

FAR EAST H-TRUST PROPOSES TO ACQUIRE OASIA HOTEL DOWNTOWN FOR S\$210.0 MILLION

Highlights:

- 314-room upscale hotel in the Tanjong Pagar area to be acquired pursuant to the right of first refusal from the Sponsor
- Strengthen portfolio and benefit from expected growth in visitors to Singapore
- Yield accretive acquisition to be funded by debt facilities and proceeds from distribution reinvestment plan

Singapore, 12 January 2018 – Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”) is pleased to announce that it has entered into a conditional sale and purchase agreement with Far East SOHO Pte. Ltd. (the “Vendor”), a member of the Far East Organization group of companies (the “Sponsor”) to acquire a 65-year leasehold estate in Oasia Hotel Downtown (the “Property”), a 314-room upscale hotel in Tanjong Pagar, for S\$210.0 million (the “Purchase Consideration”), pursuant to the right of first refusal from the Sponsor (the “Proposed Acquisition”). The Purchase Consideration was negotiated on a willing-buyer, willing-seller basis and is at the lower end of two independent valuations from Knight Frank Pte. Ltd. and Savills Valuation and Professional Services (S) Pte. Ltd. (the “Independent Property Valuers”).

The Proposed Acquisition will be funded by debt facilities and Far East Hospitality Trust’s (“Far East H-Trust”) distribution reinvestment plan (“DRP”) proceeds. The Proposed Acquisition would be accretive to the distribution per Stapled Security (“DPS”) of Far East H-Trust for the nine-month period ended September 2017 (“9M2017”). Stapled Securityholders would have enjoyed an increase in the DPS from 2.97¹ cents to 3.09 cents, which is an increase of 4.0% for 9M2017 (assuming that the Property was acquired on 1 January 2017).

Mr Gerald Lee, Chief Executive Officer of the REIT Manager said, “Oasia Hotel Downtown is an award-winning, quality asset which will enhance our existing portfolio. Given its strategic location and proximity to the Central Business District (“CBD”), the hotel is ideal for business travellers.

The proposed acquisition of Oasia Hotel Downtown demonstrates the REIT Manager’s commitment to enhance the total return to Stapled Securityholders as well as increase

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 Far East H-Trust Distribution Reinvestment Plan (“DRP”) proceeds. The proceeds were temporarily utilised to repay the RCF pending the intended use to finance the 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.

potential opportunities for future income and capital growth through acquisitions of quality hospitality assets. 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 revenue per available room. It will also strengthen our revenue contribution from the corporate segment.”

ABOUT THE PROPERTY

The Property is part of a 27-storey hotel-cum-office development located in Singapore’s CBD in the downtown Tanjong Pagar area which is set to be transformed into Singapore’s next waterfront city with a hive of business, commercial and residential activities. The Property is minutes away from Robinson Road, Shenton Way, Raffles Place, Chinatown, Marina Bay and Sentosa.

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

The Property commenced operations on 18 April 2016. Facilities within the hotel include restaurants and a bar, meeting rooms, a 24-hour gymnasium, a club lounge, infinity and rooftop pools, a skyline pavilion and roof terrace. Since its opening, the Property has won several awards 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.

ABOUT THE PROPOSED ACQUISITION

The Property will be acquired from the pipeline of hospitality assets from the Sponsor pursuant to the right of first refusal.

The Purchase Consideration is the lower of the two valuations conducted by the Independent Property Valuers. Subsequent to the completion of the Proposed Acquisition, 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 is not less than S\$9.9 million² for two consecutive fiscal years³ during the Earn-out Period⁴ (the “Earn-out Arrangement”, and the Stapled Securities, the “Earn-out Stapled Securities”). The

² Based on the audited financials in relation to the Property.

³ Determined in accordance with the earn-out agreement to be entered into between the REIT Trustee and the Vendor on the completion of the Proposed Acquisition (the “Earn-out Agreement”).

⁴ Refers to the period commencing from (and including) the date of completion of the Proposed Acquisition and up to (and including) 31 December 2023 (the “Earn-out Expiry Date”), or such extended expiry date, in the event of an Extension Event (as determined in accordance with the Earn-out Agreement), whichever is the later. The Earn-out Expiry Date may be extended up to 2 years, which shall be up to (and including) 31 December 2025.

obligation of Far East H-Trust to issue the Earn-out Stapled Securities would cease after the Earn-out Period. The aggregate of the purchase consideration and the earn-out amount of S\$15.0 million will not exceed the higher of two valuations conducted by the independent property valuers.

This Earn-out Arrangement results in a lower amount that is payable upfront by Far East H-REIT, 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.

Upon completion of the Proposed Acquisition, the Property will be leased to Far East SOHO Pte. Ltd. for an initial term of 20 years with an option for a further 20 years under a master lease agreement (the "Master Lease Agreement") - a similar arrangement with that of the other assets within the existing portfolio, which provides for downside protection as well as expected upside in rental growth.

POISED TO BENEFIT FROM POTENTIAL GROWTH IN TOURISM

Significant tourism infrastructure such as the makeover of the Mandai area and the redevelopment of six precincts in Sentosa is expected to materialise over the coming years. The recent opening of Singapore Changi Airport's Terminal 4 in Q4 2017 and the future development of Terminal 5 should further increase airline traffic and visitor arrivals to Singapore. These developments are likely to translate into further opportunities for the hospitality sector and increase leisure business especially for the weekends.

With the Proposed Acquisition, Far East H-Trust can benefit further from such potential increase in leisure demand in Singapore.

EXTRAORDINARY GENERAL MEETING

The Proposed Acquisition of Oasia Hotel Downtown, grant of the Master Lease Agreement and Earn-out Arrangement are subject to the approval of Stapled Securityholders at an extraordinary general meeting ("EGM") to be convened.

A circular is expected to be issued to Stapled Securityholders in due course, together with a notice of the EGM to be held.

– End –

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ABOUT FAR EAST HOSPITALITY TRUST (“Far East H-Trust”)

Far East H-Trust is the first and only Singapore-Focused Hotel and Serviced Residence Hospitality Trust listed on the Main Board of The Singapore Exchange Securities Trading Limited (“SGX-ST”). 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-Trust was listed on the SGX-ST on 27 August 2012 and has a portfolio of 12 properties totaling 2,829 hotel rooms and serviced residence units valued at approximately \$2.42 billion as at 31 December 2016. Managed by FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. (collectively, the “Managers”) and sponsored by members of Far East Organization Group (the “Sponsor”), Far East H-Trust seeks to provide Stapled Securityholders with regular, stable and growing distributions on a quarterly basis. Far East H-Trust is listed on the FTSE ST Mid Cap Index.

ABOUT THE MANAGERS

FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. are the managers of Far East H-REIT and Far East H-BT respectively. Both are 67.0% owned by FEO Asset Management Pte. Ltd., which is a wholly-owned subsidiary of Far East Organization Centre Pte. Ltd., and 33.0% owned by Far East Orchard Limited (“FEOR”). FEOR is 60.6% owned by Far East Organisation Pte. Ltd. as at the date of this press release.

IMPORTANT NOTICE

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Managers' current view of future events.

The value of the Stapled Securities and the income derived from them, if any, may fall as well as rise. The Stapled Securities are not obligations of, deposits in, or guaranteed by, the Managers or any of their affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors should note that they will have no right to request the Managers to redeem or purchase their Stapled Securities for so long as the Stapled Securities are listed on the SGX-ST. It is intended that investors and Stapled Securityholders may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities. The past performance of Far East H-Trust is not necessarily indicative of the future performance of Far East H-Trust.