
Far East Hospitality Trust
Unaudited Financial Statements Announcement
For the quarter and six months ended 30 June 2016

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Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

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)	
OHS	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 2016
1(a) Income statements together with comparatives for corresponding periods in immediately preceding financial year.
1(a)(i) Statements of Total Return of Far East H-REIT and Far East H-Trust

		Far East H-REIT					
Note	2Q 2016	2Q 2015	Better / (Worse)	1H 2016	1H 2015	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	20,400	22,825	(10.6)	42,009	44,310	(5.2)	
	5,738	5,921	(3.1)	11,494	11,801	(2.6)	
	26,138	28,746	(9.1)	53,503	56,111	(4.6)	
	(1,902)	(2,018)	5.7	(3,836)	(4,072)	5.8	
	(30)	(36)	16.7	(60)	(68)	11.8	
	(18)	(17)	(5.9)	(34)	(33)	(3.0)	
	(607)	(543)	(11.8)	(1,202)	(1,208)	0.5	
	(111)	(111)	-	(222)	(222)	-	
	-	(34)	NM	-	(34)	NM	
	(2,668)	(2,759)	3.3	(5,354)	(5,637)	5.0	
	23,470	25,987	(9.7)	48,149	50,474	(4.6)	
	(2,814)	(2,941)	4.3	(5,684)	(5,800)	2.0	
	(78)	(78)	-	(156)	(156)	-	
	(202)	(220)	8.2	(439)	(497)	11.7	
	(3,094)	(3,239)	4.5	(6,279)	(6,453)	2.7	
	(4,975)	(4,971)	(0.1)	(10,156)	(9,977)	(1.8)	
	(4,975)	(4,971)	(0.1)	(10,156)	(9,977)	(1.8)	
	(11)	-	NM	(17)	-	NM	
	15,390	17,777	(13.4)	31,697	34,044	(6.9)	
	(1,214)	(1,545)	21.4	(8,700)	1,557	NM	
	(1,214)	(1,545)	21.4	(8,700)	1,557	NM	
	14,176	16,232	(12.7)	22,997	35,601	(35.4)	
	(2)	-	NM	(6)	-	NM	
	14,174	16,232	(12.7)	22,991	35,601	(35.4)	
<u>Distribution Statement</u>							
	14,174	16,232	(12.7)	22,991	35,601	(35.4)	
	4,097	4,571	(10.4)	14,518	4,407	NM	
	-	-	-	206	-	NM	
	18,271	20,803	(12.2)	37,715	40,008	(5.7)	
	18,260	20,803	(12.2)	37,687	40,008	(5.8)	
	11	-	NM	28	-	NM	
	18,271	20,803	(12.2)	37,715	40,008	(5.7)	

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

		Far East H-TRUST					
Note	2Q 2016	2Q 2015	Better / (Worse)	1H 2016	1H 2015	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	20,400	22,825	(10.6)	42,009	44,310	(5.2)	
	5,738	5,921	(3.1)	11,494	11,801	(2.6)	
	26,138	28,746	(9.1)	53,503	56,111	(4.6)	
	(1,902)	(2,018)	5.7	(3,836)	(4,072)	5.8	
	(30)	(36)	16.7	(60)	(68)	11.8	
	(18)	(17)	(5.9)	(34)	(33)	(3.0)	
	(607)	(543)	(11.8)	(1,202)	(1,208)	0.5	
	(111)	(111)	-	(222)	(222)	-	
	-	(34)	NM	-	(34)	NM	
	(2,668)	(2,759)	3.3	(5,354)	(5,637)	5.0	
	23,470	25,987	(9.7)	48,149	50,474	(4.6)	
	(2,814)	(2,941)	4.3	(5,684)	(5,800)	2.0	
	(78)	(78)	-	(156)	(156)	-	
	(202)	(220)	8.2	(439)	(498)	11.8	
	(3,094)	(3,239)	4.5	(6,279)	(6,454)	2.7	
	(4,975)	(4,971)	(0.1)	(10,156)	(9,977)	(1.8)	
	(4,975)	(4,971)	(0.1)	(10,156)	(9,977)	(1.8)	
(a)	(11)	-	NM	(17)	-	NM	
	15,390	17,777	(13.4)	31,697	34,043	(6.9)	
(b)	(1,214)	(1,545)	21.4	(8,700)	1,557	NM	
	(1,214)	(1,545)	21.4	(8,700)	1,557	NM	
	14,176	16,232	(12.7)	22,997	35,600	(35.4)	
	(2)	-	NM	(6)	-	NM	
	14,174	16,232	(12.7)	22,991	35,600	(35.4)	
Distribution Statement							
	14,174	16,232	(12.7)	22,991	35,600	(35.4)	
(c)	4,097	4,571	(10.4)	14,518	4,407	NM	
(d)	-	-	-	206	-	NM	
	18,271	20,803	(12.2)	37,715	40,007	(5.7)	
	18,260	20,803	(12.2)	37,687	40,007	(5.8)	
	11	-	NM	28	-	NM	
	18,271	20,803	(12.2)	37,715	40,007	(5.7)	

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

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 unrealised differences arising from the change in fair value of interest rate swaps.
- (c) Included in the net tax adjustments are the following:

	Note	2Q 2016	2Q 2015	Better /	1H 2016	1H 2015	Better /
		S\$'000	S\$'000	(Worse)	S\$'000	S\$'000	(Worse)
				%			%
- REIT Manager's fees paid/payable in Stapled Securities	(i)	2,533	2,647	(4.3)	5,116	5,220	(2.0)
- Trustee's fees		78	78	-	156	156	-
- Amortisation of debt upfront cost		170	190	(10.5)	340	378	(10.1)
- Fair value change in derivative financial instruments		1,214	1,545	(21.4)	8,700	(1,557)	NM
- Share of results of joint venture		11	-	NM	17	-	NM
- Other adjustments	(ii)	91	111	(18.0)	189	210	(10.0)
Net tax adjustments		4,097	4,571	(10.4)	14,518	4,407	NM

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 annual rating fees, non-tax deductible professional fee, finance cost for Project Sentosa, deferred income and amortization of rental deposits.
- (d) This is the difference between the taxable income previously distributed and the quantum finally agreed with the Inland Revenue Authority of Singapore ("IRAS") for the Years of Assessment 2014.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016
1(b) Balance Sheets
**1(b)(i) Balance Sheets as at 30 June 2016
Far East H-REIT and Far East H-Trust**

	Note	As at 30 June 2016			As at 31 December 2015		
		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		2,444,571	2,444,571	–	2,439,300	2,439,300	–
Investment in joint venture	(a)	15,498	15,498	–	15,515	15,515	–
Current assets							
Cash and cash equivalents		17,481	17,481	–	25,381	25,381	–
Prepayments		35	35	–	93	93	–
Trade and other receivables	(b)	34,452	34,452	30	30,510	30,510	30
Interest rate swaps	(c)	1,565	1,565	–	10,265	10,265	–
Total current assets		53,533	53,533	30	66,249	66,249	30
Total assets		2,513,602	2,513,602	30	2,521,064	2,521,064	30
Current liabilities							
Trade and other payables		2,466	2,490	6	2,797	2,822	5
Accruals		6,746	6,746	–	6,948	6,947	1
Borrowings	(d)	42,000	42,000	–	36,900	36,900	–
Rental deposits		3,340	3,340	–	3,097	3,097	–
Deferred income		90	90	–	90	90	–
Income tax payable		6	6	–	1	1	–
Total current liabilities		54,648	54,672	6	49,833	49,857	6
Non-current liabilities							
Borrowings		780,474	780,474	–	780,134	780,134	–
Rental deposits		5,495	5,495	–	5,801	5,801	–
Deferred income		1,367	1,367	–	1,412	1,412	–
Total non-current liabilities		787,336	787,336	–	787,347	787,347	–
Total liabilities		841,984	842,008	6	837,180	837,204	6
Net assets		1,671,618	1,671,594	24	1,683,884	1,683,860	24
<u>Represented by:</u>							
Unitholders' funds							
Unitholders' funds of Far East H-REIT		1,671,594	1,671,594	–	1,683,860	1,683,860	–
Unitholders' funds of Far East H-BT		24	–	24	24	–	24
		1,671,618	1,671,594	24	1,683,884	1,683,860	24

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

Notes:

- (a) This relates to the 30% joint venture interest in FIPL.
- (b) This includes shareholders' loan to FIPL of S\$26.4 million. The amount is used to finance the development of a new hotel site located at Artillery Avenue, Sentosa.
- (c) This relates to the fair value of interest rate swaps used to hedge interest rate risk.
- (d) Increase in borrowings under current liabilities was due to additional S\$5.1 million loan drawn from revolving facility to finance the shareholders' loan to FIPL.

1(b)(ii) Aggregate Amounts of Borrowings as at 30 June 2016

	As at 30 June 2016		As at 31 December 2015	
	Far East H-Trust	Far East H-REIT	Far East H-Trust	Far East H-REIT
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Unsecured</u>				
Amounts repayable in one year or less, or on demand	42,000	42,000	36,900	36,900
Amounts repayable after one year	780,474	780,474	780,134	780,134
	822,474	822,474	817,034	817,034

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")

In January and June 2016, additional S\$2.7 million and S\$2.4 million were drawn from the RCF respectively to finance the shareholders' loan in FIPL. As at 30 June 2016, RCF of S\$58 million remains undrawn.

During the quarter, Far East H-Trust has entered into interest rate swap to fix the interest rate for S\$50million of its floating rate debt, increasing the proportion of debt secured at fixed interest rates to 71% from 65%. The weighted average cost debt was approximately 2.6% per annum and the weighted average debt to maturity was 2.8 years.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016
**1(c) Consolidated Cash Flow Statements
 Far East H-REIT and Far East H-Trust**

		Far East H-REIT					
Note	2Q 2016	2Q 2015	Better / (Worse)	1H 2016	1H 2015	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Cash flows from operating activities							
Total return before income tax	14,176	16,232	(12.7)	22,997	35,601	(35.4)	
Adjustments for:							
Finance costs	4,975	4,971	0.1	10,156	9,977	1.8	
Fair value change in derivative financial instruments	1,214	1,545	(21.4)	8,700	(1,557)	NM	
REIT Manager's fees issued/issuable in Stapled Securities	2,533	2,647	(4.3)	5,116	5,220	(2.0)	
Share of results of joint venture	11	-	NM	17	-	NM	
Deferred income recognised	(23)	(23)	-	(45)	(45)	-	
Operating profit before working capital changes	22,886	25,372	(9.8)	46,941	49,196	(4.6)	
Changes in working capital							
Trade and other receivables	1,148	(1,006)	NM	1,461	1,480	(1.3)	
Trade and other payables	(1,473)	(449)	NM	(509)	(1,117)	54.4	
Rental deposits	180	5	NM	(104)	68	NM	
Cash flows generated from operating activities	22,741	23,922	(4.9)	47,789	49,627	(3.7)	
Cash flows from investing activities							
Capital expenditure on investment properties	(2,978)	(1,047)	NM	(5,271)	(3,714)	(41.9)	
Loan to a joint venture company	(2,400)	-	NM	(5,100)	-	NM	
Cash flows used in investing activities	(5,378)	(1,047)	NM	(10,371)	(3,714)	NM	
Cash flows from financing activities							
Proceeds from borrowings	2,400	-	NM	5,100	-	NM	
Finance costs paid	(1,609)	(2,212)	27.3	(10,045)	(8,167)	(23.0)	
Distribution to Stapled Securityholders	(19,394)	(19,059)	(1.8)	(40,373)	(41,817)	3.5	
Cash flows used in financing activities	(18,603)	(21,271)	12.5	(45,318)	(49,984)	9.3	
Net (decrease)/increase in cash and cash equivalents	(1,240)	1,604	NM	(7,900)	(4,071)	(94.1)	
Cash and cash equivalents at beginning of the period	18,721	15,170	23.4	25,381	20,845	21.8	
Cash and cash equivalents at end of the period	17,481	16,774	4.2	17,481	16,774	4.2	

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

		Far East H-TRUST					
Note	2Q 2016 S\$'000	2Q 2015 S\$'000	Better / (Worse) %	1H 2016 S\$'000	1H 2015 S\$'000	Better / (Worse) %	
Cash flows from operating activities							
Total return before income tax	14,176	16,232	(12.7)	22,997	35,600	(35.4)	
Adjustments for:							
Finance costs	4,975	4,971	0.1	10,156	9,977	1.8	
Fair value change in derivative financial instruments	1,214	1,545	(21.4)	8,700	(1,557)	NM	
REIT Manager's fees issued/issuable in Stapled Securities	2,533	2,647	(4.3)	5,116	5,220	(2.0)	
Share of results of joint venture	11	-	NM	17	-	-	
Deferred income recognised	(23)	(23)	-	(45)	(45)	-	
Operating profit before working capital changes	22,886	25,372	(9.8)	46,941	49,195	(4.6)	
Changes in working capital							
Trade and other receivables	1,148	(1,006)	NM	1,461	1,480	(1.3)	
Trade and other payables	(1,473)	(449)	NM	(509)	(1,116)	54.4	
Rental deposits	180	5	NM	(104)	68	NM	
Cash flows generated from operating activities	22,741	23,922	(4.9)	47,789	49,627	(3.7)	
Cash flows from investing activities							
Capital expenditure on investment properties	(2,978)	(1,047)	NM	(5,271)	(3,714)	(41.9)	
Loan to a joint venture company	(2,400)	-	NM	(5,100)	-	NM	
Cash flows used in investing activities	(5,378)	(1,047)	NM	(10,371)	(3,714)	NM	
Cash flows from financing activities							
Proceed from borrowings	2,400	-	NM	5,100	-	NM	
Finance costs paid	(1,609)	(2,212)	27.3	(10,045)	(8,167)	(23.0)	
Distribution to Stapled Securityholders	(19,394)	(19,059)	(1.8)	(40,373)	(41,817)	3.5	
Cash flows used in financing activities	(18,603)	(21,271)	12.5	(45,318)	(49,984)	9.3	
Net (decrease)/increase in cash and cash equivalents	(1,240)	1,604	NM	(7,900)	(4,071)	(94.1)	
Cash and cash equivalents at beginning of the period	18,721	15,170	23.4	25,381	20,845	21.8	
Cash and cash equivalents at end of the period	17,481	16,774	4.2	17,481	16,774	4.2	

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016
Notes:

N.M. – Not Meaningful

- (a) Capital expenditure incurred mainly relates to asset enhancement work carried out at Orchard Parade Hotel, Village Residence Clarke Quay and Regency House.
- (b) This relates to loan drawn from RCF to finance shareholders' loan to FIPL in connection with the development of a new hotel site located at Artillery Avenue, Sentosa.
- (c) Distribution to Stapled Securityholders in 2Q 2016 relates to the quarter from 1 January 2016 to 31 March 2016, paid on 31 May 2016. In the prior period, the distribution was for the quarter from 1 January 2015 to 31 March 2015, paid on 3 June 2015.

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 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 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 \$1,000

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the management fee incurred for the 2Q 2016. The Stapled Securities are 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 2016

1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 April 2015 to 30 June 2015

	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 April 2015	1,643,903	79,301	1,723,204	28	(6)	22	1,723,226
Operations							
Increase in net assets resulting from operations	–	16,232	16,232	–	#	#	16,232
	–	16,232	16,232	–	#	#	16,232
Unitholders' transactions							
- Payment of REIT Manager's fees ^(a)	2,647	–	2,647	–	–	–	2,647
- Distribution to Stapled Securityholders ^(b)	–	(19,059)	(19,059)	–	–	–	(19,059)
Net increase/(decrease) in net assets resulting from unitholders' transactions	2,647	(19,059)	(16,412)	–	–	–	(16,412)
Balance at 30 June 2015	1,646,550	76,474	1,723,024	28	(6)	22	1,723,046

Notes:

Less than S\$1,000

- (a) This represents the Stapled Securities issued as partial satisfaction of the management fee incurred for the 2Q 2015. The Stapled Securities were issued within 30 days from quarter end.
- (b) Distribution to Stapled Securityholders relates to the quarter from 1 January 2015 to 31 March 2015, paid on 3 June 2015.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016
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	22,991	–	#	#	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 \$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 are issued within 30 days from the quarter end.
- (b) Distribution to Stapled Securityholders relates to period from 1 October 2015 to 31 March 2016.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2015 to 30 June 2015

	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 2015	1,641,330	82,690	1,724,020	28	(5)	23	1,724,043
Operations							
Increase/(decrease) in net assets resulting from operations	–	35,601	35,601	–	(1)	(1)	35,600
	–	35,601	35,601	–	(1)	(1)	35,600
Unitholders' transactions							
- Payment of REIT Manager's fees ^(a)	5,220	–	5,220	–	–	–	5,220
- Distribution to Stapled Securityholders ^(b)	–	(41,817)	(41,817)	–	–	–	(41,817)
Net increase/(decrease) in net assets resulting from unitholders' transactions	5,220	(41,817)	(36,597)	–	–	–	(36,597)
Balance at 30 June 2015	1,646,550	76,474	1,723,024	28	(6)	22	1,723,046

Notes:

- (a) This represents the Stapled Securities issued as partial satisfaction of the management fee incurred for the period from 1 January 2015 to 30 June 2015. The Stapled Securities were issued within 30 days from the quarter end.
- (b) Distribution to Stapled Securityholders relates to period from 1 October 2014 to 31 March 2015.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

1(d)(ii) Details of Changes in Issued and Issuable Stapled Securities

	2Q 2016 Far East H- Trust No. of Stapled Securities '000	2Q 2015 Far East H- Trust No. of Stapled Securities '000	1H 2016 Far East H- Trust No. of Stapled Securities '000	1H 2015 Far East H- Trust No. of Stapled Securities '000
Stapled Securities in issue at beginning of period	1,793,076	1,778,001	1,788,925	1,774,636
New Stapled Securities issued				
- As payment of REIT Manager's fees	2,678	3,203	6,829	6,568
Total issued Stapled Securities	1,795,754	1,781,204	1,795,754	1,781,204
Stapled Securities to be issued:				
- As payment of REIT Manager's fees – Base fees	2,805	2,185	2,805	2,185
- As payment of REIT Manager's fees – Performance fees ^(a)	2,880	1,195	2,880	1,195
Total issued and issuable Stapled Securities at end of period	1,801,439	1,784,584	1,801,439	1,784,584

Footnote

(a) Stapled Securities to be issued as payment of REIT Manager's fees – Performance fee is not entitled to 2Q 2016 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 2015.

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 statements as at 31 December 2015 except for the adoption of new or revised FRS that are mandatory for financial year beginning on or after 1 January 2016. 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.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

6 Earnings per Stapled Security (“EPS”) and Distribution per Stapled Security (“DPS”) for the financial period ended 30 June 2016

	2Q 2016 Far East H- Trust	2Q 2015 Far East H- Trust	1H 2016 Far East H- Trust	1H 2015 Far East H- Trust
Weighted average number of Stapled Securities in issue ('000)	1,794,968	1,780,218	1,793,415	1,778,595
Total return for the period after tax (S\$'000)	14,174	16,232	22,991	35,600
EPS based on weighted average number of Stapled Securities in issue (cents)	0.79	0.91	1.28	2.00
Total number of issued and issuable Stapled Securities at end of period ('000)	1,798,559	1,784,584	1,798,559	1,778,584
Distribution to Stapled Securityholders (S\$'000)	18,271	20,803	37,715	40,007
DPS based on the total number of Stapled Securities entitled to distribution (cents)	1.01	1.16	2.09	2.23

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”) per stapled security:-

	30 June 2016 Far East H-Trust	31 December 2015 Far East H-Trust
Total number of issued and issuable Stapled Securities at end of period ('000)	1,798,559	1,793,076
Net asset value per Stapled Security (cents)	92.94	93.91

Footnotes:

The number of Stapled Securities used for computation of actual NAV per Stapled Security as at 30 June 2016 is 1,798,558,598 comprising:

- (i) 1,793,075,778 Stapled Securities in issue and issuable as at 31 December 2015; and
- (ii) 5,482,820 Stapled Securities issued and issuable to REIT Manager, in consideration of 90% of the REIT Manager's fees payable – base fees for the period from 1 January 2016 to 30 June 2016.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

8 A review of the performance for the quarter ended 30 June 2016
8(a) Statement of net income and distribution of Far East Hospitality Trust

	2Q 2016	2Q 2015	Better / (Worse)		1H 2016	1H 2015	Better / (Worse)	
				%				%
Gross revenue (S\$'000)	26,138	28,746	(2,608)	(9.1)	53,503	56,111	(2,608)	(4.6)
Net property income (S\$'000)	23,470	25,987	(2,517)	(9.7)	48,149	50,474	(2,325)	(4.6)
Income available for distribution (S\$'000)	18,271	20,803	(2,532)	(12.2)	37,715	40,007	(2,292)	(5.7)
Distribution per Stapled Security (cents)	1.01	1.16	(0.15)	(12.9)	2.09	2.23	(0.14)	(6.3)

8(b) Review of the performance of second quarter and six months ended 30 June 2016
2Q 2016 vs 2Q 2015

Gross revenue of S\$26.1 million in 2Q 2016 was a decrease of 9.1% compared to S\$28.7 million in 2Q 2015, due to reduced revenue contribution from the hotels and serviced residences (SRs) and softer performance of the retail and office spaces.

The operating environment for the hotels remained challenging despite some uplift from the biennial Food & Hotel Asia event. This was mainly due to the soft demand for corporate travel amidst the uncertain global economic climate and increased competition from other hotels. The overall performance of the hotels was also partially impacted by the asset enhancement at Orchard Parade Hotel. As a result, the hotel portfolio registered a marginal decrease of 1.4pp in the average occupancy while the average daily rate ("ADR") of the hotel portfolio declined 6.1%, pushing the revenue per available room ("RevPAR") down by 7.5%.

The SR portfolio continued to be impacted by the weakness in corporate demand. There was also ongoing renovation at Regency House during the quarter. Hence, average occupancy and ADR of the SR portfolio in 2Q 2016 were 3.3pp and 5.4% lower respectively year-on-year. As a result, revenue per available unit ("RevPAU") of the SR portfolio declined 8.9% year-on-year to S\$187 in 2Q 2016.

Hospitality operating expenses were lower during the quarter, as cost management measures were introduced in view of the competitive operating environment.

A snapshot of the hotel and SR performance in 2Q 2016 is set out below.

	2Q 2016		2Q 2015		Better / (Worse)	
	Hotels	SR	Hotels	SR	Hotels	SRs
Average Occupancy (%)	85.3	86.0	86.6	89.3	(1.4pp)	(3.3pp)
Average Daily Rate (S\$)	160	218	170	230	(6.1%)	(5.4%)
RevPAR / RevPAU (S\$)	136	187	147	206	(7.5%)	(8.9%)

Revenue from the retail and office spaces was marginally lower by 3.1% at S\$5.7 million due to a decrease in the average occupancy, which was partially offset by a higher rental rate achieved during the quarter.

The net property income was \$23.5 million or 9.7% lower than the corresponding quarter last year. Property expenses were 3.3% lower year-on-year. The lower net property income was attributable to the decline in hotel and SR revenue.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

Finance costs of S\$4.9 million in 2Q 2016 was comparable with that of 2Q 2015. During the quarter ended 30 June 2016, Far East H-REIT entered into an interest rate swap transaction for a notional amount of S\$50 million, increasing the proportion of debt secured at fixed interest rates to 71% from 65%.

The income available for distribution was \$18.3 million, or 12.2% lower than the corresponding quarter last year. The distribution per stapled security for 2Q 2016 was 1.01 cents or 12.9% lower year-on-year.

1H 2016 vs 1H 2015

Gross revenue of S\$53.5 million for 1H 2016 was 4.6% lower than the S\$56.1 million recorded in the corresponding period last year.

Biennial events such as the Singapore Airshow and Food & Hotel Asia had provided some uplift for the first six months of 2016. However, the hospitality industry continued to be challenged by the prolonged softness in the demand for corporate travel due to the uncertain global economic environment and heightened competition as a result of the supply of new hotels. During the first half of the year, Orchard Parade Hotel was also undergoing some asset enhancement. Consequently, RevPAR for the hotel portfolio declined 3.9% year-on-year to S\$138 despite a higher average occupancy achieved during the first six months of 2016.

Demand for SR accommodation was soft due primarily to the weaker demand from project groups, lower corporate travel budgets, as well as the asset enhancement at Regency House. As a result, RevPAU for the SR portfolio for the first six months of 2016 declined by 8.7% year-on-year to S\$188.

Hospitality operating expenses were lower during the period, as cost management measures were introduced in view of the competitive operating environment.

A snapshot of the Hotels and SR performance in 1H 2016 is set out below.

	1H 2016		1H 2015		Better / (Worse)	
	Hotels	SR	Hotels	SR	Hotels	SRs
Average Occupancy (%)	86.6	85.1	84.5	87.5	2.1pp	(2.4pp)
Average Daily Rate (S\$)	160	220	171	235	(6.3%)	(6.1%)
RevPAR / RevPAU (S\$)	138	188	144	206	(3.9%)	(8.7%)

Revenue from the retail and office spaces was lower by 2.6% at S\$11.5 million due to a decrease in the average occupancy, which was partially offset by a higher rental rate achieved during the period.

The net property income was \$48.1 million or 4.6% lower than the corresponding quarter last year. Property expenses were 5.0% lower year-on-year.

The income available for distribution was \$37.7 million, or 5.7% lower than the corresponding period last year. The distribution per stapled security for 1H 2016 was 2.09 cents or 6.3% lower year-on-year.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

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.

Despite the growth in visitor arrivals recorded in the first five months of the year, the average spending on rooms has not correspondingly increased. The hospitality industry in Singapore is expected to remain competitive.

The addition of more than 3,300 new hotel rooms this year¹ is expected to result in increased competition. While there is demand from leisure travellers, the corporate segment, a key focus of the REIT, continues to be soft.

Cognisant of the challenges within the industry, the REIT Manager will continue to enhance its properties to improve their appeal and competitiveness. In the first half of the year, the refurbishment of the two and three-bedroom apartments at Regency House was completed on schedule in the second quarter of 2016. The renovation of the reception, swimming pool, pool deck, gym and function rooms at Orchard Parade Hotel has also been completed.

¹ CBRE report issued as at December 2015 and Far East H-Trust's compilation

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

11 DISTRIBUTIONS
Current 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>
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

Corresponding period of the preceding financial period

Any distribution declared for the current period?	Yes
Distribution period	Distribution for the quarter from 1 April 2015 to 30 June 2015
Distribution type	Taxable income
Distribution per stapled security	1.16 cents

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

Tax rate
Taxable income distribution

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

10 September 2015

Books closure date

18 August 2015

Stapled Securityholders must complete and return Form A or Form B, as applicable

27 August 2015

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 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 IPTs.

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 2016 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 of the Listing Manual.

Unaudited Financial Statements Announcement for the second quarter and six months ended 30 June 2016

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer
FEO Hospitality Asset Management Pte. Ltd.
(Company Registration No. 201102629K)
29 July 2016

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer
FEO Hospitality Trust Management Pte. Ltd.
(Company Registration No. 201210698W)
29 July 2016

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 Securitiesholders 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.