

**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)

**ANNOUNCEMENT**

**Annual General Meeting held on 25 June 2020  
 Responses to Substantial and Relevant Questions**

FEO Hospitality Asset 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 FEO Hospitality Trust Management Pte. Ltd. as trustee-manager of Far East Hospitality Business Trust (“**Far East H-BT**”, and the trustee-manager of Far East H-BT, the “**Trustee-Manager**”, and together with the REIT Manager, the “**Managers**”, and Far East H-REIT and Far East H-BT together, “**Far East H-Trust**”) would like to thank all stapled securityholders of Far East H-Trust (“**Stapled Securityholders**”) who submitted their questions in advance of our annual general meeting (“**AGM**”) held virtually via “live” audio-visual webcast at 11:00am on Thursday, 25 June 2020.

Questions that are similar in nature are grouped into together as shown below. Some relate to topics covered in the material presented during the AGM. Responses for the questions not addressed during the AGM are listed here.

<b>A. COVID-19 Impact on Business Performance and Outlook</b>	
<b>1.</b>	<p><b>How is Far East Hospitality Trust planning ahead to address the long-term ramifications and impact of COVID-19 on the tourism and hospitality sector? What are the foreseeable changes that you will be implementing in your lodging business going forward? What operational changes do you anticipate to make going forward?</b></p>
	<p>While the future trends and ramifications of COVID-19 on the hospitality sector in Singapore are difficult to predict at this stage, the safety of our guests and employees are our utmost priority. The REIT Manager has worked together with the operator to put in place the necessary precautions and proactive operational measures in accordance with advisories and guidelines from the Ministry of Health. These include:</p> <ul style="list-style-type: none"> <li>• Attaining and maintaining SGClean quality mark and certification by ensuring that relevant operational checklists and cleaning protocols are met and adhered to in properties across the portfolio;</li> <li>• Maintaining contact tracing measures including SafeEntry registration, visitor declaration forms and proprietary Staysafe@Fareast app for use by staff;</li> <li>• Temperature taking and contact tracing for all arriving guests and visitors;</li> <li>• Removal and/or reduction of non-essential services at the hotel lobbies (e.g. welcome drink, valet services etc);</li> <li>• Reduced capacity and inter-mingling at hotel lobbies by implementing express check-in and check-out services to minimise contact between staff and guests;</li> </ul>

	<ul style="list-style-type: none"> <li>• Safe distancing markers placed around the premises and safe distancing measures to be adhered to at all areas outside the guestrooms and in all public areas;</li> <li>• Appointment of Safety Management Officers at each property to ensure proper adherence to guest safety guidelines;</li> <li>• Public areas, especially high touchpoints such as guest lifts, service lifts, lobby areas, public toilets are sanitized on regular schedules and hand sanitizers made available at all public areas; and</li> <li>• Clearly defined standard operating procedures and use of personal protective equipment in the event of detection of positive COVID-19 cases</li> </ul>
<b>2.</b>	<b>What has been the impact to date of COVID-19 on operating performance?</b>
	<p>Far East H-Trust's financial and operating performance has seen an adverse impact in the short-term, as the COVID-19 pandemic resulted in closure of Singapore's borders to international travellers from 24th March 2020. Further restrictions on domestic hotel stays during the Circuit Breaker period further constrained potential demand.</p> <p>To mitigate the fall in business from leisure and business travellers, our hotels looked for alternative sources of business and managed to secure two key types of contracts to fill up the rooms:</p> <ul style="list-style-type: none"> <li>• Accommodation support for Malaysian workers unable to cross the border due to the Movement Control Order, and</li> <li>• Provision of accommodation under 100% buyout contracts from government agencies.</li> </ul> <p>While the room rates are not high, these contracts have boosted the occupancy of our hotels during this challenging period.</p> <p>The serviced residences in the portfolio are less affected as they cater largely to guests on extended stay or on longer-term project work. They performed better in the first quarter of 2020 as compared to the hotels, which are more reliant on the inbound leisure segment and discretionary corporate travel.</p>
<b>3.</b>	<b>Are you optimistic or pessimistic regarding the outlook for the tourism and hospitality sector going forward post COVID-19? Would travel bubbles, Green Lanes and domestic consumption be able to keep the business viable until the discovery and use of a vaccine?</b>
	<p>There will be challenges in the short term because of travel restrictions. However, we do see some green shoots in the form of special arrangements and cooperation to allow essential corporate travel between Singapore and its key trading partners. Local staycation and associated ancillary business are the next segments expected to recover, as local residents are likely to remain cautious with regard to overseas leisure travel in the months ahead. As the situation continues to improve, we should see the return of inbound leisure travellers from countries that the government enters into bilateral arrangements with.</p> <p>We are encouraged that most of our retail tenants can now resume business and receive patrons as Singapore enters Phase 2 of the reopening. They were more affected compared to office tenants during the Circuit Breaker period. This will improve the prospects for lease renewals and securing new tenants in the commercial premises of the portfolio.</p> <p>A full recovery for the travel and hospitality industry would likely happen only when a vaccine for COVID-19 has been developed.</p> <p>In the meantime, until the hospitality sector returns to normalcy, the fixed rent component of the master leases for all our properties provides a minimum rental payment that offers a downside protection for Stapled Securityholders. It helps to mitigate the impact of volatility experienced during these adverse circumstances.</p>

	<p>Looking forward, the REIT Manager remains optimistic on the long-term prospects of the hospitality sector. The huge potential of a growing inbound Asian market is bolstered by the investments that have been made by the government and local partners to develop transportation infrastructure and improve the existing tourism products and attractions. We note that the construction T5 is going ahead, although the schedule has been pushed back by two years. Singapore can also potentially benefit from more MNCs establishing regional head offices in the city, although business travel patterns might change as a result of an increased use of telecommuting. The REIT Manager will monitor travel patterns in the next 12 months and will work closely with the operator to make necessary adjustments to the marketing strategy.</p>
<b>4.</b>	<p><b>Will there be any downward asset revaluation on our properties which will impact the NAV per share and already high gearing ratio?</b></p>
	<p>Given that the potential impact of COVID-19 is constantly evolving, significant market uncertainty exists. The carrying amounts of the investment properties recorded in the Balance Sheet determined by reference to fair values at 31 December 2019 and estimated based upon conditions prevailing on that date may have changed. However, the situation is still evolving and has not stabilised, it is difficult at this point in time to estimate the impact on valuation of the investment properties in the portfolio.</p> <p>In term of gearing ratio, the Monetary Authority of Singapore has on 16 April 2020 temporarily increased the leverage limit for S-REITs from 45% to 50%, to provide S-REITs greater flexibility to manage their capital structure amid the challenging environment created by the COVID-19 pandemic.</p>
<b>5.</b>	<p><b>Will the minimum rental support by the sponsor be reviewed/removed should the COVID-19 impact on the hotel business last for a prolonged period? Which properties are not master-leased and in danger of falling through the cracks in asking for Deferred Rentals or termination?</b></p>
	<p>The contractual terms of the master lease agreements relating to payment of the master lease rental are not affected by adverse trading conditions such as a pandemic. Apart from a “Material Damage” clause that relates specifically to destruction of property, there are no explicit force majeure clauses within the master lease agreements that provide an avenue for the master lessees to defer payment of the fixed component of the master lease rental as a minimum payment. All of Far East H-Trust’s properties are under master lease agreements with companies within Far East Organization.</p>
<b>6.</b>	<p><b>What is the current and projected level of occupancy for the hotels under management for Q2 and Q3?</b></p>
	<p>The occupancy of hotels for the second quarter of the year will be shared during our half-yearly results reporting around the end of July 2020. The REIT Manager does not provide forward forecast of future quarters. If the control measures implemented in Singapore and various countries improve in terms of effectiveness in controlling the spread of the COVID-19 virus, it will speed up the recovery of the sector. The development of a vaccine will ultimately help to restore normalcy.</p>
<b>B. Capital Management and Distribution Policy</b>	
<b>7.</b>	<p><b>If you were to rely solely on your income from your rental agreement for your hotels and serviced apartments, and including your estimate of the rentals from your shops and less all the relevant expenses, what is your estimate of the distributable income for a 6-month period? How much of the above distributable income will you pay out as DPU in a 6-month period?</b></p>

	<p>The fixed rent for hotels and serviced residences and rental revenue for commercial premises constituted about three quarters of the gross revenue for financial year 2019. The fixed rent component from the master leases for all our properties is \$67 million per annum which provides a minimum rental payment that offers a downside protection for Stapled Securityholders.</p> <p>The REIT Manager is closely monitoring the impact of the gradual reopening of Singapore. We will be providing more up-to-date details to Stapled Securityholders during the 1<sup>st</sup> half 2020 results announcement around the end of July 2020. We remain committed to our mission of delivering sustainable income distribution to our Stapled Securityholders.</p>
<p><b>8.</b></p>	<p><b>Is Far East H-Trust going to retain income for prudence? If so, what is the percentage we are looking at?</b></p>
	<p>Far East H-Trust's distribution policy is to distribute at least 90.0% of its taxable income, with the actual level of distribution to be determined at the REIT Manager's discretion. The COVID-19 outbreak situation has caused our properties to be impacted together with the rest of the hospitality sector. As such, the REIT Manager will continue to monitor our cash flow position and review the decision about the retention of distribution income for prudence. We remain committed to our long-term mission and goal of delivering sustainable income distribution and growth in total returns to our Stapled Securityholders, and will press on through these challenging times.</p>

By Order of the Board

Gerald Lee Hwee Keong  
Chief Executive Officer  
FEO Hospitality Asset Management Pte. Ltd.  
(Company Registration No. 201102629K)  
25 June 2020

By Order of the Board

Gerald Lee Hwee Keong  
Chief Executive Officer  
FEO Hospitality Trust Management Pte. Ltd.  
(Company Registration No. 201210698W)  
25 June 2020