

## **FAR EAST HOSPITALITY TRUST TO DIVEST CENTRAL SQUARE FOR S\$313.2 MILLION**

- Divestment gain of 56.5% (S\$112.0 million) over last year-end valuation
- Proceeds will strengthen balance sheet and provide greater financial flexibility for future acquisitions

**Singapore, 2 December 2021** – The Managers<sup>1</sup> are pleased to announce that Far East H-REIT has entered into a put and call option agreement with CDL Constellation Pte. Ltd., a wholly-owned subsidiary of City Developments Limited (“**CDL**”), to divest its interest in Central Square, for S\$313.2 million (the “**Divestment Consideration**”) plus a potential incentive fee of up to S\$18.0 million<sup>2</sup>.

Central Square is a commercial and residential development at 20 Havelock Road which comprises a serviced residence and commercial spaces including offices and retail units. Far East H-REIT currently holds the leasehold interest of a remaining term of approximately 70.7 years in Central Square.

The Divestment Consideration represents a 57.9% premium on the independent valuation of S\$198.3 million as at 31 December 2020 and a 70.8% premium on the original purchase price of S\$183.3 million in August 2012. After accounting for transaction-related costs, Far East H-Trust<sup>3</sup> is expected to achieve an estimated net gain of S\$112.0 million.

This divestment comes after efforts by the Managers over the last few years in working closely with CDL to obtain an outline permission from the Urban Redevelopment Authority (“**URA**”) for the Central Square/Central Mall precinct under its Strategic Development Incentive Scheme. With that, Central Square could potentially be redeveloped up to a

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<sup>1</sup> FEO Hospitality Asset Management Pte. Ltd. (“the **REIT Manager**”) as manager of Far East Hospitality Real Estate Investment Trust (“**Far East H-REIT**”), and FEO Hospitality Trust Management Pte. Ltd. (“**Trustee-Manager**”), as trustee-manager of Far East Hospitality Business Trust (“**Far East H-BT**”, and together with the REIT Manager, the “**Managers**”).

<sup>2</sup> The potential incentive fee is subject to certain conditions being fulfilled by 31 December 2023, including getting provisional permission with a higher mix for residential use.

<sup>3</sup> Far East Hospitality Trust is a stapled group comprising Far East H-REIT and Far East H-BT (“**Far East H-Trust**”).

maximum gross floor area (“**GFA**”) of 31,758 square meters (up from the current GFA of 17,858 square meters, or an increase 78%), and to a height of 20 storeys (from 7 storeys).

Following the grant of URA’s outline permission, the Managers carefully evaluated all options, including undertaking redevelopment of the site, and concluded that it will be in the best interest of Stapled Securityholders to divest Central Square. This is due to several considerations, including the long gestation period, and that the 10% development limit applicable to S-REITs will be exceeded should Far East H-REIT undertake the redevelopment.

To secure the best offer for Central Square, Far East H-Trust appointed Knight Frank Pte Ltd as the marketing agent to carry out a tender exercise to invite bids from interested purchasers. To ensure transparency, an independent auditor was also engaged to witness the tender opening. CDL emerged as the highest bidder in the tender.

Mr. Gerald Lee, Chief Executive Officer of the Managers, said, “This transaction allows us to realise significant value for our Stapled Securityholders. The strong divestment gain highlights the latent value and potential of our assets. The proceeds will be used to first pare down Far East H-Trust’s debt to strengthen its balance sheet. With the increased financial flexibility, the Managers can seek out opportunities to redeploy the proceeds to higher yielding assets to improve the performance of the Trust.”

Upon completion of the divestment by the end of 1Q 2022, Far East H-Trust’s portfolio will comprise 9 hotels and 3 serviced residences in Singapore with a total portfolio value of S\$2.3 billion<sup>4</sup>. The net divestment proceeds will be used to pare down debt, with Far East H-Trust’s aggregate leverage expected to decrease from 41.3%<sup>5</sup> to 33.5%. Its debt headroom could rise to S\$533.6 million<sup>6</sup> on a pro-forma basis.

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<sup>4</sup> Based on valuations as at 31 December 2020.

<sup>5</sup> As at 30 June 2021.

<sup>6</sup> Assuming aggregate leverage limit of 45%.

**For more information, please contact:**

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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 EPRA Nareit Global Developed 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.