



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: FEO Hospitality Asset Management Pte. Ltd

Security: Far East Hospitality Trust

Meeting details:

Date: 17 April 2019

Time: 2.30 p.m.

Venue: Antica Ballroom, Orchard Rendezvous Hotel, 1 Tanglin Road, Singapore 247905

Company Description

Far East H-Trust is the first and only Singapore-Focused Hotel and Serviced Residence Hospitality Trust listed on the Main Board of The Singapore Exchange Securities Trading Limited ("SGX-ST"). Comprising Far East Hospitality Real Estate Investment Trust ("Far East H-REIT") and Far East Hospitality Business Trust ("Far East H-BT"), Far East H-Trust was listed on the SGX-ST on 27 August 2012 and has a portfolio of 13 properties totaling 3,143 hotel rooms and serviced residence units valued at approximately \$2.63 billion as at 31 December 2018. Managed by FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. (collectively, the "Managers") and sponsored by members of Far East Organization Group (the "Sponsor"), Far East H-Trust seeks to provide Stapled Securityholders with regular, stable and growing distributions on a quarterly basis. Far East H-Trust is listed on the FTSE ST Mid Cap Index.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=Q5T)

1. As noted in the Letter from the chairman (page 8), the trust completed the acquisition of the upscale Oasia Hotel Downtown in April 2018. This 314-room hotel gave the trust a better balance between its mid-tier and upscale assets.

(i) Can the REIT manager provide Stapled Securityholders with an update on the operational performance of the newly acquired asset?

The acquisition of Oasia Hotel Downtown came with an earn-out agreement which will give the vendor \$15.0 million worth of Stapled Securities if the net property income (“NPI”) of the property is at least \$9.9 million per annum for two full consecutive years.

(ii) What was the NPI for Oasia Hotel Downtown?

For the financial year, the hotel portfolio’s average occupancy improved 1.5% to 89.1% in line with the industry growth. The Average Daily Rate (“ADR”) increased 4.4% to S\$162 while Revenue per Available Room (“RevPAR”) was 6.2% higher at S\$144 compared to FY2017.

However, as disclosed in the announcement of the proposed acquisition of Oasia Hotel Downtown (dated 12 January 2018), the RevPAR for Oasia in the first 9 months of 2017 prior to the acquisitions was S\$170.0.

(iii) Would the REIT manager disclose the ADR and the RevPAR of the hotel portfolio with and without Oasia so that Stapled Securityholders can get a better understanding of the performance of the portfolio? The REIT manager can consider disclosing the occupancy rates, ADR, RevPAR and the NPI of the individual hotels in its portfolio. This would make the year-on-year comparisons more meaningful.

2. In the Draft Master Plan 2019 announced on 27 March 2019, the Urban Redevelopment Authority (URA) disclosed plans to rejuvenate the Central Business District as well as giving the Orchard Road shopping belt a facelift. The Draft Master Plan offers landlords redevelopment, asset repositioning and asset enhancement opportunities.

(i) Has the REIT manager evaluated how its portfolio will be affected by the Draft Master Plan 2019? What are the opportunities for the group?

The trust also completed the final phase of the asset enhancement initiative (AEI) for Orchard Parade Hotel in the first quarter of 2018 and rebranded it as Orchard Rendezvous Hotel in September 2018. Nearly a hundred Deluxe rooms which had previously undergone renovation were refreshed as well.

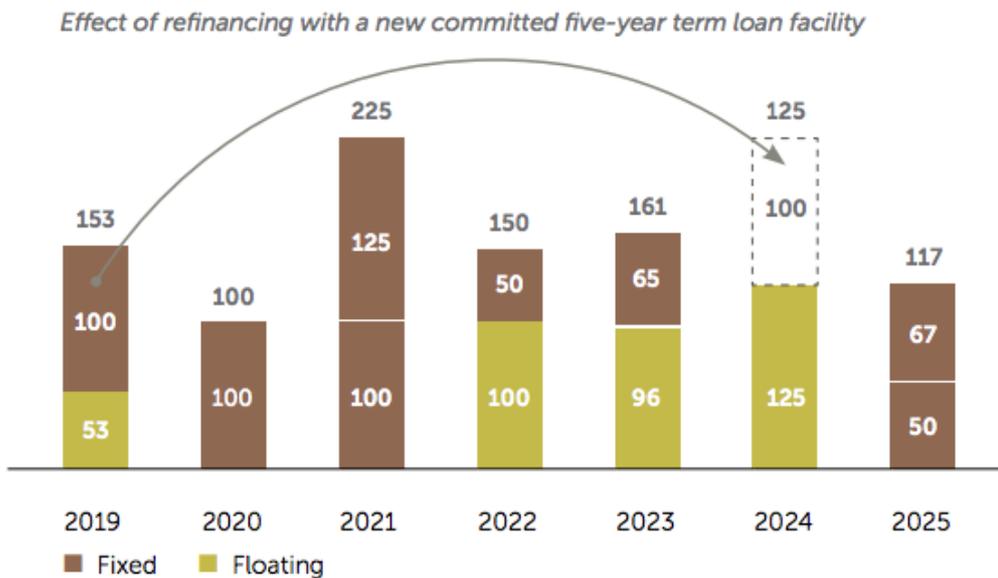
(ii) What was the total cost of the AEI for the new Orchard Rendezvous Hotel? What was the reason to refresh the newly renovated deluxe rooms?

(iii) In the planning for AEI, what is the minimum/projected return on investment (ROI)? Did the manager achieve the ROI for the Orchard Rendezvous Hotel AEI?

(iv) Are there opportunities to enhance the other assets in the portfolio to provide an uplift to the RevPAR/net property income?

3. As seen in the section titled “Capital management” (page 42), the trust has total borrowings of S\$1,030.6 million, comprising term loan facilities of S\$977.9 million and revolving credit facilities (“RCF”) of S\$52.7 million. The manager has achieved a debt maturity that is evenly spread out, as seen in the diagram below:

Debt Maturity Profile (S\$ million)
as at 31 December 2018



(Source: 2018 annual report)

The aggregate leverage has increased to 40.1% as at 31 December 2018 (FY2017: 34.4%), below the 45.0% gearing limit allowed by the Monetary Authority of Singapore for property trusts in Singapore.

- (i) **With its leverage at 40.1%, how much headroom does the trust have should it want to acquire new assets?**
- (ii) **Can the board also elaborate if the trust has the mandate to invest in hospitality assets in foreign markets?**
- (iii) **If so, would the REIT manager clarify if its near- to mid-term focus would be to operationalise its new assets on Sentosa and explore other potential value-adding acquisitions in Singapore (and not to make acquisitions in other markets)?**



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A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Far%20East%20Hospitality%20Trust&cid=6311,4256>

The company's response could be found here: -----