

# STATEMENT OF POLICIES AND PRACTICES

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 Far East H-BT's trustee-manager, 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 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 Far East H-BT's trustee-manager 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 Far East H-BT's trustee-manager 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 Trust Property of Far East H-BT, 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.

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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 interest of all the Stapled Securityholders as a whole.

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

In the event that Far East H-BT becomes active, the trust property of Far East H-BT (the "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.

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## 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 five Directors, four 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                |

Mr Wee Kheng Jin (Chairman of the Board) is a non-independent director. In FY 2018, Mr Wee was a director of various companies in Far East Organization ("FEO"), such as Far East Hospitality Management Services Pte. Ltd. and Far East Property Services Pte. Ltd., and was 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. Mr Wee remains a director of FEO Hospitality Asset Management Pte. Ltd. (the REIT Manager) and FEO Hospitality Trust Management Pte. Ltd. (the Trustee-Manager) and has retired from the Boards of all other FEO-related companies, as at the date of this report.

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 61.42% owned by Far East Organization Pte. Ltd. ("FEOPL"), as at 31 December 2018. FEOC, FEOPL and Far East Orchard Limited are all members of the Sponsor.

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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 five 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. Although Far East H-BT was dormant during the year, Ms Vivienne Lim Hui Bian who has joined the REIT Manager Board on 1 July 2018 has also joined the Trustee-Manager Board on the same day. As such, the composition of directors are identical for both the REIT Manager and the Trustee-Manager with effect from 1 July 2018.

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.

Her 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

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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.

## **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 Board of Directors of the REIT Manager 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.

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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.

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.

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## 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-Trust 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.