

FAR EAST HOSPITALITY TRUST

Comprising

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

Minutes of the 7th Annual General Meeting of Far East Hospitality Trust ("Far East H-Trust")
held at Antica Ballroom, Orchard Rendezvous Hotel, 1 Tanglin Road, Singapore 247905
on Wednesday, 17 April 2019 at 2.30 pm.

PRESENT: Stapled Securityholders/ Proxies

As per attendance list

IN ATTENDANCE: Directors of FEO Hospitality Asset Management Pte Ltd (as manager of Far East Hospitality Real Estate Investment Trust "REIT Manager") and FEO Hospitality Trust Management Pte Ltd (as "Trustee-Manager" of Far East Hospitality Business Trust) (collectively the "Managers")

Mr Wee Kheng Jin - Chairman of the Meeting, Stapled Securityholder & Proxy
Mr Willie Cheng
Mr Huang Cheng Eng - Stapled Securityholder
Mr Kyle Lee Khai Fatt - Stapled Securityholder
Mr Vivienne Lim Hui Bian

Key Management of the REIT Manager

Mr Gerald Lee - Chief Executive Officer ("CEO") & Stapled Securityholder
Ms Regina Yap - Chief Financial Officer ("CFO")

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

Ms Soh Ee Fong
Mr Lee Zhi Kang
Ms Jane Lim

Tricor Evatthouse Corporate Services

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

- BY INVITATION:** Ernst & Young LLP

 3 as per attendance list

 Allen & Gledhill

 2 as per attendance list

1.0 WELCOME AND INTRODUCTION

- 1.1 Mr Wee Kheng Jin¹, the Chairman of the Managers' Board, who had been nominated by the REIT Trustee to preside as Chairman of the meeting ("Chairman") in accordance with paragraph 8 of the Schedule 1 of the Trust Deed constituting Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") dated 1 August 2012 (as amended), welcomed the stapled securityholders, corporate representatives, proxies and guests present at the 7th Annual General Meeting ("AGM" or "Meeting").
- 1.2 The Chairman then introduced the Directors and Management on the panel comprising Mr Wee Kheng Jin, Mr Willie Cheng, Mr Kyle Lee, Mr Huang Cheng Eng, Ms Vivienne Lim Hui Bian, Mr Gerald Lee and Ms Regina Yap.

2.0 PRESENTATION ON THE PERFORMANCE OF FAR EAST H-TRUST

- 2.1 Mr Gerald Lee gave a presentation covering 2018 year in review, growth strategy, asset enhancement initiatives, investment, capital management and outlook of Far East H-Trust.

(After meeting note: The presentation slides were subsequently uploaded to the SGXNET on 17 April 2019 after trading hours.)

3.0 QUORUM

- 3.1 Chairman noted that a quorum was present and declared at 2.50 p.m. that the 7th AGM of Far East H-Trust duly convened.

4.0 NOTICE OF AGM

- 4.1 The notice of AGM dated 25 March 2019 convening the meeting, having been in the hands of the stapled securityholders for the requisite period was, with the concurrence of the meeting, taken as read.
- 4.2 The Chairman informed the stapled securityholders that all resolutions put forth at the meeting would be voted by way of a poll after they have been formally tabled at the

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

meeting and after all the questions posed by stapled securityholders have been answered.

The Chairman proceeded with the formal proceedings of the meeting.

5.0 PROPOSED ORDINARY RESOLUTIONS

5.1 Ordinary Resolution 1 - Audited Financial Statements of Far East H-Trust

The Chairman tabled the following first proposed resolution:-

“That the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2018, comprising the audited Financial Statements of Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”) and the audited Financial Statements of Far East Hospitality Business Trust (“Far East H-BT”), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT, the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the “REIT Manager”), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the “Trustee-Manager”), the Statement by the Chief Executive Officer of the Trustee-Manager, together with the Auditor’s Report contained therein be hereby received and adopted.”

5.2 Ordinary Resolution 2 - Re-appointment of Auditors

The Chairman tabled the following second proposed resolution:-

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

5.3 Ordinary Resolution 3 – Authority to Issue Stapled Securities

The Chairman tabled the following third proposed resolution:-

“That authority be and is hereby given to the REIT Manager and the Trustee-Manager, to:-

- (a) (1) issue new units in Far East H-REIT (“Far East H-REIT Units”) and new units in Far East H-BT (“Far East H-BT Units”, together the “Stapled Securities”) whether by way of rights or otherwise; and/or
- (2) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities,

at any time and upon such terms and conditions and for such purposes and to such persons as the REIT Manager and the Trustee-Manager may in their absolute discretion deem fit; and

- (b) issue Stapled Securities in pursuance of any Instrument made or granted by the REIT Manager and the Trustee-Manager while this Resolution is in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force), provided that:
- (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a pro rata basis to Stapled Securityholders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (as calculated in accordance with sub-paragraph (2) below);
 - (2) subject to such manner of calculation as may be prescribed by The Singapore Exchange Securities Trading Limited (“SGX-ST”) for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities shall be based on the number of issued Stapled Securities at the time this Resolution is passed, after adjusting for:
 - (i) any new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;
 - (3) in exercising the authority conferred by this Resolution, the REIT Manager and the Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, 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) (the “Stapling Deed”);
 - (4) (unless revoked or varied by the Stapled Securityholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of Far East H-Trust or (ii) the date by which the next Annual General Meeting of Far East H-Trust is required by law to be held, whichever is earlier;

- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the REIT Manager and the Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and
- (6) the REIT Manager, the REIT Trustee and the Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the REIT Manager, the REIT Trustee or, as the case may be, the Trustee-Manager may consider expedient or necessary or in the interest of Far East H-REIT, Far East H-BT and Far East H-Trust as a whole to give effect to the authority conferred by this Resolution.”

6.0 PROPOSED EXTRAORDINARY RESOLUTIONS

6.1 Extraordinary Resolution 4 – The Proposed Far East H-BT Trust Deed Supplement

The Chairman tabled the following fourth proposed resolution:-

THAT:-

- (a) in accordance with Section 31 of the Business Trusts Act, Chapter 31A of Singapore, approval be and is hereby given to amend the BT Trust Deed to (i) facilitate the extension of the multiple proxies regime; (ii) reflect that voting at meetings of Stapled Securityholders will be carried out by way of poll pursuant to changes to the Listing Manual of the SGX-ST; and (iii) reflect that the minimum holding of Far East H-BT Units is 100 Far East H-BT Units pursuant to changes to the listing rules of the SGX-ST (the “**Listing Rules**”), in the manner set out in Annex A of the appendix to the Notice of Annual General Meeting (the “**Appendix**”) dated 25 March 2019 (the “**Proposed Far East H-BT Trust Deed Supplement**”); and
- (b) the Trustee-Manager and any Director of the Trustee-Manager be and is hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Trustee-Manager may consider expedient or necessary or in the interests of Far East H-BT to give effect to the Proposed Far East H-BT Trust Deed Supplement.

6.2 Extraordinary Resolution 5 – The Proposed Far East H-REIT Trust Deed Communications Supplement, the Proposed Far East H-BT Trust Deed Communications Supplement and the Proposed Stapling Deed Communications Supplement

The Chairman tabled the following fifth proposed resolution:-

THAT:-

- (a) approval be and is hereby given to amend the REIT Trust Deed to include provisions regarding electronic communications of notices and documents to holders of Far East H-REIT Units in the manner set out in Annex B of the Appendix dated 25 March 2019 (the “Proposed Far East H-REIT Trust Deed Communications Supplement”);
- (b) approval be and is hereby given to amend the BT Trust Deed to include provisions regarding electronic communications of notices and documents to holders of Far East H-BT Units in the manner set out in Annex B of the Appendix dated 25 March 2019 (the “Proposed Far East H-BT Trust Deed Communications Supplement”);
- (c) approval be and is hereby given to amend the Stapling Deed to include provisions regarding electronic communications of notices and documents to Stapled Securityholders in the manner set out in Annex B of the Appendix dated 25 March 2019 (the “Proposed Stapling Deed Communications Supplement”); and
- (d) 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 the Trustee-Manager may consider expedient or necessary or in the interests of Far East H-Trust to give effect to the Proposed Far East H-REIT Trust Deed Communications Supplement, the Proposed Far East H-BT Trust Deed Communications Supplement and the Proposed Stapling Deed Communications Supplement.

7.0 QUESTIONS AND ANSWERS SESSION

- 7.1 After all the proposed resolutions have been duly tabled and before poll was conducted for voting on the ordinary and extraordinary resolutions respectively, the Chairman invited questions from stapled securityholders.

(The full text of the substantive questions raised and answers given are contained in Appendix A as attached herewith and forms part of these minutes.)

8.0 VOTING BY ELECTRONIC POLL

- 8.1 After all the questions have been duly answered, the Chairman invited the representative from Boardroom Corporate & Advisory Services Pte Ltd, being the Polling Agent, to explain the voting procedures and brief the stapled securityholders on electronic poll voting process. Chairman also informed the meeting that Drewcorp Services Pte Ltd has been appointed as scrutineers to conduct electronic poll.
- 8.2 Following the briefing, the Chairman announced the commencement of voting.
- 8.3 Chairman informed stapled securityholders that Resolution 1, 2 and 3 are ordinary resolutions, each of which has to be carried by affirmative votes of more than 50% of the total number of votes casted on these resolutions.

Resolutions 4 and 5 are extraordinary resolutions, each of which has to be carried by affirmative votes of more than 75% of the total number of votes cast on these resolutions.

9.0 RESULTS OF THE POLLING

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

Ordinary Resolution 1

No. of votes for : 1,328,870,312 representing 99.97%
No. of votes against : 452,667 representing 0.03%
Total votes cast : 1,329,322,979

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

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

Ordinary Resolution 2

No. of votes for : 1,322,429,388 representing 99.51%
No. of votes against : 6,527,468 representing 0.49%
Total votes cast : 1,328,956,856

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

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

Ordinary Resolution 3

No. of votes for : 1,326,057,084 representing 99.78%
No. of votes against : 2,893,131 representing 0.22%
Total votes cast : 1,328,950,215

Based on the results of the poll, the Chairman declared Resolution 3 carried as an Ordinary Resolution.

- 9.4 The Chairman then proceeded to read Resolution 4 contained in the Notice of AGM and put Extraordinary Resolution 4 to vote:-

Extraordinary Resolution 4

No. of votes for : 1,328,605,344 representing 99.99%
No. of votes against : 154,164 representing 0.01%
Total votes cast : 1,328,759,508

Based on the results of the poll, the Chairman declared Resolution 4 carried as an Extraordinary Resolution.

- 9.5 The Chairman then proceeded to read Resolution 5 contained in the Notice of AGM and put Extraordinary Resolution 5 to vote:-

Extraordinary Resolution 5

No. of votes for : 1,328,697,842 representing 99.97%
No. of votes against : 388,025 representing 0.03%
Total votes cast : 1,329,085,867

Based on the results of the poll, the Chairman declared Resolution 5 carried as an Extraordinary Resolution.

10.0 CLOSE OF AGM

- 10.1 On behalf of the Board and Management, the Chairman thanked the stapled securityholders for their attendance and their feedback.

- 10.2 There being no other business, the 7th AGM was declared closed at 4.00 pm.

Confirmed as true and correct record of the proceedings

Wee Kheng Jin
Chairman of the Board

APPENDIX “A”

SUBSTANTIVE QUESTIONS AND ANSWERS WITH STAPLED SECURITYHOLDERS AT FAR EAST HOSPITALITY TRUST’S SEVENTH ANNUAL GENERAL MEETING HELD ON 17 APRIL 2019

Performance of Serviced Residences Sector, Government’s Draft Master Plan 2019 and Increase in Gearing Ratio

- Q1 Mr Lee Tiong Seng (“Mr Lee”) posed the following questions which were answered by the Chairman and Management as below:-
- Q1(a) Referring to the Outlook section under page 37 of the annual report which states “...the serviced residences (“SRs”) sector is expected to remain challenging in the medium term due to a number of disruptive factors that will continue to intensify competition.....It also remains to be seen how the Government will continue to respond in terms of regulating the sector.” Mr Lee asked what actions have been or will be taken by Management to counter the challenges faced by the SRs sector on those disruptive factors while waiting for the Government’s policy on how it will regulate the SR sector?
- A1(a) In response, the Chairman said that Management was exploring various options to overcome the challenges faced by the SRs sector while waiting for the Government to respond in terms of how it will regulate private residences renting out their properties for short stays. The options explored by Management include reconfiguring bedrooms of apartments into smaller units to cater for demand from smaller groups of travellers.
- Q1(b) Does Management have any plan to redevelop the properties such as converting some existing SRs into hotels although the revenue contribution from SRs to Far East H-REIT is relatively small at 11.6%?
- A1(b) In response, the Chairman said that the Board will study the Urban Redevelopment Authority (“URA”) Draft Master Plan 2019 (“Government’s Master Plan 2019”) to ascertain if Far East H-REIT could benefit from any of the redevelopment incentives, taking into account factors such as the need to provide stable distribution to investors and loss of contribution in the short-term to Far East H-REIT should it decide to go ahead for any redevelopment.
- Q1(c) While there was a marginal improvement in the distribution per stapled security from 3.90 to 4.00 Singapore cents from 2017 to 2018, the gearing ratio had increased relatively significantly from 34.4% in 2017 to 40.1% in 2018. Was Management comfortable with the current gearing ratio of 40.1%?

A1(c) In response, the Chairman said that the increase in the gearing ratio was due to the acquisition of an additional asset for the portfolio. The current ratio was in fact still within the permissible gearing limit under the Monetary Authority of Singapore's guidelines for property trusts in Singapore.

Q1(d) Any plan to reduce the current gearing ratio by raising funds via equity market to meet the potential funding needs for the enormous development project at Sentosa as well as for other acquisitions in the future?

A1(d) In response, the CEO said that the Board and the Management were cognizant of the current level of the gearing ratio and had re-introduced the Distribution Reinvestment Plan ("DRP") in 2019 to pare down the current borrowings. There had been a good participation rate of more than 60% with S\$11.8 million cash retained from the DRP. Assuming that the DRP was to be implemented consistently throughout all four quarters in a year with the same participation rate, Management expects the gearing ratio to be reduced by about 1% per year.

The CEO also said that Management will explore the appropriate fund-raising modes to finance its asset acquisitions in the future.

Q1(e) What is the gearing ratio level that Management deems as appropriate for Far-East H-REIT in the future?

A1(e) The CEO replied that in his view, the appropriate gearing ratio for Far East H-REIT would be in the range of 35% to 40%.

**Acquisition of Assets from Sponsor, Impact of Airbnb and
Redevelopment of Properties under Government Master Plan**

Q2 Mr Tan Han Siah ("Mr Tan") posed the following questions which were answered by the Chairman and Management as follows:-

Q2(a) What business synergies have been created from the joint venture ("JV") in Australia and how has it benefited Far East H-REIT?

A2(a) The Chairman clarified that it was Far East Orchard Limited which entered into a JV with TOGA group, a leading hotel operator with properties across Australia, New Zealand and Europe. Far East H-REIT benefitted by way of referred guests from countries in which it has presence.

Q2(b) Will Far East H-REIT participate in redeveloping the properties under the Government's Master Plan 2019 if the incentive offered by the Government was attractive enough and is Orchard Rendezvous Hotel ("ORH"), a Conserved Building, allowed for redevelopment under the Government's Master Plan 2019?

- A2(b) In response, the Chairman said Management will certainly look at the incentives offered under the Government's Master Plan by taking all relevant factors into consideration such as the potential impact to income for undergoing the redevelopment, the impact to the gearing ratio, the funding requirement, etc.
- Q2(c) How big was the impact of Airbnb to Far East H-REIT's business and had Management communicated this issue to the Government?
- A2(c) In response, the CEO said that as a result of the Government's clampdown on illegal letting of private residential properties for less than the required 3-month minimum stay, the number of listings of private residential properties on the platform had gone down significantly.

Nevertheless, Management has taken all possible measures to mitigate the impact of Airbnb and has actively worked with the Serviced Apartments Association of Singapore and the Singapore Hotel Association to voice its concern over such illegal letting to the authorities.

Occupancy and Average Daily Rates, Funding for Future Acquisition, Discount of Price Over Net Asset Value and Structure of REIT Manager's Fees

- Q3 Mr Tan Teck Guan ("Mr Tan") posed the following questions which were answered by the Chairman and Management as follows:-
- Q3(a) Will the occupancy rate and average daily rate ("ADR") be under pressure for financial year 2019 ("FY2019") in view of fewer events being organised in Singapore for 2019 compared to 2018?
- A3(a) The CEO replied that some major tradeshow such as the Singapore Airshow and Food and Hotel Asia which are typically held in the even years will be absent in 2019. Some government events such as ASEAN Summit and the Trump-Kim Summit contributed positively to the occupancy rate and ADR of some of the hotels like ORH and Rendezvous Hotel Singapore last year. However, the performance of the rest of the hotel portfolio actually suffered due to road blockages and interruptions to the hotels.
- Q3(b) How will Management fund Far East-H-REIT's future acquisitions amidst the current high gearing ratio of 40% as it will be dilutive to the existing stapled securityholders if the acquisition is funded via equity fund raising through private placements?
- A3(b) The CEO responded that the Board and Management were aware that equity fund raising via private placements will be dilutive to the existing investors given the current share price. Management would opt for equity fund raising that allow all existing shareholders to participate, for example, DRP, preferential offering, or rights issue, whenever possible.

Q3(c) What was the reason for the share price of Far East H-Trust to trade below its net asset value per share (“NAV”) of 24%, the highest amongst other hospitality REITs in the market, whose share prices were much closer to NAV, if not above?

A3(c) In response, the CEO said that many real estate companies listed on SGX-ST were trading at a price over NAV discount of between 30% and 50%. He also said he was unable to explain exactly why the market had such a reaction to Far East H-Trust’s stapled securities but deduced that it could be due to lag effects arising from the down cycle Far East H-Trust had experienced in the past few years. Should the upturn trend continue for the next few years, Management was confident that the stapled security price of Far East H-Trust would catch up to its NAV.

The CEO also said Management was working to improve the value of its assets through asset enhancement initiatives, so that the improvement in performance of the assets would translate into higher DPS and in turn, reflect in its stapled security price in the future.

Q3(d) How were the Base Fee and Performance Fee of the REIT Manager calculated and what was the reason for an increase in the total REIT Manager’s Fees from 2017 to 2018?

A3(d) The CEO replied that the REIT Manager’s Base Fee was calculated based on 0.3% of assets under management while Performance Fee was calculated based on 4% of net property income (“NPI”). The increase in the REIT Manager’s Fees was primarily due to the enlarged portfolio size with OHD added to the portfolio in FY2018.

Q3(e) Would the Board consider a restructuring of the REIT Manager’s Performance Fee from the current NPI-based to DPS-based for the interests of the REIT Manager to be more aligned with the interests of the stapled securityholders?

A3(e) The CEO responded that the Board and Management have been reviewing the structure of the REIT Manager’s Fees to ensure the interests are aligned. It was concerned that the DPS-based formula could be somewhat volatile if the matrix was not used correctly.

The CEO said that the Board and Management will continue to review the REIT Manager’s Fees to ensure alignment and will seek for stapled securityholders’ approval to revise the fee structure, if need be.

The Chairman shared that the long-term incentive scheme for the Management team was structured in such a way that is linked to the DPS performance of Far East H-Trust.

Rationale for Rebranding Orchard Parade Hotel to ORH

- Q4 Mr Henry Ho Hai Pang (“Mr Henry Ho”) asked about the rationale for rebranding Orchard Parade Hotel to ORH as it had created some confusion between Rendezvous Hotel Singapore and ORH to the bookers.
- A4 In response, the CEO explained that the former name of ORH was merely a name for a singular property. On the other hand, “Rendezvous” is a brand which has been used across Singapore, Australia and New Zealand. It was found to be suitable for the characteristics of ORH as it represents a place for gathering, for business travellers to meet and for leisure. The rebranding exercise was also part of Far East H-Trust’s continuous efforts in meeting the demands of the growing mid-tier market. The CEO added that Management will continue working with the Operator to ensure travellers arrive at the right hotel instead of Rendezvous Hotel Singapore located along Bras Basah Road.

Price Discount to NAV, Development Cost and Revenue for Project Sentosa and the Business Strategies of Far East H-REIT

- Q5 Mr Vincent Tan Yong Nee (“Mr Vincent Tan”) posed the following questions which were answered by the Chairman and Management, as follows:-
- Q5(a) In regard to Management’s earlier explanation on discount to NAV, the fact was that with a smaller number of new rooms, at merely 1.3%, to be supplied to the market over the next 3 years while the tourist arrival rate was projected to be at about 4% to 5%, Far East H-Trust securities should be a good investment if not for the discount to NAV issue. Could Management explain how it would address this issue?
- Given that the current gearing ratio of Far East H-REIT was already at 40%, how does the Management intend to fund the three hotels namely, The Outpost Hotel, Village Hotel and The Barracks Hotel in Sentosa and to assure the stapled securityholders, particularly the institutional investors, that their interests would not be diluted due to equity fund raising or steeply discounted rights issue?
- A5(a) In response, the CEO said that Management was mindful of the institutional investors’ concerns on potential dilution via equity fund raising. Management said that there was no intention for Far East H-REIT to have an equity fund raising at the present moment as there were no assets in the pipeline from the Sponsor that were ready for Far East H-REIT to consider in the near term.
- The CEO also said that Management will continue to apply DRP for the distribution of the next few quarters to conserve cash, pare down its debts and improve its gearing ratio from the current 40% to 38%.

The CEO added that apart from applying DRP, Management would also look at how it could reconstitute the current portfolio and would not preclude divestment if opportunities arise, in order to bring down the gearing ratio.

Q5(b) How much of the total development costs were required to be borne by Far East H-REIT, with its 30% equity stake in the joint venture with Far East Organization for Project Sentosa?

A5(b) In response, the CFO said that the total estimated investment cost for Project Sentosa was S\$443.8 million. Far East H-REIT's proportionate share for its 30% stake was approximately S\$133.1 million. As the development has project loan, the equity contribution for Far East H-REIT was approximately S\$58.1 million. The remaining equity contribution of S\$12.8 million will be injected in due course.

Q5(c) Will Far East H-REIT consider acquiring the remaining 70% equity stake of Project Sentosa from Far East Organization upon its completion in 2019?

A5(c) The CFO responded that Far East H-REIT will consider acquiring the remaining 70% stake of Project Sentosa from Far East Organization only when the performance of the three hotels in the project is stabilised in the future.

Q5(d) Was Far East H-REIT sharing 30% of the total revenue for Project Sentosa?

A5(d) In response, the CFO said, the accounting treatment for the Project Sentosa was equity accounting i.e. share of proportionate profit and loss will be accounted for.

Q5(e) For better perspective, could Management explain how it could balance its strategies between "growth" and "stabilisation" for the performance of the following assets in the portfolio, namely hotels, SRs, commercial premises, OHD and the three hotels at Sentosa in 2019?

A5(e) The CEO replied that the strategies focus on the following 3 areas:-

- Continue to drive the performance of the existing properties in the portfolio by working closely with the master lessee and the operator to ensure the hotels and SRs are consistently performing well for better returns to the stapled securityholders. As for commercial premises, Management will oversee directly to ensure that there are stable rental incomes from the asset.
- Look for opportunities to enhance the assets in the portfolio.
- Acquire new assets which are yield-accretive to help improve the DPS.

The CEO also said in summary that asset acquisition and asset enhancement will contribute toward the “growth”. As for OHD, it helped to provide a one-time lift in terms of revenue and net income to Far East H-REIT, and thereafter formed part of the portfolio of assets generating steady returns.

Rental Support for Acquisition

Q6 Given that many REITs in the market use rental support to ensure their asset acquisitions are yield-accretive, Mr Tan enquired if Far East H-REIT was getting any rental support for assets acquired from its Sponsor as this may create some conflict of interest situations.

A6 In response, the Chairman said that there was no rental support from the Sponsor for Far East H-REIT’s acquisition of OHD. Instead, the consideration for the acquisition was structured with an earn-out arrangement whereby the Sponsor will only be entitled for the earn-out payment upon OHD achieving NPI of S\$9.9 million for two consecutive years.

The Chairman further elaborated that the Board of Far East H-Trust was made up of a majority of Independent Directors. In this regard, the Independent Directors were very careful when making decisions about any acquisitions of assets from the Sponsor to ensure all were carried out in the best interests of Far East H-REIT.

Performance of OHD

Q7 Mr Vincent Tan enquired if there were any indications that the performance of OHD, from an occupancy-rate perspective, would be likely to meet the S\$9.9 million NPI conditions for the earn-out payment?

A7 The CEO replied that OHD had performed well since the acquisition on 2 April 2018 and had given a lift to the performance of Far East H-REIT. The NPI of OHD for the 9 months ended 31 December 2018 was S\$8.2 million. However, it would be premature to guess whether the earn-out would be achieved.

Q8 Mr Vincent Tan further asked if the current occupancy rate of OHD for corporate and leisure segments was within Management’s expectations.

A8 The CEO responded that the average occupancy rate for OHD was approximately 85%, somewhat lower compared to the rest of the properties in Far East H-REIT’s portfolio, given its location which corresponds with a high component of corporate business and smaller leisure segment. Nevertheless, its ADR was higher than the average ADR of the hotel portfolio, at about S\$220. He added that OHD has room for improving the occupancy by targeting more leisure travellers during the weekends when there are fewer corporate travellers.

Performance of Village Residence Hougang

- Q9 Mr Francis Tan asked about the occupancy rates for corporate and leisure segments for Village Residence Hougang.
- A9 In response, the CEO said that due to its location, the demand for Village Residence Hougang came mainly from companies, especially those operating in the north, which require apartments for their project groups.

Divestment of SRs

- Q10 Given that SRs would continue to be impacted by the overall slowdown in corporate demand, Mr Francis Tan asked if Management would consider divesting some SRs and use the proceeds to invest in some other properties either in Singapore or overseas.
- A10 In response, the CEO said that the SRs had gone through a tough cycle in terms of occupancy rate. As its contribution to the total revenue of Far East H-REIT was only about 11%, Management will work closely with the Operator to improve the performance of the SRs and will consider divestment when there is an opportunity to do so at the right time.

Signed as true and correct record of the proceedings

Wee Kheng Jin
Chairman of the Board