

# STAYING RESILIENT

Annual Report 2020

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STAYING RESILIENT  
WITH WELL-BALANCED  
INVESTMENT AND  
ASSET MANAGEMENT  
STRATEGIES TO WEATHER  
THE UNCERTAINTIES AND  
DISRUPTIONS BROUGHT  
ABOUT BY A GLOBAL  
PANDEMIC

Our portfolio assets remain rooted in value, and the Master Lease Agreements for each of our 13 properties continue to provide a stable performance amidst challenging times.

As we continue to optimise the properties in our portfolio, we are also preparing ourselves for sustainable growth opportunities now and in the future to emerge stronger in a post-COVID-19 future.

# ABOUT US

## FAR EAST HOSPITALITY TRUST (“FAR EAST H-TRUST”) IS A SINGAPORE-FOCUSED HOTEL AND SERVICED RESIDENCE HOSPITALITY TRUST LISTED ON THE MAINBOARD OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”).

It commenced trading on SGX-ST on 27 August 2012 (“Listing Date”). Far East H-Trust has a market capitalisation of approximately S\$1.22 billion and the largest diversified hospitality portfolio by asset value in Singapore as at 31 December 2020. Far East H-Trust comprises Far East Hospitality Real Estate Investment Trust (“Far East H-REIT”) and Far East Hospitality Business Trust (“Far East H-BT”). Far East H-REIT is managed by FEO Hospitality Asset Management Pte. Ltd. (the “REIT Manager”) while

Far East H-BT is managed by FEO Hospitality Trust Management Pte. Ltd. (the “Trustee-Manager”).

Far East H-REIT owns a portfolio of 13 properties comprising 9 hotels and 4 serviced residences. The assets are valued at about S\$2.53 billion as at 31 December 2020. In addition, Far East H-REIT also has a 30.0% stake in a joint venture for the development of a hotel project located on Sentosa, which has officially opened and commenced operations in 2019.

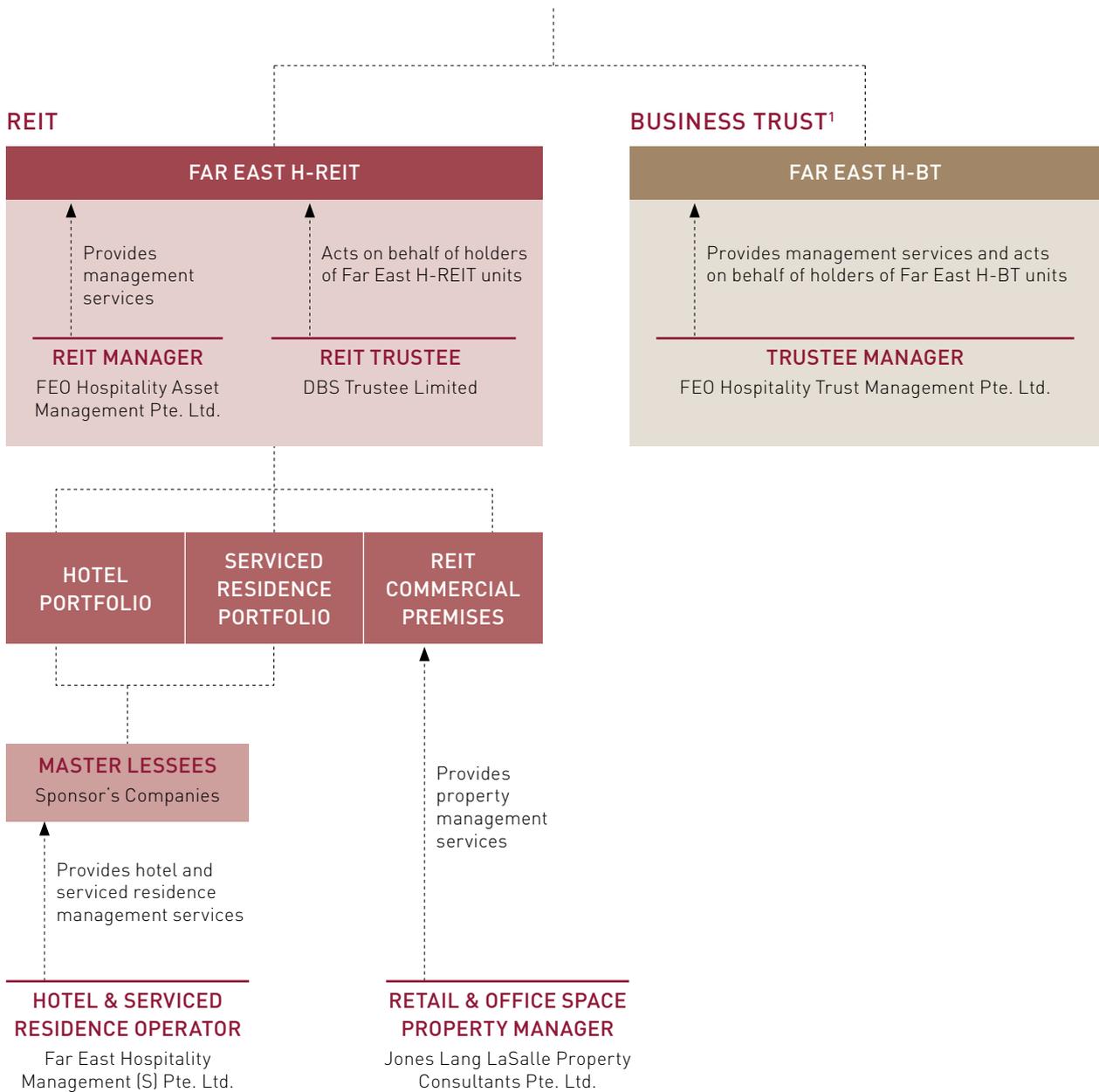
Far East H-REIT is established with the principal investment strategy of investing on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate, used primarily for hospitality and/ or hospitality-related purposes, whether wholly or partially, as well as real estate-related assets in connection to the foregoing.

Far East H-BT is established with a view to be appointed as a master lessee of last resort. It remains dormant as at the date of this report.

The Quincy Hotel, The Lounge



# OUR STRUCTURE



SPONSOR: Far East Organization group of companies  
 PORTFOLIO: 13 properties consisting of 9 hotels and 4 serviced residences valued at S\$2.53 billion

<sup>1</sup> Dormant since Listing Date. Serves as master lessee of last resort.

# FINANCIAL HIGHLIGHTS

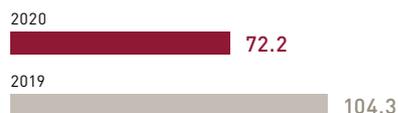
## Gross Revenue (S\$ million)

# 83.3



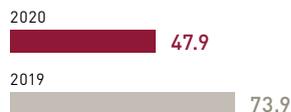
## Net Property Income (S\$ million)

# 72.2



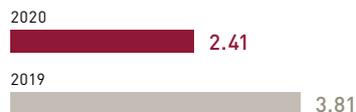
## Income Available for Distribution (S\$ million)

# 47.9



## Distribution Per Stapled Security (Singapore cents)

# 2.41



## Balance Sheet

	2020	2019
	S\$ million	S\$ million
Investment Properties	2,528.7	2,645.7
Total Assets	2,581.4	2,699.5
Total Liabilities	1,023.7	1,018.3
Net Assets	1,557.7	1,681.2

## Financial Ratios

	2020	2019
Gearing Ratio <sup>1</sup>	40.9%	39.2%
Interest Coverage Ratio <sup>2</sup>	2.6x	3.1x
Weighted Average Debt Maturity	2.3 years	3.3 years
Net Asset Value per Stapled Security (Singapore cents)	79.2	86.2

## Operating Expenses

	2020	2019
Total Operating Expenses <sup>3</sup> (S\$ million)	21.6	25.3
Total Operating Expenses as a percentage of Net Asset Value	1.4%	1.5%

1 Computed based on total borrowings as a percentage of deposited properties

2 Interest Coverage Ratio is computed based on EBITDA over interest expense as per the definition in the loan covenants. This would be 2.4x based on the definition prescribed by Appendix 6 of the Code on Collective Investment Schemes

3 Comprising property expenses and trust expenses, including all fees paid/payable to the REIT Manager and interested parties

# GROWTH STRATEGIES

## THE REIT MANAGER IS COMMITTED TO DELIVERING LONG-TERM SUSTAINABLE DISTRIBUTION GROWTH THROUGH THREE KEY STRATEGIES.

# 01

### VALUE-ADDING ACQUISITIONS

The REIT Manager actively pursues acquisition opportunities in the market that provide attractive cash flows and yields to enhance the returns to Stapled Securityholders to boost future income and capital growth.

Far East H-Trust currently has a strong acquisition pipeline of 7 properties, totalling 1,200 hotel rooms and 618 serviced residence units, under a right of first refusal ("ROFR") with its Sponsor. The ROFR properties offer acquisition opportunities for portfolio growth, potentially increasing the keys under ownership by 1,818 rooms.

Far East H-Trust further strives to grow its portfolio by exploring acquisitions of third-party properties, and by capitalising on the pipeline arising from future land sites that the Sponsor successfully bids for.

# 02

### ASSET MANAGEMENT AND ENHANCEMENT STRATEGY

The REIT Manager regularly reviews the portfolio and leverages on the extensive experience of Far East H-Trust's Sponsor when embarking on refurbishment programmes. These asset enhancement initiatives aim to enhance the properties' appeal leading to an increase in the operational performance of the properties.

Asset enhancements are also intended to improve the efficiency of space and to reduce operating costs in areas such as utilities.

Far East H-Trust enjoys economies of scale as it focuses on the Singapore hospitality market with operational shared services such as central reservations, revenue management and centralised human resource management across its properties.

# 03

### CAPITAL AND RISK MANAGEMENT STRATEGY

For capital and risk management, the REIT Manager intends to maintain a prudent level of borrowings while maximising returns for Stapled Securityholders.

The REIT Manager endeavours to maintain a strong balance sheet with diversified funding sources. It seeks to manage the cost of debt, utilise interest rate hedging strategies to reduce exposure to market volatility and employ an appropriate mix of debt and equity to finance acquisitions.

The REIT Manager believes that this strategy puts Far East H-Trust in good stead to capitalise on investment opportunities.

ROOTED IN  
**VALUE**





Village Residence Robertson Quay

# LETTER FROM THE CHAIRMAN

## “WE ARE CONTINUING OUR EFFORTS TO OPTIMISE OUR ASSETS BY EMBARKING ON ASSET ENHANCEMENTS AT ORCHARD RENDEZVOUS HOTEL, RENDEZVOUS HOTEL SINGAPORE AND THE ELIZABETH HOTEL.”

Dear Staped Securityholders,

On behalf of the Board of the REIT Manager and Trustee-Manager, I am pleased to present our Annual Report of Far East Hospitality Trust (“Far East H-Trust” or the “Trust”) for the financial year ended 31 December 2020 (“FY2020”).

### NAVIGATING AN UNPRECEDENTED YEAR

2020 was an unprecedented year with the outbreak of COVID-19 and its pervasive impact on economies, businesses and communities worldwide.

In Singapore, the hospitality industry felt the immediate adverse impact of the circuit breaker measures and border restrictions enforced by governments, which curtailed corporate and leisure travel overnight. In like manner, most Meetings, Incentives, Conventions and Exhibitions (“MICE”) events were cancelled or postponed, exacerbating the impact on the hospitality sector.

Under these circumstances, 2020 has emerged as one of the worst years on record in Singapore’s hospitality industry. With tourist arrivals down 85.9%

from 19.1 million in 2019 to 2.7 million in 2020, Singapore’s average hotel occupancy declined to 63.6% in Q3/2020 from 86.9% in Q3/2019. Average daily rate (“ADR”) fell 51.1% while revenue per Available Room (“RevPAR”) fell 64.2% in the same period.

### PERFORMANCE REVIEW

For the year, we recorded gross revenue of S\$83.3 million, compared with S\$115.5 million for FY2019. Net property income was S\$72.2 million for FY2020, compared with S\$104.3 million for FY2019. Distributable income was S\$47.9 million, 35.2% lower compared with S\$73.9 million for FY2019. As a result, distribution per stapled security was 2.41 Singapore cents, representing a yield of 3.9% based on the closing stapled security price of 62.0 Singapore cents on 31 December 2020.

Notwithstanding the challenging operating environment, two attributes cushioned the drop in full year revenue. First was the fixed rent component of our master leases with our Sponsor, Far East Organization group of companies, which will continue to deliver a minimum recurring payment

that gives investors downside protection over a 20-year tenure. Our master leases provide investors with clarity of rental income through market cycles, championed by one of the largest real estate groups in Asia with a 60-year track record of growth and value-creation. Secondly, our portfolio has a range of mid-tier and upscale assets which allow us to meet the evolving needs of cost-conscious corporates.

Occupancy levels across our hotels reached a trough in the initial stages of the COVID-19 pandemic and gradually improved in the following six months, supported by government contracts to lease our hotels as dedicated facilities for isolation purposes, as well as contracts by companies to accommodate their Malaysian workers affected by border restrictions. The average occupancy of our hotels in FY2020 was 85.1%, 4.0 percentage points below FY2019 and ADR declined 47.5% to S\$84 as international travel restrictions reduced higher margin businesses for hotels. Accordingly, RevPAR declined 50.0% from S\$142 in FY2019 to S\$71 in FY2020.



**MR WEE KHENG JIN**

Chairman

Supported by a portfolio of diverse corporate accounts, our serviced residence segment was more resilient and performed above the fixed rent level of the Master Leases, despite the challenging COVID-19 operating environment. An average occupancy of 83.9% in FY2020 was achieved, a marginal improvement of 0.3 percentage points from FY2019. ADR for this business segment declined 12.4% from the previous year to S\$190 due to pre-terminations and lower-rated business. As a result, revenue per available unit ("RevPAU") declined 12.6% to S\$159 in FY2020 from S\$182 in FY2019.

and Mr Willie Cheng, will be stepping down. With effect from 1 May 2021, Ms Vivienne Lim will be taking over the role of Lead Independent Director from Mr Cheng. Concurrently Mr Huang Cheng Eng will be redesignated as a non-Independent Director in view of him completing close to 9 years of service.

I am pleased to update that over the past year we have also added two independent directors.

We welcomed Ms Celestine Khoo as an Independent Director to the REIT Manager Board and Trustee-Manager Board in October 2020. A chartered accountant by training, Ms Khoo has held senior leadership positions in the finance sector, most notably with the Monetary Authority of Singapore and Principal Financial Group.

Mr Benedict Leh joined us as Independent Director to the REIT Manager Board and Trustee-



**Gross Revenue**  
(S\$ million)

**83.3**



**Net Property Income**  
(S\$ million)

**72.2**

#### **LEADERSHIP AND CORPORATE GOVERNANCE**

In 2018, we embarked on a strategic board renewal and succession initiative in anticipation of several directors reaching the regulated 9-year term limit for independent directors. On 30 April 2021, two Independent Directors, Mr Kyle Lee

## LETTER FROM THE CHAIRMAN

Manager Board in January 2021. Mr Leh comes with extensive experience in wealth management and corporate finance advisory, and has held senior leadership roles at Citibank, National University Health System and Wealth Management Institute.

With the appointment of Ms Khoo and Mr Leh, the Board now comprises 8 directors, of whom 7 are independent.

We are heartened to have been recognised by the industry for our efforts to improve our corporate governance standards and adopt best practices. We were ranked 4th out of 45 trusts in the Singapore Governance and Transparency

Index 2020 – REITS and Business Trusts Category, an improvement from 6th placing in the previous year. We also continued to be placed in the top 10 in the annual Governance Index for Trusts assessment. We are encouraged by these accolades and will endeavour to improve our governance standards.

To further the interests of our Stapled Securityholders, the Board with the support of the Trustee approved the reduction of the REIT Manager's base fee and performance fee with effect from 1 January 2020. With this change, FY2020 management fees were lower by 23.0% or S\$2.8 million compared to FY 2019.

### **OPTIMISING AND GROWING THE PORTFOLIO**

We are continuing our efforts to optimise our assets by embarking on asset enhancements at Orchard Rendezvous Hotel, Rendezvous Hotel Singapore and The Elizabeth Hotel. We are working closely with our Sponsor on the rebranding and repositioning of The Elizabeth Hotel which will be rolled out upon the completion of its renovation.

Far East H-Trust has received an Outline Advice from the Urban Redevelopment Authority for the site at Central Square which houses Village Residence Clarke Quay. The Outline Advice was issued under an incentive scheme in response to a joint outline

Rendezvous Hotel Singapore, The Library



application. The proposed plan is intended to rejuvenate the precinct with an integrated development that would enhance the vibrancy of the area, and involves a potential rezoning and uplift in gross floor area which are subject to specific approvals from the authorities. The REIT Manager will explore various options regarding the site to deliver value for Stapled Securityholders.

Far East H-Trust also has a 30% stake in a joint venture investment in Sentosa with our Sponsor comprising 3 hotels, 4 blocks of commercial space, and an events centre. We are working with our Sponsor and the Operator in nurturing this new development with the intention to acquire the balance 70% stake at an appropriate time in the future. Our Sponsor remains committed to the growth of the Trust by continuing to develop new properties for future injection into the Trust.

### **PRUDENT CAPITAL MANAGEMENT**

Prudent capital management remains one of the key thrusts as we seek to minimise our exposure to market volatility while maintaining a strong balance sheet and financial flexibility. We continue to be well-supported by banks that have long-standing relationships with our Sponsor.

In 2020 we took proactive steps to negotiate a S\$125 million term loan ahead of its maturity in 2021 with our first sustainability-linked term loan to be finalised in March 2021.

This refinancing will enable us to improve our debt expiry profile from 2.3 years to 2.9 years.

As at 31 December 2020, our total debt was S\$990.8 million. Extended to the Trust on a fully unsecured basis, 60.3% of our debt was locked-in with fixed interest rates. Our aggregate leverage was 40.9%, providing us with a debt headroom of S\$199.6 million.

We have sufficient funds and available credit facilities to meet our working capital requirements and loan repayments due in 2021.

### **OPTIMISED FOR LONG-TERM SUSTAINABLE GROWTH**

Looking ahead, the near-term operating environment is expected to remain challenging despite the Singapore economy showing initial signs of a recovery following the government's S\$100 billion fiscal stimulus programme launched in 2020. While sector-specific initiatives have had a minor positive impact on Singapore's local tourism and hospitality sector, a deep and sustained recovery will be largely dependent on the roll-out and efficacy of COVID-19 vaccines, and the reopening of Singapore's borders. We remain hopeful for the industry to begin its recovery journey in 2021.

Nonetheless, we will continue to deliver on our strategy to enhance our assets and operational efficiencies, maintain a robust capital management approach, and deliver long-term sustainable returns to our Stapled Securityholders.

### **ACKNOWLEDGEMENT AND APPRECIATION**

I would like to express my appreciation to Mr Willie Cheng and Mr Kyle Lee, who will be stepping down from their positions. I am grateful for their contributions to the Board over the past 9 years and for guiding the Management through the formative period of the Trust. I warmly welcome Ms Celestine Khoo and Mr Benedict Leh to the Board.

My appreciation to our staff for their contributions and dedication during this challenging period as well as to our tenants, business partners and suppliers for their continued support and loyalty.

Finally, I would like to thank you, our Stapled Securityholder, for your support of Far East H-Trust.

**Wee Kheng Jin**  
Chairman

# BOARD OF DIRECTORS

## MR WEE KHENG JIN

Chairman and Non-Executive Director of the REIT Manager Board and Trustee-Manager Board

Member of the Remuneration Committee of the REIT Manager

Mr Wee Kheng Jin was appointed as a Director of the REIT Manager Board and Trustee-Manager Board in January 2011 and July 2012 respectively. He was appointed Deputy Chairman in February 2017 and subsequently as Chairman in July 2018.

Mr Wee has extensive finance experience in a variety of industries including banking, construction, hospitality services and real estate development.

Mr Wee has been with Far East Organization from February 2000 to December 2018. He served as a board member of Yeo Hiap Seng Limited from April 2010 to April 2017 and of Parkson Retail Asia Limited from September 2011 to October 2017.

Since his retirement as an Executive Director in Far East Organization in 2018, he continues his association with the Group as a Senior Advisor.

Prior to joining Far East Organization, he was the Citibank Country Controller for several years and a board member of Citicorp Investment Bank Singapore Limited. Mr Wee also worked for United Engineers Limited and PricewaterhouseCoopers LLP (formerly known as PriceWaterhouse & Co).

Mr Wee graduated from the University of Singapore with a degree in Accountancy in 1978.

## MR WILLIE CHENG JUE HIANG

Lead Independent Director of the REIT Manager Board and Trustee-Manager Board

Chairman of the Audit and Risk Committee of the REIT Manager

Member of the Nominating Committee of the REIT Manager

Mr Willie Cheng was appointed as a Director of the REIT Manager Board in July 2012 and was subsequently appointed as Lead Independent Director in February 2013. He was appointed as a Director of the Trustee-Manager Board in April 2012 and subsequently appointed as Lead Independent Director in February 2013.

Mr Cheng has extensive experience in the fields of accountancy, auditing, management consulting, technology implementation and corporate governance. He has also written extensively on corporate governance, directorship and non-profit issues.

Mr Cheng was Chairman of the Governing Council for Singapore Institute of Directors from 2013 to 2018. Over the last 5 years, Mr Cheng held directorship in United Overseas Bank Ltd, Integrated Health Information Systems and Singapore Health Services Pte Ltd.

Outside the corporate sector, Mr Cheng is actively engaged in several non-profit organisations, including ApVentures, Catholic Foundation Ltd and NTUC Health Cooperative Ltd.

Prior to his retirement in 2003, Mr Cheng was Managing Director of Accenture's Singapore office and Head of its Asian Communications & High-Tech practice. During his stint at Accenture (and its predecessor, Arthur Andersen & Co), Mr Cheng was involved in audit as well as consulting, for the design and implementation of mission-critical systems and business transformation for its clients in government, financial services and the high-tech industries.

Mr Cheng graduated from the University of Singapore with a Bachelor of Accountancy in 1977. He is a Fellow of the Singapore Chartered Accountants, a Fellow of Singapore Institute of Directors, and an Honorary Fellow of the Singapore Computer Society.

## MR HUANG CHENG ENG

Independent Director  
of the REIT Manager Board and Trustee-Manager Board

Chairman of the Remuneration Committee  
of the REIT Manager

Member of the Audit and Risk Committee  
of the REIT Manager

Mr Huang Cheng Eng was appointed as a Director of the REIT Manager Board and Trustee-Manager Board in July 2012 and April 2012 respectively.

Mr Huang has a wealth of experience in commercial and marketing activities for the hospitality, aviation and tourism sectors. Before his retirement in 2010, Mr Huang was Executive Vice President – Marketing and the Regions at Singapore Airlines Limited, where he was overall in charge of commercial and marketing activities as well as the firm's overseas offices.

From 1987 to 1996, Mr Huang was overall in charge of air cargo and developed SIA Cargo into a full-fledged division. During his stint at Singapore Airlines, he was also the Chairman of SilkAir and had also served on the Board of Virgin Atlantic Airways. He had amassed 10 years of overseas experience, working in Taiwan, France and Hong Kong from 1977 to 1987.

Mr Huang had served on the board of the Singapore Tourism Board (STB) from 2002 to 2006. During that period, he worked closely with the STB management and the travel and hospitality industry in formulating long-term growth strategies as well as major tactical promotions. Mr Huang was also an Independent Director of M1 Ltd from 2015 to 2019.

Mr Huang graduated from the University of Hawaii with a Bachelor of Business Administration in 1971 and obtained a Master's in Business Administration from Michigan State University in 1973.

## MR KYLE LEE KHAI FATT

Independent Director  
of the REIT Manager Board and Trustee-Manager Board

Chairman of the Nominating Committee  
of the REIT Manager

Member of the Audit and Risk and Remuneration Committees  
of the REIT Manager

Mr Kyle Lee was appointed as a Director of the REIT Manager Board and Trustee-Manager Board in July 2012.

Mr Lee has more than three decades of experience in professional services, comprising accounting, auditing and business advisory, having worked in both the United Kingdom and Singapore. In his professional career, Mr Lee served hospitality industry clients that owned and/or managed properties in Singapore and abroad. He has notable experience and knowledge of the hospitality industry in Singapore.

Mr Lee is presently a Director of Capitaland Integrated Commercial Trust Management Limited (as manager of Capitaland Integrated Commercial Trust), Comfort DelGro Corporation Limited, Great Eastern Holdings Limited and The Great Eastern Life Assurance Company Limited.

By profession, Mr Lee is a Chartered Accountant and served as a partner of PricewaterhouseCoopers LLP in Singapore for 20 years, holding leadership positions at firm, practice, industries and sector levels, prior to retirement in 2010. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. He is also a Fellow of the Singapore Institute of Directors.

Mr Lee graduated from the University of London with MSc (Distinction) in International Management (SOAS) and MBA and Diploma in Management (Imperial College).

# BOARD OF DIRECTORS

## MS VIVIENNE LIM HUI BIAN

Independent Director  
of the REIT Manager Board and Trustee-Manager Board

Member of the Nominating Committee  
of the REIT Manager

Ms Vivienne Lim was appointed as a Director of the REIT Manager Board and Trustee-Manager Board in July 2018.

Ms Lim is a lawyer in private practice. She has over 20 years of experience handling a wide variety of both contentious corporate and commercial litigation matters as well as non-contentious real estate advisory matters. She founded Genesis Law Corporation in 2004 and has been managing it since.

Outside the corporate sector, Ms Lim is actively involved in several non-profit organisations and charities. She is currently the Chairperson of the CHIJ Board of Management that governs all 11 Convent of the Holy Infant Jesus schools in Singapore. She is also a director of Catholic Foundation Limited. Additionally, Ms Lim serves as Vice-Chairperson of the Solicitors Accounts Rules Committee (of the Law Society of Singapore), and sits in the Disciplinary Committee of the Football Association of Singapore and the Independent Review Panel of NTUC First Campus Cooperative Limited.

Ms Lim graduated from the National University of Singapore with an LLB (Hons).

## MS CATHERINE LEE KHIA YEE

Independent Director  
of the REIT Manager Board and Trustee-Manager Board

Member of the Audit and Risk Committee  
of the REIT Manager<sup>1</sup>

Ms Catherine Lee was appointed as a Director of the REIT Manager Board and Trustee-Manager Board in July 2019.

Ms Lee has more than 25 years of banking and finance, investment and fund management experience. In addition to her financial expertise, she has a wealth of experience in strategic planning, regional business expansion and transformation, risk management and stakeholder management in complex public private partnerships.

From 2014 to 2019, she held the position of Chief Financial Officer of Clifford Capital Pte Ltd, a company specialising in project financing, mezzanine investing, asset securitisation and management with global coverage, and had responsibilities over treasury, finance, credit decisions, strategic development and stakeholder management. Prior to joining Clifford Capital, Ms Lee was the Group CFO in SMRT Corporation Ltd and BreadTalk Group Ltd. Ms Lee also spent a total of 11 years in the banking industry where she specialised in corporate finance activities and in the private equity industry looking after a portfolio of public-listed and private companies in the US and Asia Pacific.

Ms Lee holds a Bachelor of Accountancy (Honours) degree from the Nanyang Technological University of Singapore and is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

<sup>1</sup> Appointed to the Audit and Risk Committee in January 2021

## MS CELESTINE KHOO GEOK CHOO

Independent Director  
of the REIT Manager Board and Trustee-Manager Board

Member of the Audit and Risk Committee  
of the REIT Manager<sup>1</sup>

Ms Celestine Khoo was appointed to the REIT Manager Board and Trustee-Manager Board on 1 October 2020.

Ms Khoo leads the venture, innovation and entrepreneurship initiatives at the Singapore University of Technology and Design. She had first qualified as a chartered accountant with PricewaterhouseCoopers and then worked with corporates across different industry sectors to tap the capital markets as an investment banker at UBS and DBS.

Ms Khoo subsequently joined the Monetary Authority of Singapore to develop Singapore as a global financial centre. After spearheading the capital markets and treasury development policy and promotion initiatives, she moved internally to manage the official foreign reserves. She later headed the Asia business and was concurrently the country head of the Singapore office of Principal Financial Group.

Ms Khoo has served on various investment committees including the Central Provident Fund Board and the Ministry of Home Affairs' superannuation fund. She currently serves on the investment committees of Assisi Hospice, St Gabriel's Foundation and the Council of World Mission.

Ms Khoo graduated from the National University of Singapore with a Bachelor of Accountancy (First Class Honours) and holds a Master of Business Administration (Distinction) from Cass Business School, London, under the Foreign & Commonwealth Office Scholarship. She is also a Chartered Accountant with the Institute of Singapore Chartered Accountants.

## MR BENEDICT LEH SONG BOON

Independent Director  
of the REIT Manager Board and Trustee-Manager Board

Mr Benedict Leh was appointed to the REIT Manager Board and Trustee-Manager Board on 1 January 2021.

Mr Leh has more than 20 years of experience in various areas including banking and finance, capital markets, wealth management, private equity, executive education as well as the non-profit sector.

From 2010 to 2018, he was the Chief Operating Officer of Wealth Management Institute ("WMI") and was responsible for curriculum development, financial management, governance, strategic development and stakeholder management. He was also the Programme Director for the SMU-WMI Masters of Science in Wealth Management and played a key role of the revamp of the IBF Standards for the Singapore private banking industry in 2018. From 2017 to 2019, he was a director for Wine Advocate Pte Ltd, a global wine rating and F&B events business. Prior to joining WMI, he spent over 13 years in the banking industry with Citigroup in Singapore and Credit Suisse in Hong Kong and has deep experience advising Singapore and international companies in the areas of debt and equity capital markets fundraising, corporate finance, mergers and acquisitions and initial public offerings.

Outside the corporate sector, Mr Leh is actively engaged in several non-profit organisations, including serving as a board member of the Children's Cancer Foundation and a volunteer consultant to Focus on the Family Limited.

Mr Leh holds a Bachelor of Business Administration (First Class Honours) degree from the National University of Singapore and is a Chartered Financial Analyst.

<sup>1</sup> Appointed to the Audit and Risk Committee in January 2021

# MANAGEMENT TEAM

## MR GERALD LEE HWEE KEONG

Chief Executive Officer

Mr Gerald Lee joined Far East Organization in 2011, and is currently employed by the REIT Manager as Chief Executive Officer (CEO) where he is principally responsible for the management and conduct of the business of the REIT Manager and the Trustee-Manager.

Mr Lee is a director of Fontaine Investment Pte. Ltd., a joint venture company between Far East H-REIT and Far East Organization Centre Pte. Ltd. (a member of Far East Organization) established for the development of a hotel site in Sentosa, which had officially opened and commenced operations in 2019.

From 2005 to 2010, Mr Lee was at CapitaLand Limited/ The Ascott Limited. His roles in Ascott included that of CEO (Europe), responsible for growing the business in that region, and Deputy CEO, responsible for overseeing operations of the group.

From 1991 to 2005, Mr Lee was at the Singapore Tourism Board where he held various roles including heading the planning division, business travel and MICE division, and two overseas offices in North America. His last held position was Assistant CEO (Leisure), in charge of all the leisure divisions.

Mr Lee was seconded to the Ministry of Trade & Industry as Deputy Director from 2000 to 2001 and was responsible for overseeing policies and industry development of the tourism and services sectors. He was concurrently seconded to Sentosa Development Corporation as Director (Strategic Development) from 2001 to 2003 and oversaw strategic projects and redevelopment initiatives.

Mr Lee graduated from Cornell University with a Bachelor of Science (with Distinction) and obtained an Executive Master of Business Administration (Distinction) from INSEAD and Tsinghua University.

## MS REGINA YAP SIEW BUAY

Chief Financial Officer

Ms Regina Yap joined the REIT Manager as Chief Financial Officer in 2017. She is responsible for all aspects of finance, tax and capital management, and also oversees compliance and corporate secretarial functions. She provides support for investment and investor relations matters of Far East H-Trust.

Ms Yap has more than 25 years of experience in group financial and management reporting, operational management and control, tax planning, risk and capital management, compliance and corporate secretarial work.

From 2011 to 2017, Ms Yap was the Head of Finance and Company Secretary of AIMS AMP Capital Industrial REIT Management Limited (now known as AIMS APAC REIT Management Limited) as manager of AIMS AMP Capital Industrial REIT (now known as AIMS APAC REIT). Her responsibilities include financial accounting and reporting, tax and risk management, capital management, compliance as well as corporate secretarial matters.

From 1996 to 2011, Ms Yap held various senior finance roles in CapitaLand Limited within several business units including hospitality, residential, commercial, corporate headquarters, and Australand Property Group. Her last held position was Vice President, Finance (South East Asia & Australia) with The Ascott Limited.

Before joining CapitaLand Limited, she was a Tax Consultant with PriceWaterhouse (now known as PricewaterhouseCoopers LLP).

Ms Yap holds a Master of Applied Finance from the Macquarie University of Sydney, Australia and a Bachelor of Accountancy from the Nanyang Technological University of Singapore. She is also a Chartered Accountant with the Institute of Singapore Chartered Accountants.

## MR IRFAN TAYABALI

Vice President, Asset Management and Investment

Mr Irfan Tayabali joined the REIT Manager in 2017. He is responsible for the strategic performance and asset management of the hospitality portfolio, as well as working on new investment acquisitions for Far East H-REIT.

Mr Tayabali has more than 15 years of hospitality industry experience.

From 2011 to 2016, Mr Tayabali was with Aparas Hotel Advisers, a boutique hotel asset management firm based out of Singapore, where he was responsible for the owner representation and strategic performance management of a broad portfolio of hotel assets across Asia Pacific.

From 2005 to 2011, Mr Tayabali was at Jones Lang LaSalle Hotels, initially based in London, where he trained as a chartered surveyor and registered commercial real estate valuer. He worked across the UK and Europe on hospitality valuation, development and brokerage transactions before moving to Singapore in 2008, where he was focused on hotel asset management and investment advisory assignments.

Mr Tayabali graduated from The University of Manchester with a BA in History of Art & Architecture, followed by a Masters in Property Valuation & Law from the Cass Business School in London. He is a member of the Royal Institution of Chartered Surveyors of England & Wales and is a board member of HAMA (Hotel Asset Managers Asia Pacific).

## MR DESMOND TAN ENG KIAT

Vice President, Asset Management and Enhancement

Mr Desmond Tan joined the REIT Manager in January 2021. He is responsible for implementing long term asset enhancement initiatives and works closely with the Operator for all capital expenditure involving building improvement works and replacement of plant and equipment. He also monitors the leasing and tenancy related matters for the commercial spaces.

Mr Tan has more than 20 years of experience in real estate spanning across residential, sales and leasing and management of retail commercial assets.

From 2017 to 2020, Mr Tan assumed roles of Senior Manager (Leasing) and General Manager (Suburban Cluster) at Far East Organization, Retail Business Group. He was responsible for the leasing performance of the assets and management of tenant relationships. He also oversaw the planning and execution of the business plans in the suburban malls in achieving operational and financial targets for the portfolio.

From 2000 to 2016, Mr Tan was actively involved in building the team that oversaw the growth of the residential corporate leasing portfolio at Far East Organization. Prior to joining the Retail Business Group at Far East Organization, Mr Tan was the Senior Manager responsible for the leasing performance of the Corporate Leasing portfolio of about 1,200 units, which represents the biggest private residential portfolio for lease in Singapore. During this tenure, he had undertaken various strategies implementation in channel management, direct sales and loyalty Programs.

Mr Tan obtained his Bachelor of Business (Hons) in Business and Management from University of Bradford.

# MANAGEMENT TEAM

## MR ERVIN SCOTT SEOW YI-WEN

Assistant Manager, Investor Relations and Asset Management

Mr Ervin Seow joined the REIT Manager in August 2020. He is the key point of contact for the investment and research community and assists in asset management and compliance matters.

Mr Seow is responsible for developing strategic communication and maintaining relations with analysts and investors. He monitors and presents the opinions of the investment community about Far East H-Trust's performance to the management and the Board.

Prior to his current role, Mr Seow was a Project Finance Analyst with Lendlease Retail Pte. Ltd. in 2020 where he was responsible for finance matters of development projects in Singapore. Before that, he was an equity research analyst at CGS-CIMB Research Pte. Ltd. covering REITs and property brokerages listed on the Singapore Exchange until February 2020 where he wrote regular reports on such companies and provided investment recommendations for clients. From 2017 to 2018, Mr Seow was a management associate at CIMB Bank Berhad (Singapore) and undertook rotations in cash management, private banking and asset management.

Mr Seow obtained a Bachelor of Accountancy (First Class Honours) from Nanyang Technological University with a second specialisation in Banking & Finance and is a Chartered Financial Analyst.



OPTIMISED FOR  
**PERFORMANCE**





Oasia Hotel Downtown, Sky Terrace

# INVESTMENTS AND ASSET ENHANCEMENT INITIATIVES

THE REIT MANAGER ACTIVELY PURSUES INVESTMENT OPPORTUNITIES TO EXPAND THE PORTFOLIO AND DRIVE FUTURE INCOME GROWTH. FAR EAST H-TRUST HAS A STRONG ACQUISITION PIPELINE OF 7 PROPERTIES UNDER A RIGHT OF FIRST REFUSAL WITH ITS SPONSOR, FAR EAST ORGANIZATION, TOTALING 1,200 HOTEL ROOMS AND 618 SERVICED RESIDENCE UNITS. IN ADDITION, THE REIT MANAGER ALSO SEEKS OUT POTENTIAL INVESTMENT OPPORTUNITIES IN THE MARKET FROM THIRD PARTIES.

Rendezvous Hotel Singapore





Orchard Rendezvous Hotel, Club Room

The REIT Manager actively pursues investment opportunities to expand the portfolio and drive future income growth. Far East H-Trust has a strong acquisition pipeline of 7 properties under a right of first refusal with its Sponsor, Far East Organization, totaling 1,200 hotel rooms and 618 serviced residence units. In addition, the REIT Manager also seeks out potential opportunities in the market from third parties.

#### **ASSET ENHANCEMENT INITIATIVES**

In keeping with the objective of keeping the portfolio updated and operationally efficient, the REIT Manager constantly identifies and REIT executes asset enhancement initiatives (“AEI”) based on a charted plan. COVID-19 brought

about disruptions to project executions and completion dates. Nevertheless, upon resumption of work post Circuit Breaker, the REIT Manager managed to work closely with the Operator in implementing most of the planned AEIs.

#### **ORCHARD RENDEZVOUS HOTEL**

The Orchard Rendezvous Hotel had undertaken various phases of upgrading from 2015 to 2019 including the refurbishment of all the guest rooms and corridors, the Club Lounge, swimming pool, gym, function rooms and other public areas of the hotel including the lobby, reception and lobby bar. Enhancements were carried out to beautify the hotel façade with new landscaping and lighting. In 2020, the Manager continued to update the lift lobbies and corridors of

the Office Podium in keeping with a commensurate standard as the hotel.

The hotel’s electrical installations were also upgraded in 2020 with the overhaul of the high tension switchgear, low voltage switchboard, as well as the transformer. The electrical cables were also replaced. This puts the hotel in good operational stead with enhanced operational efficiency and reliability.

In 2021, there are plans to renovate the outdoor refreshment area and the forecourt of the hotel. This initiative is timely as the refreshed outdoor refreshment area forecourt will be poised for a lively F&B scene as the country progressively emerges from COVID-19.

# INVESTMENTS AND ASSET ENHANCEMENT INITIATIVES

## RENDEZVOUS HOTEL SINGAPORE

Situated at the prominent cross-roads of the Arts & Heritage district in Bras Basah, Rendezvous Hotel Singapore reflects the history and trendsetting nature of its surroundings. In keeping with the heritage and creativity of the neighbourhood, the REIT Manager embarked on the repainting of the façade to restore and accentuate the eclectic embellishments of the conserved shophouses. The refreshed façade exudes the charm of the Art Deco shophouses. The repainting exercise was mostly completed for the conserved shophouses. In 2021, the repainting exercise will be completed with the refreshing of the Tower block.

## OTHER ENHANCEMENT WORKS

Improvement works were also carried out at other properties in Far East H-Trust’s portfolio in 2020.

At Regency House, acoustic treatments to 43 apartment units fronting Penang Road were completed to improve guests experience during their stay. The readings taken post treatment showed reduction in noise level, falling in the range of 40-42 decibels. The first phase of refreshing 12 public toilets across 4 floors of the office block was also completed in 2020. The refreshed toilet facilities were well received by the office tenants and the REIT Manager will continue to refresh the remaining toilets across 3 floors in 2021.

Regency House, Three-Bedroom Apartment



In 2020, the exercise to upgrade the High Speed Internet Access ("HSIA") at Orchard Rendezvous Hotel was completed. The HSIA technology refresh was initiated to improve the indoor wireless network (Wi-Fi) coverage for the guests to access internet when they are in the hotel premise. This is especially important to overseas tourists who may not subscribe to mobile roaming services. The refreshed HSIA technology include a high

performance 10Gbps fibre optic backbone capable of supporting multiple services on the same network infrastructure, such as but not limited to IPTV, VoIP, Building Management System, Work Order Management System. With the successful implementation at Orchard Rendezvous Hotel, the HSIA tech refresh will be implemented in 3 more hotels in 2021 namely, The Quincy Hotel, The Elizabeth Hotel and Village Hotel Changi.

Village Hotel Changi, Infinity Room



## OUR PORTFOLIO

**FAR EAST H-REIT HAS 2,775 HOTEL ROOMS AND 368 SERVICED RESIDENCE UNITS IN ITS PORTFOLIO, OFFERING INVESTORS AN OPPORTUNITY TO INVEST IN THE LARGEST PORTFOLIO OF HOSPITALITY ASSETS IN SINGAPORE BY ASSET VALUE.**

The portfolio provides an attractive investment opportunity for investors to benefit from a balanced portfolio of hospitality assets targeting both short-term stays in relation to the hotels and longer-term stays in relation to the serviced residences.

Housed in 9 out of the 13 properties in the portfolio are 287 units of commercial spaces.

The Barracks Hotel



Valuation  
(S\$ Billion)

2.53

Properties

9

HOTELS

2,775

KEYS

4

SERVICED  
RESIDENCES

368

KEYS

14,063

RETAIL NLA  
(SQM)

7,102

OFFICE NLA  
(SQM)



## OUR PORTFOLIO

### VILLAGE HOTEL ALBERT COURT

180 Albert Street, Singapore 189971



Minutes away from the cultural enclaves of Little India and Bugis, Village Hotel Albert Court is a pre-war conservation development offering heritage blended with modern day flair. The hotel's charming courtyard provides moments of serenity and offers a wide range of retail and dining options.

For its sustainability efforts, Village Hotel Albert Court was awarded the BCA Green Mark Platinum certification by the Building and Construction Authority of Singapore in 2015, and this had recently been renewed in 2019.

Number of guest rooms	210
Gross floor area (sq m)	11,426
Retail NLA (sq m)	1,003
Gross revenue for FY2020 (S\$ million)	4.1
Remaining lease tenure (years)	67
Valuation as at 31 Dec 2020 (S\$ million)	121.1
Purchase price (S\$ million)	120.7
Master lessee	First Choice Properties Pte Ltd

### VILLAGE HOTEL BUGIS

390 Victoria Street, Singapore 188061



Located right at the heart of Singapore's Arab, Peranakan and Indian heritage districts, Village Hotel Bugis offers tourists a glimpse of multi-cultural Singapore.

Surrounded by vibrant eateries, art galleries and boutiques in the nearby conservation buildings, the hotel is a stone's throw away from Bugis MRT station, which conveniently connects to the Central Business District and Orchard areas.

Number of guest rooms	393
Strata floor area (sq m)	21,676
Retail NLA (sq m)	1,164
Gross revenue for FY2020 (S\$ million)	7.5
Remaining lease tenure (years)	58
Valuation as at 31 Dec 2020 (S\$ million)	223.0
Purchase price (S\$ million)	218.4
Master lessee	Golden Landmark Pte Ltd

## VILLAGE HOTEL CHANGI

1 Netheravon Road, Singapore 508502



Village Hotel Changi is an idyllic retreat, set apart from other hotels in urban Singapore. With its serene surroundings and 17 function spaces of various sizes, the hotel is the choice destination for corporate retreats and team bonding.

Just a 10-minute drive from Changi Airport and a short boat ride away from Pulau Ubin and the Chek Jawa Wetlands, Village Hotel Changi is a favourite for nature lovers and transit passengers on a stopover.

Number of guest rooms	380
Gross floor area (sq m)	22,826
Retail NLA (sq m)	805
Gross revenue for FY2020 (S\$ million)	7.3
Remaining lease tenure (years)	57
Valuation as at 31 Dec 2020 (S\$ million)	192.1
Purchase price (S\$ million)	238.5
Master lessee	Far East Organization Centre Pte. Ltd.

## THE ELIZABETH HOTEL

24 Mount Elizabeth, Singapore 228518



The Elizabeth Hotel takes inspiration from colonial times and is designed with a distinct European accent. It is a short walk from Orchard Road, Singapore's famous shopping and entertainment belt, providing guests with a wide range of leisure and dining options.

The Elizabeth Hotel is also adjacent to Mount Elizabeth Hospital, one of Singapore's leading hospitals.

Number of guest rooms	256
Gross floor area (sq m)	11,723
Retail NLA (sq m)	583
Gross revenue for FY2020 (S\$ million)	5.3
Remaining lease tenure (years)	67
Valuation as at 31 Dec 2020 (S\$ million)	161.2
Purchase price (S\$ million)	186.7
Master lessee	Golden Development Private Limited

# OUR PORTFOLIO

## OASIA HOTEL DOWNTOWN

100 Peck Seah Street, Singapore 079333



Oasia Hotel Downtown is an iconic award-winning hotel strategically located in the downtown Tanjong Pagar area, which is set to be Singapore's next waterfront city with a hive of business, commercial and residential activities.

The hotel's proximity to the Central Business District appeals to business travellers, and it is well-connected to other parts of the island as well, with the Tanjong Pagar MRT Station right at its doorstep and expressways within a few minutes' drive.

Number of guest rooms	314
Strata floor area (sq m)	17,793
Gross revenue for FY2020 (S\$ million)	6.4
Remaining lease tenure (years)	62
Valuation as at 31 Dec 2020 (S\$ million)	242.2
Purchase price (S\$ million)	210.0 <sup>1</sup>
Master lessee/vendor	Far East SOHO Pte. Ltd.

## OASIA HOTEL NOVENA

8 Sinaran Drive, Singapore 307470



A welcome escape from the hustle and bustle of city life, Oasia Hotel Novena offers both business and leisure travellers the opportunity to refresh, refuel and recharge.

Oasia Hotel Novena is a short commute from the Central Business District and Orchard Road. Strategically located within Singapore's premier medical hub in Novena, the hotel also serves visiting medical tourists and their families.

Number of guest rooms	428
Strata floor area (sq m)	22,457
Gross revenue for FY2020 (S\$ million)	7.8
Remaining lease tenure (years)	84
Valuation as at 31 Dec 2020 (S\$ million)	309.0
Purchase price (S\$ million)	318.2
Master lessee	Transurban Properties Pte. Ltd.

<sup>1</sup> Refer to Notes 22 to the Financial Statements for more details on additional purchase consideration.

## ORCHARD RENDEZVOUS HOTEL

1 Tanglin Road, Singapore 247905



Orchard Rendezvous Hotel is located at the doorstep of major malls and boutiques along Orchard Road, with a wide variety of retail and dining options for business and leisure travellers. Families on vacation will enjoy the 50-60 sqm family rooms that Orchard Rendezvous Hotel has to offer.

The public areas of the hotel – the pool, pool deck, reception and lobby, lobby bar, function rooms and pre-function areas were upgraded in 2016. Refurbishment of the guest rooms was completed in March 2018. In 2019, enhancements were carried out to beautify the hotel facade with new landscaping and lighting. The arrival porch area has also been renovated to incorporate a new green roof.

Number of guest rooms	388
Gross floor area (sq m)	34,072
Retail NLA (sq m)	3,778
Office NLA (sq m)	2,515
Gross revenue for FY2020 (S\$ million)	15.5
Remaining lease tenure (years)	42
Valuation as at 31 Dec 2020 (S\$ million)	406.6
Purchase price (S\$ million)	412.5
Master lessee	Far East Orchard Limited

## RENDEZVOUS HOTEL SINGAPORE

9 Bras Basah Road, Singapore 189559



Rendezvous Hotel Singapore reflects the history and trendsetting nature of the arts and heritage district it is situated in. Within walking distance to the Dhoby Ghaut and Bras Basah MRT stations, the hotel is a short commute away from Singapore's business and shopping districts.

Adjoining the hotel is The Rendezvous Gallery, with 3 floors of retail and F&B spaces, offering a mix of gastronomic delights, beauty & wellness and entertainment.

Number of guest rooms	298
Gross floor area (sq m)	19,720
Retail NLA (sq m)	2,799
Gross revenue for FY2020 (S\$ million)	7.9
Remaining lease tenure (years)	63
Valuation as at 31 Dec 2020 (S\$ million)	270.0
Purchase price (S\$ million)	264.3
Master lessee	Serene Land Pte Ltd

## OUR PORTFOLIO

### THE QUINCY HOTEL

22 Mount Elizabeth, Singapore 228517



The first local boutique hotel to win the Best Hotel Experience Award at the Singapore Tourism Awards 2017, The Quincy Hotel caters to the busy business executive and discerning leisure traveller.

Guests of The Quincy Hotel can enjoy all-day light refreshments including buffet breakfast, complimentary in-room mini-bar and evening cocktails, making it the perfect getaway for a weekend staycation.

Number of guest rooms	108
Gross floor area (sq m)	4,810
Gross revenue for FY2020 (S\$ million)	2.4
Remaining lease tenure (years)	67
Valuation as at 31 Dec 2020 (S\$ million)	77.8
Purchase price (S\$ million)	82.3
Master lessee	Golden Development Private Limited

### VILLAGE RESIDENCE CLARKE QUAY

20 Havelock Road, Singapore 059765



Village Residence Clarke Quay is a mixed-use development comprising residential and commercial components. The commercial component includes offices, shops and restaurants. Refurbishment works to revitalise the property's serviced offices, lobby and common areas were completed in 2017.

Village Residence Clarke Quay is in the vicinity of Singapore's historic Chinatown, which offers a myriad of retail and local delights. Guests can get around the city easily, as the property is served by Clarke Quay MRT and is close to the Central Business District.

Number of units	128
Gross floor area (sq m)	17,858
Retail NLA (sq m)	2,213
Office NLA (sq m)	1,473
Service office NLA (sq m)	823
Gross revenue for FY2020 (S\$ million)	7.4
Remaining lease tenure (years)	72
Valuation as at 31 Dec 2020 (S\$ million)	198.3
Purchase price (S\$ million)	183.3
Master lessee	OPH Riverside Pte Ltd

## VILLAGE RESIDENCE HOUGANG

1 Hougang Street 91, Singapore 538692



Village Residence Hougang is located in the Hougang residential suburb, northeast of Singapore. The serviced residence is conveniently located next to Hougang One Mall and is well connected by expressways and MRT. Village Residence Hougang is popular with companies in the neighbouring industrial estates.

Number of units	78
Strata floor area (sq m)	14,257
Gross revenue for FY2020 (S\$ million)	2.4
Remaining lease tenure (years)	73
Valuation as at 31 Dec 2020 (S\$ million)	61.5
Purchase price (S\$ million)	64.7
Master lessee	Serene Land Pte Ltd

## VILLAGE RESIDENCE ROBERTSON QUAY

30 Robertson Quay, Singapore 238251



Village Residence Robertson Quay overlooks the historic Singapore River and is located within the trendy dining and entertainment district of Robertson Quay. It is close to the Central Business District ("CBD") and is served by the Fort Canning and Clarke Quay MRT stations which are a short walk away.

Visitors who want to see a different side of the CBD can continue down the river to the Civic District for arts, culture and heritage.

Number of units	72
Strata floor area (sq m)	10,570
Retail NLA (sq m)	1,179
Gross revenue for FY2020 (S\$ million)	3.9
Remaining lease tenure (years)	70
Valuation as at 31 Dec 2020 (S\$ million)	102.9
Purchase price (S\$ million)	113.2
Master lessee	Riverland Pte Ltd

## OUR PORTFOLIO

### REGENCY HOUSE

121 Penang Road, Singapore 238464



Regency House is an upscale serviced residence located at the junction of Penang Road and Oxley Road, within walking distance from the major shopping malls along Orchard Road. Its prime location is extremely popular with young professionals.

The refurbishment of Regency House was completed in 2016, with all apartment units having undergone a facelift. The studio apartments were refurbished in 2014 and the renovation of the remaining 2 and 3-bedroom units were completed in mid-2016.

Number of units	90
Gross floor area (sq m)	10,723
Retail NLA (sq m)	539
Office NLA (sq m)	2,291
Gross revenue for FY2020 (S\$ million)	5.4
Remaining lease tenure (years)	73
Valuation as at 31 Dec 2020 (S\$ million)	163.0
Purchase price (S\$ million)	166.4
Master lessee	Oxley Hill Properties Pte Ltd

# INDUSTRY OVERVIEW

(Prepared by Savills)

## SINGAPORE MACRO-ECONOMIC OVERVIEW AND OUTLOOK

### OVERVIEW

The COVID-19 pandemic and ensuing containment measures adversely impacted the global economy last year, leading to one of its steepest downturn in decades. Singapore's open economy was significantly hit, as lockdown measures to contain the pandemic in many major economies stunted overall economic activity. This resulted in a contraction of 5.8% in Gross Domestic Product in 2020 following the 0.7% growth in 2019.

With various countries reimposing further rounds of lockdowns to contain the resurgence of the virus, the pace of recovery is expected to be slow and uneven across economies in 2021. Although vaccination has begun rolling out in some countries<sup>1</sup>, it will take time to show effectiveness and for countries to reopen their borders, posing a drag on the recovery of hard-hit sectors such as aviation, tourism and accommodation. Domestic demand is also likely to be somewhat constrained in the near term. Nonetheless, Singapore's GDP is projected to grow by 4.0% to 6.0%<sup>2</sup> in 2021 from its low base in 2020.

## SINGAPORE TOURISM AND HOSPITALITY MARKET

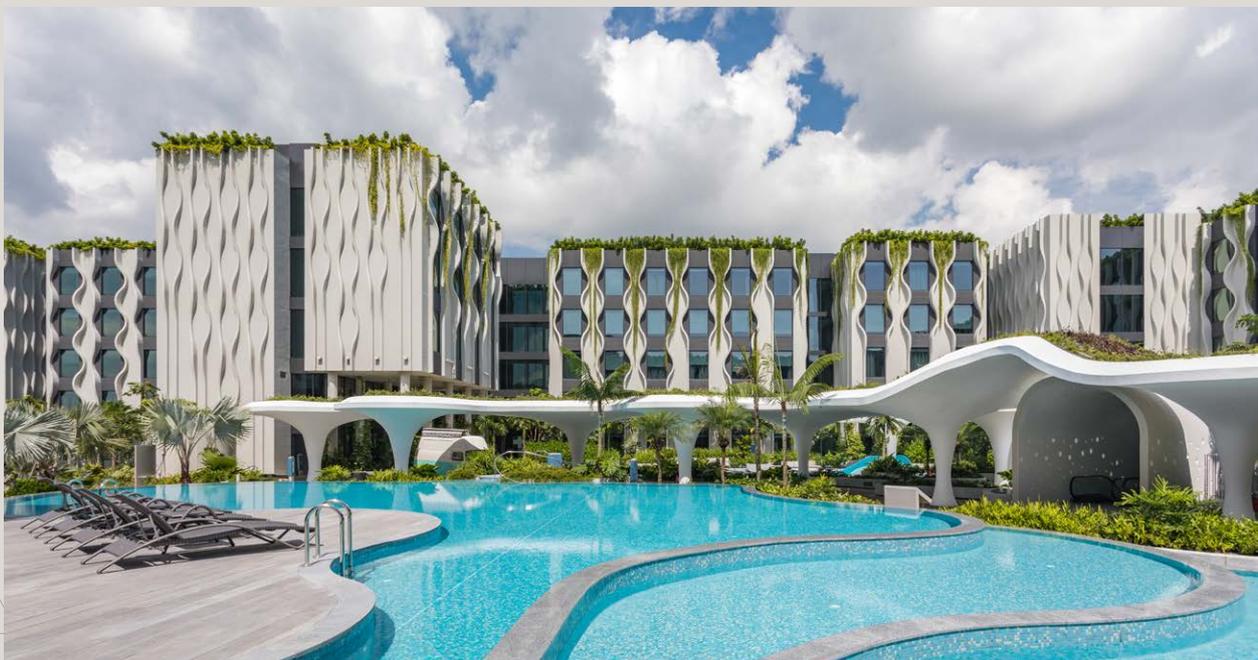
### OVERVIEW

The impact of COVID-19 on tourism, travel and hospitality has been significant since March 2020 when Singapore's borders were closed and visitor arrivals to Singapore plummeted to a historic low in 2020. Despite the gradual uptrend in visitor arrivals since July, as Singapore progressively reopened its gates to essential travellers from selected countries, total visitor arrivals amounted to 2.74 million in 2020, 85.7% lower than 2019 [19.12 million].

1 According to the World Health Organisation on 11 January 2021, it does not expect herd immunity to be achieved in 2021, despite vaccines against COVID-19 being rolled out in a number of countries.

2 Based on the Ministry of Trade and Industry's (MTI) Economic Survey of Singapore Third Quarter 2020 report released on 23 November 2020.

Village Hotel Sentosa



# INDUSTRY OVERVIEW

As all incoming travellers had to serve a 14-day Stay-Home Notice (SHN) in dedicated facilities (including hotels and serviced residences) since 21 March 2020, the average length of stay for hotels rose to over 40 days for the months of May to August, up from the average of 3.4 days in 2019. Following the subsequent relaxation of border measures for travellers from selected low risk countries/ regions<sup>3</sup> since June 2020, the average length of stay shortened to over 25 days in the last four months of 2020.

## OVERVIEW OF SINGAPORE HOTEL SECTOR

### SUPPLY

Apart from a minor contraction of overall stock by 0.1% in 2018 due to a decline in non-gazetted room stock, hotel room stock<sup>4</sup> in Singapore grew steadily by an average of 4.0% (2,400 rooms) per annum from 2015 to 2019 (Figure 1).

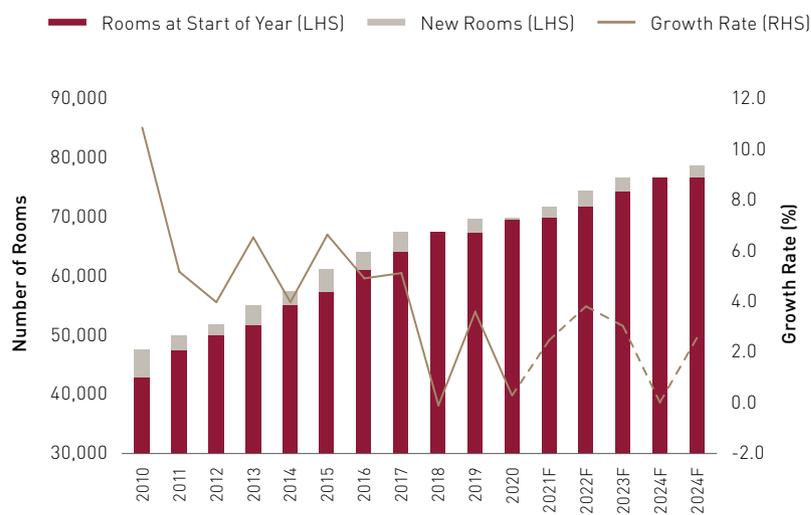
Meanwhile, there were no new hotel openings for the first three quarters of 2020, as owners/ operators delayed their developments' opening despite obtaining Temporary Occupation Permit (TOP) and their hotel licenses. New openings in December 2020 were driven by

the launch of SingapoRediscovers Vouchers, which were rolled out from 1 December 2020. Many of the hotels scheduled their opening in December to capitalise on this initiative, especially during the school holiday period when most families typically plan staycations. As results, Savills estimated total room stock to reach 69,559 rooms<sup>5</sup> by the end-2020.

Going forward, the increase in hotel room supply is expected to be moderate as many developers/ operators are likely to delay the

construction/ opening of their projects in view of the tight labour market and continued hiatus in global travel. According to the Urban Redevelopment Authority (URA), close to 9,287 hotel rooms<sup>6</sup> are expected to be completed from 2021 onwards, of which the majority are upscale followed by mid-tier hotels. Excluding projects completing after 2024, this represents an average completion of just over 1,842 rooms annually from 2021 to 2024, compared with the five-year annual average change of around 2,400 rooms (2015 to 2019).

FIGURE 1: SINGAPORE HOTEL ROOM SUPPLY



Source: STB, URA, Savills Research & Consultancy

3 The authorities revised the border measures for selected countries/ regions which have effectively controlled their outbreak of the virus and are deemed lower risk in terms of importation of the virus, allowing travelers from these countries to serve their SHN at their own place of residence, shortening their SHN duration from the current 14 days to seven days, and allowing their entry without serving SHN.

4 Based on Singapore Tourism Board's (STB) data. Stock additions include completed developments with hotel licenses, regardless of whether they have officially opened for business.

5 This figure includes serviced residence-style developments which have hotel licences. Those without hotel licenses are considered as serviced apartments/ residences, which are bound by a six-night minimum-stay requirement imposed by the authorities.

6 Pipeline supply figure includes the supply from new development and redevelopment projects with provisional and written permission, as well from other categories of supply such as projects with Outline Provisional Permission and development submitted for planning approval and which are under consideration.

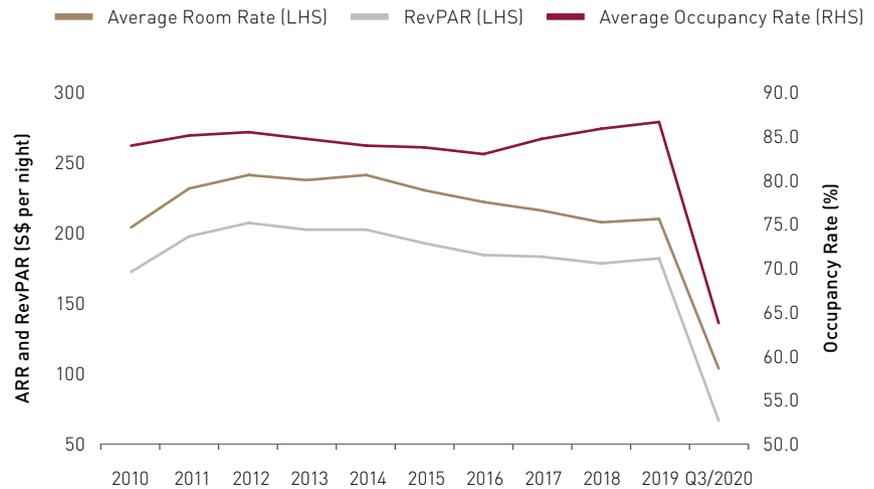
## DEMAND AND PERFORMANCE

Despite strong momentum from two consecutive years of robust performance, the containment measures associated with COVID-19 put severe pressure on the hotel sector, as global lockdowns and restrictions placed on travel led to sharp decline in hotel occupancies and revenues. Islandwide Average Occupancy Rate (AOR) fell by 23.3%-points from record high at 86.9% in 2019 to 63.6% in Q3/2020 (Figure 2). Nonetheless, AOR was relatively more resilient as some hotel rooms were used as SHN-dedicated facilities or Government Quarantine Facilities (GQFs), as well as short-term accommodation for foreign workers who were displaced by border closures<sup>7</sup>.

On the other hand, Average Room Rates (ARR) and Revenue Per Available Room (RevPAR) fell extensively over the same period, by 51.1% and 64.2% respectively. Despite cost containment initiatives ranging from shortened working hours, unpaid leave and furloughs to deferment/ cancellation of selected operational contracts, as well as government fiscal relief packages, hoteliers/ operators saw the need to allow ARR to be reduced more elastically in order to maintain sufficient cashflow to tide through the longer-than-expected pandemic.

On a brighter note, there were some signs of improvement in the hotel sector in Q3/2020, with AOR rising

FIGURE 2: SINGAPORE HOTEL MARKET PERFORMANCE (2010 – 2020)



Source: STB, Savills Research & Consultancy

by 16.4%-points quarter-on-quarter (QoQ) to 63.6%. In the same quarter, ARR also ended its three-quarter decline with an increase of 43.3% QoQ from record low at S\$71.80 in Q2/2020 to S\$102.90. This was attributed to the higher room rates for leisure stays as more hotels are approved for staycations. Some also pivoted towards new concepts e.g., conversion of rooms and facilities into “home offices” and “co-working spaces”, given the wider adoption of Work-from-Home practices during the current pandemic, and this supported overall performance to some extent.

## INVESTMENT

Alongside the slowdown in overall property investment sales market in Singapore amid the pandemic, hotel investment activity saw a sharp

fall from a record year in 2019 with no transactions recorded for 2020. Transactional activity remained subdued as investors wait for the market to bottom out, resulting in a gap in pricing expectations between buyers and sellers. Despite the low interest rate environment, owners and investors took a more cautious approach amid heightened uncertainty. Moreover, cross-border transactions are also more challenging due to the difficulty of carrying out the necessary due diligence with the travel restrictions in place. Nonetheless, the stabilising COVID-19 situation in Singapore, as well as the progressive reopening of borders and green lane arrangements will likely help improve investor sentiments in 2021.

<sup>7</sup> According to STB chief executive Keith Tan on 21 July 2020, over 67,000 hotel rooms in Singapore were used as isolation and quarantine facilities, as well as accommodation for returning residents serving their 14-day SHN.

# INDUSTRY OVERVIEW



Village Residence Robertson Quay, Three-Bedroom Apartment

## OUTLOOK

Notwithstanding the sluggish outlook of Singapore's hospitality market for 2021 alongside the protracted travel bans and muted tourism numbers, some of the government's initiatives are expected to provide some support. Furthermore, the authorities are also reopening the Meeting, Incentives, Conventions and Events (MICE) sector, a key driver for Singapore's growth over the last 40 years. To gradually resume MICE events, the attendance cap for events is raised to 250 from the previous limit of 50 people since October 2020. Nonetheless, overall hotel occupancy is not likely to return to pre-pandemic levels in 2021, with international travel expected to remain disrupted and the gradual winding down of hotels as isolation facilities.

While new supply is expected to be tight until 2022, the hotel sector is only expected to only see significant recovery at the earliest after Q4/2021, when the COVID-19 vaccines are likely to have been successfully rolled out in Singapore and other major source markets and traveller confidence is restored. On a positive note, the Singapore government has been pro-active in reopening the borders to preserve the country's status as an international hub, albeit in a controlled and safe way. Coupled with the nationwide vaccination drive which began in January 2021, it is likely that Singapore's hotel sector will be at the forefront in the region to benefit from the expected return to normalcy from 2022 onwards.

## OVERVIEW OF SINGAPORE SERVICED RESIDENCES SECTOR

### SUPPLY

Serviced residences offer an alternative value proposition to longer-staying visitors seeking for hotel-like services and comfort of a private home. They generally appeal to long-stay guests, including expatriate families that have relocated to Singapore and corporate travellers on project-based assignments. Based on Savills' estimates, the total stock of serviced residences<sup>8</sup> in Singapore was over 6,600 units as at September 2020. Excluding those which possess hotel licenses, there were around 4,600 serviced residences which are subject to the 7-day minimum stay requirement by the authorities. They are mostly located in the Orchard Planning Area and city centre, even though there have been more serviced residences offerings at city fringe and suburban locations in recent years, alongside the government's push for decentralisation.

Owing to the construction delay resulting from the containment measures, there was only one new completion – Creston Suites Balestier (30 rooms), in 2020. Going forward, Savills estimates that there are around 15 new serviced residences, with a total of approximately 1,200 units

8 Including those with hotel licenses and are conceptualised with similar facilities to serviced residences.

in the pipeline from 2021 to 2023. Some of these upcoming serviced residences are likely to own hotel licenses, as more operators reposition themselves as lifestyle-centric offerings with flexibility for shorter stays to stay relevant to new evolving trends. Meanwhile, almost half of the pipeline supply (564 units) under construction are projects which have incorporated the co-living concept.

#### **DEMAND AND PERFORMANCE**

Although the pandemic impacted the traditional hospitality market significantly, the serviced residences sector performed more resiliently, bolstered by their extended-stay business model. Despite a general decline in performance, occupancy for serviced residences was not as affected as that in the hotel sector, as they typically cater to longer-stay guests. There was some support from short-term travellers on essential business and official purposes who preferred the larger space and more comprehensive facilities serviced residences offered.

Serviced residences also appealed to guests who had to extend their stay in Singapore due to prolonged travel restrictions, given their larger room sizes, variety of amenities and cost savings for longer stays.

#### **INVESTMENT**

Similar to the hotel sector, investment volume for serviced residences in 2020 waned in light of investor hesitancy caused by the pandemic outbreak. There were no deals recorded for 2020, and this was also partly because price expectations between sellers and buyers of the serviced residence investment market were not aligned. This is especially after the extended-stay segment has proved more resilient than other hospitality segments during the global crisis, and serviced residence owners are not under pressure to dispose their assets. Moving forward, investors interested in the hospitality sector is likely to prefer better hedged assets that are driven by more diversified target markets e.g., a balanced mix of short- and long-stay guests.

#### **OUTLOOK**

Fundamentals supporting the serviced residence sector are likely to remain robust, as

Singapore remains a safe haven across the region and the world with low infected cases. Strong foundations built over the years to accumulate mindshare for tourism and business are likely to position Singapore well for recovery. Despite the push for local hires and an expected slow recovery in business travel, Singapore remains open to global talent as it strives to maintain its status as a preferred economic hub. Supported by a strong base of long-stay guests, the demand for serviced residences is poised to recover before other hospitality segments.

Meanwhile, in the near term, serviced residences could capitalise on the rise in telecommuting, as well as the surge in staycation bookings amid global travel restrictions. Some landlords/ operators have been proactively responding to the emerging trends and they are likely to be well-positioned for recovery when the pandemic abates.

Central Square Service Offices, Executive Lounge



# PERFORMANCE REVIEW

## MARKET OVERVIEW

2020 was a difficult year for the Singapore hospitality market. The impact of COVID-19 resulted in an 85.9% YOY drop in international visitor arrivals in 2020, as the pandemic took its toll on global travel.

With air travel severely restricted and stringent travel measures in place from March 2020

onward, the Singapore hospitality market was largely reliant on limited local revenue sources to support operating performance. A combination of contracted government buyouts, business reliant on those corporations requiring accommodation for their workers long-term project groups and domestic staycations were the main sources of revenue available to the Singapore hospitality market during this challenging period.

Oasia Hotel Novena, Club Pool



## REVIEW OF HOTEL PERFORMANCE

The hotel portfolio weathered the difficult conditions by proactively engaging and securing business from corporations requiring accommodation for their workers and Stay Home Notice (“SHN”) room nights. The hotel operator also partnered with government agencies to support their accommodation requirements. In the latter part of the year, active marketing to local residents resulted in revenue contribution from online staycation demand.

For FY 2020, Far East H-Trust’s hotel portfolio achieved an average occupancy of 85.1%, 4.0pp below FY 2019. The Average Daily Rate (“ADR”) decreased 47.5% to S\$84, reflecting the unprecedented nature of the revenue sources available to the portfolio. As a result, revenue per available room (“RevPAR”) declined by 50.0% compared to FY 2019.

Revenue from the corporate segment made up 63.0% of the total hotel room revenue for FY 2020, up from 32.8% for FY 2019, reflecting the constrained revenue opportunities available. Correspondingly, the proportion of leisure revenue declined to 37.0% in FY 2020, compared to 67.2% a year ago, reflecting the domestic staycation business available to the portfolio in the third and fourth quarter of 2020.

The geographical mix for the hotel portfolio was skewed to South East Asia and South Asia to reflect

the type of business opportunities available. South East Asia and South Asia contributed 53.7% and 14.4% of hotel room revenue in FY 2020 respectively.

With limited revenue opportunities in an unprecedented operating environment, management efforts were focused on proactive cost management initiatives to ensure optimal flow-through across the hotel portfolio. Numerous group-wide efficiency-driven initiatives were also undertaken over the course

of the year to enhance productivity while reducing overall costs. Notwithstanding the challenging operating environment, the REIT Manager continues to work closely with the Operator to identify and execute strategic asset enhancement opportunities to ensure that the portfolio remains competitive.

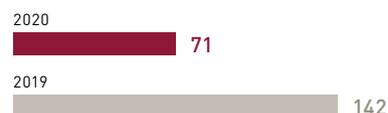
The drop in hotel operating performance was mitigated by the high fixed-rent component afforded to the REIT by the existing master lease structure.

## HOTEL OPERATING PERFORMANCE

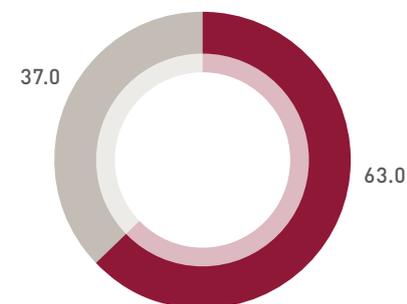
### Average Occupancy (%)



### Revenue per Available Room (RevPAR) S\$

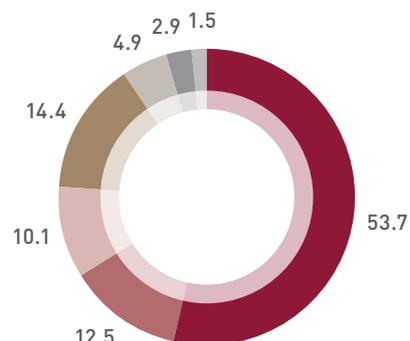


### Revenue by Market Segment - Hotels (%)



■ Corporate  
■ Leisure

### Revenue by Region - Hotels (%)



■ Southeast Asia    ■ Oceania  
■ North Asia        ■ North America  
■ Europe             ■ Others  
■ South Asia

# PERFORMANCE REVIEW

## REVIEW OF SERVICED RESIDENCE PERFORMANCE

Notwithstanding the impact of the global pandemic, Far East H-Trust's serviced residence ("SR") portfolio achieved a more robust performance compared to the hotel portfolio in FY2020, reflecting a reliable base of long-term corporate leases, periodic lease extensions and incremental revenue related to leases secured from local companies which required accommodation for their workers. In addition, local demand from staycations and from families requiring temporary accommodation during home renovations contributed to the SR's resilience.

However, the loss of shorter-stay online leisure bookings did negatively impact ADR, which declined by 12.4% for FY 2020, although the average occupancy increased marginally by 0.3pp to 83.8%. RevPAU, as a result, was 12.6% lower at S\$159.

For FY 2020, the corporate segment was the primary driver of revenue, contributing 82.1% of the revenue for the SRs reflecting the constrained inbound travel environment. The SRs continued to attract project groups and relocation business. The Services and Banking & Finance sectors continued to be the two largest contributors to revenue, making up 16.8% and 17.5% of SR revenue for FY 2020 respectively.

## SERVICED RESIDENCE OPERATING PERFORMANCE

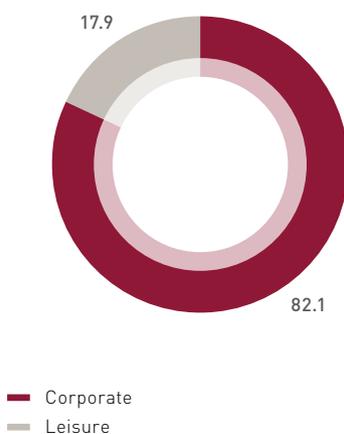
### Average Occupancy [%]



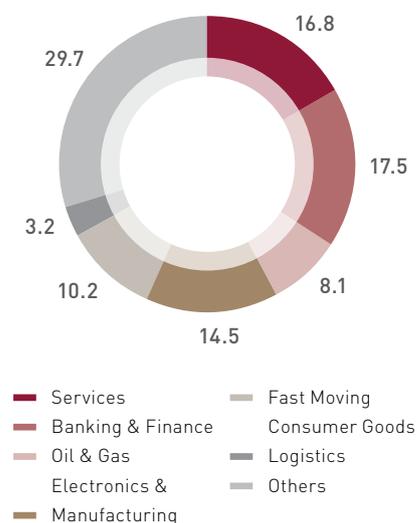
### Revenue per Available Unit (RevPAU) S\$



### Revenue by Market Segment - SRs [%]



### Revenue by Industry - SRs [%]



Similar to the hotel segment, management efforts were focused on proactive operating and cost management initiatives. The REIT Manager continues to work closely with the Operator to identify and execute strategic asset enhancement opportunities to ensure that the portfolio remains competitive.

Unlike the hotel portfolio that relied on the high fixed rent component of the master leases to support distribution income, master lease rentals derived from the SR portfolio performed in excess of the fixed rent.

## REVIEW OF REIT COMMERCIAL PREMISES PERFORMANCE

Far East H-Trust has a total of 287 units of retail, office and serviced office commercial spaces, housed in 9 out of the 13 properties in the portfolio.

For FY 2020, revenue from the REIT commercial premises ("RCP") was S\$16.5 million, 24.6% lower than the previous year mainly due to rental rebates given to support tenants. As a portfolio, revenue from RCP made up 19.8% of Far East H-Trust's total gross revenue.

The average occupancy of the RCP decreased by 9.2pp and the rental rates per square foot (including turnover rent) was 17.4% lower in FY 2020. The average occupancy rates of the retail and office units were 77.2% and 88.7% respectively.

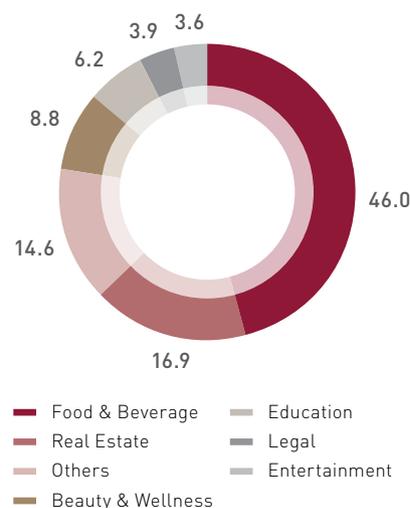
For FY2020, there were 179 tenants across various trade sectors, the largest being the food & beverage industry.

As at 31 December 2020, the remaining lease tenure of the RCP spaces ranged from less than a year to three years, giving rise to a weighted average lease expiry ("WALE") of 1.32 years. A large

proportion of the leases expiring within a year was for the serviced offices at Central Square (Village Residence Clarke Quay).

New leases entered into during the year had a WALE of 1.6 years and made up 0.9% of RCP revenue for the year.

### Trade Sector Mix of Tenants by Revenue (%)



### LEASE MATURITY PROFILE AS AT 31 DECEMBER 2020

	2021	2022	2023	2024	2025
% of Leases expiring	55%	32%	13%	-	-
% of total gross monthly RCP revenue	43%	37%	20%	-	-

### TOP 10 RCP TENANTS AS AT 31 DECEMBER 2020

NO.	TENANT	PERCENTAGE OF REVENUE	INDUSTRY
1	Far East Organization entities	16.2%	Real Estate/Hospitality Services/ Food & Beverage
2	Akashi Japanese Restaurant OPH Pte Ltd	5.1%	Food & Beverage
3	Club Chinois Pte Ltd	4.8%	Food & Beverage
4	Sivasanta Group Pte Ltd	2.9%	Education/Food & Beverage
5	Singapore Hospitality Group Pte Ltd	2.6%	Food & Beverage
6	Kam Boat Chinese Cuisine Pte Ltd	2.0%	Food & Beverage
7	Cold Storage Singapore (1983) Pte Ltd	1.7%	Food & Beverage
8	Nu. Reflections Pte Ltd	1.6%	Beauty & Wellness
9	Albert Café & Restaurant Pte Ltd	1.6%	Food & Beverage
10	G & R Fusion Pte Ltd	1.5%	Food & Beverage

# CAPITAL MANAGEMENT

Far East H-Trust endeavours to maintain a strong balance sheet, employ an appropriate mix of debt and equity in financing acquisitions of properties, secure diversified funding sources by accessing both financial institutions and capital markets and optimise its cost of debt financing.

As at 31 December 2020, Far East H-Trust had total borrowings of S\$990.8 million, comprising term loan facilities of S\$977.9 million and revolving credit facilities ("RCF") of S\$12.9 million. The total borrowings were S\$3.6 million lower than last year as surplus cash at bank were utilised to repay the RCF.

The REIT Manager keeps a well-spread debt maturity profile to minimise any refinancing risk in any one year. There is no more than 24% of debt due for refinancing in any year. The debt portfolio's weighted average debt to maturity was 2.3 years as at 31 December 2020.

The current borrowings relate to term loans of \$125.0 million and \$100.0 million which are due to mature in March and December 2021 respectively. In January 2021, Far East H-REIT has received commitment from its existing lender to refinance with a new five-year term loan of \$125.0 million. Post-refinancing the weighted average debt to maturity will increase from 2.3 years to 2.9 years as at 31 December 2020 (on a pro forma basis). For the remaining term loan of \$100.0 million due to mature in December 2021, discussions with lenders for the refinancing options are ongoing and refinancing of this term loan is expected to complete before the repayment date.

Far East H-Trust has S\$287.1 million of undrawn RCF. All its 13 investment properties with a total value of S\$2.53 billion are unencumbered. These provide Far East H-Trust with ample financial ability and the flexibility to fund

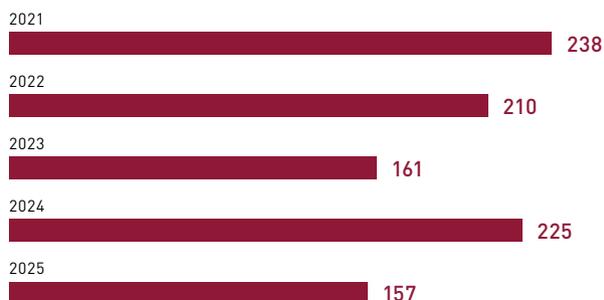
future asset enhancement initiatives and acquisitions.

Far East H-Trust continues to maintain an appropriate proportion of interest rate hedges to manage interest rate risk. As at 31 December 2020, 60.3% of its borrowings were on fixed rates, as interest rate swaps contracts were entered into to hedge against the exposure to interest rate volatility as at 31 December 2020. Far East H-Trust's aggregate leverage was 40.9%, a 1.7 percentage point increase due to fair value change in investment properties. The slight increase in aggregate leverage did not significantly impact the risk profile as it is still well within the 50.0%<sup>1</sup> gearing limit allowed by the Monetary Authority of Singapore ("MAS") for property trusts in Singapore.

Far East H-Trust has a healthy interest coverage ratio ("ICR") of 2.6 times<sup>2</sup> and a prudent weighted average cost of debt of 2.4% per annum.

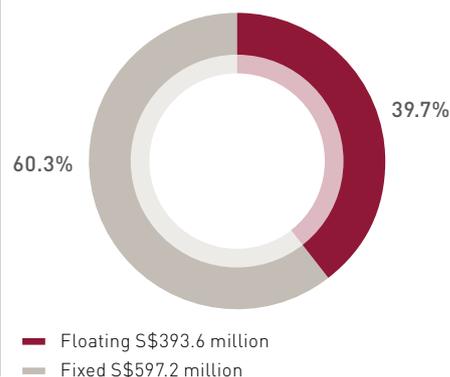
## DEBT MATURITY PROFILE (S\$ MILLION)

as at 31 December 2020



## INTEREST RATE PROFILE

as at 31 December 2020



1 MAS had on 16 April 2020 raised the aggregate leverage limit for REITs from 45% to 50% (up to 31 December 2021) and deferred to 1 January 2022, the requirement to have a minimum adjusted interest coverage ratio of 2.5 times before the aggregate leverage limit can be increased from the then prevailing 45% limit up to a maximum of 50%.

2 ICR is computed based on EBITDA over interest expense as per the definition in the loan covenants. ICR would be 2.4 times based on definition prescribed by Appendix 6 of the Code on Collective Investment Schemes.

# STAPLED SECURITY PRICE PERFORMANCE

COVID-19 brought about heightened volatility for investors in 2020. Early gains in global stock markets were erased as the COVID-19 pandemic resulted in major disruptions to economic activity. From its trough in late-March, markets rebounded in 2Q 2020 and continued to trade sideways as investors awaited the successful discovery of a vaccine. Markets rallied in November when news of multiple vaccines with high efficacy rates was announced and various countries announced plans to commence inoculations.

In 2020, the FTSE ST All-Share Index – Real Estate Investment Trusts (“REITs”) registered a 7.8% decline against the backdrop of weaker economic outlook brought about by COVID-19. Nonetheless, REITs continued to outperform the Straits Times Index (“STI”) which had declined 11.8% in 2020. Due to widespread travel restrictions and lockdowns, investor interest towards the hospitality REIT sub-sector was weak. While the announcement of multiple high

efficacy vaccines in November was a shot in the arm to the subsector, it was insufficient to reverse the significant declines experienced in 1H 2020.

Far East H-Trust’s Stapled Security price closed at S\$0.62 on 31 December 2020. A total of 595 million Stapled Securities were traded during the year, up from 525 million the year before. On average, 2.35 million Stapled Securities were traded daily.

## FAR EAST H-TRUST STAPLED SECURITY PRICE PERFORMANCE (%)



STAPLED SECURITY PRICE	
Closing price as at 31 Dec 2019	S\$0.74
Low	S\$0.35
High	S\$0.78
Closing price as at 31 Dec 2020	S\$0.62

VOLUME	
Total trading volume for 2020	595 million
Average daily trading volume	2.35 million

NET ASSET VALUE (NAV) PER STAPLED SECURITY	
NAV per Stapled Security as at 31 December 2019	S\$0.86
NAV per Stapled Security as at 31 December 2020	S\$0.79

## INVESTOR RELATIONS

Investor relations is integral to maintaining a high level of transparency and good governance. The REIT Manager is committed to keeping Stapled Securityholders updated on the of the latest developments and performance of Far East H-Trust, and makes timely disclosures as required under the Listing Manual of the SGX-ST. Despite the transition to half-yearly financial reporting, the REIT Manager continues to provide business updates for 1Q and 3Q. Pertinent or material information is communicated to various stakeholders via releases on SGXNET, Far East H-Trust's website and other channels including news releases, annual reports and at Stapled Securityholders' meetings.

To understand shareholder viewpoints and concerns, the REIT Manager engages the investment community by way of regular analyst briefings, investor roadshows and conferences, and one-on-one meetings. The CEO and CFO, together with the Investor Relations officer, devote time to engage both prospective and existing investors and analysts on an ongoing basis, both in Singapore and abroad. Site visits to Far East H-Trust's hotels and serviced residences are also arranged for analysts and institutional investors who are keen to have a better understanding of the hospitality business and asset enhancement initiatives.

In 2020, due to the restrictions on in-person events, investor engagement was conducted via online conferences and telephone calls. The REIT Manager continued to be active and participated in multiple events to meet a wide range of investors. Far East H-Trust is actively covered by eight local and international brokerages, including the following firms:

- CGS-CIMB
- Citi
- DBS
- HSBC
- JP Morgan
- Maybank
- OCBC
- UOB Kay Hian

Village Hotel Bugis, Quartz Room



EVENTS ATTENDED	DATE
4Q / FY 2019 Results Briefing for Analysts	14 Feb 2020
1Q 2020 Interim Business Update for Analysts	30 Apr 2020
CGS-CIMB Investor Conference Call	5 May 2020
2Q / 1H2020 Results Briefing for Analysts	30 Jul 2020
UBS-SGX Forum	5 Aug 2020
Citi-REITAS-SGX C-Suites S-REITs & Sponsors Forum	27 Aug 2020
DBS-SGX-REITAS Future of Real Estate Hospitality Panel	4 Sep 2020
HSBC Private Banking Singapore REITs Day 2020	24 Sep 2020
3Q / YTD Sep 2020 Interim Business Update for Analysts	30 Oct 2020
Maybank Kim Eng Investor Conference Call	3 Nov 2020
Phillip Securities Retail Presentation	26 Nov 2020

For general meetings held physically, Stapled Securityholders are given the opportunity to communicate their views at annual general meetings ("AGM") and extraordinary general meetings ("EGM"). Please refer to page 97 and 98 of the Corporate Governance Report for details on general meetings held by way of electronic means. All directors and representatives from DBS Trustee Limited and the external auditor are present to address Stapled Securityholders' queries during the general meetings. Resolutions are moved by voting by electronic polling and an announcement of the results showing the number of votes cast for and against each resolution and the respective percentages will be made through SGXNET. Since 2019, the REIT Manager also publishes minutes of general meetings of Stapled

Securityholders on its corporate website ([www.fehtrust.com](http://www.fehtrust.com)).

Stapled Securityholders and the public can also access the corporate website for the latest information on Far East H-Trust. Semi-annual financial reports, business updates, corporate announcements, annual reports, and circulars, as well as other information, including key insider movements in Stapled Securityholdings, can be found on the website. The public can also subscribe to email alerts to be notified whenever Far East H-Trust has a new SGX filing or announcement.

As at 31 December 2020, about 75% of Far East H-Trust Stapled Securities were held by institutions, and the remaining 25% by individuals. Far East Organization

entities continued to hold the majority, or about 61%, of Far East H-Trust's Stapled Securities, giving stability to the price of Far East H-Trust's Stapled Securities. The largest proportion of Far East H-Trust's investors was from Singapore, holding about 70% of outstanding Stapled Securities. Investors from Asia (excluding Singapore) formed the next largest investor group, with about 5% of holdings.

Stapled Securityholders, analysts, fund managers and the media can reach out to our investor relations team for information on Far East H-Trust.

**MR ERVIN SEOW**

Assistant Manager, Investor Relations & Asset Management  
Tel: +65 9727 3056  
Email: [ervinseow@fareast.com.sg](mailto:ervinseow@fareast.com.sg)

PREPARED FOR  
**SUSTAINABLE  
GROWTH**





  
oasia  
hotel

Oasia Hotel Downtown

# SUSTAINABILITY REPORT

**“FAR EAST H-TRUST IS COMMITTED TO MANAGING THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE IMPACTS, RISKS AND OPPORTUNITIES IN A DILIGENT MANNER WHICH ALIGNS WITH OUR STRATEGIC BUSINESS OBJECTIVES AND THOSE OF OUR STAKEHOLDERS.”**

**BOARD STATEMENT**

Sustainability remained a key focus of Far East Hospitality Trust (“Far East H-Trust” or the “Trust”) in the year as we present our fourth Sustainability Report.

Increasingly, stakeholders and the wider investment community are placing greater importance on long-term sustainable practices to ensure continued growth and value creation for all stakeholders. Recognising the importance of conserving the natural environment, contributing meaningfully to the communities around us, and providing a safe, diverse and inclusive work place, Far East H-Trust is committed to managing the environmental, social and governance (“ESG”) impacts, risks and opportunities in a diligent manner which aligns with our strategic business objectives and those of our stakeholders.

The Board of the REIT Manager and Trustee-Manager, is responsible for identifying and responding to the ESG issues that are relevant to our business, and overseeing the management and monitoring of our ESG performance.

Our efforts at improving our performance across all materiality aspects is an ongoing process and we remain focused on achieving this in the coming years. We would like to take this opportunity to thank our stakeholders in our sustainability endeavours as we progress on this journey.

**Board of Directors**  
REIT Manager Board  
Trustee-Manager Board

## INTRODUCTION

### SCOPE OF THE REPORT AND PERIOD

This report covers our ESG activities and performance for the financial year from 1 January 2020 to 31 December 2020 ("FY 2020").

### SUSTAINABILITY REPORTING FRAMEWORK

This report has been prepared in accordance with the latest Global Reporting Initiative ("GRI") standards 2016 (Core option) and complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. We have used the GRI Standards for defining report quality by applying the Reporting Principles of accuracy, balance, clarity, comparability, reliability and timeliness. A GRI Content Index is included at the end of this report which indicates the location of the relevant disclosures.

We had considered the significance of material ESG topics, concerns and expectations of our stakeholders, risks and opportunities and general sustainability trends in our sector in determining the contents of our inaugural report in the financial year ended 31 December 2017 ("FY 2017"). For the FY 2020 report, we have reviewed those materiality issues in light of the existing business landscape, industry trends, prevailing regulations as well as stakeholder views. The materiality issues remain unchanged.

Data provided in this report has been mainly derived from official records and we have relied on internal verification mechanisms. Our ESG performance data is reported in good faith and to the best of our knowledge to ensure reasonable accuracy and consistency. We did not seek external independent assurance for this reporting period and will review and factor this into consideration when our sustainability reporting matures over time.

### ACCESSIBILITY

This report, published as a part of our Annual Report, is available in

PDF format for download on our website <http://feht.listedcompany.com/ar.html>

In line with our Environmental Policy to conserve resources, only limited copies of this report have been printed.

### FEEDBACK

We welcome stakeholders' feedback and suggestions as we seek to improve our practices and the coverage and completeness of our Sustainability Report. Please write to Mr Ervin Seow, Assistant Manager, Investor Relations and Asset Management at [ervinseow@fareast.com.sg](mailto:ervinseow@fareast.com.sg)



# SUSTAINABILITY REPORT



## STAKEHOLDER ENGAGEMENT

Stakeholder engagement forms an integral part of our sustainability approach. Our stakeholders have an interest in our business and influence our operations, products and services, business approach and strategies. Our stakeholders have been identified as the Board of Directors (the “Board”), Employees, Sponsor/Master Lessees<sup>1</sup>, Trustee, Stapled Securityholders/ Investment Community/Media,

Hotel and Serviced Residence Operator (“Operator”)/Property Manager, Guests/Residents/ Tenants, Government/Regulators and Industry/Business associations and the Local Community.

We strive to maintain open communication with our stakeholders, to understand their views, concerns and expectations and to use these learnings to make informed management decisions in

shaping our policies and strategies so as to create sustainable business growth and value for all stakeholders.

Our approach is to proactively engage with our primary stakeholders on an ongoing basis as we believe building trusted relationships with them is key to achieving our sustainability goals. The following are the various modes of engagement we adopt for the respective stakeholder groups.

<sup>1</sup> Sponsor refers to Far East Organization group of companies

STAKEHOLDER GROUP	ENGAGEMENT MODE
Board of Directors	<ul style="list-style-type: none"> <li>• Monthly updates on Far East H-Trust's operating performance</li> <li>• Quarterly communication and reporting to review portfolio and financial performance, business outlook, movement in Stapled Securityholdings, interested party transactions, and to deliberate growth opportunities and sustainability factors</li> <li>• Annual general meetings</li> <li>• Induction and orientation programmes for new Board members</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Training and induction programmes</li> <li>• Annual Colleague Engagement Survey</li> <li>• Performance and career development appraisals</li> <li>• Company dialogues and lunch talks</li> <li>• Staff bonding/recreational activities and company retreats</li> <li>• Social and community activities</li> </ul>
Sponsor/Master Lessees	<ul style="list-style-type: none"> <li>• Half-yearly financial reporting and interim business updates</li> <li>• One-on-one management briefings/meetings</li> <li>• Annual general meetings</li> </ul>
Trustee	<ul style="list-style-type: none"> <li>• Monthly reporting and updates</li> <li>• Ongoing dialogues and regular feedback</li> </ul>
Stapled Securityholders/ Investment Community/Media	<ul style="list-style-type: none"> <li>• Half-yearly financial reporting and interim business updates</li> <li>• Annual general meetings and annual reports</li> <li>• Corporate website</li> <li>• One-on-one management briefings/meetings</li> <li>• Briefings and investor roadshows</li> </ul>
Operator/ Property Manager	<ul style="list-style-type: none"> <li>• Monthly performance reviews and meetings</li> <li>• Site inspections of properties and discussions on areas for improvement</li> <li>• Reviews of asset enhancement and capital expenditure</li> <li>• Quarterly operating performance updates</li> </ul>
Guests/Residents/Tenants	<ul style="list-style-type: none"> <li>• Guest satisfaction surveys</li> <li>• Feedback on improvement of spaces</li> <li>• Discussions on tenant assistance</li> </ul>
Government/Regulators and Industry/Business associations	<ul style="list-style-type: none"> <li>• Regulatory filings</li> <li>• Regulatory, corporate governance, industry briefings and dialogues</li> </ul>
Local Community	<ul style="list-style-type: none"> <li>• Social outreach programmes</li> </ul>

For more details on our engagement with Stapled Securityholders and Investment Community and the Media, please refer to page 46 on Investor Relations.

# SUSTAINABILITY REPORT



## SUSTAINABILITY STRATEGY

### WHAT SUSTAINABILITY MEANS TO FAR EAST H-TRUST

Our approach to sustainability centres around the management of the ESG impacts of our business operations and their potential effect on our stakeholders. Our strategy is to manage our most significant sustainability impacts, risks and opportunities with the aim of effecting positive change on the REIT’s performance, people and operating environment and creating long-term value for all stakeholders.

Our policies, procedures and reports as well as contracts with third parties encompass key areas of sustainability such as environmental, employment, occupational health and safety, supply chain management, community development, corporate governance and regulatory compliance. These sustainability management practices are extended to the hotels and serviced residences. We work closely with the Operator to integrate sustainability across the REIT’s portfolio of properties.

### SUSTAINABILITY GOVERNANCE

We have established a robust sustainability governance structure to ensure continued development and execution of our sustainability journey, initiatives and practices.

The Board reviews Far East H-Trust’s strategic plans, provides guidance on sustainability considerations, and ensures conformance with applicable regulations related to sustainability such as the SGX Listing Rules 711A and 711B.

Far East H-Trust’s sustainability management is overseen by Mr Gerald Lee, Chief Executive Officer (“CEO”) of the REIT Manager who provides the overall sustainability direction and approves key sustainability

practices. He is supported by the Sustainability Working Committee (“SWC”), comprising of representatives from Finance, Asset Management and Investor Relations, which drives, monitors, improves and communicates our REIT’s sustainability initiatives.

### AWARDS & RECOGNITION

We have achieved the Building and Construction Authority (“BCA”) Green Mark certification, a benchmarking scheme which incorporates internationally recognised best practices in environmental design and performance, for several of our properties including Village Hotel Albert Court (Platinum), Rendezvous Hotel Singapore (Gold), Oasia Hotel Downtown (Certified) and Village Hotel Changi (Certified).



## DEFINING MATERIAL FACTORS

We completed a materiality assessment in line with GRI Standards (2016) and SGX sustainability reporting requirements with the support of an external consultant for our inaugural Sustainability Report

in FY 2017. We identified the material ESG factors which were then prioritised using a materiality matrix.

The material factors and their respective performance data and targets are reviewed by Far East

H-Trust annually. For this year's report, we have reviewed and prioritised the key material factors using the same methodology. The six ESG factors that we believed to be the most material to Far East H-Trust in FY 2020 are listed in the table below.

CATEGORY	NO.	MATERIAL FACTORS	DISCLOSURE*
Economic	1	Economic Performance	• Direct economic value generated and distributed
Environment	2	Energy	• Reduction of energy consumption
Social	3	Employment	• Benefits provided to full-time employees that are not provided to temporary or part-time employees
	4	Occupational Health & Safety	• Types of injury and rates of injury and number of work-related fatalities
	5	Broader Community	• Suppliers assessed for social and environmental impacts
Governance	6	Corporate Governance	• Sufficient levels of rules, systems, practices and processes by which the Trust is directed and controlled

\* Material Factors 1, 2, 3, 4, 5, 6 and their specific disclosures are extracted from GRI Standards (2016)



## ECONOMIC PERFORMANCE

The REIT Manager is committed to delivering long-term sustainable and growing distributions through three key strategies – value adding acquisitions, active asset management and enhancement, and prudent capital and risk management.

A summarised version of the economic value generated is presented here in line with the GRI Standards.

For a detailed breakdown of Far East H-Trust's FY 2020 financial results, please refer to the

following sections in the Far East H-Trust Annual Report 2020:

- Financial Highlights, page 4
- Growth Strategies, page 5
- Letter from the Chairman, page 8
- Our Portfolio, page 26

## FINANCIAL HIGHLIGHTS & PERFORMANCE

	FY 2020
Gross Revenue (S\$ million)	83.3
Net Property Income (S\$ million)	72.2
Income Available for Distribution (S\$ million)	47.9
Distribution per Stapled Security (Singapore cents)	2.41

# SUSTAINABILITY REPORT



## ENERGY

A considerable amount of energy and related costs are required for hotel and serviced residence operations which run round the clock, 24/7. We are committed to minimising the energy consumption across our properties as it has a direct impact on the environment and contributes to cost savings. Each year, we work closely with the Operator to implement our Energy Conservation Policy, conduct regular maintenance for optimal energy efficiency, monitor the properties' energy consumption and introduce new initiatives to reduce electricity usage and increase cost savings.

### ENERGY CONSERVATION POLICY

We have in place an Energy Conservation Policy and adopts a multi-level and holistic approach in reducing energy consumption and achieving energy efficiency. The key principles, strategies and action plans are monitored and evaluated periodically.

### STRATEGIC INITIATIVES FOR ENERGY CONSERVATION

Together with the Operator, we review the energy management strategies regularly and map out key initiatives to meet the objectives, taking into account various considerations. These include the feasibility and ease of implementation, relevance in

## ENERGY CONSERVATION KEY OBJECTIVES/PRINCIPLES AND ACTION PLANS

OBJECTIVE/PRINCIPLE	ACTION PLANS
Improve energy savings	<ul style="list-style-type: none"> <li>Frequent checks of equipment to be done to maintain efficiency</li> <li>Set target to reduce building energy consumption year-on-year through improvement works and addition of new energy-saving technologies</li> <li>Partner with staff and public on green education initiatives</li> </ul>
New builds with environmentally preferred designs	<ul style="list-style-type: none"> <li>All new Far East Hospitality buildings in Singapore to be designed at least to Singapore Green Mark gold status</li> </ul>

terms of costs and benefits and their impact on guests and staff. We further review our plant and machinery regularly to identify methods and equipment that can optimise energy consumption.

In FY 2020, COVID-19 had led to disruptions of numerous planned initiatives as the Circuit Breaker had brought most activities to a standstill. Additionally, the majority the hotels were contracted to the Government as isolation facilities,

where activities and access were strictly controlled.

However, we managed to work with the Operator on the replacement of the high tension switchgear, low voltage switchboard, as well as the transformer at Orchard Rendezvous Hotel. These were critical replacements in ensuring improved energy efficiencies and business continuity. This exercise was completed in December 2020.

Orchard Rendezvous Hotel, High Tension Switchgear



In FY 2021, barring further disruptions, we will continue to work with the Operator to execute the following initiatives.

- Replacement of fan coil units for the guestrooms and common corridors at The Elizabeth Hotel. This will reduce the cooling load and efficiency of heat exchange. The hotel will also be modernising the service lifts, which are in their original condition and this is expected to yield savings in energy consumption in addition to reliability.
- Replacement of the cooling tower at Village Hotel Changi, which was installed in the 1970s in conjunction with the progressive replacement of fan coil units. These initiatives are in view of the overall strategy in improving the efficiencies of the cooling system within the hotel.

### OPERATIONAL INITIATIVES FOR OPTIMAL ENERGY EFFICIENCY

We ensure that detailed maintenance checks are conducted regularly by the Operator on the various equipment/facilities within the hotels and serviced residences. These checks enable us to better serve our guests and ensure their safety in all our premises. They are also critical in supporting optimal building energy efficiency. Through this process, we are able to identify energy-saving opportunities and to invest in technologies that can further improve our energy efficiency.

In FY 2020, the initiatives implemented at the properties include:

- Conversion of lighting to Light Emitting Diodes (“LED”) for higher energy efficiency
- Adjustment of equipment operating hours to ensure equipment is used optimally
- Adjustment of temperature set point of air conditioning units and heaters for optimal comfort

### ENERGY CONSUMPTION

We work closely with the Operator to track our properties’ energy consumption and actively explore and implement ways to reduce usage. Each month, energy consumption data for individual properties were reported so that we can evaluate and set energy consumption targets.

In FY 2020, we set the target to reduce the energy consumption of Far East H-Trust properties by 2% and to ensure that all new Far East H-Trust buildings in Singapore are designed to minimally qualify for the Singapore Green Mark Gold status.

### ENERGY

INDICATOR	FY 2021 (TARGET)
Energy consumption across Far East H-Trust Properties	Target to reduce the average energy consumption of Far East H-Trust properties by 2% per year and ensure that all new Far East H-Trust buildings in Singapore are designed to minimally qualify for the Singapore Green Mark Gold status

### ENERGY CONSUMPTION DATA ('000 KWH)



To this end, we reduced our energy consumption per occupied hotel room/ serviced residence unit by 5.1% to approximately 12,333 kWh due to implementation of energy efficiency initiatives and good practices inculcated amongst staff.

For FY 2021, we will continue to work towards achieving our target of a reduction in average energy consumption for our properties of 2% per year. We are also aiming to achieve the Singapore Green Mark Gold certification for the new hotels in Sentosa which Far East H-Trust has a 30% stake in, namely Village Hotel Sentosa, The Outpost Hotel, and The Barracks Hotel, which had officially opened and commenced operations in 2019. The application for the Green Mark Gold certification for all three hotels was submitted to BCA when The Barracks Hotel was opened in December 2019. Due to the COVID-19 pandemic, the approval process has been delayed.

# SUSTAINABILITY REPORT



## EMPLOYMENT

As a REIT, Far East H-Trust does not have any employees. The data on employees in this report is in relation to the REIT Manager. Our focus is on attracting and retaining the best talent with the relevant competencies, experience and qualifications to contribute to our business objectives. We also aim to deliver a working environment which promotes workplace inclusivity, employee development and engagement, and improving the well-being of our people. We regularly monitor our performance in these areas and periodically review our policies.

### EMPLOYEE PROFILE

Far East H-Trust promotes a culture of diversity in terms of age, gender and skill sets. We believe that this diversity in human resource fosters a culture of innovation and inclusiveness that will enable us to build a productive and high-performing team.

As at 31 December 2020, the REIT Manager had nine permanent, full-time employees, eight of whom were Singapore citizens and one of whom was a Singapore permanent resident. The average age of our employees was 42 years.

### PERMANENT EMPLOYEES

Gender



Age Group



Employee Category



### EMPLOYEE ENGAGEMENT

Keeping our employees engaged and motivated is a key priority. We conduct an annual Colleague Engagement Survey which seeks to assess our employees' level of engagement and to identify their strengths and areas for improvement.

In 2020, we garnered a participation rate of 88% for the survey and achieved an engagement score of 100%<sup>2</sup> which is better than the average for real estate management and development companies in the Asia Pacific region.

### CAREER DEVELOPMENT & EMPLOYEE TRAINING

Career development and employee training is a crucial part of human resource management. In particular, we actively focus on:

- Inclusion of individual development and career goals in the performance appraisal forms;
- Career development workshops; and
- Learning and training opportunities.

2 Based on survey conducted by Qualtrics

We take proactive steps to help our employees plan and work towards their career goals. New employees attend an orientation programme to understand Far East H-Trust's operations. Yearly performance appraisals are conducted to encourage self-improvement and there are also regular communication and feedback sessions with supervisors.

In terms of learning and skills upgrading, we develop our people according to their abilities and job specifications. Our employees are encouraged to pursue development opportunities and to acquire new skills through industry seminars

and conferences, skills certification training and professional qualifications courses.

### EMPLOYEE WELFARE

The REIT Manager recognises that human resource is our most valuable asset, being the driving force behind our sustained growth and performance. All our employees are covered by the Employment Act which outlines the employment terms and working conditions including contract requirements, remuneration, hours of work, overtime, rest days and annual leave entitlement. We offer competitive remuneration and financial rewards, and each year,

we engage external consultants to conduct salary benchmarking to better understand, motivate and reward our employees in line with industry peers.

In addition, we believe in investing in the well-being of our people by providing a safe, healthy and fulfilling working environment so that they can develop progressive, long-term careers with us. All our full-time employees enjoy welfare and benefits which promote employee health, wellness and development. Some examples are shown in the table below.

BENEFITS	KEY INCLUSIONS
Life Insurance/ Disability and Invalidity Coverage	<ul style="list-style-type: none"> <li>• Group Term Life Insurance</li> <li>• Group Personal Accident Insurance</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>• Group Hospitalisation &amp; Surgical Insurance</li> </ul>
Parental Leave	<ul style="list-style-type: none"> <li>• Maternity Leave</li> <li>• Paternity Leave</li> <li>• Childcare Leave</li> <li>• Infant Care Leave (Unpaid)</li> <li>• Government Paid Adoption Leave (GPAL)</li> </ul>
Retirement Provision	<ul style="list-style-type: none"> <li>• Conditional Re-employment (Beyond 62 years)</li> </ul>
Employee Health and Wellness	<ul style="list-style-type: none"> <li>• Dental Care, Optical &amp; Vision Care Expenses</li> <li>• Preventive Care (e.g. Health Screenings)</li> <li>• Maternity/Fertility treatments</li> <li>• Personal Insurance Premiums</li> <li>• Childcare costs</li> </ul>
Wellness and Self-Development	<ul style="list-style-type: none"> <li>• Musculo-skeletal treatments (e.g. Chiropractor)</li> <li>• Social &amp; Health Club Membership (e.g. Gym)</li> <li>• Fitness Courses (e.g. Personal fitness training)</li> <li>• Sports &amp; Physical Fitness Courses (e.g. Tennis, dance)</li> <li>• Weight Management Programmes</li> <li>• Fees for personal development courses including training offerings from the Skills Future Credit Course Directory and purchase of books/periodicals for self-development</li> </ul>

# SUSTAINABILITY REPORT



## OCCUPATIONAL HEALTH & SAFETY

At Far East H-Trust, health and safety of our employees is a top priority. The REIT Manager and Operator are committed to ensuring the safety and well-being of our employees. Providing a healthy and safe working environment not only enhances employees' comfort and boosts their morale and work performance, it also minimises the incidences of health and safety breaches to safeguard us against reputational risks and costly fines.

### INTEGRATING HEALTH & SAFETY IN ALL OPERATIONS

In addition to compliance with statutory regulations such as the Workplace Safety and Health ("WHS") Act and Fire Safety Act, Far East H-Trust proactively seeks to minimise health and safety risks and to create a secure environment with several key initiatives implemented.

For example, we ensure that WSH risk assessments are carried out by the Operator in all its properties and operational activities. These include identifying hazardous activities and/or workspaces, putting in place mitigation measures where necessary to prevent harm, injuries or

accidents. Periodic equipment testing and maintenance, and regular monitoring of safety performance are carried out.

Across the REIT's properties, an Employee Handbook documents the annual pledge to acknowledge and comply with our commitment to safety. The REIT Manager also established Company Emergency Response Teams ("CERT") where employees undergo the necessary health and safety training to perform emergency response roles (e.g. the operation of Automated External Defibrillator

drills) and are equipped with safety equipment to prepare for potentially hazardous situations such as power failures, medical emergencies, fires and lift entrapments.

To strengthen Far East H-Trust's health and safety efforts, certified Fire Safety Managers ("FSM") are engaged to evaluate the fire safety measures at the properties. Periodic emergency drills are also conducted by the Operator and by the FSM, to assess our level of preparedness in response to emergencies.

### KEY INITIATIVES TO OUTLINE ITS COMMITMENT TO HEALTH & SAFETY



## SAFETY PLEDGE



In addition to the above-mentioned efforts, the REIT Manager works with the Operator to put in place procedures to be adopted in the REIT's properties in times of health crises such as widespread occurrences of infectious diseases like COVID-19. The necessary safety and precautionary protocols are implemented across all properties in FY 2020 for COVID-19 include:

- Temperature screening;
- Disinfecting of guest rooms with hospital-grade solutions;
- Increased frequency of deep cleaning of public areas and high touchpoint surfaces;
- Capacity restrictions on F&B and event venues in line with safe distancing measures; and
- Flexible reservation and cancellation policies

### FOSTERING A HEALTH & SAFETY CULTURE

To foster a strong health and safety culture, the Operator tracks the health and safety indicators listed in the following table. In the pursuit of high standards of WSH, the REIT Manager also monitors "near-misses" incidents in addition to reportable ones as required under the WSH (Incident Reporting) Regulations. "Near-

### HEALTH & SAFETY

INDICATORS		FY 2020
1	Number of Workplace Fatalities	0
2	Number of Occupational Disease Cases	0
3	Number of Workplace Incidents (including "near-misses")	33

misses" and reportable incidents are evaluated, and lessons learnt are shared with employees to prevent recurrences.

In FY 2020, we maintained zero workplace fatalities and zero cases of occupational disease across Far East H-Trust's properties. The number of workplace incidents recorded was 33, which includes "near-misses" and minor incidents involving employees and/or third parties which occur at the properties.

We will continue to work with the Operator to review the nature of past accidents and evaluate safety performance to prevent future recurrences. For FY 2021, the REIT Manager targets to achieve zero workplace fatality across all its properties.

### WORK INJURY COMPENSATION INSURANCE

All employees across the REIT's properties are covered under the Workmen's Compensation Insurance Scheme which provides monetary compensation for injuries suffered or sustained during the course of work. The amount of compensation depends on the extent of the injury, in accordance with the Work Injury Compensation Act.

# SUSTAINABILITY REPORT



## BROADER COMMUNITY

### SUSTAINABILITY ACROSS THE VALUE CHAIN

We are committed to the responsible management of our supply chain across our operations. We ensure that all supplies purchased are recognised under the Singapore Green Label Scheme (“SGLS”) which endorses industrial and consumer products that have fewer undesirable effects on the environment. Administered by the

Singapore Environment Council (“SEC”), the SGLS is the region’s most established eco-labelling scheme with over 3,000 unique products certified across 28 countries. We communicate this initiative to our REIT’s suppliers which further strengthens and enhances our commitment to the environment.

Additionally, the Operator has put in place the following principles to monitor the safety and environmental performance of its suppliers, contractors and landscapers:

- Giving preference to suppliers, contractors and landscapers who are ISO 14001 and OHSAS 18001 certified;

- Requiring all suppliers, contractors and landscapers to comply with local government and other legal requirements;
- Reviewing, monitoring and appraising new and re-contracting suppliers, contractors and landscapers on their level of compliance with prevailing laws and regulations; and
- Considering appropriate and adequate risk management controls and action plans put forth to ensure health and safety.

### ENVIRONMENTAL POLICY: A SAFE AND GREEN CULTURE

We seek to minimise the impact of our operations on the environment. Working with the Operator, the REIT Manager advocates an environmentally friendly approach in carrying out activities at the REIT’s properties. The REIT’s environmental policy provides guidance on various areas, including the procurement of supplies and consumption of energy. Far East H-Trust aims to:

- Fully comply with the law, current legislations and regulations, and to take a proactive approach towards future legal requirements or obligations;
- Ensure that everybody has a duty to care for the environment, its habitats and biodiversity;
- Seek to conserve natural resources by ensuring the responsible use of energy, water and materials and still provide the quality of service expected by the REIT’s hotel and serviced residence guests and tenants;
- Source for products that have minimal environmental impact; and
- Gain support from customers and suppliers and ensure that they are made aware of the REIT Manager’s Environmental Policy.



Gift distribution to needy students in Whampoa with Beyond Social Services

### COMMUNITY INVOLVEMENT

As a responsible corporate citizen, Far East H-Trust aims to leave a positive footprint in our local community through volunteerism as well as giving back to those in need through financial contributions and in-kind donations. Over the years, we have been supporting charities and not-for-profit organisations for various causes. We also participate in some of our Sponsor's community activities. In FY 2020, we supported two social service organisations, Beyond Social Services and Kembangan Chai Chee Seniors Activity Centre.

### GRADUATION GIFT DISTRIBUTION WITH BEYOND SOCIAL SERVICES

Beyond Social Services is a charity dedicated to helping children and youths from less privileged backgrounds. To recognise the accomplishments of children who achieved a milestone in their learning journey, the REIT Manager, in conjunction with Beyond Social Services, distributed gift hampers containing educational games and vouchers to children who completed their PSLE, N and O Levels staying in Whampoa rental flats.

# SUSTAINABILITY REPORT

## MEAL DISTRIBUTION WITH KEMBANGAN CHAI CHEE SENIORS ACTIVITY CENTRE

Employees of the REIT Manager, together with volunteers from our Sponsor, assisted in packing and distributing the meal packets to elderly and needy residents staying in Chai Chee one-room rental flats during the Christmas season. The meal packets which comprised local cuisine like Nasi Lemak, Curry Puffs, and packet drinks were donated/sourced from various tenants of the Sponsor's retail premises.



Distribution of graduation gift hampers

Preparing meal packets for residents of Chai Chee rental flats





## CORPORATE GOVERNANCE

The REIT Manager and the Trustee-Manager are fully committed to upholding the highest standards of corporate governance, business integrity and professionalism in all its activities. The Managers believe that sound and effective corporate governance policies and practices are essential in achieving sustainable growth, and consequently a trusted, successful and respected Far East H-Trust.

Far East H-Trust complied with all applicable laws, rules and regulations, and in all material aspects with the principles laid out in the Code of Corporate Governance 2018, save as stated in the Corporate Governance Report, and the REIT Manager regularly reviews the relevant policies and guidelines. In FY 2020, Far East H-Trust continued to be recognised for its strong corporate governance practices and was ranked 4th on the Singapore Governance and Transparency Index (“SGTI”) and 7th on the Governance Index for Trusts (“GIFT”).

In addition, the REIT Manager is a member of the Financial Industry Disputes Resolution Centre Ltd and REIT Association of Singapore.

### CORPORATE POLICIES AND GUIDELINES

Far East H-Trust has put in place corporate policies to ensure high standards of corporate governance, including:

- Investment Management Policy
- Personal Data Protection Policy
- Enterprise Risk Management Framework
- Roles and Responsibilities of Board of Directors
- Remuneration Policy
- Employee Code of Conduct

Our Investment Management Policy provides a set of guidelines on making investment and divestment decisions. Beyond financial parameters, the scope of the policy encompasses risks and opportunities related to ESG drivers. The policy is disseminated to all employees, which enables a common understanding, and reduces the likelihood of

subjectivity or non-compliance when making investment or divestment decisions.

Far East H-Trust’s Personal Data Protection Policy outlines how Far East H-Trust and the REIT Manager manage all personal data held, in compliance with the Personal Data Protection Act (“PDPA”) in Singapore. We also comply with local data protection and privacy laws in all operations out of Singapore. Please refer to [www.fehtrust.com](http://www.fehtrust.com) for more information.

To ensure that our practices remain relevant and effective, we keep up with changes in policies and current trends through industry news and events and regularly monitor and evaluate our compliance level. For more information on Far East H-Trust’s corporate governance practices, please refer to pages 69 to 102 .

Oasia Hotel Novena, Boardroom



# SUSTAINABILITY REPORT

## CONTENT INDEX

This report has been prepared in accordance with the GRI Standards Core option:

GRI STANDARDS 2016		NOTES/PAGE NUMBER(S)
<b>GENERAL DISCLOSURES</b>		
<b>ORGANISATIONAL PROFILE</b>		
102 – 1	Name of the organisation	Far East Hospitality Trust
102 – 2	Activities, brands, products, and services	About Us, Pg. 2
102 – 3	Location of headquarters	Corporate Directory, Pg. 110
102 – 4	Location of operations	Corporate Directory, Pg. 110
102 – 5	Ownership and legal form	Our Structure, Pg. 3
102 – 6	Markets served	About Us, Pg. 2
102 – 7	Scale of the organisation	About Us, Pg. 2
102 – 8	Information on employees and other workers	Employment, Pg. 58 – 59
102 – 9	Supply chain	Sustainability Across the Value Chain, Pg. 62
102 – 10	Significant changes to the organisation and its supply chain	Sustainability Reporting Framework, Pg. 51 Sustainability Across the Value Chain Pg. 62
102 – 11	Precautionary principle or approach	Far East H-Trust does not specifically refer to the precautionary approach when managing risk; however, Far East H-Trust applies a risk-based consideration in all Risk Management practices (Risk Management and Internal Controls, Pg. 85
102 – 12	External initiatives	Sustainability Reporting Framework, Pg. 51
102 – 13	Membership of associations	Corporate Governance , Pg. 69
<b>STRATEGY</b>		
102 – 14	Statement from senior decision-maker	Board Statement, Pg. 50
<b>ETHICS AND INTEGRITY</b>		
102 – 16	Values, principles, standards, and norms of behaviour	Website: Mission & Vision
<b>GOVERNANCE</b>		
102 – 18	Governance structure	Sustainability Governance, Pg. 54

GRI STANDARDS 2016		NOTES/PAGE NUMBER(S)
<b>GENERAL DISCLOSURES</b>		
<b>STAKEHOLDER ENGAGEMENT</b>		
102 – 40	List of stakeholder groups	Stakeholder Engagement, Pg. 52 – 53
102 – 41	Collective bargaining agreements	None of the REIT Manager’s employees are covered under collective bargaining agreements
102 – 42	Identifying and selecting stakeholders	Stakeholder Engagement, Pg. 52 – 53
102 – 43	Approach to stakeholder engagement	Stakeholder Engagement, Pg. 52 – 53
102 – 44	Key topics and concerns raised	Stakeholder Engagement, Pg. 52 – 53
<b>REPORTING PRACTICE</b>		
102 – 45	Entities included in the consolidated financial statements	Notes to Financial Statements, Pg. 133
102 – 46	Defining report content and topic boundaries	Sustainability Reporting Framework, Pg. 51
102 – 47	List of material topics	Defining Material Factors, Pg. 55
102 – 49	Changes in reporting	Sustainability Reporting Framework, Pg. 51
102 – 50	Reporting period	Scope of The Report and Period, Pg. 51
102 – 51	Date of most recent report	Scope of The Report and Period, Pg. 51
102 – 52	Reporting cycle	Annual
102 – 53	Contact point for questions regarding the report	Accessibility, Pg. 51
102 – 54	Claims of reporting in accordance with the GRI Standards	Sustainability Reporting Framework, Pg. 51
102 – 55	GRI content index	GRI Content Index, Pg. 66 – 68
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# SUSTAINABILITY REPORT

GRI STANDARDS 2016		NOTES/PAGE NUMBER(S)
<b>MANAGEMENT APPROACH</b>		
103-1	Explanation of the material topic and its boundary	Economic Performance, Pg. 55
103-2	The management approach and its components	Energy, Pg. 56 – 57 Employment, Pg. 58 – 59 Occupational Health & Safety, Pg. 60 – 61 Broader Community, Pg. 62 – 64
103-3	Evaluation of the management approach	Corporate Governance <sup>3</sup> , Pg. 69
<b>MATERIAL TOPICS</b>		
<b>ECONOMIC PERFORMANCE</b>		
201 – 1	Direct economic value generated and distributed	Financial Highlights Pg. 4 and Financial Statements Pg. 123 – 126
<b>ENERGY</b>		
302 – 4	Reduction of energy consumption	Strategic Initiatives for Energy Conservation, Pg. 56 Operational Initiatives for Optimal Energy Efficiency Pg. 57 Energy Consumption, Pg. 57
<b>EMPLOYMENT</b>		
401 – 2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Welfare, Pg. 59
405 – 1	Percentage of employees per employee category in each of the following diversity categories: i. Gender; ii. Age group: under 30 years old, 30-50 years old, over 50 years old;	Employee Profile, Pg. 58
<b>OCCUPATIONAL HEALTH &amp; SAFETY</b>		
403 – 9	Number and rate of work-related injuries	Fostering a Health and Safety Culture Pg. 61
<b>CORPORATE GOVERNANCE</b>		
102 – 18	Governance Structure	Sustainability Governance, Pg. 54
	Sufficient Levels of Rules, systems, practices and processes by which company is directed and controlled	Corporate Governance, Pg. 69 Statement of Policies and Practices Pg. 103 – 109

3 Far East H-Trust has identified Corporate Governance as a material factor. This factor is not covered by the GRI topic-specific standards but reported under Corporate Governance Pg. 69.

# CORPORATE GOVERNANCE REPORT

Far East Hospitality Trust ("Far East H-Trust") is a hospitality stapled group comprising Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") and Far East Hospitality Business Trust ("Far East H-BT").

Far East H-REIT is a real estate investment trust constituted by the trust deed dated 1 August 2012 (as amended, varied or supplemented from time to time) ("Trust Deed") and entered into between FEO Hospitality Asset Management Pte. Ltd. (in its capacity as the manager of Far East H-REIT) (the "REIT Manager") and DBS Trustee Limited (in its capacity as the trustee of Far East H-REIT) (the "REIT Trustee").

Far East H-BT is a business trust constituted by the trust deed dated 1 August 2012 (as amended, varied or supplemented from time to time) and entered into by FEO Hospitality Trust Management Pte. Ltd. (in its capacity as the trustee-manager of Far East H-BT) (the "Trustee-Manager"). Far East H-BT has been dormant since Far East H-Trust was listed on the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST").

The REIT Manager has been issued a Capital Market Services Licence by the Monetary Authority of Singapore ("MAS") for real estate investment management ("CMS Licence") pursuant to the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") on 10 August 2012.

## **FAR EAST H-TRUST AND CORPORATE GOVERNANCE**

The framework of relevant legislations and guidelines governing Far East H-Trust include:

- i. The SFA;
- ii. The Code on Collective Investment Schemes (including Appendix 6 thereon on property funds) (the "CIS Code", and Appendix 6 of the CIS Code, the "Property Funds Appendix");
- iii. The Listing Manual issued by SGX-ST (the "Listing Manual");
- iv. The Business Trusts Act, Chapter 31A of Singapore;
- v. The Code of Corporate Governance 2018 ("the Code"); and
- vi. Written directions, notices, codes and other guidelines that may be issued by the MAS from time to time.

The REIT Manager and the Trustee-Manager ("the Managers") are fully committed to upholding the highest standards of corporate governance, business integrity and professionalism in all its activities. The Managers believe that sound and effective corporate governance policies and practices are essential in achieving sustainable growth, and consequently a trusted, successful and respected Far East H-Trust.

This corporate governance report ("CG Report") sets out Far East H-REIT's corporate governance framework and practices with specific reference to the principles and the provisions of the Code of Corporate Governance 2018, in accordance with to Rule 710 ("Rule 710") of the SGX Listing Rules, and where applicable, the Listing Manual and the Companies Act, Chapter 50 of Singapore, ("Companies Act"). For the financial year ended 31 December 2020 ("FY 2020"), save as stated in this CG Report, Far East H-REIT has complied in all material aspects with the principles of the Code. Where there are variations from any of the provisions of the Code, an explanation has been provided within this CG Report, which includes the reason for the variation, as well as the practices adopted to be consistent with the intent and philosophy of the relevant principle in question.

Due to the different legislative and regulatory requirements in relation to a REIT as compared with a business trust, the corporate governance disclosure requirements in relation to the REIT Manager are different from those in relation to the Trustee-Manager.

# CORPORATE GOVERNANCE REPORT

## (A) BOARD MATTERS

### **THE BOARD'S CONDUCT OF AFFAIRS**

#### **Principle 1:**

*The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

### **ROLE OF THE BOARD**

Pursuant to the Trust Deed, the board of directors of the REIT Manager (the "Board") is entrusted with the responsibility for the overall management of the REIT Manager and has general powers of management over the assets of Far East H-REIT.

The key roles and responsibilities of the Board are to:

- Set strategic objectives and direction, and provide guidance to the management of the REIT Manager ("Management") in executing those objectives;
- Manage Far East H-REIT's assets and liabilities for the benefit of the stapled securityholders of Far East H-Trust ("Stapled Securityholders");
- Formulate the business plans in relation to Far East H-REIT's properties;
- Recommend to the REIT Trustee on the acquisition, divestment or enhancement of assets of Far East H-REIT in accordance with its stated investment strategy;
- Ensure Management discharges its duties with integrity and accountability, and demonstrate the highest level of skills and professionalism;
- Establish a framework of prudent and effective controls that enables risks to be assessed and managed to safeguard the interests of the Stapled Securityholders and the assets of Far East H-Trust;
- Consider sustainability issues such as environmental issues as part of its strategic formulation;
- Ensure that Management maintains sound measures relating to corporate governance, financial regulations and internal policies including the Code of Conduct (further elaborated on page 100 of the CG Report); and
- Consider the perceptions of stakeholders that will affect Far East H-Trust's reputation.

### **BOARD COMMITTEES**

In the discharge of its functions, the Board is supported by three board committees which also serve to ensure that there are appropriate checks and balances. These committees are the Audit and Risk Committee ("ARC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively known as "Board Committees"). Each of the Board Committees is chaired by independent directors ("IDs") and reports to the Board. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

Each of the Board Committees has its own written terms of reference and operates under delegated authority from the Board. However, the Board retains overall responsibility for all decisions made by the Board Committees. Information on the ARC, NC and RC can be found in the "Accountability and Audit"; "Board Membership" and "Board Performance"; and "Remuneration Matters" sections of this CG Report respectively.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS AND ACTIVITIES

The Board meets regularly, at least once every quarter, and as required by business imperatives or particular circumstances, to discuss and review business strategies and policies, including any significant acquisition and/or disposal, portfolio performance, business outlook, movement in stapled securityholdings, deliberate growth opportunities of Far East H-REIT, and approve the release of half-yearly and annual financial results as well as interim business updates.

In addition, the IDs of the Board schedule to meet as and when required to discuss matters without the presence of Management and the Chairman of the Board. In 2020, the IDs had one such meeting chaired by Mr Willie Cheng, the lead independent director ("Lead ID").

As a general rule, Board and Board Committee meeting notices and papers are required to be sent to the Directors and members of Board Committees at least five business days before the meetings. This would also enable any director who is unable to attend a meeting to provide input and raise queries on the agenda items. Board papers are detailed and give the background, explanatory information, justification, risks and mitigating measures for each agenda item and mandate sought by Management, including, where applicable, relevant budgets, business plans, forecasts and projections. Directors can ask for additional information as needed to make informed decisions. However, papers containing price sensitive information may be tabled at the meetings themselves or discussed without any papers being distributed. All Board and Board Committee papers are kept and disseminated via an electronic board portal, which has proven to be an effective, secure and sustainable form of communication.

Executive officers of Far East Organization, external consultants or advisers who can provide additional insight into the relevant matters at hand may be invited to attend the meetings. The executive officers of Far East Organization will not participate in any decision-making process involving transactions between Far East H-Trust and the Sponsor, comprising Far East Organization and its group of companies ("FEO").

Management recognises that the flow of information in an accurate, complete, adequate and timely manner is critical for the Board to be effective in discharging its duties. At the quarterly Board and ARC meetings, Directors are updated on developments, challenges and changes in the operating environment, including changes in accounting standards, changes in laws and regulations governing the REIT industry, or changes that have a bearing on Far East H-REIT. The Board and Board Committee papers given to the Directors include updates on Far East H-REIT's operating and financial performance, strategic plans, regulatory and compliance updates and any other matters for discussion. On a monthly basis, Management also provides the Board with a brief update on the operating performance of Far East H-Trust, to enable the Board to exercise effective oversight over the trust.

The Directors of the Board have separate and independent access to Management and the Company Secretary at all times, and they are entitled to request from Management additional information to make informed decisions. The Directors, either individually or as a group, may at the REIT Manager's expense seek independent professional advice where appropriate, to discharge his/her/their duties effectively.

The corporate secretarial agent is Tricor Evatthouse Corporate Services, and the named Company Secretaries are Lin Moi Heyang and Low Mei Wan. They attend to all corporate secretarial matters for the REIT Manager. At least one of the Company Secretaries attends all Board and Board Committee meetings and prepares minutes of meeting proceedings. They assist the Chairmen of the Board and Board Committees in ensuring that Board and Board Committee procedures are followed and that the REIT Manager's Constitution, Terms of Reference of the Board and Board Committees, applicable rules and regulations and best practices are complied with. The Company Secretaries advise the Board on all governance matters. They also work with Management to ensure that Board and Board Committee papers are provided to each Director at least five business days ahead of meetings. Their responsibilities also include assisting the REIT Manager in preparing the announcements to be uploaded on the SGXNET as required under the Listing Manual.

# CORPORATE GOVERNANCE REPORT

Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the REIT Manager permits the Director to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval. The exception is where a Director has a conflict of interest in a particular matter, in which case, he or she will be required to recuse himself or herself from the deliberations and abstain from voting on the matter. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process.

The number of meetings of the Board, ARC, NC and RC held during FY 2020, as well as the attendance of every Director at these meetings and at the last annual general meeting are set out in the table below:

	Board Meetings	Annual General Meeting	ARC Meetings	NC Meetings	RC Meetings
<b>Number of meetings held in FY 2020</b>	7	1	4	3	2
<b>Board members</b>					
Wee Kheng Jin	7/7	1/1	N.A.	N.A.	2/2
Willie Cheng Jue Hiang	7/7	1/1	4/4	3/3	N.A.
Kyle Lee Khai Fatt	7/7	1/1	4/4	3/3	2/2
Huang Cheng Eng	7/7	1/1	4/4	N.A.	2/2
Vivienne Lim Hui Bian	7/7	1/1	N.A.	3/3	N.A.
Catherine Lee Khia Yee	7/7	1/1	N.A.	N.A.	N.A.
Celestine Khoo Geok Choo <sup>1</sup>	3/3	N.A.	N.A.	N.A.	N.A.
<b>Chief Executive Officer</b>					
Gerald Lee Hwee Keong	7/7	1/1	4/4	3/3	2/2

<sup>1</sup> Ms Celestine Khoo Geok Choo was appointed as Independent Director, effective 1 October 2020.

N.A. Not applicable

The Board has approved a list of matters reserved for the Board's decision-making. This sets clear directions for Management on matters that must be approved by the Board.

The list of matters reserved for the Board's approval includes, but is not limited to:

- Long term strategy and objectives of Far East H-REIT
- Annual budget and business plans in relation to Far East H-REIT's properties
- Policies to safeguard the interests of the Stapled Securityholders and the assets of Far East H-REIT
- Investment strategy and mandate
- Distribution policy
- Announcements and press releases concerning Far East H-REIT
- Board memberships and other appointments
- Appointment and removal of the Company Secretary

In fulfilling its responsibilities to Far East H-REIT, the Board has approved a set of financial controls which sets out approval limits for operating expenditures, capital expenditures, procurements, general and administrative expenses and leases as well as arrangements in relation to cheque signatories. Appropriate delegation of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

# CORPORATE GOVERNANCE REPORT

## ORIENTATION AND TRAINING FOR DIRECTORS

The NC exercises oversight on the orientation, training and professional development of Directors, and also ensures that new Directors are aware of their duties and obligations.

The Board has a comprehensive and structured orientation framework. Newly-appointed Directors attend a familiarisation exercise whereby they undergo a tailored programme to enable them to have a good understanding of Far East H-Trust.

The orientation exercise consists of:

- Management presentations on Far East H-Trust's strategic objectives, business, operations, responsibilities of key management personnel, financial and governance practices; and
- Site visits to Far East H-REIT's properties (hotels and serviced residences).

In addition to the above, copies of the minutes of immediate past Board and Board Committee meetings are made available to newly-appointed Directors. They are also provided with other materials relating to the Board and Board Committees, including the terms of reference of the various Board Committees on which they are appointed as well as relevant guidelines and policies.

Ms Catherine Lee, appointed as an Independent Director of Far East H-Trust in July 2019, has completed all modules of the mandatory training provided by the Singapore Institute of Directors ("SID") - the Listed Entity Directors ("LED") programme, Modules 1 to 4, in accordance with SGX Listing Rule 210 (5)(a) which states the requirement for first-time directors of an issuer on the Exchange to undertake training as prescribed by the Exchange. Ms Lee had completed LED Module 1 in 2019 and completed the remaining mandatory modules (Modules 2 to 4) between March and May 2020, within one year of her appointment. Additionally, she has also completed all other non-mandatory modules of the programme (LED Modules 5 to 8) in 2020.

Ms Celestine Khoo, Far East H-Trust's newest Independent Director, attended the orientation exercise organised by the REIT Manager following her appointment in October 2020. Additionally, Ms Khoo has registered for the LED Modules 1 to 8 and is scheduled to complete the modules within one year of her appointment in 2021.

The Board also recognises the importance of continual training and development for its existing Directors so that they can perform their roles on the Board and Board Committees to the best of their abilities. Following their appointment, there is a Continuing Professional Development programme put in place for all Board members to equip them with the appropriate skills and knowledge required. As part of this programme, Directors undergo ongoing education particularly on relevant new laws, changes to regulations and accounting standards and other industry-related matters. They are briefed on areas such as directors' duties and responsibilities under the Companies Act, Listing Manual, SFA, etc. to enable them to carry out their statutory and fiduciary duties as well as to update and refresh them on matters that may affect and/or enhance their performance as Board members.

Directors are encouraged to participate in industry conferences, seminars, courses and training programmes which are relevant to their duties. Training programmes include those organised by the SID on corporate governance, leadership and industry-related subjects. The Continuing Professional Development programme for Board members comes under the NC's purview, and the REIT Manager funds the training and development programmes for existing and new Board members.

# CORPORATE GOVERNANCE REPORT

Apart from courses that Directors attend and participate in by themselves, the REIT Manager arranged and facilitated the attendance and/or conduct of the following training programmes (which include seminars, conferences and workshops) for its Directors in FY 2020:

- SID Directors Virtual Conference 2020
- SID Listed Entity Directors Programme
- ACRA-SGX-SID Audit Committee Seminar 2020
- Key Regulatory Updates by KPMG

The Board is regularly updated either during Board meetings or at specially convened meetings (with the attendance of professional advisors, consultants, auditors and Management) on areas that may affect Far East H-Trust's business and developments. The Management also provides the Board with timely information through regular updates on financial results, market trends in the hospitality sector, and business developments.

## **BOARD COMPOSITION AND GUIDANCE**

### **Principle 2:**

*The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

The Board reviews the size and composition of the Board, with a view to ensuring effective decision making by taking into account the scope and nature of the operations of Far East H-Trust.

## **REVIEW OF DIRECTORS' INDEPENDENCE**

As of 31 December 2020, the Board comprises seven directors, six of whom are independent directors and one of whom is a non-independent non-executive director. A new independent director joined the Board in January 2021, making eight directors on the Board. The composition of the Board therefore complies with Provision 2.3 where majority of the board is made up of non-executive directors and Provision 2.2 where majority of the board is made up of independent directors where the Chairman is not independent. This enables Management to benefit from their invaluable and objective perspectives on issues that are brought before the Board.

The independence of Directors is reviewed by the NC annually on a formal basis since the formation of the NC on 19 January 2016. The Board was established in 2012, and none of the Directors has served on the Board beyond nine years since the date of his or her first appointment. Additionally, none of the Directors has been a substantial shareholder of the REIT Manager, or substantial Stapled Securityholder of Far East H-REIT.

Directors complete an annual confirmation of independence, whereby they are required to critically assess their own independence including independence from the major shareholder and management, which the NC takes into account for the purposes of this review. The Board has considered and determined, taking into account the views of the NC, that Mr Willie Cheng, Mr Kyle Lee, Mr Huang Cheng Eng, Ms Vivienne Lim, Ms Catherine Lee and Ms Celestine Khoo have demonstrated independence in character and judgement in the discharge of their responsibilities as directors in FY 2020, and is satisfied that each of them has acted with independent judgement. The Board has also assessed the relationships or circumstances which are likely to affect, or could appear to affect, the directors' judgement. Based on the annual review of the directors' independence conducted by the NC, the criteria of independence as set out in the Code and SGX Listing Rule 210 (5)(d), and the declarations by the IDs of their independence, the Board is satisfied that Mr Willie Cheng, Mr Kyle Lee, Mr Huang Cheng Eng, Ms Vivienne Lim, Ms Catherine Lee and Ms Celestine Khoo are independent.

# CORPORATE GOVERNANCE REPORT

In FY 2020, none of the IDs had any business relationship with the REIT Manager, its related companies, its substantial shareholders or its officers, as well as with Far East H-REIT and its substantial Stapled Securityholders that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of Far East H-Trust.

During FY 2020, each of the IDs had been independent from the management of the REIT Manager and Far East H-REIT, as well as from every substantial shareholder of the REIT Manager, and every substantial Stapled Securityholder of Far East H-Trust. This is in accordance with the guidance in the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR), Regulation 13E(b)(i).

Mr Wee Kheng Jin (Chairman of the Board) was previously an Executive Director in FEO until his retirement on 31 December 2018, after which he continued his association with the Group as a Senior Advisor. At the same time, Mr Wee had also retired from the boards of all other FEO-related companies, but remained a director of FEO Hospitality Asset Management Pte. Ltd. (the REIT Manager) and FEO Hospitality Trust Management Pte. Ltd. (the Trustee-Manager). The Board has reviewed and is satisfied that, as at the last day of FY 2020, Mr Wee Kheng Jin, although being a non-independent director, was able to act in and has acted in the best interests of all the Stapled Securityholders of Far East H-Trust. This is in accordance with the guidance in the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR), Regulation 13E(b)(ii).

## **BOARD DIVERSITY POLICY AND COMPOSITION**

The REIT Manager believes that a balanced Board can provide the diversity of viewpoints and insights that will enhance decision-making. Towards this end, the Board has established a Board Diversity Policy that seeks to have an appropriate level of diversity in its composition, including the dimensions of skills, knowledge and industry experiences, gender, age and tenure.

A diversity of tenure will achieve the progressive renewal of the Board so that there is the continuity of experienced directors as well as the onboarding of new directors to provide fresh perspectives on an ongoing basis. All director appointments will be based on merit, having due regard to the overall balance and effectiveness of the Board.

Under the Board Diversity Policy, the NC will, in reviewing and assessing the composition of the Board and making recommendations to the Board on the appointment of new directors, consider aspects such as professional qualifications, industry and geographic knowledge, skills, length of service, age, gender, and the needs of the trust. The NC will review the structure, size, balance and diversity of the Board annually and propose any changes to the Board to complement the trust's objectives and strategies. In this regard, the NC will review and report to the Board annually the objectives and progress made in achieving an appropriately diverse board composition.

Currently, the Board and its Board Committees comprise directors with an appropriate balance and diversity of skills, experience and knowledge. The Directors have diverse backgrounds in accounting and auditing, business advisory, banking and finance, investment and fund management, construction, real estate development, hospitality services, aviation and tourism marketing, management consulting, technology implementation, corporate governance, strategic planning, and corporate and commercial law. Directors engage in open and constructive debate and regularly challenge Management on its assumptions and proposals. Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Management has benefited from Directors' invaluable views and experiences.

# CORPORATE GOVERNANCE REPORT

In FY 2020, the Board had sought to achieve a greater balance of diversity in the aspects of gender, age and professional qualifications, and Ms Celestine Khoo was appointed to the Board in October 2020. As a Chartered Accountant with more than 25 years of fund management and public sector experience, Ms Khoo has brought new perspective to Far East H-Trust. With her appointment, the Board had six out of seven of its members as independent directors and three out of seven being female. The Board continues to seek to introduce greater diversity as it progressively reviews the composition of the Board and its Board Committees.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

### **Principle 3:**

*There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) of the REIT Manager are held by two different individuals in order to maintain effective segregation of duties, ensure an appropriate balance of power and authority, increased accountability and to maintain effective checks and balances. The Chairman of the Board is Mr Wee Kheng Jin, while the CEO of the REIT Manager is Mr Gerald Lee. Mr Wee Kheng Jin is also the Chairman of the Trustee-Manager Board and Mr Gerald Lee is also the CEO of the Trustee-Manager. They are not related to each other and do not have close family ties.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the REIT Manager. Mr Wee Kheng Jin leads the Board to ensure its effectiveness on all aspects of its role. He ensures that adequate time is given for discussion of all items at the board meeting, in particular strategic issues. He also facilitates effective contribution of the directors and encourages a culture of openness and debate at board meetings. The Chairman also ensures that the Board works together with integrity and competency, and that the Board engages Management in constructive debate on strategy, business operations, enterprise risk and other plans.

Mr Gerald Lee is principally responsible for the management and conduct of the business of the REIT Manager. He has full executive responsibilities over the business direction and operational decisions in managing Far East H-REIT.

Provision 3.3 of the Code recommends the appointment of an independent director to be the lead independent director in certain circumstances, including where the Chairman is not independent. Mr Willie Cheng has been appointed as the lead independent director. He is also the Chairman of the ARC.

Mr Cheng, as the lead independent director, has held meetings with the independent directors without the presence of the non-independent directors and Management as he deemed appropriate or necessary, and provided feedback to the Chairman of the Board after each meeting.

# CORPORATE GOVERNANCE REPORT

## **BOARD MEMBERSHIP**

### **Principle 4:**

*The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

## **NOMINATING COMMITTEE**

The Board established its NC on 19 January 2016. The NC members are appointed by the Board from among its members, all of whom (including the Chairman of the NC) are independent directors. The members of the NC are Mr Kyle Lee (Chairman of the NC), Mr Willie Cheng (Lead ID) and Ms Vivienne Lim.

### **ROLES AND RESPONSIBILITIES OF THE NC**

The NC has written terms of reference setting out its scope and authority in performing the functions of a nominating committee, including assisting the Board in matters relating to:

- Selection and appointment of new directors and re-appointment of the existing Directors of the Board, taking into account their contribution, performance and ability to commit sufficient time and attention to the affairs of Far East H-REIT, as well as their respective commitments outside Far East H-REIT;
- Implementation and monitoring of the Board Diversity Policy in order to make recommendations to the Board on the diversity of skills, experience, gender, age, knowledge, size and composition of the Board;
- Determining annually whether or not a director is independent, having regard to the circumstances set forth in Provisions 2.1 and 2.2 of the Code and SGX Listing Rule 210 (5)(d);
- Deciding whether or not a director is able to and has been adequately carrying out his or her duties as a director;
- Review of succession plans, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- Development of the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- Review of training and professional development programmes for the Board and its Directors; and
- Such other authorities and duties as provided in the Code.

The NC administers nominations to the Board, reviews the structure, size and composition of the Board and reviews the performance and independence of the Directors. In addition, as part of regulatory requirements, MAS also requires prior approval for any change of the Chief Executive Officer or of any appointment of director.

The NC is of the view that the members of the Board provide an appropriate balance and diversity of skills and commercial experience, as elaborated on in the Board Diversity Policy section. The NC believes that a director's eligibility for selection, appointment and re-appointment goes beyond his or her attendance at meetings. The NC takes into consideration a director's competencies, commitment, contribution and performance, and is committed to providing an appropriate balance and diversity of skills, experience and knowledge.

# CORPORATE GOVERNANCE REPORT

## REVIEW OF DIRECTORS' TIME COMMITMENTS

All directors are required to commit sufficient time and attention to the affairs of Far East H-REIT and the REIT Manager. The NC will annually, and as required, assess the major commitments including employment and listed company directorships and whether the director has and can suitably fulfill his or her duties as a director of the REIT Manager.

Towards this end, the REIT Manager has established a policy that any of its directors may not take on more than the following number of listed company directorships without prior consultation and agreement of the NC and the Board:

- For a director who is an executive of a company (including the REIT Manager): not more than two external listed company directorships.
- For a director who is not an executive of any company: not more than five listed company directorships.

None of the current directors have reached the limits set out in the above policy.

Based on Directors' full attendance record at Board and Board Committee meetings (set out on page 72) and contributions outside of formal Board and Board Committee meetings, the NC is satisfied that all Directors are able to and have committed sufficient time and discharged their duties adequately for the financial year ended 31 December 2020. The REIT Manager has no alternate directors on its Board.

Key information regarding the Directors such as academic and professional qualifications, committee membership, date of appointment, and details about the present and past directorships of each Director are set out on pages 12-15. The Directors' Stapled Securityholdings in Far East H-Trust are set out on page 194.

## SELECTION AND APPOINTMENT OF NEW DIRECTORS

The NC regularly reviews the existing attributes and competencies of the Board in order to determine the desired experience or expertise required to strengthen or supplement the Board. The NC is in charge of making recommendations to the Board regarding the identification and selection of new directors.

In identifying candidates for new appointments to the Board as part of the Board's renewal process, the following principles are applied by the NC:

- The Board should comprise directors with a broad range of commercial experience, including expertise in business management, tourism and hospitality, real estate, finance, investments and legal matters;
- The Board should have diversity in terms of gender and age;
- More than half of the Board should comprise independent directors as the Chairman is not an independent director; and
- The candidate is fit and proper in accordance with MAS' fit and proper guidelines, taking into account his or her track record, capabilities and such other relevant experience as may be determined by the Board.

Given the selection criteria, the search for potential candidates is initiated by considering recommendations from Board members and Management and conducting an external search for candidates that fit the criteria. To extend the reach of the search, the Board may use external search agencies such as the Board Appointment Service of SID, which assisted with the recruitment of one of the new board members.

# CORPORATE GOVERNANCE REPORT

The NC will then shortlist and interview the candidates. Shortlisted candidates are evaluated by the Chairman of the Board and IDs so that recommendations made on proposed candidates are objective and well-supported. Candidates are evaluated and selected based on their relevant expertise and potential contributions. Other factors including the current and mid-term needs and goals of Far East H-REIT are also considered. Once a candidate is selected for the Board, the NC conducts due diligence through reference checks before putting it up to the Board for approval.

Having initiated the Board succession and renewal process three years ago with the appointment of Ms Vivienne Lim in 2018, Ms Catherine Lee in 2019 and Ms Celestine Khoo in 2020, the NC had reviewed the current size and composition of the Board as at 31 December 2020. The Board plans to continue the process of gradually and progressively refreshing its IDs over the next few years, taking into account, among other factors, the implementation of the nine-year rule on director independence in the SGX Listing Rules.

## **KEY MANAGEMENT SUCCESSION**

In addition to succession planning of the Board, the NC reviews the succession plans for key management positions. Given the small size of the organisation, the succession planning draws upon personnel from FEO.

## **BOARD PERFORMANCE**

### ***Principle 5:***

*The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The NC assesses and discusses the performance of the Board as a whole and its Board Committees on an annual basis. The NC has in place a process to evaluate the effectiveness of the Board and its Board Committees, as well as the contribution by the Chairman and each individual Director. The review allows each Director to individually express his or her personal and confidential assessment of the Board's overall effectiveness in discharging its duties and responsibilities. It provides insights into the functioning of the Board and its Board Committees, whilst identifying areas that need strengthening or improvement.

The criteria for evaluation of the Board's performance includes board composition, access to information, board process, risk management, strategy and planning, board accountability, and engagement with CEO and Management. These performance criteria are approved by the Board, and are generally unchanged from year to year so that trends may be determined.

The Directors are required to complete evaluation questionnaires for the Board and its Board Committees and an individual director self-assessment questionnaire. The individual Director's performance is assessed based on the Director's duties and performance, knowledge and interactive skills.

An external facilitator, Ms Wong Su Yen, CEO of Bronze Phoenix Consulting Pte Ltd, was engaged to assist the NC in conducting this evaluation and assessment of the performance of the Board, its Board Committees and the individual Directors. The external facilitator is independent, has no other business relationship with the trust, and is not related to the directors.

# CORPORATE GOVERNANCE REPORT

The Company Secretaries of the REIT Manager (from Tricor Evatthouse Corporate Services, the corporate secretarial agent) assist in compiling and tabulating the responses received from Directors to facilitate the external facilitator's assessment and analysis. The questionnaires are on a no-name basis and the submissions are kept confidential by the Company Secretaries of the REIT Manager who administer this process.

From the responses, a consolidated report is prepared and provided to the NC and the external facilitator. They review the responses and feedback, as well as the areas where the Board's performance and effectiveness could be enhanced. The board performance evaluation results and recommendations for improvement are then presented to the Board by the external facilitator for discussion and for implementation to help the Board discharge its duties more effectively.

Each director is given sufficient opportunity to bring to the Board his or her perspective to enable balanced and well-considered decisions to be made.

The Board, in consultation with the NC, is satisfied that the Board has met its performance objectives for the year under review.

## **(B) REMUNERATION MATTERS**

### ***PROCEDURES FOR DEVELOPING REMUNERATION POLICIES***

#### ***Principle 6:***

*The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

### ***LEVEL AND MIX OF REMUNERATION***

#### ***Principle 7:***

*The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

### ***DISCLOSURE ON REMUNERATION***

#### ***Principle 8:***

*The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

## **REMUNERATION COMMITTEE**

The RC members are appointed by the Board from among its members, the majority of whom (including the Chairman of the RC) are independent directors. The members of the RC are Mr Huang Cheng Eng (Chairman of RC), Mr Kyle Lee and Mr Wee Kheng Jin.

# CORPORATE GOVERNANCE REPORT

## ROLES AND RESPONSIBILITIES OF THE RC

The RC plays an important role in ensuring the attraction, recruitment, motivation and retention of talents through competitive remuneration and progressive policies so as to achieve Far East H-Trust's goals, and to deliver sustainable Stapled Securityholder value, distribution income, as well as growth in total returns. Terms of reference setting out the scope and authority in performing the function of the RC have been written, and these include assisting the Board in matters relating to:

- Reviewing and recommending to the Board for endorsement a framework of remuneration for the directors and key management personnel (no member of the Board is involved in any decision of the Board relating to his or her own remuneration). The framework covers all aspects of remuneration, including fees, salaries, allowances, bonuses, grant of shares and share options and benefits-in-kind;
- Reviewing and recommending to the Board on the specific remuneration packages for each director as well as for the key management personnel;
- Consulting independent professional consultancy firms, where necessary in determining remuneration packages; and
- Considering the various disclosure requirements for directors' remuneration and ensuring that there is adequate disclosure in the financial statements to ensure and enhance transparency between Far East H-Trust and relevant interested parties.

The RC seeks to ensure that the remuneration paid to the key management personnel of the REIT Manager is closely linked to the achievement of corporate and individual performance targets. The performance targets approved by the Board at the start of each year are set with the purpose of motivating a high degree of business performance with emphasis on both short- and longer-term quantifiable goals. At the close of each financial year, the RC reviews the achievements of the REIT Manager against the targets set to determine the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends, and approves a bonus pool that is commensurate with the performance achieved.

Where necessary, the Board modifies the framework of remuneration to align the REIT Manager's compensation with the interests of the Stapled Securityholders. Remuneration of the directors, executive officers and employees of the REIT Manager is not paid out of the deposited property of Far East H-REIT but paid by the REIT Manager from the fees it receives.

## KEY MANAGEMENT EXECUTIVES' REMUNERATION FRAMEWORK

The remuneration of key management personnel is structured to take into account:

- The strategic objectives and goals of Far East H-Trust
- Corporate and individual performance, both in terms of financial and non-financial performance of Far East H-Trust through the incorporation of appropriate key performance indicators that are specific, measurable and result-oriented

The key performance indicators used to determine the remuneration of the CEO and key management personnel of the REIT Manager include:

- Far East H-Trust's income available for distribution
- Distribution per Stapled Securityholder
- Total Stapled Securityholder Return
- Investor relations management
- Asset enhancement initiatives
- Corporate governance
- Other strategic initiatives as determined from time to time

# CORPORATE GOVERNANCE REPORT

These performance indicators are appropriate and meaningful measures which assess Management's performance, whilst taking into account the risk policies of Far East H-Trust. Structuring the level of remuneration as such aligns the interests of key management personnel with that of the Stapled Securityholders and promotes the long-term success of Far East H-Trust.

The remuneration of key management personnel comprises a fixed and a variable component. The fixed component comprises a fixed salary and compulsory employer contribution to the employees' Central Provident Fund. The variable component comprises short-term cash bonuses, and long-term equity-based incentives whereby stapled securities in Far East H-Trust ("Stapled Securities") are awarded under a Restricted Unit Plan based on pre-determined targets (e.g. total Stapled Securityholder return), set over a one-year performance period.

This structure links rewards only to the performance of Far East H-Trust and the individual's performance, and there is no link to the performance of the controlling shareholder of the REIT Manager. It takes into consideration the risk policies of Far East H-Trust so as to be symmetric with risk outcomes and sensitive to the time horizon of risks.

The remuneration of the CEO and each of the key management personnel are reviewed by the RC and recommended to the Board for approval.

## NON-EXECUTIVE DIRECTORS' REMUNERATION AND FEE STRUCTURE

The RC also ensures that the remuneration of non-executive directors is appropriate to their level of contribution taking into account factors such as effort and time spent, and their responsibilities. The RC ensures that independent directors are not over-compensated to the extent that their independence may be compromised. None of the Directors has any service contracts with the REIT Manager.

The structure of directors' fees for non-executive directors comprises a base fee for serving as a Director and additional fee for serving as Chairman or member on each Board Committee. It also takes into account the following:

- Directors' responsibilities and contributions; and
- Industry practices and norms on remuneration, including the guidelines set out in the set out in the Remuneration Committee Guide of the SID.

The directors' fees (including the Chairman) will be paid in the form of cash (80% of the total fees) and Stapled Securities (20% of the total fees) with effect from the financial year commencing 2018. The incorporation of an equity component in the total remuneration of the Directors is intended to achieve the objective of aligning the interests of Directors with those of Stapled Securityholders and the long-term interests of the REIT. Non-executive directors are required to hold the Stapled Securities awarded under the above policy for at least one year from the date of award during their individual Board tenures.

Directors' fees are reviewed and endorsed by the RC. The framework for determining the Directors' fees is shown in the table below:-

<b>Main Board</b>	Chairman	S\$70,000 per annum
	Director	S\$55,000 per annum
<b>Audit &amp; Risk Committee</b>	Chairman	S\$50,000 per annum
	Member	S\$25,000 per annum
<b>Remuneration Committee</b>	Chairman	S\$20,000 per annum
	Member	S\$10,000 per annum
<b>Nominating Committee</b>	Chairman	S\$15,000 per annum
	Member	S\$ 7,500 per annum

# CORPORATE GOVERNANCE REPORT

## INDUSTRY BENCHMARKING AND ENGAGEMENT OF CONSULTANT

In determining the remuneration of its directors and key management personnel, the REIT Manager benchmarks against the industry and seeks views on market practices and trends by engaging an independent remuneration consultant, Korn Ferry Hay Group Pte Ltd (now known as Korn Ferry (SG) Pte. Ltd.). The consultant is not related to the REIT Manager, its controlling shareholder, its related corporations or any of its Directors. The REIT Manager also takes reference from market practices in the formulation and review of its remuneration policies.

The REIT Manager applies the principle that remuneration matters are to be sufficiently structured and benchmarked to good market practices in order to attract suitably qualified talent, to grow and manage Far East H-REIT. The REIT Manager applies the principle that the remuneration for the Board and key executives should be viewed in totality. It is a concerted pursuit of strong and ethical leadership for the success of Far East H-Trust and the REIT Manager.

The RC reviews the employment contracts to ensure that they contain fair and reasonable termination clauses which are not overly generous, so as to avoid rewarding poor performance. Contractual provisions have also been instituted to allow the REIT Manager to reclaim incentive components of the remuneration from the CEO and the key management personnel paid in prior years, in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss. The Board and RC have reviewed and ensured that the level and structure of remuneration for the REIT manager's key management personnel and non-executive directors are in alignment with the long-term interests and risk management policies of Far East H-Trust.

## DISCLOSURE OF REMUNERATION

### Directors' fees<sup>1</sup>

The exact remuneration payable to each individual director for the financial year ended 31 December 2020 is as follows:-

<b>Name of Director</b>	<b>Fee</b>
Wee Kheng Jin	S\$135,000
Willie Cheng Jue Hiang	S\$112,500
Kyle Lee Khai Fatt	S\$105,000
Huang Cheng Eng	S\$100,000
Vivienne Lim Hui Bian	S\$62,500
Catherine Lee Khia Yee	S\$55,000
Celestine Khoo Geok Choo <sup>2</sup>	S\$13,825

1 Each of the Directors (including the Chairman) will receive 20% of his or her total directors' fees in the form of Stapled Securities. The actual number of Stapled Securities to be awarded will be determined by reference to the volume-weighted average price for a Stapled Security for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST, for the period of 10 business days after the forthcoming annual general meeting of the REIT Manager. The remainder of the directors' fees shall be paid in cash. The Stapled Securities are to be issued from the existing holdings of the REIT Manager, hence no new Stapled Securities will be issued for this purpose.

2 Ms Celestine Khoo Geok Choo had been appointed as Independent Director, effective 1 October 2020.

# CORPORATE GOVERNANCE REPORT

## Level and Mix of Remuneration of the CEO and other Top 5 Key Executives

The exact remuneration paid to or payable to the CEO for the financial year ended 31 December 2020 is as follows:-

	Salary and Allowances <sup>(1)</sup> S\$	Variable Bonus <sup>(2)</sup> S\$	Benefits-In-Kind S\$	Long-Term Incentive <sup>(3)</sup> S\$	Total <sup>(4)</sup> S\$
Gerald Lee Hwee Keong	562,340	49,055	822	131,960	744,177
	75%	7%	0%	18%	100%

The remuneration paid to or payable to each of the other top five key executives, in bands of S\$250,000, for the financial year ended 31 December 2020 is as follows:-

Remuneration Band and Names of Top 5 Key Executives	Salary and Allowances <sup>(1)</sup> %	Variable Bonus <sup>(2)</sup> %	Benefits-In-Kind %	Long-Term Incentive <sup>(3)</sup> %	Total <sup>(4)</sup> %
<b>Between S\$500,000 to S\$750,000</b>					
Regina Yap Siew Buay	73%	17%	0%	10%	100%
<b>Between S\$250,000 to S\$500,000</b>					
Irfan Tayabali	79%	7%	2%	12%	100%
<b>Below S\$250,000</b>					
Elaine Chin Shu Peng	82%	7%	1%	10%	100%
Kate Lai Xiuping <sup>(5)</sup>	100%	0%	0%	0%	100%
Chow Wai Yen <sup>(6)</sup>	100%	0%	0%	0%	100%
<b>Total of Top 5 Key Executives (excluding CEO)</b>					<b>S\$1,146,107</b>

(1) Inclusive of Annual Wage Supplement and employer's Central Provident Fund contributions.

(2) Payout is based on the achievement of pre-determined performance targets of FY2020.

(3) Long-term incentive will be paid by Stapled Securities pursuant to the REIT Manager's Restricted Unit Plan. The value of Stapled Securities awarded is based on the fair value of the Stapled Securities at the time of grant in July 2020. The actual vesting can range between 0 to 150% of the initial contingent award depending on the achievement of the pre-determined targets at the end of the one-year performance period. The award will be vested annually over 3 years at the rate of 33% for 1st and 2nd vesting, and 34% for final vesting.

(4) Remuneration of the employees including long-term incentive is paid by the REIT Manager.

(5) Kate Lai Xiuping has left the organisation effective 19 Oct 2020

(6) Chow Wai Yen joined the organisation effective 14 Oct 2020

The remuneration of the CEO and other employees of the REIT Manager is paid out of the fees that the REIT Manager receives, rather than borne by Far East H-Trust.

There is no employee with the REIT Manager who is an immediate family member of a Director or the CEO of the REIT Manager or a shareholder of the REIT Manager or substantial Stapled Securityholder of Far East H-Trust, and whose remuneration exceeds S\$100,000 during the year. None of our employees are shareholders of the REIT Manager or substantial Stapled Securityholders of Far East H-Trust.

# CORPORATE GOVERNANCE REPORT

## **(C) ACCOUNTABILITY AND AUDIT**

### **RISK MANAGEMENT AND INTERNAL CONTROLS**

#### **Principle 9:**

*The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

### **ROLE OF THE BOARD AND ARC IN ENSURING EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROLS**

The Board recognises the importance of a sound system of risk management and internal controls to safeguard Stapled Securityholders' interests and Far East H-REIT's assets. The Board affirms its responsibility for Far East H-REIT's system of risk management and internal controls, and for reviewing the adequacy and effectiveness of Far East H-REIT's risk management and internal control systems, including financial, operational, compliance and information technology controls on an annual basis.

The ARC assists the Board in examining the adequacy and effectiveness of internal controls policies and procedures to ensure that a robust risk management framework and internal control system is maintained while the Board reviews the adequacy and effectiveness of the risk management and internal control system. The ARC also assesses the materiality of specific developments or risks that might have an impact on the security price of Far East H-Trust.

### **FORMULATION OF RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM**

In setting up the risk management framework, the extent of risk tolerance and the risk parameters based on Far East H-REIT's current operations have been set and approved by the Board after taking into consideration Far East H-REIT's strategic objectives. The risk parameters guide Management on managing the risks of Far East H-REIT and these parameters will remain unchanged for as long as there is no change in Far East H-REIT's operating profile.

The ARC guides Management in the formulation of risk policies and processes in identifying, evaluating and managing key risks while the ownership of risk management lies with the CEO and he is supported by the respective managers. The nature and extent of risks are assessed regularly by Management and internal auditors, and reports are submitted to the ARC as and when necessary. The ARC reports to the Board on material findings and makes recommendations or seeks guidance from the Board in respect of any material risk issues.

Any findings on material non-compliance or weaknesses in internal controls and risk management by the internal auditors are reported to the ARC. The recommendations to further improve the internal control system and risk management system are reported to the ARC and actions are taken by Management.

### **ASSESSMENT AND MANAGEMENT OF MATERIAL RISKS**

In managing business risk, the Board considers the economic environment and risks that are relevant to the hospitality and hospitality-related industries such as stronger than anticipated price competition on room rates due to the supply of new hotel rooms, the impact of a stronger Singapore dollar, higher wage costs, tight labour market, etc.

In assessing the operational risks, the ARC reviews liquidity management such as the aging report which includes analysing accounts receivable and accounts payable.

# CORPORATE GOVERNANCE REPORT

In addressing information technology risk, the Sponsor's Information Technology department has assisted in putting in place a framework and process (e.g. to recover critical systems within 4 hours of each system failure).

In managing conflicts of interest risk, the REIT Manager has instituted the following procedures:

- The REIT Manager will not manage any other REIT which invests in the same type of properties as Far East H-REIT;
- All executive officers will be employed by the REIT Manager and will not hold executive positions in any other entities;
- All resolutions in writing of the Directors of the REIT Manager in relation to matters concerning Far East H-REIT must be approved by a majority of the Directors, including at least one Director independent from management and business relationships with the REIT Manager;
- At least half of the Board shall comprise such independent directors;
- In respect of matters in which a director of the REIT Manager or his or her associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors of the REIT Manager and must exclude such interested director;
- In respect of matters in which the Sponsor has an interest, direct or indirect, any director appointed by the Sponsor to the Board to represent its interests will abstain from deliberations and voting on such matters. In such matters, the quorum must comprise a majority of the Directors of the REIT Manager independent from management and business relationships with the REIT Manager and must exclude such directors of the Sponsor. Save for resolutions relating to the removal of the REIT Manager, the REIT Manager and its associates (as defined in the Listing Manual) are prohibited from voting or being counted as part of a quorum in Stapled Securityholders' meetings convened to approve any matter in which the REIT Manager and/or any of its associates has an interest, and for so long as the REIT Manager is the manager of Far East H-REIT, the controlling shareholders of the REIT Manager and of any of its associates (as defined in the Listing Manual) are prohibited from voting or being counted as part of a quorum in any Stapled Securityholders' meetings convened to consider a matter in respect of which the relevant controlling shareholders of the REIT Manager and/or of any of its associates have an interest; and
- It is also provided in the Trust Deed that if the REIT Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the REIT Trustee for and on behalf of Far East H-REIT with an Interested Person (as defined in the Listing Manual) and/or, as the case may be, an Interested Party (as defined in the Property Funds Appendix) (collectively, a "Related Party") of the REIT Manager, the REIT Manager shall be obliged to consult with a reputable law firm (acceptable to the REIT Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the REIT Trustee, on behalf of Far East H-REIT, has a *prima facie* case against the party allegedly in breach under such agreement, the REIT Manager shall be obliged to take appropriate action in relation to such agreement. Directors of the REIT Manager will have a duty to ensure that the REIT Manager so complies. Notwithstanding the foregoing, the REIT Manager shall inform the REIT Trustee as soon as it becomes aware of any breach of any agreement entered into by the REIT Trustee for and on behalf of Far East H-REIT with a Related Party of the REIT Manager and the REIT Trustee may take such action as it deems necessary to protect the rights and interests of the Stapled Securityholders of Far East H-Trust. Any decision by the REIT Manager not to take action against a Related Party of the REIT Manager shall not constitute a waiver of the REIT Trustee's right to take such action as it deems fit against such Related Party.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROL SYSTEM FOR RELATED PARTY AND INTERESTED PERSON TRANSACTIONS

The REIT Manager has established an internal control system to ensure that all Related Party Transactions, Interested Party Transactions (as defined in the Property Fund Appendix) and Interested Person Transactions (as defined in the Listing Manual) (collectively "IPT"):

- will be undertaken on an arm's length basis and on normal commercial terms; and
- will not be prejudicial to the interests of the Stapled Securityholders of Far East H-Trust.

Related party transactions have been disclosed in the financial statements of this annual report. As a general rule, the REIT Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the REIT Manager, or obtaining valuations from independent professional valuers (in accordance with the Property Funds Appendix).

The REIT Manager maintains a register to record all IPT which are entered into by Far East H-REIT and the bases, including any quotations from unrelated parties and independent valuations obtained, on which they are entered into.

The REIT Manager has incorporated into its internal audit plan to review all IPT entered into by Far East H-REIT. The ARC will monitor the procedures established to regulate IPT, including reviewing any IPT entered into from time to time and the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor IPT have been complied with (including relevant provisions of the Listing Manual and Property Funds Appendix). If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

In addition, the REIT Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the ARC.

Further, the following procedures will be adhered to:

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding S\$100,000 in value but less than 3.0% of the value of Far East H-REIT's latest audited net tangible assets/net asset value will be subject to review by the ARC at regular intervals;
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Far East H-REIT's net tangible assets/net asset will be subject to the review and prior approval of the ARC. Such approval shall only be given if such transaction is conducted on an arm's length basis, on normal commercial terms and consistent with similar types of transactions made with third parties which are not interested parties; and
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 5.0% of the value of Far East H-REIT's net tangible assets/net asset value will be reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transaction would have to be approved by the Far East H-Trust Stapled Securityholders at a meeting duly convened.

# CORPORATE GOVERNANCE REPORT

Where matters concerning Far East H-REIT relate to transactions entered into or to be entered into by the REIT Trustee for and on behalf of Far East H-REIT with an interested party (which would include relevant associates thereof), the REIT Trustee is required to ensure that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Far East H-REIT and the Stapled Securityholders of Far East H-Trust, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question. Furthermore, the REIT Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an interested party. If the REIT Trustee is to sign any contract with an interested party, the REIT Trustee will review the contract to ensure that it complies with the requirements relating to IPT in the Property Funds Appendix (as may be amended from time to time) and the provisions of the Listing Manual relating to IPT (as may be amended from time to time) as well as guidance prescribed by the MAS and SGX-ST.

Save for the IPT described under “Setting Up of Far East H-REIT and Future Related Party Transactions” in the IPO prospectus, Far East H-REIT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of Far East H-REIT’s latest audited net tangible assets/net asset value.

The aggregate value of all Interested Person Transactions in accordance with the Listing Manual in FY 2020, and which are subject to Rules 905 and 906 of the Listing Manual excluding transactions of less than S\$100,000 in value, is disclosed below:

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) S\$’000	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$’000
<b>FEO Hospitality Asset Management Pte. Ltd.</b>	REIT Manager		
Rental income		154	-
Management fees <sup>(2)</sup>		9,439	-
Reimbursable expenses <sup>(3)</sup>		86	-
Rental relief <sup>(7)</sup>		10	-
<b>DBS Trustee Limited</b>	REIT Trustee		
Trustee’s fee		329	-
<b>Far East Organization and its related companies</b>	Controlling Stapled Securityholders of Far East H-Trust and its associate		
Rental income – Master Lease <sup>(5)</sup>		69,010	-
Rental income – REIT Commercial Premises <sup>(6) (11)</sup>		2,331	-
Rental income - Others <sup>(4) (6)</sup>		57	-
Hotel management fee <sup>(4) (8)</sup>		609	-

# CORPORATE GOVERNANCE REPORT

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
Shared service fees <sup>(9)</sup>	Controlling Stapled Security-holders of Far East H-Trust and its associate	944	-
Reimbursable expenses <sup>(4)</sup>		246	-
Technical and operation support service fee <sup>(10)</sup> <sup>(4)</sup>		470	-
Leasing commission – REIT Commercial Premises <sup>(11)</sup>		346	-
Other expenses <sup>(4)</sup> <sup>(12)</sup>		1,793	-
Project management services <sup>(4)</sup>		141	-
Other revenue <sup>(4)</sup>		56	-
Reimbursable expenses received/receivable <sup>(4)</sup> <sup>(13)</sup>		169	-
Interest income <sup>(14)</sup>		533	-
Interest expense <sup>(4)</sup> <sup>(15)</sup>		373	-
Rental relief <sup>(7)</sup>		11,610	-

(1) DBS Trustee Limited (in its capacity as trustee of Far East H-REIT) has entered into tenancy agreements with related corporations of the REIT Manager during the year which has been reviewed and approved by ARC as follows:

Name of interested person	Term	Contract value S\$'000
Far East Orchard Limited	2 years	1,434
Far East Management (Private) Limited	0.1 – 1 year	484
Far East Hospitality Holdings Pte. Ltd.	2 years	88
Far East Property Sales Pte. Ltd.	0.7 year	32
Far East Hospitality Management (S) Pte. Ltd.	2 years	687
Yeo Hiap Seng Limited	2 years	60

(2) Pursuant to the Trust Deed, the REIT Manager is entitled to a management fee comprising a base fee of 0.28% per annum of the value of the H-REIT Deposited Property (as defined in the Trust Deed) and a performance fee of 4.0% per annum of net property income ("NPI") or the annual distributable amount (as defined in the Trust Deed) in the relevant year, whichever is lower.

(3) This relates to service fee for website maintenance, annual report production, AGM expenses and other miscellaneous expenses.

(4) H-REIT holds 30% interest in Fontaine Investment Pte Ltd ("FIPL"), a joint venture company established to develop a hotel site in Sentosa. FIPL meets the criteria of an Entity at Risk being an associated company that is not listed on the Exchange. The aggregate value of interested person transactions included value at risk for transactions with Interested Persons of 30% on the basis of the H-REIT's shareholding.

(5) This relates to the rental income received/receivable from the master lessees of the properties:

- First Choice Properties Pte Ltd	- Golden Development Private Limited
- Far East Organization Centre Pte. Ltd.	- OPH Riverside Pte Ltd
- Golden Landmark Pte. Ltd.	- Serene Land Pte Ltd
- Transurban Properties Pte. Ltd.	- Oxley Hill Properties Pte Ltd
- Far East Orchard Limited	- Riverland Pte Ltd
- Far East SOHO Pte. Ltd.	

# CORPORATE GOVERNANCE REPORT

- (6) This relates to rental income received/receivable from related corporations of the REIT Manager:
- |   |   |
|---|---|
| - Far East Management (Private) Limited | - Far East Hospitality Holdings Pte. Ltd.       |
| - Far East Property Sales Pte. Ltd.     | - Far East Hospitality Management (S) Pte. Ltd. |
| - Kitchen Language Pte. Ltd.            | - Far East Orchard Limited                      |
|   | - Yeo Hiap Seng Limited                         |
- (7) This relates to rental relief provided to the master lessees and retail commercial premises tenants which includes the property tax rebate, cash grant and landlord rental relief mandated by the Government.
- (8) This relates to hotel management fee paid/payable by FIPL to Far East Hospitality Management (S) Pte. Ltd.
- (9) This relates to the shared services agreements between the master lessees and Far East H-REIT in respect of the properties. The master lessees are paid monthly for a share of the costs of the applicable services provided to and attributed to the REIT Commercial Premises based on the agreed proportion of the total costs and expenses for the properties. The services provided or procured by the master lessees included cleaning and maintenance services, fire alarm system maintenance, lifts maintenance, landscape maintenance, waste disposal services, provision of security services, chiller plant maintenance, air conditioner maintenance and other services.
- (10) This relates to technical and operation support service fee paid/payable to related corporations of the REIT Manager:
- |  |                                 |
|--|---------------------------------|
| - First Choice Properties Pte Ltd        | - OPH Riverside Pte Ltd         |
| - Far East Organization Centre Pte. Ltd. | - Serene Land Pte Ltd           |
| - Golden Landmark Pte. Ltd.              | - Oxley Hill Properties Pte Ltd |
| - Golden Development Private Limited     | - Riverland Pte Ltd             |
| - Far East Orchard Limited               | - Agape Laundry Pte Ltd         |

FIPL extended its laundry services contracts with an estimated contract sum of S\$11,560<sup>(4)</sup> for two months with Agape Laundry Pte Ltd during the year which has been reviewed and approved by ARC.

- (11) This relates to leasing commission paid/payable to Far East Management (Private) Limited and other third party marketing agents.
- (12) This relates to central engineering, property management & leasing services, vehicle lease, breakfast, all day dining, room service & banquet, technical and back office support fee paid/payable by FIPL to related corporations of the REIT Manager.

FIPL has entered into agreements with related corporations of the REIT Manager during the year which has been reviewed and approved by ARC as follows:

Name of interested person	Term	Contract value <sup>(4)</sup> S\$'000
Far East Management (Private) Limited	1-3 years	2,032
Far East Real Estate Agency Pte Ltd	5 years	164
Kitchen Language Pte Ltd	2.3 – 3 years	6,429

- (13) This relates to reimbursement of utilities, staff related expenses and other miscellaneous expenses from related corporations of the REIT Manager.
- (14) This relates to interest on shareholders' loan received/receivable from FIPL.
- (15) This relates to interest on shareholders' loan paid/payable by FIPL to Far East Organization Centre Pte Ltd.

# CORPORATE GOVERNANCE REPORT

Far East H-Trust has not obtained a Stapled Securityholders' mandate pursuant to Rule 920 of the Listing Manual for IPT.

Save as disclosed above, (a) there are no other material contracts entered into by Far East H-Trust and/or its subsidiaries including the interests of the CEO, any director or controlling Stapled Securityholder, either still subsisting at the end of the year or entered into since the end of the previous financial year; and (b) there were no additional IPT (excluding transactions of less than S\$100,000 each) entered into during the period under review.

The entry into and the fees and charges payable by Far East H-REIT under the Trust Deed, the Stapling Deed, the Shared Services Agreements, the Shared Electricity Services Agreements, the License Agreement and the leases set out in the section "Other Related Party Transactions" in the IPO Prospectus and/or circular, to the extent that details of these have been specifically disclosed in the IPO Prospectus and/or circular, which each constitutes an Interested Person Transaction, are deemed to have been specially approved by Stapled Securityholders upon purchase of the Stapled Securities and/or in the Extraordinary General Meeting and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Far East H-REIT.

## **BOARD'S COMMENT ON INTERNAL CONTROLS AND RISK MANAGEMENT**

The Board receives quarterly certification of assurance from the CEO and CFO which assures that to the best of their knowledge, the accounting records have been properly maintained and the financial statements are drawn up so as to give a true and fair view of the financial position and financial performance, and that they are prepared in accordance with accounting standards. The CEO, CFO and other key management personnel also provide a certification of assurance to the Board that Far East H-Trust's risk management and internal control systems, to the extent that they address the financial, operational, compliance and information technology risks faced by Far East H-Trust in its current business environment, have been adequately designed and are operating effectively in all material aspects, as at 31 December 2020. The Hotel and Serviced Residence Operator provides a certificate of assurance to the Board every quarter that to the best of its knowledge, hotel and serviced residence management services have been rendered in accordance to the hotel management agreement and serviced residence management agreement and each of the properties is kept in accordance with industry's laws and regulations such as the Building and Construction Act, Fire Safety Code, The Workplace Safety and Health Act, etc.

Based on the risk management and internal control systems established and adhered to by Far East H-Trust, the assurance received from the CEO, CFO and other key management personnel, the assurance received from the Hotel and Serviced Residence Operator, work performed by the internal and external auditors, and compliance manager, reviews conducted by Management and various Board Committees, the Board is of the view that Far East H-Trust's internal controls (including financial, operational, compliance and information technology controls) and risk management system have been adequately designed and are operating effectively in all material aspects faced by Far East H-Trust in its business environment as at 31 December 2020.

The Board notes that the internal controls and risk management system established provides reasonable though not absolute assurance against material misstatement of loss and that Far East H-Trust will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board accepts that the internal control systems contain inherent limitations and notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, fraud and other irregularities.

# CORPORATE GOVERNANCE REPORT

The ARC concurs with the Board's comment on the internal controls and risk management systems of Far East H-Trust.

## **ROLE AND DUTIES OF COMPLIANCE MANAGER**

KPMG Services Pte Ltd ("KPMG"), the Compliance Manager, assists with the Far East H-REIT's and the REIT Manager's regulatory and compliance matters.

KPMG reports to the ARC of the REIT Manager and their duties include:

- Advising and checking for the REIT Manager's compliance with its regulatory obligations under the SFA and Listing Manual;
- Advising and checking for the representatives' compliance with their regulatory obligations under the SFA, such as the maintenance of their relevant interests in listed specified products;
- Checking the returns and other documents to be submitted by the REIT Manager and its representatives to the MAS under the SFA from time to time, in relation to the REIT Manager's CMS License for the regulated activity of REIT management; and
- Conducting regulatory training, as and when requested, to the REIT Manager, its Directors and its representatives as part of the quarterly compliance review

## **AUDIT COMMITTEE**

### **Principle 10:**

*The Board has an Audit Committee which discharges its duties objectively.*

## **AUDIT AND RISK COMMITTEE**

The ARC members are appointed by the Board from among its members. The ARC is comprised entirely of independent directors, and its members as at 31 December 2020 are Mr Willie Cheng (Chairman), Mr Huang Cheng Eng and Mr Kyle Lee. In January 2021, two new independent directors, Ms Catherine Lee and Ms Celestine Khoo, joined the ARC as part of the progressive renewal of the ARC and the Board.

The Board is of the view that the members of the ARC bring with them invaluable and relevant managerial and professional expertise in accounting and related financial management domains to discharge their responsibilities. Both Mr Willie Cheng and Mr Kyle Lee have extensive audit, accounting and financial management expertise and experience. In particular, they are Fellows of the Singapore Chartered Accountants, among other professional affiliations. The Board considers Mr Huang Cheng Eng as having sufficient financial management knowledge to discharge his responsibilities as a member of the ARC.

None of the ARC members are former partners or directors of Far East H-REIT's existing external auditing firm, Ernst & Young LLP ("EY").

# CORPORATE GOVERNANCE REPORT

## KEY RESPONSIBILITIES AND ACTIVITIES OF THE ARC

The ARC's responsibilities include:

- i. Reviewing the financial statements of Far East H-REIT and Far East H-Trust;
- ii. Reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of Far East H-Trust, and announcements relating to Far East H-Trust's financial performance;
- iii. Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the REIT Manager's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- iv. Reviewing the adequacy and effectiveness of the REIT Manager's internal audit and compliance functions;
- v. Reviewing the scope and results of the external audit and independence and objectivity of the external auditors;
- vi. Reviewing IPT and monitoring the procedures established to regulate IPT, including ensuring compliance with the provisions of the Listing Manual and the provisions of the Property Funds Appendix;
- vii. Deliberating on resolutions relating to conflicts of interest involving Far East H-REIT;
- viii. Monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Appendix;
- ix. Reviewing the arrangements by which employees of the REIT Manager may, in confidence, safely raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action;
- x. Making recommendations to the Board on the appointment, reappointment and removal of external auditors and approving the remuneration and terms of engagement of external auditors;
- xi. Meeting with internal and external auditors, without the presence of the Management, at least once annually; and

The ARC has explicit authority to investigate any matter within its terms of reference. The ARC has full access to and co-operation by Management and the internal and external auditors and has full discretion to invite executive officers of the REIT Manager and the Sponsor, external consultants or advisers to attend its meetings. The internal and external auditors have unrestricted access to the ARC.

During the year under review, four ARC meetings were held. The ARC has met separately with the internal auditor and external auditor, without the presence of the executive officers of the REIT Manager on one occasion each to discuss issues and to confirm that they had full access to and received co-operation and support from the Management.

The ARC has conducted a review of all non-audit services provided by EY, the external auditor, during the year under review. The aggregate amount of fees paid and payable to EY was S\$135,400, of which audit fees amounted to S\$76,500 and non-audit fees amounted to S\$58,900. The non-audit fees paid/payable to EY relates to general tax and GST compliance work. The statutory audit fee for Far East H-Trust is relatively low compared to peer organisations because a significant part of the audit work relating to Far East H-REIT's gross revenue has been performed by the auditors of the Master Lessees.

The fees paid to EY for non-audit services did not exceed 50% of the total fees paid. The ARC, having regard to the nature and performance of the work by EY, is of the view that the auditor's independence and objectivity are not impaired or threatened.

# CORPORATE GOVERNANCE REPORT

In reviewing the nomination of EY for re-appointment for the financial year ending 31 December 2021, the ARC had taken into consideration the Audit Quality Indicators Framework introduced by ACRA. The ARC also considered the adequacy and experience of the professional staff and audit engagement partner assigned, EY's experience in the REIT sector and the size and complexity of the audit. The ARC is satisfied with the independence and work of the external auditors and has recommended to the Board the re-appointment of EY as the external auditors of Far East H-Trust at the forthcoming annual general meeting.

The Board confirms that Far East H-Trust complies with the requirements of Rule 712 and Rule 715 of the Listing Manual in respect of the suitability of the auditing firm for Far East H-Trust.

## **WHISTLE BLOWING POLICY**

The REIT Manager has established a Whistle Blowing Policy and a Loss Management Policy for which relevant employees and Directors of the REIT Manager and the Trustee-Manager as well as external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters in good faith, with the confidence that the relevant persons making the reports will be treated fairly and be protected from reprisal. The objective of the Whistle Blowing Policy is to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The Whistle Blowing Policy deals with defalcation, impropriety, or wrongdoing by employees in situations including but not limited to suspected fraud, corruption, and unlawful or dishonest conduct.

Whistle-blowers are given the option to remain anonymous and may report via an external independent hotline or directly to FEO's Head of Internal Audit. Establishing these policies reflects the REIT Manager's commitment to conduct its business within a framework that fosters the highest ethical standards.

The Whistle Blowing Policy is made available to all new employees when they join the REIT Manager, and they are briefed on this together with FEO's Code of Conduct. The Whistle Blowing Policy is also publicly disclosed on Far East H-Trust's website.

## **REVIEWS CONDUCTED BY THE ARC**

During the year under review, the ARC performed independent reviews of the half-yearly and full year financial results as well as interim business updates of Far East H-Trust before recommending to the Board for approval on the release of the financial statements and SGX announcements relating to Far East H-Trust's financial statements. In the process, the ARC reviewed the significant financial reporting issues and judgements, including the appropriateness of accounting policies and the quality and completeness of disclosure to ensure the integrity of the financial statements. The ARC also reviewed, among other matters, the following key audit matters ("KAM") identified by the external auditor for the financial year ended 31 December 2020:

# CORPORATE GOVERNANCE REPORT

<b>Key Audit Matter</b>	<b>How the issue was addressed by ARC</b>
Valuation of Investment Properties	<p>The ARC considered the approach and methodology applied to the valuation model in assessing the valuation of investment properties.</p> <p>The ARC noted that:</p> <ul style="list-style-type: none"><li>• There was appropriate use of third party valuers who have recognised professional qualification and experience in the location and category of properties being valued;</li><li>• In accordance with the Property Funds Appendix, the valuers have been changed every two years to provide independent and fresh perspective to the valuation process. However, the valuers were appointed for a third consecutive year<sup>1</sup> in December 2020 (with the exception of Oasia Hotel Downtown) for continuity given the disruption caused by COVID-19; and</li><li>• Material judgmental assumptions used in the valuations were within reasonable parameters.</li></ul> <p>The ARC considered the findings of the external auditor, including the assessment of the appropriateness of the valuation techniques and the underlying assumptions applied, as well as how the impact of COVID-19 has been considered in the key assumptions and inputs adopted in the valuation.</p> <p>The ARC considered the valuation of the investment properties to be appropriate.</p>

The ARC reviewed and approved the audit plan and scope of the external auditors on the audit of the full year financial statements. The ARC also reviewed and approved the internal audit plan and scope of the internal auditor's work and its audit programme. It reviewed the findings during the year and Management's responses thereto and it satisfied itself to the adequacy of the internal audit function. In addition, the ARC reviewed the IPT to ensure compliance with the Listing Manual and the Property Funds Appendix.

Changes to the accounting standards and issues which have direct impact on the financial statements were reported and discussed with the ARC at its meetings. The ARC has considered the introduction of new accounting standards for the annual periods beginning on 1 January 2020 and the effect to the financial statements of Far East H-Trust.

The ARC does not expect the adoption of the new standards to have material impact to the financial statements of Far East H-Trust.

## **ROLE AND DUTIES OF INTERNAL AUDITORS**

The role of the internal auditors is to assist the ARC to ensure that the REIT Manager maintains a sound system of internal controls by regularly monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC, and conducting regular in-depth audits of high-risk areas.

<sup>1</sup> The revision of the Code on 16 April 2020 provides that a property fund may appoint a valuer to value the same property for a third consecutive financial year only if that financial year ends on or before 31 December 2020.

# CORPORATE GOVERNANCE REPORT

The ARC approves the hiring, removal, evaluation and compensation of the internal auditor or the accounting/ auditing firm or corporation to which the internal audit function is outsourced. Far East H-REIT and the REIT Manager have engaged Deloitte & Touche Enterprise Risk Services Pte Ltd (“Deloitte & Touche”) as the internal auditor for a three-year period commencing 1 January 2020. This change of engagement is in line with the REIT Manager’s and ARC’s continued practice to uphold good corporate governance standards for Far East H-REIT. Deloitte & Touche adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (IIA). The internal auditor is independent of management and reports directly to the Chairman of the ARC.

The internal auditor plans the internal audit schedules in consultation with, but independent of the REIT Manager. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. The internal auditor has unfettered access to all the REIT Manager’s documents, records, properties and personnel, including access to the ARC. The ARC reviews the internal audit report quarterly and monitors the implementation of the improvements required on internal control weaknesses identified.

During the year under review, Far East Management (Private) Limited (“FEMPL”) assisted in administering the Whistle Blowing Policy and Loss Management Policy of the REIT Manager. FEMPL reports to the ARC on any whistle-blowing report or loss management incidents.

For the year under review, the ARC is of the view that the internal audit function is adequately resourced and has appropriate standing within the company. The ARC has reviewed and is satisfied with the adequacy, independence and effectiveness of the internal audit function.

## (D) SHAREHOLDER RIGHTS AND ENGAGEMENT

### **SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

#### **Principle 11:**

*The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

The Board is responsible for providing a balanced and understandable assessment of Far East H-REIT’s performance, position and prospects. In this regard, Management provides timely, complete, adequate information to the Board through the most expedient means. On a monthly basis, Management provides the Board with an update on Far East H-REIT’s operating performance. A set of management accounts with analysis is provided to the Board on a quarterly basis.

The Board embraces openness and transparency in the management of Far East H-REIT, whilst preserving the commercial interests of Far East H-REIT. Financial reports, press releases, media and analyst presentation slides and other price sensitive information are disseminated to Stapled Securityholders through announcements via SGXNET and Far East H-Trust’s website.

The REIT Manager is committed to treating all Stapled Securityholders fairly and equitably, and seeks to facilitate the exercise of ownership rights by all Stapled Securityholders.

Far East H-Trust is committed to communicating with investors, analysts and the investment community in a timely and comprehensive manner. Far East H-Trust releases corporate information through posting announcements on SGXNET and Far East H-Trust’s corporate website. Far East H-Trust continues to strive towards improving the standard of disclosures and transparency to help investors make more informed investment decisions.

# CORPORATE GOVERNANCE REPORT

## ANNUAL GENERAL MEETING (“AGM”)

Stapled Securityholders are informed of AGMs or Extraordinary General Meetings (“EGM”) through reports or circulars sent to them. Notices of the general meetings are also issued via SGXNET. The Notice includes a disclosure of detailed information on each agenda item for the AGM. The requisite notice period for general meetings was adhered to.

Under normal circumstances, a physical AGM is held and all Directors, key management personnel of the REIT Manager and representatives from the REIT Trustee are physically present to address Stapled Securityholders’ queries at the AGM and EGM. The external auditor is also physically present to answer Stapled Securityholders’ questions about the conduct of the audit and the content of the auditors’ report. Stapled Securityholders are encouraged to attend and participate by voting at the general meetings. Opportunity is given to every Stapled Securityholder to interact with Directors and Management of the REIT Manager, to communicate their views and ask questions on matters affecting Far East H-REIT.

In line with the COVID-19 (Temporary Measures) Act 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, Far East H-Trust’s 8th AGM was held by way of electronic means on 25 June 2020. Due to capacity restrictions, only the Chairman, Lead Independent Director and CEO were physically present at the AGM. Other Directors, key management personnel of the REIT Manager, representatives from the REIT Trustee and the external auditor were present via live webcast. The Chairman acknowledged that Stapled Securityholders who were participating via webcast would be taken as present at and counted for quorum purposes for the AGM.

During the AGM, the CEO of Far East H-Trust made a presentation to update Far East H-Trust’s Stapled Securityholders on the market and industry operating environment, performance of Far East H-Trust’s hotels and serviced residences, asset enhancement initiatives that had taken place during the year, and other recent developments in relation to acquisitions or projects that had been undertaken.

As Stapled Securityholders were not able to physically attend the AGM in person due to COVID-19, alternative arrangements were made in 2020 to facilitate Stapled Securityholders’ participation at the AGM by

- a) watching the AGM proceedings via “live” audio-visual webcast or listening to the AGM proceedings via “live” audio-only stream;
- b) submitting questions in advance of the AGM; and
- c) appointing the Chairman as proxy to attend, speak and vote on their behalf at the AGM

Under normal circumstances, if any Stapled Securityholder, who is not a Relevant Intermediary<sup>1</sup>, is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meetings through proxy form sent in advance.

Stapled Securityholders who are Relevant Intermediaries may appoint more than two proxies to exercise all or any of its rights provided that each proxy is appointed to exercise rights attached to a different Stapled Security held by it. Where such Stapled Securityholder appoints more than two proxies, the appointments shall be invalid unless the Stapled Securityholder specifies the number of Stapled Securities in relation to which each proxy has been appointed. The amendment is consistent with the multiple proxies regime under The Companies (Amendment) Act 2014.

Having considered that Stapled Securityholders may vote by proxy, the REIT Manager has decided, for the time being, to refrain from implementing absentia voting until security, integrity, and other pertinent issues are satisfactorily resolved.

<sup>1</sup> “Relevant Intermediary” shall have the meaning ascribed to it in the Companies Act, Chapter 50, Section 181 (6) and apply with such modifications and qualifications as may be necessary.

# CORPORATE GOVERNANCE REPORT

Each distinct issue is proposed as a separate resolution at the general meetings and the reasons and material implications are explained. All the resolutions at the AGM and EGM are moved by voting by poll. In 2020 due to restrictions on physical attendance at meetings, Stapled Securityholders who wished to exercise their voting rights had to appoint the Chairman as their proxy to vote on their behalf.

The voting and vote tabulation procedures are declared before the voting commences, and an independent scrutineer, DrewCorp Services Pte Ltd, is appointed to count and validate the votes. The voting results, showing the number of votes cast for and against each resolution and the respective percentages, are disclosed at the general meetings right after the votes are casted.

After the general meetings, announcements of the voting results are also made through SGXNET and on Far East H-Trust's website. Since 2019, the REIT Manager publishes minutes of general meetings of Stapled Securityholders on its corporate website, as soon as practicable. The minutes of Stapled Securityholders' meetings capture the attendance of Board members at the meetings, matters approved by Stapled Securityholders, voting results and substantial and relevant comments or queries from Stapled Securityholders relating to the agenda of the meetings, together with responses from the Board and Management. Minutes for the prior period are also available to our Stapled Securityholders upon their request.

In line with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the minutes including details of Stapled Securityholders' questions and answers were published through SGXNET and on Far East H-Trust's corporate website within one month after the AGM.

## **DISTRIBUTION POLICY**

Far East H-REIT's distribution policy is to distribute at least 90% of its taxable income. This distribution policy is stated on the corporate website. The actual level of distribution will be determined at the REIT Manager's discretion, taking into account the needs of Far East H-REIT for capital expenditure, working capital requirements and the liquidity position of Far East H-REIT. Since Far East H-Trust's listing in 2012, Far East H-Trust has distributed 100% of its taxable income to Stapled Securityholders.

## **ENGAGEMENT WITH SHAREHOLDERS**

### **Principle 12:**

*The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

The REIT Manager has established an Investor Relations Policy that governs regular, effective and fair communication with Stapled Securityholders.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET and on Far East H-Trust's website. The CEO, CFO and the investor relations team of the REIT Manager actively engage institutional investors, analysts and fund managers to solicit and understand the views of the investment community via:

- Analyst briefings held every quarter after the financial results or business update announcements;
- One-on-one or group meetings, conference calls, investor luncheons, local/overseas road shows and conferences; and
- Far East H-Trust's website at [www.fehtrust.com](http://www.fehtrust.com) (an email alert option is available to subscribers who wish to be notified of newly posted announcements, press releases, presentations and publications).

# CORPORATE GOVERNANCE REPORT

During the analyst briefings, analysts are given the opportunity to ask questions. The questions are responded to by the CEO or CFO immediately.

The REIT Manager has established Far East H-Trust's corporate website as an information resource centre for retail and institutional investors and for regular dialogue with investors, such as to gather their views or inputs. They can also send their feedback or voice any concerns through Far East H-Trust's corporate email: enquiry@fehtrust.com.

With a majority of Stapled Securities held by institutional investors, Management considers meetings with local and foreign fund managers an integral part of investor relations. Due to restrictions arising from COVID-19, physical meetings and conferences were converted to virtual format in 2020. During the year, the CEO, CFO and the investor relations team had virtual meetings with institutional investors from Singapore, Hong Kong, Thailand and Japan. These meetings and roadshows with investors enabled the CEO to update potential and existing Stapled Securityholders on Far East H-Trust's developments. The Manager also participated in various virtual conferences as part of its efforts to build interest in Far East H-Trust. The Manager also arranged a site visit for analysts in December 2020, which enabled them to gain insights into the quality and scale of Far East H-Trust's property portfolio.

## (E) MANAGING STAKEHOLDER RELATIONSHIPS

### **ENGAGEMENT WITH STAKEHOLDERS**

#### **Principle 13:**

*The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

Far East H-Trust strives to maintain open and fair communication with its key stakeholders, to understand their views, concerns, and objectives in order to work towards more sustainable growth. With the support of an external consultant, KPMG Services Pte Ltd, the REIT Manager has identified stakeholder groups which have a significant influence and interest in Far East H-Trust's operations and business and engaged these stakeholders to understand their ESG expectations. The key stakeholders identified are the Board, Employees, Sponsor/Master Lessees, Trustee, Stapled Securityholders/Investment Community/Media, Hotel and Serviced Residence Operator/Property Manager, Guests/Residents/Tenants, Government/Regulators and Industry/Business associations and the Local Community.

The Sustainability Report section of the Annual Report provides more details about the strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period, including:

- Adoption of environmentally friendly practices (energy conservation etc);
- Delivering long-term sustainable and growing distributions to the Stapled Securityholders;
- Looking after the health, safety, welfare and development of employees; and
- Interaction and support for relevant communities

In FY 2020, to ensure customers' health and safety during the COVID-19 pandemic, the guest handling protocols were implemented and enhanced. These include:

- Guestroom protocols which require rooms to be fully disinfected after each departure;
- Reduced capacity of event venues and food & beverage outlets in accordance with safe distancing measures;
- Increased frequency of deep cleaning of public areas and high touchpoint surfaces with the use of hospital-grade solutions; and
- Certification under the SG Clean scheme

# CORPORATE GOVERNANCE REPORT

The rights of Far East H-Trust's creditors, which comprise the lending banks, are protected with a well-spread out debt maturity, healthy interest coverage ratio and gearing ratio well below the regulated limits. Quarterly internal compliance reviews are also conducted to ensure that various capital management metrics remain compliant with loan covenants.

Far East H-Trust maintains a current corporate website at [www.fehtrust.com](http://www.fehtrust.com), and an email alert option is available to subscribers who wish to be notified of newly posted announcements, press releases, presentations and publications. In this way, the company hopes to have good communication and engagement with all its material stakeholders.

## **(F) ADDITIONAL INFORMATION**

### **DEALINGS IN STAPLED SECURITIES**

The REIT Manager has adopted its own Trading Policy to provide guidance to relevant employees and Directors of the Sponsor, the REIT Manager and the Trustee-Manager in the dealing of the Stapled Securities. The Trading Policy sets out the implications of insider trading and principles that all relevant employees and Directors have to observe at all times:

- To act in the best interests of Stapled Securityholders;
- To avoid, and be seen to avoid, actual or potential conflict between personal interest and that of the Stapled Securityholders;
- To comply with the prohibition on trading in the Stapled Securities;
- To inform the Compliance Manager of Far East H-Trust within two working days of completion of the trade; and
- To avoid dealing in the securities of Far East H-Trust on short term considerations.

All relevant employees and Directors are strictly prohibited from dealing in the following instances:

- During the period commencing one month before the announcement of Far East H-Trust's half-year and full-year financial statements, as the case may be, and ending on the date of announcement of the relevant results; or
- (If Far East H-Trust announces its quarterly financial statements where required by the Exchange or otherwise), during the period commencing two weeks before the announcement of Far East H-Trust's financial statements for each of the first three quarters of its financial year and one month before the announcement of Far East H-Trust's financial statements for the full financial year, as the case may be, and ending on the date of announcement of the relevant results; and
- At any time when relevant employees and Directors are in possession of material or price sensitive information that is not available in the market.

Staff members of the REIT Manager who wish to trade in the Stapled Securities must obtain pre-trade approval from the CEO; the CEO is required to obtain pre-trade approval from either the Chairman of the ARC or the Chairman of the Board for trading in securities of Far East H-Trust.

A pre-trade Board approval process has been put in place for Board members of the REIT Manager who wish to trade in the Stapled Securities.

### **CORRUPTION AND BRIBERY PREVENTION POLICY**

The REIT Manager adopts a strong stance against bribery and corruption. There are detailed guidelines and procedures listed in FEO's Code of Conduct for the giving and receiving of gifts (monetary or otherwise), kickbacks, concessionary offers, lavish entertainment, and business dealings that may place the employee under any real or apparent obligation or indebtedness to any party. In relation to these guidelines, all employees of the REIT Manager are required to make a declaration on an annual basis where they pledge to be compliant and uphold the core values in line with the Code of Conduct, which include not engaging in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings. The REIT Manager's zero-tolerance policy towards bribery and corruption extends to its business dealings with third parties. Hence, the REIT Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

# CORPORATE GOVERNANCE REPORT

FEO's Code of Conduct is published on the intranet which is accessible by all employees of the REIT Manager. New employees of the REIT Manager are briefed on the Code of Conduct and are required to read and acknowledge the guidelines listed therein when they join the REIT Manager.

## **RATIONALE FOR CHOICE OF REIT MANAGER**

FEO Hospitality Asset Management Pte. Ltd. comprises employees with a diverse set of functional competencies such as hospitality, asset management, capital markets and finance that enable the REIT Manager to carry out its duties in a satisfactory manner. Oversight of the REIT Manager is provided by the Board of Directors, which comprises experienced individuals with a diversity of thought and background, the majority of whom are independent.

## **PROVISIONS FOR REMOVAL OF THE REIT MANAGER**

Trust Deed provides certain circumstances under which the REIT Manager may be removed by notice in writing given by the REIT Trustee in certain situations, including by a resolution passed by a simple majority of Stapled Securityholders present and voting (with no Stapled Securityholders being disenfranchised) at a meeting of Stapled Securityholders duly convened and held in accordance with the provisions of the Trust Deed.

## **AVAILABILITY OF TRUST DEED**

A copy of the Trust Deed and of any supplemental deed (including any amending and restating deed) are available for inspection at the registered office of the REIT Manager during usual business hours in accordance with the relevant laws, regulations and guidelines and on application at a charge per copy of the document.

## **PROPERTY MANAGEMENT AND LEASING FEES**

Under the property management agreement in relation to the REIT commercial premises ("RCP"), Jones Lang LaSalle Property Consultant Pte Ltd ("JLL") provides property management services, lease management services, arrears management services, property tax services and marketing coordination services for the RCP at a fixed service fee.

Under the marketing service agreement in relation to the RCP, Far East Management (Private) Limited provides marketing and leasing services for securing RCP tenants at a commission fee equivalent to a certain month's rent depending on the lease term.

## **DISCLOSURES ON FEES PAYABLE TO THE REIT MANAGER**

Pursuant to the Trust Deed, the REIT Manager is entitled to receive fees payable out of the deposited property of Far East H-REIT.

The methodology for the computation and payment of fees, with reference to the relevant clauses in the Trust Deed, is disclosed on pages 133 to 134 under the "Notes to the Financial Statements" section of this Annual Report.

The management fees are earned by the REIT Manager for the management of Far East H-REIT's portfolio of properties. These fees are reviewed from time to time and benchmarking is conducted to ensure alignment to the interests of Far East H-Trust's Stapled Securityholders.

The various fees earned by the REIT Manager and their rationale are further elaborated below:

# CORPORATE GOVERNANCE REPORT

## **BASE FEE AND PERFORMANCE FEE**

The base fee covers the day-to-day operational, compliance, monitoring and reporting costs as well as administrative overheads incurred by the REIT Manager. The base fee represents the compensation to the REIT Manager for executing its core responsibilities and is based on a percentage of the value of the Far East H-REIT's deposited properties, which is an appropriate metric to determine the resources required for managing Far East H-REIT. As Far East H-REIT grows in portfolio size, the complexity of management increases and the REIT Manager is expected to expend greater effort in fulfilling its responsibilities. From 1 January 2020, the base fee was reduced from 0.3% to 0.28% per annum of the value of deposited property.

The performance fee is an objective benchmark and incentivises the REIT Manager to proactively manage its portfolio, which may include but are not limited to asset enhancement initiatives, repositioning or re-branding of its properties, re-segmentation of its properties' customer base and driving cost efficiencies to improve profit margins. From 1 January 2020, the performance fee was changed to the lower of 4% of the net property income or annual distributable amount (after accounting for base fee but before accounting for performance fee) from 4% of the net property income previously.

Such fee methodology aligns the interests of the REIT Manager and Stapled Securityholders and ensures the long-term sustainability of the assets, instead of taking on excessive short-term risks to the detriment of the Stapled Securityholders.

## **ACQUISITION FEE AND DIVESTMENT FEE**

To continue delivering long-term sustainable distribution income to the Stapled Securityholders, the REIT Manager regularly reviews its portfolio of properties and sources for growth opportunities and yield-accretive acquisitions, and efficiently recycles capital through the divestment of underperforming or non-core assets. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of the acquisition or divestment to the existing portfolio and future growth expectations.

The acquisition fee and divestment fee payable to the REIT Manager serve as a form of compensation for the time, effort and resources spent in sourcing, evaluating and executing potential opportunities to acquire new properties or in rebalancing and unlocking the underlying value of the existing properties within its asset portfolio to optimise Far East H-REIT's returns. The REIT Manager provides these services over and above the provision of ongoing management services with the aim of ensuring income sustainability and achieving the investment objectives of Far East H-REIT.

The acquisition fee is 0.75% of purchase consideration for properties from related parties and 1% for properties for all other cases (or lower as the REIT Manager can determine). The divestment fee is 0.5% of the sale price. The acquisition fee is higher than the divestment fee because the time and efforts undertaken in terms of sourcing, evaluating and conducting due diligence, and fund raising for an acquisition, are higher as compared to a divestment.

## **STATEMENT OF POLICIES AND PRACTICES**

Apart from the corporate governance practices disclosed in pages 69 to 102, the Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of Far East H-BT (as described in section 87(1) of the Business Trusts Act, Chapter 31A of Singapore) in respect of FY 2020, which is set out in pages 103 to 109 in this Annual Report.

# STATEMENT OF POLICIES AND PRACTICES FOR FAR EAST HOSPITALITY BUSINESS TRUST

Far East Hospitality Business Trust ("Far East H-BT") has been dormant since the listing of Far East Hospitality Trust ("Far East H-Trust") on the Main Board of the SGX-ST on 27 August 2012.

Although Far East H-BT is dormant, the board of directors of the Trustee-Manager (the "Trustee-Manager Board") is committed to complying with the requirements under the Listing Manual, the Business Trust Act, Chapter 31A of Singapore (the "BTA") and the Business Trusts Regulations 2005 (the "BTR") (except where waivers have been obtained from the Monetary Authority of Singapore (the "MAS") and disclosed in the IPO prospectus of Far East H-Trust), the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") as well as the Far East H-BT Trust Deed and the Stapling Deed.

The Trustee-Manager has the dual responsibilities of safeguarding the interests of the holders of Far East H-BT units (the "Far East H-BT Unitholders"), and managing the business conducted by Far East H-BT. The Trustee-Manager has general powers of management over the business and assets of Far East H-BT and its main responsibility is to manage Far East H-BT's assets and liabilities for the benefit of the Far East H-BT Unitholders as a whole.

The Trustee-Manager, in exercising its powers and carrying out its duties as trustee-manager of Far East H-BT, is required to:

- Treat the Far East H-BT Unitholders in the same class fairly and equally and Far East H-BT Unitholders who hold Far East H-BT units in different classes (if any) fairly;
- Ensure that all payments out of the trust property of Far East H-BT (the "Far East H-BT Trust Property") are made in accordance with the Far East H-BT Trust Deed and the Stapling Deed;
- Report to the MAS any contravention of the BTA or the Business Trust Regulations by any other person that:
  - Relates to Far East H-BT; and
  - Has had, has or is likely to have, a material adverse effect on the interests of all the Far East H-BT Unitholders, or any class of Far East H-BT Unitholders, as a whole, as soon as practicable after the Trustee-Manager becomes aware of the contravention;
- Ensure that the Far East H-BT Trust Property is properly accounted for and ensure that the Far East H-BT Trust Property is kept distinct from the property held in its own capacity.

In the event that Far East H-BT becomes active, the Trustee-Manager will:

- At all times act honestly and exercise reasonable diligence in the discharge of its duties as trustee-manager of Far East H-BT in accordance with the BTA and the Far East H-BT Trust Deed;
- Act in the best interests of all Far East H-BT Unitholders as a whole and give priority to the interests of all Far East H-BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all Far East H-BT Unitholders as a whole and its own interests;
- Not make improper use of any information acquired by virtue of its position as trustee-manager of Far East H-BT to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Far East H-BT Unitholders;
- Hold the Far East H-BT Trust Property on trust for all Far East H-BT Unitholders as a whole in accordance with the terms of the Far East H-BT Trust Deed;
- Adhere with the business scope of Far East H-BT as set out in the Far East H-BT Trust Deed;
- Review interested person transactions in relation to Far East H-BT; and
- Review expense and cost allocations payable to the Trustee-Manager in its capacity as trustee-manager of Far East H-BT out of the Far East H-BT Trust Property, and ensure that fees and expenses charged to Far East H-BT are appropriate and in accordance with the Far East H-BT Trust Deed.

# STATEMENT OF POLICIES AND PRACTICES FOR FAR EAST HOSPITALITY BUSINESS TRUST

The MAS has also granted the Trustee-Manager an exemption from compliance with sections 10(2)(a) and 11(1)(a) of the BTA to the extent that sections 10(2)(a) and 11(1)(a) require the Trustee-Manager Directors to act in the best interests of the Far East H-BT Unitholders only so long as:

- (i) The Trustee-Manager ensures that the units of Far-East H-BT remains stapled to the units of Far East H-REIT; and
- (ii) The Trustee-Manager and its Directors shall act in the best interests of all the Stapled Securityholders as a whole.

## **TRUST PROPERTY IS PROPERLY ACCOUNTED FOR**

In the event that Far East H-BT becomes active, Far East H-BT Trust Property shall be properly accounted for and kept distinct from the property of the Trustee-Manager in its own capacity. Different bank accounts shall be maintained for the Trustee-Manager in its personal capacity and its capacity as Trustee-Manager of Far East H-BT.

## **ADHERENCE TO THE BUSINESS SCOPE OF FAR EAST H-BT**

In the event that Far East H-BT becomes active, the Trustee-Manager Board shall review and approve all authorised businesses undertaken by Far East H-BT so as to ensure its adherence to the business scope as set out in the Far East H-BT Trust Deed. Such authorised businesses include:

- (i) The acquisition, disposition and ownership of authorised investments and all activities, concerns, functions and matters reasonably incidental thereto;
- (ii) Ownership of subsidiaries which are engaged in the acquisition, disposition and ownership of authorised investments and all activities, concerns, functions and matters reasonably incidental thereto; and
- (iii) Any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (i) and (ii), including the management and leasing of the authorised investments.

## **FEES PAYABLE TO THE TRUSTEE-MANAGER**

### ***Management Fee***

The Trustee-Manager shall be entitled under the Far East H-BT Trust Deed to a management fee comprising 10.0% of the profit of Far East H-BT before interest and tax in the relevant financial year (calculated before accounting for this management fee in that financial year), payable in the event that Far East H-BT becomes active.

### ***Trustee Fee***

Under the Far East H-BT Trust Deed, 0.1% per annum of the value of the Far East H-BT Trust Property and subject to a minimum fee of S\$10,000 per month, if any, shall be paid to the Trustee-Manager as trustee fees, provided that the value of the Far East H-BT Trust Property is at least S\$50.0 million and Far East H-BT is active.

For the period under review, no management fee and trustee fee were paid to the Trustee-Manager as Far East H-BT remains dormant.

# STATEMENT OF POLICIES AND PRACTICES FOR FAR EAST HOSPITALITY BUSINESS TRUST

## EXPENSES CHARGED TO FAR EAST H-BT

The Trustee-Manager Board will carry out quarterly reviews to ensure that the expenses payable to the Trustee-Manager out of the Far East H-BT Trust Property are appropriate and in accordance with the Far East H-BT Trust Deed, in the event Far East H-BT becomes active.

For the period under review, no expenses were paid to the Trustee-Manager from the Far East H-BT Trust Property as Far East H-BT remains dormant.

## COMPLIANCE WITH THE BTA AND THE LISTING MANUAL

The Trustee-Manager will engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual in the event that Far East H-BT becomes active.

### *Composition of the Trustee-Manager Board*

Under Regulation 12(1) of the BTR, the Trustee-Manager Board is required to comprise:

- at least a majority of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager;
- at least one-third of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager and from every Substantial Shareholder of the Trustee-Manager; and
- at least a majority of Trustee-Manager Directors who are independent from any single Substantial Shareholder of the Trustee-Manager.

The Trustee-Manager Board consists of eight Directors, seven of whom are Independent Directors for the purposes of the BTA. They are:

<b>Name</b>	<b>Position</b>
Mr Wee Kheng Jin	Chairman and Non-Executive Director
Mr Willie Cheng Jue Hiang	Independent Director
Mr Huang Cheng Eng	Independent Director
Mr Kyle Lee Khai Fatt	Independent Director
Ms Vivienne Lim Hui Bian	Independent Director
Ms Catherine Lee Khia Yee	Independent Director
Ms Celestine Khoo Geok Choo	Independent Director
Mr Benedict Leh Song Boon	Independent Director

Mr Wee Kheng Jin (Chairman of the Board) is a non-independent director. Mr Wee had retired from his position as Executive Director in FEO on 31 December 2018, after which he had continued his association with the Group as a Senior Advisor.

As the majority of the Trustee-Manager Directors are also the directors of the REIT Manager, none of the Trustee-Manager Directors would, by definition under the BTR, be independent from a Substantial Shareholder as both the Trustee-Manager and the REIT Manager are 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, which is 62.5% owned by Far East Organization Pte. Ltd. ("FEOPL"), as at 31 December 2020. FEOC, FEOPL and Far East Orchard Limited are all members of the Sponsor.

# STATEMENT OF POLICIES AND PRACTICES FOR FAR EAST HOSPITALITY BUSINESS TRUST

The MAS has also granted the Trustee-Manager an exemption from compliance with regulations 12(1)(a) and 12(1)(b) of the BTR to the extent that regulations 12(1)(a) and 12(1)(b) of the BTR require the Trustee-Manager Directors to be independent, subject to certain conditions.

The stapling together of Far East H-BT units and Far East H-REIT units means that the Far East H-BT Unitholders are at the same time the investors of the Stapled Securities, who stand to benefit as a whole regardless of whether the appointed Trustee-Manager Directors are independent of the Sponsor.

In the event that Far East H-BT becomes active, the number of directors on the Trustee-Manager Board will be a minimum of six directors, and the Trustee-Manager shall ensure that its board of directors shall comprise a majority of independent directors for the purposes of the BTA. In addition, for so long as Far East H-BT is part of a stapled group and in the event that Far East H-BT becomes active, the boards of directors of the REIT Manager and the Trustee-Manager shall consist of the same individuals. Ms Celestine Khoo Geok Choo who has joined the REIT Manager Board on 1 October 2020 has also joined the Trustee-Manager Board on the same day. Following the financial year ended 31 December 2020, Mr Benedict Leh Song Boon was appointed to both the REIT Manager and Trustee-Manager Boards on 1 January 2021. The composition of directors are identical for both the REIT Manager and the Trustee-Manager, although Far East H-BT was dormant during the year.

In addition to compliance with requirements under the BTA, the composition of the Trustee-Manager Board is determined using the following principles:

- The Chairman of the Trustee-Manager Board should be a Non-Executive director; and
- The Trustee-Manager Board should consist of directors with a broad range of commercial experience.

The composition of the Trustee-Manager Board will be reviewed regularly to ensure that the Trustee-Manager Board has the appropriate mix of expertise and experience.

## ***Chairman and Chief Executive Officer***

The positions of Chairman of the Trustee-Manager Board and Chief Executive Officer of the Trustee-Manager are held by two different individuals in order to ensure an appropriate balance of power, increased accountability and to maintain effective checks and balances. The Chairman of the Trustee-Manager Board is Mr Wee Kheng Jin, while the Chief Executive Officer of the Trustee-Manager is Mr Gerald Lee.

## ***Access to Information***

The Trustee-Manager Board has separate and independent access to the management of the Trustee-Manager (the "Management") and the company secretary of the Trustee-Manager (the "Company Secretary") at all times and they are entitled to request from the Management additional information as needed to make informed decisions. The Directors also have access to independent professional advice where appropriate and whenever requested.

The Company Secretaries for the REIT Manager, Ms Lin Moi Heyang and Ms Low Mei Wan are also the Company Secretaries for the Trustee-Manager.

The Company Secretary's responsibilities include assisting the Trustee-Manager in putting in place processes to ensure that the Trustee-Manager fulfils the compliance requirements under the Listing Manual, the SFA as well as the Far East H-BT Trust Deed and the Stapling Deed.

# STATEMENT OF POLICIES AND PRACTICES FOR FAR EAST HOSPITALITY BUSINESS TRUST

Their roles also include the following:

- Ensuring that board procedures of the Trustee-Manager Board are followed;
- Assisting the Trustee-Manager with corporate secretarial matters for the Trustee-Manager; and
- Assisting the Trustee-Manager in preparing the announcements and notifications to be uploaded on the SGXNET as required under the Listing Manual.

## ***Remuneration Matters***

As Far East H-BT remains dormant, no compensation is payable to the Directors of the Trustee-Manager.

## ***Audit Committee***

The MAS has granted the Trustee-Manager an exemption from compliance with section 15(1) of the BTA to the extent that section 15(1) requires an audit committee to be constituted when Far East H-BT is active, subject to certain conditions.

## ***External Auditor***

The Trustee-Manager, on behalf of Far East H-BT, confirms that Far East H-BT has complied with Rules 712 and 715 of the Listing Manual in relation to its auditing firm.

## ***Internal Auditor***

As Far East H-BT remains dormant, no internal auditor is appointed.

## **RISK MANAGEMENT AND INTERNAL CONTROLS**

The Trustee-Manager Board will put in place appropriate internal control systems including the following to manage business risk in the event that Far East H-BT becomes active.

The Trustee-Manager Board will meet quarterly or more frequently if necessary and will review the financial performance of Far East H-BT against a previously approved budget. The Trustee-Manager Board will also review the business risks of Far East H-BT, examine liability management and will act upon any comments from both the internal and external auditors of Far East H-BT.

In assessing business risk, the Trustee-Manager Board will consider the economic environment and risks relevant to the property industry. It will review management reports prior to approving major transactions.

The Management will meet regularly to review the operations of the Trustee-Manager and Far East H-BT and discuss any disclosure issues.

# STATEMENT OF POLICIES AND PRACTICES FOR FAR EAST HOSPITALITY BUSINESS TRUST

## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

In general, transactions between:

- An entity at risk (in this case, the Trustee-Manager (acting in its capacity as the trustee manager of Far East H-BT) or any of the subsidiaries or associated companies of Far East H-BT); and
- Any of the Interested Persons (namely the Trustee-Manager (acting in its personal capacity), a related corporation or related entity of the Trustee-Manager (other than a subsidiary or subsidiary entity of Far East H-BT), an associated company or associated entity of the Trustee-Manager (other than an associated company or associated entity of Far East H-BT) (as defined in the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005), a Director, Chief Executive Officer or controlling shareholder of the Trustee-Manager, a controlling Far East H-BT Unitholder or an associate of any such Director, Chief Executive Officer, controlling shareholder or controlling Far East H-BT Unitholder), would constitute an Interested Person Transaction.

For so long as Far East H-BT is part of a stapled group and in the event that the REIT Manager Board and the Trustee-Manager Board cannot reach an agreement on any resolution relating to governance or compliance matters before them where such resolution would require the collective approval of both the boards of directors of the REIT Manager and the Trustee-Manager, the votes of the Independent Directors of the REIT Manager will prevail in the event that the Trustee-Manager Board has approved such resolutions.

Since the Far East H-REIT units and Far East H-BT units are held by the same pool of investors in the same proportion, concerns and potential abuses applicable to interested party transactions will be absent in transactions between Far East H-REIT and Far East H-BT.

## INTERNAL CONTROL SYSTEM

In the event the Far East H-BT becomes active, the Trustee-Manager will establish an internal control system to ensure that all future Interested Person Transactions:

- Will be undertaken on normal commercial terms; and
- Will not be prejudicial to the interests of Far East H-BT and the Far East H-BT Unitholders.

The Trustee-Manager will maintain a register to record all Interested Person Transactions which are entered into by Far East H-BT and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into.

The Trustee-Manager will also incorporate into its internal audit plan a review of all Interested Person Transactions entered into by Far East H-BT.

Where matters concerning Far East H-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of Far East H-BT with an Interested Person (as defined in the BTA) of the Trustee-Manager (which would include relevant associates thereof) or Far East H-BT, the Trustee-Manager will consider the terms of such transactions to satisfy itself that such transactions are conducted:

- On normal commercial terms;
- Are not prejudicial to the interests of Far East H-BT and the Far East H-BT Unitholders; and
- In accordance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question.

# STATEMENT OF POLICIES AND PRACTICES FOR FAR EAST HOSPITALITY BUSINESS TRUST

If the Trustee-Manager is to sign any contract with an Interested Person of the Trustee-Manager or Far East H-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to business trusts.

Far East H-BT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person during the same financial year, is 3.0% or more of Far East H-BT's latest audited net tangible assets.

The aggregate value of all Interested Person Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in Far East H-Trust's annual report for the relevant financial year.

Save for the Interested Person Transactions in connection with the setting up of Far East H-BT and future Interested Party Transactions (as disclosed in the IPO prospectus of Far East Hospitality Trust), Far East H-BT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of Far East H-BT's latest audited net tangible assets.

## POTENTIAL CONFLICTS OF INTEREST

The Trustee-Manager has instituted the following procedures to deal with conflict of interest issues:

- All resolutions in writing of the Trustee-Manager Directors in relation to matters concerning Far East H-BT will be approved by a majority of the Trustee-Manager Directors, including at least one Independent Trustee-Manager Director;
- All executive officers of the REIT Manager will be employed by the Trustee-Manager;
- In respect of matters in which a Trustee-Manager Director or his Associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Trustee-Manager Directors and must exclude such interested director;
- In respect of matters in which the Sponsor have an interest, direct or indirect, any nominees appointed by the Sponsor to the Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Trustee-Manager Directors and must exclude any nominee directors of the Sponsor; and
- Where matters concerning Far East H-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of Far East H-BT with an Interested Person of the Trustee-Manager (which would include relevant associates thereof) or Far East H-BT, the Trustee-Manager Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of Far East H-BT and the Far East H-BT Unitholders and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question. If the Trustee-Manager is to sign any contract with an Interested Person of the Trustee-Manager or Far East H-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the MAS and SGX-ST that apply to business trusts.

# CORPORATE DIRECTORY

## MANAGER OF FAR EAST H-REIT

**FEO Hospitality Asset Management Pte. Ltd.**  
1 Tanglin Road #05-01  
Orchard Rendezvous Hotel  
Singapore 247905  
Telephone: (65) 6833 6688  
Facsimile: (65) 6833 6622

## TRUSTEE-MANAGER OF FAR EAST H-BT

**FEO Hospitality Trust Management Pte. Ltd.**  
1 Tanglin Road #05-01  
Orchard Rendezvous Hotel  
Singapore 247905  
Telephone: (65) 6833 6688  
Facsimile: (65) 6833 6622

## BOARD OF DIRECTORS

Chairman and  
Non-Executive Director  
**Mr Wee Kheng Jin**

Lead Independent Director  
**Mr Willie Cheng Jue Hiang**

Independent Directors  
**Ms Catherine Lee Khia Yee**  
**Mr Huang Cheng Eng**  
**Mr Kyle Lee Khai Fatt**  
**Ms Vivienne Lim Hui Bian**  
**Ms Celestine Khoo Geok Choo**  
**Mr Benedict Leh Song Boon**

## AUDIT AND RISK COMMITTEE

Chairman  
**Mr Willie Cheng Jue Hiang**

Members  
**Mr Huang Cheng Eng**  
**Mr Kyle Lee Khai Fatt**

## NOMINATING COMMITTEE

Chairman  
**Mr Kyle Lee Khai Fatt**  
Members  
**Mr Willie Cheng Jue Hiang**  
**Ms Vivienne Lim Hui Bian**

## REMUNERATION COMMITTEE

Chairman  
**Mr Huang Cheng Eng**  
Members  
**Mr Kyle Lee Khai Fatt**  
**Mr Wee Kheng Jin**

## MANAGEMENT TEAM

Chief Executive Officer  
**Mr Gerald Lee Hwee Keong**

Chief Financial Officer  
**Ms Regina Yap Siew Buay**

Vice President,  
Asset Management & Investment  
**Mr Irfan Tayabali**

Vice President,  
Asset Management & Enhancement  
**Mr Desmond Tan Eng Kiat**

## JOINT COMPANY SECRETARIES

Ms Lin Moi Heyang  
Ms Low Mei Wan

## TRUSTEE OF FAR EAST H-REIT

**DBS Trustee Limited**  
12 Marina Boulevard  
Level 44 DBS Asia Central  
@ Marina Bay Financial  
Centre, Tower 3  
Singapore 018982  
Telephone: (65) 6878 8888  
Facsimile: (65) 6878 3977

## HOTEL AND SERVICED RESIDENCE OPERATOR

**Far East Hospitality Management (S) Pte. Ltd.**  
1 Tanglin Road #05-01  
Orchard Rendezvous Hotel  
Singapore 247905

## RETAIL AND OFFICE SPACE PROPERTY MANAGER

**Jones Lang LaSalle Property Consultants Pte. Ltd.**  
1 Paya Lebar Link #10-08  
Paya Lebar Quarter, Tower 2  
Singapore 408533  
Telephone: (65) 6220 3888

## INDEPENDENT AUDITOR Ernst and Young LLP

Public Accountants and  
Chartered Accountants, Singapore  
One Raffles Quay  
North Tower Level 18  
Singapore 048583  
Partner-in-charge: Tan Seng Choon  
Appointed effective from financial  
year ended 31 December 2017

## STAPLED SECURITY REGISTRAR

**Boardroom Corporate & Advisory Services Pte. Ltd.**  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Telephone: (65) 6536 5355  
Facsimile: (65) 6536 1360

## BANKERS

DBS Bank Ltd  
Oversea-Chinese Banking  
Corporation Limited  
Sumitomo Mitsui Banking  
Corporation  
The Hongkong and Shanghai  
Banking Corporation Limited  
United Overseas Bank Limited

## **FINANCIAL STATEMENTS**

Far East Hospitality Trust

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# REPORT OF THE TRUSTEE OF FAR EAST HOSPITALITY REAL ESTATE INVESTMENT TRUST

DBS Trustee Limited (the "REIT Trustee") is under a duty to take into custody and hold the assets of Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") in trust for the holders of units ("Unitholders") in Far East H-REIT. In accordance with the Securities and Futures Act (Chapter 289) of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the REIT Trustee shall monitor the activities of FEO Hospitality Asset Management Pte Ltd (the "REIT Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 1 August 2012, the first supplemental deed dated 19 October 2012, the second supplemental deed dated 18 April 2016, the third supplemental deed dated 17 April 2019, the fourth supplemental deed dated 23 March 2020 and the fifth supplemental deed dated 29 April 2020 (collectively referred to as the "Trust Deed") between the REIT Manager and the REIT Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed Far East H-REIT during the period covered by these financial statements set out on pages 123 to 174, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the REIT Trustee,  
DBS Trustee Limited

**Jane Lim Puay Yuen**  
Director

Singapore  
5 March 2021

# REPORT OF THE MANAGER OF FAR EAST HOSPITALITY REAL ESTATE INVESTMENT TRUST

In the opinion of the directors of FEO Hospitality Asset Management Pte. Ltd. (the "REIT Manager"), the Manager of Far East Hospitality Real Estate Investment Trust ("Far East H-REIT"), the accompanying financial statements of Far East H-REIT and Far East Hospitality Trust (the "Stapled Group"), comprising Far East H-REIT and Far East Hospitality Business Trust ("Far East H-BT"), set out on pages 123 to 174, comprising their Balance Sheets, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds, Portfolio Statements, Cash Flow Statements and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions and portfolio holdings of Far East H-REIT and the Stapled Group as at 31 December 2020, and the financial performance, distributable income, movements in unitholders' funds, and cash flows of Far East H-REIT and the Stapled Group for the year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants and the provisions of Far East H-REIT's trust deed dated 1 August 2012, the first supplemental trust deed dated 19 October 2012, the second supplemental deed dated 18 April 2016, the third supplemental deed dated 17 April 2019, the fourth supplemental deed dated 23 March 2020 and the fifth supplemental deed dated 29 April 2020 between DBS Trustee Limited (the "REIT Trustee") and the REIT Manager (collectively referred to as the "Trust Deed") and the stapling deed of Far East Hospitality Trust dated 1 August 2012 and the first supplemental deed dated 17 April 2019 between the REIT Trustee, the REIT Manager and FEO Hospitality Trust Management Pte. Ltd. (the trustee-manager of Far East H-BT). At the date of this statement, there are reasonable grounds to believe that Far East H-REIT and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

For and on behalf of the REIT Manager,  
FEO Hospitality Asset Management Pte. Ltd.

**Wee Kheng Jin**  
Director

Singapore  
5 March 2021

# REPORT OF THE TRUSTEE-MANAGER OF FAR EAST HOSPITALITY BUSINESS TRUST

The directors of FEO Hospitality Trust Management Pte. Ltd., the trustee-manager of Far East Hospitality Business Trust ("Far East H-BT", and the trustee-manager of Far East H-BT, the "Trustee-Manager"), submit this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2020.

The directors of the Trustee-Manager in office at the date of this report are as follows:

Wee Kheng Jin	(Chairman)
Willie Cheng Jue Hiang	
Huang Cheng Eng	
Kyle Lee Khai Fatt	
Vivienne Lim Hui Bian	
Lee Khia Yee	
Celestine Khoo Geok Choo	(Appointed on 1 October 2020)
Benedict Leh Song Boon	(Appointed on 1 January 2021)

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in units in Far East H-BT are as follow:

Name of director	Direct interest		Deemed interest	
	Holdings at the beginning of the financial year or date of appointment	Holdings at the end of financial year	Holdings at the beginning of the financial year or date of appointment	Holdings at the end of financial year
Wee Kheng Jin	578,801	646,233	-	-
Willie Cheng Jue Hiang	-	56,193	580,325	580,325
Huang Cheng Eng	576,514	1,026,464	-	-
Kyle Lee Khai Fatt	570,087	622,534	-	-
Vivienne Lim Hui Bian	8,262	39,480	-	-
Lee Khia Yee	-	13,736	-	-
Celestine Khoo Geok Choo	-	-	-	-

Neither at the end of, nor at any time during the financial year, was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in or debentures of Far East H-BT.

There were no changes in any of the abovementioned interests in Far East H-BT between the end of the financial year and 21 January 2021.

During the financial year, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued units in Far East H-BT; and
- (ii) no units issued by virtue of any exercise of option to take up unissued units of Far East H-BT.

# REPORT OF THE TRUSTEE-MANAGER OF FAR EAST HOSPITALITY BUSINESS TRUST

As at the end of the financial year, there were no unissued units of Far East H-BT under options.

The auditor, Ernst & Young LLP, have expressed their willingness to accept re-appointment.

In the opinion of the directors:

- (a) the financial statements of Far East H-BT set out on pages 123 to 174 are drawn up so as to give a true and fair view of the financial position of Far East H-BT as at 31 December 2020 and the financial performance, movements in unitholders' funds and cash flows of Far East H-BT for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that Far East H-BT will be able to pay its debts as and when they fall due.

With respect to the statement of comprehensive income of Far East H-BT for the year ended 31 December 2020, the directors further certify that:

- fees or charges paid or payable out of the trust property of Far East H-BT to the Trustee-Manager are in accordance with Far East H-BT's trust deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019;
- interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and
- the Board of Directors is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of Far East H-BT or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

For and on behalf of the Board of Directors of the Trustee-Manager,  
FEO Hospitality Trust Management Pte. Ltd.

**Wee Kheng Jin**  
Director

**Willie Cheng Jue Hiang**  
Director

Singapore  
5 March 2021

# STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

In accordance with Section 86 of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of Far East H-BT or on the interests of all the unitholders of Far East H-BT as a whole.

**Gerald Lee Hwee Keong**  
Chief Executive Officer

Singapore  
5 March 2021

# INDEPENDENT AUDITOR'S REPORT

To Unitholders of  
Far East Hospitality Real Estate Investment Trust  
Far East Hospitality Business Trust

## Report on the audit of the financial statements

### Opinion

We have audited:

- (i) the financial statements of Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") (constituted in the Republic of Singapore pursuant to a trust deed dated 1 August 2012, the first supplemental deed dated 19 October 2012, the second supplemental deed dated 18 April 2016, the third supplemental deed dated 17 April 2019, the fourth supplemental deed dated 23 March 2020 and the fifth supplemental deed dated 29 April 2020), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2020, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Cash Flow Statement for the financial year ended and notes to the financial statements, including a summary of significant accounting policies;
- (ii) the financial statements of Far East Hospitality Business Trust ("Far East H-BT") (constituted in the Republic of Singapore pursuant to a trust deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019), which comprise the Balance Sheet as at 31 December 2020, the Statement of Comprehensive Income, Statement of Movement in Unitholders' Funds and Cash Flow Statement for the financial year then ended and notes to the financial statements, including a summary of significant accounting policies; and
- (iii) the consolidated financial statements of Far East Hospitality Trust ("Far East H-Trust") (constituted in the Republic of Singapore pursuant to a stapling deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019 (the "Stapling Deed")), which comprise the Balance Sheet and Portfolio Statement as at 31 December 2020, the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Cash Flow Statement for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies,

as set out on pages 123 to 174. Far East Hospitality Trust, which comprises Far East H-BT and the Far East H-REIT, is hereinafter referred to as the "Stapled Group".

In our opinion,

- (a) the accompanying financial statements of Far East H-REIT and the Stapled Group present fairly, in all material respects, the financial positions and portfolio positions of Far East H-REIT and the Stapled Group as at 31 December 2020 and the financial performance, distributable income, movement in unitholders' funds and cash flows of the Far East H-REIT and the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants ("ISCA") and the provisions of the Far East H-REIT Trust Deed and the Stapling Deed; and
- (b) the financial statements of Far East H-BT are properly drawn up in accordance with the provisions of the Business Trusts Act, Chapter 31A of Singapore (the "Act") and Singapore Financial Reporting Standards (International) so as to give a true and fair view of the state of affairs of Far East H-BT as at 31 December 2020 and the financial performance, movement in unitholders' funds and cash flows of Far East H-BT for the year ended on that date.

# INDEPENDENT AUDITOR'S REPORT

To Unitholders of  
Far East Hospitality Real Estate Investment Trust  
Far East Hospitality Business Trust

## **Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Far East H-REIT, Far East H-BT and the Stapled Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Valuation of investment properties

The Stapled Group owns a portfolio of 13 Singapore investment properties comprising 9 hotels and 4 serviced residences. The carrying values of investment properties amounted to \$2,528.7 million as at 31 December 2020. These investment properties are stated at their fair values based on independent external valuations and represent the single largest asset category of the Stapled Group.

The valuation of the investment properties is significant to our audit due to their magnitude. In addition, their valuation is complex and highly dependent on a range of estimates made by the external appraisers engaged by the REIT Manager and agreed by management. As disclosed in Note 19(d), the fair value measurement of the investment properties includes significant unobservable inputs. Given the changes in market and economic conditions brought on by the COVID-19 pandemic, there was an increase in the level of estimation uncertainty in determining the fair value of investment properties. The most significant judgments and estimates affecting the valuations are discount rates, capitalisation rates, revenue per available room/unit and price per square metre used.

# INDEPENDENT AUDITOR'S REPORT

To Unitholders of  
Far East Hospitality Real Estate Investment Trust  
Far East Hospitality Business Trust

## **Key Audit Matters (Cont'd)**

### Valuation of investment properties (Cont'd)

The management uses external appraisers to support its determination of the individual fair value of the Investment Properties annually. We assessed the Stapled Group's process relating to the selection of the external valuers, the determination of the scope of work of the valuers, and the review of the valuation reports issued by the external appraisers. We considered the objectivity, independence and expertise of the external appraisers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity. In addition, we discussed with the external appraisers to understand the valuation techniques adopted and how the impact of COVID-19 have been considered in the key assumptions and inputs adopted in the valuation. We assessed the appropriateness of the valuation model, property related data such as operating expenses, property taxes, including estimates as used by the external appraisers. In addition, we evaluated the appropriateness of the data used in the estimation process adopted by the external appraisers, agreed by the management, by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. We also assessed the reasonableness of the fluctuations in the fair value of investment properties. Further, we have assessed the adequacy of Note 19(d) relating to the assumptions used in the valuation process, given the estimation uncertainty and sensitivity of the valuations.

The results of our independent analyses are consistent with those of management's analyses.

## **Information Other than the Financial Statements and Auditor's Report Thereon**

FEO Hospitality Asset Management Pte. Ltd., the manager of Far East H-REIT (the "REIT Manager"), and FEO Hospitality Trust Management Pte. Ltd., the trustee-manager of Far East H-BT (the "Trustee-Manager") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the REIT Manager for the Financial Statements**

The REIT Manager is responsible for the preparation and fair presentation of the financial statements of Far East H-REIT and the Stapled Group in accordance with the recommendations of *RAP 7 Reporting Framework for Unit Trusts* issued by the ISCA, and for such internal control as the REIT Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# INDEPENDENT AUDITOR'S REPORT

To Unitholders of  
Far East Hospitality Real Estate Investment Trust  
Far East Hospitality Business Trust

## **Responsibilities of the Trustee-Manager for the Financial Statements**

The Trustee-Manager is responsible for the preparation of financial statements of Far East H-BT that gives a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

In preparing the financial statements, the REIT Manager and the Trustee-Manager are responsible for assessing the ability of Far East H-REIT, Far East H-BT and the Stapled Group to continue as a going concern respectively, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager and the Trustee-Manager either intend to terminate or to cease operations of Far East H-REIT, Far East H-BT and the Stapled Group respectively, or has no realistic alternative but to do so.

The Board of Directors of the REIT Manager and the Trustee-Manager are responsible for overseeing the financial reporting process of Far East H-REIT, Far East H-BT and the Stapled Group.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of Far East H-REIT, Far East H-BT and the Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager and the Trustee-Manager.

# INDEPENDENT AUDITOR'S REPORT

To Unitholders of  
Far East Hospitality Real Estate Investment Trust  
Far East Hospitality Business Trust

## **Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)**

- Conclude on the appropriateness of the use of the going concern basis of accounting by the REIT Manager and the Trustee-Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Far East H-REIT, Far East H-BT and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Far East H-REIT, Far East H-BT and the Stapled Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Stapled Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Stapled Group audit. We remain solely responsible for our audit opinion.

We communicate with the REIT Manager and the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the REIT Manager and the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the REIT Manager and the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITOR'S REPORT

To Unitholders of  
Far East Hospitality Real Estate Investment Trust  
Far East Hospitality Business Trust

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager on behalf of Far East H-BT have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Seng Choon.

**Ernst & Young LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
5 March 2021

# BALANCE SHEETS

As at 31 December 2020

	Note	2020			2019		
		Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Non-current assets</b>							
Investment properties	3	2,528,700	2,528,700	-	2,645,700	2,645,700	-
Joint venture	4	4,060	4,060	-	8,027	8,027	-
Total non-current assets		2,532,760	2,532,760	-	2,653,727	2,653,727	-
<b>Current assets</b>							
Cash and cash equivalents	5	10,919	10,919	-	5,838	5,838	-
Prepayments		85	85	-	14	14	-
Trade and other receivables	6	37,593	37,593	30	39,966	39,966	30
Total current assets		48,597	48,597	30	45,818	45,818	30
<b>Total assets</b>		<b>2,581,357</b>	<b>2,581,357</b>	<b>30</b>	<b>2,699,545</b>	<b>2,699,545</b>	<b>30</b>
<b>Current liabilities</b>							
Trade and other payables	8	7,862	7,858	34	3,668	3,665	33
Borrowings	9	237,818	237,818	-	16,500	16,500	-
Accruals		5,841	5,840	1	7,518	7,517	1
Derivative financial liabilities	7	2,909	2,909	-	108	108	-
Rental deposits		2,604	2,604	-	3,284	3,284	-
Deferred income		90	90	-	90	90	-
Income tax payable		90	90	-	96	96	-
Total current liabilities		257,214	257,209	35	31,264	31,260	34
<b>Non-current liabilities</b>							
Borrowings	9	751,383	751,383	-	975,694	975,694	-
Derivative financial liabilities	7	8,323	8,323	-	4,881	4,881	-
Rental deposits		5,792	5,792	-	5,408	5,408	-
Deferred income		961	961	-	1,051	1,051	-
Total non-current liabilities		766,459	766,459	-	987,034	987,034	-
<b>Total liabilities</b>		<b>1,023,673</b>	<b>1,023,668</b>	<b>35</b>	<b>1,018,298</b>	<b>1,018,294</b>	<b>34</b>
<b>Net assets/(liabilities)</b>		<b>1,557,684</b>	<b>1,557,689</b>	<b>(5)</b>	<b>1,681,247</b>	<b>1,681,251</b>	<b>(4)</b>
Represented by:							
<b>Unitholders' funds</b>							
Unitholders' funds of Far East H-REIT		1,557,689	1,557,689	-	1,681,251	1,681,251	-
Unitholders' funds of Far East H-BT		(5)	-	(5)	(4)	-	(4)
		1,557,684	1,557,689	(5)	1,681,247	1,681,251	(4)
Stapled Securities/Units in issue ('000)	10	1,961,401	1,961,401	1,961,401	1,943,251	1,943,251	1,943,251
Net asset value per Stapled Security/Unit issued and to be issued (cents)	11	79.20	79.20	[0.00025]	86.18	86.18	[0.00021]

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF TOTAL RETURN OF FAR EAST H-REIT AND THE STAPLED GROUP STATEMENT OF COMPREHENSIVE INCOME OF FAR EAST H-BT

For the financial year ended 31 December 2020

	Note	2020			2019		
		Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Master lease rental		66,719	66,719	–	93,619	93,619	–
Retail and office revenue		16,535	16,535	–	21,927	21,927	–
<b>Gross revenue</b>		<b>83,254</b>	<b>83,254</b>	<b>–</b>	<b>115,546</b>	<b>115,546</b>	<b>–</b>
Property tax		(7,123)	(7,123)	–	(7,367)	(7,367)	–
Property insurance		(107)	(107)	–	(112)	(112)	–
MCST contribution		(360)	(360)	–	(257)	(257)	–
Retail and office expenses		(1,967)	(1,967)	–	(2,336)	(2,336)	–
Property manager fees		(475)	(475)	–	(475)	(475)	–
Impairment losses on trade receivables		(1,043)	(1,043)	–	(685)	(685)	–
<b>Property expenses</b>		<b>(11,075)</b>	<b>(11,075)</b>	<b>–</b>	<b>(11,232)</b>	<b>(11,232)</b>	<b>–</b>
<b>Net property income</b>		<b>72,179</b>	<b>72,179</b>	<b>–</b>	<b>104,314</b>	<b>104,314</b>	<b>–</b>
REIT Manager's fees	12	(9,439)	(9,439)	–	(12,257)	(12,257)	–
Trustee's fees		(329)	(329)	–	(329)	(329)	–
Other trust expenses	13	(723)	(722)	(1)	(1,477)	(1,454)	(23)
Interest and other income	14	624	624	–	907	907	–
Finance expenses	14	(24,195)	(24,195)	–	(29,850)	(29,850)	–
<b>Net income before joint venture's results</b>		<b>38,117</b>	<b>38,118</b>	<b>(1)</b>	<b>61,308</b>	<b>61,331</b>	<b>(23)</b>
Share of results of joint venture	4	(3,967)	(3,967)	–	(6,329)	(6,329)	–
<b>Net income before tax and fair value changes</b>		<b>34,150</b>	<b>34,151</b>	<b>(1)</b>	<b>54,979</b>	<b>55,002</b>	<b>(23)</b>
Fair value change in derivative financial instruments		(6,244)	(6,244)	–	(3,323)	(3,323)	–
Fair value change in investment properties	3	(121,219)	(121,219)	–	8,809	8,809	–
<b>Total return for the year before income tax</b>		<b>(93,313)</b>	<b>(93,312)</b>	<b>(1)</b>	<b>60,465</b>	<b>60,488</b>	<b>(23)</b>
Income tax expense	15	(90)	(90)	–	(96)	(96)	–
<b>Total return for the year after income tax</b>		<b>(93,403)</b>	<b>(93,402)</b>	<b>(1)</b>	<b>60,369</b>	<b>60,392</b>	<b>(23)</b>
Other comprehensive income for the year, net of income tax				–			–
<b>Total comprehensive income for the year</b>				<b>(1)</b>			<b>(23)</b>
<b>Earnings per Stapled Security (cents)</b>							
Basic	16	(4.78)	(4.78)	–	3.17	3.17	–
Diluted	16	(4.78)	(4.78)	–	3.15	3.15	–
<b>Distribution per Stapled Security (cents)</b>		<b>2.41</b>	<b>2.41</b>	<b>–</b>	<b>3.81</b>	<b>3.81</b>	<b>–</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2020

	2020		2019	
	Stapled Group \$'000	Far East H-REIT \$'000	Stapled Group \$'000	Far East H-REIT \$'000
Income available for distribution to Stapled Securityholders at the beginning of the year	20,681	20,713	20,357	20,366
Total return for the year after income tax	(93,403)	(93,402)	60,369	60,392
Net tax adjustments (Note A)	140,894	140,894	13,395	13,395
Rollover adjustment	396	396	129	129
Income available for distribution for the current year (Note B)	47,887	47,888	73,893	73,916
Income available for distribution to Stapled Securityholders	68,568	68,601	94,250	94,282
Distribution of 1.00 cents per Stapled Security for the period from 1 October 2018 to 31 December 2018	-	-	(18,750)	(18,750)
Distribution of 0.91 cents per Stapled Security for the period from 1 January 2019 to 31 March 2019	-	-	(17,311)	(17,311)
Distribution of 0.91 cents per Stapled Security for the period from 1 April 2019 to 30 June 2019	-	-	(17,487)	(17,487)
Distribution of 1.04 cents per Stapled Security for the period from 1 July 2019 to 30 September 2019	-	-	(20,021)	(20,021)
Distribution of 0.95 cents per Stapled Security for the period from 1 October 2019 to 31 December 2019	(18,485)	(18,485)	-	-
Distribution of 1.03 cents per Stapled Security for the period from 1 January 2020 to 30 June 2020	(20,171)	(20,171)	-	-
	(38,656)	(38,656)	(73,569)	(73,569)
Income available for distribution to Stapled Securityholders at end of the year	29,912	29,945	20,681	20,713

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# DISTRIBUTION STATEMENTS

For the financial year ended 31 December 2020

	2020		2019	
	Stapled Group \$'000	Far East H-REIT \$'000	Stapled Group \$'000	Far East H-REIT \$'000
Note A – Net tax adjustments relate to the following non-tax deductible items:				
- REIT Manager's fees paid/payable in Stapled Securities	8,496	8,496	11,031	11,031
- Trustee's fees	329	329	329	329
- Amortisation of debt-related transaction cost	637	637	672	672
- Fair value change in investment properties	121,219	121,219	(8,809)	(8,809)
- Fair value change in derivative financial instruments	6,244	6,244	3,323	3,323
- Share of results of joint venture	3,967	3,967	6,329	6,329
- Other items	2	2	520	520
Net tax adjustments	140,894	140,894	13,395	13,395
Note B – Income available for distribution for the current year:				
- Taxable income	47,447	47,448	73,424	73,447
- Tax-exempt income	440	440	469	469
Net tax adjustments	47,887	47,888	73,893	73,916

Distributions of the Stapled Group represent the aggregate distributions by Far East H-REIT and Far East H-BT. Income available for distribution of the Stapled Group for the year is contributed solely by Far East H-REIT as Far East H-BT was dormant during the year.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2020

	Unitholders' funds of Far East H-REIT			Unitholders' funds of Far East H-BT			Stapled Group
	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Unit in issue \$'000	Accumulated loss \$'000	Total \$'000	Total \$'000
<b>2020</b>							
Balance at 1 January 2020	1,754,311	(73,060)	1,681,251	28	(32)	(4)	1,681,247
<b>Operations</b>							
Decrease in net assets resulting from operations	-	(93,402)	(93,402)	-	(1)	(1)	(93,403)
	-	(93,402)	(93,402)	-	(1)	(1)	(93,403)
<b>Unitholders' transactions</b>							
- Issuance of Stapled Securities							
- Payment of REIT Manager's fees	8,496	-	8,496	-	-	-	8,496
- Distribution to Stapled Securityholders	-	(38,656)	(38,656)	-	-	-	(38,656)
Net increase/(decrease) in net assets resulting from unitholders' transactions	8,496	(38,656)	(30,160)	-	-	-	(30,160)
Balance at 31 December 2020	1,762,807	(205,118)	1,557,689	28	(33)	(5)	1,557,684

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the financial year ended 31 December 2020

	Unitholders' funds of Far East H-REIT			Unitholders' funds of Far East H-BT			Stapled Group
	Unit in issue	Accumulated loss	Total	Unit in issue	Accumulated loss	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>							
Balance at 1 January 2019	1,707,433	(59,883)	1,647,550	28	(9)	19	1,647,569
<b>Operations</b>							
Increase/(decrease) in net assets resulting from operations	-	60,392	60,392	-	(23)	(23)	60,369
	-	60,392	60,392	-	(23)	(23)	60,369
<b>Unitholders' transactions</b>							
- Issuance of Stapled Securities							
- Payment of REIT Manager's fees	11,031	-	11,031	-	-	-	11,031
- Distribution reinvestment plan	35,847	-	35,847	-	-	-	35,847
- Distribution to Stapled Securityholders	-	(73,569)	(73,569)	-	-	-	(73,569)
Net increase/(decrease) in net assets resulting from unitholders' transactions	46,878	(73,569)	(26,691)	-	-	-	(26,691)
Balance at 31 December 2019	1,754,311	(73,060)	1,681,251	28	(32)	(4)	1,681,247

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Lease tenure	Location	Existing use	Stapled Group		Far East H-REIT	
				Carrying value at 31.12.2020 \$'000	Percentage of total net assets 31.12.2020 %	Carrying value at 31.12.2020 \$'000	Percentage of total net assets 31.12.2020 %
<b>Investment properties - Singapore</b>							
Village Hotel Albert Court	75-year leasehold from 27 August 2012	180 Albert Street	Hotel	121,100	7.8	121,100	7.8
Village Hotel Bugis	66-year leasehold from 27 August 2012	390 Victoria Street	Hotel	223,000	14.3	223,000	14.3
Village Hotel Changi	65-year leasehold from 27 August 2012	1 Netheravon Road	Hotel	192,100	12.3	192,100	12.3
The Elizabeth Hotel	75-year leasehold from 27 August 2012	24 Mount Elizabeth	Hotel	161,200	10.4	161,200	10.4
Oasia Hotel Novena	92-year leasehold from 27 August 2012	8 Sinaran Drive	Hotel	309,000	19.8	309,000	19.8
Orchard Rendezvous Hotel	50-year leasehold from 27 August 2012	1 Tanglin Road	Hotel	406,600	26.1	406,600	26.1
The Quincy Hotel	75-year leasehold from 27 August 2012	22 Mount Elizabeth	Hotel	77,800	5.0	77,800	5.0
Rendezvous Hotel Singapore	70-year leasehold from 1 August 2013	9 Bras Basah Road	Hotel	270,000	17.3	270,000	17.3
Oasia Hotel Downtown	65-year leasehold from 2 April 2018	100 Peck Seah Street	Hotel	242,200	15.6	242,200	15.6
Village Residence Clarke Quay	80-year leasehold from 27 August 2012	20 Havelock Road	Serviced Residence	198,300	12.7	198,300	12.7
Village Residence Hougang	81-year leasehold from 27 August 2012	1 Hougang Street 91	Serviced Residence	61,500	3.9	61,500	3.9
Village Residence Robertson Quay	78-year leasehold from 27 August 2012	30 Robertson Quay	Serviced Residence	102,900	6.6	102,900	6.6
Regency House	81-year leasehold from 27 August 2012	121 Penang Road	Serviced Residence	163,000	10.5	163,000	10.5
Investment properties, at valuation				2,528,700	162.3	2,528,700	162.3
Joint venture				4,060	0.3	4,060	0.3
Other assets and liabilities (net)				2,532,760	162.6	2,532,760	162.6
<b>Net assets</b>				(975,076)	(62.6)	(975,071)	(62.6)
				1,557,684	100.0	1,557,689	100.0

As at 31 December 2020, independent valuations of the investment properties were undertaken by Savills Valuation And Professional Services (S) Pte Ltd based on the income capitalisation approach, the discounted cash flow analysis and the direct comparison approach for the hotels and Knight Frank Pte Ltd based on income capitalisation approach and the discounted cash flow analysis for the serviced residences. The REIT Manager believes that these independent valuers possess appropriate professional qualifications and recent experience in the location and category of the investment properties being valued. Except for Oasia Hotel Downtown, the Stapled Group has appointed the same valuers to value the investment properties for a third consecutive financial year.

The net changes in fair values of these investment properties have been recognised in the Statements of Total Return in accordance with the Stapled Group's accounting policies.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# PORTFOLIO STATEMENTS

As at 31 December 2020

Description of property	Lease tenure	Location	Existing use	Stapled Group		Far East H-REIT	
				Carrying value at 31.12.2019 \$'000	Percentage of total net assets 31.12.2019 %	Carrying value at 31.12.2019 \$'000	Percentage of total net assets 31.12.2019 %
<b>Investment properties - Singapore</b>							
Village Hotel Albert Court	75-year leasehold from 27 August 2012	180 Albert Street	Hotel	127,800	7.6	127,800	7.6
Village Hotel Bugis	66-year leasehold from 27 August 2012	390 Victoria Street	Hotel	232,700	13.8	232,700	13.8
Village Hotel Changi	65-year leasehold from 27 August 2012	1 Netheravon Road	Hotel	205,800	12.2	205,800	12.2
The Elizabeth Hotel	75-year leasehold from 27 August 2012	24 Mount Elizabeth	Hotel	163,700	9.7	163,700	9.7
Oasia Hotel Novena	92-year leasehold from 27 August 2012	8 Sinaran Drive	Hotel	330,000	19.6	330,000	19.6
Orchard Rendezvous Hotel	50-year leasehold from 27 August 2012	1 Tanglin Road	Hotel	431,200	25.7	431,200	25.7
The Quincy Hotel	75-year leasehold from 27 August 2012	22 Mount Elizabeth	Hotel	82,000	4.9	82,000	4.9
Rendezvous Hotel Singapore	70-year leasehold from 1 August 2013	9 Bras Basah Road	Hotel	284,100	16.9	284,100	16.9
Oasia Hotel Downtown	65-year leasehold from 2 April 2018	100 Peck Seah Street	Hotel	245,000	14.6	245,000	14.6
Village Residence Clarke Quay	80-year leasehold from 27 August 2012	20 Havelock Road	Serviced Residence	205,900	12.2	205,900	12.2
Village Residence Hougang	81-year leasehold from 27 August 2012	1 Hougang Street 91	Serviced Residence	62,000	3.7	62,000	3.7
Village Residence Robertson Quay	78-year leasehold from 27 August 2012	30 Robertson Quay	Serviced Residence	105,300	6.3	105,300	6.3
Regency House	81-year leasehold from 27 August 2012	121 Penang Road	Serviced Residence	170,200	10.1	170,200	10.1
Investment properties, at valuation				2,645,700	157.3	2,645,700	157.3
Joint venture				8,027	0.5	8,027	0.5
Other assets and liabilities (net)				2,653,727	157.8	2,653,727	157.8
<b>Net assets</b>				<b>(972,480)</b>	<b>(57.8)</b>	<b>(972,476)</b>	<b>(57.8)</b>
				<b>1,681,247</b>	<b>100.0</b>	<b>1,681,251</b>	<b>100.0</b>

As at 31 December 2019, independent valuations of the investment properties were undertaken by Savills Valuation And Professional Services (S) Pte Ltd based on the income capitalisation approach, the discounted cash flow analysis and the direct comparison approach for the hotels excluding Oasia Hotel Downtown and Knight Frank Pte Ltd based on income capitalisation approach and the discounted cash flow analysis for Oasia Hotel Downtown and the serviced residences. The REIT Manager believes that these independent valuers possess appropriate professional qualifications and recent experience in the location and category of the investment properties being valued.

The net changes in fair values of these investment properties have been recognised in the Statements of Total Return in accordance with the Stapled Group's accounting policies.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CASH FLOW STATEMENTS

For the financial year ended 31 December 2020

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Cash flows from operating activities</b>						
Total return before income tax	(93,313)	(93,312)	(1)	60,465	60,488	(23)
Adjustments for:						
Interest and other income	(624)	(624)	–	(907)	(907)	–
Finance expenses	24,195	24,195	–	29,850	29,850	–
Share of results of joint venture	3,967	3,967	–	6,329	6,329	–
Fair value change in derivative financial instruments	6,244	6,244	–	3,323	3,323	–
Fair value change in investment properties	121,219	121,219	–	(8,809)	(8,809)	–
Impairment losses on trade receivables	1,043	1,043	–	685	685	–
REIT Manager's fees paid/payable in Stapled Securities	8,496	8,496	–	11,031	11,031	–
Operating profit/(loss) before working capital changes	71,227	71,228	(1)	101,967	101,990	(23)
Changes in working capital:						
Trade and other receivables	1,793	1,793	–	(197)	(197)	–
Trade and other payables	3,906	3,905	1	(296)	(319)	23
Rental deposits	(387)	(387)	–	(274)	(274)	–
Income tax paid	(96)	(96)	–	(54)	(54)	–
<b>Net cash generated from operating activities</b>	<b>76,443</b>	<b>76,443</b>	<b>–</b>	<b>101,146</b>	<b>101,146</b>	<b>–</b>
<b>Cash flows from investing activities</b>						
Capital expenditure on investment properties	(4,548)	(4,548)	–	(2,771)	(2,771)	–
Loan to a joint venture company	–	–	–	(1,200)	(1,200)	–
<b>Net cash used in investing activities</b>	<b>(4,548)</b>	<b>(4,548)</b>	<b>–</b>	<b>(3,971)</b>	<b>(3,971)</b>	<b>–</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings	36,750	36,750	–	115,700	115,700	–
Finance costs paid	(24,558)	(24,558)	–	(30,287)	(30,287)	–
Repayment of borrowings	(40,350)	(40,350)	–	(151,865)	(151,865)	–
Distribution to Stapled Securityholders	(38,656)	(38,656)	–	(37,722)	(37,722)	–
<b>Net cash used in financing activities</b>	<b>(66,814)</b>	<b>(66,814)</b>	<b>–</b>	<b>(104,174)</b>	<b>(104,174)</b>	<b>–</b>
Net increase/(decrease) in cash and cash equivalents	5,081	5,081	–	(6,999)	(6,999)	–
Cash and cash equivalents at beginning of the year	5,838	5,838	–	12,837	12,837	–
<b>Cash and cash equivalents at end of the year (Note 5)</b>	<b>10,919</b>	<b>10,919</b>	<b>–</b>	<b>5,838</b>	<b>5,838</b>	<b>–</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CASH FLOW STATEMENTS

For the financial year ended 31 December 2020

## SIGNIFICANT NON-CASH TRANSACTIONS

There were the following significant non-cash transactions during the year:

- A total of 13,202,575 (2019: 10,561,450) Stapled Securities amounting to \$6,778,909 (2019: \$7,275,713) were or would be issued to the REIT Manager as partial payment for the base management fees for the financial year ended 31 December 2020;
- A total of 2,770,004 (2019: 5,151,995) Stapled Securities amounting to \$1,716,572 (2019: \$3,755,290) would be issued to the REIT Manager as partial payment for the performance management fees for the financial year ended 31 December 2020. These Stapled Securities to be issued are not entitled to the distribution for this financial year; and
- In 2019, a total of 54,120,108 Stapled Securities amounting to \$35,847,283 were issued as partial payment of the distributions, pursuant to the distribution reinvestment plan reintroduced in February 2019.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 1. GENERAL

Far East Hospitality Trust ("Far East H-Trust" or "Trust") is a stapled group comprising Far East Hospitality Real Estate Investment Trust ("Far East H-REIT" or "H-REIT") and Far East Hospitality Business Trust ("Far East H-BT" or "H-BT") (collectively, the "Stapled Group").

Far East H-REIT is a Singapore-domiciled real estate investment trust constituted in Singapore pursuant to the trust deed dated 1 August 2012, the first supplemental deed dated 19 October 2012, the second supplemental deed dated 18 April 2016, the third supplemental deed dated 17 April 2019, the fourth supplemental deed dated 23 March 2020 and the fifth supplemental deed dated 29 April 2020 (collectively, the "H-REIT Trust Deed") between FEO Hospitality Asset Management Pte. Ltd. (the "REIT Manager") and DBS Trustee Limited (the "REIT Trustee"). The REIT Trustee is under a duty to take into custody and hold the assets of Far East H-REIT in trust for the Stapled Securityholders of Far East H-REIT.

Far East H-BT is a Singapore-domiciled business trust constituted in Singapore by a trust deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019 ("H-BT Trust Deed") and is managed by FEO Hospitality Trust Management Pte. Ltd. (the "Trustee-Manager").

The registered office of the REIT Manager and the Trustee-Manager (collectively, the "Managers") is located at 1 Tanglin Road, #05-01 Orchard Rendezvous Hotel, Singapore 247905.

The securities in each of Far East H-REIT and Far East H-BT are stapled together under the terms of a stapling deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager (the "Stapling Deed") and cannot be traded separately. Each stapled security in Far East Hospitality Trust (the "Stapled Security") comprises a unit in H-REIT (the "H-REIT Unit") and a unit in H-BT (the "H-BT Unit").

Far East H-Trust was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 27 August 2012.

The principal activity of H-REIT is to invest in income producing real estate in Singapore, used primarily for hospitality and/or hospitality related purposes, with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth.

As at the reporting date, Far East H-BT is inactive.

Several service agreements were entered into in relation to management of H-REIT and H-BT and its property operations. The fee structures of these services are as follow:

### (a) *REIT Manager's management fees*

Under Clauses 15.1.1 and 15.1.2 of the H-REIT Trust Deed, the REIT Manager is entitled to a management fee comprising a base fee of 0.28% (2019: 0.3%) per annum of the value of H-REIT's Deposited Property (as defined in the H-REIT Trust Deed) and a performance fee of 4.0% per annum of H-REIT's net property income or the annual distributable amount (as defined in the H-REIT Trust Deed) in the relevant year, whichever is lower (2019: 4.0% per annum of H-REIT's net property income (as defined in the H-REIT Trust Deed) in the relevant year).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 1. GENERAL (CONT'D)

### (a) *REIT Manager's management fees (cont'd)*

The REIT Manager may elect to receive the base fee and the performance fee in cash or Stapled Securities or a combination of both (as it may in its sole discretion determine). For financial year ended 31 December 2020, 90% of the management fees were or would be paid in Stapled Securities issued at the market price (as defined in the H-REIT Trust Deed) with the remainder to be paid in cash.

Any increase in the rate or any change in the structure of the REIT Manager's management fees must be approved by an extraordinary resolution at a meeting of holders of the H-REIT units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

The base fee payable in the form of Stapled Securities is paid on a quarterly basis, in arrears. The base fee payable in the form of cash is paid on a monthly basis, in arrears.

The performance fee is crystallised once a year and shall be paid in cash or at the election of the REIT Manager, in Stapled Securities, or combination of both, within 30 days from the date of the audited accounts of Far East H-REIT in arrears.

Under Clause 15.2.1 of the H-REIT Trust Deed, the REIT Manager is entitled to receive an acquisition fee of 0.75% of the purchase consideration for acquisition from related parties and 1% of the purchase consideration for all other cases (or such lower percentage as maybe determined by the REIT Manager in its absolute discretion) and a divestment fee of 0.5% of the sale price. The acquisition or divestment fee is payable to the REIT Manager in the form of cash and/or Stapled Securities (as the REIT Manager may elect) provided that in respect of any acquisition or divestment of real estate assets from or to related parties, such a fee should be in the form of Stapled Securities issued at prevailing market price instead of cash.

### (b) *REIT Trustee's fees*

Pursuant to the H-REIT Trust Deed, the REIT Trustee's fee shall not exceed the rate of 0.02% per annum of the value of H-REIT Deposited Property and is subject to a minimum amount of S\$20,000 per month.

The REIT Trustee's fee is presently charged on a scaled basis of up to 0.02% per annum of the value of H-REIT's Deposited Property, subject to a minimum of S\$20,000 per month, excluding out-of-pocket expenses and GST. The actual fee payable will be determined between the REIT Manager and the REIT Trustee from time to time. The REIT Trustee was paid a one-time inception fee of S\$50,000.

Any increase in the REIT Trustee's fee above the permitted limit or change in the structure of the remuneration of the REIT Trustee shall be approved by an extraordinary resolution at a meeting of holders of the H-REIT Units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

The Trustee's fees are payable monthly in arrears.

### (c) *H-REIT property management fees*

Under the property management agreement dated 23 March 2020 between REIT Trustee, REIT Manager and Jones Lang LaSalle Property Consultant Pte Ltd ("JLL") in relation to the REIT commercial premises ("RCP"), JLL will provide property management services, lease management services, arrears management services, property tax services and marketing coordination services for the RCP. JLL is entitled to receive a fixed service fee, payable within 14 days upon receipt of invoice.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 1. GENERAL (CONT'D)

### (d) *H-REIT Leasing commission*

Under the marketing service agreement dated 8 February 2019 between REIT Trustee and Far East Management (Private) Limited ("FEMPL") in relation to the RCP, FEMPL will provide marketing and leasing services for the RCP. FEMPL is entitled to receive a leasing commission, payable within 60 days from the commencement of the new/renewal lease.

### (e) *H-REIT Technical service fees*

Under the technical service agreements signed between REIT Trustee and various Far East Organization and its group of companies ("FEO") in relation to the RCP, FEO will provide technical and operation support services for the RCP. FEO is entitled to receive a fixed service fee, payable within 30 days after the date of presentation of each invoice for the monthly fee.

### (f) *H-REIT Development management fees*

Under Clause 15.6 of the H-REIT Trust Deed, the REIT Manager is entitled to receive development management fees equivalent to 3.0% of the total project costs incurred in a development project undertaken by the REIT Manager on behalf of H-REIT. H-REIT will only undertake development activities within the limits of the Property Fund Appendix.

### (g) *Trustee-Manager's fees*

Pursuant to the H-BT Trust Deed, the Trustee-Manager is entitled to the following:

- a management fee comprising 10.0% of the profit of H-BT before interest and tax in the relevant financial year (calculated before accounting for this management fees in that financial year), payable in the event that H-BT becomes active;

The management fee is payable in the form of cash and/or Stapled Securities as the Trustee-Manager may elect.

Any portion of the management fee payable in the form of Stapled Securities is payable quarterly in arrears and any portion of the management fee payable in cash is payable monthly in arrears.

- a trustee fee of not exceeding 0.1% per annum of the value of H-BT's Trust Property (as defined in the Business Trusts Act), if any, subject to a minimum fee of S\$10,000 per month, provided that the value of H-BT's Trust Property is at least S\$50.0 million and H-BT has become active; and
- an acquisition fee of 0.75% of the purchase consideration for acquisition from related parties and 1.0% of the purchase consideration for all other cases (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) and a divestment fee of 0.5% of the sale price.

The acquisition fee and divestment fee are payable to the Trustee-Manager in the form of cash and/or Stapled Securities as Trustee-Manager may elect, and in such proportion as may be determined by the Trustee-Manager.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 1. GENERAL (CONT'D)

### (h) *H-BT Development management fees*

The Trustee-Manager is entitled to receive development management fees equivalent to 3.0% of the total project costs incurred in a development project undertaken by the Trustee-Manager on behalf of H-BT.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 *Basis of preparation*

The financial statements of H-REIT and the Stapled Group have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the H-REIT Trust Deed and the Stapling Deed. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement under the Financial Reporting Standards in Singapore ("FRS").

The financial statements of H-BT have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements are presented in Singapore dollars, which is the functional currencies of H-REIT and H-BT and rounded to the nearest thousand (\$'000), unless otherwise stated, and have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The accounting policies set out below have been applied consistently by H-REIT, H-BT and the Stapled Group.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, H-REIT, H-BT and the Stapled Group have adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of H-REIT, H-BT and the Stapled Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 *Standards issued but not yet effective*

H-REIT, H-BT and the Stapled Group have not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 109, FRS 39, FRS 107, FRS 104 and FRS 116 <i>Interest Rates Benchmark Reform – Phase 2</i>	1 January 2021
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 103 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to FRS 1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023

The REIT Manager and the Trustee-Manager expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application.

### 2.4 *Investment properties*

Investment properties are properties held either to earn rental income or capital appreciation or both, rather than for sale in the ordinary course of business, for use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost on acquisition, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Any gains or losses arising from changes in fair values of the investment properties are recognised in the statement of total return in the period in which they arise.

Fair value is determined at each reporting date in accordance with the H-REIT Trust Deed. In addition, the investment properties are to be valued by independent professional valuers at least once a year, in accordance with the Property Fund Appendix of CIS Code issued by MAS.

Subsequent expenditure relating to investment properties that have already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to H-REIT. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of total return in the year of retirement or disposal.

Investment properties are not depreciated. Investment properties are subject to continued maintenance and regularly revalued on the basis set out above. For taxation purposes, H-REIT may claim capital allowances on assets that qualify as plant and machinery under the Singapore Income Tax Act.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 *Joint venture*

A joint venture is an entity over which H-REIT has joint control established by contractual arrangement, whereby H-REIT has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

H-REIT recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture. Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in H-REIT's share of net assets of the joint venture. The profit or loss reflects the share of the results of the operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, H-REIT recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between H-REIT and joint venture are eliminated to the extent of the interest in the joint venture.

When H-REIT's share of losses in joint venture equals or exceeds its interest in the joint venture, H-REIT does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, H-REIT determines whether it is necessary to recognise an additional impairment loss on H-REIT's investment in joint venture. H-REIT determines at the end of each reporting period whether there is any objective evidence that the investment in joint venture is impaired. If this is the case, H-REIT calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in statement of total return.

The financial statements of joint venture is prepared as the same reporting date as the Stapled Group.

### 2.6 *Financial assets*

#### **Initial recognition and measurement**

Financial assets are recognised when, and only when H-REIT, H-BT or the Stapled Group becomes a party to the contractual provisions of the instruments.

At initial recognition, the Managers measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of total return.

Trade receivables are measured at the amount of consideration to which H-REIT, H-BT or the Stapled Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 *Financial assets (cont'd)*

#### **Subsequent measurement**

##### Investments in debt instruments

Subsequent measurement of debt instruments depends on H-REIT's, H-BT's or the Stapled Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in statement of total return when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("FVOCI") are measured at fair value through profit or loss. A gain or loss on debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of total return in the period in which it arises.

##### Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in statement of total return.

#### **Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in statement of total return.

### 2.7 *Impairment of financial assets*

H-REIT, H-BT or the Stapled Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that H-REIT, H-BT or the Stapled Group expects to receive, discounted at an approximation of the original effective interest rate.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 *Impairment of financial assets (cont'd)*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, H-REIT applies a simplified approach in calculating ECLs. Therefore, H-REIT does not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. H-REIT has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

H-REIT considers a financial asset in default when the counterparty fails to make contractual payments when these are past due, taking into account any collateral held. However, in certain cases, the REIT Manager may also consider a financial asset to be in default when internal or external information indicates that H-REIT is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by H-REIT. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 2.8 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand.

### 2.9 *Financial liabilities*

#### **Initial recognition and measurement**

Financial liabilities are recognised when, and only when, H-REIT, H-BT or the Stapled Group becomes a party to the contractual provisions of the financial instrument. The Managers determine the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

#### **Subsequent measurement**

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in statement of total return when the liabilities are derecognised, and through the amortisation process.

#### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in statement of total return.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 *Rental deposits and deferred income*

Rental deposits relate to rental deposits received from tenants of the investment properties. The accounting policy for rental deposits as a financial liability is set out in Note 2.9.

Deferred income relates to the difference between consideration received for rental deposits and its fair value at initial recognition, and is credited to the statement of total return as gross rental income on a straight line basis over individual lease term.

### 2.11 *Net assets attributable to holders of the Stapled Security*

Net assets attributable to the Stapled Securityholders represent the holders' residual interest in the Stapled Security's net assets upon termination.

Expenses incurred in connection with the initial public offering of the Stapled Security and listing on the SGX-ST are deducted directly against net assets attributable to holders of Stapled Securities.

### 2.12 *Revenue recognition*

#### *Rental from operating leases*

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Contingent rent, which comprises gross turnover rental, is recognised as income in the accounting period on a receipt basis. No contingent rent is recognised if there are uncertainties that may result in the possible return of amounts received.

All its master lease rental agreements are entered into between H-REIT and related parties.

### 2.13 **Expenses**

#### (a) *Property expenses*

Property expenses are recognised on an accrual basis.

#### (b) *REIT Manager fees*

Fees paid or payable to REIT Manager are recognised on an accrual basis based on the applicable formula stipulated in Note 1.

#### (c) *Trust expenses*

Trust expenses are recognised on an accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 *Taxation*

#### (a) *Current income tax*

Current income tax is the expected tax payable on the taxable income for the period, using tax rates and tax laws enacted or substantively enacted at the balance sheet date.

#### (b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint venture where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 *Taxation (cont'd)*

#### (c) *Tax transparency*

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the income tax treatment of H-REIT. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of H-REIT, the REIT Trustee will not be assessed to tax on the taxable income of H-REIT. Instead, the distributions made by H-REIT out of such taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on H-REIT's distributions (the "tax transparency ruling"). Accordingly, the REIT Trustee and the REIT Manager will deduct income tax at the prevailing corporate tax rate from the distributions made to Unitholders that are made out of the taxable income of H-REIT, except:

- (i) where the beneficial owners are individuals or Qualifying Unitholders, the REIT Trustee and the REIT Manager will make the distributions to such Unitholders without deducting any income tax; and
- (ii) where the beneficial owners are foreign non-individual investors, foreign funds or where the Units are held by nominee Unitholders who can demonstrate that the Units are held for beneficial owners who are foreign non-individual investors, the REIT Trustee and the REIT Manager will deduct/withhold tax at a reduced rate of 10% from the distributions.

Under the COVID-19 relief measures announced by IRAS, H-REIT will have until 31 December 2021 (or any extension allowed) to distribute at least 90% of the taxable income derived in the financial year ended 31 December 2020.

A Qualifying Unitholder is a Unitholder who is:

- (i) a company incorporated and tax resident in Singapore;
- (ii) a body of persons (excluding companies or partnerships) incorporated or registered in Singapore, such as:
  - a. charities registered under the Charities Act (Cap. 37) or established by any written law; or
  - b. town councils; or
  - c. statutory boards; or
  - d. co-operative societies registered under the Co-operative Societies Act (Cap. 62); or
  - e. trade unions registered under the Trade Unions Act (Cap. 333);
- (iii) a Singapore branch of a company incorporated outside Singapore;
- (iv) an international organisation that is exempt from tax on such distribution by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145);
- (v) real estate investment trust exchange-traded funds ("REIT ETFs") which have been accorded the tax transparency treatment;
- (vi) an agent bank or a Supplementary Retirement Scheme ("SRS") operator acting as nominee for individuals who have purchased Units in the Trust within the SRS; or

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 *Taxation (cont'd)*

#### (c) *Tax transparency (cont'd)*

- (vii) a nominee who can demonstrate that the Units are held for beneficial owners who are individuals or who fall within the classes of Unitholders listed in (i) to (v) above.

The above tax transparency ruling does not apply to gains from the sale of real properties. Such gains which are considered as trading gains are assessable to tax on the REIT Trustee. Where the gains are capital gains, the REIT Trustee will not be assessed to tax and may distribute the capital gains without tax being deducted at source.

#### (d) *Sales tax*

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables on the balance sheet.

### 2.15 *Borrowing costs*

Borrowing costs are expensed in the period they occur, and consist of interest and other costs that H-REIT incurs in connection with the borrowing of funds.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.16 *Government grants*

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.17 *Segment reporting*

For management purposes, the Stapled Group is organised into operating segments based on the types of operations within the Stapled Group's portfolio. The segment manager reports to the management of the REIT Manager who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 20, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.18 *Contingencies*

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of H-REIT; or
- (b) A present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of H-REIT.

### 2.19 *Significant accounting estimates and judgements*

The preparation of the financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Financial impact arising from revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in Note 3 – Investment properties.

H-REIT assesses at the end of each reporting period whether there is any indication that the interest in joint venture may be impaired. Determining whether there are indicators of impairment require judgements. In assessing whether the interest may be impaired, management reviews the joint venture's financial information, having regards to the financial performance and the fair value of the hotels held by the joint venture. The carrying amount of H-REIT's investment in joint venture and loan to joint venture are disclosed in Note 4 and 6 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.20 Consolidation

#### Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the Stapled Group.

## 3. INVESTMENT PROPERTIES

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
At 1 January	2,645,700	2,645,700	–	2,633,500	2,633,500	–
Capital expenditure capitalised	4,219	4,219	–	3,391	3,391	–
Fair value change recognised in statement of total return	(121,219)	(121,219)	–	8,809	8,809	–
At 31 December	2,528,700	2,528,700	–	2,645,700	2,645,700	–

Investment properties are stated at fair value based on valuations performed annually by independent professional valuers. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yields, terminal yields and discount rates. The valuation reports obtained from the valuers also highlighted that given the unprecedented set of circumstances on which to base a judgment, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the valuers have also recommended to keep the valuation of the properties under frequent review. The REIT Manager is of the view that the valuation methods and estimates are reflective of the market conditions as at 31 December 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 4. JOINT VENTURE

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Interest in net assets and carrying amount of joint venture						
At 1 January	8,027	8,027	–	14,356	14,356	–
Share of results of joint venture	(3,967)	(3,967)	–	(6,329)	(6,329)	–
At 31 December	4,060	4,060	–	8,027	8,027	–

Details of the joint venture are as follows:

Name of entity	Country of constitution / Principal place of business	Effective equity interest held by Far East H-REIT	
		2020 %	2019 %
Fontaine Investment Pte. Ltd. ("FIPL") <sup>(1)</sup>	Singapore	30.0	30.0

(1) Audited by KPMG LLP, Singapore

Far East H-REIT has a 30% direct interest in the ownership and voting rights in FIPL under a joint venture agreement dated 22 September 2014. Pursuant to the terms of the joint venture agreement, H-REIT jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities. FIPL is incorporated in Singapore with principal activities of property investment and development. FIPL has developed a hotel site located at Artillery Avenue, Sentosa comprising Village Hotel Sentosa, The Outpost Hotel Sentosa and The Barracks Hotel Sentosa. In 2019, the three hotels have obtained their temporary occupancy permits and commenced operations. The investment is accounted using the equity method.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 4. JOINT VENTURE (CONT'D)

Summarised financial information of FIPL based on its financial statements, and reconciliation with the carrying amount of the investment is as follows:

	2020 \$'000	2019 \$'000
<b>Non-current assets</b>		
Property, plant and equipment	496,013	507,547
Other non-current assets	1,212	838
	497,225	508,385
<b>Current assets</b>		
Cash and bank balances	8,620	17,332
Other current assets	5,447	2,269
	14,067	19,601
<b>Total assets</b>	511,292	527,986
Current liabilities	263,724	31,827
Non-current liabilities	234,036	469,404
<b>Total liabilities</b>	497,760	501,231
<b>Net assets</b>	13,532	26,755
<b>Total equity</b>	13,532	26,755
Proportion of the Stapled Group's ownership	30%	30%
Stapled Group's share of the net assets	4,060	8,027
<b>Carrying amount of the investment</b>	4,060	8,027
<b>Results</b>		
Revenue	27,862	33,397
Other income	4,646	194
Other expenses <sup>(1)</sup>	(32,518)	(38,508)
Finance expenses	(13,212)	(16,180)
Total comprehensive loss	(13,222)	(21,097)

(1) Includes depreciation expense of \$11.0 million (2019: \$9.9 million)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following as at the balance sheet date:

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Cash at bank and on hand	10,919	10,919	-	5,838	5,838	-

The cash at bank does not earn interest.

## 6. TRADE AND OTHER RECEIVABLES

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Trade receivables						
- the REIT Manager and related companies of REIT Manager	2,423	2,423	-	7,903	7,903	-
- third parties	2,922	2,922	-	1,827	1,827	-
Other receivables						
- related companies of REIT Manager	-	-	30	-	-	30
- loan to a joint venture company	30,046	30,046	-	29,229	29,229	-
- loan interest receivable	533	533	-	817	817	-
- third parties	98	98	-	190	190	-
Grant receivables	1,571	1,571	-	-	-	-
Total trade and other receivables	37,593	37,593	30	39,966	39,966	30
Less: Grant receivables	(1,571)	(1,571)	-	-	-	-
Add: Cash and cash equivalents (Note 5)	10,919	10,919	-	5,838	5,838	-
Total financial assets at amortised cost	46,941	46,941	30	45,804	45,804	30

Trade receivables are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Outstanding balances with the REIT Manager and related parties of the REIT Manager are unsecured, interest-free, repayable on demand and are to be settled in cash.

The loan to a joint venture company is used to fund the development of the hotel site located at Artillery Avenue, Sentosa. The amount is unsecured, earned interest at 1.77% per annum (2019: 2.80%) and repayable on demand.

The grant receivables relate to property tax rebates and cash grants from the Singapore government as part of the COVID-19 relief measures as at 31 December 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 6. TRADE AND OTHER RECEIVABLES (CONT'D)

### Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Far East H-REIT and the Stapled Group	
	2020 \$'000	2019 \$'000
Movement in allowance accounts:		
At the beginning of year	1,381	715
Charge for the year	1,043	685
Written off	(62)	(19)
At the end of year	2,362	1,381

## 7. DERIVATIVE FINANCIAL LIABILITIES

	Far East H-REIT and the Stapled Group	
	2020 \$'000	2019 \$'000
<b>Derivative liabilities</b>		
Interest rate swaps		
- Non-current	(8,323)	(4,881)
- Current	(2,909)	(108)
	(11,232)	(4,989)
Financial derivatives as a percentage of Stapled Group's net assets	(0.72%)	(0.30%)

As at 31 December 2020, Far East H-REIT and the Stapled Group have interest rate swap contracts with a total notional amount of \$672.2 million (2019: \$657.2 million) of which \$75.0 million relate to forward start interest rate swaps which will be effective in 2021. Under the contracts, Far East H-REIT and the Stapled Group receive interest based on floating rates equivalent to 3-month or 6-month (2019: 3-month or 6-month) Swap Offer Rates and pay fixed rates of interest ranging from 1.236% to 1.9875% p.a. (2019: 1.27% to 1.9875% p.a.).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 8. TRADE AND OTHER PAYABLES

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Trade payables						
- the REIT Manager	14	14	-	31	31	-
- related companies of the REIT Manager	258	258	-	338	338	-
- third parties	3,220	3,220	-	1,747	1,747	-
Other payables						
- the REIT Manager	34	-	34	33	-	33
- related companies of the REIT Manager	-	30	-	-	30	-
- third parties	892	892	-	1,519	1,519	-
Grant payables						
- the REIT Manager	6	6	-	-	-	-
- related companies of the REIT Manager	3,377	3,377	-	-	-	-
- third parties	61	61	-	-	-	-
<b>Total trade and other payables</b>	<b>7,862</b>	<b>7,858</b>	<b>34</b>	<b>3,668</b>	<b>3,665</b>	<b>33</b>
Add:						
Accruals	5,841	5,840	1	7,518	7,517	1
Borrowings (Note 9)	989,201	989,201	-	992,194	992,194	-
Less:						
Rental received in advance	(127)	(127)	-	-	-	-
Grant payables	(3,444)	(3,444)	-	-	-	-
<b>Total financial liabilities carried at amortised cost</b>	<b>999,333</b>	<b>999,328</b>	<b>35</b>	<b>1,003,380</b>	<b>1,003,376</b>	<b>34</b>

Outstanding balances with the related companies and the REIT Manager under Far East H-REIT are unsecured, interest-free, repayable on demand and are to be settled in cash.

Subsequent to 31 December 2020, the REIT Manager has undertaken not to recall the amount due from H-BT.

The grant payables relate to property tax rebates and cash grants which will be passed to the eligible tenants in the form of rental rebates as part of the COVID-19 relief measures as at 31 December 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 9. BORROWINGS

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Current liabilities</b>						
Bank loans (unsecured)	225,000	225,000	-	-	-	-
Revolving credit facility	12,900	12,900	-	16,500	16,500	-
Less: Unamortised upfront fees	(82)	(82)	-	-	-	-
	237,818	237,818	-	16,500	16,500	-
<b>Non-current liabilities</b>						
Bank loans (unsecured)	752,900	752,900	-	977,900	977,900	-
Less: Unamortised upfront fees	(1,517)	(1,517)	-	(2,206)	(2,206)	-
	751,383	751,383	-	975,694	975,694	-
Total borrowings	989,201	989,201	-	992,194	992,194	-

The borrowings are made up of unsecured term loan facilities and revolving credit facilities.

As at the reporting date, the unsecured term loan facilities of \$977.9 million (2019: \$977.9 million) provided by five (2019: five) financial institutions have been fully drawn down.

The term loans have maturities ranging from two and a half-year to seven-year terms.

As at 31 December 2020, Far East H-REIT and the Stapled Group have revolving credit facilities of \$12.9 million (2019: \$16.5 million) and term loans of \$225.0 million (2019: \$Nil) which will be due for repayment within the next 12 months. Far East H-REIT has received commitment to refinance the term loans of \$125.0 million with its existing lender. Discussions with lenders for the refinancing options of the remaining \$100.0 million loan are ongoing. The REIT Manager expects the refinancing of this term loan to complete before the repayment date.

The uncommitted revolving credit facilities amounting to \$300 million (2019: \$300 million) are provided by four (2019: four) financial institutions. As at 31 December 2020, Far East H-REIT has uncommitted revolving credit facilities of \$287.1 million (2019: \$283.5 million) which remain unutilised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 9. BORROWINGS (CONT'D)

A reconciliation of liabilities arising from Far East H-REIT and the Stapled Group's financing activities is as follows:

	1 January 2020	Cash flows	Non-cash changes		31 December 2020
	\$'000		\$'000	Amortisation of upfront fees \$'000	Others* \$'000
<b>Far East H-REIT and the Stapled Group</b>					
Borrowings	992,194	(4,056)	637	426	989,201
	1 January 2019	Cash flows	Non-cash changes		31 December 2019
	\$'000		\$'000	Amortisation of upfront fees \$'000	Others* \$'000
<b>Far East H-REIT and the Stapled Group</b>					
Borrowings	1,027,867	(36,982)	672	637	992,194

\* Others pertain to reclassifications made from borrowings in lieu of unpaid upfront fees accrued during the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 10. STAPLED SECURITIES / UNITS IN ISSUE

A Stapled Security means a security comprising one unit of Far East H-REIT and one unit of Far East H-BT stapled together under the terms of the Stapling Deed.

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Stapled Securities / Units in issue</b>						
At 1 January	1,943,251	1,943,251	1,943,251	1,872,012	1,872,012	1,872,012
<b>Issuance of Stapled Securities / Units</b>						
REIT Manager's fees paid in Stapled Securities	18,150	18,150	18,150	17,119	17,119	17,119
Distribution reinvestment plan ("DRP")	-	-	-	54,120	54,120	54,120
At 31 December	1,961,401	1,961,401	1,961,401	1,943,251	1,943,251	1,943,251
<b>Stapled Securities / Units to be issued</b>						
REIT Manager's fees payable in stapled securities						
- Base fees	2,720	2,720	2,720	2,516	2,516	2,516
- Performance fees	2,770	2,770	2,770	5,152	5,152	5,152
Total Stapled Securities / Units in issue and to be issued at end of year	1,966,891	1,966,891	1,966,891	1,950,919	1,950,919	1,950,919

A total of 15,972,579 (2019: 15,713,445) Stapled Securities were issued or to be issued to the REIT Manager as satisfaction of management fees paid/payable to the REIT Manager in Stapled Securities, amounting to \$8,495,481 (2019: \$11,031,003) for the financial year.

DRP was established and implemented in May 2017. It provides eligible Stapled Securityholders with the option to receive their distribution, either in the form of Stapled Securities or cash or a combination of both. DRP was reintroduced in February 2019. Under DRP, 54,120,108 new Stapled Securities were issued to eligible Stapled Securityholders who have opted to receive their distribution entitlement for the period from 1 October 2018 to 30 September 2019 in Stapled Securities on 28 March 2019, 12 June 2019, 13 September 2019 and 12 December 2019 respectively.

Each Far East H-REIT unit is stapled together with a Far East H-BT unit under the terms of the Stapling Deed and cannot be traded separately. Each Stapled Security represents an undivided interest in Far East H-REIT and Far East H-BT.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each Stapled Security carries one vote.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 11. NET ASSET VALUE PER STAPLED SECURITY

	2020			2019		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Net asset value per Stapled Security is based on:						
Net assets/(liabilities) (\$'000)	1,557,684	1,557,689	(5)	1,681,247	1,681,251	(4)
Total issued and to be issued Stapled Securities ('000) (Note 10)	1,966,891	1,966,891	1,966,891	1,950,919	1,950,919	1,950,919
Net asset value per Stapled Security (cents)	79.20	79.20	(0.00025)	86.18	86.18	(0.00021)

## 12. REIT MANAGER'S FEES

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Base fee	7,532	7,532	-	8,084	8,084	-
Performance fees	1,907	1,907	-	4,173	4,173	-
	9,439	9,439	-	12,257	12,257	-

The REIT manager has opted to receive 90% (2019: 90%) of its fees in the form of Stapled Securities with the balance in cash. An aggregate of 15,972,579 (2019: 15,713,445) Stapled Securities were issued or to be issued to the REIT Manager as satisfaction of the 90% (2019: 90%) of the management fees paid/payable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 13. OTHER TRUST EXPENSES

Other trust expenses comprise of professional fees and other recurring expenses.

Included in other trust expenses are the following items:

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Audit fees	77	76	1	77	76	1
Non-audit fees	59	59	-	77	77	-
	136	135	1	154	153	1
Valuation fees	65	65	-	70	70	-

## 14. FINANCE INCOME AND EXPENSES

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
<b>Interest and other income</b>						
Interest income from loan to joint venture	533	533	-	817	817	-
Others	91	91	-	90	90	-
	624	624	-	907	907	-
<b>Finance expenses</b>						
Amortisation of debt-related transaction costs	(637)	(637)	-	(672)	(672)	-
Amortisation of rental deposits	(92)	(92)	-	(89)	(89)	-
Interest expenses paid / payable to banks	(23,466)	(23,466)	-	(29,089)	(29,089)	-
	(24,195)	(24,195)	-	(29,850)	(29,850)	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 15. INCOME TAX EXPENSE

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2020 and 2019 is as follows:

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Reconciliation of effective tax						
Total return before tax	(93,313)	(93,312)	(1)	60,465	60,488	(23)
Income tax using						
Singapore tax rate of 17%	(15,863)	(15,863)	-	10,279	10,283	(4)
Expense not deductible	23,952	23,952	-	2,281	2,277	4
Tax transparency (Note 2.14c)	(8,066)	(8,066)	-	(12,486)	(12,486)	-
Rollover adjustment	67	67	-	22	22	-
	90	90	-	96	96	-

## 16. EARNINGS PER STAPLED SECURITY

Earnings per Stapled Security ("EPS") (cents)

	2020			2019		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Basic	(4.78)	(4.78)	-	3.17	3.17	-
Diluted	(4.78)	(4.78)	-	3.15	3.15	-

The basic EPS is computed using total return for the year after tax over the weighted average number of Stapled Securities outstanding as follows:-

	2020			2019		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Total return for the year after tax (\$'000)	(93,403)	(93,402)	(1)	60,369	60,392	(23)
Weighted average number of Stapled Security in issue ('000)	1,953,889	1,953,889	1,953,889	1,907,102	1,907,102	1,907,102

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 16. EARNINGS PER STAPLED SECURITY (CONT'D)

The diluted EPS is computed using total return for the year after tax over the weighted average number of Stapled Securities outstanding, adjusted for the effect of all dilutive potential Stapled Securities.

	2020			2019		
	Stapled Group	Far East H-REIT	Far East H-BT	Stapled Group	Far East H-REIT	Far East H-BT
Total return for the year after tax (\$'000)	(93,403)	(93,402)	(1)	60,369	60,392	(23)
Weighted average number of Stapled Security in issue ('000)	1,953,889	1,953,889	1,953,889	1,914,770	1,914,770	1,914,770

The potential stapled securities convertible from the 5,489,891 contingently issuable stapled securities have been excluded from the calculation of diluted earnings per share per stapled security as they are anti-dilutive for the financial year ended 31 December 2020. Thus, the diluted earnings per share is the same as basic earnings per share.

## 17. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following related party transactions were carried out at terms agreed between the parties during the financial year:

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Master lease rental income received/receivable from related corporations of the REIT Manager	66,448	66,448	–	93,619	93,619	–
Rental income received/receivable from related corporations of the REIT Manager	2,239	2,239	–	2,328	2,328	–
Rental income received/receivable from the REIT Manager	154	154	–	159	159	–
Interest receivable from a joint venture company	533	533	–	817	817	–
Reimbursement of expenses received/receivable from related corporations of the REIT Manager	131	131	–	164	164	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 17. RELATED PARTY TRANSACTIONS (CONT'D)

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Management fees paid/payable to the REIT Manager	(9,439)	(9,439)	-	(12,257)	(12,257)	-
Trustee's fees paid/payable to the Trustee	(329)	(329)	-	(329)	(329)	-
Shared service fees paid/payable to related corporations of the REIT Manager	(944)	(944)	-	(1,194)	(1,194)	-
Reimbursement of expenses paid/payable to the REIT Manager	(87)	(86)	(1)	(158)	(135)	(23)
Reimbursement of expenses paid/payable to related corporations of the REIT Manager	(5)	(5)	-	(16)	(16)	-
Leasing commission paid/payable to related corporation of the REIT Manager	(308)	(308)	-	(291)	(291)	-
Technical service fee paid/payable to related corporations of the REIT Manager	(470)	(470)	-	(386)	(386)	-
Loan to a joint venture company	-	-	-	(1,200)	(1,200)	-
Government grants paid/payable to the REIT Manager and related corporations of the REIT Manager	(8,966)	(8,966)	-	-	-	-

Far East H-REIT has entered into the following agreements for the management of the RCP:

- under a property management agreement, JLL was appointed as the property manager to provide property management services, lease and arrears management services, property tax services and marketing coordination services for the RCP. The property manager is entitled to a fixed service fee.
- under a marketing service agreement, FEMPL was appointed as the marketing agent to provide marketing and leasing services for the RCP. The marketing agent is entitled to receive a leasing commission.
- under the technical service agreements with various companies within FEO to provide technical support services for the RCP, FEO is entitled to receive a fixed service fee.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 18. FINANCIAL RISK MANAGEMENT

### (a) *Capital management*

The primary objective of the capital management of Far East H-REIT and the Stapled Group is to ensure that it maintains a strong and healthy capital structure in order to support its business and maximise Stapled Securityholder value.

Far East H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of CIS Code issued by MAS. With effect from 16 April 2020, the revised Code on Collective Investment Schemes stipulates that borrowings and deferred payments (together the "Aggregate Leverage") of a property fund:

- a) should not, before 1 January 2022, exceed 50.0% of the fund's depository property;
- b) should not, on or after 1 January 2022, exceed 45.0% of the fund's deposited property. The Aggregate Leverage of a property fund may exceed 45.0% of the fund's deposited property (up to a maximum of 50.0%) only if the property fund has a minimum adjusted interest coverage ratio of 2.5 times (as defined in the Property Fund Appendix) after taking into account the interest payment obligations arising from the new borrowings.

As at 31 December 2020, Far East H-REIT's and the Stapled Group's Aggregate Leverage stood at 40.9% (2019: at 39.2%) of its Depository Property, which is within the limit set by the Property Fund Appendix.

There were no substantial changes in Far East H-REIT's and the Stapled Group's approach to capital management for the year ended 31 December 2020 and 2019.

### (b) *Financial risk management objectives and policies*

Exposure to credit, interest rate and liquidity risks arises in the normal course of Far East H-REIT's business. The REIT Manager continually monitors Far East H-REIT's exposure to the above risks. There has been no change to Far East H-REIT's exposure to these financial risks or the manner in which it manages and measures risks.

#### (i) *Credit risk*

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to Far East H-REIT as and when they fall due.

Far East H-REIT's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The REIT Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the REIT Manager before lease agreements are entered into with customers. Credit risk is also mitigated by the rental deposits held for each of the customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 18. FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) *Financial risk management objectives and policies (cont'd)*

#### (i) *Credit risk (cont'd)*

The REIT Manager considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The REIT Manager has determined the default event on a financial asset to be when the counterparty fails to make contractual payments past due, taking into account any collateral held.

The REIT Manager determined that the financial assets are credit-impaired when:

- There is significant financial difficulty of the customer or counterparty
- A breach of contract, such as a default or past due event
- It is becoming probable that the customer or counterparty will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer or counterparty failing to engage in a repayment plan with Far East H-REIT. Where loans and receivables have been written off, the REIT Manager continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement of total return.

A summary of Far East H-REIT's internal grading category in the computation of the expected credit loss model for the loans and receivables is as follows:

<b>Definition of category</b>	<b>Basis for recognition of expected credit loss provision</b>
Loans and receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due.	Lifetime expected credit losses

#### *Trade receivables*

Far East H-REIT provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on historical observed default rates analysed in accordance to days past. The loss allowance provision as at 31 December 2020 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 18. FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) *Financial risk management objectives and policies (cont'd)*

#### (i) *Credit risk (cont'd)*

Summarised below is the information about the credit risk exposure on the Stapled Group's trade receivables:

	Current \$'000	1 to 30 days past due \$'000	More than 30 days past due \$'000	Total \$'000
<b>31 December 2020</b>				
Gross carrying amount	3,491	556	3,660	7,707
Loss allowance provision	–	5	2,357	2,362
<b>31 December 2019</b>				
Gross carrying amount	9,170	226	1,715	11,111
Loss allowance provision	–	1	1,380	1,381

Information regarding loss allowance movement of trade receivables is disclosed in Note 6.

During the financial year, Far East H-REIT wrote-off \$62,000 (2019: \$19,000) of trade receivables which are more than 120 days past due as Far East H-REIT does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet. At the balance sheet date, approximately 38% (2019: 48%) of the Stapled Group's trade receivables were due from 5 tenants who are reputable companies located in Singapore.

Trade and other receivables that are neither past due nor impaired represent creditworthy debtors with good payment record with the Stapled Group. Cash are placed with a local bank regulated by the MAS.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 18. FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) *Financial risk management objectives and policies (cont'd)*

#### (ii) *Interest rate risk*

Far East H-REIT's exposure to changes in interest rates relates primarily to its interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the REIT Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. The REIT Manager adopts a policy of fixing the interest rates for a portion of its outstanding borrowings using financial derivatives or other suitable financial products.

As at 31 December 2020, the REIT Manager has entered into interest rate swap contracts to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional amounts of the unsecured bank loan.

Far East H-REIT's exposure to interest rate risk relates primarily to the remaining portion 39.7% (2019: 33.9%) of the unsecured bank loans that have not been hedged using interest rate swaps. The REIT Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

#### *Sensitivity analysis for interest rate risk*

For the floating rate loans, a change of a hundred basis points increase or decrease in interest rate at the balance sheet date, with all other variables held constant, would decrease or increase the Stapled Group's total return for the period by approximately \$3,936,500 (2019: \$3,372,500).

#### (iii) *Liquidity risk*

Liquidity risk is the risk that Far East H-REIT will encounter difficulty in meeting financial obligations due to shortage of funds. Far East H-REIT's objective is to maintain sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations. The REIT Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance Far East H-REIT's operations and to mitigate the effects of fluctuations in cash flows. In addition, the REIT Manager monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 18. FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) *Financial risk management objectives and policies (cont'd)*

#### (iii) *Liquidity risk (cont'd)*

The table below summarises the maturity profile of the financial liabilities at the balance sheet date based on contractual undiscounted payments.

	Within 1 year \$'000	1 – 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>As at 31 December 2020</b>				
<b>Stapled Group</b>				
Trade and other payables	10,132	–	–	10,132
Derivative financial liabilities	2,909	8,323	–	11,232
Rental deposits	2,604	2,043	5,000	9,647
Borrowings	248,552	770,809	–	1,019,361
	264,197	781,175	5,000	1,050,372
<b>Far East H-REIT</b>				
Trade and other payables	10,127	–	–	10,127
Derivative financial liabilities	2,909	8,323	–	11,232
Rental deposits	2,604	2,043	5,000	9,647
Borrowings	248,552	770,809	–	1,019,361
	264,192	781,175	5,000	1,050,367
<b>Far East H-BT</b>				
Trade and other payables	35	–	–	35
<b>As at 31 December 2019</b>				
<b>Stapled Group</b>				
Trade and other payables	11,186	–	–	11,186
Derivative financial liabilities	108	4,881	–	4,989
Rental deposits	3,284	1,750	5,000	10,034
Borrowings	43,546	880,479	159,009	1,083,034
	58,124	887,110	164,009	1,109,243
<b>Far East H-REIT</b>				
Trade and other payables	11,182	–	–	11,182
Derivative financial liabilities	108	4,881	–	4,989
Rental deposits	3,284	1,750	5,000	10,034
Borrowings	43,546	880,479	159,009	1,083,034
	58,120	887,110	164,009	1,109,239
<b>Far East H-BT</b>				
Trade and other payables	34	–	–	34

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 19. FAIR VALUE OF ASSETS AND LIABILITIES

### (a) *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### (b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value, including their levels in the fair value hierarchy, at the end of the reporting period:

	Far East H-REIT and the Stapled Group		
	2020		
	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
<b>Financial liabilities measured at fair value</b>			
Interest rate swaps	11,232	-	11,232
<b>Non-financial assets measured at fair value</b>			
Investment properties	-	2,528,700	2,528,700

During the financial year ended 31 December 2020, there have been no transfers between the respective levels.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 19. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (b) *Assets and liabilities measured at fair value (cont'd)*

	Far East H-REIT and the Stapled Group		
	2019		
	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
<b>Financial liabilities measured at fair value</b>			
Interest rate swaps	4,989	-	4,989
<b>Non-financial assets measured at fair value</b>			
Investment properties	-	2,645,700	2,645,700

During the financial year ended 31 December 2019, there have been no transfers between the respective levels.

### (c) *Level 2 fair value measurements*

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

#### *Interest rate swap*

The fair value of interest rate swaps are derived by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 19. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) **Level 3 fair value measurements**

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

Description	Fair value at 31 December 2020 \$'000	Valuation Techniques	Unobservable inputs	Range
Investment properties - <i>Hotels</i>	2,003,000	Discounted cash flow	Discount rate Revenue per available room	6.50% - 7.50% \$56 - \$258
		Income capitalisation method	Capitalisation rate	4.25% - 5.25%
		Direct comparison method	Price per square metre	\$17,021 - \$64,706
- <i>Serviced residences</i>	525,700	Discounted cash flow	Price per room Discount rate Revenue per available unit	\$0.74 million - \$1.39 million 5.75% - 7.0% \$141 - \$320
		Income capitalisation method	Capitalisation rate	3.00% - 4.75%
	<u>2,528,700</u>			

Description	Fair value at 31 December 2019 \$'000	Valuation Techniques	Unobservable inputs	Range
Investment properties - <i>Hotels</i>	2,102,300	Discounted cash flow	Discount rate Revenue per available room	6.50% - 7.50% \$123 - \$264
		Income capitalisation method	Capitalisation rate	4.25% - 5.25%
		Direct comparison method	Price per square metre	\$15,366 - \$52,308
- <i>Serviced residences</i>	543,400	Discounted cash flow	Price per room Discount rate Revenue per available unit	\$0.74 million - \$1.39 million 5.75% - 7.0% \$172 - \$310
		Income capitalisation method	Capitalisation rate	3.00% - 4.75%
	<u>2,645,700</u>			

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 19. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### (d) *Level 3 fair value measurements (cont'd)*

#### (i) *Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)*

A significant increase or decrease in the discount rate and/or capitalisation rate would result in a significantly lower or higher fair value measurement. The higher the comparable sales price, the higher the fair value.

#### (ii) *Valuation policies and procedures*

The REIT Manager oversees Far East H-REIT's financial reporting valuation process and is responsible for setting its valuation policies and procedures.

For all significant financial reporting valuations using valuation models and input unobservable to the REIT Manager, it is Far East H-REIT's policy to engage external valuation experts to perform the valuation. The REIT Manager is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuations performed by external valuation experts, the REIT Manager reviews the appropriateness of the valuation methodologies and assumptions adopted. The REIT Manager also evaluates the appropriateness and reliability of the input used in the valuations.

In selecting the appropriate valuation models and input to be adopted for each valuation that uses significant unobservable input, external valuation experts are requested to calibrate the valuation models and input to actual market transactions that are relevant to the valuation if such information is reasonably available. External valuation experts are required, to the extent practicable, to use a minimum of two methodologies to cross-check valuations that are sensitive to unobservable input.

Significant changes in fair value measurements from period to period are evaluated by the REIT Manager for reasonableness. Contributable drivers to such fair value changes are identified and assessed for reasonableness against relevant information from independent sources or internal sources if necessary and where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 20. SEGMENT REPORTING

### *Business segment*

The Stapled Group has two reportable business segments as follows:

- hotels and serviced residences
- retail units, offices and others

Management monitors the operating results of the business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment information is presented in respect of Far East H-REIT and the Stapled Group's business segments, based on its management and internal reporting structure.

Segment revenue comprises mainly income generated from the master leases and retail and offices tenants. Segment net property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the chief operating decision maker for the purpose of assessment of segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly management fees, performance fee, trust expenses, finance income, finance costs and related assets and liabilities.

Performance is measured based on segment net property income, as included in the internal management reports that are reviewed by the board of directors of the REIT Manager. Segment net property income is used to measure performance as management believes that such information is the most relevant in evaluating the results of its segments relative to other entities that operate within the same industry.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 20. SEGMENT REPORTING (CONT'D)

### *Business segment (cont'd)*

The reportable segments' results are as below:

2020

	Hotels and serviced residences \$'000	Retail units, offices and others \$'000	Total \$'000
Gross revenue	66,719	16,535	83,254
Segment net property income	60,760	11,419	72,179
REIT Manager's fees			(9,439)
Trustee's fees			(329)
Other trust expenses			(723)
Interest and other income			624
Finance expenses			(24,195)
Net income before tax and fair value changes			38,117
Fair value change in derivative financial instruments			(6,244)
Fair value change in investment properties	(99,283)	(21,936)	(121,219)
Share of results of joint venture			(3,967)
Total return for the year before income tax			(93,313)
Income tax expense			(90)
Total return for the year after income tax before distribution			(93,403)
Segment assets	2,143,806	391,979	2,535,785
Unallocated assets			45,572
Total assets			2,581,357
Segment liabilities	10,917	7,097	18,014
Unallocated liabilities			1,005,659
Total liabilities			1,023,673

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 20. SEGMENT REPORTING (CONT'D)

### *Business segment (cont'd)*

2019

	Hotels and serviced residences \$'000	Retail units, offices and others \$'000	Total \$'000
Gross revenue	93,619	21,927	115,546
Segment net property income	87,831	16,483	104,314
REIT Manager's fees			(12,257)
Trustee's fees			(329)
Other trust expenses			(1,477)
Interest and other income			907
Finance expenses			(29,850)
Net income before tax and fair value changes			61,308
Fair value change in investment properties	3,775	5,034	8,809
Fair value change in derivative financial instruments			(3,323)
Share of results of joint venture			(6,329)
Total return for the year before income tax			60,465
Income tax expense			(96)
Total return for the year after income tax before distribution			60,369
Segment assets	2,242,959	412,664	2,655,623
Unallocated assets			43,922
Total assets			2,699,545
Segment liabilities	6,034	7,266	13,300
Unallocated liabilities			1,004,998
Total liabilities			1,018,298

### *Geographical segments*

No geographical information is presented as the Stapled Group operates in Singapore only.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 21. COMMITMENTS

Far East H-REIT and the Stapled Group lease out their investment properties. Non-cancellable operating lease rentals receivable are as follows:

	2020			2019		
	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000	Stapled Group \$'000	Far East H-REIT \$'000	Far East H-BT \$'000
Receivable:						
Within 1 year	80,922	80,922	-	82,252	82,252	-
After 1 year but within 5 years	277,274	277,274	-	281,342	281,342	-
After 5 years	488,492	488,492	-	555,492	555,492	-
	846,688	846,688	-	919,086	919,086	-

The above operating lease rental receivables comprise amounts receivable under the Master Leases and the leases relating to the commercial units of the Properties.

Rental receivable under the Master Leases are based on the terms of the Master Lease Agreements. The amounts receivable for such leases are based on the fixed rent as set out in the Master Leases.

The REIT Trustee has granted an option to each of the Master Lessees to obtain an additional lease for another 20 years on expiry of the initial 20-year leases based on the same terms save for amendments required due to any changes in law.

Commitments contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	2020 \$'000	2019 \$'000
Capital commitments in relation to investment properties	5,204	5,054
Commitments to provide funding to joint venture	16,311	19,230
	21,515	24,284

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 22. CONTINGENT CONSIDERATION

On 12 January 2018, the REIT Trustee had entered into a conditional sale and purchase agreement with Far East SOHO Pte. Ltd. (the "Vendor"), a member of Far East Organization to acquire a 65-year leasehold estate in Oasis Hotel Downtown (the "Property") for a purchase consideration of \$210.0 million. The acquisition was completed on 2 April 2018.

On 2 April 2018, the Vendor and the REIT Trustee entered into an Earn-out Agreement, in which the REIT Trustee will issue \$15.0 million worth of Stapled Securities to the Vendor if, by 31 December 2023 (or up to 31 December 2025 if there are any Extension Events (as defined in the Earn-out Agreement), the net property income ("NPI") of the Property is at least \$9.9 million per annum (the "Target NPI PA") for two full consecutive years (the "Earn-out Event Condition").

As a result of the disruption caused by the COVID-19 pandemic and the various measures imposed by the Singapore government which have rendered all the rooms under the Property not operational in the normal course of business as a hotel for more than one month, an Extension Event has occurred. The Extension Event has caused the Earn-out Expiry Date to be extended by one full Fiscal Year from 31 December 2023 to 31 December 2024, in accordance with Clause 2.5 of the Earn-out Agreement.

For 2019, the Target NPI PA of at least S\$9.9 million per annum was met for the Property. As the Target NPI PA for 2020 is not achieved, 2020 is regarded as a Disrupted Year (as defined in the Earn-out Agreement) and the second consecutive year will refer to the Fiscal Year immediately following the Disrupted Year.

In view that the Earn-out Event Condition has not been met yet, the earn-out sum is not recognised in the financial statements as at 31 December 2020.

## 23. GOVERNMENT GRANTS

As part of COVID-19 Relief measures, the Singapore government has introduced the following government grants during the year:

- Under section 6(8) of the Property Tax Act (Cap. 254), qualifying non-residential properties will be granted property tax rebate for the period of 1 January 2020 to 31 December 2020. Owners are required to unconditionally pass on the property tax rebate to their tenants within the prescribed timeframe.
- Under the COVID-19 (Temporary Measures) (Amendment) Act, the rental relief framework for Small and Medium Enterprises and Non-Profit Organisations requires owners of qualifying non-residential properties to provide rental relief to eligible tenants. Owners of such qualifying properties will receive further government assistance through the government cash grant.

During the financial year, H-REIT received government grants of S\$11.6 million (i.e. grant income), out of which S\$11.0 million of the amount received was passed on to the lessees (i.e. grant expense). The grant income and grant expense was presented net and recognised in the Statement of Total Return as "Master lease rental" and "Retail and office revenue" accordingly.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 24. FINANCIAL RATIOS

	2020		2019	
	Stapled Group	Far East H-REIT	Stapled Group	Far East H-REIT
	%	%	%	%
Expense ratio <sup>(1)</sup>	0.63	0.63	0.84	0.84
Turnover ratio <sup>(2)</sup>	-	-	-	-

(1) The expense ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of Far East H-REIT and the Stapled Group, excluding property expenses, interest expense and income tax expense of each entity, where applicable.

(2) The turnover ratio is computed based on the lesser of purchases or sales of underlying investment properties of Far East H-REIT and the Stapled Group expressed as a percentage of daily average net asset value.

## 25. SUBSEQUENT EVENTS

On 28 January 2021, Far East H-Trust issued 2,719,887 new Stapled Securities at a price of \$0.6197 per Stapled Security in payment of 90% of the REIT Manager's fees (base fees) for the period from 1 October 2020 to 31 December 2020.

On 11 February 2021, the REIT Manager declared a distribution of \$27,104,875 or \$0.0138 per Stapled Security to Stapled Securityholders in respect of the period from 1 July 2020 to 31 December 2020.

## 26. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with resolutions of the REIT Manager and the Trustee-Manager on 5 March 2021.

## FINANCIAL STATEMENTS

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### DIRECTORS

Wee Kheng Jin  
Willie Cheng Jue Hiang  
Huang Cheng Eng  
Kyle Lee Khai Fatt  
Vivienne Lim Hui Bian  
Lee Khia Yee  
Celestine Khoo Geok Choo  
(Appointed on 1 October 2020)  
Benedict Leh Song Boon  
(Appointed on 1 January 2021)

### SECRETARIES

Low Mei Wan  
Lin Moi Heyang

### REGISTERED OFFICE

1 Tanglin Road  
#05-01 Orchard  
Rendezvous Hotel  
Singapore 247905

### AUDITOR

Ernst & Young LLP

# DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of FEO Hospitality Trust Management Pte. Ltd. (the "Company") for the financial year ended 31 December 2020.

## OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the accompanying statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts on the basis that the ultimate holding company has agreed to provide continuing financial support to enable it to meet its liabilities as and when they fall due.

## DIRECTORS

The directors of the Company in office at the date of this statement are:-

Wee Kheng Jin

Willie Cheng Jue Hiang

Huang Cheng Eng

Kyle Lee Khai Fatt

Vivienne Lim Hui Bian

Lee Khia Yee

Celestine Khoo Geok Choo (Appointed on 1 October 2020)

Benedict Leh Song Boon (Appointed on 1 January 2021)

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

# DIRECTORS' STATEMENT

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year except that the directors had stapled security holdings in Far East Hospitality Trust as follow:

Name of director	Direct interest		Deemed interest	
	At the beginning of the financial year or date of appointment	At the end of financial year	At the beginning of the financial year or date of appointment	At the end of financial year
Wee Kheng Jin	578,801	646,233	–	–
Willie Cheng Jue Hiang	–	56,193	580,325	580,325
Huang Cheng Eng	576,514	1,026,464	–	–
Kyle Lee Khai Fatt	570,087	622,534	–	–
Vivienne Lim Hui Bian	8,262	39,480	–	–
Lee Khia Yee	–	13,736	–	–
Celestine Khoo Geok Choo	–	–	–	–

## AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

**Wee Kheng Jin**

Director

**Willie Cheng Jue Hiang**

Director

Singapore

10 February 2021

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020  
To the Members of FEO Hospitality Trust Management Pte. Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of FEO Hospitality Trust Management Pte. Ltd. (the "Company") which comprise the balance sheet of the Company as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for other information. The other information comprises General information and Directors' Statement.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020  
To the Members of FEO Hospitality Trust Management Pte. Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020  
To the Members of FEO Hospitality Trust Management Pte. Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

### *Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### *Report on Other Legal and Regulatory Requirements*

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Ernst & Young LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
10 February 2021

# STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 \$	2019 \$
Administrative expenses		(3,878)	(4,107)
<b>Loss before taxation</b>	4	(3,878)	(4,107)
Income tax expense	5	-	-
<b>Loss for the year, representing total comprehensive income for the year attributable to owners of the Company</b>		(3,878)	(4,107)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# BALANCE SHEET

As at 31 December 2020

	Note	2020 \$	2019 \$
<b>Current assets</b>			
Other receivables	6	100	100
Prepayment		2	-
<b>Current liabilities</b>			
Other payables and accruals	7	(36,965)	(33,085)
<b>Net current liabilities and net liabilities</b>			
		(36,863)	(32,985)
<b>Equity attributable to the owners of the Company</b>			
Share capital	8	100	100
Accumulated losses		(36,963)	(33,085)
<b>Deficit in equity</b>			
		(36,863)	(32,985)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Attributable to owners of the Company		
	Share capital (Note 8) \$	Accumulated losses \$	Total \$
<b>2020</b>			
Balance at 1 January 2020	100	(33,085)	(32,985)
Loss representing total comprehensive income for the year	-	(3,878)	(3,878)
Balance at 31 December 2020	100	(36,963)	(36,863)
<b>2019</b>			
Balance at 1 January 2019	100	(28,978)	(28,878)
Loss representing total comprehensive income for the year	-	(4,107)	(4,107)
Balance at 31 December 2019	100	(33,085)	(32,985)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CASH FLOW STATEMENT

For the financial year ended 31 December 2020

	2020 \$	2019 \$
<b>Cash flows from operating activities:</b>		
Loss before taxation	(3,878)	(4,107)
<b>Operating loss before working capital changes</b>	(3,878)	(4,107)
Decrease in other receivables	-	872
Increase in prepayments	(2)	-
Increase in other payables and accruals	3,880	3,235
<b>Net cash flows used in operating activities</b>	-	-
<b>Net movement in cash and cash equivalents and balance at end of the year</b>	-	-

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 1. CORPORATE INFORMATION

FEO Hospitality Trust Management Pte. Ltd. (the "Company") is a private limited liability company incorporated and domiciled in Singapore.

The registered office and principal place of business of the Company is located at 1 Tanglin Road #05-01, Orchard Rendezvous Hotel, Singapore 247905.

The principal activities of the Company are asset and portfolio management, and to act as trustee-manager for the Far East Hospitality Business Trust ("Far East H-BT").

The immediate and ultimate holding companies are FEO Asset Management Pte. Ltd. and Far East Organization Centre Pte Ltd, respectively. Both companies are incorporated in Singapore.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards in Singapore ("FRSs").

The financial statements have been prepared on the historical cost basis and are presented in Singapore Dollars ("SGD" or "\$") which is the Company's functional currency.

The financial statements of the Company have been prepared on the basis of going concern notwithstanding that the Company's total and current liabilities exceeded its total and current assets by \$36,863 (2019: \$32,985) because its ultimate holding company has agreed to provide continuing financial support to enable it to meet its liabilities as and when they fall due.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any effect on the financial performance or position of the Company.

### 2.3 *Standards issued but not yet effective*

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 103 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to FRS 1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 *Financial assets*

#### Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

#### Subsequent measurement

##### *Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement category for classification of debt instruments are:

##### *Amortised cost*

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

#### De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 *Financial liabilities*

#### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

#### Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

#### De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### 2.6 *Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.8 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.8 *Taxes (cont'd)*

#### (b) *Deferred tax (cont'd)*

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 3.1 *Judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, the management did not make any judgements that have effect on the amounts recognised in the financial statements.

### 3.2 *Key sources of estimation uncertainty*

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 4. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging the following:

	2020 \$	2019 \$
Audit fees	3,000	3,000
Professional fees	482	500
Other expenses	396	607
	<u>3,878</u>	<u>4,107</u>

## 5. INCOME TAX EXPENSE

A reconciliation between income tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the year ended 31 December 2020 and 2019 is as follows:

	2020 \$	2019 \$
Loss before taxation	(3,878)	(4,107)
Tax benefit at applicable tax rate of 17% (2019: 17%)	(659)	(698)
Non-deductible expenses	659	698
Income tax expense	<u>-</u>	<u>-</u>

## 6. OTHER RECEIVABLES

	2020 \$	2019 \$
Other receivables – immediate holding company	<u>100</u>	<u>100</u>

Amount due from immediate holding company is non-trade, unsecured, non-interest bearing, repayable upon demand and is to be settled in cash.

## 7. OTHER PAYABLES AND ACCRUALS

	2020 \$	2019 \$
Other payables – related party	33,115	29,255
Accrued operating expenses	3,850	3,830
Total financial liabilities carried at amortised cost	<u>36,965</u>	<u>33,085</u>

Other payables due to related party are non-trade, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 8. SHARE CAPITAL

	2020		2019	
	No. of ordinary shares	Amount \$	No. of ordinary shares	Amount \$
Ordinary shares issued and fully paid-up : At beginning of financial year and end of financial year	100	100	100	100

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

## 9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments credit risk and liquidity risk. The management reviews and agrees policies for managing these risks and they are summarised below:

### (a) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. For financial assets, the Company adopts the policy of dealing exclusively with high credit quality counterparties.

The Company has no significant concentrations of credit risk and has in place credit policies and procedures to ensure on-going evaluation and active account monitoring.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

### (b) *Liquidity risk*

The Company manages the liquidity risk through the availability of funding from its immediate holding company and related party.

Other payables and accruals based on contractual undiscounted payments have a maturity profile of less than 1 year.

### (c) *Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares or obtain new borrowings. No changes were made in the objectives, policies or processes during the year ended 31 December 2020 and 2019. The Company is not subject to any externally imposed capital requirements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

## 9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (d) *Fair value measurements*

#### *Financial instruments whose carrying amount approximates fair value*

Management has determined that the carrying amounts of other receivables and other payables and accruals approximate fair values due to their short-term nature.

## 10. RELATED PARTY TRANSACTIONS

In addition to related party transaction disclosed elsewhere in the financial statements, the following significant transaction took place between the Company and related parties at terms agreed between the parties:

	2020	2019
	\$	\$
Reimbursement of expenses paid / payable to related party	3,860	4,058

Outstanding balances with related parties as at 31 December 2020 are set out in Notes 6 and 7.

## 11. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 10 February 2021.

# STATISTICS OF STAPLED SECURITYHOLDINGS

As at 1 March 2021

There were 1,964,121,374 Stapled Securities (one vote per Stapled Security) in issue as at 1 March 2021.

Each Stapled Security comprises one unit in Far East H-REIT and one unit in Far East H-BT. There is only one class of units in each of Far East H-REIT and Far East H-BT.

## DISTRIBUTION OF STAPLED SECURITYHOLDINGS

Size of Stapled Securityholdings	No. of Stapled Securityholders	%	No. of Stapled Securities	%
1 - 99	176	1.42	7,645	0.00
100 - 1,000	1,731	13.95	1,557,709	0.08
1,001 - 10,000	6,271	50.52	32,953,350	1.68
10,001 - 1,000,000	4,189	33.75	197,789,943	10.07
1,000,001 and above	45	0.36	1,731,812,727	88.17
<b>TOTAL</b>	<b>12,412</b>	<b>100.00</b>	<b>1,964,121,374</b>	<b>100.00</b>

## LOCATION OF STAPLED SECURITYHOLDERS

Country	No. of Stapled Securityholders	%	No. of Stapled Securities	%
Singapore	12,145	97.85	1,955,064,251	99.54
Malaysia	179	1.44	5,045,523	0.26
Others	88	0.71	4,011,600	0.20
<b>TOTAL</b>	<b>12,412</b>	<b>100.00</b>	<b>1,964,121,374</b>	<b>100.00</b>

## TWENTY LARGEST STAPLED SECURITYHOLDERS

No.	Name	No. of Stapled Securities	%
1	Golden Development Private Limited	447,315,963	22.77
2	Golden Landmark Pte. Ltd.	206,629,991	10.52
3	Far East Organization Centre Pte. Ltd.	196,396,847	10.00
4	Oxley Hill Properties Pte Ltd	166,420,277	8.47
5	Citibank Nominees Singapore Pte Ltd	145,328,377	7.40
6	FEO Hospitality Asset Management Pte. Ltd.	101,775,759	5.18
7	DBS Nominees (Private) Limited	99,137,579	5.05
8	Riverland Pte Ltd	86,499,632	4.40
9	DBSN Services Pte. Ltd.	69,838,971	3.56
10	HSBC (Singapore) Nominees Pte Ltd	65,953,401	3.36
11	Raffles Nominees (Pte.) Limited	56,920,187	2.90
12	United Overseas Bank Nominees (Private) Limited	8,230,526	0.42
13	BPSS Nominees Singapore (Pte.) Ltd.	7,658,636	0.39
14	Phillip Securities Pte Ltd	6,295,331	0.32
15	Maybank Kim Eng Securities Pte. Ltd.	6,098,090	0.31
16	DB Nominees (Singapore) Pte Ltd	5,069,651	0.26
17	Mellford Pte Ltd	4,254,600	0.22
18	OCBC Securities Private Limited	4,108,501	0.21
19	UOB Kay Hian Private Limited	3,859,897	0.20
20	CGS-CIMB Securities (Singapore) Pte. Ltd.	3,832,689	0.20
<b>TOTAL</b>		<b>1,691,624,905</b>	<b>86.14</b>

## FREE FLOAT

In Compliance with Listing Rule 1207 (9) of the SGX-ST Listing Manual, approximately 38.43% of the total number of Stapled Securities issued is held by the public as at 1 March 2021. Therefore, Listing Rule 723 of the SGX-ST Listing Manual has been complied with.

# STATISTICS OF STAPLED SECURITYHOLDINGS

As at 1 March 2021

## DIRECTORS' INTERESTS IN STAPLED SECURITIES AS AT 21 JANUARY 2021

as listed in the Register of Directors' Stapled Securityholdings maintained by the Managers

Name of Director	Direct Interest		Deemed Interest		Total	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%	No. of Stapled Securities held	%
Mr Wee Kheng Jin	646,233	0.033	-	-	646,233	0.033
Mr Willie Cheng Jue Hiang	56,193	0.003	580,325	0.030	636,518	0.032
Mr Huang Cheng Eng	1,026,464	0.052	-	-	1,026,464	0.052
Mr Kyle Lee Khai Fatt	622,534	0.032	-	-	622,534	0.032
Ms Vivienne Lim Hui Bian	39,480	0.002	-	-	39,480	0.002
Ms Catherine Lee Khia Yee	13,736	0.001	-	-	13,736	0.001
Ms Celestine Khoo Geok Choo	-	-	-	-	-	-
Mr Benedict Leh Song Boon	-	-	-	-	-	-

## CEO'S INTERESTS IN STAPLED SECURITIES AS AT 1 MARCH 2021

Mr Gerald Lee Hwee Keong	1,333,415	0.068	-	-	1,333,415	0.068
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## SUBSTANTIAL STAPLED SECURITYHOLDERS' INTERESTS AS AT 1 MARCH 2021

as listed in the Register of Substantial Securityholders' Stapled Securityholdings maintained by the Managers

Name of Substantial Stapled Securityholder	Direct Interest		Deemed Interest	
	No. of Stapled Securities held	%	No. of Stapled Securities held	%
Golden Development Private Limited <sup>(1)</sup>	428,251,365	21.80	161,733,662	8.23
Far East Organization Centre Pte. Ltd. <sup>(2)</sup>	196,396,847	10.00	99,055,872	5.04
Golden Landmark Pte. Ltd.	191,806,000	9.77	-	-
Oxley Hill Properties Pte Ltd	154,481,000	7.87	-	-
FEO Hospitality Asset Management Pte. Ltd.	101,775,759	5.18	-	-
Estate of the late Mr Ng Teng Fong <sup>(3)</sup>	-	-	903,307,305	46.00
F.E. Holdings Pte Ltd <sup>(4)</sup>	-	-	293,129,623	14.92
Mdm Tan Kim Choo <sup>(5)</sup>	-	-	394,905,382	20.11
Mr Ng Chee Tat Philip <sup>(6)</sup>	-	-	1,187,064,875	60.44
Mr Ng Chee Siong <sup>(7)</sup>	-	-	903,307,305	46.00
Far East Orchard Limited <sup>(8)</sup>	-	-	99,055,872	5.04
Far East Organization Pte. Ltd. <sup>(9)</sup>	-	-	99,055,872	5.04
FEO Asset Management Pte. Ltd. <sup>(10)</sup>	-	-	99,055,872	5.04

### Notes:

The percentages of the above interests are calculated based on total issued Stapled Securities as at 1 March 2021 which is 1,964,121,374.

- (1) As per the announcement made on 29 March 2019, Golden Development Private Limited is deemed to be interested in 161,733,662 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) As per the announcement made on 28 October 2020, Far East Organization Centre Pte. Ltd. is deemed to be interested in 99,055,872 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 April 2020, the Estate of the late Mr Ng Teng Fong ("the Estate") is deemed to be interested in 446,255,963 Stapled Securities held by Golden Development Private Limited, 196,396,847 Stapled Securities held by Far East Organization Centre Pte. Ltd., 166,420,277 Stapled Securities held by Oxley Hill Properties Pte Ltd and 94,234,218 Stapled Securities held by FEO Hospitality Asset

# STATISTICS OF STAPLED SECURITYHOLDINGS

As at 1 March 2021

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 Organization 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 announcement made on 28 April 2020, F. E. Holdings Pte. Ltd. is deemed to be interested in the aggregate of 293,129,623 Stapled Securities as follows:-
- a) 206,629,991 Stapled Securities held by Golden Landmark Pte. Ltd. by virtue of F. E. Holding Pte. Ltd.'s controlling interest in Golden Landmark Pte. Ltd..
  - b) 86,499,632 Stapled Securities held by Riverland Pte Ltd by virtue of F. E. Holdings Pte. Ltd.'s controlling interest in Victory Realty Co Private Ltd, which in turn has controlling interest in Riverland Pte Ltd.
- (5) As per the announcement made on 29 January 2021, Madam Tan Kim Choo is deemed to be interested in the aggregate of 394,905,382 Stapled Securities as follows:
- a) Golden Landmark Pte. Ltd. has direct interest in 206,629,991 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 86,499,632 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 101,775,759 Stapled Securities. Madam Tan Kim Choo has interest of more than 20% in Far East Organization 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 announcement made on 7 April 2020, Mr Ng Chee Tat Philip is deemed to be interested in 206,629,991 Stapled Securities held by Golden Landmark Pte. Ltd., 86,499,632 Stapled Securities held by Riverland Pte Ltd, 196,396,847 Stapled Securities held by Far East Organization Centre Pte. Ltd., 446,255,963 Stapled Securities held by Golden Development Private Limited, 166,420,277 Stapled Securities held by Oxley Hill Properties Pte Ltd and 84,862,165 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.
  - e) 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.
  - f) Mr Ng Chee Tat Philip is a beneficiary of the Estate who has a more than 20% interest in Far East Organization 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) As per the announcement made on 28 April 2020, Mr Ng Chee Siong is deemed to be interested in 446,255,963 Stapled Securities held by Golden Development Private Limited, 196,396,847 Stapled Securities held by Far East Organization Centre Pte. Ltd., 166,420,277 Stapled Securities held by Oxley Hill Properties Pte Ltd and 94,234,218 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of:
- a) Mr Ng Chee Siong is a beneficiary of the Estate who in turn has controlling interest in Golden Development Private Limited
  - b) Mr Ng Chee Siong is a beneficiary of the Estate who in turn has a controlling interest in Far East Organization Centre Pte. Ltd..
  - c) Mr Ng Chee Siong 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.
  - d) Mr Ng Chee Siong is a beneficiary of the Estate who has a more than 20% interest in Far East Organization 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..
- (8) As per the announcement made on 28 October 2020, Far East Orchard Limited is deemed to be interested in 99,055,872 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of Far East Orchard Limited has more than 20% interest in FEO Hospitality Asset Management Pte. Ltd.
- (9) As per the announcement made on 28 October 2020, Far East Organization Pte. Ltd. is deemed to be interested in 99,055,872 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of Far East Organization Pte. Ltd. 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.
- (10) As per the announcement made on 28 October 2020, FEO Asset Management Pte. Ltd. is deemed to be interested in 99,055,872 Stapled Securities held by FEO Hospitality Asset Management Pte. Ltd. by virtue of FEO Asset Management Pte. Ltd. has a controlling interest in FEO Hospitality Asset Management Pte. Ltd.

# NOTICE OF ANNUAL GENERAL MEETING



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)

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.**

## Important Notes

1. The annual general meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice will be sent to the holders of stapled securities ("**Stapled Securityholders**") in Far East Hospitality Trust ("**Far East H-Trust**") and will be made available by electronic means via publication on Far East H-Trust's website at the URL <http://feht.listedcompany.com/home.html> and will also be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. The Annual Report 2020 and the proxy form may be accessed at Far East H-Trust's website at the URL <http://feht.listedcompany.com/home.html> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

**NOTICE IS HEREBY GIVEN** that the 9th Annual General Meeting of the Stapled Securityholders of Far East H-Trust will be convened and held by electronic means on **Thursday, 22 April 2021** at **3.00 p.m.** (Singapore time)<sup>1</sup> to transact the following businesses:

## Ordinary Business

Ordinary Resolution 1 :

To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2020, comprising the audited Financial Statements of Far East Hospitality Real Estate Investment Trust ("**Far East H-REIT**") and the audited Financial Statements of Far East Hospitality Business Trust ("**Far East H-BT**"), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT (the "**REIT Trustee**"), the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the "**REIT Manager**"), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the "**Trustee-Manager**"), the Statement by the Chief Executive Officer of the Trustee-Manager, together with the Auditor's Report thereon.

Ordinary Resolution 2 :

To re-appoint Ernst & Young LLP as auditors of Far East H-Trust comprising Far East H-REIT and Far East H-BT to hold office until the conclusion of the next annual general meeting of Far East H-Trust and to authorise the REIT Manager and the Trustee-Manager to determine their remuneration.

<sup>1</sup> Any reference to a time of day is made by reference to Singapore time.

# NOTICE OF ANNUAL GENERAL MEETING

## Special Business

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

Ordinary Resolution 3 :

**THAT** authority be and is hereby given to the REIT Manager and the Trustee-Manager, to

(a) (1) issue new units in Far East H-REIT ("**Far East H-REIT Units**") and new units in Far East H-BT ("**Far East H-BT Units**", together the "**Stapled Securities**") whether by way of rights or otherwise; and/or

(2) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities,

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

(b) issue Stapled Securities in pursuance of any Instrument made or granted by the REIT Manager and the Trustee-Manager while this Resolution is in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force), provided that:

(1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to Stapled Securityholders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (as calculated in accordance with sub-paragraph (2) below);

(2) subject to such manner of calculation as may be prescribed by The Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities shall be based on the number of issued Stapled Securities at the time this Resolution is passed, after adjusting for:

(i) any new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;

(3) in exercising the authority conferred by this Resolution, the REIT Manager and the Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, Chapter 31A of Singapore for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed constituting Far East H-REIT (as amended) (the "**REIT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed constituting Far East H-BT (as amended) (the "**BT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the stapling deed stapling Far East H-REIT and Far East H-BT (as amended) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) (the "**Stapling Deed**");

# NOTICE OF ANNUAL GENERAL MEETING

- (4) (unless revoked or varied by the Stapled Securityholders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next annual general meeting of Far East H-Trust or (ii) the date by which the next annual general meeting of Far East H-Trust is required by law to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the REIT Manager and the Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and
- (6) the REIT Manager, the REIT Trustee and the Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the REIT Manager, the REIT Trustee or, as the case may be, the Trustee-Manager may consider expedient or necessary or in the interest of Far East H-REIT, Far East H-BT and Far East H-Trust as a whole to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note below)

By Order of the Board

**Lin Moi Heyang**  
Company Secretary  
FEO Hospitality Asset Management Pte. Ltd.  
(Company Registration No. 201102629K)  
25 March 2021

By Order of the Board

**Lin Moi Heyang**  
Company Secretary  
FEO Hospitality Trust Management Pte. Ltd.  
(Company Registration No. 201210698W)  
25 March 2021

# NOTICE OF ANNUAL GENERAL MEETING

## Important Notice:

### Participation in the AGM via “live” audio-visual webcast or “live” audio-only stream

1. This AGM is being convened, and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Stapled Securityholders and Supplementary Retirement Scheme (“SRS”) investors will be able to observe and/or listen to the AGM proceedings through a “live” audio-visual webcast or “live” audio-only stream via their mobile phones, tablets or computers. In order to do so, Stapled Securityholders and SRS investors must pre-register at Far East H-Trust’s pre-registration website at the URL <http://feht.listedcompany.com/home.html> from now till **3.00 p.m. on 19 April 2021** to enable the REIT Manager and Trustee-Manager to verify their status as Stapled Securityholders.
2. Following the verification, authenticated Stapled Securityholders and SRS investors will receive an email, which will contain user ID and password details as well as instructions on how to access the “live” audio-visual webcast and “live” audio-only stream of the AGM proceedings, by **3.00 p.m. on 21 April 2021**. Stapled Securityholders and SRS investors who do not receive an email by **3.00 p.m. on 21 April 2021** but have registered by the **3.00 p.m. on 19 April 2021** deadline should contact Far East H-Trust’s Stapled Security Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., via email at [srs.teamc@boardroomlimited.com](mailto:srs.teamc@boardroomlimited.com) or call +65 6536-5355 between **10:00 a.m. to 4:00 p.m.**

### Submission of questions in advance

3. Stapled Securityholders and investors may submit questions relating to the business of this AGM no later than **3.00 p.m. on 18 April 2021** so that they may be addressed during the AGM proceedings. Questions are to be submitted:
  - via the pre-registration website at the URL <http://feht.listedcompany.com/home.html>
  - by email to Far East H-Trust’s Stapled Security Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at [srs.teamc@boardroomlimited.com](mailto:srs.teamc@boardroomlimited.com); or
  - by post and deposited at the office of Far East H-Trust’s Stapled Security Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

Stapled Securityholders who submit questions by email or post to Far East H-Trust’s Stapled Security Registrar must provide the following information:

- Stapled Securityholder’s full name (as in NRIC);
- Stapled Securityholder’s NRIC number; and
- The manner in which the Stapled Securityholder holds the Stapled Securities (e.g. via The Central Depository (Pte) Limited or SRS).

# NOTICE OF ANNUAL GENERAL MEETING

The Chairman of the REIT Manager and Trustee-Manager, Mr Wee Kheng Jin, Lead Independent Director, Mr Willie Cheng Jue Hiang, and Chief Executive Officer, Mr Gerald Lee Hwee Keong, will conduct the proceedings of the AGM. The REIT Manager and Trustee-Manager will endeavour to address all substantial and relevant questions received from Stapled Securityholders during the AGM through the “live” audio-visual webcast and “live” audio-only stream. The REIT Manager and Trustee-Manager will publish the minutes of the AGM on Far East H-Trust’s website and on SGXNET, which will include responses to substantial and relevant questions addressed during the AGM. Stapled Securityholders will not be able to ask questions at the AGM during the “live” audio-visual webcast and “live” audio-only stream, and therefore it is important for Stapled Securityholders who wish to ask questions to submit their questions in advance of the AGM.

## Proxy Voting

4. Stapled Securityholders will not be able to vote online on the resolutions to be tabled for approval at the AGM. If a Stapled Securityholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In addition to the printed copies of the proxy form for the AGM which will be sent to Stapled Securityholders, the proxy form is available on Far East H-Trust’s website at the URL <http://feht.listedcompany.com/home.html> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. In appointing the Chairman of the Meeting as proxy, a Stapled Securityholder must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
5. The proxy form appointing the Chairman of the Meeting as proxy must be submitted to the Managers in the following manner:
  - (a) if submitted by post, be lodged at the office of Far East H-Trust’s Stapled Security Registrar at Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
  - (b) if submitted electronically, be submitted via email to [srs.teamc@boardroomlimited.com](mailto:srs.teamc@boardroomlimited.com),

in either case, by **3.00 p.m.** on **20 April 2021**, being 48 hours before the time set for holding this AGM.

A Stapled Securityholder who wishes to submit the proxy form must first complete and sign the proxy form before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation in Singapore, Stapled Securityholders are strongly encouraged to submit completed proxy forms electronically via email.

# NOTICE OF ANNUAL GENERAL MEETING

6. Persons who hold Stapled Securities through relevant intermediaries (as defined below) and who wish to participate in the AGM by (a) observing and/or listening to the AGM proceedings through “live” audio-visual webcast or “live” audio-only stream; (b) submitting questions in advance of the AGM; and/or (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the AGM, should contact the relevant intermediary through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM. In addition, SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective SRS Operators to submit their votes by **5.00 p.m.** on **13 April 2021**, being 7 working days before the date of the AGM.

In this Notice, a “**relevant intermediary**” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Stapled Securities in that capacity;  
or
  - (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Stapled Securities purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
7. The Chairman of the Meeting, as proxy, need not be a Stapled Securityholder.
  8. All documents (including Far East H-Trust’s Proxy Form and this Notice) and information relating to the business of this AGM have been, or will be, published on SGXNet and/or Far East H-Trust’s website at the URL <http://feht.listedcompany.com/home.html>. For convenience, printed copies of the documents will be despatched to Stapled Securityholders. Stapled Securityholders and investors are advised to check SGXNet and/or Far East H-Trust’s website regularly for the latest updates on the status of the AGM.

## Explanatory Note on Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the REIT Manager and the Trustee-Manager to issue Stapled Securities and to make or grant instruments (such as warrants, debentures or other securities) convertible into Stapled Securities and issue Stapled Securities pursuant to such instruments from the date of the Annual General Meeting until the date of the next annual general meeting of Far East H-Trust. The aggregate number of Stapled Securities which the REIT Manager and the Trustee-Manager may issue (including Stapled Securities to be issued pursuant to convertibles) under this Resolution must not exceed fifty per cent. (50%) of the total number of issued Stapled Securities of which up to twenty per cent. (20%) of the total number of issued Stapled Securities may be issued other than on a *pro rata* basis to Stapled Securityholders.

# NOTICE OF ANNUAL GENERAL MEETING

The Ordinary Resolution 3 above, if passed, will empower the REIT Manager and the Trustee-Manager from the date of the Annual General Meeting until the date of the next Annual General Meeting of Far East H-Trust, to issue Stapled Securities as either partial or full payment of the fees which the REIT Manager and the Trustee-Manager are entitled to receive for their own accounts pursuant to the REIT Trust Deed and BT Trust Deed respectively.

For the purpose of determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the total number of issued Stapled Securities at the time that Ordinary Resolution 3 above is passed, after adjusting for (i) new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and (ii) any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Stapled Securityholders is required under the Listing Manual of SGX-ST, the REIT Trust Deed, the BT Trust Deed and the Stapling Deed or any relevant laws and regulations in such instances, the REIT Manager and the Trustee-Manager will then obtain the approval of Stapled Securityholders accordingly.

**Important Reminder: In view of the constantly evolving COVID-19 situation in Singapore, we may be required to change the arrangements for the AGM at short notice. Stapled Securityholders and investors are advised to check SGXNet and/or Far East H-Trust's website at the URL <http://feht.listedcompany.com/home.html> for the latest updates on the status of the AGM.**

## Personal Data Privacy

By submitting the proxy form appointing the Chairman to attend, speak and vote at the AGM and/or any adjournment thereof, a Stapled Securityholder consents to the collection, use and disclosure of the Stapled Securityholder's personal data by the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) for the purpose of the processing, administration and analysis by the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) of the appointment of the Chairman as proxy for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). In the case of a Stapled Securityholder who is a relevant intermediary, by submitting a consolidated list of participants for the "live" broadcast of the AGM, the Stapled Securityholder (i) warrants that the Stapled Securityholder has obtained the prior consent of such participant(s) for the collection, use and disclosure by the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) of the personal data of such participant(s) for the Purposes of the "live" broadcast of the AGM (including any adjournment thereof) (ii) and agrees that the Stapled Securityholder will indemnify the REIT Manager, the Trustee-Manager and the REIT Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Stapled Securityholder's breach of warranty.

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)

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.**

**Important:**

1. This AGM (as defined below) will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. In addition to the printed copies of the Notice of AGM dated 25 March 2021 which will be sent to holders of stapled securities ("Stapled Securityholders") of Far East Hospitality Trust ("Far East H-Trust"), the Notice of AGM will also be available through electronic means via publication on Far East H-Trust's website at the URL <http://feht.listedcompany.com/home.html> and will be made available on SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via "live" audio-and-video webcast or "live" audio-only stream), submission of questions to the Chairman (as defined below) in advance of the AGM, addressing of substantial and relevant questions at AGM and voting by appointing the Chairman as proxy at the AGM, are set out in the Notice of AGM.
3. Due to the current COVID-19 situation in Singapore, a Stapled Securityholder will not be able to attend the AGM in person. A Stapled Securityholder will also not be able to vote online on the resolutions to be tabled for approval at the AGM. A Stapled Securityholder (whether individual or corporate) must appoint the Chairman as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such Stapled Securityholder wishes to exercise his/her/its voting rights at the AGM. The Chairman, as proxy, need not be a Stapled Securityholder.
4. If a SRS investor wishes to appoint the Chairman as proxy, he/she should approach his/her respective SRS Operators to submit his/her votes by **5.00 p.m. on 13 April 2021**, being seven (7) working days before the date of the AGM.
5. **Personal Data Privacy:** By submitting this Proxy Form, a Stapled Securityholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 25 March 2021.
6. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman as a Stapled Securityholder's proxy to attend, speak and vote on his/her/its behalf at the AGM.

## PROXY FORM

### 9<sup>TH</sup> ANNUAL GENERAL MEETING OF FAR EAST HOSPITALITY TRUST

I/We \_\_\_\_\_ (Name(s)) \_\_\_\_\_ (NRIC/Passport/Company Registration Number(s)) of \_\_\_\_\_ (Address) being a **Stapled Securityholder/Stapled**

**Securityholders** of Far East H-Trust, hereby appoint the Chairman of the meeting ("**Chairman**") as my/our proxy to attend, speak and vote for me/us on my/our behalf at the 9th Annual General Meeting of Far East H-Trust ("**AGM**") to be convened and held by way of electronic means on Thursday, **22 April 2021 at 3.00 p.m.** and at any adjournment thereof.

I/We direct the Chairman as my/our proxy to vote for or against, or to abstain from voting on, the resolutions to be proposed at the AGM as indicated here under :

Ordinary Resolutions		For*	Against*	Abstain*
<b>Ordinary Business</b>				
1	To receive and adopt the audited Financial Statements of Far East H-Trust for the financial year ended 31 December 2020, comprising the audited Financial Statements of Far East Hospitality Real Estate Investment Trust (" <b>Far East H-REIT</b> ") and the audited Financial Statements of Far East Hospitality Business Trust (" <b>Far East H-BT</b> "), the Report of DBS Trustee Limited, as the trustee of Far East H-REIT (the " <b>REIT Trustee</b> "), the Report of FEO Hospitality Asset Management Pte. Ltd., as the manager of Far East H-REIT (the " <b>REIT Manager</b> "), the Report of FEO Hospitality Trust Management Pte. Ltd., as the trustee-manager of Far East H-BT (the " <b>Trustee-Manager</b> "), the Statement by the Chief Executive Officer of the Trustee-Manager, together with the Auditor's Report thereon.			
2	To re-appoint Ernst & Young LLP as auditors of Far East H-Trust comprising Far East H-REIT and Far East H-BT to hold office until the conclusion of the next annual general meeting of Far East H-Trust and to authorise the REIT Manager and the Trustee-Manager to determine their remuneration.			
<b>Special Business</b>				
3	To authorise the REIT Manager and the Trustee-Manager to issue Stapled Securities and to make or grant convertible instruments.			

\* If you wish to exercise all your votes "For" or "Against" or "Abstain", please tick (✓) within the box provided. Alternatively, please indicate the number of votes in the box appropriately. In the absence of specific directions in respect of a resolution, the appointment of the Chairman as your proxy for that resolution will be treated as invalid.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021

\_\_\_\_\_  
Signature(s) of Stapled Securityholder(s)/Common  
Seal of Corporate Stapled Securityholder

<b>Total number of Stapled Securities held</b>

BUSINESS REPLY SERVICE  
PERMIT NO. 08948



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for posting in  
Singapore only

**FEO HOSPITALITY ASSET  
MANAGEMENT PTE. LTD.**  
(as manager of Far East Hospitality  
Real Estate Investment Trust)

and

**FEO HOSPITALITY TRUST  
MANAGEMENT PTE. LTD.**  
(as trustee-manager of Far East  
Hospitality Business Trust)

c/o

**STAPLED SECURITY REGISTRAR  
BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD.**

50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

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**NOTES TO PROXY FORM**

1. A Stapled Securityholder should insert the total number of Stapled Securities held. If the Stapled Securityholder has Stapled Securities entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he/she should insert that number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Stapled Securityholder.
2. Where a Stapled Securityholder (whether individual or corporate) appoints the Chairman as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman as proxy for that resolution will be treated as invalid.
3. The Proxy Form appointing the Chairman must be submitted in the following manner:
  - (a) If submitted by post, be lodged with the Stapled Security Registrar's office at Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
  - (b) if submitted electronically, be submitted via email to [srs.team@boardroomlimited.com](mailto:srs.team@boardroomlimited.com), in either case, by **3.00 p.m. on 20 April 2021**, being 48 hours before the time set for holding this AGM.

SRS investors who wish to appoint the Chairman as proxy should approach their respective SRS operators to submit their votes by **5.00 p.m. on 13 April 2021**.

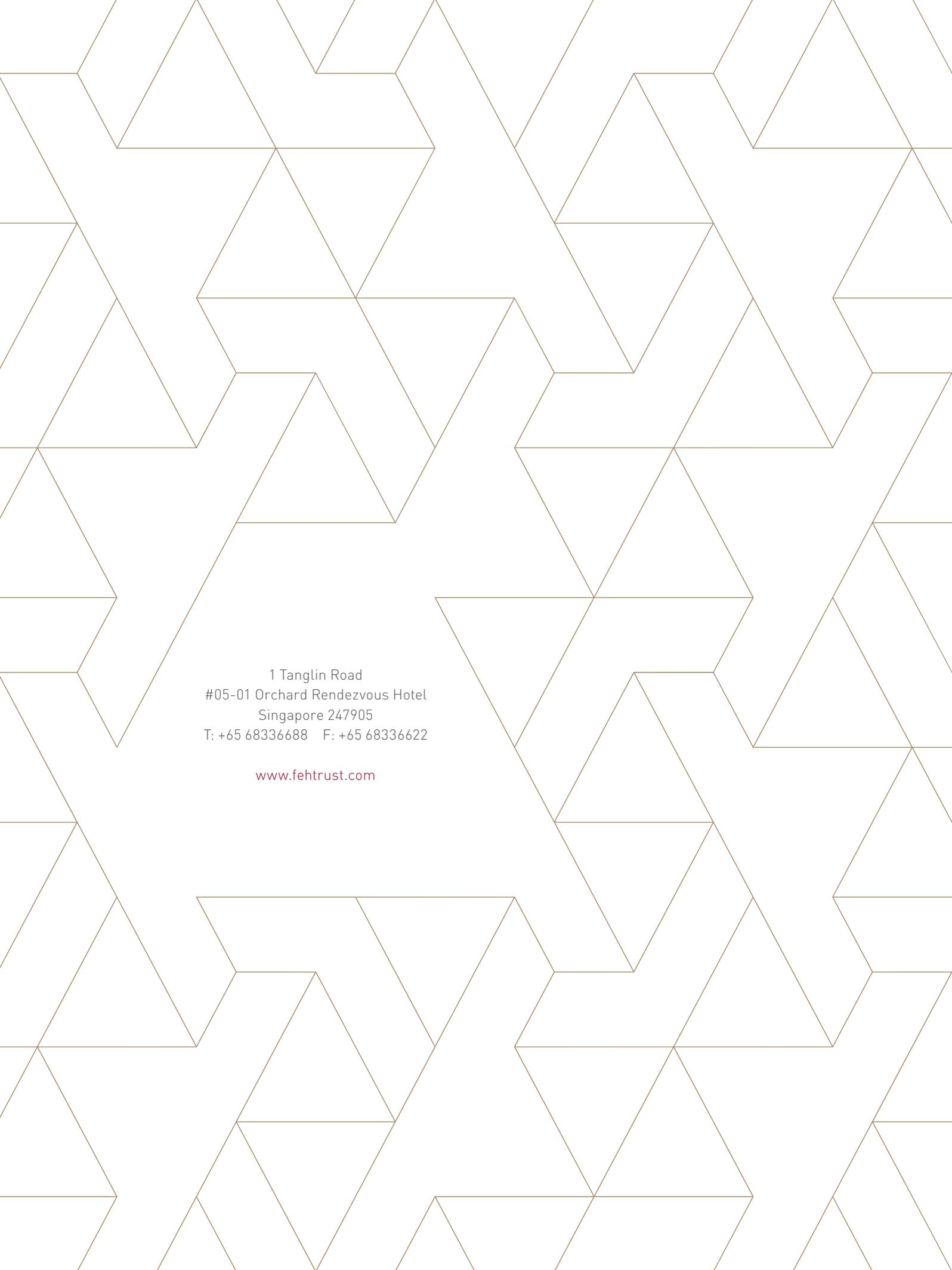
A Stapled Securityholder who wishes to submit the proxy form must first complete and sign the proxy form before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

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**In view of the current COVID-19 situation in Singapore, Stapled Securityholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

4. The Proxy Form must be signed by the appointor or of his/her 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.
5. Where a Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the REIT Manager and the Trustee-Manager) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.
6. The REIT Manager and the Trustee-Manager 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 REIT Manager and the Trustee-Manager may reject a Proxy Form if the Stapled Securityholder, being the appointor, is not shown to have Stapled Securities entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by CDP to the REIT Manager and the Trustee-Manager.
7. Any reference to a time of day is made by reference to Singapore time.





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[www.fehtrust.com](http://www.fehtrust.com)