FEO Hospitality Asset Management Pte. Ltd. Co. Reg. No.: 201102629K
FEO Hospitality Trust Management Pte. Ltd. Co. Reg. No.: 201210698W
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RESPONSE TO QUERIES BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The board of directors of FEO Hospitality Asset Management Pte Ltd (as Manager of Far East Hospitality Trust) wishes to announce the following response to the queries raised by Securities Investors Association (Singapore):

Question 1

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

Manager's Response: For the period from April 2018 (post-acquisition) to the end of FY 2018, the Revenue per Available Room ("RevPAR") at Oasia Hotel Downtown was approximately S$183, which is 7.6% higher as compared to the RevPAR for the nine-month period ended 30 September 2017 ("9M2017") of S$170, as announced in the Circular to Stapled Securityholders dated 13 February 2018.

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

Manager's Response: Since the acquisition, Oasia Hotel Downtown (OHD) has performed better than the REIT manager's expectation not withstanding increased competition in the area with the opening of another new hotel in its vicinity. In the 9 months following the acquisition, OHD's NPI was S$8.2 million, for the period from 2 April 2018 till 31 Dec 2018. The 2017 annualised NPI for OHD as announced in the Circular to Stapled Securityholders dated 13 February 2018, based on the NPI for the 9 months ending September 2017, was S$9.6 million.

On the Earn-out agreement, the Sponsor will only be entitled to the earn-out payment provided the hotel achieves NPI of at least S$9.9 million each year for two full consecutive fiscal years. The NPI of OHD for 2018 is not taken into account for the purposes of the agreement as the acquisition was made on 2 April 2018 and the Trust did not own it for a full fiscal year. There is also a validity period for the Earn-out agreement, for a five-year performance period up to 31 December by 2023.

(iii) 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. **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?**

Manager's Response: For FY 2018, the ADR was S$162 for the hotel portfolio with Oasia Hotel Downtown (OHD), as reported, and S$157 for the hotel portfolio without OHD, which was 1.1% higher year-on-year. RevPAR was S$144 for the hotel portfolio with OHD, as reported, and S$141 for the hotel portfolio without OHD, which was 3.5% higher year-on-year. The RevPar performance of OHD is shared under Point (i).

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Question 2

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

Manager's Response: The REIT Manager is pleased that the Draft Master Plan 2019 includes initiatives to revamp Orchard Road and liven up the Central Business District area, as the REIT has properties in these districts. Once more information is available, the REIT manager together with the Operator will engage the relevant authorities to see how we can work with them to improve the experience for both business and leisure visitors. This should be positive for the Trust. The REIT manager will examine applicable incentives that could be tapped to rejuvenate the REIT's properties in accordance with the government's vision. The REIT Manager will make the necessary announcements when there are concrete plans.

(ii) 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. **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?**

Manager's Response: The Trust spent about S$9 million on the AEI, and the amount includes costs for the replacement of aging plant and equipment, and infrastructure costs such as cabling work and building façade treatment.

The 97 Deluxe rooms mentioned had previously undergone renovation in 2013, as part of the commitment by the Sponsor. The cost of that renovation was borne by the Sponsor. These rooms went through a lighter and more minor refreshing in 2018 as compared to the other guestrooms so as to align their look and feel.

(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?**

Manager's Response: We would expect to see payback on the investment for AEI in approximately 5.5 years. The RevPAR achieved in the 9 months of FY 2018 post-renovation was 13% higher year-on-year (when comparing to the RevPAR in FY 2017) and was 12% higher as compared to the FY 2016 RevPAR.

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

Manager's Response: Yes, there are opportunities for enhancement of the other assets in the portfolio. The REIT Manager plans to carry out enhancement works for up to 2 properties in the Trust, but will review the timing for carrying out the works, taking into account the projected occupancy and means to minimalise inconvenience to the guests.

Question 3

(i) 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:

FAR EAST HOSPITALITY TRUST

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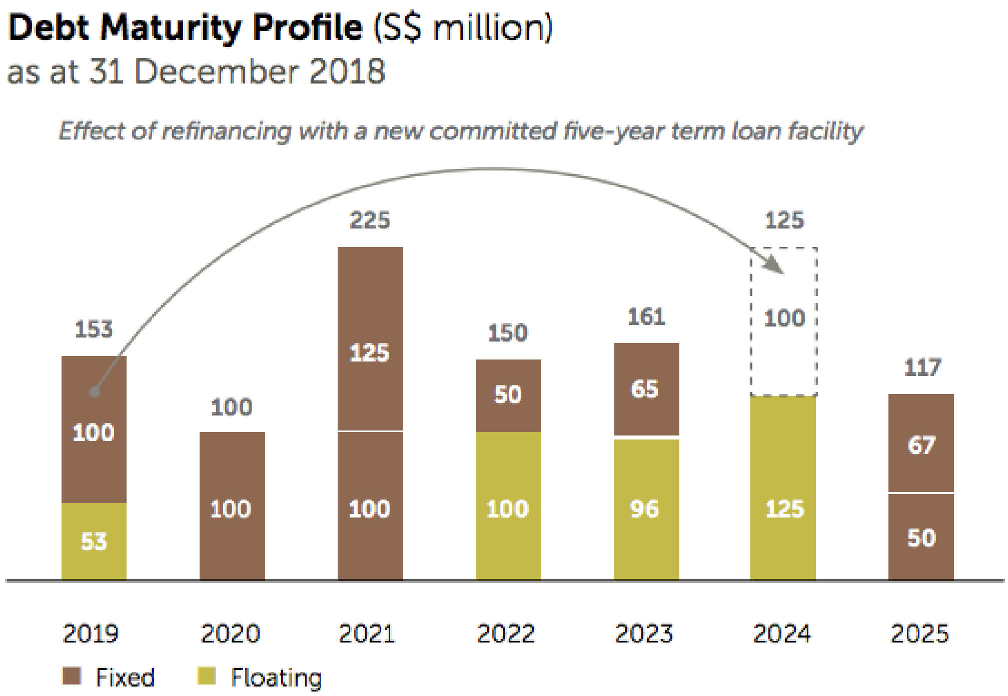

(Source: 2018 annual report)

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. **With its leverage at 40.1%, how much headroom does the trust have should it want to acquire new assets?**

Manager's Response: At a gearing ratio of 40.1%, the debt headroom is S$250.1 million.

(ii) **Can the board also elaborate if the trust has the mandate to invest in hospitality assets in foreign markets?**

Manager's Response: Our intention thus far has been to concentrate on Singapore. We will provide an update if there is a change in direction in terms of making investments in foreign markets. Our key consideration remains to grow the REIT in a sustainable manner that would benefit our Stapled Securityholders.

(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)?**

Manager's Response: Our near-term focus would be to prioritise the exploration of potential value-adding acquisitions from our Sponsor pipeline, all in Singapore. As of now, there is a total of 7 properties (completed and under development) under our sponsor pipeline which we have Right of First Refusal (ROFR) to, and these properties could potentially add more than 1,700 rooms to our portfolio. However, as there are plans to redevelop some of the completed properties, they may not be ready for injection into the REIT. We will review some of these investments at the appropriate time, when the market conditions are right. This pipeline of properties also includes the Sentosa development of 3 hotels (Village Hotel at Sentosa, The Outpost Hotel, The Barracks Hotel), in which Far East H-Trust has a 30% stake. Notwithstanding that we are focusing on Singapore properties in the near term, the REIT manager is open to exploring an overseas acquisition should it come across one that can potentially be yield accretive after factoring the relevant cross border risks.