

Far East Hospitality Trust
Unaudited Financial Statements Announcement
For the fourth quarter and year ended 31 December 2017

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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 fourth quarter and year ended 31 December 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	4Q 2017	4Q 2016	Better / (Worse)	FY 2017	FY 2016	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	20,098	21,802	(7.8)	81,133	85,988	(5.6)	
	5,620	5,731	(1.9)	22,692	23,067	(1.6)	
	25,718	27,533	(6.6)	103,825	109,055	(4.8)	
	(1,578)	(1,773)	11.0	(7,101)	(7,457)	4.8	
	(29)	(31)	6.5	(122)	(121)	(0.8)	
	(39)	(34)	(14.7)	(141)	(85)	(65.9)	
	(845)	(725)	(16.6)	(2,854)	(2,593)	(10.1)	
	(113)	(111)	(1.8)	(453)	(444)	(2.0)	
	(2,604)	(2,674)	2.6	(10,671)	(10,700)	0.3	
	23,114	24,859	(7.0)	93,154	98,355	(5.3)	
	(2,792)	(2,889)	3.4	(11,175)	(11,487)	2.7	
	(77)	(78)	1.3	(312)	(313)	0.3	
	(144)	(186)	22.6	(1,279)	(809)	(58.1)	
	(5,023)	(4,813)	(4.4)	(19,811)	(19,817)	0.1	
	15,078	16,893	(10.7)	60,577	65,929	(8.1)	
(a)	(36)	(13)	>(100.0)	(141)	(41)	>(100.0)	
	15,042	16,880	(10.9)	60,436	65,888	(8.3)	
(b)	(25)	4,286	>(100.0)	(4,643)	(6,332)	26.7	
(c)	(41,477)	(29,475)	(40.7)	(41,477)	(29,475)	(40.7)	
	(26,460)	(8,309)	>(100.0)	14,316	30,081	(52.4)	
	(11)	(4)	>(100.0)	(19)	(13)	(46.1)	
	(26,471)	(8,313)	>(100.0)	14,297	30,068	(52.5)	
Distribution Statement							
	(26,471)	(8,313)	>(100.0)	14,297	30,068	(52.5)	
(d)	44,457	28,124	58.1	57,718	47,515	21.5	
(e)	-	354	(100.0)	-	560	(100.0)	
(f)	220	-	100.0	-	-	-	
	18,206	20,165	(9.7)	72,015	78,143	(7.8)	
	18,153	20,148	(9.9)	71,922	78,080	(7.9)	
	53	17	>100.0	93	63	47.6	
	18,206	20,165	(9.7)	72,015	78,143	(7.8)	

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

		Far East H-TRUST					
Note	4Q 2017	4Q 2016	Better / (Worse)	FY 2017	FY 2016	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Master lease rental	20,098	21,802	(7.8)	81,133	85,988	(5.6)	
Retail and office revenue	5,620	5,731	(1.9)	22,692	23,067	(1.6)	
Gross revenue	25,718	27,533	(6.6)	103,825	109,055	(4.8)	
Property tax	(1,578)	(1,773)	11.0	(7,101)	(7,457)	4.8	
Property insurance	(29)	(31)	6.5	(122)	(121)	(0.8)	
MCST contribution	(39)	(34)	(14.7)	(141)	(85)	(65.9)	
Retail and office expenses	(845)	(725)	(16.6)	(2,854)	(2,593)	(10.1)	
Property manager fees	(113)	(111)	(1.8)	(453)	(444)	(2.0)	
Property expenses	(2,604)	(2,674)	2.6	(10,671)	(10,700)	0.3	
Net property income	23,114	24,859	(7.0)	93,154	98,355	(5.3)	
REIT Manager's fees	(2,792)	(2,889)	3.4	(11,175)	(11,487)	2.7	
Trustee's fees	(77)	(78)	1.3	(312)	(313)	0.3	
Other trust expenses	(145)	(187)	22.5	(1,281)	(810)	(58.2)	
Finance expenses (net)	(5,023)	(4,813)	(4.4)	(19,811)	(19,817)	0.1	
Net income before joint venture's results	15,077	16,892	(10.7)	60,575	65,928	(8.1)	
Share of results of joint venture (a)	(36)	(13)	>(100.0)	(141)	(41)	>(100.0)	
Net income before tax and fair value changes	15,041	16,879	(10.9)	60,434	65,887	(8.3)	
Fair value change in derivative financial instruments (b)	(25)	4,286	>(100.0)	(4,643)	(6,332)	26.7	
Fair value change in investment properties (c)	(41,477)	(29,475)	(40.7)	(41,477)	(29,475)	(40.7)	
Total return for the period before income tax	(26,461)	(8,310)	>(100.0)	14,314	30,080	(52.4)	
Income tax expense	(11)	(4)	>(100.0)	(19)	(13)	(46.1)	
Total return for the period	(26,472)	(8,314)	>(100.0)	14,295	30,067	(52.5)	
<u>Distribution Statement</u>							
Total return for the period	(26,472)	(8,314)	>(100.0)	14,295	30,067	(52.5)	
Net tax adjustments (d)	44,457	28,124	58.1	57,718	47,515	21.5	
Rollover adjustment (e)	-	354	(100.0)	-	560	(100.0)	
Undistributed income from previous quarters (f)	220	-	100.0	-	-	-	
Income available for distribution	18,205	20,164	(9.7)	72,013	78,142	(7.8)	
Comprising:							
- Taxable income	18,152	20,147	(9.9)	71,920	78,079	(7.9)	
- Tax-exempt income	53	17	>100.0	93	63	47.6	
Total available for distribution	18,205	20,164	(9.7)	72,013	78,142	(7.8)	

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

Notes:

- (a) The 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 swap contracts entered to hedge against the interest rate exposure of Far East H-REIT. This is a non-tax chargeable / deductible item and has no impact on the taxable income and distributable income to the Stapled Securityholders.
- (c) The fair value change in investment properties of S\$41.5 million arose from the revaluation of 8 Hotels and 4 SRs as at 31 December 2017. The independent valuations of the investment properties were carried out by Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Savills Valuation And Professional Services (S) Pte Ltd. This is a non-tax chargeable / deductible item and has no impact on the taxable income and distributable income to the Stapled Securityholders.
- (d) Included in the net tax adjustments are the following:

	Note	4Q 2017 S\$'000	4Q 2016 S\$'000	Better / (Worse) %	FY 2017 S\$'000	FY 2016 S\$'000	Better / (Worse) %
- REIT Manager's fees paid/payable in Stapled Securities	(i)	2,513	2,600	(3.3)	10,058	10,339	(2.7)
- Trustee's fees		77	78	(1.3)	312	313	(0.3)
- Amortisation of debt upfront cost		133	171	(22.2)	671	682	(1.6)
- Fair value change in derivative financial instruments		25	(4,286)	>100.0	4,643	6,332	(26.7)
- Fair value change in investment properties		41,477	29,475	40.7	41,477	29,475	40.7
- Share of results of joint venture		36	13	>100.0	141	41	>100.0
- Other adjustments		196	73	>100.0	416	333	24.9
Net tax adjustments		44,457	28,124	58.1	57,718	47,515	21.5

Notes:

- (i) This represents 90% of REIT Manager's fees paid/payable in Stapled Securities.
- (e) The rollover adjustment for FY 2016 related 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 and 2015.
- (f) This relates to taxable income that were undistributed in 1Q2017 to 3Q2017 due to rounding.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017
1(b) Balance Sheets
**1(b)(i) Balance Sheets as at 31 December 2017
Far East H-REIT and Far East H-Trust**

	Note	As at 31 December 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		2,380,800	2,380,800	–	2,417,900	2,417,900	–
Joint venture	(a)	16,443	16,443	–	16,584	16,584	–
Derivative financial assets	(d)	288	288	–	–	–	–
Total non-current assets		2,397,531	2,397,531	–	2,434,484	2,434,484	–
Current assets							
Cash and cash equivalents	(b)	3,910	3,910	–	15,385	15,385	–
Prepayments		99	99	–	40	40	–
Trade and other receivables	(c)	36,408	36,408	30	34,712	34,712	30
Derivative financial assets	(d)	–	–	–	3,933	3,933	–
Total current assets		40,417	40,417	30	54,070	54,070	30
Total assets		2,437,948	2,437,948	30	2,488,554	2,488,554	30
Current liabilities							
Trade and other payables		3,621	3,643	8	1,934	1,958	6
Borrowings	(e)	248,986	248,986	–	291,830	291,830	–
Accruals		6,658	6,657	1	7,811	7,810	1
Derivative financial liabilities	(d)	204	204	–	–	–	–
Rental deposits		2,363	2,363	–	2,695	2,695	–
Deferred income		90	90	–	90	90	–
Income tax payable		19	19	–	13	13	–
Total current liabilities		261,941	261,962	9	304,373	304,396	7
Non-current liabilities							
Borrowings	(e)	548,879	548,879	–	530,987	530,987	–
Derivative financial liabilities	(d)	794	794	–	–	–	–
Rental deposits		6,389	6,389	–	6,298	6,298	–
Deferred income		1,231	1,231	–	1,321	1,321	–
Total non-current liabilities		557,293	557,293	–	538,606	538,606	–
Total liabilities		819,234	819,255	9	842,979	843,002	7
Net assets		1,618,714	1,618,693	21	1,645,575	1,645,552	23
Represented by:							
Unitholders' funds							
Unitholders' funds of Far East H-REIT		1,618,693	1,618,693	–	1,645,552	1,645,552	–
Unitholders' funds of Far East H-BT		21	–	21	23	–	23
		1,618,714	1,618,693	21	1,645,575	1,645,552	23

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

Notes:

- (a) This relates to the 30% joint venture interest in FIPL.
- (b) Cash and cash equivalents as at 31 December 2017 of S\$3.9 million was S\$11.5 million lower compared to balances as at 31 December 2016 mainly due to the repayment of revolving credit facility (“RCF”) of S\$25.0 million, and partially offset by the cash retained from the 1Q 2017 and 2Q 2017 distribution reinvestment plan (“DRP”).
- (c) This includes a shareholders’ loan and accrued interest due from FIPL of S\$26.2 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 swap contracts entered to hedge against interest rate risk exposure of Far East H-REIT.
- (e) The net movement in borrowings was due to the repayment of revolving credit facility of S\$25.0 million during the year. The current borrowings relate to term loans of S\$232.2 million due to mature in August and December 2018 and RCF of S\$17.0 million which is payable on demand. To date, Far East H-REIT received commitment to refinance the term loans of S\$132.2 million due in August 2018 with a new five-year term loan of S\$65.0 million and seven-year term loan of S\$67.2 million. For the term loan due to mature in December 2018, the REIT Manager is working with its lenders to assess refinancing options for the term loan.

1(b)(ii) Aggregate Amounts of Borrowings as at 31 December 2017

	As at 31 December 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	248,986	248,986	291,830	291,830
Amounts repayable after one year	548,879	548,879	530,987	530,987
	797,865	797,865	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\$100.0 million of uncommitted RCF

The weighted average cost of debt was approximately 2.5% per annum and the weighted average debt-to-maturity was 3.0 years.

Gearing as of 31 December 2017 was 34.4% (31 December 2016: 32.1%).

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017
**1(c) Consolidated Cash Flow Statements
 Far East H-REIT and Far East H-Trust**

		Far East H-REIT			
	Note	4Q 2017	4Q 2016	FY 2017	FY 2016
		S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities					
Total return before income tax		(26,460)	(8,309)	14,316	30,081
Adjustments for:					
Finance expenses (net)		5,023	4,813	19,811	19,817
Fair value change in derivative financial instruments		25	(4,286)	4,643	6,332
Fair value change in investment properties		41,477	29,475	41,477	29,475
REIT Manager's fees issued/issuable in Stapled Securities		2,513	2,600	10,058	10,339
Share of results of joint venture		36	13	141	41
Deferred income recognised		(23)	(22)	(90)	(90)
Operating profit before working capital changes		22,591	24,284	90,356	95,995
Changes in working capital					
Trade and other receivables		(199)	(962)	(1,367)	274
Trade and other payables		(1,073)	247	(142)	(262)
Rental deposits		21	181	(326)	12
Income tax paid		-	-	(13)	(1)
Cash flows generated from operating activities		21,340	23,750	88,508	96,018
Cash flows from investing activities					
Capital expenditure on investment properties	(a)	(533)	(659)	(3,104)	(8,075)
Loan to a joint venture company		-	-	-	(5,100)
Interest received		24	-	24	-
Cash flows used in investing activities		(509)	(659)	(3,080)	(13,175)
Cash flows from financing activities					
Proceeds from borrowings	(b)	8,000	-	258,000	5,100
Finance costs paid		(2,674)	(1,215)	(20,689)	(19,224)
Repayment of borrowings	(b)	(6,000)	-	(283,000)	-
Distribution to Stapled Securityholders	(c)	(19,103)	(20,177)	(51,214)	(78,715)
Cash flows used in financing activities		(19,777)	(21,392)	(96,903)	(92,839)
Net decrease in cash and cash equivalents		1,054	1,699	(11,475)	(9,996)
Cash and cash equivalents at beginning of the period		2,856	13,686	15,385	25,381
Cash and cash equivalents at end of the period		3,910	15,385	3,910	15,385

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		Far East H-TRUST			
Note	4Q 2017	4Q 2016	FY 2017	FY 2016	
	S\$'000	S\$'000	S\$'000	S\$'000	
Cash flows from operating activities					
Total return before income tax	(26,461)	(8,310)	14,314	30,080	
Adjustments for:					
Finance expenses (net)	5,023	4,813	19,811	19,817	
Fair value change in derivative financial instruments	25	(4,286)	4,643	6,332	
Fair value change in investment properties	41,477	29,475	41,477	29,475	
REIT Manager's fees issued/issuable in Stapled Securities	2,513	2,600	10,058	10,339	
Share of results of joint venture	36	13	141	41	
Deferred income recognised	(23)	(22)	(90)	(90)	
Operating profit before working capital changes	22,590	24,283	90,354	95,994	
Changes in working capital					
Trade and other receivables	(199)	(962)	(1,367)	274	
Trade and other payables	(1,072)	248	(140)	(261)	
Rental deposits	21	181	(326)	12	
Income tax paid	-	-	(13)	(1)	
Cash flows generated from operating activities	21,340	23,750	88,508	96,018	
Cash flows from investing activities					
Capital expenditure on investment properties	(533)	(659)	(3,104)	(8,075)	
Loan to a joint venture company	-	-	-	(5,100)	
Interest received	24	-	24	-	
Cash flows used in investing activities	(509)	(659)	(3,080)	(13,175)	
Cash flows from financing activities					
Proceed from borrowings	8,000	-	258,000	5,100	
Finance costs paid	(2,674)	(1,215)	(20,689)	(19,224)	
Repayment of borrowings	(6,000)	-	(283,000)	-	
Distribution to Stapled Securityholders	(19,103)	(20,177)	(51,214)	(78,715)	
Cash flows used in financing activities	(19,777)	(21,392)	(96,903)	(92,839)	
Net decrease in cash and cash equivalents	1,054	1,699	(11,475)	(9,996)	
Cash and cash equivalents at beginning of the period	2,856	13,686	15,385	25,381	
Cash and cash equivalents at end of the period	3,910	15,385	3,910	15,385	

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017
Notes:

- (a) Capital expenditure incurred mainly relates to asset enhancement work carried out at Orchard Parade Hotel, Regency House, Village Hotel Bugis, Village Hotel Changi, and Village Hotel Albert Court.
- (b) In March 2017, S\$250.0 million of term loans were refinanced with the same lenders and S\$25.0 million drawn from the revolving credit facility were repaid during the year.
- (c) Far East Hospitality Trust has established and implemented the DRP in May 2017. It 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 4Q 2017 relates to the financial period from 1 July 2017 to 30 September 2017, which was paid in cash on 15 December 2017. In the corresponding period, the distribution was for the financial period from 1 July 2016 to 30 September 2016, which was paid in cash on 14 December 2016.

1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 October 2017 to 31 December 2017

	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 October 2017	1,692,578	(30,824)	1,661,754	28	(6)	22	1,661,776
Operations							
Decrease in net assets resulting from operations	-	(26,471)	(26,471)	-	(1)	(1)	(26,472)
	-	(26,471)	(26,471)	-	(1)	(1)	(26,472)
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	2,513	-	2,513	-	-	-	2,513
Distribution to Stapled Securityholders ^(b)	-	(19,103)	(19,103)	-	-	-	(19,103)
Net increase/(decrease) in net assets resulting from unitholders' transactions	2,513	(19,103)	(16,590)	-	-	-	(16,590)
Balance at 31 December 2017	1,695,091	(76,398)	1,618,693	28	(7)	21	1,618,714

Notes:

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the base and performance management fees incurred for the 4Q 2017. The Stapled Securities relating to base management fee will be issued within 30 days from quarter end. Stapled Securities relating to performance management fee will be issued in April 2018.
- (b) Distribution to Stapled Securityholders relates to distribution paid in respect of the financial period from 1 July 2017 to 30 September 2017, which was paid on 15 December 2017.

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1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 October 2016 to 31 December 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 October 2016	1,659,670	11,772	1,671,442	28	(4)	24	1,671,466
Operations							
Decrease in net assets resulting from operations	-	(8,313)	(8,313)	-	(1)	(1)	(8,314)
	-	(8,313)	(8,313)	-	(1)	(1)	(8,314)
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	2,600	-	2,600	-	-	-	2,600
Distribution to Stapled Securityholders ^(b)	-	(20,177)	(20,177)	-	-	-	(20,177)
Net increase/(decrease) in net assets resulting from unitholders' transactions	2,600	(20,177)	(17,577)	-	-	-	(17,577)
Balance at 31 December 2016	1,662,270	(16,718)	1,645,552	28	(5)	23	1,645,575

Notes:

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the base and performance management fees incurred for the 4Q 2016. The Stapled Securities relating to base management fee were issued within 30 days from quarter end. Stapled Securities relating to performance management fee were issued on 27 April 2017.
- (b) Distribution to Stapled Securityholders relates to distribution paid in respect of the financial period from 1 July 2016 to 30 September 2016, which was paid on 14 December 2016.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2017 to 31 December 2017

	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 2017	1,662,270	(16,718)	1,645,552	28	(5)	23	1,645,575
Operations							
Increase/(decrease) in net assets resulting from operations	-	14,297	14,297	-	(2)	(2)	14,295
	-	14,297	14,297	-	(2)	(2)	14,295
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	10,058	-	10,058	-	-	-	10,058
- Distribution reinvestment plan ^(b)	22,763	-	22,763	-	-	-	22,763
Distribution to Stapled Securityholders ^(c)	-	(73,977)	(73,977)	-	-	-	(73,977)
Net increase/(decrease) in net assets resulting from unitholders' transactions	32,821	(73,977)	(41,156)	-	-	-	(41,156)
Balance at 31 December 2017	1,695,091	(76,398)	1,618,693	28	(7)	21	1,618,714

Notes:

- (a) This represents the Stapled Securities issued or to be issued as partial satisfaction of the base and performance management fees incurred for the period from 1 January 2017 to 31 December 2017. The Stapled Securities relating to base management fee are issued or to be issued within 30 days from the quarter end. Stapled Securities relating to performance management fee for FY 2017 will be issued in April 2018.
- (b) 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 30 June 2017 in Stapled Securities on 27 June 2017 and 20 September 2017.
- (c) Distribution to Stapled Securityholders relates to period from 1 October 2016 to 30 September 2017.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2016 to 31 December 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/(decrease) in net assets resulting from operations	–	30,068	30,068	–	(1)	(1)	30,067
	–	30,068	30,068	–	(1)	(1)	30,067
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	10,339	–	10,339	–	–	–	10,339
Distribution to Stapled Securityholders ^(b)	–	(78,715)	(78,715)	–	–	–	(78,715)
Net increase/(decrease) in net assets resulting from unitholders' transactions	10,339	(78,715)	(68,376)	–	–	–	(68,376)
Balance at 31 December 2016	1,662,270	(16,718)	1,645,552	28	(5)	23	1,645,575

Notes:

- (a) This represents the Stapled Securities issued or to be issued as partial satisfaction of the base and performance management fees incurred for the period from 1 January 2016 to 31 December 2016. The Stapled Securities relating to base management fee were issued within 30 days from the quarter end. Stapled Securities relating to performance management fee for FY 2016 were issued on 27 April 2017.
- (b) Distribution to Stapled Securityholders relates to period from 1 October 2015 to 30 September 2016.

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1(d)(ii) Details of Changes in Stapled Securities

	Far East H-TRUST			
	4Q 2017 No. of Stapled Securities '000	4Q 2016 No. of Stapled Securities '000	FY 2017 No. of Stapled Securities '000	FY 2016 No. of Stapled Securities '000
Stapled Securities in issue at beginning of period	1,852,176	1,798,559	1,801,415	1,788,925
Issuance of Stapled Securities:				
- REIT Manager's fees	2,525	2,856	16,753	12,490
- Distribution reinvestment plan	-	-	36,533	-
Stapled Securities in issue	1,854,701	1,801,415	1,854,701	1,801,415
Stapled Securities to be issued:				
- REIT Manager's fees – Base fees	2,360	2,908	2,360	2,908
- REIT Manager's fees – Performance fees	4,709	6,039	4,709	6,039
Stapled Securities in issue and to be issued at end of period	1,861,770	1,810,362	1,861,770	1,810,362

Footnotes:

The number of Stapled Securities as at 31 December 2017 is 1,861,770,027 comprising:

- (i) 1,810,361,880 Stapled Securities in issue and to be issued as at 31 December 2016;
- (ii) 10,166,085 Stapled Securities issued and to be issued to REIT Manager as part satisfaction of the REIT Manager's base fees for the period from 1 January 2017 to 31 December 2017;
- (iii) 4,708,722 Stapled Securities to be issued to the REIT Manager as part satisfaction of the REIT Manager's performance fee for the period from 1 January 2017 to 31 December 2017; and
- (iv) 36,533,340 Stapled Securities issued in respect of the Distribution Reinvestment Plan applied to the distribution for period from 1 January 2017 to 30 June 2017.

Stapled Securities to be issued as payment of REIT Manager's performance fees are not entitled to 4Q 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.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017
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 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 31 December 2017

	Far East H-TRUST			
	4Q 2017	4Q 2016	FY 2017	FY 2016
Weighted average number of Stapled Securities ('000)	1,854,015	1,800,577	1,826,587	1,796,295
Basic EPS (cents)	(1.43)	(0.46)	0.78	1.67
Weighted average number of Stapled Securities ('000) ⁽¹⁾	1,858,724	1,806,616	1,831,296	1,802,334
Diluted EPS (cents)	(1.42)	(0.46)	0.78	1.67
Number of Stapled Securities in issue at end of period ('000)	1,854,701	1,801,415	1,854,701	1,801,415
Number of Stapled Securities to be issued before Books Closure Date ('000)	2,360	2,908	2,360	2,908
Total number of Stapled Securities entitled to distribution ('000)	1,857,061	1,804,323	1,857,061	1,804,323
DPS (cents)	0.97	1.12	3.90	4.33

⁽¹⁾ The weighted average number of Stapled Securities is adjusted to take into account the number of Stapled Securities to be issued to the REIT Manager as partial payment of the REIT Manager's management fee incurred for the period.

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

	Far East H-TRUST	
	31 December 2017	31 December 2016
Stapled Securities in issue and to be issued at end of period ('000)	1,861,770	1,810,362
NAV / NTA per Stapled Security (cents)	86.94	90.90

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017
8 A review of the performance for the quarter ended 31 December 2017
8(a) Statement of net income and distribution of Far East Hospitality Trust

	4Q 2017	4Q 2016	Better / (Worse)	FY 2017	FY 2016	Better / (Worse)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	25,718	27,533	(6.6)	103,825	109,055	(4.8)
Net property income	23,114	24,859	(7.0)	93,154	98,355	(5.3)
Income available for distribution	18,205	20,164	(9.7)	72,013	78,142	(7.8)
Distribution per Stapled Security (cents)	0.97	1.12	(13.4)	3.90	4.33	(9.9)

8(b) Review of the performance of fourth quarter and year ended 31 December 2017
4Q 2017 vs 4Q 2016

Gross revenue decreased 6.6% to \$25.7 million in 4Q 2017 as a result of a decline in master lease rental from the hotels and SRs and lower revenue from the retail and office spaces.

The average occupancy of the hotels remained healthy at 85.4% in 4Q 2017, decreasing marginally by 1.1pp. The average daily rate ("ADR") was 1.1% lower year-on-year, partly due to a higher contribution from the leisure segment. As a result, revenue per available room ("RevPAR") for the hotel portfolio decreased 2.4% to S\$132.

The SRs continued to be challenged in 4Q 2017, although showing an improvement over the first half of 2017. Demand from the corporate segment remained lukewarm, although there was growth from some industries. The average occupancy was 1.6pp lower at 78.2%, and the ADR was a decrease of 3.5%. Correspondingly, revenue per available unit ("RevPAU") of the SR portfolio declined 5.5% year-on-year to S\$166 in 4Q 2017.

A snapshot of the hotel and SR performance in 4Q 2017 is set out below.

	4Q 2017		4Q 2016		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	85.4	78.2	86.5	79.7	(1.1pp)	(1.6pp)
Average Daily Rate (S\$)	155	213	157	220	(1.1%)	(3.5%)
RevPAR / RevPAU (S\$)	132	166	136	176	(2.4%)	(5.5%)

Revenue from the retail and office spaces declined 1.9% year-on-year to S\$5.6 million in 4Q 2017 due to slightly lower occupancy and rental rates.

Net property income was 7.0% lower than last year, at S\$23.1 million.

Finance costs were S\$5.0 million in 4Q 2017, 4.4% higher than the preceding year as the short term interest rates moved up during the quarter.

The income available for distribution was S\$18.2 million or 9.7% lower year-on-year. The distribution per Stapled Security was 13.4% lower at 0.97 Singapore cents.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

FY 2017 vs FY 2016

Gross revenue for FY 2017 was S\$103.8 million, a decrease of 4.8% year-on-year, due to lower master lease rental from the hotels and SRs, and a decrease in revenue from the retail and office spaces.

Demand for hotel accommodation, particularly from the corporate segment, was generally soft in FY 2017. In addition, the supply of new hotels put downward pressure on rates. While the average occupancy of the hotels was 0.5pp higher year-on-year at 87.5%, the ADR of the hotel portfolio decreased 2.5%. As a result, RevPAR was lower by 1.9% at S\$136.

The SRs were challenged in FY 2017, primarily due to a lack of demand from corporate accounts and project groups. Although there was some pick-up in leisure bookings, the average occupancy of the SRs was 5.0pp lower than the preceding year at 80.0%. ADR and RevPAU were 1.3% and 7.1% lower respectively.

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

	FY 2017		FY 2016		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	87.5	80.0	87.0	85.0	0.5pp	(5.0pp)
Average Daily Rate (S\$)	155	219	159	222	(2.5%)	(1.3%)
RevPAR / RevPAU (S\$)	136	175	139	189	(1.9%)	(7.1%)

Revenue from the retail and office spaces was 1.6% lower at S\$22.7 million in FY 2017 due to a slight decrease in rental rates.

Net property income was 5.3% lower at S\$93.2 million. Finance costs were relatively stable year-on-year.

The income available for distribution was S\$72.0 million or 7.8% lower year-on-year. The distribution per Stapled Security for FY 2017 was 3.90 Singapore cents or 9.9% lower year-on-year.

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 for hotels is expected to stabilise with major MICE and biennial events providing some uplift in 2018.

On the supply front, about 750 new rooms are projected to be added to the market in 2018, representing an increase of 1.1% over the previous year¹. The hotel industry is likely to remain competitive over the next few quarters, as the new hotels seek to gain a foothold.

The outlook for the serviced residences remains subdued. The performance of Far East H-Trust's serviced residences, driven mainly by the corporate segment, is expected to remain soft.

With the expected improvement in the tourism sector, the REIT Manager continues to pursue opportunities for future income and capital growth. The refurbishment of the guest rooms and club lounge at Orchard Parade Hotel is on track and due to complete by 2Q 2018. In addition, the REIT has also entered into a conditional sale and purchase agreement for the proposed acquisition of Oasia Hotel Downtown. The proposed acquisition is conditional on the approval of Stapled Securityholders at the Extraordinary General Meeting, and is expected to complete on 2 April 2018.

¹ CBRE report issued as at February 2018 and Far East H-Trust's compilation

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

11 DISTRIBUTIONS
Current financial period

Any distribution declared for the current period?	Yes
Distribution period	Distribution for the quarter from 1 October 2017 to 31 December 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	26 March 2018
Books closure date	26 February 2018
Stapled Securityholders must complete and return Form A or Form B, as applicable	12 March 2018

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

Corresponding period of the preceding financial period

Any distribution declared for the current period?	Yes
Distribution period	Distribution for the quarter from 1 October 2016 to 31 December 2016
Distribution type	Taxable income
Distribution per stapled security	1.12 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>

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.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

14 Segment revenue and results of operating segments
(a) Operating segments for the year ended 31 December 2017

	Hotels and serviced residences	Retails and offices and others	Total
	S\$'000	S\$'000	S\$'000
Gross revenue	81,133	22,692	103,825
Segment net property income	75,755	17,399	93,154
REIT Manager's fees			(11,175)
Trustee's fees			(312)
Other trust expenses			(1,281)
Finance costs			(19,811)
Net income before tax and fair value changes			60,575
Fair value change in investment properties	(44,635)	3,158	(41,477)
Fair value change in derivative financial instruments			(4,643)
Share of results of joint venture			(141)
Total return for the year before income tax			14,314
Income tax expense			(19)
Total return for the year after income tax before distribution			14,295

(b) Operating segments for the year ended 31 December 2016

	Hotels and serviced residences	Retails and offices and others	Total
	S\$'000	S\$'000	S\$'000
Gross revenue	85,988	23,067	109,055
Segment net property income	80,292	18,063	98,355
REIT Manager's fees			(11,487)
Trustee's fees			(313)
Other trust expenses			(810)
Finance costs			(19,817)
Net income before tax and fair value changes			65,928
Fair value change in investment properties	(22,822)	(6,653)	(29,475)
Fair value change in derivative financial instruments			(6,332)
Share of results of joint venture			(41)
Total return for the year before income tax			30,080
Income tax expense			(13)
Total return for the year after income tax before distribution			30,067

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

15 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to Section 8 for a review of the performance.

16 Breakdown of gross revenue and net income

Far East H-TRUST			
	FY 2017 S\$'000	FY 2016 S\$'000	Better / (Worse) %
Gross revenue reported for first half year	50,651	53,503	(5.3)
Net income for first half year	23,575	22,991	2.5
Gross revenue reported for second half year	53,174	55,552	(4.3)
Net income for second half year	(9,280)	7,076	>(100.0)

17 Breakdown of annual distribution for the current full year and its previous full year is as follow:

In respect of the period	2017 S\$'000	2016 S\$'000
1 October 2015 to 31 December 2015	-	20,979
1 January 2016 to 31 March 2016	-	19,394
1 April 2016 to 30 June 2016	-	18,165
1 July 2016 to 30 September 2016	-	20,177
1 October 2016 to 31 December 2016	20,208	-
1 January 2017 to 31 March 2017	16,862	-
1 April 2017 to 30 June 2017	17,804	-
1 July 2017 to 30 September 2017	19,103	-
	73,977	78,715

18 Confirmation pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of the SGX-ST, the REIT Manager and the Trustee-Manager confirm that there are no persons occupying managerial position in the REIT Manager and the Trustee-Manager who are related to a director or the chief executive officer or a substantial shareholder of the REIT Manager or of the Trustee-Manager respectively or a substantial stapled securityholder of Far East H-Trust.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2017

19 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)
15 February 2018

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer
FEO Hospitality Trust Management Pte. Ltd.
(Company Registration No. 201210698W)
15 February 2018

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 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.

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.