
Far East Hospitality Trust
Unaudited Financial Statements Announcement
For the second quarter and six months ended 30 June 2017

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Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

INTRODUCTION

Far East Hospitality Trust (“Far East H-Trust” or the “Stapled Group”) is a hospitality stapled group 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-REIT and Far East H-BT are managed by FEO Hospitality Asset Management Pte. Ltd. (“REIT Manager”) and FEO Hospitality Trust Management Pte. Ltd. (“Trustee-Manager”), respectively.

Far East H-REIT is a Singapore-based real estate investment trust established principally to invest on a long-term basis, in a diversified portfolio of income-producing hospitality-related real estate in Singapore.

Stapled Securities in Far East H-Trust commenced trading on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 27 August 2012.

Far East H-REIT has a portfolio of 12 Singapore properties consisting of 8 hotels and 4 serviced residences:

Hotels		Serviced Residences (SRs)	
OHN	Oasia Hotel Novena	RH	Regency House
OPH	Orchard Parade Hotel	VRCQ	Village Residence Clarke Quay
RHS	Rendezvous Hotel Singapore	VRH	Village Residence Hougang
TES	The Elizabeth Hotel	VRRQ	Village Residence Robertson Quay
TQH	The Quincy Hotel		
VHAC	Village Hotel Albert Court		
VHB	Village Hotel Bugis		
VHC	Village Hotel Changi		

Far East H-BT is currently dormant. Accordingly, the financial information of Far East H-BT has not been presented.

Distribution Policy

Far East H-REIT’s distribution policy is to distribute 100% of Far East H-REIT’s taxable income for the period from 27 August 2012 to 31 December 2013 and at least 90% of its taxable income thereafter.

Far East H-BT remains dormant as at the date of this report. In the event that Far East H-BT becomes active and profitable, Far East H-BT’s distribution policy will be to distribute as much of its income as practicable, and the determination to distribute and the quantum of distributions to be made by Far East H-BT will be determined by the Trustee-Manager’s Board at its sole discretion.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017
1(a) Income statements together with comparatives for corresponding periods in immediately preceding financial year.
1(a)(i) Statements of Total Return and Distribution Statement of Far East H-REIT and Far East H-Trust

		Far East H-REIT					
Note	2Q 2017	2Q 2016	Better / (Worse)	1H 2017	1H 2016	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	20,110	20,400	(1.4)	39,160	42,009	(6.8)	
	5,766	5,738	0.5	11,491	11,494	(0.0)	
	25,876	26,138	(1.0)	50,651	53,503	(5.3)	
	(1,847)	(1,902)	2.9	(3,709)	(3,836)	3.3	
	(33)	(30)	(10.0)	(64)	(60)	(6.7)	
	(34)	(18)	(88.9)	(68)	(34)	(100.0)	
	(699)	(607)	(15.2)	(1,310)	(1,202)	(9.0)	
	(113)	(111)	(1.8)	(226)	(222)	(1.8)	
	(2,726)	(2,668)	(2.2)	(5,377)	(5,354)	(0.4)	
	23,150	23,470	(1.4)	45,274	48,149	(6.0)	
	(2,788)	(2,814)	0.9	(5,514)	(5,684)	3.0	
	(77)	(78)	1.3	(153)	(156)	1.9	
	(342)	(202)	(69.3)	(555)	(439)	(26.4)	
	(3,207)	(3,094)	(3.7)	(6,222)	(6,279)	0.9	
	(4,808)	(4,975)	3.4	(9,869)	(10,156)	2.8	
	(4,808)	(4,975)	3.4	(9,869)	(10,156)	2.8	
	(42)	(11)	NM	(61)	(17)	NM	
	15,093	15,390	(1.9)	29,122	31,697	(8.1)	
	(2,787)	(1,214)	NM	(5,540)	(8,700)	36.3	
	(2,787)	(1,214)	NM	(5,540)	(8,700)	36.3	
	12,306	14,176	(13.2)	23,582	22,997	2.5	
	(3)	(2)	(50.0)	(6)	(6)	-	
	12,303	14,174	(13.2)	23,576	22,991	2.5	
Distribution Statement							
	12,303	14,174	(13.2)	23,576	22,991	2.5	
	5,626	4,097	37.3	11,284	14,518	(22.3)	
	-	-	-	-	206	NM	
	17,929	18,271	(1.9)	34,860	37,715	(7.6)	
	17,915	18,260	(1.9)	34,834	37,687	(7.6)	
	14	11	27.3	26	28	(7.1)	
	17,929	18,271	(1.9)	34,860	37,715	(7.6)	

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

		Far East H-TRUST					
Note	2Q 2017	2Q 2016	Better / (Worse)	1H 2017	1H 2016	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	20,110	20,400	(1.4)	39,160	42,009	(6.8)	
	5,766	5,738	0.5	11,491	11,494	(0.0)	
	25,876	26,138	(1.0)	50,651	53,503	(5.3)	
	(1,847)	(1,902)	2.9	(3,709)	(3,836)	3.3	
	(33)	(30)	(10.0)	(64)	(60)	(6.7)	
	(34)	(18)	(88.9)	(68)	(34)	(100.0)	
	(699)	(607)	(15.2)	(1,310)	(1,202)	(9.0)	
	(113)	(111)	(1.8)	(226)	(222)	(1.8)	
	(2,726)	(2,668)	(2.2)	(5,377)	(5,354)	(0.4)	
	23,150	23,470	(1.4)	45,274	48,149	(6.0)	
	(2,788)	(2,814)	0.9	(5,514)	(5,684)	3.0	
	(77)	(78)	1.3	(153)	(156)	1.9	
	(343)	(202)	(69.8)	(556)	(439)	(26.7)	
	(3,208)	(3,094)	(3.7)	(6,223)	(6,279)	0.9	
	(4,808)	(4,975)	3.4	(9,869)	(10,156)	2.8	
	(4,808)	(4,975)	3.4	(9,869)	(10,156)	2.8	
	(42)	(11)	NM	(61)	(17)	NM	
	15,092	15,390	(1.9)	29,121	31,697	(8.1)	
	(2,787)	(1,214)	NM	(5,540)	(8,700)	36.3	
	(2,787)	(1,214)	NM	(5,540)	(8,700)	36.3	
	12,305	14,176	(13.2)	23,581	22,997	2.5	
	(3)	(2)	(50.0)	(6)	(6)	-	
	12,302	14,174	(13.2)	23,575	22,991	2.5	
Distribution Statement							
	12,302	14,174	(13.2)	23,575	22,991	2.5	
	5,626	4,097	37.3	11,284	14,518	(22.3)	
	-	-	-	-	206	NM	
	17,928	18,271	(1.9)	34,859	37,715	(7.6)	
	17,914	18,260	(1.9)	34,833	37,687	(7.6)	
	14	11	27.3	26	28	(7.1)	
	17,928	18,271	(1.9)	34,859	37,715	(7.6)	

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

Notes:

NM – Not Meaningful

- (a) Share of results of joint venture relates to the equity accounting of Fontaine Investment Pte Ltd's ("FIPL") results.
- (b) This relates to net change in fair value of interest rate swaps entered to hedge against the interest rate exposure of Far East H-REIT.
- (c) Included in the net tax adjustments are the following:

	Note	2Q 2017 S\$'000	2Q 2016 S\$'000	Better / (Worse) %	1H 2017 S\$'000	1H 2016 S\$'000	Better / (Worse) %
- REIT Manager's fees paid/payable in Stapled Securities	(i)	2,510	2,533	(0.9)	4,963	5,116	(3.0)
- Trustee's fees		77	78	(1.3)	153	156	(1.9)
- Amortisation of debt upfront cost		131	170	(22.9)	405	340	19.1
- Fair value change in derivative financial instruments		2,787	1,214	NM	5,540	8,700	(36.3)
- Share of results of joint venture		42	11	NM	61	17	NM
- Other adjustments	(ii)	79	91	(13.2)	162	189	(14.3)
Net tax adjustments		5,626	4,097	37.3	11,284	14,518	(22.3)

Notes:

NM – Not Meaningful

- (i) This represents 90% of REIT Manager's fees paid/payable in Stapled Securities.
- (ii) This mainly relates to Moody's rating fees, non-tax deductible professional fee, finance cost for investment in FIPL, deferred income and amortization of rental deposits.
- (iii) Moody's corporate credit rating has been withdrawn in April-17 following the amendments to Appendix 6 of the Code on Collective Investment Schemes where a single-tier aggregate leverage limit of 45% is adopted for REIT regardless of its credit rating.
- (d) In 1H 2016, the amount relates to the difference between the taxable income previously distributed and the quantum finally agreed with the Inland Revenue Authority of Singapore ("IRAS") for the Year of Assessment 2014.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017
1(b) Balance Sheets
**1(b)(i) Balance Sheets as at 30 June 2017
 Far East H-REIT and Far East H-Trust**

	Note	As at 30 Jun 2017			As at 31 December 2016		
		Far East H-Trust	Far East H-REIT	Far East H-BT	Far East H-Trust	Far East H-REIT	Far East H-BT
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets							
Investment properties		2,419,223	2,419,223	–	2,417,900	2,417,900	–
Investment in joint venture	(a)	16,523	16,523	–	16,584	16,584	–
Total non-current assets		2,435,746	2,435,746	–	2,434,484	2,434,484	–
Current assets							
Cash and cash equivalents	(b)	21,762	21,762	–	15,385	15,385	–
Prepayments		25	25	–	40	40	–
Trade and other receivables	(c)	36,164	36,164	30	34,712	34,712	30
Derivative financial assets	(d)	–	–	–	3,933	3,933	–
Total current assets		57,951	57,951	30	54,070	54,070	30
Total assets		2,493,697	2,493,697	30	2,488,554	2,488,554	30
Current liabilities							
Trade and other payables		3,548	3,571	7	1,934	1,958	6
Accruals		6,753	6,752	1	7,811	7,810	1
Borrowings	(e)	42,000	42,000	–	291,830	291,830	–
Rental deposits		2,620	2,620	–	2,695	2,695	–
Deferred income		90	90	–	90	90	–
Income tax payable		5	5	–	13	13	–
Derivative financial liabilities	(d)	1,607	1,607	–	–	–	–
Total current liabilities		56,623	56,645	8	304,373	304,396	7
Non-current liabilities							
Borrowings	(e)	780,599	780,599	–	530,987	530,987	–
Rental deposits		6,350	6,350	–	6,298	6,298	–
Deferred income		1,277	1,277	–	1,321	1,321	–
Total non-current liabilities		788,226	788,226	–	538,606	538,606	–
Total liabilities		844,849	844,871	8	842,979	843,002	7
Net assets		1,648,848	1,648,826	22	1,645,575	1,645,552	23
<u>Represented by:</u>							
Unitholders' funds							
Unitholders' funds of Far East H-REIT		1,648,826	1,648,826	–	1,645,552	1,645,552	–
Unitholders' funds of Far East H-BT		22	–	22	23	–	23
		1,648,848	1,648,826	22	1,645,575	1,645,552	23

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

Notes:

- (a) This relates to the 30% joint venture interest in FIPL.
- (b) Cash and cash equivalents as at 30 June 2017 of \$21.8 million was \$6.4 million higher compared to balances as at 31 December 2016 mainly due to the cash retained as stapled securityholders participated in 1Q 2017 distribution reinvestment plan ("DRP").
- (c) This includes shareholders' loan to FIPL and interest accrued of S\$26.0 million. The amount is used to finance the development of a new hotel site located at Artillery Avenue, Sentosa.
- (d) This relates to the fair value of interest rate swaps used to hedge interest rate risk.
- (e) Movements in borrowings were due to reclassification of S\$250 million term loans from current liabilities to non-current liabilities as these term loans have been refinanced in March 2017.

1(b)(ii) Aggregate Amounts of Borrowings as at 30 June 2017

	As at 30 June 2017		As at 31 December 2016	
	Far East H-Trust S\$'000	Far East H-REIT S\$'000	Far East H-Trust S\$'000	Far East H-REIT S\$'000
Unsecured				
Amounts repayable in one year or less, or on demand	42,000	42,000	291,830	291,830
Amounts repayable after one year	780,599	780,599	530,987	530,987
	822,599	822,599	822,817	822,817

Details of borrowings and collateral:

The total facilities of Far East H-REIT are as follows:

- Unsecured term loan facilities of S\$782.2 million
- S\$100 million of uncommitted revolving credit facilities ("RCF")

The weighted average cost debt was approximately 2.5% per annum and the weighted average debt to maturity was 3.4 years.

Gearing as of 30 June 2017 was 32.8% (31 December 2016: 32.1%).

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017
**1(c) Consolidated Cash Flow Statements
 Far East H-REIT and Far East H-Trust**

		Far East H-REIT					
Note	2Q 2017	2Q 2016	Better / (Worse)	1H 2017	1H 2016	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Cash flows from operating activities							
Total return before income tax	12,306	14,176	(13.2)	23,582	22,997	2.5	
Adjustments for:							
Finance costs	4,808	4,975	(3.4)	9,869	10,156	(2.8)	
Fair value change in derivative financial instruments	2,787	1,214	NM	5,540	8,700	(36.3)	
REIT Manager's fees issued/issuable in Stapled Securities	2,510	2,533	(0.9)	4,963	5,116	(3.0)	
Share of results of joint venture	42	11	NM	61	17	NM	
Deferred income recognised	(23)	(23)	-	(45)	(45)	-	
Operating profit before working capital changes	22,430	22,886	(2.0)	43,970	46,941	(6.3)	
Changes in working capital							
Trade and other receivables	(1,730)	1,148	NM	(1,229)	1,461	NM	
Trade and other payables	1,586	(1,473)	NM	201	(509)	NM	
Rental deposits	33	180	(81.7)	(65)	(104)	37.5	
Income tax paid	-	-	-	(13)	-	NM	
Cash flows generated from operating activities	22,319	22,741	(1.9)	42,864	47,789	(10.3)	
Cash flows from investing activities							
Capital expenditure on investment properties	(510)	(2,978)	82.9	(1,323)	(5,271)	74.9	
Loan to a joint venture company	-	(2,400)	NM	-	(5,100)	NM	
Cash flows used in investing activities	(510)	(5,378)	90.5	(1,323)	(10,371)	87.2	
Cash flows from financing activities							
Proceeds from borrowings	-	2,400	NM	250,000	5,100	NM	
Finance costs paid	(1,548)	(1,609)	3.8	(9,899)	(10,045)	1.5	
Repayment of borrowings	-	-	-	(250,000)	-	NM	
Distribution to Stapled Securityholders	(5,057)	(19,394)	73.9	(25,265)	(40,373)	37.4	
Cash flows used in financing activities	(6,605)	(18,603)	64.5	(35,164)	(45,318)	22.4	
Net increase/(decrease) in cash and cash equivalents	15,204	(1,240)	NM	6,377	(7,900)	NM	
Cash and cash equivalents at beginning of the period	6,558	18,721	(65.0)	15,385	25,381	(39.4)	
Cash and cash equivalents at end of the period	21,762	17,481	24.5	21,762	17,481	24.5	

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

		Far East H-TRUST					
Note	2Q 2017	2Q 2016	Better / (Worse)	1H 2017	1H 2016	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Cash flows from operating activities							
Total return before income tax	12,305	14,176	(13.2)	23,581	22,997	2.5	
Adjustments for:							
Finance costs	4,808	4,975	(3.4)	9,869	10,156	(2.8)	
Fair value change in derivative financial instruments	2,787	1,214	NM	5,540	8,700	(36.3)	
REIT Manager's fees issued/issuable in Stapled Securities	2,510	2,533	(0.9)	4,963	5,116	(3.0)	
Share of results of joint venture	42	11	NM	61	17	NM	
Deferred income recognised	(23)	(23)	-	(45)	(45)	-	
Operating profit before working capital changes	22,429	22,886	(2.0)	43,969	46,941	(6.3)	
Changes in working capital							
Trade and other receivables	(1,730)	1,148	NM	(1,229)	1,461	NM	
Trade and other payables	1,587	(1,473)	NM	202	(509)	NM	
Rental deposits	33	180	(81.7)	(65)	(104)	37.5	
Income tax paid	-	-	-	(13)	-	NM	
Cash flows generated from operating activities	22,319	22,741	(1.9)	42,864	47,789	(10.3)	
Cash flows from investing activities							
Capital expenditure on investment properties	(510)	(2,978)	82.9	(1,323)	(5,271)	74.9	
Loan to a joint venture company	-	(2,400)	NM	-	(5,100)	NM	
Cash flows used in investing activities	(510)	(5,378)	90.5	(1,323)	(10,371)	87.2	
Cash flows from financing activities							
Proceed from borrowings	-	2,400	NM	250,000	5,100	NM	
Finance costs paid	(1,548)	(1,609)	3.8	(9,899)	(10,045)	1.5	
Repayment of borrowings	-	-	-	(250,000)	-	NM	
Distribution to Stapled Securityholders	(5,057)	(19,394)	73.9	(25,265)	(40,373)	37.4	
Cash flows used in financing activities	(6,605)	(18,603)	64.5	(35,164)	(45,318)	22.4	
Net increase/(decrease) in cash and cash equivalents	15,204	(1,240)	NM	6,377	(7,900)	NM	
Cash and cash equivalents at beginning of the period	6,558	18,721	(65.0)	15,385	25,381	(39.4)	
Cash and cash equivalents at end of the period	21,762	17,481	24.5	21,762	17,481	24.5	

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017
Notes:

N.M. – Not Meaningful

- (a) Capital expenditure incurred mainly relates to asset enhancement work carried out at Orchard Parade Hotel, Regency House, Village Hotel Bugis, Village Residence Robertson Quay and Village Hotel Albert Court.
- (b) In March 2017, \$250 million term loans maturing in August 2017 have been refinanced with the same lenders.
- (c) Far East Hospitality Trust has established DRP in May 2017 and applied to the distribution for the period from 1 January 2017 to 31 March 2017. The DRP provides eligible Stapled Securityholders with the option to receive their distribution, either in the form of stapled securities or cash or a combination of both. The distribution to Stapled Securityholders in 2Q 2017 relates to the cash distribution for the period from 1 January 2017 to 31 March 2017, paid on 27 June 2017. In the prior period, the distribution was for the quarter from 1 January 2016 to 31 March 2016, paid on 31 May 2016.

1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 April 2017 to 30 June 2017

	Stapled Securityholders' Funds						
	Far East H-REIT			Far East H-BT			Far East H-Trust
	Units in issue S\$'000	Accumulated Profit/(Loss) S\$'000	Total S\$'000	Units in issue S\$'000	Accumulated loss S\$'000	Total S\$'000	Total S\$'000
Balance at 1 April 2017	1,664,723	(25,653)	1,639,070	28	(5)	23	1,639,093
Operations							
Increase in net assets resulting from operations	–	12,303	12,303	–	(1)	(1)	12,302
	–	12,303	12,303	–	(1)	(1)	12,302
Unitholders' transactions							
- Payment of REIT Manager's fees ^(a)	2,510	–	2,510	–	–	–	2,510
- Distribution to Stapled Securityholders ^(b)	–	(16,862)	(16,862)	–	–	–	(16,862)
- Distribution reinvestment plan ^(c)	11,805	–	11,805	–	–	–	11,805
Net increase/(decrease) in net assets resulting from unitholders' transactions	14,315	(16,862)	(2,547)	–	–	–	(2,547)
Balance at 30 June 2017	1,679,038	(30,212)	1,648,826	28	(6)	22	1,648,848

Notes:

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the management fee incurred for the 2Q 2017. The Stapled Securities are issued within 30 days from quarter end.
- (b) Distribution to Stapled Securityholders relates to the quarter from 1 January 2017 to 31 March 2017, paid on 27 June 2017.
- (c) Under the DRP, new stapled securities have been issued to eligible stapled securityholders who have opted to receive their distribution entitlement for the period from 1 January 2017 to 31 March 2017 in stapled securities on 27 June 2017.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 April 2016 to 30 June 2016

	Stapled Securityholders' Funds						
	Far East H-REIT			Far East H-BT			Far East H-Trust
	Units in issue	Accumulated profit	Total	Units in issue	Accumulated loss	Total	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Balance at 1 April 2016	1,654,514	19,767	1,674,281	28	(4)	24	1,674,305
Operations							
Increase in net assets resulting from operations	-	14,174	14,174	-	#	#	14,174
	-	14,174	14,174	-	#	#	14,174
Unitholders' transactions							
- Payment of REIT Manager's fees ^(a)	2,533	-	2,533	-	-	-	2,533
- Distribution to Stapled Securityholders ^(b)	-	(19,394)	(19,394)	-	-	-	(19,394)
Net increase/(decrease) in net assets resulting from unitholders' transactions	2,533	(19,394)	(16,861)	-	-	-	(16,861)
Balance at 30 June 2016	1,657,047	14,547	1,671,594	28	(4)	24	1,671,618

Notes:

Less than S\$1,000

- (a) This represents the Stapled Securities issued as partial satisfaction of the management fee incurred for the 2Q 2016. The Stapled Securities were issued within 30 days from quarter end.
- (b) Distribution to Stapled Securityholders relates to the quarter from 1 January 2016 to 31 March 2016, paid on 31 May 2016.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2017 to 30 June 2017

	Stapled Securityholders' Funds						
	Far East H-REIT			Far East H-BT			Far East H-Trust
	Units in issue S\$'000	Accumulated Profit/(Loss) S\$'000	Total S\$'000	Units in issue S\$'000	Accumulated loss S\$'000	Total S\$'000	Total S\$'000
Balance at 1 January 2017	1,662,270	(16,718)	1,645,552	28	(5)	23	1,645,575
Operations							
Increase in net assets resulting from operations	-	23,576	23,576	-	(1)	(1)	23,575
	-	23,576	23,576	-	(1)	(1)	23,575
Unitholders' transactions							
- Payment of REIT Manager's fees ^(a)	4,963	-	4,963	-	-	-	4,963
- Distribution to Stapled Securityholders ^(b)	-	(37,070)	(37,070)	-	-	-	(37,070)
- Distribution reinvestment plan ^(c)	11,805	-	11,805	-	-	-	11,805
Net increase/(decrease) in net assets resulting from unitholders' transactions	16,768	(37,070)	(20,302)	-	-	-	(20,302)
Balance at 30 June 2017	1,679,038	(30,212)	1,648,826	28	(6)	22	1,648,848

Notes:

- (a) This represents the Stapled Securities issued as partial satisfaction of the management fee incurred for the period from 1 January 2017 to 30 June 2017. The Stapled Securities were issued within 30 days from quarter end.
- (b) Distribution to Stapled Securityholders relates to the period from 1 October 2016 to 31 March 2017.
- (c) Under the DRP, new stapled securities have been issued to eligible stapled securityholders who have opted to receive their distribution entitlement for the period from 1 January 2017 to 31 March 2017 in stapled securities on 27 June 2017.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2016 to 30 June 2016

	Stapled Securityholders' Funds						
	Far East H-REIT			Far East H-BT			Far East H-Trust
	Units in issue S\$'000	Accumulated profit S\$'000	Total S\$'000	Units in issue S\$'000	Accumulated loss S\$'000	Total S\$'000	Total S\$'000
Balance at 1 January 2016	1,651,931	31,929	1,683,860	28	(4)	24	1,683,884
Operations							
Increase in net assets resulting from operations	-	22,991	22,991	-	#	#	22,991
	-	22,991	22,911	-	#	#	22,991
Unitholders' transactions							
- Payment of REIT Manager's fees ^(a)	5,116	-	5,116	-	-	-	5,116
- Distribution to Stapled Securityholders ^(b)	-	(40,373)	(40,373)	-	-	-	(40,373)
Net increase/(decrease) in net assets resulting from unitholders' transactions	5,116	(40,373)	(35,257)	-	-	-	(35,257)
Balance at 30 June 2016	1,657,047	14,547	1,671,594	28	(4)	24	1,671,618

Notes:

Less than S\$1,000

- (a) This represents the Stapled Securities issued and issuable as partial satisfaction of the management fee incurred for the period from 1 January 2016 to 30 June 2016. The Stapled Securities were issued within 30 days from quarter end.
- (b) Distribution to Stapled Securityholders relates to the period from 1 October 2015 to 31 March 2016.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017
1(d)(ii) Details of Changes in Issued and Issuable Stapled Securities

	2Q 2017 Far East H- Trust No. of Stapled Securities '000	2Q 2016 Far East H- Trust No. of Stapled Securities '000	1H 2017 Far East H- Trust No. of Stapled Securities '000	1H 2016 Far East H- Trust No. of Stapled Securities '000
Stapled Securities in issue at beginning of period	1,804,323	1,793,076	1,801,415	1,788,925
New Stapled Securities issued				
- Payment of REIT Manager's fees ^(a)	8,834	2,678	11,742	6,829
- Distribution Reinvestment Plan	19,836	-	19,836	-
Total issued Stapled Securities	1,832,993	1,795,754	1,832,993	1,795,754
Stapled Securities to be issued:				
- Payment of REIT Manager's fees – Base fees	2,486	2,805	2,486	2,805
- Payment of REIT Manager's fees – Performance fees ^(b)	2,417	2,880	2,417	2,880
Total issued and issuable Stapled Securities at end of period	1,837,896	1,801,439	1,837,896	1,801,439

Footnote

(a) This includes REIT Manager's performance fee for the financial year 2016. Effective from 1 January 2016, performance fee is crystallised once a year and to be paid within 30 days from the date of the audited accounts of Far East H-REIT in arrears.

(b) Stapled Securities to be issued as payment of REIT Manager's fees – Performance fee is not entitled to 2Q 2017 distribution.

2 Whether the figures have been audited or reviewed and in accordance with which standard (eg. the Singapore Standard on Auditing 910 (Engagement to Review Financial Statements), or an equivalent standard)

The figures have neither been audited nor reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation adopted are consistent with those applied in the audited financial statements for the financial year ended 31 December 2016.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

There has been no change in the accounting policies and methods of computation adopted by Far East H-REIT, Far East H-BT and the Stapled Group for the current reporting period compared with the audited financial

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

statements as at 31 December 2016 except for the adoption of new or revised FRS that are mandatory for financial year beginning on or after 1 January 2017. The adoption of these FRS has no significant impact to Far East H-REIT, Far East H-BT and the Stapled Group for the period under review.

6 Earnings per Stapled Security (“EPS”) and Distribution per Stapled Security (“DPS”) for the financial period ended 30 June 2017

	2Q 2017 Far East H- Trust	2Q 2016 Far East H- Trust	1H 2017 Far East H- Trust	1H 2016 Far East H- Trust
Weighted average number of Stapled Securities in issue ('000)	1,811,505	1,794,968	1,807,468	1,793,415
Total return for the period after tax (S\$'000)	12,302	14,174	23,575	22,991
EPS based on weighted average number of Stapled Securities in issue (cents)	0.68	0.79	1.30	1.28
Total number of issued and issuable Stapled Securities at end of period ('000)	1,835,479	1,798,559	1,835,479	1,798,559
Distribution to Stapled Securityholders (S\$'000)	17,915	18,271	34,834	37,715
DPS based on the total number of Stapled Securities entitled to distribution (cents)	0.97	1.01	1.90	2.09

Diluted EPS is the same as the basic EPS as there are no dilutive instruments in issue during the financial period.

7 Net asset value (“NAV”) / Net tangible asset per stapled security:-

	30 June 2017 Far East H-Trust	31 December 2016 Far East H-Trust
Total number of issued and issuable Stapled Securities at end of period ('000)	1,837,896	1,810,362
Net asset value / Net tangible asset per Stapled Security (cents)	89.71	90.90

Footnotes:

The number of Stapled Securities used for computation of actual NAV per Stapled Security as at 30 June 2017 was 1,837,896,607 comprising:

- (i) 1,810,361,880 Stapled Securities issued and issuable as at 31 December 2016;
- (ii) 5,281,006 Stapled Securities issued and issuable to the REIT Manager as part satisfaction of the REIT Manager's fee (Base fees) for the period from 1 January 2017 to 30 June 2017;
- (iii) 2,417,146 Stapled Securities issuable to the REIT Manager as part satisfaction of the REIT Manager's fee (Performance fees) for the period from 1 January 2017 to 30 June 2017; and
- (iv) 19,836,575 Stapled Securities issued in respect of the Distribution Reinvestment Plan applied to the distribution for period from 1 January 2017 to 31 March 2017.

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8 A review of the performance for the quarter ended 30 June 2017
8(a) Statement of net income and distribution of Far East Hospitality Trust

	2Q 2017	2Q 2016	Better / (Worse)		1H 2017	1H 2016	Better / (Worse)	
				%				%
Gross revenue (S\$'000)	25,876	26,138	(262)	(1.0)	50,651	53,503	(2,852)	(5.3)
Net property income (S\$'000)	23,150	23,470	(320)	(1.4)	45,274	48,149	(2,875)	(6.0)
Income available for distribution (S\$'000)	17,928	18,271	(343)	(1.9)	34,859	37,715	(2,856)	(7.6)
Distribution per Stapled Security (cents)	0.97	1.01	(0.04)	(4.0)	1.90	2.09	(0.19)	(9.1)

8(b) Review of the performance of second quarter and six months ended 30 June 2017
2Q 2017 vs 2Q 2016

Gross revenue of S\$25.9 million in 2Q 2017 was a decrease of 1.0% compared to S\$26.1 million in 2Q 2016, due to lower master lease rental from the hotels and serviced residences ("SRs").

Demand for hotel accommodation was firmer in 2Q 2017 compared to the previous quarter, although the increased supply of hotel rooms and soft corporate demand continued to put downward pressure on room rates. To offset this market-wide trend, there was a shift towards the leisure segment, which increased the average occupancy of the hotel portfolio by 1.9pp but resulted in a 3.4% decrease in the average daily rate ("ADR"). Correspondingly, revenue per available room ("RevPAR") for the hotel portfolio decreased 1.3% to S\$134.

The SR portfolio continued to be impacted by the slowdown in corporate demand, particularly from project groups. The average occupancy and ADR in 2Q 2017 were 4.5pp and 0.6% lower year-on-year respectively. As a result, revenue per available unit ("RevPAU") of the SR portfolio declined 5.7% year-on-year to S\$177 in 2Q 2017.

A snapshot of the hotel and SR performance in 2Q 2017 is set out below.

	2Q 2017		2Q 2016		Better / (Worse)	
	Hotels	SR	Hotels	SR	Hotels	SRs
Average Occupancy (%)	87.1	81.5	85.3	86.0	1.9pp	(4.5pp)
Average Daily Rate (S\$)	154	217	160	218	(3.4%)	(0.6%)
RevPAR / RevPAU (S\$)	134	177	136	187	(1.3%)	(5.7%)

Revenue from the retail and office spaces was marginally higher by 0.5% at S\$5.8 million.

Net property income was S\$23.2 million or 1.4% lower than the corresponding quarter last year.

Finance costs of S\$4.8 million in 2Q 2017 was a 3.4% decline compared with 2Q 2016 mainly due to the lower interest margin for the \$250 million term loan refinanced in March 2017.

Income available for distribution was S\$17.9 million, or 1.9% lower than the corresponding quarter last year. Distribution per Stapled Security for 2Q 2017 was 0.97 cents.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

1H 2017 vs 1H 2016

Gross revenue of S\$50.7 million in 1H 2017 was 5.3% lower than the S\$53.5 million recorded in the corresponding period last year.

Unlike last year, where hotels in Singapore benefited from major events such as the Singapore Airshow and Food & Hotel Asia, there were no major city-wide events in 1H 2017. While occupancy remained healthy in 1H 2017, room rates declined as corporates continued to take a conservative view on extraneous spending and as market competition heightened due to the larger inventory of hotels in the market. For 1H 2017, average occupancy increased 1.0pp against a 4.1% decline in ADR. As a result, RevPAR was down 3.0% at S\$134 against 1H 2016.

While there was an improvement in the performance of the SRs quarter-on-quarter, the portfolio continued to be challenged by the overall softness in corporate demand, particularly from project groups. The average occupancy was 8.7pp lower in 1H 2017, and ADR grew fractionally by 0.5% year-on-year. As a result, RevPAU declined 9.8% year-on-year to S\$169 in 1H 2017.

A snapshot of the Hotels and SR performance in 1H 2017 is set out below.

	1H 2017		1H 2016		Better / (Worse)	
	Hotels	SR	Hotels	SR	Hotels	SRs
Average Occupancy (%)	87.6	76.4	86.6	85.1	1.0pp	(8.7pp)
Average Daily Rate (S\$)	153	222	160	220	(4.1%)	0.5%
RevPAR / RevPAU (S\$)	134	169	138	188	(3.0%)	(9.8%)

Revenue from the retail and office spaces was flat year-on-year at S\$11.5 million.

Net property income was S\$45.3 million or 6.0% lower than the corresponding period last year.

Finance costs were 2.8% lower in 1H 2017 mainly due to the lower interest margin for the \$250 million term loan refinanced in March 2017 and the lower average short term interest rate year-on-year.

Income available for distribution was S\$34.9 million, or 7.6% lower than the corresponding period last year. Distribution per Stapled Security for 1H 2017 was 1.90 cents.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

9 Variance between forecast and the actual results

No forecast has been disclosed.

10 Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The operating environment is expected to remain competitive in the next few quarters as demand for accommodation from the corporate segment continues to be soft. Far East H-Trust's serviced residences, which mainly serve corporations, are expected to be impacted to a larger extent compared to the hotels.

The increase in hotel supply (projected at 2,850 new rooms¹, or an increase of 4.5%) is set to outpace demand in 2017. The REIT Manager expects the demand-supply dynamics to improve in 2018, as the supply of new hotel rooms tapers off. Since 2014, no new sites for hotel development have been introduced in the Government Land Sales programmes.

To ensure its portfolio's competitiveness, the REIT Manager continues to drive the performance of the assets and selectively upgrade its existing properties. The refurbishment of the guest rooms and club lounge at Orchard Parade Hotel is currently underway.

Far East H-Trust should also benefit from developments in the tourism industry and expansion of airport infrastructure to grow Singapore's status as an air hub.

11 DISTRIBUTIONS
Current financial period

Any distribution declared for the current period?	Yes
Distribution period	Distribution for the quarter from 1 April 2017 to 30 June 2017
Distribution type	Taxable income
Distribution per stapled security	0.97 cents
Tax rate	<u>Taxable income distribution</u> Qualifying investors and individuals (other than those who held their stapled securities through a partnership) would receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Qualifying foreign non-individual investors received their distributions after deduction of tax at the rate of 10%. All other investors received their distributions after deduction of tax at the rate of 17%.
Date paid/payable	20 September 2017

¹ CBRE report issued as at January 2017 and Far East H-Trust's compilation

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2017

Books closure date	15 August 2017
Stapled Securityholders must complete and return Form A or Form B, as applicable	4 September 2017

Corresponding period of the preceding financial period

Any distribution declared for the current period?	Yes
Distribution period	Distribution for the quarter from 1 April 2016 to 30 June 2016
Distribution type	Taxable income
Distribution per stapled security	1.01 cents

Tax rate	<p><u>Taxable income distribution</u> Qualifying investors and individuals (other than those who held their stapled securities through a partnership) would receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.</p> <p>Qualifying foreign non-individual investors received their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors received their distributions after deduction of tax at the rate of 17%.</p>
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Date paid/payable	1 September 2016
Books closure date	8 August 2016
Stapled Securityholders must complete and return Form A or Form B, as applicable	18 August 2016

12 If no dividend has been declared/ recommended, a statement to that effect.

Not applicable.

13 If the Group has obtained a general mandate from Stapled Securityholders for interested person transactions ("IPT"), the aggregate value of such transactions are required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Far East H-Trust did not obtain a general mandate from Stapled Securityholders for IPT.

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14. Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of FEO Hospitality Asset Management Pte Ltd (as manager of Far East Hospitality Real Estate Investment Trust) (the "REIT Manager") and FEO Hospitality Trust Management Pte Ltd (as trustee-manager of Far East Hospitality Business Trust) (the "Trustee-Manager"), hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the REIT Manager and the Trustee-Manager which may render the unaudited financial results of Far East Hospitality Trust for the quarter ended 30 June 2017 to be false and misleading in any material respect.

15. Confirmation that the Issuer has procured undertakings from all of its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The REIT Manager and Trustee-Manager confirm that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer
FEO Hospitality Asset Management Pte. Ltd.
(Company Registration No. 201102629K)
4 August 2017

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer
FEO Hospitality Trust Management Pte. Ltd.
(Company Registration No. 201210698W)
4 August 2017

Important Notice

This announcement 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 master lease rental revenue, retail and office rental revenue, changes in operating expenses (including employee wages, benefits and training costs), property expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the REIT Manager's and Trustee-Manager's current view on future events.

The value of Stapled Securities and the income derived from them, if any, may fall or rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, the REIT Manager, Trustee-Manager or any of its affiliates. An investment in Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the REIT Manager and Trustee-Manager to redeem their Stapled Securities while the Stapled Securities are listed. It is intended that Stapled Securitysholders 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.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe 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.