



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Far East Hospitality Trust
(Manager: FEO Hospitality Asset Management Pte. Ltd.)

Stock code: Q5T

Meeting details:

Date: 22 April 2021

Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As noted in the annual report, the REIT manager is committed to delivering long-term sustainable distribution growth to stapled securityholders via the three key strategies of: value-adding acquisitions; asset management and enhancement; and capital and risk management.

On 23 March 2021, the manager announced that it has received an outline advice from the Urban Redevelopment Authority (“URA”) in relation to the redevelopment of Central Square, which comprises a serviced residence and commercial spaces, including office and retail units. The outline advice was issued by URA in response to a joint outline application.

The manager has stated that it will explore various options for the site to deliver optimal value for stapled securityholders, including a possible divestment to a suitable third-party to undertake any proposed redevelopment.

- (i) **Who are the other party/parties in the joint outline application? Are other buildings that are part of the joint outline application?**
- (ii) **What are the possible potential rezoning and uplift in gross floor area under the incentive scheme?**

On a portfolio basis, the REIT has a total of 287 units of retail, office and serviced office commercial spaces, housed in 9 out of the 13 properties in the portfolio. Based on the disclosure in the annual report, Village Residence Clarke Quay is a mixed-use development comprising residential and commercial components. There are 128 residential units and a gross floor area of 17,858 square meters (sq m). The net lettable areas for retail, office and service office are 2,213 sq m, 1,473 sq m and 823 sq m respectively (page 32). The valuation as at 31 Dec 2020 is \$198.3 million.

- (iii) **Can the REIT clarify if it owns the entire “Central Square”?** In the annual report, the REIT’s property is identified as “Village Residence Clarke Quay” and not “Central Square”.

Q2. As at 31 December 2020, the group’s total debt was \$990.8 million. 60.3% of the group’s debt has been locked-in with fixed interest rates. The percentage of debt with fixed interest rates from FY2015 to FY2020 is shown below.

FY2015 – 58.9%
FY2016 – 70.6%
FY2017 – 41.6%
FY2018 – 68.6%
FY2019 – 66.1%
FY2020 – 60.3%

The percentage of debt with fixed interest rates has been as low as 41.6% (at the end of financial year 2017) to as high as 70.6% (at the end of financial year 2016).

- (i) **Can the board/manager elaborate further on its framework to manage the risks of interest rate fluctuations?**

Similarly, the group's average cost of debt increased steadily from 2.5% (FY2016 & FY2017), to 2.7% in FY2018 and to 2.9% in FY2019 before a drop in FY2020 to 2.4%.

- (ii) **What is the REIT's strategy to optimise the cost of debt financing?**
- (iii) **What is the manager's view on the interest rate trend? How is the manager taking advantage of the current low interest rate environment?**

Q3. FY2020 was a year when the pandemic ravaged economies, industries, and livelihoods, and the hospitality sector was one of the worst hit as borders are closed to stop the spread of the virus. In Singapore, tourist arrivals decreased by 85.9% from 19.1 million in 2019 to 2.7 million in 2020.

The REIT's gross revenue decreased to \$83.3 million in FY2020. Net property income was \$72.2 million and the distribution per stapled security dropped to 2.41 Singapore cents. In addition, the trust also recognised fair value changes in its investment properties amounting to \$(121.2) million. The valuations of the properties are shown on pages 129 and 130.

- (i) **Can the manager help stapled securityholders understand the reasons for the relatively large drops in the valuations of Village Hotel Changi, Oasia Hotel Novena, Orchard Rendezvous Hotel and Rendezvous Hotel Singapore?** The valuations of these hotels dropped between 5.0% and 6.7% (or \$13.7 million to \$24.6 million).
- (ii) **Has the pandemic set back the group's timeline for the acquisition of the remaining stakes in the 3 new hotels and commercial space on Sentosa?**
- (iii) **Does the joint venture company, Fontaine Investment Pte. Ltd., have sufficient working capital to run its operations efficiently given that the pandemic has caused a severe drop in the REVPAR?**

In addition, the group has also recognised an impairment loss on trade receivables of \$(1.04) million in FY2020, up from \$(0.685) million in FY2019.

- (iv) **Given the nature of the group's business where room rates, rent and security deposits are collected upfront, how did the group incur impairment losses on trade receivables? What can the manager do to further improve its credit control?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US



^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)