
Far East Hospitality Trust
Unaudited Financial Statements Announcement
For the third quarter and nine months ended 30 September 2018

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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 with initial portfolio of 11 properties comprising 7 hotels and 4 serviced residences (“SRs”) located in Singapore. In August 2013, Far East H-REIT acquired Rendezvous Hotel Singapore.

In September 2014, Far East H-REIT took a 30% stake in a joint venture to develop a new hotel site located at Artillery Avenue, Sentosa with Far East Organization Centre Pte. Ltd., a member of Far East Organization.

On 2 April 2018, Far East H-REIT completed the acquisition of Oasia Hotel Downtown, bringing its portfolio to 13 properties consisting of 9 hotels and 4 SRs located in Singapore, and the Sentosa hotel development project.

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 at least 90% of its taxable income. Since its listing, Far East H-REIT has distributed 100% of its taxable income.

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 third quarter and nine months ended 30 September 2018
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	3Q 2018	3Q 2017	Better / (Worse)	YTD Sep 2018	YTD Sep 2017	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
Master lease rental	24,971	21,874	14.2	68,173	61,034	11.7	
Retail and office revenue	5,538	5,582	(0.8)	16,586	17,073	(2.9)	
Gross revenue	30,509	27,456	11.1	84,759	78,107	8.5	
Property tax	(1,893)	(1,815)	(4.3)	(5,620)	(5,524)	(1.7)	
Property insurance	(29)	(29)	–	(86)	(93)	7.5	
MCST contribution	(41)	(33)	(24.2)	(123)	(101)	(21.8)	
Retail and office expenses	(741)	(700)	(5.9)	(2,142)	(2,010)	(6.6)	
Property manager fees	(119)	(114)	(4.4)	(357)	(340)	(5.0)	
Property expenses	(2,823)	(2,691)	(4.9)	(8,328)	(8,068)	(3.2)	
Net property income	27,686	24,765	11.8	76,431	70,039	9.1	
REIT Manager's fees	(3,127)	(2,869)	(9.0)	(8,884)	(8,383)	(6.0)	
Trustee's fees	(82)	(80)	(2.5)	(238)	(233)	(2.1)	
Other trust expenses	(251)	(579)	56.6	(698)	(1,134)	38.4	
Finance expenses (net)	(7,190)	(4,920)	(46.1)	(18,734)	(14,789)	(26.7)	
Net income before joint venture's results	17,036	16,317	4.4	47,877	45,500	5.2	
Share of results of joint venture	(145)	(43)	>(100.0)	(215)	(104)	>(100.0)	
Net income before tax and fair value changes	16,891	16,274	3.8	47,662	45,396	5.0	
Fair value change in derivative financial instruments	673	921	(26.9)	2,937	(4,619)	>100.0	
Total return for the period before income tax	17,564	17,195	2.1	50,599	40,777	24.1	
Income tax expense	(15)	(3)	>(100.0)	(39)	(9)	>(100.0)	
Total return for the period	17,549	17,192	2.1	50,560	40,768	24.0	
<u>Distribution Statement</u>							
Total return for the period	17,549	17,192	2.1	50,560	40,768	24.0	
Net tax adjustments	2,546	1,977	28.8	6,147	13,261	(53.6)	
Rollover adjustment	–	–	–	(6)	–	NM	
Income available for distribution	20,095	19,169	4.8	56,701	54,029	4.9	
Comprising:							
- Taxable income	20,023	19,155	4.5	56,512	53,989	4.7	
- Tax-exempt income	72	14	>100.0	189	40	>100.0	
Total available for distribution	20,095	19,169	4.8	56,701	54,029	4.9	

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		Far East H-Trust					
Note	3Q 2018	3Q 2017	Better / (Worse)	YTD Sep 2018	YTD Sep 2017	Better / (Worse)	
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
	24,971	21,874	14.2	68,173	61,034	11.7	
	5,538	5,582	(0.8)	16,586	17,073	(2.9)	
	30,509	27,456	11.1	84,759	78,107	8.5	
	(1,893)	(1,815)	(4.3)	(5,620)	(5,524)	(1.7)	
	(29)	(29)	-	(86)	(93)	7.5	
	(41)	(33)	(24.2)	(123)	(101)	(21.8)	
	(741)	(700)	(5.9)	(2,142)	(2,010)	(6.6)	
	(119)	(114)	(4.4)	(357)	(340)	(5.0)	
	(2,823)	(2,691)	(4.9)	(8,328)	(8,068)	(3.2)	
	27,686	24,765	11.8	76,431	70,039	9.1	
	(3,127)	(2,869)	(9.0)	(8,884)	(8,383)	(6.0)	
	(82)	(80)	(2.5)	(238)	(233)	(2.1)	
	(252)	(579)	56.5	(700)	(1,135)	38.3	
	(7,190)	(4,920)	(46.1)	(18,734)	(14,789)	(26.7)	
	17,035	16,317	4.4	47,875	45,499	5.2	
(a)	(145)	(43)	>(100.0)	(215)	(104)	>(100.0)	
	16,890	16,274	3.8	47,660	45,395	5.0	
(b)	673	921	(26.9)	2,937	(4,619)	>100.0	
	17,563	17,195	2.1	50,597	40,776	24.1	
	(15)	(3)	>(100.0)	(39)	(9)	>(100.0)	
	17,548	17,192	2.1	50,558	40,767	24.0	
<u>Distribution Statement</u>							
	17,548	17,192	2.1	50,558	40,767	24.0	
(c)	2,546	1,977	28.8	6,147	13,261	(53.6)	
(d)	-	-	-	(6)	-	NM	
	20,094	19,169	4.8	56,699	54,028	4.9	
Comprising:							
	20,022	19,155	4.5	56,510	53,988	4.7	
	72	14	>100.0	189	40	>100.0	
	20,094	19,169	4.8	56,699	54,028	4.9	

Notes:

NM – Not meaningful

- (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.

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018

(c) Included in the net tax adjustments are the following:

	Note	3Q 2018 S\$'000	3Q 2017 S\$'000	Better / (Worse) %	YTD Sep 2018 S\$'000	YTD Sep 2017 S\$'000	Better / (Worse) %
- REIT Manager's fees paid/payable in Stapled Securities	(i)	2,814	2,582	9.0	7,995	7,545	6.0
- Trustee's fees		82	80	2.5	238	233	2.1
- Amortisation of debt-related transaction cost		167	133	25.6	500	538	(7.1)
- Fair value change in derivative financial instruments		(673)	(921)	26.9	(2,937)	4,619	>(100.0)
- Share of results of joint venture		145	43	>100.0	215	104	>100.0
- Other items		11	60	>(100.0)	136	222	(38.7)
Net tax adjustments		2,546	1,977	28.8	6,147	13,261	(53.6)

Notes:

(i) This represents 90% of REIT Manager's fees paid/payable in Stapled Securities.

(d) For YTD Sep 2018, the rollover adjustment 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 2016.

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018
1(b) Balance Sheets
**1(b)(i) Balance Sheets as at 30 September 2018
Far East H-REIT and Far East H-Trust**

	Note	As at 30 September 2018			As at 31 December 2017		
		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	(a)	2,602,552	2,602,552	–	2,380,800	2,380,800	–
Joint venture	(b)	16,228	16,228	–	16,443	16,443	–
Derivative financial assets	(d)	1,681	1,681	–	288	288	–
Total non-current assets		2,620,461	2,620,461	–	2,397,531	2,397,531	–
Current assets							
Cash and cash equivalents		9,027	9,027	–	3,910	3,910	–
Prepayments		18	18	–	99	99	–
Trade and other receivables	(c)	37,933	37,933	30	36,408	36,408	30
Derivative financial assets	(d)	546	546	–	–	–	–
Total current assets		47,524	47,524	30	40,417	40,417	30
Total assets		2,667,985	2,667,985	30	2,437,948	2,437,948	30
Current liabilities							
Trade and other payables		3,594	3,614	10	3,621	3,643	8
Borrowings	(e)	248,373	248,373	–	248,986	248,986	–
Accruals		5,616	5,615	1	6,658	6,657	1
Derivative financial liabilities	(d)	–	–	–	204	204	–
Rental deposits		2,552	2,552	–	2,363	2,363	–
Deferred income		90	90	–	90	90	–
Income tax payable		39	39	–	19	19	–
Total current liabilities		260,264	260,283	11	261,941	261,962	9
Non-current liabilities							
Borrowings	(e)	775,751	775,751	–	548,879	548,879	–
Derivative financial liabilities	(d)	–	–	–	794	794	–
Rental deposits		6,398	6,398	–	6,389	6,389	–
Deferred income		1,164	1,164	–	1,231	1,231	–
Total non-current liabilities		783,313	783,313	–	557,293	557,293	–
Total liabilities		1,043,577	1,043,596	11	819,234	819,255	9
Net assets		1,624,408	1,624,389	19	1,618,714	1,618,693	21
Represented by:							
Unitholders' funds							
Unitholders' funds of Far East H-REIT		1,624,389	1,624,389	–	1,618,693	1,618,693	–
Unitholders' funds of Far East H-BT		19	–	19	21	–	21
		1,624,408	1,624,389	19	1,618,714	1,618,693	21

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Notes:

- (a) The increase in investment properties was mainly attributable to the acquisition of Oasia Hotel Downtown of S\$219.1 million (including related transaction costs) which was completed on 2 April 2018 and asset enhancement works carried out at Orchard Rendezvous Hotel and Village Hotel Bugis.
- (b) This relates to the 30% joint venture interest in FIPL.
- (c) This includes a shareholders' loan and accrued interest due from FIPL of S\$26.7 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 mainly due to the drawdown of term loan facility of \$195.7 million and revolving credit facility ("RCF") of S\$21.0 million during the year to partially fund the acquisition of Oasia Hotel Downtown. The current borrowings relate to two term loans of S\$100.0 million each due to mature in December 2018 and August 2019 respectively, as well as RCF of S\$48.5 million which is payable on demand. The REIT Manager is finalising the loan documentation to refinance the term loan of S\$100 million ahead of its maturity in December 2018. For the term loan due to mature in August 2019, the REIT Manager is working with its lenders to assess refinancing options for the term loan. Please refer to the details of aggregate amount of borrowings in section 1(b)(ii).

1(b)(ii) Aggregate Amounts of Borrowings as at 30 September 2018

	As at 30 September 2018		As at 31 December 2017	
	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	248,373	248,373	248,986	248,986
Amounts repayable after one year	775,751	775,751	548,879	548,879
	1,024,124	1,024,124	797,865	797,865

Details of borrowings and collateral:

The total facilities of Far East H-REIT as at 30 September 2018 are as follows:

- Unsecured term loan facilities of S\$977.9 million; and
- S\$300.0 million of uncommitted RCF.

DBS Trustee Limited in its capacity as trustee of Far East H-REIT entered into the following facility agreements and amendment and restatement agreement during the period:

- S\$95.7 million and S\$167.2 million on 28 March 2018 with two institutional banks to part finance the acquisition of Oasia Hotel Downtown and early refinancing of term loan of S\$67.2 million due in August 2018;
- S\$65.0 million on 12 April 2018 to early refinancing of term loan of S\$65.0 million due in August 2018; and
- S\$100.0 million multi-currency RCF on 13 April 2018.

The weighted average cost of debt was approximately 2.6% per annum and the weighted average debt-to-maturity was 3.1 years from 3.0 years on 31 December 2017.

Gearing as of 30 September 2018 was 40.4%.

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018
**1(c) Consolidated Cash Flow Statements
 Far East H-REIT and Far East H-Trust**

		Far East H-REIT			
Note	3Q 2018	3Q 2017	YTD Sep 2018	YTD Sep 2017	
	S\$'000	S\$'000	S\$'000	S\$'000	
Cash flows from operating activities					
Total return before income tax	17,564	17,195	50,599	40,777	
Adjustments for:					
Finance expenses (net)	7,190	4,920	18,734	14,789	
Fair value change in derivative financial instruments	(673)	(921)	(2,937)	4,619	
REIT Manager's fees issued/issuable in Stapled Securities	2,814	2,582	7,995	7,545	
Share of results of joint venture	145	43	215	104	
Deferred income recognised	–	(22)	–	(67)	
Operating profit before working capital changes	27,040	23,797	74,606	67,767	
Changes in working capital					
Trade and other receivables	(243)	61	(994)	(1,167)	
Trade and other payables	808	728	74	929	
Rental deposits	8	(282)	134	(347)	
Income tax paid	–	–	(19)	(14)	
Cash flows generated from operating activities	27,613	24,304	73,801	67,168	
Cash flows from investing activities					
Capital expenditure on investment properties	(839)	(1,248)	(3,231)	(2,571)	
Acquisition of investment properties	(15)	–	(217,514)	–	
Interest received	–	–	8	–	
Cash flows used in investing activities	(854)	(1,248)	(220,737)	(2,571)	
Cash flows from financing activities					
Proceeds from borrowings	9,000	–	380,895	250,000	
Finance costs paid	(7,726)	(8,116)	(20,758)	(18,015)	
Repayment of borrowings	(11,500)	(27,000)	(153,650)	(277,000)	
Distribution to Stapled Securityholders	(18,878)	(6,846)	(54,434)	(32,111)	
Cash flows (used in) / generated from financing activities	(29,104)	(41,962)	152,053	(77,126)	
Net (decrease) / increase in cash and cash equivalents	(2,345)	(18,906)	5,117	(12,529)	
Cash and cash equivalents at beginning of the period	11,372	21,762	3,910	15,385	
Cash and cash equivalents at end of the period	9,027	2,856	9,027	2,856	

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		Far East H-Trust			
Note	3Q 2018	3Q 2017	YTD Sep 2018	YTD Sep 2017	
	S\$'000	S\$'000	S\$'000	S\$'000	
Cash flows from operating activities					
Total return before income tax	17,563	17,195	50,597	40,776	
Adjustments for:					
Finance expenses (net)	7,190	4,920	18,734	14,789	
Fair value change in derivative financial instruments	(673)	(921)	(2,937)	4,619	
REIT Manager's fees issued/issuable in Stapled Securities	2,814	2,582	7,995	7,545	
Share of results of joint venture	145	43	215	104	
Deferred income recognised	–	(22)	–	(67)	
Operating profit before working capital changes	27,039	23,797	74,604	67,766	
Changes in working capital					
Trade and other receivables	(243)	61	(994)	(1,167)	
Trade and other payables	809	728	76	930	
Rental deposits	8	(282)	134	(347)	
Income tax paid	–	–	(19)	(14)	
Cash flows generated from operating activities	27,613	24,304	73,801	67,168	
Cash flows from investing activities					
Capital expenditure on investment properties	(839)	(1,248)	(3,231)	(2,571)	
Acquisition of investment properties	(15)	–	(217,514)	–	
Interest received	–	–	8	–	
Cash flows used in investing activities	(854)	(1,248)	(220,737)	(2,571)	
Cash flows from financing activities					
Proceeds from borrowings	9,000	–	380,895	250,000	
Finance costs paid	(7,726)	(8,116)	(20,758)	(18,015)	
Repayment of borrowings	(11,500)	(27,000)	(153,650)	(277,000)	
Distribution to Stapled Securityholders	(18,878)	(6,846)	(54,434)	(32,111)	
Cash flows (used in) / generated from financing activities	(29,104)	(41,962)	152,053	(77,126)	
Net (decrease)/increase in cash and cash equivalents	(2,345)	(18,906)	5,117	(12,529)	
Cash and cash equivalents at beginning of the period	11,372	21,762	3,910	15,385	
Cash and cash equivalents at end of the period	9,027	2,856	9,027	2,856	

Notes:

- (a) Capital expenditure incurred mainly relates to asset enhancement work carried out at Orchard Rendezvous Hotel and Village Hotel Bugis.
- (b) Acquisition of investment properties relates to the acquisition of Oasia Hotel Downtown which was completed on 2 April 2018.
- (c) The term loans of \$327.9 million and revolving credit facility of \$53.0 million were drawdown during the year mainly to partially finance the acquisition of Oasia Hotel Downtown and early refinanced term loans of \$132.2 million matured in August 2018.

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(d) The distribution to Stapled Securityholders in 3Q 2018 relates to the financial period from 1 April 2018 to 30 June 2018, which was paid in cash on 14 September 2018. In the corresponding period, distribution reinvestment plan ("DRP") was applied to the distribution for the period from 1 April 2017 to 30 June 2017. The distribution to Stapled Securityholders in 3Q 2017 related to the cash distribution for the financial period from 1 April 2017 to 30 June 2017, which was paid on 20 September 2017.

1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 July 2018 to 30 September 2018

	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 July 2018	1,701,847	(78,943)	1,622,904	28	(8)	20	1,622,924
Operations							
Increase in net assets resulting from operations	-	17,549	17,549	-	(1)	(1)	17,548
	-	17,549	17,549	-	(1)	(1)	17,548
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	2,814	-	2,814	-	-	-	2,814
Distribution to Stapled Securityholders ^(b)	-	(18,878)	(18,878)	-	-	-	(18,878)
Net increase/(decrease) in net assets resulting from unitholders' transactions	2,814	(18,878)	(16,064)	-	-	-	(16,064)
Balance at 30 September 2018	1,704,661	(80,272)	1,624,389	28	(9)	19	1,624,408

Notes:

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the base and performance management fees incurred for the 3Q 2018. 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 2019.
- (b) Distribution to Stapled Securityholders relates to distribution paid in respect of the financial period from 1 April 2018 to 30 June 2018, which was paid on 14 September 2018.

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1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 July 2017 to 30 September 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 July 2017	1,679,038	(30,212)	1,648,826	28	(6)	22	1,648,848
Operations							
Increase in net assets resulting from operations	-	17,192	17,192	-	#	#	17,192
	-	17,192	17,192	-	#	#	17,192
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	2,582	-	2,582	-	-	-	2,582
- Distribution reinvestment plan ^(b)	10,958	-	10,958	-	-	-	10,958
Distribution to Stapled Securityholders ^(c)	-	(17,804)	(17,804)	-	-	-	(17,804)
Net increase/(decrease) in net assets resulting from unitholders' transactions	13,540	(17,804)	(4,264)	-	-	-	(4,264)
Balance at 30 September 2017	1,692,578	(30,824)	1,661,754	28	(6)	22	1,661,776

Notes:

Less than S\$1,000

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the base and performance management fees incurred for the 3Q 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 for FY2017 were issued on 26 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 April 2017 to 30 June 2017 in Stapled Securities on 20 September 2017.
- (c) Distribution to Stapled Securityholders relates to distribution paid in respect of the quarter from 1 April 2017 to 30 June 2017, which was paid on 20 September 2017.

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2018 to 30 September 2018

	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 2018	1,695,091	(76,398)	1,618,693	28	(7)	21	1,618,714
Operations							
Increase in net assets resulting from operations	-	50,560	50,560	-	(2)	(2)	50,558
	-	50,560	50,560	-	(2)	(2)	50,558
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	7,995	-	7,995	-	-	-	7,995
- REIT Acquisition fees ^(b)	1,575	-	1,575	-	-	-	1,575
Distribution to Stapled Securityholders ^(c)	-	(54,434)	(54,434)	-	-	-	(54,434)
Net increase/(decrease) in net assets resulting from unitholders' transactions	9,570	(54,434)	(44,864)	-	-	-	(44,864)
Balance at 30 September 2018	1,704,661	(80,272)	1,624,389	28	(9)	19	1,624,408

Notes:

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the base and performance management fees incurred for the period from 1 January 2018 to 30 September 2018. The Stapled Securities relating to base management fee were issued within 30 days from quarter end. Stapled Securities relating to performance management fee for FY2018 will be issued in April 2019.
- (b) This represents the Stapled Securities issued to REIT Manager in April 2018 for satisfaction of acquisition fee in relation to the acquisition of Oasia Hotel Downtown.
- (c) Distribution to Stapled Securityholders relates to financial period from 1 October 2017 to 30 June 2018.

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2017 to 30 September 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 in net assets resulting from operations	-	40,768	40,768	-	(1)	(1)	40,767
	-	40,768	40,768	-	(1)	(1)	40,767
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	7,545	-	7,545	-	-	-	7,545
- Distribution reinvestment plan ^(b)	22,763	-	22,763	-	-	-	22,763
Distribution to Stapled Securityholders ^(c)	-	(54,874)	(54,874)	-	-	-	(54,874)
Net increase/(decrease) in net assets resulting from unitholders' transactions	30,308	(54,874)	(24,566)	-	-	-	(24,566)
Balance at 30 September 2017	1,692,578	(30,824)	1,661,754	28	(6)	22	1,661,776

Notes:

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the base and performance management fees incurred for the period from 1 January 2017 to 30 September 2017. The Stapled Securities relating to base management fee were issued within 30 days from quarter end. Stapled Securities relating to performance management fee for FY2017 were issued on 26 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 the period from 1 October 2016 to 30 June 2017.

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

	Far East H-TRUST			
	3Q 2018 No. of Stapled Securities '000	3Q 2017 No. of Stapled Securities '000	YTD Sep 2018 No. of Stapled Securities '000	YTD Sep 2017 No. of Stapled Securities '000
Stapled Securities in issue at beginning of period	1,866,308	1,832,993	1,854,701	1,801,415
Issuance of Stapled Securities:				
- REIT Manager's fees	2,840	2,486	12,214	14,228
- REIT Manager's Acquisition fees	-	-	2,233	-
- Distribution Reinvestment Plan	-	16,697	-	36,533
Stapled Securities in issue	1,869,148	1,852,176	1,869,148	1,852,176
Stapled Securities to be issued:				
- REIT Manager's fees – Base fees	2,864	2,525	2,864	2,525
- REIT Manager's fees – Performance fees (a)	4,336	3,766	4,336	3,766
Stapled Securities in issue and to be issued at end of period	1,876,348	1,858,467	1,876,348	1,858,467

Footnotes:

- (a) 4,336,528 Stapled Securities to be issued to the REIT Manager as part satisfaction of REIT Manager's performance fee for the period from 1 January 2018 to 30 September 2018 are not entitled to 3Q 2018 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 2017.

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018

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 2017 except for the adoption of new or revised FRS that are mandatory for financial year beginning on or after 1 January 2018. 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 September 2018

	Far East H-Trust			
	3Q 2018	3Q 2017	YTD Sep 2018	YTD Sep 2017
Weighted average number of Stapled Securities ('000)	1,868,345	1,836,773	1,863,037	1,817,343
Basic EPS (cents)	0.94	0.94	2.71	2.24
Weighted average number of Stapled Securities ('000) ⁽¹⁾	1,872,682	1,839,935	1,867,374	1,822,026
Diluted EPS (cents)	0.94	0.93	2.71	2.24
Number of Stapled Securities in issue at end of period ('000)	1,869,148	1,852,176	1,869,148	1,852,176
Number of Stapled Securities to be issued before Books Closure Date ('000)	2,864	2,525	2,864	2,525
Total number of Stapled Securities entitled to distribution ('000)	1,872,012	1,854,701	1,872,012	1,854,701
DPS (cents)	1.05	1.03	3.00	2.93

⁽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	
	30 September 2018	31 December 2017
Stapled Securities in issue and to be issued at end of period ('000)	1,876,348	1,861,770
NAV / NTA per Stapled Security (cents)	86.57	86.94

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018
8 A review of the performance for the quarter ended 30 September 2018
8(a) Statement of net income and distribution of Far East Hospitality Trust

	3Q 2018	3Q 2017	Better / (Worse)	YTD Sep 2018	YTD Sep 2017	Better / (Worse)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	30,509	27,456	11.1	84,759	78,107	8.5
Net property income	27,686	24,765	11.8	76,431	70,039	9.1
Income available for distribution	20,094	19,169	4.8	56,699	54,028	4.9
Distribution per Stapled Security (cents)	1.05	1.03	1.9	3.00	2.93	2.4

8(b) Review of the performance of third quarter and nine months ended 30 September 2018
3Q 2018 vs 3Q 2017

Gross revenue grew 11.1% to S\$30.5 million in 3Q 2018 as compared to S\$27.5 million in 3Q 2017, due to an increase in master lease rental from the hotels, and further augmented by the addition of Oasia Hotel Downtown to the portfolio.

The hotels showed a year-on-year improvement in performance in 3Q 2018. Revenue per available room ("RevPAR") of the hotel portfolio grew 6.6% year-on-year to S\$152 in 3Q 2018 with ADR growing by 5.1% and occupancy by 1.3pp. In addition to the positive impact of adding Oasia Hotel Downtown to the portfolio and the improvement in performance by the recently renovated and rebranded Orchard Rendezvous Hotel (formerly known as Orchard Parade Hotel), there has been an uptick in overall market demand on the broader front.

While the serviced residences ("SRs") portfolio continued to face downward pressure on ADR, the occupancy gap that impacted trading in the first two quarters was narrowed in 3Q 2018. The average occupancy and ADR in 3Q 2018 were 1.8pp and 3.4% lower year-on-year respectively. As a result, revenue per available unit ("RevPAU") of the SR portfolio declined 5.4% to S\$186 in 3Q 2018.

A snapshot of the hotel and SR performance in 3Q 2018 is set out below.

	3Q 2018		3Q 2017		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	90.7	87.2	89.4	89.0	1.3pp	(1.8pp)
Average Daily Rate (S\$)	168	213	159	221	5.1%	(3.4%)
RevPAR / RevPAU (S\$)	152	186	143	196	6.6%	(5.4%)

Revenue from the retail and office spaces was relatively stable year-on-year for 3Q 2018, with a marginal decline of 0.8% to \$5.5 million.

Net property income was higher by 11.8% at S\$27.7 million. Finance costs had increased to S\$7.2 million mainly due to the additional loan drawn down to fund the acquisition of Oasia Hotel Downtown, and higher short term interest rates.

Income available for distribution was S\$20.1 million or 4.8% higher year-on-year. Distribution per Stapled Security was 1.9% higher at 1.05 Singapore cents.

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018

YTD Sep 2018 vs YTD Sep 2017

Gross revenue for the first nine months of 2018 was S\$84.8 million, an increase of 8.5% year-on-year, due to an increase in master lease rental from the hotels, and further augmented by the addition of Oasia Hotel Downtown to the portfolio.

The hotels showed a year-on-year improvement in performance as at YTD September 2018. Revenue per available room ("RevPAR") of the hotel portfolio grew 5.8% to S\$145 for YTD September 2018 due to an increase in average occupancy and average daily rate ("ADR") of 1.8pp and 3.7% respectively.

While there has been an improvement in the performance of the SRs quarter-on-quarter, the portfolio continued to be challenged by the softness in corporate demand. The average occupancy of the SRs improved 3.4pp year-on-year for YTD September 2018 while the ADR was 5.2% lower. Correspondingly, RevPAU of the SR portfolio declined 1.2% year-on-year to S\$176 for YTD September 2018.

A snapshot of the hotel and SR performance for YTD September 2018 is set out below.

	YTD Sep 2018		YTD Sep 2017		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	90.1	84.0	88.2	80.6	1.8pp	3.4pp
Average Daily Rate (S\$)	161	210	155	221	3.7%	(5.2%)
RevPAR / RevPAU (S\$)	145	176	137	178	5.8%	(1.2%)

Revenue from the retail and office spaces declined 2.9% year-on-year to S\$16.6 million for YTD September 2018.

Net property income was higher by 9.1% at S\$76.4 million. Finance costs had increased to S\$18.7 million mainly due to the additional loan drawn down to fund the acquisition of Oasia Hotel Downtown, and higher short term interest rates.

Income available for distribution was S\$56.7 million or 4.9% higher year-on-year. Distribution per Stapled Security was 2.4% higher at 3.00 Singapore cents.

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 in Singapore continues to trend in a positive direction. With visitor arrivals growing by 7.5% year-on-year in the first eight months of 2018¹, and a more moderate increase in new hotel room supply of 1.1% this year², the dynamics in the sector have become more positive. Nonetheless, corporate travel demand is subject to wider global and economic factors.

The outlook for Far East H-Trust's serviced residences remains subdued as the long-stay market continues to be impacted by room rate pressure from corporate accounts, a tight foreign labour policy and a greater availability of home-sharing options.

With the improvement in the tourism sector, the REIT Manager continues to proactively explore opportunities for growth, whilst still focused on enhancing the existing properties to strengthen the portfolio's competitiveness.

¹ Singapore Tourism Board, Visitor Arrivals Statistics

² Far East H-Trust's compilation

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018

11 DISTRIBUTIONS
Current financial period

Any distribution declared for the current period?	Yes
Distribution period	Distribution for the quarter from 1 July 2018 to 30 September 2018
Distribution type	Taxable income
Distribution per stapled security	1.05 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	13 December 2018
Books closure date	8 November 2018
Stapled Securityholders must complete and return Form A or Form B, as applicable	27 November 2018

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018

Corresponding period of the preceding financial period

Any distribution declared for the current period?	Yes
Distribution period	Distribution for the quarter from 1 July 2017 to 30 September 2017
Distribution type	Taxable income
Distribution per stapled security	1.03 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 distribution 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.

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 these interim financial statement of Far East Hospitality Trust to be false or misleading in any material respect.

Unaudited Financial Statements Announcement for the third quarter and nine months ended 30 September 2018

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)
30 October 2018

By Order of the Board

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