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Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made, or reports contained, in this Circular. **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the new stapled securities in Far East Hospitality Trust (“**Far East H-Trust**”) and the stapled securities in Far East H-Trust, the “**Stapled Securities**”) to be issued pursuant to the Earn-out Agreement (as defined herein) on the Main Board of the SGX-ST. The SGX-ST’s approval in-principle is not an indication of the merits of the Proposed Acquisition (as defined herein), the Earn-out Stapled Securities (as defined herein), Far East H-Trust and/or its subsidiaries.

If you have sold or transferred all your Stapled Securities, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States of America (“**United States**” or “**U.S.**”). It is not an offer of securities for sale into the U.S. The Stapled Securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any state of the U.S. or other jurisdiction, and the Stapled Securities may not be offered or sold within the U.S. except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Any public offering of securities of Far East H-Trust in the U.S. would be made by means of a prospectus that would contain detailed information about Far East H-Trust, FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd., as manager of Far East Hospitality Real Estate Investment Trust (“**Far East H-REIT**”) and the manager of Far East H-REIT, the “**REIT Manager**”) and Far East Hospitality Business Trust (“**Far East H-BT**”) (the “**Managers**”) respectively, as well as financial statements. The Managers do not intend to conduct a public offering of securities in the U.S.



**FAR EAST
HOSPITALITY
TRUST**

**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.

CIRCULAR TO STAPLED SECURITYHOLDERS IN RELATION TO:

- (1) **THE PROPOSED ACQUISITION OF OASIA HOTEL DOWNTOWN AS A RELATED PARTY TRANSACTION;**
- (2) **THE PROPOSED MASTER LEASE OF OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION; AND**
- (3) **THE PROPOSED EARN-OUT AGREEMENT AND ISSUANCE OF THE EARN-OUT STAPLED SECURITIES IN RELATION TO OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION.**

Independent Financial Adviser to the Independent Directors and Audit and Risk Committee



IMPORTANT DATES AND TIMES FOR STAPLED SECURITYHOLDERS

Last date and time for lodgement of Proxy Forms	: Saturday, 10 March 2018 at 2.30 p.m.
Date and time of Extraordinary General Meeting	: Monday, 12 March 2018 at 2.30 p.m.
Place of Extraordinary General Meeting	: Antica Ballroom, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905

THE PROPOSED ACQUISITION

Far East H-REIT proposes to acquire Oasia Hotel Downtown (the “Property”) from Far East SOHO Pte. Ltd. (the “Vendor”), a member of the Far East Organization group of companies (the “Proposed Acquisition”). The purchase consideration of S\$210.0 million (the “Purchase Consideration Amount”) was negotiated on a willing-buyer, willing-seller basis, and is at the lower of two independent valuations¹.

Under the terms of the conditional sale and purchase agreement, the Proposed Acquisition is conditional upon the approval of the holders of Stapled Securities (the “Stapled Securityholders”) for *inter alia*, (i) the Proposed Acquisition, (ii) entry into the proposed master lease agreement (the “Master Lease Agreement”) and (iii) the issue of the earn-out Stapled Securities pursuant to the earn-out agreement (the “Earn-out Agreement”) and the Stapled Securities, the “Earn-out Stapled Securities”).

About Oasia Hotel Downtown

The Property is part of a 27-storey hotel-cum-office development located within the downtown Tanjong Pagar area, which has a hive of business, commercial and residential activities. Within walking distance of the Tanjong Pagar mass rapid transit (“MRT”) station and numerous prominent office buildings, and a few minutes’



Oasia Hotel Downtown

drive from major expressways, the Property is easily accessible to Singapore’s business, shopping and cultural districts. The Property’s strategic location in the central business district (“CBD”) also appeals to business travellers.

An award-winning upscale hotel, the Property has 314 modern and well-equipped guest rooms. Facilities within the Property include three food and beverage outlets, two meeting rooms, a 24-hour gymnasium, sky and roof terraces, and two rooftop pools. A club lounge, infinity pool and skyline pavilion are also available for the exclusive use of club guests.

Selected Information on the Property

	The Property
Location	100 Peck Seah Street, Singapore 079333 Strata Lot U3005V, together with Accessory Lots A270T, A271A, A272K, A363X, A364L, A365C and A366M, all of Town Subdivision 3
Tier	Upscale
Leasehold Tenure²	65 years commencing from the date of completion of the Proposed Acquisition
Number of Guest Rooms	314
Carpark Lots³	62
Food and Beverage Outlets	3
Independent Valuation by Knight Frank (as at 5 January 2018) (S\$’m)	210.0
Independent Valuation by Savills (as at 29 December 2017) (S\$’m)	226.0
Purchase Consideration Amount (S\$’m)	210.0
Fixed Rent (per annum) under the Master Lease (S\$’m)	6.5
Variable Rent (per annum) under the Master Lease	33.0% of Gross Operating Revenue ⁴ and 25.0% of Gross Operating Profit ⁵ less the Fixed Rent ⁶
Vendor	Far East SOHO Pte. Ltd.
Master Lessee	Far East SOHO Pte. Ltd.
Term of Master Lease	20 years plus an option to renew for another 20 years at the Master Lessee’s discretion

¹ Independent valuations are done by Knight Frank Pte. Ltd. (“Knight Frank”) and Savills Valuation And Professional Services (S) Pte Ltd (“Savills”).

² 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.

³ These carpark lots belong to the Management Corporation Strata Title Plan and will not be acquired by Far East H-REIT under the Proposed Acquisition.

⁴ “Gross Operating Revenue” refers to the gross operating revenue of the Property.

⁵ “Gross Operating Profit” refers to the gross operating profit of the Property, comprising Gross Operating Revenue less operating expenses.

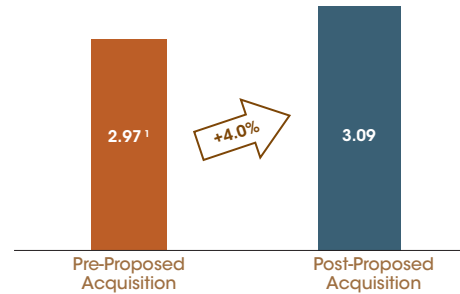
⁶ If the calculation of the Variable Rent (as defined herein) yields a negative figure, the Variable Rent will be deemed to be zero.

RATIONALE AND BENEFITS OF THE ACQUISITION

1. Yield Accretion

- Stapled Securityholders would have enjoyed an increase in the distribution per Stapled Security from 2.97¹ cents to 3.09 cents, as a result of the Proposed Acquisition at the Purchase Consideration Amount which is reflective of levels of cash flow which the Property is expected to generate, together with an optimal financing structure, assuming that the Property was acquired on 1 January 2017.

Pro Forma Distribution per Stapled Security for 9M2017 (as defined herein)
(in Singapore cents)



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

- Strategically located in Singapore's CBD in the downtown Tanjong Pagar area which is set to be transformed into Singapore's next waterfront city with a hive of business, commercial and residential activities.
- Convenient transport connectivity and easy access to other parts of Singapore with the Tanjong Pagar MRT station within walking distance and major expressways within a few minutes' drive. The Property is also within a 30-minute drive from the Singapore Changi Airport.
- Minutes away from Robinson Road, Shenton Way, Raffles Place, Chinatown, Marina Bay and Sentosa.



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.

RATIONALE AND BENEFITS OF THE ACQUISITION

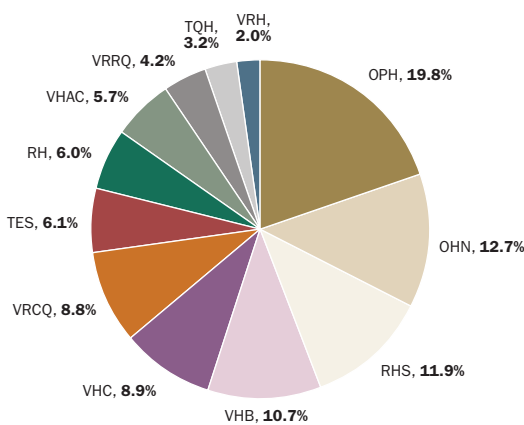
3. Attractive RevPAR Growth Potential

- The revenue per available room (“RevPAR”) for the Property for the nine-month period ended 30 September 2017 (“9M2017”) was S\$170.0, compared to the RevPAR as reflected by the Singapore Tourism Board’s Singapore hotel industry average of S\$201.2, for the same period¹.
- Given that the Property is relatively new, this presents Far East H-Trust with an attractive opportunity to leverage on the expertise of the REIT Manager and the hotel operator to grow the room rates further, as occupancy levels stabilise over the next two years.

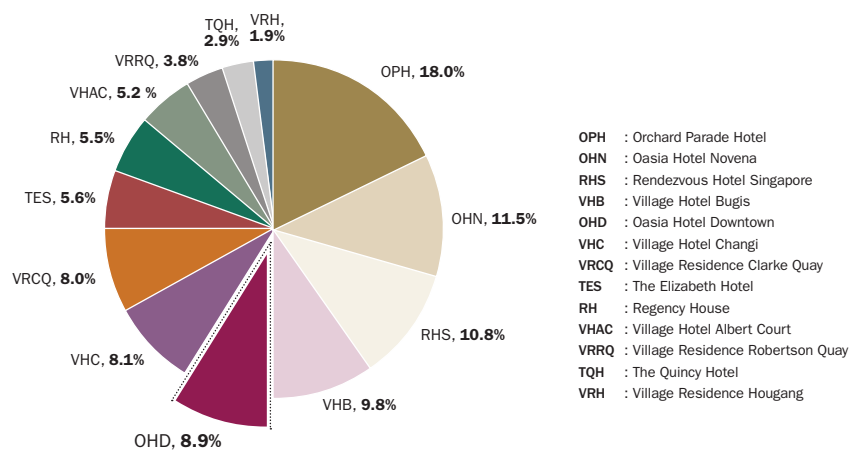
4. Greater Income Diversification

- The maximum gross revenue contribution by any single property would be lower, from 19.8%² to 18.0% for 9M2017.

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



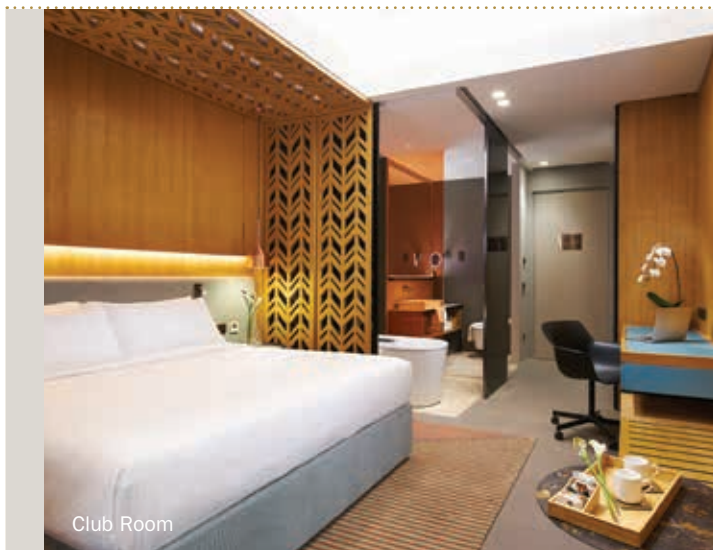
Post-Proposed Acquisition Breakdown of Gross Revenue by Property for 9M2017



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
 VRH : Village Residence Hougang

¹ Source: Singapore Tourism Board Hotel Statistics by Tier 2017, published on 13 December 2017.

² Based on the gross revenue of Far East H-Trust’s existing portfolio and the Property for 9M2017.



RATIONALE AND BENEFITS OF THE ACQUISITION

5. 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.
- In line with the REIT Manager's strategy to increase overall corporate contribution to Far East H-Trust's portfolio of hospitality assets. The Property's proximity to the CBD positions it well to drive mid-week corporate business at attractive room rates.

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

- Visitor arrivals are expected to increase over the coming years, underpinned by significant additional tourism infrastructure under development such as the makeover of Mandai area and the redevelopment of six precincts in Sentosa.
- Recent opening of Singapore Changi Airport's Terminal 4 and 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, to increase leisure business especially for the weekends.



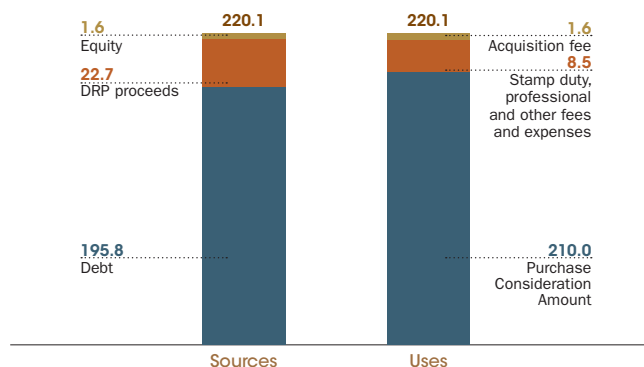
Proposed Method of Financing

The REIT Manager intends to finance the Proposed Acquisition from a combination of:

- DRP proceeds¹ accumulated over the first two financial quarters in 2017, amounting to approximately S\$22.7 million; and
- Debt facilities of approximately S\$195.8 million.

The acquisition fee of S\$1.6 million will be paid in the form of Stapled Securities.

Proposed Funding Sources and Uses of Proceeds (in S\$m)



Proposed Master Lease

Master Lessee	Far East SOHO Pte. Ltd.
Term of Master Lease	20 years plus an option to renew for another 20 years at the Master Lessee's discretion
Fixed Rent under the Master Lease	S\$6.5m per annum
Variable Rent under the Master Lease	33.0% of the Gross Operating Revenue + 25.0% of Gross Operating Profit - Fixed Rent ² per annum

Rationale and Key Benefits of the Master Lease

- 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.

Proposed Earn-out Arrangement

The Vendor and DBS Trustee Limited in its capacity as trustee of Far East H-REIT (the "REIT Trustee") will enter into the Earn-out Agreement, in which the REIT Trustee will issue S\$15.0 million worth of Stapled Securities to the Vendor if, by 31 December 2023³, the net property income ("NPI") of the Property is at least S\$9.9 million per annum for two full consecutive years⁴ (the "Earn-out Event Condition").

Earn-out Amount	S\$15.0m in Stapled Securities
Earn-out Period	5 full fiscal years up to 31 December 2023 ³
Target NPI	S\$9.9m per annum
Earn-out Event Condition	NPI of the Property is at least the Target NPI for two consecutive years ⁴
Issue Price	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

Rationale and Key Benefits of the Proposed Earn-out Arrangement

- Allows the REIT Trustee to pay a lower acquisition price upfront
 - The Purchase Consideration Amount is at the lower of the two independent valuations.
- Stronger incentive for Vendor and Master Lessee 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.

¹ Based on the unaudited financial statements of Far East H-Trust for 9M2017. The proceeds were temporarily utilised to repay the RCF pending the intended use to finance the Proposed Acquisition.

² If the calculation of the Variable Rent yields a negative figure, the Variable Rent will be deemed to be zero.

³ Under the Earn-out Agreement, if performance is impacted by (i) a Force Majeure Event or (ii) where there is 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 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. Capitalised terms in this note are as defined in the Earn-out Agreement and set out in this Circular.

⁴ As determined in accordance with the Earn-out Agreement.

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CORPORATE INFORMATION

Directors of FEO Hospitality Asset Management Pte. Ltd. (the “REIT Manager”)	Mr Koh Boon Hwee (Non-Independent Chairman) Mr Wee Kheng Jin (Non-Independent Deputy Chairman) Mr Willie Cheng Jue Hiang (Lead Independent Director) Mr Huang Cheng Eng (Independent Director) Mr Kyle Lee Khai Fatt (Independent Director) Mr Chng Kiong Huat (Non-executive Director)
Directors of FEO Hospitality Trust Management Pte. Ltd. (the “Trustee-Manager”)	Mr Koh Boon Hwee (Non-Independent Chairman) Mr Wee Kheng Jin (Non-Independent Deputy Chairman) Mr Willie Cheng Jue Hiang (Lead Independent Director) Mr Huang Cheng Eng (Independent Director) Mr Kyle Lee Khai Fatt (Independent Director)
Registered office of the Managers	1 Tanglin Road, #05-01 Orchard Parade Hotel Singapore 247905
Trustee of Far East Hospitality Real Estate Investment Trust (the “REIT Trustee”)	DBS Trustee Limited 12 Marina Boulevard #44-01 DBS Asia Central @ Marina Bay Financial Centre Tower 3 Singapore 018982
Legal Adviser to the Managers in relation to the Transactions (as defined herein)	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Auditors of Far East H-Trust	Ernst & Young LLP One Raffles Quay North Tower, Level 18 Singapore 048583
Legal Adviser to the REIT Trustee in relation to the Transactions	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542
Stapled Security Registrar and Stapled Security Transfer Office	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Independent Financial Adviser	KPMG Corporate Finance Pte. Ltd. 16 Raffles Quay #22-00 Hong Leong Building Singapore 048581

Independent Property Valuers

Knight Frank Pte. Ltd.
10 Collyer Quay
#08-01 Ocean Financial Centre
Singapore 049315

Savills Valuation And Professional Services (S)
Pte. Ltd.
30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

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SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 45 to 50 of this Circular.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

OVERVIEW OF THE TRANSACTIONS

Far East H-Trust is a hospitality stapled group comprising Far East H-REIT and Far East H-BT. Far East H-REIT is a Singapore-based real estate investment trust 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 a Singapore-based business trust which is dormant.

Far East H-REIT's existing portfolio comprises 12 properties consisting of eight hotels and four serviced residences located in Singapore and a 30.0% stake in a joint venture with Far East Organization Centre Pte. Ltd., a member of the Far East Organization group of companies (the "**FEO Group**"), for the development of a hotel project located on Sentosa (the "**Existing Portfolio**"). The eight hotels are Village Hotel Albert Court, Village Hotel Changi, The Elizabeth Hotel, Village Hotel Bugis, Oasia Hotel Novena, Orchard Parade Hotel, Rendezvous Hotel Singapore and The Quincy Hotel (the "**Existing Hotel Portfolio**"). The four serviced residences are Village Residence Clarke Quay, Village Residence Hougang, Regency House and Village Residence Robertson Quay.

The Proposed Acquisition by Far East H-REIT

On 11 January 2018, the REIT Trustee, on behalf of Far East H-REIT, entered into a conditional sale and purchase agreement with Far East SOHO Pte. Ltd. (the "**Vendor**"), to acquire a 65-year leasehold estate in the property at 100 Peck Seah Street, Singapore 079333 (the "**Property**", and the 65-year leasehold estate in the Property, the "**Leasehold Interest**") (the "**Proposed Acquisition**", and the conditional sale and purchase agreement in relation to the Proposed Acquisition, the "**Sale and Purchase Agreement**"). The Vendor is a company incorporated in Singapore which is a wholly-owned subsidiary of Golden Development Private Limited, a member of the FEO Group.

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

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

(See Appendix B of this Circular for further details regarding the valuation of the Leasehold Interest.)

Under the terms of the Sale and Purchase Agreement, the Proposed Acquisition is conditional upon the Managers obtaining Stapled Securityholders' approval for, *inter alia*, (i) the Proposed Acquisition, (ii) the REIT Trustee's entry into the Master Lease Agreement (as defined herein) and (iii) the issue of the Earn-out Stapled Securities pursuant to the Earn-out Agreement (both as defined herein) (collectively, the "**Transactions**").

(See paragraph 2.9 of the Letter to Stapled Securityholders for further details.)

The Proposed Earn-out Arrangement

In connection with the Proposed Acquisition, the REIT Trustee and the Vendor (the "**Parties to the Earn-out Agreement**", and each a "**Party to the Earn-out Agreement**") will enter into an earn-out agreement (the "**Earn-out Agreement**") on the date of completion of the Proposed Acquisition (the "**Completion Date**"). Pursuant to the Earn-out Agreement, the REIT Trustee will agree to issue an aggregate of S\$15.0 million (the "**Earn-out Amount**") worth of Stapled Securities (the "**Earn-out Stapled Securities**") to the Vendor if, during the Earn-out Period¹, the net property income ("**NPI**") of the Property is at least S\$9.9 million per annum (the "**Target NPI PA**") for each of (a) an entire Earn-out Year² (the "**First Consecutive Earn-out Year**") and (b) the "Second Consecutive Earn-out Year" which means (x) the entire Earn-out Year immediately following the First Consecutive Earn-out Year, or (y) if the First Consecutive Earn-out Year is followed by one or two consecutive Fiscal Year(s) in which an Extension Event has occurred and for which the Specific Target NPI³ has not been achieved (each a "**Disrupted Year**"), the Fiscal Year

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

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

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

- (ii) any damage or destruction,

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

- (a) 60 or more rooms;
- (b) the lobby; or
- (c) access to the Property,

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

2 "**Earn-out Year**" refers to any full Fiscal Year within the Earn-out Period. *Accordingly, the NPI of the Property for 2018 is not taken into account for the purposes of the Earn-out Agreement as 2018 is not a full Fiscal Year.*

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

- (i) delivered by the Vendor (as the Master Lessee (as defined herein)) to the REIT Trustee and pursuant to the terms of the Master Lease Agreement (as defined herein); or
- (ii) (where the Master Lease Agreement is no longer subsisting and the REIT Trustee enters into a master occupation agreement in respect of the Property with another party (the "**Master Occupation Agreement**")), delivered by the then occupier to the REIT Trustee pursuant to the Master Occupation Agreement,

relates.

immediately following the Disrupted Year(s) (the “**Earn-out Event Condition**”), and the Earn-out Event Condition is deemed to have been met in accordance with clause 2.3 of the Earn-out Agreement, the REIT Trustee shall cause to be issued to the Vendor or its nominee the Earn-out Stapled Securities, and upon the issue of the Earn-out Stapled Securities, the REIT Trustee shall be released and fully discharged from its obligations under the Earn-out Agreement.

Clause 2.3 of the Earn-out Agreement states that the Earn-out Event Condition is deemed to have been satisfied if, in respect of each of the First Consecutive Earn-out Year and the Second Consecutive Earn-out Year, either a confirmation (in the form set out in the Earn-out Agreement) has been executed by the Parties to the Earn-out Agreement, or an auditor jointly appointed by both Parties to the Earn-out Agreement has notified the Parties to the Earn-out Agreement in writing that the Specific Target NPI has been achieved. Other than the Earn-out Event Condition, there are no further conditions to be fulfilled in order for the Earn-out Stapled Securities to be issued.

The Earn-out Stapled Securities will be issued at an issue price equal to the volume weighted average price for a Stapled Security for all trades on the SGX-ST for the period of 10 business days commencing on the first day of “ex-dividend” trading in relation to the books closure date for the advanced distribution or, as the case may be, cumulative distribution declared by the REIT Manager (in relation to the Stapled Securities in issue) (the “**Earn-out Stapled Securities 10-day VWAP**”).

(See paragraph 2.10 of the Letter to Stapled Securityholders for further details.)

(The above arrangement shall hereinafter be referred to as the “**Earn-out Arrangement**”).

Description of the Property

The Property comprises the hotel known as Oasia Hotel Downtown, and is comprised in Strata Lot U3005V (together with Accessory Lots A270T, A271A, A272K, A363X, A364L, A365C and A366M) all of Town Subdivision 3 (the “**Hotel Strata Lot**”).

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

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

The hotel has a total of 314 modern and well-equipped guest rooms which occupy the 13th to the 20th storeys, and club rooms and suites on the 22nd to 25th storeys of the building. Facilities provided within the hotel include an all-day dining restaurant and a bar on the first storey; two meeting rooms, a 24-hour gymnasium and sky terrace on the 12th storey; a club lounge, an infinity pool and skyline pavilion on the 21st storey for the exclusive use of club guests; and two rooftop pools, a roof terrace and a restaurant on the 27th storey. Far East H-REIT will therefore acquire the hotel component of the development made up of the 1st to 3rd storeys and the 12th to 27th storeys of the building as comprised in the Hotel Strata Lot.

The following table sets out a summary of selected information on the Property as at the Latest Practicable Date (as defined herein), unless otherwise stated.

	The Property
Location	100 Peck Seah Street, Singapore 079333 Strata Lot U3005V, together with Accessory Lots A270T, A271A, A272K, A363X, A364L, A365C and A366M, all of Town Subdivision 3
Tier	Upscale
Leasehold Tenure⁽¹⁾	65 years commencing from the Completion Date
Number of Guest Rooms	314
Carpark Lots⁽²⁾	62
Food and Beverage Outlets	3
Independent Valuation by Knight Frank (as at 5 January 2018) (S\$'m)	210.0
Independent Valuation by Savills (as at 29 December 2017) (S\$'m)	226.0
Purchase Consideration Amount (S\$'m)	210.0
Fixed Rent (per annum) under the Master Lease (S\$'m)	6.5
Variable Rent (per annum) under the Master Lease	33.0% of Gross Operating Revenue ⁽³⁾ and 25.0% of Gross Operating Profit ⁽⁴⁾ less the Fixed Rent ⁽⁵⁾
Vendor	Far East SOHO Pte. Ltd.
Master Lessee	Far East SOHO Pte. Ltd.
Term of Master Lease	20 years plus an option to renew for another 20 years at the Master Lessee's discretion

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) These carpark lots belong to the MCST (as defined herein) and will not be acquired by Far East H-REIT under the Proposed Acquisition.
- (3) "**Gross Operating Revenue**" refers to the gross operating revenue of the Property.
- (4) "**Gross Operating Profit**" refers to the gross operating profit of the Property, comprising Gross Operating Revenue less operating expenses.
- (5) If the calculation of the Variable Rent (as defined herein) yields a negative figure, the Variable Rent will be deemed to be zero.

(See paragraph 2.2 of the Letter to Stapled Securityholders for further details.)

Management Corporation Strata Title

As the Property forms part of a Management Corporation Strata Title Plan (“**MCST**”), Far East H-REIT as the owner of the Property will be responsible for the contributions towards maintenance and other expenses of the development to the MCST based on its share value¹. The share value of the Property in the common property of the whole land lot is 86,580 out of 100,000 shares. In this regard, as between Far East H-REIT (as the owner of the Property) and Far East SOHO Pte. Ltd. (as the Master Lessee), the allocation is such that Far East SOHO Pte. Ltd. will bear the maintenance fund contributions levied for regular maintenance of the common property of the development while Far East H-REIT will bear the sinking fund contributions which are levied for the eventual replacement of a facility or asset. The sinking fund imposed by the management corporation is intended for use to meet actual or expected liabilities of the management corporation under the Building Maintenance and Strata Management Act. These include (but are not limited to) the painting or treating of any part of the common property which is a structure, major repairs and improvements to, and maintenance of, the common property and the renewal or replacement of parts of the common property, fixtures, fittings and other property held by or on behalf of the management corporation, the acquisition of movable property, any non-lot acquisition related expenses of the management corporation, and such other liabilities expected to be incurred in the future, where the management corporation determines in a general meeting that the whole or part thereof should be met from the sinking fund.

(See paragraph 2.3 of the Letter to Stapled Securityholders for further details.)

Estimated Total Acquisition Cost

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

- (i) the Purchase Consideration Amount of S\$210.0 million;
- (ii) the acquisition fee payable to the REIT Manager for the Proposed Acquisition pursuant to the trust deed dated 1 August 2012 (as amended) constituting Far East H-REIT (the “**REIT Trust Deed**”) (the “**Acquisition Fee**”), which amounts to approximately S\$1.6 million (being 0.75% of the Purchase Consideration Amount); and
- (iii) the estimated stamp duty, professional and other fees and expenses incurred or to be incurred by Far East H-REIT in connection with the Proposed Acquisition (inclusive of debt financing-related expenses) of approximately S\$8.5 million.

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

As the Proposed Acquisition will constitute an “interested party transaction” under paragraph 5 of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**MAS**” and Appendix 6, the “**Property Funds Appendix**”), the Acquisition Fee payable to the REIT Manager in respect of the Proposed Acquisition will be in the form of Stapled Securities, which shall not be sold within one year from the date of issuance.

(See paragraph 2.4 of the Letter to Stapled Securityholders for further details.)

1 The share value of a property is a figure that represents the proportionate share entitlement assigned to each strata unit in the same development. The share value is allocated by the developer and subject to acceptance by the Commissioner of Buildings (“**COB**”) before sale of the property.

The COB has a set of guidelines to assist developers to determine share value allotment. The general principle in allocating share value is based on perceived usage of common facilities. A unit that uses more of the common facilities is allotted with a higher share value and consequently contributes a higher maintenance levy.

Method of Financing

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

- (i) Far East H-Trust Distribution Reinvestment Plan (“**DRP**”) proceeds¹ accumulated over the first two financial quarters in 2017, amounting to approximately S\$22.7 million; and
- (ii) debt facilities of approximately S\$195.8 million.

Upon completion of the Proposed Acquisition, Far East H-Trust’s aggregate leverage would be approximately 37.5%².

(See paragraph 2.5 of the Letter to Stapled Securityholders for further details.)

Rationale for and Key Benefits of the Proposed Acquisition

The Proposed Acquisition is consistent with Far East H-REIT’s principal investment strategy to invest in a diversified portfolio of income-producing real estate in Singapore, used primarily for hospitality and/or hospitality-related purposes. The REIT Manager believes that the Proposed Acquisition will bring the following key benefits:

- (i) yield accretion;
- (ii) high quality property with strategic location providing for easy access to the business, shopping and cultural districts;
- (iii) attractive revenue per available room (“**RevPAR**”) growth potential;
- (iv) greater income diversification;
- (v) increased exposure to Singapore’s upscale segment and growth in corporate contribution; and
- (vi) benefit from potential increase in leisure demand underpinned by investment in tourism infrastructure.

(See paragraph 2.6 of the Letter to Stapled Securityholders for further details.)

1 Based on the unaudited financial statements of Far East H-Trust for the nine months ended 30 September 2017 (“**9M2017**”, and the unaudited financial statements, the “**9M2017 Unaudited Financial Statements**”). The proceeds were temporarily utilised to repay the revolving credit facilities (“**RCF**”) pending the intended use to finance the Proposed Acquisition.

2 Based on the pro forma capitalisation of Far East H-Trust as at 30 September 2017, as if Far East H-REIT had completed the Proposed Acquisition on 30 September 2017 – see “Certain Financial Information Relating to the Proposed Acquisition and Master Lease – 9M2017 – Pro Forma Capitalisation of the Proposed Acquisition”.

The Proposed Master Lease of the Property

The REIT Trustee (as the “**Master Lessor**”) will enter into a master lease agreement with Far East SOHO Pte. Ltd. (as the “**Master Lessee**”) and the REIT Manager, in relation to the lease of the Property, immediately upon the completion of the Proposed Acquisition (the “**Master Lease Agreement**”). Pursuant to the Master Lease Agreement, the Master Lessee will lease the Property for an initial term of 20 years commencing from the Completion Date, with an option for the Master Lessee to obtain a lease for a further 20 years on the same terms and conditions, save for any variations made to the master lease during the initial term of 20 years, amendments required due to change in law and excluding any further option to renew (the “**Master Lease**”).

(See paragraph 2.7 of the Letter to Stapled Securityholders for further details.)

The Vendor Lease

In connection with the Proposed Acquisition, on the Completion Date, the Vendor shall issue a registrable lease (the “**Vendor Lease**”) to Far East H-REIT for the Leasehold Interest, which shall be registered with the Singapore Land Authority (“**SLA**”).

(See paragraph 3.2 of the Letter to Stapled Securityholders for further details.)

The Corporate Guarantee

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

The Corporate Guarantor is an operating real estate management and development company which was incorporated in 1970. It is a member of the FEO Group and is itself a Substantial Stapled Securityholder (as defined herein) of Far East H-Trust.

(See paragraph 3.3 of the Letter to Stapled Securityholders for further details.)

The Management of the Property

Far East Hospitality Management (S) Pte. Ltd. (“**FEHM**”), a subsidiary of Far East Orchard Limited (“**FEOR**”), is engaged by the Master Lessee to operate the Property under a hotel management agreement for a period of 20 years commencing from 18 April 2016 (being the date of commencement of operations of the Property), with an option exercisable by FEHM to renew the contract for a further 20 years on the same terms and conditions (save for amendments required due to any change in law). Both FEHM and the Master Lessee are members of the FEO Group.

(See paragraph 2.8 of the Letter to Stapled Securityholders for further details.)

SUMMARY OF APPROVALS SOUGHT

The Proposed Acquisition is conditional upon the Managers obtaining Stapled Securityholders' approval in relation to the following resolutions:

(1) RESOLUTION 1: THE PROPOSED ACQUISITION OF OASIA HOTEL DOWNTOWN AS A RELATED PARTY TRANSACTION (AS DEFINED HEREIN) (ORDINARY RESOLUTION¹) (CONDITIONAL UPON PASSING OF RESOLUTIONS 2 AND 3)

The Managers are seeking Stapled Securityholders' approval for the Proposed Acquisition pursuant to the Sale and Purchase Agreement entered into with the Vendor, as a Related Party Transaction.

(2) RESOLUTION 2: THE PROPOSED MASTER LEASE OF OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION (AS DEFINED HEREIN) (ORDINARY RESOLUTION) (CONDITIONAL UPON PASSING OF RESOLUTIONS 1 AND 3)

The REIT Manager is seeking Stapled Securityholders' approval for the Master Lessor's entry into the proposed Master Lease Agreement with the Master Lessee and the REIT Manager in relation to the Property.

(3) RESOLUTION 3: THE PROPOSED EARN-OUT AGREEMENT AND ISSUANCE OF THE EARN-OUT STAPLED SECURITIES IN RELATION TO OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION (ORDINARY RESOLUTION) (CONDITIONAL UPON PASSING OF RESOLUTIONS 1 AND 2)

The Managers are seeking Stapled Securityholders' approval for the REIT Trustee's entry into the Earn-out Agreement with the Vendor, pursuant to which, the Earn-out Stapled Securities may be issued to the Vendor.

Approval in-principle has been obtained from the SGX-ST for the listing of, and dealing in and quotation on the Main Board of the SGX-ST of up to 26,785,714² new Stapled Securities, being the Earn-out Stapled Securities.

STAPLED SECURITYHOLDERS SHOULD NOTE THAT BY APPROVING RESOLUTION 3, THEY ARE DEEMED TO HAVE APPROVED BOTH THE ENTRY INTO THE EARN-OUT AGREEMENT, AS WELL AS THE ISSUANCE OF THE EARN-OUT STAPLED SECURITIES WHICH REQUIRES SPECIFIC APPROVAL FROM STAPLED SECURITYHOLDERS.

STAPLED SECURITYHOLDERS SHOULD NOTE THAT RESOLUTION 1 (THE PROPOSED ACQUISITION OF OASIA HOTEL DOWNTOWN AS A RELATED PARTY TRANSACTION), RESOLUTION 2 (THE PROPOSED MASTER LEASE OF OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION) AND RESOLUTION 3 (THE PROPOSED EARN-OUT AGREEMENT AND ISSUANCE OF THE EARN-OUT STAPLED SECURITIES IN RELATION TO OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION) ARE

1 Means a resolution proposed and passed as such by a majority of votes being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of holders of units in Far East H-REIT, or as the case may be, units in Far East H-BT, duly convened and held.

2 As the actual issue price of the Earn-out Stapled Securities will be based on the Earn-out Stapled Securities 10-day VWAP, the Managers had sought the approval for the listing of, dealing in and quotation of up to 26,785,714 Earn-out Stapled Securities based on an illustrative issue price of S\$0.56 per Earn-out Stapled Security, being the lowest price at which the Stapled Securities were traded since the date of listing the Stapled Securities on the SGX-ST to 10 January 2018.

INTER-CONDITIONAL. THIS MEANS THAT IF ANY OF RESOLUTION 2 OR RESOLUTION 3 IS NOT APPROVED, THE PROPOSED ACQUISITION WOULD NOT PROCEED.

REQUIREMENT FOR STAPLED SECURITYHOLDERS' APPROVAL

Interested Person Transaction¹ and Interested Party Transaction² (collectively, the "Related Party Transaction")

As at 2 February 2018, being the latest practicable date prior to the printing of this Circular (the "**Latest Practicable Date**"), the FEO Group holds an aggregate direct and indirect interest in approximately 59.5% of the total number of Stapled Securities in issue, and is therefore regarded as a "controlling unitholder" of Far East H-REIT under both the listing manual of the SGX-ST (the "**Listing Manual**") and the Property Funds Appendix and a "controlling unitholder" of Far East H-BT under the Listing Manual. In addition, as the Managers are members³ of the FEO Group, the FEO Group is therefore regarded as a "controlling shareholder" of the REIT Manager under both the Listing Manual and the Property Funds Appendix and a "controlling shareholder" of the Trustee-Manager under the Listing Manual.

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

Therefore, the Proposed Acquisition, the Master Lease and the Earn-out Arrangement will constitute Interested Person Transactions under Chapter 9 of the Listing Manual, and the Proposed Acquisition will also constitute an Interested Party Transaction under the Property Funds Appendix, in respect of which Stapled Securityholders' approval is required.

(See paragraphs 2.11.2 of the Letter to Stapled Securityholders for further details.)

Specific Approval from Stapled Securityholders for the Proposed Issuance of the Earn-out Stapled Securities

Pursuant to Rule 805(1) of the Listing Manual, the Managers are seeking the specific approval of Stapled Securityholders for the issue of the Earn-out Stapled Securities to the Vendor. Based on the illustrative issue price of S\$0.71 per Stapled Security (the "**Illustrative Issue Price**"), the Earn-out Stapled Securities will represent approximately 1.1% of the total number of issued Stapled Securities as at the Latest Practicable Date.

Pursuant to Rule 812(2) of the Listing Manual, Stapled Securityholders' approval by way of Ordinary Resolution (as defined herein) is required for the issue of the Earn-out Stapled Securities to the Vendor. This is because the Vendor is a member of the FEO Group, which is a Substantial Stapled Securityholder⁴ of Far East H-Trust and a substantial shareholder of the Managers. The

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

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

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

4 "**Substantial Stapled Securityholder**" refers to a person with an interest in Stapled Securities constituting not less than 5.0% of the total number of Stapled Securities in issue.

FEO Group and each of its associates, including the Managers, are prohibited from voting on the resolution to permit such an issue of new Stapled Securities.

(See paragraph 4.2 of the Letter to Stapled Securityholders for further details.)

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

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

- (i) downside protection through the Master Lease Agreement with expected rental growth; and
- (ii) the Earn-out Arrangement results in a lower amount that is payable upfront by Far East H-REIT and provides the Vendor with a stronger incentive to achieve better and sustainable future performance of the Property.

(See paragraph 5 of the Letter to Stapled Securityholders for further details.)

OPINION OF THE INDEPENDENT FINANCIAL ADVISOR AND RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS AND THE AUDIT AND RISK COMMITTEE

The REIT Manager has appointed KPMG Corporate Finance Pte. Ltd. (the “**IFA**”) to advise the independent directors of the REIT Manager (the “**Independent Directors**”), the independent directors of the Trustee-Manager, the REIT Trustee and the audit and risk committee of the REIT Manager (the “**Audit and Risk Committee**”) as to whether the Proposed Acquisition, the Master Lease Agreement and 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. Based on the considerations set out in the IFA Letter (as defined herein) in Appendix A of this Circular and subject to the qualifications and assumptions therein, **the IFA is of the opinion as of the date of the IFA Letter, that the Proposed Acquisition, the Master Lease Agreement and 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**, in accordance with Chapter 9 of the Listing Manual.

(See paragraph 8 of the Letter to Stapled Securityholders for further details.)

Based on the opinion of the IFA (as set out in the IFA Letter in Appendix A of this Circular), and having regard to the rationale for and key benefits of the Proposed Acquisition, the Master Lease, the Earn-out Agreement and the issuance of the Earn-out Stapled Securities as set out in the Circular, the Independent Directors and the Audit and Risk Committee believe that the Proposed Acquisition, the proposed Master Lease, the entry into the proposed Earn-out Agreement and issuance of the Earn-out Stapled Securities pursuant to the Earn-out Agreement are based on normal commercial terms and would not be prejudicial to the interests of Far East H-Trust and the minority Stapled Securityholders. Accordingly, **the Independent Directors recommend that Stapled Securityholders vote in favour of Resolutions 1, 2 and 3.**

(See paragraph 9 of the Letter to Stapled Securityholders for further details.)

INDICATIVE TIMETABLE

The timetable for the extraordinary general meeting (“EGM”) is indicative only and is subject to change at the absolute discretion of the Managers. Any changes (including any determination of the relevant dates) to the timetable below will be announced.

Event	Date and Time
Last date and time for lodgement of Proxy Forms	: Saturday, 10 March 2018 at 2.30 p.m.
Date and time of the EGM	: Monday, 12 March 2018 at 2.30 p.m.
If the approval for the Transactions is obtained at the EGM:	
Target date for completion of the Proposed Acquisition	: Scheduled for Monday, 2 April 2018 or such other date as may be agreed in writing between the parties, but in any event no later than the date falling six months of the date of the EGM.
Target date for entry into the Master Lease Agreement	: Contemporaneous with the completion of the Proposed Acquisition
Target date for entry into the Earn-out Agreement	: Contemporaneous with the completion of the Proposed Acquisition

FAR EAST HOSPITALITY TRUST

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)

FAR EAST HOSPITALITY BUSINESS TRUST

(a business trust constituted on 1 August 2012
under the laws of the Republic of Singapore)

Directors of the REIT Manager

Mr Koh Boon Hwee (Non-Independent Chairman)
Mr Wee Kheng Jin (Non-Independent Deputy Chairman)
Mr Willie Cheng Jue Hiang (Lead Independent Director)
Mr Huang Cheng Eng (Independent Director)
Mr Kyle Lee Khai Fatt (Independent Director)
Mr Chng Kiong Huat (Non-executive Director)

Registered Office

1 Tanglin Road, #05-01
Orchard Parade Hotel
Singapore 247905

Directors of the Trustee-Manager

Mr Koh Boon Hwee (Non-Independent Chairman)
Mr Wee Kheng Jin (Non-Independent Deputy Chairman)
Mr Willie Cheng Jue Hiang (Lead Independent Director)
Mr Huang Cheng Eng (Independent Director)
Mr Kyle Lee Khai Fatt (Independent Director)

13 February 2018

To: Stapled Securityholders of Far East H-Trust

Dear Sir/Madam

1. SUMMARY OF APPROVALS SOUGHT

The Managers are convening the EGM to seek Stapled Securityholders' approval in relation to the following resolutions:

- (1) Resolution 1: The Proposed Acquisition of Oasia Hotel Downtown as a Related Party Transaction (Ordinary Resolution) (Conditional upon passing of Resolutions 2 and 3)
- (2) Resolution 2: The Proposed Master Lease of Oasia Hotel Downtown as an Interested Person Transaction (Ordinary Resolution) (Conditional upon passing of Resolutions 1 and 3)
- (3) Resolution 3: The Proposed Earn-out Agreement and Issuance of the Earn-out Stapled Securities in relation to Oasia Hotel Downtown as an Interested Person Transaction (Ordinary Resolution) (Conditional upon passing of Resolutions 1 and 2)

STAPLED SECURITYHOLDERS SHOULD NOTE THAT BY APPROVING RESOLUTION 3, THEY ARE DEEMED TO HAVE APPROVED BOTH THE ENTRY INTO THE PROPOSED EARN-OUT AGREEMENT, AS WELL AS THE ISSUANCE OF THE EARN-OUT STAPLED SECURITIES WHICH REQUIRES SPECIFIC APPROVAL FROM STAPLED SECURITYHOLDERS.

STAPLED SECURITYHOLDERS SHOULD NOTE THAT RESOLUTION 1 (THE PROPOSED ACQUISITION OF OASIA HOTEL DOWNTOWN AS A RELATED PARTY TRANSACTION), RESOLUTION 2 (THE PROPOSED MASTER LEASE OF OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION) AND RESOLUTION 3 (THE PROPOSED EARN-OUT AGREEMENT AND ISSUANCE OF THE EARN-OUT STAPLED SECURITIES IN RELATION TO OASIA HOTEL DOWNTOWN AS AN

INTERESTED PERSON TRANSACTION) ARE INTER-CONDITIONAL. THIS MEANS THAT IF ANY OF RESOLUTION 2 OR RESOLUTION 3 IS NOT APPROVED, THE PROPOSED ACQUISITION WOULD NOT PROCEED.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Introduction

On 11 January 2018, the REIT Trustee, on behalf of Far East H-REIT, entered into the Sale and Purchase Agreement with the Vendor to acquire the Property. The Proposed Acquisition is subject to Stapled Securityholders' approval as the Proposed Acquisition is an Interested Person Transaction under Chapter 9 of the Listing Manual although not a major transaction under Chapter 10 of the Listing Manual. Further, under the terms of the Sale and Purchase Agreement, the Proposed Acquisition is conditional upon the Managers obtaining Stapled Securityholders' approval for the Transactions.

In connection with the Proposed Acquisition, the REIT Trustee and the Vendor will, on the Completion Date, enter into the Earn-out Agreement. Pursuant to the Earn-out Agreement, the REIT Trustee will agree to issue the Earn-out Stapled Securities to the Vendor upon satisfaction of the Earn-out Event Condition, and the Earn-out Event Condition is deemed to have been met in accordance with clause 2.3 of the Earn-out Agreement.

Clause 2.3 of the Earn-out Agreement states that the Earn-out Event Condition is deemed to have been satisfied if, in respect of each of the First Consecutive Earn-out Year and the Second Consecutive Earn-out Year, either a confirmation (in the form set out in the Earn-out Agreement) has been executed by the Parties to the Earn-out Agreement, or an auditor jointly appointed by both Parties to the Earn-out Agreement has notified the Parties to the Earn-out Agreement in writing that the Specific Target NPI has been achieved. Other than the Earn-out Event Condition, there are no further conditions to be fulfilled in order for the Earn-out Stapled Securities to be issued.

The obligation of Far East H-Trust to issue the Earn-out Stapled Securities under the Earn-out Agreement would cease upon the expiry of the Earn-out Period, or upon the issuance of the Earn-out Stapled Securities, whichever is the earlier.

The issue price of the Earn-out Stapled Securities would be based on the Earn-out Stapled Securities 10-day VWAP.

The Purchase Consideration Amount payable to the Vendor under the Sale and Purchase Agreement is S\$210.0 million. The Purchase Consideration Amount will be satisfied fully in cash.

The Purchase Consideration Amount was negotiated on a willing-buyer and willing-seller basis and is supported by independent valuations. The Vendor agreed to this Purchase Consideration Amount, coupled with the Earn-out Arrangement, which has resulted in a lower amount that is payable upfront by Far East H-REIT.

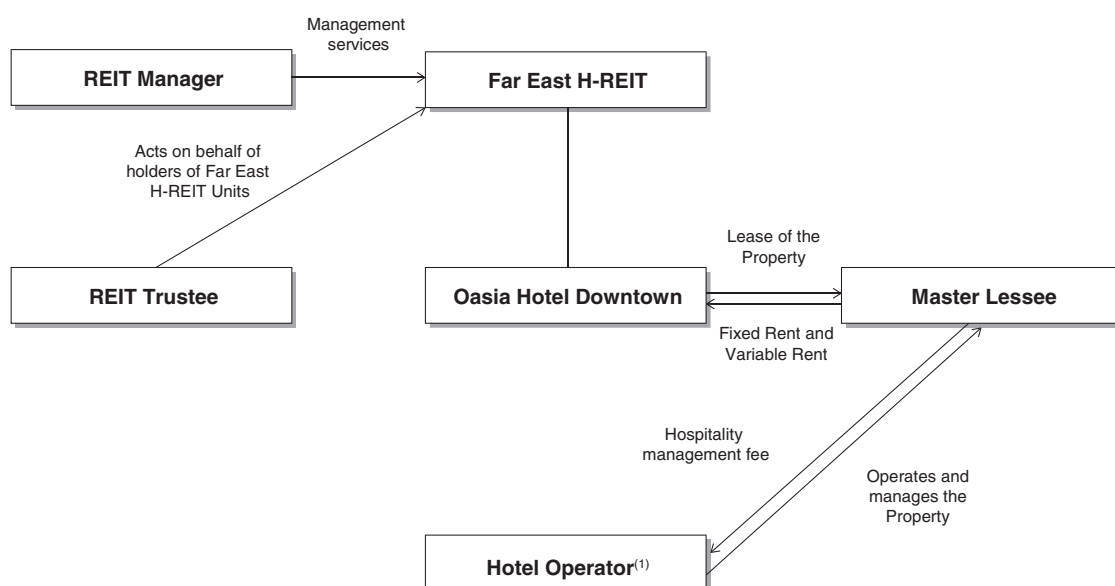
For the avoidance of doubt, it should be noted that the aggregate amount of S\$225.0 million which comprises the Purchase Consideration Amount and the Earn-out Amount that may be payable to the Vendor, is not more than the higher of the two valuations by the Independent Property Valuers¹.

¹ Paragraph 5.1(d) of the Property Funds Appendix states that assets acquired from interested parties shall be at a price not more than the higher of two values assessed by independent valuers.

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

(See Appendix B of this Circular for further details regarding the valuation of the Leasehold Interest.)

The following diagram sets out the proposed holding structure of the Leasehold Interest post-Proposed Acquisition:



Note:

(1) The “Hotel Operator” refers to FEHM, which is engaged by the Master Lessee under a hotel management agreement to be the operator of the Property.

2.2 Description of the Property

The Property comprises the hotel known as Oasia Hotel Downtown, and is comprised in the Hotel Strata Lot.

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

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

The hotel has a total of 314 modern and well-equipped guest rooms which occupy the 13th to the 20th storeys, and club rooms and suites on the 22nd to 25th storeys of the building. Facilities provided within the hotel include an all-day dining restaurant and a bar on the first storey; two meeting rooms, a 24-hour gymnasium and sky terrace on the 12th storey; a club lounge, an infinity pool and skyline pavilion on the 21st storey for the exclusive use of club guests; and two rooftop pools, a roof terrace and a restaurant on the 27th storey. Far East H-REIT will therefore acquire the hotel component of the development made up of the 1st to 3rd storeys and the 12th to 27th storeys of the building as comprised in the Hotel Strata Lot.

Selected information on the Property as at the Latest Practicable Date (unless otherwise stated) is set out in the table below:

	The Property
Location	100 Peck Seah Street, Singapore 079333 Strata Lot U3005V, together with Accessory Lots A270T, A271A, A272K, A363X, A364L, A365C and A366M, all of Town Subdivision 3
Tier	Upscale
Leasehold Tenure⁽¹⁾	65 years commencing from the Completion Date
Number of Guest Rooms	314
Carpark Lots⁽²⁾	62
Food and Beverage Outlets	3
Independent Valuation by Knight Frank (as at 5 January 2018) (S\$'m)	210.0
Independent Valuation by Savills (as at 29 December 2017) (S\$'m)	226.0
Purchase Consideration Amount (S\$'m)	210.0
Fixed Rent (per annum) under the Master Lease (S\$'m)	6.5
Variable Rent (per annum) under the Master Lease	33.0% of Gross Operating Revenue and 25.0% of Gross Operating Profit less the Fixed Rent ⁽³⁾
Vendor	Far East SOHO Pte. Ltd.
Master Lessee	Far East SOHO Pte. Ltd.
Term of Master Lease	20 years plus an option to renew for another 20 years at the Master Lessee's discretion

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) These carpark lots belong to the MCST and will not be acquired by Far East H-REIT under the Proposed Acquisition.
- (3) If the calculation of the Variable Rent yields a negative figure, the Variable Rent will be deemed to be zero.

2.3 Management Corporation Strata Title

As the Property forms part of a MCST, Far East H-REIT as the owner of the Property will be responsible for the contributions towards maintenance and other expenses of the development to the MCST based on its share value¹. The share value of the Property in the common property of the whole land lot is 86,580 out of 100,000 shares. In this regard, as between Far East H-REIT (as the owner of the Property) and Far East SOHO Pte. Ltd. (as the Master Lessee), the allocation is such that Far East SOHO Pte. Ltd. will bear the maintenance fund contributions levied for regular maintenance of the common property of the development while Far East H-REIT will bear the sinking fund contributions which are levied for the eventual replacement of a facility or asset. The sinking fund imposed by the management corporation is intended for use to meet actual or expected liabilities of the management corporation under the Building Maintenance and Strata Management Act. These include (but are not limited to) the painting or treating of any part of the common property which is a structure, major repairs and improvements to, and maintenance of, the common property and the renewal or replacement of parts of the common property, fixtures, fittings and other property held by or on behalf of the management corporation, the acquisition of movable property, any non-lot acquisition related expenses of the management corporation, and such other liabilities expected to be incurred in the future, where the management corporation determines in a general meeting that the whole or part thereof should be met from the sinking fund.

2.4 Estimated Total Acquisition Cost

The estimated Total Acquisition Cost is approximately S\$220.1 million, comprising:

- (i) the Purchase Consideration Amount of S\$210.0 million;
- (ii) the Acquisition Fee, which amounts to approximately S\$1.6 million (being 0.75% of the Purchase Consideration Amount); and
- (iii) the estimated stamp duty, professional and other fees and expenses incurred or to be incurred by Far East H-REIT in connection with the Proposed Acquisition (inclusive of debt financing-related expenses) of approximately S\$8.5 million.

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

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

¹ The share value of a property is a figure that represents the proportionate share entitlement assigned to each strata unit in the same development. The share value is allocated by the developer and subject to acceptance by the COB before sale of the property.

The COB has a set of guidelines to assist developers to determine share value allotment. The general principle in allocating share value is based on perceived usage of common facilities. A unit that uses more of the common facilities is allotted with a higher share value and consequently contributes a higher maintenance levy.

2.5 Method of Financing

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

- (i) DRP proceeds¹ accumulated over the first two financial quarters in 2017, amounting to approximately S\$22.7 million; and
- (ii) debt facilities of approximately S\$195.8 million.

Upon completion of the Proposed Acquisition, Far East H-Trust's aggregate leverage would be approximately 37.5%².

2.6 Rationale for and Key Benefits of the Proposed Acquisition

The Proposed Acquisition is consistent with Far East H-REIT's principal investment strategy to invest in a diversified portfolio of income-producing real estate in Singapore, used primarily for hospitality and/or hospitality-related purposes. The REIT Manager believes that the Proposed Acquisition will bring the following key benefits:

2.6.1 Yield Accretion

Stapled Securityholders would have enjoyed a higher distribution per Stapled Security ("DPS") as a result of the Proposed Acquisition at the Purchase Consideration Amount which is reflective of levels of cash flow which the Property is expected to generate, together with an optimal financing structure.

Stapled Securityholders would have enjoyed an increase in the DPS from 4.33 cents to 4.49 cents³, which is an increase of 3.7% for the financial year ended 31 December 2016 ("FY2016"), assuming that the Property was acquired on 1 January 2016.

Stapled Securityholders would have enjoyed an increase in the DPS from 2.97 cents⁴ to 3.09 cents, which is an increase of 4.0% for 9M2017, assuming that the Property was acquired on 1 January 2017.

1 Based on the 9M2017 Unaudited Financial Statements. The proceeds were temporarily utilised to repay the RCF pending the intended use to finance the Proposed Acquisition.

2 Based on the pro forma capitalisation of Far East H-Trust as at 30 September 2017, as if Far East H-REIT had completed the Proposed Acquisition on 30 September 2017 – see "Certain Financial Information Relating to the Proposed Acquisition and Master Lease – 9M2017 – Pro Forma Capitalisation of the Proposed Acquisition".

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

4 Based on the distributable income divided by the number of Stapled Securities in issue, adjusted for the interest savings from the repayment of the 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.

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

The Property is an upscale hotel which is strategically located in Singapore's central business district ("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 the Singapore 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.

2.6.3 Attractive RevPAR Growth Potential

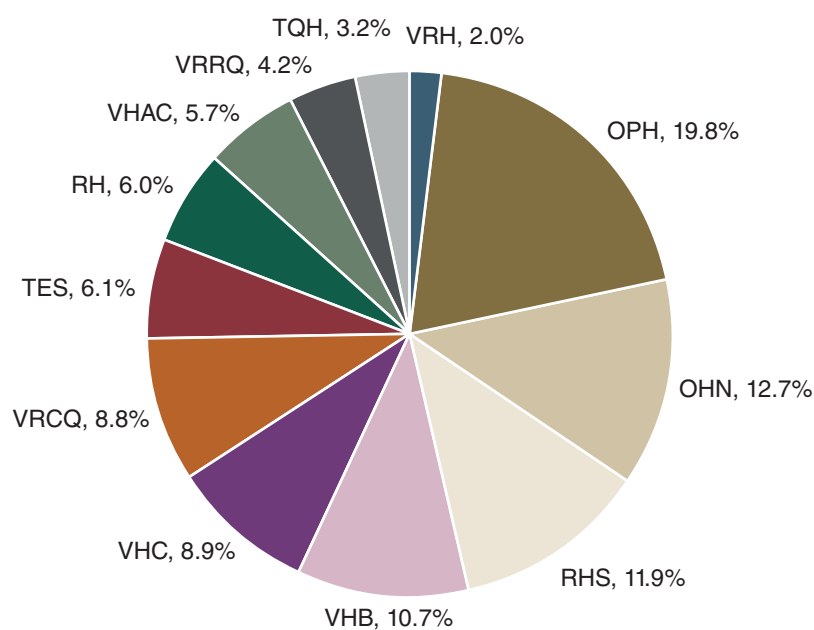
The RevPAR for the Property for 9M2017 was S\$170.0, compared to the RevPAR as reflected by the Singapore Tourism Board's ("STB") Singapore hotel industry average of S\$201.2, for the same period¹. Given that the Property is relatively new, this presents Far East H-Trust with an attractive opportunity to leverage on the expertise of the REIT Manager and the hotel operator to grow the room rates further, as occupancy levels stabilise over the next two years.

2.6.4 Greater Income Diversification

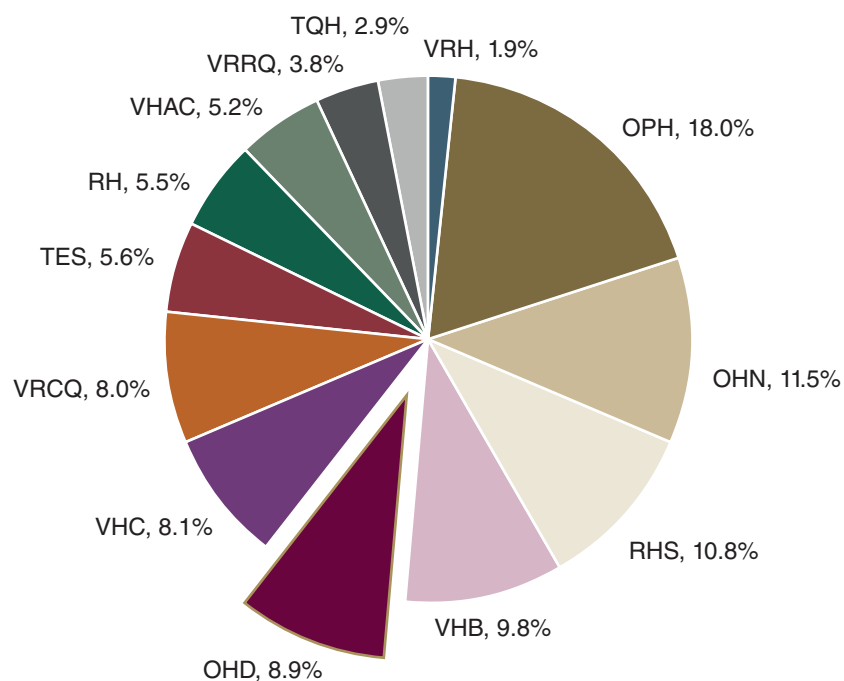
The Property is expected to contribute about 8.9% of the aggregate gross revenue of the enlarged portfolio, comprising the Existing Portfolio and the Property, for 9M2017. With the Proposed Acquisition, the concentration risk of Far East H-Trust's income stream on any single property would be reduced and the maximum gross revenue contribution by any single property would be lower, from 19.8% to 18.0% for 9M2017.

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

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



**Post-Proposed Acquisition Breakdown of Gross Revenue
by Property 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, "VRH" – Village Residence Hougang.

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

The Proposed Acquisition is 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.

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

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

Visitor arrivals are expected to increase over the coming years, underpinned by significant additional tourism infrastructure under development, such as the makeover of the Mandai area and the redevelopment of six precincts in Sentosa. The recent opening of Singapore Changi Airport's Terminal 4 in October 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, to increase leisure business especially for the weekends.

2.7 The Proposed Master Lease of the Property

The Master Lessor will enter into the Master Lease Agreement with the Master Lessee and the REIT Manager immediately upon the completion of the Proposed Acquisition. Pursuant to the Master Lease Agreement, the Master Lessee will lease the Property for an initial term of 20 years commencing from the Completion Date, with an option for the Master Lessee to obtain a lease for a further 20 years on the same terms and conditions, save for any variations made to the Master Lease during the initial term of 20 years, amendments required due to change in law and excluding any further option to renew.

2.8 The Management of the Property

FEHM is engaged by the Master Lessee to operate the Property under a hotel management agreement, for a period of 20 years commencing from 18 April 2016, with an option exercisable by FEHM to renew the contract for a further 20 years on the same terms and conditions (save for amendments required due to any change in law). Both FEHM and the Master Lessee are members of the FEO Group.

2.9 Certain Principal Terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement include, among others, the condition precedent that the Stapled Securityholders' approval for, *inter alia*, the Proposed Acquisition, the entry into the Earn-out Agreement and the Master Lease Agreement, is obtained before the Completion Date.

Under the terms of the Sale and Purchase Agreement, the Vendor has made certain representations and warranties and its liabilities thereunder are subject to a maximum aggregate liability, minimum threshold claims and no claim under the warranties may be made against the Vendor unless notice of such claims were made in writing and given to the

Vendor on or prior to the date falling six months after the Completion Date in respect of representations and warranties relating to the title to the Property and 15 months after the Completion Date for the other representations and warranties, and in the case of proceedings commenced by or on behalf of the REIT Trustee, no later than three months after the relevant claims period.

Pursuant to the Sale and Purchase Agreement, the maximum aggregate liability of the Vendor in respect of a claim under the warranties relating to the title to the Property shall not exceed the Purchase Consideration Amount, and for claims under the other warranties, shall not exceed S\$52.5 million. The aggregate liability of the Vendor in respect of a claim under the warranties relating to the title to the Property and all claims under the other warranties shall not exceed the Purchase Consideration Amount.

As regards the minimum threshold for claims, no liability shall attach to the Vendor for breach of any of the warranties unless the amount of any claim for breach of any of the warranties (together with the aggregate amount of any other or previous claim or claims) exceeds a total sum of S\$150,000.

Pursuant to the Sale and Purchase Agreement, the Parties shall enter into the Master Lease Agreement and the Earn-out Agreement on the Completion Date.

The Completion Date is expected to be on 2 April 2018.

2.10 Certain Principal Terms of the Earn-out Agreement

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

- (i) In the event that, during the Earn-out Period, the Target NPI PA is reached for each of (a) an entire Earn-out Year and (b) the Second Consecutive Earn-out Year, and the Earn-out Event Condition is deemed to have been satisfied in accordance with the Earn-out Agreement, the REIT Trustee shall cause to be issued to the Vendor or its nominee the Earn-out Stapled Securities on the date falling not more than 120 days after the date on which the Earn-out Event Condition is satisfied.
- (ii) If the REIT Trustee sells or assigns its interest in the Property during the Earn-out Period, the REIT Trustee shall, even if the Earn-out Event Condition has not been satisfied in accordance with the Earn-out Agreement, cause to be issued to the Vendor or its nominee the Earn-out Stapled Securities within 120 days after the date of completion of the REIT Trustee's sale or assignment of the Property, and upon the issue of the Earn-out Stapled Securities, the REIT Trustee shall be released and fully discharged from its obligations under the Earn-out Agreement, provided always that the REIT Trustee shall not be obliged to issue the Earn-out Stapled Securities to the Vendor if all of the Cessation Conditions¹ have been fulfilled. Where the Cessation Conditions have been fulfilled, the REIT Trustee shall be released and fully discharged from its obligations under the Earn-out Agreement.

¹ Means the following conditions:

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

- (iii) For the avoidance of doubt, the Earn-out Event Condition can only be deemed to have been satisfied once, during the Earn-out Period. The REIT Trustee shall have the right, at its election to pay the Earn-out Amount wholly or partly in cash, if required by applicable laws, regulations and listing rules of the SGX-ST or if required under the prevailing mandate of Far East H-REIT for the issue of stapled securities.
- (iv) In the event of the occurrence of an Extension Event, the Earn-out Expiry Date shall be postponed by one Fiscal Year, regardless of the actual period of disruption, provided always that the maximum postponement of the Earn-out Expiry Date shall be by two Fiscal Years, which shall be up to (and including) 31 December 2025. If the Parties to the Earn-out Agreement are unable to agree on the cause of the Extension Event and whether such cause is attributable to the Vendor, the Parties to the Earn-out Agreement shall jointly appoint an independent third party expert to decide on the matter and the determination of such third party expert shall be conclusive and binding on the Parties.

Examples for Illustration only

Example 1:

If during the Earn-out Period:

- (i) the NPI for an Earn-out Year in 2021 is more than or equal to S\$9.9 million;
- (ii) if the Earn-out Year in 2021 is immediately followed by two Disrupted Years in 2022 and 2023, the Earn-out Expiry Date shall be postponed by two Fiscal Years until 31 December 2025; and
- (iii) if the two Disrupted Years are immediately followed by an Earn-out Year in 2024 where the NPI is more than or equal to S\$9.9 million,

the REIT Trustee shall cause the Earn-out Stapled Securities to be issued.

Example 2:

If during the Earn-out Period there are no Disrupted Years and:

- (i) the NPI for an Earn-out Year in 2022 is more than or equal to S\$9.9 million; and
- (ii) the NPI for the Earn-out Year in 2023 is less than S\$9.9 million not due to Extension Events,

there shall be no postponement of the Earn-out Expiry Date and no Earn-out Amount is payable as the Target NPI PA was not met for two consecutive Earn-out Years.

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

$$\text{NPI} = \text{Master Lease Rent}^1 - \text{Property Tax}^2 - \text{Insurance}^3 - \text{MCST Sinking Fund}^4$$

2.11 Stapled Securityholders' Approval Required for the Proposed Acquisition

2.11.1 Relative figures computed on the bases set out in Rule 1006 of the Listing Manual

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

- (i) the net profits attributable to the assets acquired compared with Far East H-Trust's net profits; and
- (ii) the aggregate value of the consideration given compared with Far East H-Trust's capitalisation.

Comparison of:	The Proposed Acquisition	Far East H-Trust	Relative Figure (%)
Profits ⁽¹⁾ (S\$ million)	7.2 ⁽²⁾	70.0 ⁽³⁾	10.3
Consideration against market capitalisation (S\$ million)	210.0	1,328.9 ⁽⁴⁾	15.8

Notes:

- (1) Based on NPI. In the case of a REIT, the NPI is a close proxy to the net profits attributable to its assets.
- (2) Based on the NPI of the Property for 9M2017.
- (3) Related to Far East H-Trust's NPI for 9M2017.
- (4) Based on the weighted average price of S\$0.717 per Stapled Security on the SGX-ST on 10 January 2018, being the market day preceding the date of the Sale and Purchase Agreement.

-
- 1 The aggregate of the Fixed Rent and the Variable Rent (both as defined herein) payable to the Master Lessor, for the relevant Earn-out Year under the Master Lease Agreement or the aggregate gross rent per annum payable to the REIT Trustee under a Master Occupation Agreement. See paragraph 3.1.2 of the Letter to Stapled Securityholders for more information.
 - 2 Property tax levied by the Inland Revenue Authority of Singapore attributable to the Property for the relevant Earn-out Year as set out in the annual property tax bill and/or valuation notice for the relevant Earn-out Year including any adjustment, whether retrospective or not, to property tax for the relevant Earn-out Year received by the REIT Trustee before the date the Master Lessee delivers to the REIT Trustee the profit and loss statement audited by a reputable firm of accountants, showing the results of the operation of the Property during the Fiscal Year, and containing a computation of the Gross Operating Revenue and Gross Operating Profit, which statement shall be delivered 90 days after the end of each Fiscal Year (the "MLA PL Statement"), for that relevant Earn-out Year. For the avoidance of doubt, any adjustment to property tax set out in any revision to the annual property tax bill and/or valuation notice in respect of any period within a Earn-out Year, whether retrospective or not, which is received by the REIT Trustee after the date the Master Lessee delivers to the REIT Trustee the MLA PL Statement for that relevant Earn-out Year, shall not be taken into consideration in the determination of the NPI for that Earn-out Year.
 - 3 Insurance premium payable by the REIT Trustee attributable to the Property for the relevant Earn-out Year including but not limited to, property insurance (a) insuring the Property under the Master Lease Agreement, and (b) insuring business interruption in respect of the loss of Fixed Rent plus Variable Rent (both as defined herein) in a Fiscal Year, payable to the REIT Trustee under the Master Lease Agreement. See paragraph 3.1.3(vi) of the Letter to Stapled Securityholders for more information.
 - 4 Contributions made or required to be made by the REIT Trustee to the sinking fund established by the MCST constituted or to be constituted under the Land Titles (Strata) Act, Cap 158, Singapore, in relation to the Property, for the relevant Earn-out Year.

Far East H-REIT is established with the principal investment strategy of investing on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate in Singapore, used primarily for hospitality and/or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets in connection to the foregoing. Accordingly, the REIT Manager is of the view that the Proposed Acquisition is in the ordinary course of Far East H-REIT's business as it falls within Far East H-REIT's investment policy and does not change its risk profile. As such, the Proposed Acquisition is not subject to Chapter 10 of the Listing Manual.

2.11.2 Interested Person Transaction and Interested Party Transaction

Under Chapter 9 of the Listing Manual, where Far East H-REIT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000 with the same interested person during the same financial year) is equal to or exceeds 5.0% of Far East H-REIT's latest audited net tangible assets ("NTA"), Stapled Securityholders' approval is required in respect of the transaction.

Based on the audited financial statements of Far East H-Trust for FY2016 (the "FY2016 Audited Financial Statements"), the NTA of Far East H-REIT was approximately S\$1,645.6 million as at 31 December 2016. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by Far East H-REIT with an interested person is, either in itself or in aggregate with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S\$82.3 million, such a transaction would be subject to Stapled Securityholders' approval.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Stapled Securityholders' approval for an Interested Party Transaction by Far East H-REIT which value exceeds 5.0% of Far East H-REIT's latest audited net asset value ("NAV"). Based on the FY2016 Audited Financial Statements, the NAV of Far East H-REIT was approximately S\$1,645.6 million as at 31 December 2016. Accordingly, if the value of a transaction which is proposed to be entered into by Far East H-REIT with an interested party is equal to or greater than approximately S\$82.3 million, such a transaction would be subject to Stapled Securityholders' approval.

As at the Latest Practicable Date, the FEO Group holds an aggregate direct and indirect interest in approximately 59.5% of the total number of Stapled Securities in issue, and is therefore regarded as a "controlling unitholder" of Far East H-REIT under both the Listing Manual and the Property Funds Appendix and a "controlling unitholder" of Far East H-BT under the Listing Manual. In addition, as the Managers are members¹ of the FEO Group, the FEO Group is therefore regarded as a "controlling shareholder" of the REIT Manager under both the Listing Manual and the Property Funds Appendix and a "controlling shareholder" of the Trustee-Manager under the Listing Manual.

¹ As at the Latest Practicable Date, the Managers are each 67.0% owned by FEO Asset Management Pte. Ltd., which is a wholly-owned subsidiary of FEOC and 33.0% owned by FEOR. FEOR is 60.6% owned by FEOPL as at the Latest Practicable Date. FEOC, FEOPL and FEOR are all members of the FEO Group.

As the Vendor is a member of the FEO Group, which is regarded as a “controlling unitholder” of Far East H-REIT and Far East H-BT, and a “controlling shareholder” of the Managers for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor is (for the purposes of the Listing Manual) an “interested person” and (for the purposes of the Property Funds Appendix) an “interested party” of Far East H-REIT.

Therefore, the Proposed Acquisition will constitute an Interested Person Transaction under Chapter 9 of the Listing Manual as well as an Interested Party Transaction under the Property Funds Appendix, in respect of which Stapled Securityholders’ approval is required.

Given the Purchase Consideration Amount of S\$210.0 million (which is 12.8% of the NTA and the NAV of Far East H-REIT as at 31 December 2016), the value of the Proposed Acquisition will in aggregate exceed (i) 5.0% of Far East H-REIT’s latest audited NTA and (ii) 5.0% of Far East H-REIT’s latest audited NAV. In compliance with the requirements of the Listing Manual and the Property Funds Appendix, the REIT Manager is therefore seeking Stapled Securityholders’ approval for the Proposed Acquisition (including the Master Lease).

2.11.3 Interests of Directors and Substantial Stapled Securityholders

Based on the Register of Directors’ Stapled Securityholdings maintained by the Managers and save as disclosed below, none of the Directors currently holds a direct or deemed interest in the Stapled Securities as at the Latest Practicable Date:

Name of Director	Direct Interest		Deemed Interest		Total No. of Stapled Securities held	%
	No. of Stapled Securities held	%	No. of Stapled Securities held	%		
Mr Koh Boon Hwee	500,000	0.03	–	–	500,000	0.03
Mr Wee Kheng Jin	515,318	0.03	–	–	515,318	0.03
Mr Willie Cheng Jue Hiang	–	–	515,318	0.03	515,318	0.03
Mr Huang Cheng Eng	515,318	0.03	–	–	515,318	0.03
Mr Kyle Lee Khai Fatt	507,813	0.03	–	–	507,813	0.03
Mr Chng Kiong Huat	103,063	0.01	–	–	103,063	0.01

Based on the Register of Substantial Securityholders’ Stapled Securityholdings maintained by the Managers, the Substantial Securityholders and their interests in the Stapled Securityholdings as at the Latest Practicable Date are as follows:

Name of Substantial Stapled Securityholder	Direct Interest		Deemed Interest		Total No. of Stapled Securities held	%
	No. of Stapled Securities held	%	No. of Stapled Securities held	%		
Golden Development Pte Ltd ⁽¹⁾	418,039,092	22.51	159,214,054	8.57	577,253,146	31.08
Far East Organization Centre Pte Ltd ⁽²⁾	185,156,025	9.97	54,623,886	2.94	239,779,911	12.91

Name of Substantial Stapled Securityholder	Direct Interest		Deemed Interest		Total No. of Stapled Securities held	%
	No. of Stapled Securities held	%	No. of Stapled Securities held	%		
Golden Landmark Pte Ltd	191,806,000	10.33	–	–	191,806,000	10.33
Oxley Hill Properties Pte Ltd	154,481,000	8.32	–	–	154,481,000	8.32
Estate of the late Mr Ng Teng Fong ⁽³⁾	–	–	808,083,628	43.51	808,083,628	43.51
F.E. Holdings Pte Ltd ⁽⁴⁾	–	–	272,100,000	14.65	272,100,000	14.65
Mdm Tan Kim Choo ⁽⁵⁾	–	–	330,976,162	17.82	330,976,162	17.82
Mr Ng Chee Tat Philip ⁽⁶⁾	–	–	1,081,950,011	58.26	1,081,950,011	58.26
Mr Ng Chee Siong ⁽⁷⁾	–	–	808,083,628	43.51	808,083,628	43.51

Notes:

The percentages of the above interests are calculated based on the total issued Stapled Securities as at Latest Practicable Date 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.
- (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 the 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 the 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.

Saved as disclosed above and based on information available to the Managers as at the Latest Practicable Date, none of the Directors or the Controlling Stapled Securityholders has an interest, direct or indirect, in the Proposed Acquisition.

2.11.4 Directors' Service Contracts

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

3. THE PROPOSED MASTER LEASE OF THE PROPERTY

3.1 Certain Principal Terms of the Master Lease Agreement

The REIT Trustee proposes to grant the Master Lease of the Property to the Master Lessee immediately upon the completion of the Proposed Acquisition.

3.1.1 Term of the Master Lease

The initial term of the Master Lease is for 20 years, commencing from the Completion Date, with an option for the Master Lessee to obtain a lease for a further 20 years on the same terms and conditions, save for any variations made to the Master Lease during the initial term of 20 years, amendments required due to any change in the law and excluding any further option to renew.

3.1.2 Rental Payment

The Master Lessee is required to pay rent on a monthly basis in arrears on the 24th day of the following month, which rent shall comprise:

- (i) a fixed rent of S\$6.5 million per annum (the “**Fixed Rent**”);
- (ii) a variable rent computed based on the sum of 33.0% of the Property’s Gross Operating Revenue and 25.0% of the Property’s Gross Operating Profit for that Fiscal Year, less the Fixed Rent for that Fiscal Year (the “**Variable Rent**”), and if the calculation of the Variable Rent yields a negative figure, the Variable Rent will be deemed to be zero.

The quantum of the Variable Rent will be adjusted at the end of each fiscal year based on the adjusted profit and loss statement of the Property for such Fiscal Year.

If the Property is damaged or destroyed, the Master Lessee is not liable to pay rent for the period that the Property cannot be used. If part of the Property is still useable, the Master Lessee’s liability to pay rent is adjusted such that:

- (i) if the total reinstatement costs exceed 25.0% of the Purchase Consideration Amount, in respect of the period from the date such damage occurred until the date of completion of restoration and reinstatement, the Master Lessee will pay a reduced rent equivalent to the sum of (a) the fixed percentages of the Property’s Gross Operating Revenue and the Property’s Gross Operating Profit applicable to the computation of the Variable Rent for such period, less an amount equivalent to half the Fixed Rent for such period and (b) an amount equivalent to half the Fixed Rent for such period; and
- (ii) if the total reinstatement costs do not exceed 25.0% of the Purchase Consideration Amount, in respect of the period from the date such damage occurred until the date of completion of restoration and reinstatement, the Master Lessee will continue to pay the rent for such period, without any abatement of the Fixed Rent.

3.1.3 Master Lessee’s Obligations

(i) Security Deposit

The Master Lessee will provide a security deposit, by way of cash or bank guarantee, of an amount equivalent to six months of the monthly Fixed Rent applicable to the relevant Fiscal Year. The Master Lessee may furnish a corporate guarantee from the Corporate Guarantor in lieu of payment of the security deposit in cash or the provision of the bank guarantee. Where the security deposit has been applied by the Master Lessor, the Master Lessee must pay to the Master Lessor such applied amount by way of cash, a bank guarantee, or an additional corporate guarantee.

The Corporate Guarantor is an operating real estate management and development company which was incorporated in 1970. It is a member of the FEO Group and is itself a Substantial Stapled Securityholder of Far East H-Trust.

The Audit and Risk Committee has noted that for the master lease agreements relating to Oasia Hotel Novena, Village Hotel Changi, Village Hotel Bugis, Regency House, Village Residence Robertson Quay, Village Residence Hougang and Rendezvous Hotel Singapore, all of which are held by Far East H-REIT, the security deposit is also satisfied by way of a corporate guarantee from the Corporate Guarantor. In addition thereto, noting the financial position of the Corporate Guarantor, the Audit and Risk Committee is of the view that the Corporate Guarantor is in a financial position to satisfy the obligations under the Corporate Guarantee.

(ii) **FF&E**

The FF&E¹ which is located in the Property at the commencement date of the Master Lease Agreement and the FF&E which are brought onto the Premises² by the Master Lessee during the term of the Master Lease or replaced by the Master Lessee during the term of the Master Lease Agreement will be the property of the Master Lessee, subject to the condition that the title to the FF&E items which are owned by the Master Lessee and still in use shall, at the option of the Master Lessor, be transferred to the REIT Trustee at the end or earlier termination of the Master Lease at the net book value of the FF&E, computed on a straight line depreciation over a three-year period and where the net book value of the FF&E, computed on a straight line depreciation over a three-year period is zero, for S\$1.00.

For each fiscal year, the Master Lessee is required to set aside in the FF&E reserve an amount equivalent to a specified percentage of the Property's revenue for such fiscal year to be utilised in accordance with an annual FF&E plan approved by the REIT Manager. This will comprise an amount equivalent to 1.0% of the Gross Operating Revenue for each of the first two Fiscal Years

1 Refers to all furniture, fixtures, furnishings and equipment (now or in the future) used, or held in storage for use in (or if the context so dictates, required in connection with) the operation of the hotel business including conference (if any), catering and bar facilities, commercial and retail letting operated at or from the Premises (as defined herein), including without limitation:

- (i) all items which enhance the decoration of the interiors including movable furniture, fabric coverings, carpeting, draperies, decorative accessories, pictures, artwork and decorative planters;
- (ii) any built-in furniture, bars, wall and ceiling panelling or covering or facing of a decorative nature;
- (iii) fixed and built-in equipment required for the operation of, *inter alia*, the kitchens, laundries, dry-cleaning facilities, bars, function rooms and health clubs;
- (iv) audio visual equipment;
- (v) ballroom lighting equipment;
- (vi) front office computer systems; and
- (vii) back office computer systems,

but excluding (i) hotel systems and facilities (including without limitation, safety, heating, lighting, plumbing, sanitation, air conditioning, ventilation, fire protection safety facilities, elevators, escalators and broadband computer system) and (ii) the items which are customarily referred to as operating assets in the hotel industry including, but not limited to, glassware, silverware, cutlery, chinaware, crockery, linen and uniforms as well as all those items generally required for the day to day operation of a hotel in accordance with the standard of the Premises immediately preceding the date of commencement of the Master Lease Agreement.

2 Refers to the Property, Plant and Services Infrastructure (as defined herein), including:

- (a) all internal partitions, windows, window frames, doors and door frames;
- (b) all finishes on walls, floors, ceiling, partitions, doors and windows including paint, wallpaper and other materials; and
- (c) all equipment, fixtures, fittings, finishings and other property located in the Premises, and where the context permits, includes equipment, fixtures, fittings, finishings and other property installed by the Master Lessee in the Premises but exclude FF&E, the operating asset and the inventories.

and thereafter, 2.5% of the Gross Operating Revenue for each of the Fiscal Years in the remainder of the term of the Master Lease. Any unutilised balance in the FF&E reserve at the end of a fiscal year must be carried forward and made available in the next fiscal year but this shall not reduce the required contribution to the FF&E reserve in the next fiscal year. Where the total expenditure by the Master Lessee in any fiscal year is in excess of the unutilised balance in the FF&E reserve, the excess shall be carried forward and debited against the contribution to the FF&E reserve in the next fiscal year. Any unutilised amounts standing to the credit of the FF&E reserve at the end of the Master Lease Agreement shall belong to the Master Lessee.

(iii) **Annual Budget**

The Master Lessee must submit to the REIT Manager for review and approval by no later than 15th November of the preceding fiscal year, an annual budget for that fiscal year which includes, *inter alia*, a proposed capital budget for capital improvements. The factors which the REIT Manager will take into account in its review shall include, among others, the existing conditions to determine if any FF&E has reached its expiry age, whether any safety enhancements are required (for example, due to new compliance requirements) and if there are existing valid warranties and/or guarantees which can be relied on to satisfy certain requirements. In respect of such proposed capital budget, the Master Lessor is not obliged to undertake any expenditure for capital improvements unless (a) it is approved in writing by the REIT Manager, or (b) such capital improvements are (x) required to comply with any directive, order or requirement of any relevant government authorities or (y) required to meet safety or health requirements relating to the Property.

(iv) **Maintenance of the Property and the FF&E**

The Master Lessee must, at its cost, repair and maintain the Property, the Services Infrastructure¹ and Plant² in good and substantial repair and in working order but the Master Lessee is not responsible for works which are in the nature of capital improvements. The Master Lessee must, at its cost, repair and replace all FF&E and operating equipment required for the operations of the Property, unless such repair and replacement works are in the nature of capital improvements.

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

2 Means all plant, machinery, equipment and all component parts thereof relating to the services, including the following:

- (a) central air-conditioning, heating, cooling, exhaust systems, ventilation systems, air handling units, fan coil units and cooling towers;
- (b) chillers, pumps, boilers, steam and hot water systems and steam pipes;
- (c) 3 switch boards;
- (d) plumbing, drainage, stormwater, sewerage, waste disposal, water softening and water filtration;
- (e) lifts, elevators and escalators; and
- (f) internet infrastructure (including access points, internet gateway, switches, cabling and wiring);

including all renewals, replacements and additions thereto, but shall exclude plant, machinery, equipment and all component parts in the common property of the building erected on Lot 800k of Town Subdivision 3.

(v) **Licences and Permits**

All necessary licences and permits must be obtained and maintained by the Master Lessee at its cost.

(vi) **Insurance**

The Master Lessee must, at its cost, take out and maintain public liability insurance policy, insurance relating to workers' compensation and contract works insurance in respect of any works undertaken or carried out by the Master Lessee, property insurance insuring the FF&E, operating asset and inventories against loss, damage or destruction from insurable risks or perils and business interruption insurance insuring against the loss of the Master Lessee's Gross Operating Profit. The Master Lessor will take out and maintain, at its cost, property insurance insuring the Property, the Plant, the Services Infrastructure and the contents of the Premises, and business interruption insurance in respect of the rent payable by the Master Lessee.

3.2 The Vendor Lease

In connection with the Proposed Acquisition, on the Completion Date, the Vendor shall issue the Vendor Lease to Far East H-REIT for the Leasehold Interest, which shall be registered with the SLA.

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

- (i) pay an annual rent of S\$12 (waived by the Vendor until further notice);
- (ii) pay all rates, taxes, charges, assessments, outgoings imposed on the Property; and
- (iii) shall not use the Property otherwise than in accordance with the use approved by the relevant authorities.

3.3 The Corporate Guarantee

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

3.4 Interested Person Transaction

Under Chapter 9 of the Listing Manual, where the REIT Trustee proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of Far East H-REIT's latest audited NTA, Stapled Securityholders' approval is required in respect of the transaction.

Based on the FY2016 Audited Financial Statements, the NTA of Far East H-REIT was approximately S\$1,645.6 million as at 31 December 2016. Accordingly, if the value of a transaction which is proposed to be entered into by the REIT Trustee during the financial year ending 31 December 2018 ("FY2018") with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than

S\$100,000) entered into with the same interested person during FY2018, equal to or in excess of S\$82.3 million, such a transaction would also be subject to approval from Stapled Securityholders.

Under the Master Lease Agreement, the Master Lessee will pay a Fixed Rent of S\$6.5 million per annum for a fixed initial term of 20 years plus an extended term of 20 years, which is equivalent to an aggregate amount of S\$260.0 million (being 15.8% of Far East H-REIT's NTA as at 31 December 2016). The Master Lessee is also required to pay a Variable Rent based on the formula as set out in the Master Lease Agreement.

The value of the Master Lease Agreement exceeds the threshold under the Listing Manual and would therefore be subject to Stapled Securityholders' approval.

As at the Latest Practicable Date, the FEO Group holds an aggregate direct and indirect interest in approximately 59.5% of the total number of Stapled Securities in issue, and is therefore regarded as a "controlling unitholder" of Far East H-REIT under the Listing Manual and a "controlling unitholder" of Far East H-BT under the Listing Manual. In addition, as the Managers are members¹ of the FEO Group, the FEO Group is therefore regarded as a "controlling shareholder" of the REIT Manager under the Listing Manual and a "controlling shareholder" of the Trustee-Manager under the Listing Manual.

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

Therefore, the Master Lease will constitute an Interested Person Transaction under Chapter 9 of the Listing Manual, in respect of which Stapled Securityholders' approval is required.

4. THE PROPOSED ISSUANCE OF THE EARN-OUT STAPLED SECURITIES TO THE VENDOR PURSUANT TO THE EARN-OUT AGREEMENT

4.1 Proposed Issuance of the Earn-out Stapled Securities to the Vendor

As at the Latest Practicable Date, the FEO Group holds an aggregate direct and indirect interest in approximately 59.5% of the total number of Stapled Securities in issue. To incentivise the Vendor to meet certain performance criteria, the Managers are seeking approval from Stapled Securityholders for the proposed issue of such number of Earn-out Stapled Securities to the Vendor (or as directed in writing by the Vendor, in its discretion, to any member of the FEO Group). The Earn-out Stapled Securities will represent approximately 1.1% of the total number of issued Stapled Securities as at the Latest Practicable Date and based on the Illustrative Issue Price.

The issue price of the Earn-out Stapled Securities would be based on the Earn-out Stapled Securities 10-day VWAP.

¹ As at the Latest Practicable Date, the Managers are each 67.0% owned by FEO Asset Management Pte. Ltd., which is a wholly-owned subsidiary of FEOC and 33.0% owned by FEOR. FEOR is 60.6% owned by FEOPL as at the Latest Practicable Date. FEOC, FEOPL and FEOR are all members of the FEO Group.

4.2 Specific Approval from Stapled Securityholders for the Proposed Issuance of the Earn-out Stapled Securities

Pursuant to Rule 805(1) of the Listing Manual, the Managers are seeking the specific approval of Stapled Securityholders for the issue of the Earn-out Stapled Securities to the Vendor or its nominee in accordance with the Earn-out Agreement.

Under Rule 812(2) of the Listing Manual, the approval of Stapled Securityholders by way of Ordinary Resolution is required for any issue of Stapled Securities that is placed to the Vendor. This is because the Vendor is a member of the FEO Group, which is a Substantial Stapled Securityholder of Far East H-Trust and a substantial shareholder of the Managers. The Vendor and each of its associates, including the Managers, are prohibited from voting on the resolution to permit such a placement of the Earn-out Stapled Securities.

As the Vendor is a member of the FEO Group, which is regarded as a “controlling unitholder” of Far East H-REIT and Far East H-BT and a “controlling shareholder” of the Managers for the purposes of the Listing Manual, the entry into the Earn-out Agreement and the issuance of the Earn-out Stapled Securities to the Vendor pursuant to the Earn-out Agreement will also constitute an Interested Person Transaction under Chapter 9 of the Listing Manual as the Vendor would be considered as an “interested person” of Far East H-REIT. Although S\$15.0 million in Earn-out Stapled Securities will not exceed 5.0% of the value of Far East H-REIT’s latest audited NTA, the Managers are seeking Stapled Securityholders’ approval for the issuance of the Earn-out Stapled Securities to the Vendor so that the value of such Earn-out Stapled Securities will not be aggregated with future transactions with the FEO Group in the financial year ending 31 December 2018 (being the financial year in which the Earn-out Agreement is entered into).

Accordingly, the Managers are seeking Stapled Securityholders’ approval for the proposed issue of the Earn-out Stapled Securities for subscription by the Vendor.

The Earn-out Stapled Securities will, upon issue and allotment, rank *pari passu* in all respects with the existing Stapled Securities, excluding the right to any distributions which may accrue prior to issuance of the Earn-out Stapled Securities.

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

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

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

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

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

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

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

6. CERTAIN FINANCIAL INFORMATION RELATING TO THE PROPOSED ACQUISITION AND MASTER LEASE

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Proposed Acquisition and the Master Lease on the DPS and NAV per Stapled Security presented below are **strictly for illustrative purposes only** and were prepared based on the FY2016 Audited Financial Statements and the 9M2017 Unaudited Financial Statements, taking into account the Total Acquisition Cost, the pro forma rent from the Property and certain assumptions including (but not limited to) the following:

- (i) bank borrowings of approximately S\$195.8 million are drawn down to partly finance the Proposed Acquisition;
- (ii) the Acquisition Fee payable in Stapled Securities to the REIT Manager, paid through the issuance of approximately 2.2 million Stapled Securities; and
- (iii) 90.0% of the REIT Manager's management fee incurred in relation to the Property is paid in the form of Stapled Securities.

The pro forma financial effects of the Earn-out Agreement have not been taken into account because the obligation on Far East H-REIT to issue the Earn-out Stapled Securities is contingent and dependent on the fulfilment of the Earn-out Event Condition post-completion of the Proposed Acquisition during the Earn-out Period. In addition, certain assumptions on the future NPI of the Property (meeting the Specific Target NPI) must be made in order to assume the issue of the Earn-out Stapled Securities.

6.1 FY2016

Pro Forma DPS of the Proposed Acquisition and the Master Lease

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

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

Notes:

- (1) Based on the FY2016 Audited Financial Statements.
- (2) The net income and the distributable income of the Property were based on the performance for 9M2017 and annualised to full year, as the Property only commenced operations on 18 April 2016 and the performance of the Property had not stabilised over the remaining period for 2016. The net income and distributable income of the Property from 18 April 2016 to 31 December 2016 is therefore not representative of the performance of the Property and will not be meaningful to Stapled Securityholders in assessing the pro forma financial effects of the Proposed Acquisition if applied against Far East H-REIT's actual net income and distributable income for FY2016.
- (3) Based on the number of Stapled Securities in issue and issuable as at 31 December 2016, and assuming (i) approximately 2.2 million new Stapled Securities were issued to the REIT Manager as payment for the Acquisition Fee; (ii) approximately 1.0 million new Stapled Securities were issued to the REIT Manager as base management fees; and (iii) approximately 36.5 million new Stapled Securities were issued under the DRP.
- (4) Based on distributable income divided by the number of Stapled Securities in issue.
- (5) Based on the Illustrative Issue Price.

Pro Forma NAV of the Proposed Acquisition

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

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

Notes:

- (1) Based on the FY2016 Audited Financial Statements.
- (2) Based on the number of Stapled Securities as at 31 December 2016, and assuming (i) approximately 2.2 million new Stapled Securities were issued as payment for the Acquisition Fee; and (ii) approximately 36.5 million new Stapled Securities were issued under the DRP.

Pro Forma Capitalisation of the Proposed Acquisition

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

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

Notes:

- (1) Based on the FY2016 Audited Financial Statements.
- (2) Stated net of unamortised transaction costs.

6.2 9M2017

Pro Forma DPS of the Proposed Acquisition and Master Lease

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

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

Notes:

- (1) Based on the 9M2017 Unaudited Financial Statements, adjusted for the interest savings from the repayment of RCF using the DRP proceeds. The proceeds were temporarily utilised to repay the RCF pending the intended use to finance the Proposed Acquisition.
- (2) Based on the number of Stapled Securities in issue and issuable as at 30 September 2017, adjusted for approximately 36.5 million Stapled Securities issued under the DRP. Please refer to the announcements by Far East H-Trust dated 23 June 2017 and 19 September 2017 for more information.
- (3) Based on the number of Stapled Securities in issue and issuable as at 30 September 2017, and assuming (i) approximately 2.2 million new Stapled Securities were issued to the REIT Manager as payment for the Acquisition Fee; (ii) approximately 0.7 million new Stapled Securities were issued to the REIT Manager as base management fees; and (iii) approximately 36.5 million new Stapled Securities were issued under the DRP.
- (4) Based on distributable income divided by the number of Stapled Securities in issue.
- (5) Based on the Illustrative Issue Price.

Pro Forma NAV of the Proposed Acquisition

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

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

Notes:

- (1) Based on the 9M2017 Unaudited Financial Statements.
- (2) Based on the number of Stapled Securities as at 30 September 2017, and assuming approximately 2.2 million new Stapled Securities were issued as payment for the Acquisition Fee.

Pro Forma Capitalisation of the Proposed Acquisition

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

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

Notes:

- (1) Based on the 9M2017 Unaudited Financial Statements.
- (2) Stated net of unamortised transaction costs.
- (3) Based on the 9M2017 Unaudited Financial Statements, adjusted for the DRP proceeds that were temporarily utilised to repay the RCF pending the intended use to finance the Proposed Acquisition.

7. OTHER INTERESTED PERSON TRANSACTIONS

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

8. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

KPMG Corporate Finance Pte. Ltd. has been appointed as the IFA to advise the Independent Directors, the independent directors of the Trustee-Manager, the REIT Trustee and the Audit and Risk Committee¹ as to whether the Proposed Acquisition, the Master Lease Agreement and 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. A copy of the letter from the IFA to the Independent Directors, the REIT Trustee and the Audit and Risk Committee (the “**IFA Letter**”), containing its advice in full in relation to the Proposed Acquisition, the Master Lease Agreement and the Earn-out Agreement, is set out in Appendix A of this Circular and Stapled Securityholders are advised to read the IFA Letter in its entirety carefully.

Based on the considerations set out in the IFA Letter in Appendix A of this Circular and subject to the qualifications and assumptions therein, the IFA is of the opinion as of the date of the IFA Letter, that the Proposed Acquisition, the Master Lease Agreement and 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, in accordance with Chapter 9 of the Listing Manual.

9. RECOMMENDATIONS

9.1 The Proposed Acquisition of the Property as a Related Party Transaction

Based on the opinion of the IFA (as set out in the IFA Letter in Appendix A of this Circular) and having regard to the rationale for and key benefits of the Proposed Acquisition set out in paragraph 2.6 above, the Independent Directors and the Audit and Risk Committee believe that the Proposed Acquisition is based on normal commercial terms and would not be prejudicial to the interests of Far East H-Trust and the minority Stapled Securityholders.

Accordingly, the Independent Directors recommend that Stapled Securityholders vote at the EGM in favour of Resolution 1 relating to the Proposed Acquisition.

9.2 The Proposed Master Lease of the Property as an Interested Person Transaction

Based on the opinion of the IFA (as set out in the IFA Letter in Appendix A of this Circular) and having regard to the rationale for and key benefits of the Master Lease set out in paragraph 5 above, the Independent Directors and the Audit and Risk Committee believe that the proposed Master Lease is based on normal commercial terms and would not be prejudicial to the interests of Far East H-Trust and the minority Stapled Securityholders.

Accordingly, the Independent Directors recommend that Stapled Securityholders vote at the EGM in favour of Resolution 2 relating to the proposed Master Lease.

¹ The Trustee-Manager does not have an audit and risk committee. The MAS has granted the Trustee-Manager an exemption from compliance with section 15(1) of the Business Trusts Act, Chapter 31A of Singapore (the “**BTA**”) to the extent that section 15(1) requires an audit and risk committee to be constituted when Far East H-BT is dormant, subject to the conditions that (a) the exemption shall only be in effect for so long as Far East H-BT is dormant, and (b) immediately upon the Trustee-Manager becoming aware that Far East H-BT will become active, the Trustee-Manager shall ensure that an audit and risk committee in compliance with the requirements of the BTA and the Business Trust Regulations is constituted before Far East H-BT becomes active.

9.3 The Proposed Earn-out Agreement and Issuance of the Earn-out Stapled Securities as an Interested Person Transaction

Based on the opinion of the IFA (as set out in the IFA Letter in Appendix A of this Circular) and having regard to the rationale for the entry into the proposed Earn-out agreement, and the issuance of the Earn-out Stapled Securities as set out in paragraph 5 above, the Independent Directors and the Audit and Risk Committee believe that the entry into the proposed Earn-out Agreement, and issuance of the Earn-out Stapled Securities are based on normal commercial terms and would not be 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 Resolution 3 relating to the entry into the proposed Earn-out Agreement and issuance of the Earn-out Stapled Securities.

10. EXTRAORDINARY GENERAL MEETING

The EGM will be held on Monday, 12 March 2018 at 2.30 p.m. at Antica Ballroom, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 for the purpose of considering and, if thought fit, passing with or without modification, the Ordinary Resolution in the Notice of Extraordinary General Meeting, which is set out on page C-1 of this Circular. The purpose of this Circular is to provide Stapled Securityholders with relevant information about the resolutions.

Approval by way of an Ordinary Resolution is required in respect of each of Resolution 1 (the Proposed Acquisition of the Property as a Related Party Transaction), Resolution 2 (the proposed Master Lease of the Property as an Interested Person Transaction) and Resolution 3 (the proposed Earn-out Agreement and issuance of the Earn-out Stapled Securities in relation to the Property as an Interested Person Transaction).

A Depositor shall not be regarded as a Stapled Securityholder entitled to attend the EGM and to speak and vote unless he is shown to have Stapled Securities entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited (“CDP”) as at 48 hours before the EGM.

11. ABSTENTIONS FROM VOTING

11.1 Relationship between the FEO Group and the Managers

As at the Latest Practicable Date, the Managers are members of the FEO Group. The FEO Group holds an aggregate direct and indirect interest in approximately 59.5% of the total number of Stapled Securities in issue.

11.2 Abstain From Voting

Resolution 1: The Proposed Acquisition of Oasia Hotel Downtown as a Related Party Transaction

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested in at the EGM.

Given that the Property will be purchased from the Vendor, a member of the FEO Group, the FEO Group (i) will abstain, and will procure their associates to abstain from voting at the EGM on Resolution 1 and (ii) will not, and will procure that their associates will not, accept appointments as proxies in relation to the resolution on the Proposed Acquisition of the Property as a Related Party Transaction unless specific instructions as to voting are given.

As Mr Koh Boon Hwee and Mr Wee Kheng Jin are directors of members of the FEO Group and Mr Chng Kiong Huat was an executive director of the property services division of the FEO Group until 1 November 2014, for the purposes of good corporate governance, they will abstain from voting on Resolution 1 in respect of the Stapled Securities held by them.

Resolution 2: The Proposed Master Lease of Oasia Hotel Downtown as an Interested Person Transaction

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested in at the EGM.

Given that the Property will be leased to the Master Lessee, a member of the FEO Group, the FEO Group (i) will abstain, and will procure their associates to abstain from voting at the EGM on Resolution 2 and (ii) will not, and will procure that their associates will not, accept appointments as proxies in relation to the resolution on the proposed Master Lease unless specific instructions as to voting are given.

As Mr Koh Boon Hwee and Mr Wee Kheng Jin are directors of members of the FEO Group and Mr Chng Kiong Huat was an executive director of the property services division of the FEO Group until 1 November 2014, for the purposes of good corporate governance, they will abstain from voting on Resolution 2 in respect of the Stapled Securities held by them.

Resolution 3: The Proposed Earn-out Agreement and Issuance of the Earn-out Stapled Securities in relation to Oasia Hotel Downtown as an Interested Person Transaction

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested in at the EGM.

Given that the Earn-out Agreement will be entered into with the Vendor, a member of the FEO Group, the FEO Group (i) will abstain, and will procure their associates to abstain from voting at the EGM on Resolution 3 and (ii) will not, and will procure that their associates will not, accept appointments as proxies in relation to the resolution on the proposed Earn-out Agreement and issuance of the Earn-out Stapled Securities unless specific instructions as to voting are given.

As Mr Koh Boon Hwee and Mr Wee Kheng Jin are directors of members of the FEO Group and Mr Chng Kiong Huat was an executive director of the property services division of the FEO Group until 1 November 2014, for the purposes of good corporate governance, they will abstain from voting on Resolution 3 in respect of the Stapled Securities held by them.

12. ACTION TO BE TAKEN BY STAPLED SECURITYHOLDERS

Stapled Securityholders will find enclosed in this Circular the Notice of Extraordinary General Meeting and a Proxy Form.

If a Stapled Securityholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Stapled Security Registrar and Stapled Security Transfer Office, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, no later than Saturday, 10 March 2018 at 2.30 p.m., being 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Stapled Securityholder will not prevent him from attending and voting in person if he so wishes.

Persons who have an interest in the approval of the resolutions must decline to accept appointment as proxies unless the Stapled Securityholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the resolutions.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Transactions and Far East H-Trust, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

14. CONSENTS

Each of the IFA and the Independent Property Valuers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and, respectively, the IFA Letter and the valuation certificates and all references thereto, in the form and context in which they are included in this Circular.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the REIT Manager¹ at 1 Tanglin Road, #05-01 Orchard Parade Hotel, Singapore 247905, from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) the Sale and Purchase Agreement;
- (ii) the Master Lease Agreement;
- (iii) the Earn-out Agreement;
- (iv) the Vendor Lease;

¹ Prior appointment with the REIT Manager (telephone number: +65 6833 6688) will be appreciated.

- (v) the Corporate Guarantee;
- (vi) the IFA Letter;
- (vii) the valuation certificates and the full valuation reports on the Leasehold Interest issued by the Independent Property Valuers;
- (viii) the FY2016 Audited Financial Statements;
- (ix) the 9M2017 Unaudited Financial Statements; and
- (x) the written consent of each of the IFA and the Independent Property Valuers.

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

Yours faithfully,

FEO Hospitality Asset Management Pte. Ltd.
(as manager of Far East Hospitality Real Estate Investment Trust)
FEO Hospitality Trust Management Pte. Ltd.
(as trustee-manager of Far East Hospitality Business Trust)

Gerald Lee Hwee Keong
Chief Executive Officer

IMPORTANT NOTICE

The value of Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, the REIT Manager, the REIT Trustee, the Trustee-Manager or any of their affiliates. An investment in Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the REIT Manager or the Trustee-Manager or any of their affiliates to redeem their Stapled Securities while the Stapled Securities are listed. It is intended that Stapled Securityholders may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.

The past performance of Far East H-Trust is not necessarily indicative of the future performance of Far East H-Trust.

This Circular 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, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Managers' current view of future events.

If you have sold or transferred all your Stapled Securities, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States. It is not an offer of securities for sale into the United States. The Stapled Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) unless they are registered or exempt from registration. There will be no public offer of securities in the United States.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

Acquisition Fee	:	The acquisition fee payable to the REIT Manager for the Proposed Acquisition pursuant to the REIT Trust Deed, which amounts to approximately S\$1.6 million (being 0.75% of the Purchase Consideration Amount)
Audit and Risk Committee	:	The audit and risk committee of the REIT Manager
BTA	:	The Business Trusts Act, Chapter 31A of Singapore
CBD	:	Central business district
CDP	:	The Central Depository (Pte) Limited
COB	:	Commissioner of Buildings
Completion Date	:	The date of completion of the Proposed Acquisition, which is expected to be Monday, 2 April 2018
Corporate Guarantee	:	The corporate guarantee to be entered into between the REIT Trustee and the Corporate Guarantor in respect of the Master Lease Agreement
Corporate Guarantor	:	Golden Development Private Limited, in its capacity as guarantor of the Corporate Guarantee
Director	:	A director of the REIT Manager and the Trustee-Manager
Disrupted Year	:	Has the meaning ascribed to it in the Earn-out Agreement
DRP	:	Far East H-Trust Distribution Reinvestment Plan
DPS	:	Distribution per Stapled Security
Earn-out Agreement	:	The earn-out agreement to be entered into between the REIT Trustee and the Vendor, in relation to the Earn-out Stapled Securities
Earn-out Amount	:	S\$15 million
Earn-out Arrangement	:	The arrangement under which the Earn-out Agreement will be effected
Earn-out Event Condition	:	Has the meaning ascribed to it in the Earn-out Agreement
Earn-out Expiry Date	:	Has the meaning ascribed to it in the Earn-out Agreement
Earn-out Period	:	Has the meaning ascribed to it in the Earn-out Agreement

Earn-out Stapled Securities	:	The new Stapled Securities to be issued to the Vendor (or as directed in writing by the Vendor at its discretion, to any member of the FEO Group) pursuant to the Earn-out Agreement
Earn-out Stapled Securities 10-day VWAP	:	The volume weighted average price for a Stapled Security for all trades on the SGX-ST for the period of 10 business days commencing on the first day of “ex-dividend” trading in relation to the books closure date for the advanced distribution or, as the case may be, cumulative distribution declared by the REIT Manager (in relation to the Stapled Securities in issue)
Earn-out Year	:	Has the meaning ascribed to it in the Earn-out Agreement
EGM	:	Extraordinary general meeting
Estate	:	The estate of the late Mr Ng Teng Fong
Existing Hotel Portfolio	:	Village Hotel Albert Court, Village Hotel Changi, The Elizabeth Hotel, Village Hotel Bugis, Oasia Hotel Novena, Orchard Parade Hotel, Rendezvous Hotel Singapore and The Quincy Hotel
Existing Portfolio	:	Far East H-REIT’s existing portfolio comprising 12 properties consisting of eight hotels and four serviced residences located in Singapore and a 30.0% stake in a joint venture with Far East Organization Centre Pte. Ltd., a member of the FEO Group, for the development of a hotel project located on Sentosa
Extension Event	:	Has the meaning ascribed to it in the Earn-out Agreement
Far East H-BT	:	Far East Hospitality Business Trust
Far East H-REIT	:	Far East Hospitality Real Estate Investment Trust
Far East H-Trust	:	Far East Hospitality Trust
FEHM	:	Far East Hospitality Management (S) Pte. Ltd.
FEO Group	:	The Far East Organization group of companies
FEOC	:	Far East Organization Centre Pte. Ltd.
FEOPL	:	Far East Organisation Pte. Ltd.
FEOR	:	Far East Orchard Limited
FF&E	:	Furniture, fixtures, furnishings and equipment
First Consecutive Earn-out Year	:	An entire Earn-out Year

Fiscal Year	:	One full calendar year commencing 1 January and ending on 31 December
Fixed Rent	:	The fixed rent component of the rental payment under the Master Lease Agreement
Force Majeure Event	:	Has the meaning ascribed to it in the Earn-out Agreement
FY2016	:	The financial year ended 31 December 2016
FY2016 Audited Financial Statements	:	The audited financial statements of Far East H-Trust for FY2016, comprising both financials of Far East H-REIT and Far East H-BT
FY2018	:	The financial year ending 31 December 2018
Gross Operating Profit	:	The gross operating profit of the Property, comprising Gross Operating Revenue less operating expenses
Gross Operating Revenue	:	The gross operating revenue of the Property
Hotel Strata Lot	:	Strata Lot U3005V (together with Accessory Lots A270T, A271A, A272K, A363X, A364L, A365C and A366M) all of Town Subdivision 3
IFA	:	KPMG Corporate Finance Pte. Ltd., in its capacity as the Independent Financial Adviser
IFA Letter	:	The letter from the IFA to the Independent Directors containing its advice as set out in Appendix A of this Circular
Illustrative Issue Price	:	The illustrative issue price of S\$0.71 at which the new Stapled Securities are issued
Independent Directors	:	The independent directors of the REIT Manager
Independent Property Valuers	:	Knight Frank and Savills
Interested Party Transaction	:	Has the meaning ascribed to it in the Property Funds Appendix
Interested Person Transaction	:	Has the meaning ascribed to it in the Listing Manual
Knight Frank	:	Knight Frank Pte. Ltd.
Latest Practicable Date	:	2 February 2018, being the latest practicable date prior to the printing of this Circular
Leasehold Interest	:	The 65-year leasehold estate in the Property acquired by the REIT Trustee on behalf of Far East H-REIT, pursuant to the Sale and Purchase Agreement

Listing Manual	:	The Listing Manual of the SGX-ST
Managers	:	The REIT Manager and the Trustee-Manager
MAS	:	The Monetary Authority of Singapore
Master Lease	:	The master lease of the Property to the Master Lessee under the terms and conditions of the Master Lease Agreement
Master Lease Agreement	:	The master lease agreement to be entered into between the Master Lessee, the REIT Manager and the Master Lessor in relation to the lease of the Property, immediately upon the completion of the Proposed Acquisition
Master Lessee	:	Far East SOHO Pte. Ltd.
Master Lessor	:	The master lessor of the Property, which is the REIT Trustee
Master Occupation Agreement	:	Has the meaning ascribed to it in the Earn-out Agreement
MCST	:	Management Corporation Strata Title Plan
MLA PL Statement	:	Has the meaning ascribed to it in the Earn-out Agreement
MRT	:	Mass rapid transit
NAV	:	Net asset value
NPI	:	Net property income
NTA	:	Net tangible assets
Ordinary Resolution	:	A resolution proposed and passed as such by a majority of votes being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of holders of units in Far East H-REIT, or as the case may be, units in Far East H-BT, duly convened and held
Parties to the Earn-out Agreement	:	The parties to the Earn-out Agreement, being the REIT Trustee and the Vendor
Plant	:	Has the meaning ascribed to it in the Master Lease Agreement
Premises	:	Has the meaning ascribed to it in the Master Lease Agreement
Property	:	The property, Oasia Hotel Downtown, located at 100 Peck Seah Street, Singapore 079333
Property Funds Appendix	:	Appendix 6 of the Code on Collective Investment Schemes

Proposed Acquisition	:	The acquisition of the Property by the REIT Trustee on behalf of Far East H-REIT, from the Vendor
Purchase Consideration Amount	:	The purchase consideration payable to the Vendor under the Sale and Purchase Agreement, which amounts to S\$210.0 million
RCF	:	Revolving credit facility
REIT	:	Real estate investment trust
REIT Manager	:	FEO Hospitality Asset Management Pte. Ltd., in its capacity as manager of Far East H-REIT
REIT Trust Deed	:	The trust deed dated 1 August 2012 (as amended) constituting Far East H-REIT
REIT Trustee	:	DBS Trustee Limited, in its capacity as trustee of Far East H-REIT
Related Party Transaction	:	Interested Person Transaction and Interested Party Transaction
RevPAR	:	Revenue per available room
Sale and Purchase Agreement	:	The conditional sale and purchase agreement entered into by the REIT Trustee and the Vendor on 11 January 2018, in relation to the Proposed Acquisition
Savills	:	Savills Valuation And Professional Services (S) Pte. Ltd.
Securities Act	:	The U.S. Securities Act, as amended
Second Consecutive Earn-out Year	:	Has the meaning ascribed to it in the Earn-out Agreement
Services Infrastructure	:	Has the meaning ascribed to it in the Master Lease Agreement
SGX-ST	:	Singapore Exchange Securities Trading Limited
SLA	:	Singapore Land Authority
Specific Target NPI	:	Has the meaning ascribed to it in the Earn-out Agreement
Stapled Securities	:	The stapled securities in Far East H-Trust
Stapled Securityholder	:	A holder of Stapled Security
STB	:	Singapore Tourism Board
Substantial Stapled Securityholder	:	A person with an interest in Stapled Securities constituting not less than 5.0% of the total number of Stapled Securities in issue

Target NPI PA	:	Has the meaning ascribed to it in the Earn-out Agreement
Total Acquisition Cost	:	The total cost of the Proposed Acquisition, which is approximately S\$220.1 million
Transactions	:	The Proposed Acquisition, the Master Lease and the issuance of the Earn-out Stapled Securities pursuant to the Earn-out Agreement
Trustee-Manager	:	FEO Hospitality Trust Management Pte. Ltd., in its capacity as trustee-manager of Far East H-BT
Variable Rent	:	The variable rent component of the rental payment under the Master Lease Agreement
Vendor	:	Far East SOHO Pte. Ltd.
Vendor Lease	:	The registrable lease issued by the Vendor on the Completion Date, to Far East H-REIT
9M2017	:	The nine-month period ended 30 September 2017
9M2017 Unaudited Financial Statements	:	The unaudited financial statements of Far East H-Trust for 9M2017, comprising both financials of Far East H-REIT and Far East H-BT

The terms “Depositor” and “Depository Register” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

INDEPENDENT FINANCIAL ADVISER'S LETTER

The Independent Directors and the Audit and Risk Committee (the "**ARC**")
FEO Hospitality Asset Management Pte. Ltd.
(in its capacity as manager of Far East Hospitality Real Estate Investment Trust) ("**Far East H-REIT**", and the manager of Far East H-REIT, the "**REIT Manager**")
1 Tanglin Road #05-01
Orchard Parade Hotel
Singapore 247905

The Independent Directors
FEO Hospitality Trust Management Pte. Ltd.
(in its capacity as trustee-manager of Far East Hospitality Business Trust) ("**Far East H-BT**", and the manager of Far East H-BT, the "**Trustee-Manager**")
1 Tanglin Road #05-01
Orchard Parade Hotel
Singapore 247905

(the REIT Manager and the Trustee-Manager are hereby collectively referred to as the "**Managers**")

DBS Trustee Limited
(in its capacity as trustee of Far East Hospitality Real Estate Investment Trust) (the "**REIT Trustee**")
12 Marina Boulevard
Level 44 DBS Asia Central
@ Marina Bay Financial Centre Tower 3
Singapore 018982

13 February 2018

Dear Sirs

- 1 **THE PROPOSED ACQUISITION OF OASIA HOTEL DOWNTOWN AS A RELATED PARTY TRANSACTION;**
- 2 **THE PROPOSED MASTER LEASE OF OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION; AND**
- 3 **THE PROPOSED EARN-OUT AGREEMENT AND ISSUANCE OF THE EARN-OUT STAPLED SECURITIES IN RELATION TO OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION.**

For the purposes of this letter, capitalised terms not otherwise defined herein shall have the same meaning as given in the circular to the stapled securityholders of Far East Hospitality Trust (“Far East H-Trust”) (the stapled securities of Far East H-Trust, the “Stapled Securities”, and the holders of the Stapled Securities, the “Stapled Securityholders”) dated 13 February 2018 (the “Circular”).

1. INTRODUCTION

On 11 January 2018, the REIT Trustee, on behalf of Far East H-REIT, entered into a conditional sale and purchase agreement with Far East SOHO Pte. Ltd. (the “Vendor”), to acquire a 65-year leasehold estate in the property at 100 Peck Seah Street, Singapore 079333 (the “Property”, and the 65-year leasehold estate in the Property, the “Leasehold Interest”) (the “Proposed Acquisition”, and the conditional sale and purchase agreement in relation to the Proposed Acquisition, the “Sale and Purchase Agreement”). The Vendor is a company incorporated in Singapore which is a wholly-owned subsidiary of Golden Development Private Limited, a member of the Far East Organization group of companies (the “FEO Group”).

The REIT Trustee (as the “Master Lessor”) will enter into a master lease agreement with Far East SOHO Pte. Ltd. (as the “Master Lessee”) and the REIT Manager, in relation to the lease of the Property, immediately upon the completion of the Proposed Acquisition (the “Proposed Master Lease Agreement” or the “Proposed MLA”).

In connection with the Proposed Acquisition, the REIT Trustee and the Vendor (the “Parties to the Earn-out Agreement”, and each a “Party to the Earn-out Agreement”) will enter into an earn-out agreement (the “Proposed Earn-Out Agreement”) on the date of completion of the Proposed Acquisition, which is expected to be 2 April 2018 (the “Completion Date”).

(Collectively, the three aforementioned transactions are referred to as the “IPTs”).

As at 2 February 2018, being the latest practicable date prior to the printing of this Circular (the “Latest Practicable Date”), the FEO Group holds an aggregate direct and indirect interest in approximately 59.5% of the total number of Stapled Securities in issue, and is therefore regarded as a “controlling unitholder” of Far East H-REIT under both the listing manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “Property Funds Appendix”) and a “controlling unitholder” of Far East H-BT under the Listing Manual. In addition, as the Managers are members¹ of the FEO Group, the FEO Group is therefore regarded as a “controlling shareholder” of the REIT Manager under the Listing Manual and the Property Funds Appendix and a “controlling shareholder” of the Trustee-Manager under the Listing Manual.

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

Therefore, the Proposed Acquisition, the Proposed Master Lease Agreement, and the Proposed Earn-out Arrangement (as defined herein) will constitute Interested Person

¹ As at the Latest Practicable Date, the Managers are each 67.0% owned by FEO Asset Management Pte. Ltd., which is a wholly-owned subsidiary of Far East Organization Centre Pte. Ltd. (“FEOC”) and 33.0% owned by Far East Orchard Limited (“FEOR”). FEOR is 60.6% owned by Far East Organisation Pte. Ltd. (“FEOPL”) as at the Latest Practicable Date. FEOC, FEOPL and FEOR are all members of the FEO Group.

Transactions under Chapter 9 of the Listing Manual, and the Proposed Acquisition will also constitute an Interested Party Transaction under the Property Funds Appendix, in respect of which Stapled Securityholders' approval is required.

KPMG Corporate Finance Pte Ltd ("**KPMG Corporate Finance**") has been appointed as the independent financial adviser ("**IFA**") to advise the independent directors of the Managers (the "**Independent Directors**"), the ARC and the REIT Trustee as to whether each of the aforementioned IPTs are: (a) on normal commercial terms; and (b) prejudicial to the interests of Far East H-Trust and its minority Stapled Securityholders (the "**Opinion**").

2. TERMS OF REFERENCE

Our responsibility is to provide the Opinion in respect of the IPTs.

Our Opinion is delivered under Rule 921(4) of the Listing Manual as well as for the use and benefit of the addressees of this letter (as appropriate) (the "**Addressees**") for their deliberations on the IPTs, before arriving at a decision on the merits or demerits thereof, and in making any recommendations. We were not involved in any aspect of the negotiations pertaining to the IPTs, nor were we involved in the deliberations leading up to the decisions of and recommendations by the Addressees (as appropriate) to proceed with these. The decisions of and recommendations made by the Addressees (as appropriate) shall remain their sole responsibility.

We have not conducted a comprehensive review of the business, operations or financial conditions of Far East H-Trust. Our terms of reference also do not require us to evaluate or comment on the merits and/or risks, whether strategic, commercial, financial or otherwise, of the IPTs, or on the future prospects of Far East H-Trust and as such, we do not express opinions thereon. Such evaluations or comments remain the sole responsibility of the Addressees (as appropriate).

It is also not within our terms of reference to compare the relative merits of the IPTs to any alternative transactions previously considered by, or that may have been available to, Far East H-Trust or any alternative transactions that may be available in the future. Such evaluations or comments remain the sole responsibility of the Addressees (as appropriate), although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at the Opinion.

In addition, we have not made any independent evaluation or appraisal of the existing or proposed assets or liabilities (including without limitation, real property) of Far East H-Trust.

In formulating our Opinion, we have held discussions with the directors of the Managers (the "**Directors**") and their management teams. We have considered the information contained in the Circular, publicly available information collated by us as well as information, both written and verbal, provided by the Manager and the Addressees' professional advisers, which may include solicitors, auditors, tax advisers and valuers. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of and do not accept any responsibility for the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us. We have nevertheless made reasonable enquiries and used our judgment in our assessment and the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

We have relied upon the representation of the Directors, including those who may have delegated detailed supervision of the drafting of the Circular and the negotiation of the IPTs,

that they have taken all reasonable care to ensure that all information and facts, both written and verbal, as provided to us by the Managers and the Addressees' other professional advisers (which may include solicitors, auditors, tax advisers and valuers) and facts as stated in the Circular are fair and accurate in all material respects and all material information and facts have been disclosed to us, and that no material information and facts have been omitted, the omission of which would render any statement in the Circular, information and facts disclosed to us or our Opinion in this letter to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted responsibility in the "Directors' Responsibility Statement" of the Circular. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information and facts.

Our Opinion is based upon market, economic, industry, monetary and other conditions (where applicable) in effect on the Latest Practicable Date. Such conditions and information can change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our Opinion in the light of any subsequent changes or developments after the Latest Practicable Date even if it may affect our Opinion contained herein.

In rendering our Opinion, we did not have regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any Stapled Securityholder. As different Stapled Securityholders would have different investment objectives and profiles, we would advise the Addressees (as appropriate) to recommend that any Stapled Securityholder who may require specific advice in relation to his investment portfolio(s) should consult his or their stockbroker, bank manager, accountant or other professional advisers.

The Addressees (as appropriate) have been separately advised by their own professional advisers in the preparation of the Circular (other than this letter). We have no role or involvement and have not and will not provide any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this letter).

Our Opinion should be considered in the context of the entirety of this letter and the Circular.

3. DETAILS CONCERNING THE PROPERTY AND THE IPTS

3.1 The Property

The Property comprises the hotel known as Oasia Hotel Downtown, and is comprised in Strata Lot U3005V (together with Accessory Lots A270T, A271A, A272K, A363X, A364L, A365C and A366M) all of Town Subdivision 3 (the "**Hotel Strata Lot**").

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

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

The hotel has a total of 314 modern and well-equipped guest rooms which occupy the 13th to 20th storeys, and club rooms and suites on the 22nd to 25th storeys of the building. Facilities provided within the hotel include an all-day dining restaurant and a bar on the first storey; two meeting rooms, a 24-hour gymnasium and sky terrace on the 12th storey; a club lounge, an infinity pool and skyline pavilion on the 21st storey for the exclusive use of club guests; and two rooftop pools, a restaurant and roof terrace on the 27th storey. Far East H-REIT will therefore acquire the hotel component of the development made up of the 1st to 3rd storeys and the 12th to 27th storeys of the building as comprised in the Hotel Strata Lot.

The Temporary Occupation Permit for the Property was issued on 30 December 2015 and the hotel commenced operations on 18 April 2016.

Further details on the Property are described in paragraph 2.2 of the letter to Stapled Securityholders contained in the Circular.

3.2 The Proposed Acquisition

3.2.1 Estimated Total Acquisition Cost

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

- (i) the purchase consideration payable to the Vendor under the Sale and Purchase Agreement, which amounts to S\$210.0 million (the “**Purchase Consideration Amount**”);
- (ii) the acquisition fee payable to the REIT Manager for the Proposed Acquisition pursuant to the trust deed dated 1 August 2012 (as amended) constituting Far East H-REIT (the “**REIT Trust Deed**”) (the “**Acquisition Fee**”), which amounts to approximately S\$1.6 million (being 0.75% of the Purchase Consideration Amount); and
- (iii) the estimated stamp duty, professional and other fees and expenses incurred or to be incurred by Far East H-REIT in connection with the Proposed Acquisition (inclusive of debt financing related expenses) of approximately S\$8.5 million.

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

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

3.2.2 Method of Financing

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

- (i) Far East H-Trust Distribution Reinvestment Plan (“**DRP**”) proceeds¹ accumulated over the first two financial quarters in 2017, amounting to approximately S\$22.7 million; and
- (ii) debt facilities of approximately S\$195.8 million.

¹ Based on the unaudited financial statements of Far East H-Trust for the nine-month period ended 30 September 2017 (“**9M2017**”, and the unaudited financial statements, the “**9M2017 Unaudited Financial Statements**”). The proceeds were temporarily utilised to repay the revolving credit facilities (“**RCF**”) pending the intended use to finance the Proposed Acquisition.

3.3 The Proposed Master Lease Agreement

The Master Lessor will enter into the Proposed Master Lease Agreement with the Master Lessee and the REIT Manager, in relation to the lease of the Property, immediately upon completion of the Proposed Acquisition. Pursuant to the Proposed Master Lease Agreement, the Master Lessee will lease the Property for an initial term of 20 years, commencing from the Completion Date, with an option for the Master Lessee to obtain a lease for a further 20 years on the same terms and conditions, save for any variations made to the Master Lease during the initial term of 20 years, amendments required due to change in law and excluding any further option to renew.

3.4 The Proposed Earn-out Agreement

In connection with the Proposed Acquisition, the Parties to the Earn-out Agreement will enter into the Proposed Earn-out Agreement on the Completion Date. Pursuant to the Proposed Earn-out Agreement, the REIT Trustee will agree to issue an aggregate of S\$15.0 million (the “**Earn-out Amount**”) worth of Stapled Securities (the “**Earn-out Stapled Securities**”) to the Vendor if, during the Earn-out Period¹, the net property income of the Property (“**NPI**”) is at least S\$9.9 million per annum (the “**Target NPI PA**”) for each of (a) an entire Earn-out Year² (the “**First Consecutive Earn-out Year**”) and (b) the “**Second Consecutive Earn-out Year**” which means (x) the entire Earn-out Year immediately following the First Consecutive Earn-out Year, or (y) if the First Consecutive Earn-out Year is followed by one or two consecutive Fiscal Year(s) in which an Extension Event

1 “**Earn-out Period**” refers to the period commencing from (and including) the Completion Date up to (and including) 31 December 2023, or such extended expiry date (the “**Earn-out Expiry Date**”) determined in accordance with Clause 2.5 of the Proposed Earn-out Agreement, whichever is the later.

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

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

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

- (a) 60 or more rooms;
- (b) the lobby; or
- (c) access to the Property,

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

2 “**Earn-out Year**” refers to any full Fiscal Year within the Earn-out Period. Accordingly, the NPI of the Property for 2018 is not taken into account for the purposes of the Proposed Earn-out Agreement as 2018 is not a full Fiscal Year.

has occurred and for which the Specific Target NPI¹ has not been achieved (each a “**Disrupted Year**”), the Fiscal Year immediately following the Disrupted Year(s) (the “**Earn-out Event Condition**”), and the Earn-out Event Condition is deemed to have been met in accordance with clause 2.3 of the Proposed Earn-out Agreement, the REIT Trustee shall cause to be issued to the Vendor or its nominee the Earn-out Stapled Securities, and upon the issue of the Earn-out Stapled Securities, the REIT Trustee shall be released and fully discharged from its obligations under the Proposed Earn-out Agreement.

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

The Earn-out Stapled Securities will be issued at a price equal to the volume weighted average price for a Stapled Security for all trades on the SGX-ST for the period of 10 business days commencing on the first day of “ex-dividend” trading in relation to the books closure date for the advanced distribution or, as the case may be, cumulative distribution declared by the REIT Manager (in relation to the Stapled Securities in issue (the “**Earn-out Stapled Securities 10-day VWAP**”).

Further details of the Proposed Earn-out Agreement are described in paragraph 2.10 of the letter to Stapled Securityholders contained in the Circular.

(The above arrangement shall hereinafter be referred to as the “**Proposed Earn-out Arrangement**”).

4. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at our Opinion in relation to the Proposed Acquisition, we have taken into account the following key factors:

- (i) Rationale for the Proposed Acquisition;
- (ii) Valuation approaches, assumptions and appraised values of the Property, as appraised by the Independent Property Valuers (as defined herein);
- (iii) The discount rates and capitalisation rates adopted by the Independent Property Valuers compared to the range of discount rates and capitalisation rates adopted by Far-East H-Trust and other comparable REITs listed on the SGX-ST;
- (iv) The market values per key of the Property as compared with those observed as a result of transaction involving comparable properties;

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

- (i) delivered by the Vendor (as the Master Lessee) to the REIT Trustee and pursuant to the terms of the Master Lease Agreement; or
- (ii) (where the Master Lease Agreement is no longer subsisting and the REIT Trustee enters into a master occupation agreement in respect of the Property with another party (the “**Master Occupation Agreement**”), delivered by the then occupier to the REIT Trustee pursuant to the Master Occupation Agreement, relates.

- (v) The net property yield of the Property as compared with the net property yields of other comparable REITs listed on the SGX-ST holding comparable properties;
- (vi) The pro forma financial effects of the Proposed Acquisition and the Proposed Master Lease Agreement; and
- (vii) Other relevant considerations.

4.1 Rationale for the Proposed Acquisition

The Managers have provided their rationale for the Proposed Acquisition, which is set out in paragraph 2.6 of the letter to Stapled Securityholders contained in the Circular.

We have reviewed the rationale and consider it to be reasonable.

4.2 Valuation approaches, assumptions and appraised values of the Property

The REIT Manager has commissioned an independent property valuer, Knight Frank Pte. Ltd. (“**Knight Frank**”), and the REIT Trustee has commissioned another independent property valuer, Savills Valuation And Professional Services (S) Pte Ltd (“**Savills**”, and together with Knight Frank, the “**Independent Property Valuers**”), to value the Leasehold Interest.

We set out below a brief summary of the valuation approaches adopted by each of the Independent Property Valuers:

Valuer	Discounted Cash Flow Approach	Income Capitalisation Approach	Direct Comparison Approach
Knight Frank	<p>The property is hypothetically assumed to be sold at the end of the holding period. The cash outflows (comprising property tax and building insurance) are deducted from the cash inflows of the property to obtain the net cash flows. The stream of net cash flows are discounted at an estimated required rate of return applicable to that class of property to obtain the Net Present Value.</p> <p>A wide range of assumptions are used for the valuation of the property. Assumptions for hotel include growth of room rates and other revenue during the holding period, room occupancy, expense ratios and other related expenses. Assumptions for the retail space include rental growth, vacancy allowance and outgoings. Other assumptions include the sale price at the end of the investment horizon, costs associated with the initial purchase of the property and also its disposal towards the end of the investment period, etc.</p>	<p>The net income of the property is capitalised for the balance term of the lease tenure at a yield rate which is appropriate for the type of use, tenure and reflective of the quality of the investment, based on analysis of yields reflected in the sales of comparable property types. Knight Frank has adopted a capitalisation rate of 5.0% for the property. Capital adjustments such as capital expenditure are then made to derive the capital value of the property.</p>	Not performed

Valuer	Discounted Cash Flow Approach	Income Capitalisation Approach	Direct Comparison Approach
Savills	<p>Each year's net operating income during the period is discounted to arrive at the present value of expected future cash flows. The property's anticipated sale value at the end of the period (i.e. its terminal value) is also discounted to its present value and added to the discounted income stream to arrive at the total present market value of the property.</p> <p>Savills assume the property will be sold after the end of Year 10 at a price based upon the forecast income at that time and terminal rate of 5.25%. Costs associated with the disposal such as legal fees and sales commission at the end of the investment period have also been accounted for.</p>	<p>The estimated annual net income of the property after deducting all necessary outgoings and expenses is capitalised at an appropriate rate of return to arrive at the market value. The adopted yield reflects the nature of the property, location, tenure of the property and risk/quality of investment together with the prevailing property market condition. References have been made to Savills' analysis of yields in recent sale transactions/asking prices and reporting of similar / comparable properties in REITs valuation in comparable localities.</p>	<p>A comparison is made with recent sales of comparable properties in the subject or comparable vicinities and adjustments are made for differences in location, tenure, size, design and layout, facilities and services provided, age/condition, class of development, performance indicators and date of sale, etc. before arriving at the value of the subject property.</p>

Source: Independent Property Valuers' valuation reports

We note that the approaches adopted by the Independent Property Valuers for the Proposed Acquisition are widely accepted methods for the purposes of valuing income producing properties.

We have set out below the discount rates, capitalisation rates and terminal yields adopted by the Independent Property Valuers in the discounted cash flow approach ("**DCF Approach**") and the income capitalisation approach.

Independent Property Valuers	DCF Approach		Income Capitalisation Approach
	Discount Rate	Terminal Yield	Capitalisation Rate
Knight Frank	7.50%	5.25%	5.00%
Savills	7.50%	5.25%	5.00%

Source: Independent Property Valuers' valuation reports

We have made reasonable enquiries and have exercised our professional judgement in reviewing the information contained in each respective valuation report. In our review, we found the information contained therein to be reasonable.

The adopted market values of the Property, according to the approaches adopted by the Independent Property Valuers, and the Purchase Consideration Amount, are set out below:

Valuation Method	Knight Frank		Savills	
	Weightage (%)	Value (\$ million)	Weightage (%)	Value (\$ million)
Discounted Cash Flow	50.0	204.3	40.0	201.5
Income Capitalisation	50.0	214.8	40.0	233.1
Direct Comparison	Not applicable	Not applicable	20.0	260.0
Adopted Market Values (\$ million)	210.0		226.0	

Source: Independent Property Valuers' valuation reports

Average of Adopted Market Values (\$ million)	Purchase Consideration Amount (\$ million)
218.0	210.0 ⁽¹⁾

Source: Independent Property Valuers' valuation reports, KPMG Analysis

Note:

- (1) For the purposes of the analysis presented in this IFA letter, transaction related costs have been excluded from the Purchase Consideration Amount. Such transaction costs include the Acquisition Fee, the estimated stamp duty, professional and other fees and expenses incurred or to be incurred by Far East H-REIT in connection with the Proposed Acquisition.

We note that the Purchase Consideration Amount of S\$210.0 million is at the lower of the adopted market values of the Independent Property Valuers and at a discount of 3.7% to the simple average of the Independent Property Valuers' adopted market values.

For illustrative purposes, we have added the present value of the Earn-out Amount of S\$11.9 million¹ to the Purchase Consideration Amount (S\$210.0 million) and compared the total amount of S\$221.9 million against the adopted market values by the Independent Property Valuers and we note that this amount is still within the range of the Independent Property Valuers' adopted market values and is at a 1.8% premium to the simple average of the Independent Property Valuers' adopted market values.

4.3 The discount rates and capitalisation rates adopted by the Independent Property Valuers

We have compared the discount rates and capitalisation rates of the Property with the range of discount rates and capitalisation rates disclosed by real estate investment trusts ("REITs") listed on the SGX-ST which hold comparable properties. In selecting comparable REITs listed on the SGX-ST (the "Comparable REITs"), we have selected those holding hotel assets located in Singapore. It should be noted that the assets held by these Comparable REITs are not identical in nature to the Property. The ranges of discount rates and capitalisation rates disclosed by these Comparable REITs also reference certain assets located outside of Singapore.

¹ Refer to paragraph 6.2 of this IFA letter for the basis of the estimation of the present value of the Earn-out Amount.

Accordingly, the Independent Directors and the ARC should note that any comparison made with respect to the Comparable REITs serves as an illustrative guide only.

We have set out below the discount rates and capitalisation rates adopted by the Independent Property Valuers as compared to the range of discount rates and capitalisation rates adopted by Far East H-Trust and other Comparable REITs.

Comparable REIT	Fiscal Year End	Discount Rate	Capitalisation Rate
Ascendas Hospitality Trust	Mar-17	4.40% – 6.75%	4.40% – 5.20%
CDL Hospitality Trust	Dec-16	7.00% – 7.75%	4.50% – 5.25%
Frasers Hospitality Trust	Sep-17	4.75% – 8.50%	Not applicable
OUE Hospitality Trust	Dec-16	6.50% – 7.00%	Not applicable
Far East Hospitality Trust	Dec-16	7.75%	4.75% – 5.25%

Source: Public Filings

Independent Property Valuer	Valuation Date	DCF Approach	Income Capitalisation Approach
		Discount Rate	Capitalisation Rate
Knight Frank	5-Jan-18	7.50%	5.00%
Savills	29-Dec-17	7.50%	5.00%

Source: Independent Property Valuers' valuation reports

We note that the discount rates and capitalisation rates adopted by the Independent Property Valuers are broadly in line with the discount rates and capitalisation rates adopted by Far East H-Trust and other Comparable REITs.

4.4 The market values per key of the Property

We have extracted information in respect of comparable properties transacted in the last five years in order to compare the market values per key of the Property with these transacted properties.

When selecting comparable transacted properties, we compared the Property to other hotels located in Singapore which are deemed to be of a similar standard in terms of offering, being full service 4-star and 5-star hotels with over 200 rooms ("**Comparable Transacted Properties**").

Whilst we have made our comparisons against the following Comparable Transacted Properties as shown in the table below, we recognise that the selected properties may not be identical to the Property in terms of hotel size and design, location, operating history, future prospects and other relevant criteria.

For the above reasons, while the Comparable Transacted Properties taken as a whole may provide a broad and indicative benchmark for assessing the Proposed Acquisition, care has to be taken in the selection and use of any individual data point for the same purpose.

Accordingly, the Independent Directors and the ARC should note that any comparison made with respect to the Comparable Transacted Properties serves as an illustrative guide only.

Property	Location	Tenure	Transacted Date	Price (\$ million)	Number of rooms	Market Value/Key (\$'000)
Capri by Fraser, Changi City	3 Changi Business Park Central 1	Leasehold (60 years with effect from 2009)	Mar-15	203.4	313	649.8
Hotel Grand Chancellor	3 Bellios Road	Leasehold (99 years with effect from 2007)	Jan-15	248.0	328	756.1
Crown Plaza Changi Airport and Crown Plaza Extension	75 Airport Boulevard	Leasehold (77 years with effect from 2006)	Nov-14	290 and 205 (for extension)	320 and 243 (for extension)	879.2
The Sentosa Resort and Spa	2 Bukit Manis Road	Leasehold (86 years with effect from 1988)	Jan-14	210.9	215	980.7
Ascott Orchard Singapore	15 Cairnhill Road	Leasehold (99 years with effect from 2014)	Dec-13 ⁽¹⁾	405.0	220	1,840.9
The Westin Singapore	12 Marina View	Leasehold (99 years with effect from 2008)	Nov-13	468.0	305	1,534.4
Grand Park Orchard	270 Orchard Road	Freehold	Aug-13	410.0	308	1,331.2
Gallery Hotel	76 Robertson Quay	Freehold	Aug-13	232.5	223	1,042.6
Rendezvous Grand Hotel	9 Bras Basah Road	Leasehold (99 years with effect from 1994)	Aug-13	264.3	298	886.9
Park Avenue Changi Hotel	2 Changi Business Park	Leasehold (79 years with effect from 2007)	Jul-13	138.0	251	549.8
Park Hotel Clarke Quay	1 Unity Street	Leasehold (99 years with effect from 2006)	Jun-13	300.0	336	892.9
Park Regis	21 – 23 Merchant Road	Leasehold (99 years with effect from 2008)	Jun-13	250.0	203	1,231.5

Property	Location	Tenure	Transacted Date	Price (\$ million)	Number of rooms	Market Value/Key (\$'000)
Concorde Hotel	100 Orchard Road	Leasehold (99 years with effect from 1979)	Jun-13	309.5	407	760.5
Hotel Windsor	401 Macpherson Road	Freehold	May-13	163.0	225	724.4
Min						549.8
Median						889.9
Mean						1,004.4
Max						1,840.9
Oasia Hotel Downtown	100 Peck Seah Street	Leasehold (65 years with effect from completion of Proposed Acquisition)	Apr-18 (being the expected Completion Date)	210.0	314	668.8⁽²⁾

Source: Real Capital Analytics, KPMG Analysis

Notes:

- (1) The sale and purchase agreement was entered into in Dec-13 although the transaction legally completed in Mar-17.
- (2) For illustrative purposes, the Market Value/Key implied by the Proposed Acquisition would be S\$706,688 if one were to aggregate the present value of the Earn-out Amount of S\$11.9 million with the Purchase Consideration Amount (S\$210.0 million). This metric is within the range, and below the median and mean, of the Comparable Transacted Properties.

We note that the implied market values per key for the Property are within the range and below the mean and median market value per key metrics of the Comparable Transacted Properties.

4.5 The net property yield of the Property

We have compared the net property yield of the Property to the net property yield of Far East H-Trust.

We have further compared the net property yield of the Property with the overall net property yields of hospitality properties in Singapore held by the Comparable REITs as there is limited information disclosed in relation to the net property yield achieved by individual properties held by the Comparable REITs. It should be noted that the hospitality assets held by these Comparable REITs may not be identical in nature to the Property.

Accordingly, the Independent Directors and the ARC should note that any comparison made with respect to the Comparable REITs serves as an illustrative guide only.

A summary of our analysis is set out below:

Comparable REIT	Date of Latest Valuation	Average lease tenure	Based on latest available financial information	Based on latest 12-months	
			Portfolio values of hospitality properties held in Singapore (S\$ million)	Net Property Income ⁽¹⁾ (S\$ million)	Net Property Yield
Ascendas Hospitality Trust	Mar-17	88 years	312.0	13.5	4.32%
CDL Hospitality Trust	Dec-17	64 years	1,615.0	81.8	5.06%
Frasers Hospitality Trust	Sep-17	73 years	840.0 ⁽²⁾	26.0 ⁽³⁾	3.09%
OUE Hospitality Trust	Dec-17	51 years	1,724.0	87.4	5.07%
Min					3.09%
Median					4.69%
Mean					4.39%
Max					5.07%
Far East Hospitality Trust	Dec-16	67 years	2,417.9 ⁽²⁾	94.9 ⁽³⁾	3.92%
Oasia Hotel Downtown	Dec-17	65 years after completion of Proposed Acquisition	210.0	9.6 ⁽⁴⁾	4.57%⁽⁵⁾

Source: Public Filings

Notes:

- (1) The net property income for each Comparable REIT is computed on a latest 12-month basis, ending on their respective latest available quarter end date.
- (2) The portfolio value of Frasers Hospitality Trust and Far East H-Trust includes that of hotels and serviced residences.
- (3) The latest 12-month net property income of Frasers Hospitality Trust and Far East H-Trust comprises income from both hotels and serviced residences.
- (4) The net property income has been annualised based on the NPI for the 9 months ending September 2017.
- (5) For illustrative purposes, the net property yield implied by the Proposed Acquisition would be 4.33% if one were to aggregate the present value of the Earn-out Amount of S\$11.9 million with the Purchase Consideration Amount (S\$210.0 million). This metric is higher than Far East H-Trust's net property yield, within the range, and below the median and mean, of the net property yields of the Comparable REITs on a latest 12-month basis.

Based on the above analysis, we note that the net property yield of Oasia Hotel Downtown is higher than Far East H-Trust's net property yield on a latest 12-month basis. We also note that the net property yield of Oasia Hotel Downtown is within the range of, and between the mean and median, yields achieved by Comparable REITs on a latest 12-month basis.

4.6 The pro forma financial effects of the Proposed Acquisition and the Proposed Master Lease Agreement

The pro forma financial effects (and the relevant assumptions thereof) of the Proposed Acquisition and the Proposed Master Lease Agreement are provided in paragraph 6 of the letter to Stapled Securityholders contained in the Circular, and are strictly for illustrative purposes only. We note the following:

For the financial year ended 31 December 2016	Before Proposed Acquisition ⁽¹⁾	After Proposed Acquisition ⁽²⁾	% Change
Distribution per stapled security ("DPS") (Singapore Cents) ⁽³⁾	4.33	4.49	3.7%
Net Asset Value ("NAV") per stapled security (Singapore Cents)	0.9090	0.9031	(0.65)%
For the 9 months ended 30 September 2017			
DPS (Singapore Cents)	2.97	3.09	4.0%
NAV (Singapore Cents)	0.8942	0.8939	(0.034)%

Source: Paragraph 6 of the letter to Stapled Securityholders of this Circular

Notes:

- (1) Based on the audited financial statements for the financial year ended 31 December 2016 and the 9M2017 Unaudited Financial Statements.
- (2) Based on the Purchase Consideration Amount of S\$210.0 million.
- (3) Based on distributable income divided by the number of Stapled Securities in issue.

We note that the pro forma financial effects of the Proposed Acquisition and the Proposed Master Lease Agreement, as calculated by the Managers, would have been DPS accretive and marginally NAV dilutive.

4.7 Other relevant considerations

We also set out below the gearing levels of the Comparable REITs as at 30 September 2017.

Comparable REIT	Gearing Level
Ascendas Hospitality Trust	32.7%
CDL Hospitality Trust	33.3%
Frasers Hospitality Trust	32.1%
OUE Hospitality Trust	38.1%
Min	32.1%
Median	33.0%
Mean	34.1%
Max	38.1%

Source: Public filings

We note that, based on the pro forma financial effects of the Proposed Acquisition, the gearing level of Far East H-Trust as at 30 September 2017, as if Far East H-Trust had completed the Proposed Acquisition on 30 September 2017 would have been approximately 37.5%. This is within the range of the gearing levels of the Comparable REITs as at 30 September 2017.

We also note that the post-acquisition gearing level is below the 45% aggregate leverage threshold as set out in the Property Funds Appendix.

5. EVALUATION OF THE MASTER LEASE AGREEMENT

In arriving at our Opinion in relation to the entry into the Proposed Master Lease Agreement, we have taken into account the following key factors:

- (i) The rationale for the Proposed Master Lease Agreement;
- (ii) The Proposed Master Lease Agreement as compared to master lease agreements in place with (i) comparable properties held by Far East H-Trust; and (ii) comparable properties held by the Comparable REITs;
- (iii) The security deposit and corporate guarantee in relation to the Proposed Master Lease Agreement; and
- (iv) The inter-conditionality of the Proposed Acquisition and the Proposed Master Lease Agreement.

5.1 The rationale for the Proposed Master Lease Agreement

The Managers have provided their rationale for the Proposed MLA, which is set out in paragraph 5.1 of the letter to Stapled Securityholders contained in the Circular.

We have reviewed the rationale and consider it to be reasonable.

5.2 The Proposed Master Lease Agreement as compared to master lease agreements in place with comparable properties

In order to determine if the Proposed MLA is on normal commercial terms, we have compared the terms of the Proposed MLA to those in place for hotels held by Far East H-Trust and other comparable properties held by the Comparable REITs (“**Comparable MLAs**”).

However, we note that the terms of each master lease agreement will differ based on factors such as the exact type of property, the date of master lease agreement and other relevant criteria. For this reason, while the Comparable MLAs taken as a whole may provide a broad and indicative benchmark for assessing the Proposed MLA, care has to be taken in the selection and use of any individual data point for the same purpose.

Accordingly, the Independent Directors and the ARC should note that any comparison made with respect to the Comparable MLAs serves as an illustrative guide only.

5.2.1 Comparison with master lease agreements in place with comparable properties held by Far East H-Trust

We have compared the Proposed MLA of the Property with the master lease agreements in place with comparable properties under Far East H-Trust. For the purposes of this analysis, we have only considered hotels and have excluded any serviced residences held by Far-East H-Trust. A summary of the comparison is set out below:

Property	Date of master lease agreement	Initial Terms (Years)	Renewal Option (Years)	Total Term with Option (Years)	Fixed Fee (S\$ million)	Variable Fee		FF&E Reserve ⁽¹⁾
						% of gross operating revenue	% of gross operating profit	
Village Hotel Albert Court	Aug-12	20	20	20 + 20	3.5	33%	25%	2.5% of anticipated revenue
Village Hotel Bugis	Aug-12	20	20	20 + 20	7.0	33%	29%	2.5% of anticipated revenue
Village Hotel Changi	Aug-12	20	20	20 + 20	7.5	33%	24%	2.5% of anticipated revenue
The Elizabeth Hotel	Aug-12	20	20	20 + 20	5.5	33%	34%	2.5% of anticipated revenue
Oasia Hotel Novena	Aug-12	20	20	20 + 20	8.0	33%	28%	2.5% of anticipated revenue
Orchard Parade Hotel	Aug-12	20	20	20 + 20	10.0	33%	37%	2.5% of anticipated revenue
The Quincy Hotel	Aug-12	20	20	20 + 20	2.5	33%	23%	2.5% of anticipated revenue

Property	Date of master lease agreement	Initial Terms (Years)	Renewal Option (Years)	Total Term with Option (Years)	Fixed Fee (S\$ million)	Variable Fee		FF&E Reserve ⁽¹⁾
						% of gross operating revenue	% of gross operating profit	
Rendezvous Hotel Singapore	Aug-13	20	20	20 + 20	6.5	33%	25%	2.5% of anticipated revenue
Min					2.5	33%	23%	
Median					6.8	33%	27%	
Mean					6.3	33%	28%	
Max					10.0	33%	37%	
Oasia Hotel Downtown	Apr-18 (being the expected Completion Date)	20	20	20 + 20	6.5	33% of GOR ⁽²⁾	25% of GOP ⁽³⁾	1% of GOR for each of the first two fiscal year and thereafter, 2.5% of GOR for each of the fiscal year in the remainder of the term ⁽⁴⁾

Source: Far East H-Trust annual report and prospectus

Notes:

- (1) FF&E Reserve means the reserve by the lessee established for the purpose of funding the acquisition and replacement of all furniture, fixtures, furnishings and equipment (now or in the future) used, or held in storage for use in (or if the context so dictates, required in connection with) the operation of the business from the premise.
- (2) Gross Operating Revenue (“**GOR**”) means with respect to a fiscal year, all revenues, receipts and income of every kind derived directly or indirectly from the operations of the hotel and attributable to the period under consideration, determined on an accrual basis, including but not limited to income (from both cash and credit transactions).
- (3) Gross Operating Profit (“**GOP**”) means with respect to a fiscal year, the amount by which the GOR for such fiscal year exceeds operating expenses for the same fiscal year.
- (4) The initial term of the Proposed MLA of 20 years beginning from the commencement date.

Based on the above, we note that the term period of the Proposed MLA is the same as the period relating to the master leases of the comparable properties held by Far East H-Trust. The fixed fee component is within range but below the median of the comparable properties held by Far East H-Trust. The GOR-based component of the variable fee is identical to, and the GOP-based component of the variable fee is within range but below the median of, the variable fees of the comparable properties held by Far East H-Trust.

We also note that the FF&E contribution of the Proposed MLA for each of the first two fiscal years is lower as the Property commenced operations on 18 April 2016, but thereafter, is identical to that of comparable properties held by Far East H-Trust.

5.2.2 Comparison with master lease agreements in place with comparable properties held by the Comparable REITs

We have also compared the Proposed MLA relating to the Property with the master lease agreements in place with comparable properties held by the Comparable REITs. For the purposes of this analysis, we have only considered hotels located in Singapore held by the Comparable REITs to be comparable to the Property. A summary of the comparison is set out below:

Comparable REIT	Name of Property	Date of master lease agreement	Initial Term (Years)	Renewal Option (Years)	Total Term with Option (Years)	Fixed Fee (\$ million)	Variable Fee		FF&E Reserve
							% of gross operating revenue	% of gross operating profit	
Ascendas Hospitality Trust	Park Hotel Clarke Quay	Apr-13	10	5	10 + 5	11.5 ⁽¹⁾	Note 2 and 3		2.5%
CDL Hospitality Trust	Orchard Hotel	Jul-16	20	20	20 + 20	10.3	20%	20%	2.5%
	Grand Copthorne Waterfront Hotel	Jul-16	20	20	20 + 20	7.2	20%	20%	2.5%
	M Hotel	Jul-16	20	20	20 + 20	6.1	20%	20%	2.5%
	Copthorne King's Hotel	Jul-16	20	20	20 + 20	2.8	20%	20%	2.5%
	Studio M Hotel	May-11	20	50	20 + 50	5.0 ⁽⁴⁾	30%	20%	2.5%
	Novotel Clarke Quay Singapore	Jun-07	13.5	0	13.5	6.5	NA	NA	2.5%
Frasers Hospitality Trust	Inter Continental Singapore	Jun-14	20	20	20 + 20	8.0	0%	76%	4.0%
OUE Hospitality Trust	Mandarin Orchard Singapore	Dec-13	15	15	15 + 15	45.0	33%	27.5%	2.5%
	Crowne Plaza Changi Airport	Aug-16	12	5+5	12 + 5 + 5	22.5	33%	30%	N.A. ⁽⁵⁾
Min						2.8	20%	20%	2.5%
Median						7.6	20%	20%	2.5%
Mean						13.6	22%	29%	2.7%
Max						45.0	33%	76%	4.0%
Far East H-REIT	Oasia Hotel Downtown	Apr-18 (being the expected Completion Date)	20	20	20 + 20	6.5	33% of GOR	25% of GOP	1% of GOR for each of the first two fiscal year and thereafter, 2.5% of GOR for each of the fiscal year in the remainder of the term

Source: Respective REITs' prospectus, circulars and annual reports

Notes:

- (1) S\$11.5 million for the initial 12-month period, with an annual 3% escalation. We have excluded fixed fee for Park Hotel Clarke Quay in our comparison.
- (2) The variable fees comprise of (i) a component of 67% of any earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) between the fixed rent and S\$16.0 million per annum; and (ii) a component of 33% of any EBITDA above S\$16.0 million per annum.
- (3) We have excluded variable fee for Park Hotel Clarke Quay in our comparison.
- (4) S\$5.0 million for years 1 to 9. From year 10 onwards, fixed rent amount will be revised to an amount equivalent to 50% of the average annual aggregate fixed and variable rent for the five fiscal years preceding the rent revision date. We have excluded fixed fee for Studio M in our comparison.
- (5) Generally at 3% of gross operating revenue set aside in a capital replacement fund.

Based on the above, we note that the term period is in line with the majority of the comparable properties held by the Comparable REITs. The fixed fee component is within range and lower than the median of the comparable properties held by the Comparable REITs. Further, the GOR-based component of the variable fee is at the maximum of the range, and the GOP-based component of the variable fee is within range and higher than the median of the respective gross operating revenues and gross operating profits of the comparable properties held by the Comparable REITs.

We also note that the FF&E contribution of the Proposed MLA for each of the first two fiscal years is lower as the Property commenced operations on 18 April 2016, but thereafter, is within the range, and equivalent to the median, of the comparable properties held by the Comparable REITs.

5.3 The security deposit/corporate guarantee relating to the Proposed Master Lease Agreement

In connection with the security deposit required to be paid by the Master Lessee pursuant to the Master Lease Agreement, the Master Lessee is entitled to pay the security deposit by cash or in lieu of cash by way of a bank guarantee or corporate guarantee. In this respect, in the form of corporate guarantee attached to the Master Lease (the “**Corporate Guarantee**”), the corporate guarantor, Golden Development Private Limited (the “**Corporate Guarantor**”) will unconditionally and irrevocably guarantee to pay to the Master Lessor within five business days on demand in writing by the Master Lessor, any sum or sums demanded not exceeding in aggregate the sum of S\$3.25 million. We note that:

- the Corporate Guarantor currently has a direct interest in 418,039,092 Stapled Securities in Far East H-Trust and a deemed interest in 159,214,054 Stapled Securities in Far East H-Trust, which at the close of the Latest Practicable Date, had a market value of approximately S\$430.1 million; and
- the Corporate Guarantor also acts as corporate guarantor for the master lease agreements relating to Oasia Hotel Novena, Village Hotel Changi, Village Hotel Bugis, Regency House, Village Residence Robertson Quay, Village Residence Hougang and Rendezvous Hotel Singapore, all of which are held by Far East H-REIT.

We also note that there is no financial information relating to the Corporate Guarantor available on the Accounting and Corporate Regulatory Authority (“**ACRA**”) database, as the Corporate Guarantor is a company that is exempt from filing its financial statements with ACRA. We have been provided, on a confidential basis, with limited financial information on the Corporate Guarantor for the financial year ended 31 December 2016 and note that, as at that balance sheet date, the Corporate Guarantor would have been in a financial position to meet the quantum of the Corporate Guarantee.

Further, the Managers have provided us with a representation that the Corporate Guarantor is an entity of substance that will be able to fulfil its obligations under the Corporate Guarantee.

5.4 The inter-conditionality of the Proposed Acquisition and Proposed Master Lease Agreement

We note that, one of the key terms of the Sale and Purchase Agreement, is that Far East H-REIT shall enter into a master lease agreement with the Vendor. As such, the Proposed Acquisition is conditional upon the Proposed MLA being approved by Stapled Securityholders.

6. EVALUATION OF THE PROPOSED EARN-OUT AGREEMENT

In arriving at our Opinion in relation to the Proposed Earn-out Agreement, we have taken into account the following key factors:

- (i) The rationale for the Proposed Earn-out Agreement;
- (ii) The present value of the Earn-out Stapled Securities;
- (iii) The issue price for the Earn-out Stapled Securities; and
- (iv) The inter-conditionality of the Proposed Acquisition and the Proposed Earn-out Agreement.

6.1 The rationale for the Proposed Earn-out Agreement

The Managers have provided their rationale for the Proposed Earn-out Agreement, which is set out in paragraph 5.2 of the letter to Stapled Securityholders contained in the Circular.

We have reviewed the rationale and consider it to be reasonable.

6.2 Present value of the Earn-out Stapled Securities

Details of the Proposed Earn-out Agreement are provided in paragraphs 2.10 and 4 of the letter to Stapled Securityholders contained in the Circular.

In accordance with the Proposed Earn-out Agreement, upon the meeting of the Earn-out Event Condition, an additional S\$15.0 million shall be paid to the Vendor during the Earn-out Period, in the form of Stapled Securities.

On the assumption that the Earn-out Event Condition is satisfied in FY2020 and hence the additional payment will be made by mid-year 2021¹, we have calculated the present value of the Earn-out Amount to be S\$11.9 million².

1 Cash flow projections underpinning the DCF valuations by both of the Independent Property Valuers indicate that the Earn-out Event Condition is likely to be satisfied in FY2020 and hence the payment of the Earn-out Amount is likely to occur at or around June/July 2021. We note that one of the components of NPI is the management corporate strata title sinking fund contributions. Although the Independent Property Valuers have not projected future sinking fund contributions, based on our discussions with the REIT Manager, such contribution amounts would not be significant relative to the annual master lease rent.

2 For the purposes of this analysis, the nominal Earn-out Amount of S\$15.0 million has been discounted from 30 June 2021 to 2 April 2018 at a rate of 7.5%, being the discount rate that has been adopted by both of the Independent Property Valuers.

For illustrative purposes, we have added the present value of the Earn-out Amount to the Purchase Consideration Amount and compared the total amount of S\$221.9 million (S\$210.0 million + S\$11.9 million) against the adopted market values by the Independent Property Valuers and we note that this amount is still within the range of the Independent Property Valuers' adopted market values and is at a 1.8% premium to the simple average of the Independent Property Valuers' adopted market values.

We also note that this is in line with paragraph 5.1(d) of Property Funds Appendix which stipulates that a property fund may acquire assets from interested parties if each of those assets acquired from the interested party is acquired from the interested parties at a price which is not more than the higher of the two assessed values.

We note that the Proposed Earn-out Agreement would provide the Vendor with a stronger incentive to achieve better and sustainable future performance of the Property. The Property will continue to be managed by related parties of the Vendor after the completion of the Proposed Acquisition, to ensure that the Property is well-managed in order to grow the Property's NPI in a strong and sustainable manner, so that the Earn-out Event Condition may be fulfilled. Far East H-REIT is only liable to issue, and the Vendor would only be entitled to receive, the Earn-out Stapled Securities if the Property achieves and maintains a certain level of net property income during the Earn-Out Period.

6.3 The issue price for the Earn-out Stapled Securities

The issue price for the Earn-out Stapled Securities to the Vendor would be at an issue price equal to the Earn-out Stapled Securities 10-day VWAP.

We note that management does not intend to provide any pricing discounts in respect of the Earn-out Stapled Securities 10-day VWAP for the Earn-out Stapled Securities, which compares favourably given that Rule 811 of the Listing Manual allows for the issuance of shares at not more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed.

In addition, we note that the basis for determining the issue price of the Earn-out Stapled Securities is in line with the Market Price (as defined herein) for the issuance of new Stapled Securities as stipulated in the stapling deed dated 1 August 2012 which staples Far East H-REIT to Far East H-BT (the "**Stapling Deed**"). The Stapling Deed was entered into by the Manager, the Trustee-Manager and the REIT Trustee and it provides for, *inter alia*, the Manager and the Trustee-Manager to have joint exclusive right to issue Stapled Securities, in accordance with the Stapling Deed and such laws, rules and regulations as may be applicable (including the provisions of the Listing Manual), on any business day at an issue price per stapled security equal to:

- (i) the volume weighted average price for a stapled security (if applicable, of the same class) for all trades on the SGX-ST, or such other recognised stock exchange on which Far East H-Trust is listed, in the ordinary course of trading on the SGX-ST or, as the case may be, such other recognised stock exchange, for the period of 10 business days (or such other period as may be prescribed by the SGX-ST or the relevant recognised stock exchange) immediately preceding the relevant business day (the "**Market Price**"); or

- (ii) where the Manager and the Trustee-Manager believe that the calculation in paragraph (i) above does not provide a fair reflection of the market price of a stapled security, an amount as determined between the Manager, the Trustee-Manager and the REIT Trustee (after consultation with a stockbroker approved by the REIT Trustee), as being the fair market price of a stapled security,

subject to certain conditions precedents stipulated in the Stapling Deed.

6.4 The inter-conditionality of the Proposed Acquisition and the Proposed Earn-out Agreement

We note that one of the key terms of the Sale and Purchase Agreement is that Far East H-REIT shall enter into an earn-out agreement with the Vendor. As such, the Proposed Acquisition is conditional upon the Proposed Earn-out Agreement being approved by Stapled Securityholders.

7. OUR OPINION

In arriving at our Opinion in respect of the IPTs, we have examined the factors below which we consider to be pertinent in our assessment:

7.1 The Proposed Acquisition

- (i) The rationale for the Proposed Acquisition appears to be reasonable;
- (ii) The valuation approaches are widely accepted methods for the purpose of valuing income producing properties. The Purchase Consideration Amount is at the lower of the Independent Property Valuers' adopted market value of S\$210.0 million by Knight Frank and is at a discount of 3.7% to the simple average of the Independent Property Valuers' adopted market values.

For illustrative purposes, if we add the present value of the Earn-out Amount of S\$11.9 million to the Purchase Consideration Amount of S\$210.0 million, the total amount of S\$221.9 is still within the range of the Independent Property Valuers' adopted market values and is at a 1.8% premium to the simple average of the Independent Property Valuers' adopted market values;

- (iii) The discount rates and capitalisation rates adopted by the Independent Property Valuers are broadly in line with the discount rates and capitalisation rates adopted by Far East H-Trust and other Comparable REITs;
- (iv) The implied market value per key of S\$668,790, based on the Purchase Consideration Amount of S\$210.0 million, is within the range and below the mean and median market value per key metrics of the Comparable Transacted Properties;
- (v) The net property yield of the Property, based on the Purchase Consideration Amount of S\$210.0 million, is higher than Far East H-Trust's net property yield on a latest 12-month basis;
- (vi) The net property yield of 4.57% of the Property, based on the Purchase Consideration Amount of S\$210.0 million, is within the range of, and between the mean and median net property yields, achieved by Comparable REITs;

- (vii) The implied values derived under 7.1(iv), 7.1(v) and 7.1(vi) above, would still be within the range of comparable data if one were to aggregate the present value of the Earn-out Amount of S\$11.9 million with the Purchase Consideration Amount (S\$210.0 million);
- (viii) The pro forma financial effects of the Proposed Acquisition and the Proposed Master Lease Agreement, as calculated by the Managers, would have been DPS accretive and marginally NAV dilutive; and
- (ix) The pro forma gearing level of Far East H-Trust as at 30 September 2017, as if Far East H-Trust had completed the Proposed Acquisition on 30 September 2017, would have been approximately 37.5%, which is within the range of the gearing levels of the Comparable REITs as at 30 September 2017. The pro forma post-acquisition gearing level of Far East H-Trust is also below the 45% aggregate leverage threshold as set out in the Property Funds Appendix.

7.2 The Proposed Master Lease Agreement

- (i) The rationale for the entry into the Proposed MLA appears to be reasonable;
- (ii) The terms of the Proposed MLA are broadly comparable with the terms of master lease agreements in place with comparable properties held by Far East H-Trust;
- (iii) When comparing the Proposed MLA with master lease agreements in place with comparable properties held by the Comparable REITs:
 - a. The term period of the Proposed MLA is in line with majority of the comparable properties held by the Comparable REITs;
 - b. The fixed component is within range and lower than the median of the comparable properties held by the Comparable REITs;
 - c. The GOR-based component of the variable fee is at the maximum of the range, and the GOP-based component of the variable fee is within range and higher than the median of the respective gross operating revenues and gross operating profits of the comparable properties held by the Comparable REITs; and
 - d. The FF&E contribution of the Proposed MLA for each of the first two fiscal years is lower, but thereafter, is within range and at the median of comparable properties held by the Comparable REITs;
- (iv) The Managers have represented that the Guarantor is an entity of substance that will be able to fulfil its obligations under the Corporate Guarantee Agreement; and
- (v) The Proposed Acquisition is conditional upon the Proposed MLA being approved by Stapled Securityholders.

7.3 The Proposed Earn-out Agreement

- (i) The rationale for the Proposed Earn-out Agreement appears to be reasonable;
- (ii) The present value of the Earn-out Amount is S\$11.9 million, on the assumption that the Earn-out Event Condition set out in the Proposed Earn-out Agreement will be met in accordance with the projection of the Independent Property Valuers and hence the additional payment will be made by mid-year 2021;

After adding the present value of the Earn-out Amount of S\$11.9 million to the Purchase Consideration Amount of S\$210.0 million, the total amount of S\$221.9 million is still within the range of the Independent Property Valuers' adopted market values and is at a 1.8% premium to the simple average of the Independent Property Valuers' adopted market value;

- (iii) The issue price for the Earn-out Stapled Securities to the Vendor will be determined based on the Earn-out Stapled Securities 10-day VWAP and this basis is in line with the Market Price for the issuance of new Stapled Securities as stipulated in the Stapling Deed;
- (iv) The management does not intend to provide any pricing discounts in respect of the Earn-out Stapled Securities 10-day VWAP for the Earn-out Stapled Securities, which compares favourably given that Rule 811 of the Listing Manual allows for the issuance of shares at not more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which placement or subscription agreement is signed; and
- (v) The Proposed Acquisition is conditional upon the Proposed Earn-out Agreement being approved by Stapled Securityholders.

After carefully considering the information available to us as at the Latest Practicable Date, and based upon the monetary, industry, market, economic and other relevant conditions subsisting as at the Latest Practicable Date, and based on our considerations above, we are of the Opinion that the IPTs are on normal commercial terms and not prejudicial to the interests of Far East H-Trust and its minority Stapled Securityholders.

This Opinion is issued to comply with Rule 921(4) of the Listing Manual as well as addressed to the Independent Directors, the ARC, and the REIT Trustee for their use and benefit, in connection with and for the purpose of their consideration of the IPTs.

The recommendations to be made by the Independent Directors and the ARC to the Stapled Securityholders shall remain their responsibility.

A copy of this letter may be reproduced in the Circular.

This Opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,
for and on behalf of
KPMG Corporate Finance Pte Ltd

Vishal Sharma
Executive Director

Jason Yong
Director

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VALUATION CERTIFICATES



Valuation certificate

Property	:	"Oasia Hotel Downtown" 100 Peck Seah Street Singapore 079333
Client	:	FEO Hospitality Asset Management Pte. Ltd. (as Manager of Far East Hospitality Real Estate Investment Trust)
Purpose	:	Acquisition and corporate financing and inclusion in the circular to holders of stapled securities in Far East Hospitality Trust (the "Circular")
Legal description	:	Part of Lot No. : 800K Town Subdivision : 3
Interest valued	:	A leasehold term of 65 years
Basis of valuation	:	Market Value subject to the proposed hotel lease and with proper strata subdivision
Registered lessee	:	Far East SOHO Pte. Ltd.

Note: For leasehold 99 years with effect from 13 April 2011

Master plan 2014	:	"Hotel" with a gross plot ratio of 8.4
Brief description	:	Oasia Hotel Downtown is bounded by Peck Seah Street, Gopeng Street and Tras Street, within the Central Business District traffic restricted zone and within walking distance to Tanjong Pagar MRT station. The Property is part of a 27-storey hotel-cum-office development. The development comprises F&B outlets on the 1st storey, car park on the 4th and 5th storeys, offices on the 6th to 11th storeys and hotel on the 12th to 27th storeys. The office component is known as PS100 while the hotel component is known as Oasia Hotel Downtown (the "Property"). The Property comprises a total of 314 guest rooms located on the 13th to 20th storeys and 22nd to 25th storeys. Facilities provided within the hotel include an all-day dining restaurant and a bar on the 1st storey; 2 meeting rooms and 24-hour gymnasium on the 12th storey; a club lounge, an infinity pool and skyline pavilion on the 21st storey for the exclusive use of club guests; and two rooftop pools and a restaurant on the 27th storey. There are sky terraces on the 12th, 21st and 27th storeys. The Temporary Occupation Permit for the Property was issued on 30 December 2015 and the hotel started operation in April 2016.
Hotel lease	:	The hotel will be leased by DBS Trustee Limited (as Trustee of Far East Hospitality Real Estate Investment Trust) to Far East SOHO Pte. Ltd. The initial lease term is 20 years with an option term of 20 years commencing on the expiry of the initial term. The Lessee shall give the Lessor written notice during the Option Exercise Period commencing on the day falling 12 months from the Commencement Date and ending 6 months (or such other period as may be mutually agreed in writing by the Lessor and Lessee) before the end of the Term. The gross rent comprises two components, namely fixed rent and variable rent. Variable rent is the sum of 33% of the hotel's gross operating revenue for that fiscal year and 25% of the hotel's gross operating profit for that fiscal year, less the fixed rent for that fiscal year. If the calculation of the variable rent yields a negative figure, the variable rent will be deemed to be zero. The fixed rent is \$6,500,000 per annum. Lessor's expenses include property tax and building insurance. The Lessee must also provide and set aside an amount equivalent to 1% of hotel's gross operating revenue for the first 2 years and 2.5% thereafter in the FF&E reserve.
Gross floor area	:	11,862.8 sm approximately
Valuation approaches	:	Capitalisation Approach and Discounted Cash Flow Analysis
Valuation date	:	5 January 2018
Market Value	:	S\$210,000,000/- (Singapore Dollars Two Hundred And Ten Million Only) This valuation is exclusive of GST.

Assumptions, disclaimers, limitations & qualifications	:	<i>This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of the certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorized, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. Save for inclusion in the Circular, the document should not be reproduced without our written authority. The valuers have no pecuniary interest that would conflict with the proper valuation of the Property.</i>
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Prepared by	:	Knight Frank Pte Ltd
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Low Kin Hon
B.Sc.(Estate Management) Hons., FSISV
Deputy Group Managing Director
Head, Valuations
Appraiser's Licence No. AD 041-20037521
For and on behalf of Knight Frank Pte Ltd

Png Poh Soon
MSc., B.Sc.(Real Estate) Hons., MSISV
Director
Valuations
Appraiser's Licence No: AD 041-2009900J
For and on behalf of Knight Frank Pte Ltd

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General Terms of Business for Valuations

These General Terms of Business and our Terms of Engagement letter together form the agreement between us ("Agreement"). The following General Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Pte Ltd unless specifically agreed otherwise in the Terms of Engagement letter and so stated within the main body of the valuation report.

1. Knight Frank Pte Ltd ("the company")

Knight Frank Pte Ltd is a privately owned company with registration number 198205243Z. Any work done by an individual is in the capacity as an employee of the Company.

2. Limitations on Liability

The Valuer's responsibility in connection with this valuation report and/or certificate is limited to the party to whom the valuation report and/or certificate is addressed for the stated purpose. The Valuer disclaims all responsibility and will accept no liability to any third party for the whole or any part of its contents saved on the basis of written and agreed instructions; this will incur an additional fee.

Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to the lower of S\$1 million or 3 times Knight Frank Pte Ltd's fee under the instruction.

We do not accept liability for any indirect or consequential loss (such as loss of profits).

3. Disclosure and Publication

If our opinion of value is disclosed to persons other than the addressees of our valuation report and/or certificate, the basis of valuation should be stated. Save for inclusion in the Circular, announcements and publicity material by the client in connection with the proposed acquisition of the Property, reproduction of this valuation report and/or certificate in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any websites) without the Valuer's prior written approval of the form and context in which may appear is prohibited.

4. Valuation Standards

All valuations and appraisals works are carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism have been met.

5. Valuation Basis

Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions outlined in the valuation report and/or certificate. The basis of valuation will be agreed with you for the instruction.

The opinion expressed in this valuation report and/or certificate is made strictly in accordance with the terms and for the purpose expressed therein and the values assessed and any allocation of values between portions of the property need not be applicable in relation to some other assessment.

6. Titles and Burdens

We do not read documents of title although, where provided, we consider and take account of matters referred to in solicitor's reports or certificates of title. We would normally assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoing, planning proposals, onerous restrictions or regulatory intentions which affect the property, nor any material litigation pending.

All liens and encumbrances, if any, affecting the property have been disregarded unless otherwise stated and it is assumed that the current use of the property is not in contravention of any planning or other governmental regulation or law.

The Valuer does not warrant to the party to whom the valuation report and/or certificate is addressed and any other person the title or the rights of any person with regard to the property.

7. Sources of Information

We rely upon the information provided to us, by the sources listed, as to details of tenure and tenancies (subject to "leases" below), planning consents and other relevant matters, as summarised in our valuation report and/or certificate. We do not check with the relevant government departments or other appropriate authorities on the legality of the structures, approved gross floor area or other information provided to us. We assume that this information is complete and correct and the Valuer shall not be held responsible or liable if this should prove not to be so.

Unless otherwise stated, all information has been obtained by our search of records and examination of documents or by enquiry from Government departments or other appropriate authorities. When it is stated in this valuation report and/or certificate that information has been supplied to the Valuer by another party, this information is believed to be reliable and the Valuer shall not be held responsible or liable if this should prove not to be so.

8. Boundaries

Plans accompanying valuation report are for identification purposes and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with information given to us and/or our understanding of the boundaries.

9. Planning and Other Statutory Regulations

Enquiries of the relevant planning authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally and this information is given to us, and accepted by us, on the basis that it should not be relied upon. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors who should also confirm the position with regard to any legal matters referred to in our report. We assume that properties have been constructed, or are being constructed, and are occupied or used in accordance with the appropriate consents and that there are no outstanding statutory notices.

10. Property Insurance

Our valuation assumes that the property would, in all respects, be insurable against all usual risks at normal, commercially acceptable premiums.

11. Building Areas and Age

Where so instructed, areas provided from a quoted source will be relied upon. Where the age of the building is estimated, this is for guidance only.

12. Structural Condition

Building structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defect.

13. Ground Conditions

We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

14. Environmental Issues

Investigations into environmental matters would usually be commissioned of suitably qualified environmental specialists by most responsible purchasers of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Anyone averse to risk is strongly recommended to have a property environmental investigation undertaken and, besides, a favourable report may be of assistance to any future sale of the property. Where we are provided with the conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

We are not, however, environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation will be on the assumption that the property is unaffected.

15. Leases

The client should confirm to us in writing if they require us to read leases. Where we do read leases reliance must not be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

16. Covenant

We reflect our general appreciation of potential purchasers' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of the tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are no significant arrears of payment and that they are capable of meeting their obligations under the terms of leases and agreements.

17. Loan Security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

18. Build Cost Information

Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

19. Reinstatement Assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If advice is required as a check against the adequacy of existing cover this should be specified as part of the initial instruction. Any indication given is provided only for guidance and must not be relied upon as the basis for insurance cover. Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

20. Attendance in Court

The Valuer is not obliged to give testimony or to appear in Court with regard to this valuation report and/or certificate, with reference to the property unless specific arrangement has been made therefor.



Our Ref : 2016/672/CORP/CYC

9 January 2018

DBS Trustee Limited
(in its capacity as trustee of Far East Hospitality Real Estate Investment Trust)
Level 44, 12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018981

Savills Valuation And
Professional Services (S) Pte Ltd
Reg No : 200402411G

30 Cecil Street
#20-03 Prudential Tower
Singapore 049712

T: (65) 6836 6888
F: (65) 6536 8611

savills.com

Dear Sirs

Valuation of Oasia Hotel Downtown, 100 Peck Seah Street, Singapore 079333 (“the Property”)

In accordance with the instruction of DBS Trustee Limited (in its capacity as trustee of Far East Hospitality Real Estate Investment Trust) [the “Client”] for us to value the Property, we have made relevant enquiries and obtained such information as we consider necessary for the purpose of providing you with our opinion of market value of the Property subject to master lease arrangement.

This valuation has been prepared for the intended acquisition of the Property by Far East Hospitality Trust and inclusion in the circular to the holders of Stapled Securities in Far East Hospitality Trust in connection therewith only and can be relied upon by the Client and its advisers. This report may be relied upon by the Client and its advisers for the specific purpose to which it refers only. Use by, or reliance upon this report by anyone other than the Client and its advisers is not authorised by Savills and Savills is not liable for any unauthorised use or reliance. Save for inclusion in the circular to the holders of Stapled Securities in Far East Hospitality Trust and subject to relevant laws and regulations, this report should not be reproduced without our prior written consent.

The valuation has been carried out in accordance with The Singapore Institute of Surveyors And Valuers Valuation Standards and Guidelines.

Our valuation is on the basis of Market Value which is intended to mean “the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

This definition of market value is also consistent with that as advocated by the Royal Institution of Chartered Surveyors (RICS) Standards and Guidelines and International Valuation Standards Council.

Our valuation has been made on the assumption that the Property is sold in the open market without the benefit of a deferred term contract or any similar arrangement which could serve to affect the value of the Property.

Savills Valuation and Professional Services (S) Pte Ltd has relied upon the Property data supplied by the Client which we assume to be true and accurate. Savills Valuation and Professional Services (S) Pte Ltd takes no responsibility for inaccurate data supplied by the owner and subsequent conclusions related to such data.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Property, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from any major or material encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

The reported analysis, opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions and conclusions.

We confirm that we do not have any conflict of interest that would interfere with our ability to give independent and professional valuation of the Property, are not a related corporation of or have a relationship with the Client, and have not valued the Property before. We confirm that the valuers undertaking the valuation are authorised to practise as valuers and have the necessary expertise and experience in the valuation of such type of properties and in the relevant area.

In arriving at our opinion of market value, we have adopted the Income Capitalisation Method, Discounted Cash Flow Analysis and Direct Comparison Method, each is being used as a check against the other.

In the Income Capitalisation Method, the net market income is capitalised at an appropriate market capitalisation rate which reflects both the risk and benefits of the Property as an investment. The adopted capitalisation rate reflects the nature, location, tenure, tenancy profile of the Property together with the prevailing property market condition. Reference has been made from comparable yields derived from comparable properties' transactions and capitalisation rates adopted by major hospitality REITs and funds in their portfolio valuation for comparable asset type.

We have also carried out a 10-year Discounted Cash Flow (DCF) Analysis taking into account the ability of the Property to generate income over a 10-year period based on certain assumptions. The DCF Analysis relates to a 10-year time frame during which rental growth patterns can be reasonably projected. Each year's net operating income during the period is discounted at an appropriate discount rate to arrive at the present value of expected future cash flows. The Property's anticipated sale price at the end of the period (i.e. its terminal value) is also discounted to its present value and added to the discounted income stream to arrive at the total present market value of the Property. We assume the Property will be sold after the end of Year 10 at a price based upon the forecast income at an appropriate terminal capitalisation rate. Costs associated with the disposal such as legal fees and sales commission at the end of the investment period have also been accounted for.

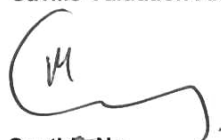
In the Direct Comparison Method, a comparison is made with recent sales of comparable properties in comparable localities. Adjustments are made for differences in location, tenure, size, design and layout, facilities and services provided, age/condition, class of development, performance indicators and date of sale, etc., before arriving at the value of the Property.

Our opinion of value and the key assumptions adopted in our valuation is summarised as follows:

Property	Capitalisation Rate	Discount Rate	Terminal Capitalisation Rate	Market Value as at 29 December 2017
Oasia Hotel Downtown 100 Peck Seah Street Singapore 079333	5.00%	7.50%	5.25%	\$226,000,000

Our valuation certificate is enclosed. We advise that this summary must be read in conjunction with our full valuation report of which this certificate forms part of.

Yours faithfully,
For and on behalf of
Savills Valuation And Professional Services (S) Pte Ltd



Cynthia Ng
Licensed Appraiser No. AD041-2003388A
Managing Director



Selina Chia
Licensed Appraiser No. AD041-2005633K
Executive Director

CYC/CN/k

Valuation Certificate



Property Address	Oasia Hotel Downtown 100 Peck Seah Street Singapore 079333	
Client	DBS Trustee Limited (in its capacity as trustee of Far East Hospitality Real Estate Investment Trust)	
Purpose of Valuation	Intended acquisition of the subject property (the "Intended Acquisition") and inclusion in the circular to holders of Stapled Securities in Far East Hospitality Trust (the "Circular")	
Legal Description	Part of Lot 800K Town Subdivision 3	
Tenure	The title for the land is leasehold for 99 years commencing from 13 April 2011. However, for the purpose of this valuation, we are instructed to base our valuation on a leasehold term of 65 years.	
Registered Lessee	Far East SOHO Pte. Ltd.	
Brief Description	<p>The subject property is bounded by Peck Seah Street, Gopeng Street and Tras Street and located north of Icon. Currently erected on site is a 27-storey designer business hotel with a total of 314 hotel rooms (140 superior rooms, 84 deluxe rooms, 88 club rooms and 2 suites) and 3 Food & Beverage (F&B) outlets. The subject property is known as Oasia Hotel Downtown. It is within a large integrated development which also comprise 100 strata-titled offices known as PS100. The subject property appeared to be in a good condition.</p> <p>The Temporary Occupation Permit was obtained on 30 December 2015 and the Certificate of Statutory Completion was obtained on 5 December 2016.</p>	
Site Area	Approximately 2,311.4 sm and subject to final survey	
Gross Floor Area	11,862.8 sm, as provided and subject to final survey	
Tenancy Brief	There will be a proposed lease term of 20 years with an option term of further 20 years. The fixed rent will be \$6,500,000 per annum plus a variable rent component of 33% of Gross Operating Revenue (GOR) plus 25% of Gross Operating Profit (GOP) less the fixed rent. The annual furniture, furnishings and equipment (FF&E) contribution is 1% of GOR for Years 1 and 2 and 2.5% of GOR for Year 3 onwards. Property management fee and provision for FF&E will be borne by the master lessee.	
Annual Value as assessed for Property Tax	\$5,915,000	
Master Plan Zoning (2014)	Hotel with gross plot ratio of 8.4	
Basis Of Valuation	As-Is basis and subject to the existing master arrangement	
Valuation Approaches	Income Capitalisation Method, Discounted Cash Flow Analysis and Direct Comparison Method	
Date of Valuation	29 December 2017	
Capitalisation Rate	5.00%	
Terminal Capitalisation Rate	5.25%	
Discount Rate	7.50%	
Recommended Market Value*	\$226,000,000	
Prepared by	Cynthia Ng Licensed Appraiser No AD041-2003388A	Selina Chia Licensed Appraiser No AD041-2005633K
	Savills Valuation & Professional Services (S) Pte Ltd	

* This valuation amount is exclusive of GST

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NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the holders of stapled securities in Far East Hospitality Trust (“**Far East H-Trust**”, and the holders of stapled securities in Far East H-Trust, the “**Stapled Securityholders**”), which comprises Far East Hospitality Real Estate Investment Trust (“**Far East H-REIT**”) and Far East Hospitality Business Trust (“**Far East H-BT**”) will be held on 12 March 2018 at 2.30 p.m. at Antica Ballroom, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTION 1

(1) THE PROPOSED ACQUISITION OF OASIA HOTEL DOWNTOWN AS A RELATED PARTY TRANSACTION

That subject to and contingent upon the passing of Resolutions 2 and 3:

- (i) approval be and is hereby given for the proposed acquisition of the 65-year leasehold estate in the property at 100 Peck Seah Street, Singapore 079333 (the “**Property**”) pursuant to the conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) (as described in the Circular) entered into between DBS Trustee Limited (in its capacity as trustee of Far East H-REIT) (the “**REIT Trustee**”) and Far East SOHO Pte. Ltd. (the “**Vendor**”) on 11 January 2018; and
- (ii) FEO Hospitality Asset Management Pte. Ltd., as manager of Far East H-REIT (the “**REIT Manager**”), any director or the chief executive officer of the REIT Manager and the REIT Trustee 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, such director, chief executive officer or, as the case may be, the REIT Trustee may consider expedient or necessary or in the interests of Far East H-REIT to give effect to the Sale and Purchase Agreement and all transactions in connection therewith).

ORDINARY RESOLUTION 2

(2) THE PROPOSED MASTER LEASE OF OASIA HOTEL DOWNTOWN AS AN INTERESTED PERSON TRANSACTION

That subject to and contingent upon the passing of Resolutions 1 and 3:

- (i) approval be and is hereby given for the entry into the master lease agreement (the “**Master Lease Agreement**”) (as described in the Circular) between the REIT Trustee (the “**Master Lessor**”), the REIT Manager and Far East SOHO Pte. Ltd. (the “**Master Lessee**”) pursuant to which the Master Lessee will take a lease of the Property; and
- (ii) the REIT Manager, any director or the chief executive officer of the REIT Manager and the Master Lessor 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, such Director, chief executive officer or, as the case may be, the Master Lessor may consider expedient or necessary or in the interests of Far East H-REIT to give effect to the Master Lease Agreement and all transactions in connection therewith).

ORDINARY RESOLUTION 3

(3) THE PROPOSED EARN-OUT AGREEMENT AND ISSUANCE OF THE EARN-OUT STAPLED SECURITIES AS AN INTERESTED PERSON TRANSACTION

That subject to and contingent upon the passing of Resolutions 1 and 2:

- (i) approval be and is hereby given for the entry into the earn-out agreement (the “**Earn-out Agreement**”) between the REIT Trustee and the Vendor, and issuance of such number of Earn-out Stapled Securities to the Vendor (or such other person(s) being member(s) of the Far East Organization group of companies) pursuant to the Earn-out Agreement (the “**Earn-out Stapled Securities**”) in the manner described in the Circular; and
- (ii) the REIT Manager, together with FEO Hospitality Trust Management Pte. Ltd. as trustee-manager of Far East H-BT, (collectively the “**Managers**”), any director or the chief executive officer of the Managers and the REIT Trustee 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 Managers, such director, chief executive officer or, as the case may be, the REIT Trustee may consider expedient or necessary or in the interests of Far East H-Trust to give effect to the Earn-out Agreement and issuance of the Earn-out Stapled Securities to the Vendor.

BY ORDER OF THE BOARD

FEO Hospitality Asset Management Pte. Ltd.

(as manager of Far East Hospitality Real Estate Investment Trust)

(Company Registration No. 201102629K)

FEO Hospitality Trust Management Pte. Ltd.

(as trustee-manager of Far East Hospitality Business Trust)

(Company Registration No. 201210698W)

Gerald Lee Hwee Keong

Chief Executive Officer

13 February 2018

Important Notice:

- (1) A Stapled Securityholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Stapled Securityholder.
- (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) The instrument appointing a proxy or proxies (as the case may be) must be lodged 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 appointed for the Extraordinary 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)

FAR EAST HOSPITALITY BUSINESS TRUST

(a business trust constituted on 1 August 2012
under the laws of the Republic of Singapore)

PROXY FORM

EXTRAORDINARY GENERAL MEETING OF FAR EAST HOSPITALITY TRUST

I/We _____ (Name(s) with NRIC No./Passport No./Company Registration
No.) _____ of _____

_____ (Address)
being a holder/s of units in Far East Hospitality Real Estate Investment Trust and Far East Hospitality Business Trust
(collectively, "Stapled Securities"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Stapled Securityholding	
			Number of Stapled Securities	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Stapled Securityholding	
			Number of Stapled Securities	%

or, both of whom failing, the Chairman of the Extraordinary General Meeting ("EGM") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the EGM to be held on 12 March 2018 at 2.30 p.m. at Antica Ballroom, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 and any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the EGM 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/they will on any other matter arising at the EGM.

No.	Ordinary Resolutions	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	Number of Votes For**	Number of Votes Against**
1.	To approve the proposed acquisition of Oasia Hotel Downtown as a related party transaction (Ordinary Resolution)				
2.	To approve the proposed master lease of Oasia Hotel Downtown as an interested person transaction (Ordinary Resolution)				
3.	To approve the proposed Earn-out Agreement and issuance of the Earn-out Stapled Securities in relation to Oasia Hotel Downtown as an interested person transaction (Ordinary Resolution)				

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.

** 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

Total number of Stapled Securities held

Signature(s) of Stapled Securityholder(s)/Common Seal



Notes to Proxy Form

1. A holder of stapled securities ("**Stapled Securityholder**") entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than 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.
5. If the Stapled Securityholder is shown to not have any Stapled Securities entered against his name as at 48 hours before the time set for the Extraordinary General Meeting, the instrument appointing a proxy or proxies (the "**Proxy Form**") will be rejected.
6. 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 the Extraordinary General Meeting.
7. 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.

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**STAPLED SECURITY REGISTRAR
BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.**
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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8. Where a Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (failing previous registration with the Managers) be lodged with the Proxy Form; failing which the instrument may be treated as invalid.
9. The Managers 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 Managers may reject a Proxy Form if the Stapled Securityholder, being the appointor, is not shown to have Stapled Securities entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by CDP to the Managers.
10. All Stapled Securityholders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting.
11. At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by (i) the Chairman, (ii) by five or more Stapled Securityholders present in person or by proxy and having the right to vote at the meeting, or (iii) by Stapled Securityholders present in person or by proxy representing not less than 10.0% of the total voting rights of all the Stapled Securityholders having the right to vote at the meeting. Unless a poll is so demanded a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
12. On a show of hands, every Stapled Securityholder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Stapled Securityholder who is present in person or by proxy shall have one vote for every Stapled Security of which he is the Stapled Securityholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

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