

FAR EAST HOSPITALITY TRUST REPORTS FY 2020 INCOME AVAILABLE FOR DISTRIBUTION OF S\$47.9 MILLION

Highlights:

- Distribution per Stapled Security (“DPS”) of 2.41 cents in FY 2020 compared to 3.81 cents in FY 2019
- Fixed rent component of master leases continues to cushion the negative impact of COVID-19
- Near-term business expected to be supported by government and long-stay corporate contracts

Singapore, 11 February 2021 – Far East Hospitality Trust (“Far East H-Trust”) recorded gross revenue of S\$39.0 million for the half-year ended 31 December 2020 (“2H 2020”). Net property income was S\$33.6 million and income available for distribution was S\$27.5 million. This includes the release of S\$5.3 million which was previously retained in 1H 2020. Accordingly, DPS for 2H 2020 was 1.38 cents.

For the full year ended 31 December 2020 (“FY 2020”), gross revenue was S\$83.3 million. Net property income was S\$72.2 million and income available for distribution was S\$47.9 million. On a per Stapled Security basis, the distribution of 2.41 cents represented a 100% payout of Far East H-Trust’s taxable income.

Summary of Results

(S\$’000)	2H 2020	2H 2019	Variance (%)	FY 2020	FY 2019	Variance (%)
Gross Revenue	38,984	59,821	(34.8)	83,254	115,546	(27.9)
Net Property Income	33,575	54,128	(38.0)	72,179	104,314	(30.8)
Income Available for Distribution	27,450	38,949	(29.5)	47,887	73,893	(35.2)
Distribution per Stapled Security (“DPS”) (cents)	1.38	1.99	(30.7)	2.41	3.81	(36.7)

Mr Gerald Lee, Chief Executive Officer of the REIT Manager said, “Despite facing an unprecedented shock to the hospitality industry, Far East H-Trust managed to deliver a modest distribution for FY 2020. Within our portfolio, the serviced residences, which had a larger base of long-term contracts, performed better than the hotels.

The gross revenue for our Trust is protected by the fixed rent component of the master leases, which formed about 77% of gross revenue for FY 2020. The fixed component, with its minimum rental payment, provides downside protection for Stapled Securityholders and mitigates the impact of the volatility experienced during adverse economic or environmental circumstances.”

Review of Performance

	2H 2020		2H 2019		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	92.5	84.9	89.5	86.0	3.0pp	(1.1pp)
Average Daily Rate (S\$)	69	180	164	220	(57.9%)	(18.2%)
RevPAR / RevPAU (S\$)	64	153	147	189	(56.5%)	(19.0%)

	FY 2020		FY 2019		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	85.1	83.8	89.1	83.5	(4.0pp)	0.3pp
Average Daily Rate (S\$)	84	190	160	217	(47.5%)	(12.4%)
RevPAR / RevPAU (S\$)	71	159	142	182	(50.0%)	(12.6%)

Hotels

Average occupancy of the hotels suffered in the initial phase of the COVID-19 pandemic but picked up subsequently as hotels secured business from companies for their workers and from the Government for isolation purposes. Average occupancy of 85.1% for FY 2020 was 4.0pp below FY 2019. ADR decreased 47.5% to S\$84, mainly due to the nature of the business. As a result, RevPAR for the hotel portfolio declined by 50.0% to S\$71.

Serviced Residences

The SRs demonstrated greater resilience despite the challenging market circumstances and lack of inbound travel. Average occupancy for FY 2020 improved 0.3pp to 83.8%. This improvement was offset by the decline in ADR to \$190 given the higher mix of lower-rated leases. Consequently, RevPAU registered a 12.6% year-on-year decline to \$159.

REIT Commercial Premises

For FY 2020, revenue from the retail and office spaces declined 24.6% year-on-year to S\$16.5 million mainly due to rental rebates given to support tenants.

Environmental, Social and Governance (“ESG”) Updates

In FY 2020, Far East H-Trust continued to be recognised for its corporate governance practices and was ranked 4th on the Singapore Governance and Transparency Index (“SGTI”) and 7th on the Governance Index for Trusts (“GIFT”).

Capital Management

As at 31 December 2020, total debt stood at S\$990.8 million, of which 60.3% was secured at fixed interest rates. The aggregate leverage was 40.9%. The weighted average debt to maturity was 2.3 years. The average cost of debt improved to 2.4% due to lower short-term interest rates.

Outlook

The Singapore hospitality industry, which is heavily dependent on inbound travel, will continue to be impacted by concerns over the resurgence of COVID-19 and travel restrictions in multiple countries. Near-term business is expected to be supported by government and long-stay corporate contracts. The Singapore Tourism Board (“STB”) has coordinated government efforts to support the sector with various measures like the Job Support Scheme and the SingapoRediscovered Vouchers.

A mitigating factor for Far East H-Trust’s Stapled Securityholders is the high fixed rent component of the master leases. The 20-year master leases on all hotels and serviced residences are well-supported by the Sponsor, Far East Organization.

In the longer-term, we remain positive on the hospitality sector, and expect gradual recovery with the progressive rollout of COVID-19 vaccination around the world. Singapore is well-positioned to bounce back as a hub for corporate travel with strong foreign direct investment commitments.

The REIT Manager will focus on optimising the performance of its portfolio and expediting asset enhancements to prepare for the eventual upturn in the sector. In addition, we will continue to explore suitable redevelopment opportunities for our properties to extract greater value and achieve better returns.

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ABOUT FAR EAST HOSPITALITY TRUST (“Far East H-Trust”)

Far East H-Trust is a 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 S\$2.53 billion as at 31 December 2020. 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 half-yearly basis. Far East H-Trust is a constituent of the FTSE ST Small Cap Index.

ABOUT THE MANAGERS

FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. are the managers of Far East H-REIT and Far East H-BT respectively. Both are 67.0% owned by FEO Asset Management Pte. Ltd., which is a wholly-owned subsidiary of Far East Organization Centre Pte. Ltd., and 33.0% owned by Far East Orchard Limited (“FEOR”). FEOR is 62.5% owned by Far East Organization Pte. Ltd. as at 31 December 2020.

IMPORTANT NOTICE

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Managers’ current view of future events.

The value of the Stapled Securities and the income derived from them, if any, may fall as well as rise. The Stapled Securities are not obligations of, deposits in, or guaranteed by, the Managers or any of their affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors should note that they will have no right to request the Managers to redeem or purchase their Stapled Securities for so long as the Stapled Securities are listed on the SGX-ST. It is intended that investors and Stapled Securityholders may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.

The past performance of Far East H-Trust is not necessarily indicative of the future performance of Far East H-Trust.