Pte. Ltd.
<b>Term of Master Lease</b>	20 years plus an option to renew for another 20 years at the Master Lessee's discretion
<b>Fixed Rent under the Master Lease</b>	S\$6.5m per annum
<b>Variable Rent under the Master Lease</b>	33% of the Property's Gross Operating Revenue + 25% of Gross Operating Profit – Fixed Rent <sup>(1)</sup> per annum

- ✓ **Downside protection through the Master Lease Agreement with expected rental growth**
  - **Fixed Rent is approximately 63.6% of total rental payment of the Property for 9M2017**
- ✓ **Long tenure is expected to provide Far East H-REIT with a long-term stream of quality rental income**

**Note:**

(1) If the calculation of the Variable Rent yields a negative figure, the Variable Rent will be deemed to be zero.



# Key Terms of Proposed Earn-out Agreement

<b>Earn-out Amount</b>	S\$15.0m in Stapled Securities
<b>Earn-out Period</b>	5 full fiscal years up to 31 Dec 2023 <sup>(1)</sup>
<b>Earn-out Event Condition</b>	<p>NPI of the Property is at least S\$9.9m per annum for two full consecutive years<sup>(2)</sup></p> <p>NPI = Master Lease Rent – Property Tax – Insurance – MCST Sinking Fund</p>
<b>Issue Price</b>	Issue price of Earn-out Stapled Securities is based on the volume weighted average price for a Stapled Security for all trades on the SGX-ST for the period of 10 business days commencing on the “ex-dividend” date

## Notes:

- (1) Under the Earn-out Agreement, if performance is impacted by (i) a Force Majeure event or (ii) where there is a major damage to (a) 60 or more rooms, (b) the lobby, or (c) access to the Property (each an “Extension Event”), the relevant fiscal year in which such Extension Event occurs will be considered as a Disrupted Year and the Earn-out Period will be extended by 1 year. There will be a maximum of 2 extensions which shall be up to (and including) 31 December 2025.
- (2) As determined in accordance with the Earn-out Agreement.

# Rationale for and Key Benefits of Proposed Earn-out Agreement

- ✓ **Results in a lower amount that is payable upfront**
  - **S\$210.0m Purchase Consideration Amount is at the lower of the two valuations conducted by the Independent Property Valuers**
- ✓ **Stronger incentive for Vendor to achieve better and sustainable future performance of the Property**
- ✓ **Property will continue to be managed by related parties of the Vendor, fostering greater alignment of interest between the Vendor, the Managers and Stapled Securityholders**



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# Pro Forma Financial Effects of the Proposed Acquisition and Master Lease

	Before the Proposed Acquisition	After the Proposed Acquisition
<b>9M2017</b>		
<b>Amount available for distribution (\$m)</b>	54.0 <sup>(1)</sup>	57.5
<b>DPS (\$ cents)<sup>(2)</sup></b>	2.97	3.09
<b>As at 30 September 2017</b>		
<b>NAV (\$m)</b>	1,661.8 <sup>(3)</sup>	1,663.4
<b>NAV per Stapled Security (\$)</b>	0.8942 <sup>(3)</sup>	0.8939

**Notes:**

- (1) Based on the 9M2017 Unaudited Financial Statements, adjusted for the interest savings from the repayment of RCF using the DRP proceeds. The proceeds were temporarily utilised to repay the RCF pending the intended use to finance the Proposed Acquisition.
- (2) Based on distributable income divided by the number of Stapled Securities in issue.
- (3) Based on the 9M2017 Unaudited Financial Statements.



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# EGM Resolutions

## 1 Ordinary Resolution 1

- The proposed acquisition of Oasia Hotel Downtown as a Related Party Transaction (subject to and contingent upon the passing of Resolutions 2 and 3)

## 2 Ordinary Resolution 2

- The proposed Master Lease of Oasia Hotel Downtown as an Interested Person Transaction (subject to and contingent upon the passing of Resolutions 1 and 3)

## 3 Ordinary Resolution 3

- The proposed Earn-Out Agreement and issuance of the Earn-Out Stapled Securities as an Interested Person Transaction (subject to and contingent upon the passing of Resolutions 1 and 2)

**The Independent Financial Adviser is of the opinion that (i) the Proposed Acquisition, (ii) the Master Lease Agreement and (iii) the Earn-out Agreement are on normal commercial terms and not prejudicial to the interests of Far East H-Trust and its minority Stapled Securityholders.**

**Accordingly, the Independent Directors recommend that Stapled Securityholders vote at the EGM in favour of Resolutions 1, 2 and 3.**



**THANK YOU**

