

Far East Hospitality Trust
Unaudited Financial Statements Announcement
For the fourth quarter and year ended 31 December 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 fourth quarter and year ended 31 December 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	4Q 2018	4Q 2017	Better / (Worse)	FY 2018	FY 2017	Better / (Worse)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Master lease rental		23,433	20,098	16.6	91,606	81,133	12.9
Retail and office revenue		5,486	5,620	(2.4)	22,072	22,692	(2.7)
Gross revenue		28,919	25,718	12.4	113,678	103,825	9.5
Property tax		(1,717)	(1,578)	(8.8)	(7,337)	(7,101)	(3.3)
Property insurance		(29)	(29)	-	(115)	(122)	5.7
MCST contribution		(41)	(39)	(5.1)	(164)	(141)	(16.3)
Retail and office expenses	(a)	(690)	(845)	18.3	(2,832)	(2,854)	0.8
Property manager fees		(118)	(113)	(4.4)	(475)	(453)	(4.9)
Property expenses		(2,595)	(2,604)	0.3	(10,923)	(10,671)	(2.4)
Net property income		26,324	23,114	13.9	102,755	93,154	10.3
REIT Manager's fees		(3,079)	(2,792)	(10.3)	(11,963)	(11,175)	(7.1)
Trustee's fees		(84)	(77)	(9.1)	(322)	(312)	(3.2)
Other trust expenses		(207)	(144)	(43.8)	(905)	(1,279)	29.2
Interest and other income		198	133	48.9	718	473	51.8
Finance expenses		(7,525)	(5,156)	(45.9)	(26,779)	(20,284)	(32.0)
Net income before joint venture's results		15,627	15,078	3.6	63,504	60,577	4.8
Share of results of joint venture	(b)	(1,872)	(36)	>(100.0)	(2,087)	(141)	>(100.0)
Net income before tax and fair value changes		13,755	15,042	(8.6)	61,417	60,436	1.6
Fair value change in derivative financial instruments	(c)	(3,892)	(25)	>(100.0)	(955)	(4,643)	79.4
Fair value change in investment properties	(d)	30,198	(41,477)	>100.0	30,198	(41,477)	>100.0
Total return for the period before income tax		40,061	(26,460)	>100.0	90,660	14,316	>100.0
Income tax expense		(15)	(11)	(36.4)	(54)	(19)	>(100.0)
Total return for the period		40,046	(26,471)	>100.0	90,606	14,297	>100.0
<u>Distribution Statement</u>							
Total return for the period		40,046	(26,471)	>100.0	90,606	14,297	>100.0
Net tax adjustments	(e)	(21,382)	44,457	>(100.0)	(15,235)	57,718	>(100.0)
Rollover adjustment	(f)	-	-	-	(6)	-	NM
Undistributed income from previous quarters	(g)	433	220	96.8	-	-	-
Income available for distribution		19,097	18,206	4.9	75,365	72,015	4.7
Comprising:							
- Taxable income		19,023	18,153	4.8	75,102	71,922	4.4
- Tax-exempt income		74	53	39.6	263	93	>100.0
Total available for distribution		19,097	18,206	4.9	75,365	72,015	4.7

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018

Far East H-Trust						
Note	4Q 2018	4Q 2017	Better / (Worse)	FY 2018	FY 2017	Better / (Worse)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Master lease rental	23,433	20,098	16.6	91,606	81,133	12.9
Retail and office revenue	5,486	5,620	(2.4)	22,072	22,692	(2.7)
Gross revenue	28,919	25,718	12.4	113,678	103,825	9.5
Property tax	(1,717)	(1,578)	(8.8)	(7,337)	(7,101)	(3.3)
Property insurance	(29)	(29)	-	(115)	(122)	5.7
MCST contribution	(41)	(39)	(5.1)	(164)	(141)	(16.3)
Retail and office expenses	(690)	(845)	18.3	(2,832)	(2,854)	0.8
Property manager fees	(118)	(113)	(4.4)	(475)	(453)	(4.9)
Property expenses	(2,595)	(2,604)	0.3	(10,923)	(10,671)	(2.4)
Net property income	26,324	23,114	13.9	102,755	93,154	10.3
REIT Manager's fees	(3,079)	(2,792)	(10.3)	(11,963)	(11,175)	(7.1)
Trustee's fees	(84)	(77)	(9.1)	(322)	(312)	(3.2)
Other trust expenses	(207)	(145)	(42.8)	(907)	(1,281)	29.2
Interest and other income	198	133	48.9	718	473	51.8
Finance expenses	(7,525)	(5,156)	(45.9)	(26,779)	(20,284)	(32.0)
Net income before joint venture's results	15,627	15,077	3.6	63,502	60,575	4.8
Share of results of joint venture	(1,872)	(36)	>(100.0)	(2,087)	(141)	>(100.0)
Net income before tax and fair value changes	13,755	15,041	(8.5)	61,415	60,434	1.6
Fair value change in derivative financial instruments	(3,892)	(25)	>(100.0)	(955)	(4,643)	79.4
Fair value change in investment properties	30,198	(41,477)	>100.0	30,198	(41,477)	>100.0
Total return for the period before income tax	40,061	(26,461)	>100.0	90,658	14,314	>100.0
Income tax expense	(15)	(11)	(36.4)	(54)	(19)	>(100.0)
Total return for the period	40,046	(26,472)	>100.0	90,604	14,295	>100.0
<u>Distribution Statement</u>						
Total return for the period	40,046	(26,472)	>100.0	90,604	14,295	>100.0
Net tax adjustments	(21,382)	44,457	>(100.0)	(15,235)	57,718	>(100.0)
Rollover adjustment	-	-	-	(6)	-	NM
Undistributed income from previous quarters	433	220	96.8	-	-	-
Income available for distribution	19,097	18,205	4.9	75,363	72,013	4.7
Comprising:						
- Taxable income	19,023	18,152	4.8	75,100	71,920	4.4
- Tax-exempt income	74	53	39.6	263	93	>100.0
Total available for distribution	19,097	18,205	4.9	75,363	72,013	4.7

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018

Notes:

NM – Not meaningful

- (a) Retail and office expenses included impairment losses on trade receivables of S\$402,000 (2017: S\$301,000).
- (b) The share of results of joint venture relates to the equity accounting of Fontaine Investment Pte Ltd's ("FIPL") results. This arose mainly from the pre-opening expenses and finance costs incurred on the borrowings in relation to the development of Village Hotel at Sentosa and The Outpost Hotel at Sentosa which were previously capitalised whilst the properties were under development and are now being expensed upon obtaining temporary occupation permit on 31 October 2018.
- (c) 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.
- (d) The fair value change in investment properties of S\$30.2 million arose from the revaluation of 9 Hotels and 4 SRs as at 31 December 2018. The independent valuations of the investment properties were carried out by Savills Valuation And Professional Services (S) Pte Ltd and Knight Frank 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.
- (e) Included in the net tax adjustments are the following:

	Note	4Q 2018 S\$'000	4Q 2017 S\$'000	Better / (Worse) %	FY 2018 S\$'000	FY 2017 S\$'000	Better / (Worse) %
- REIT Manager's fees paid/payable in Stapled Securities	(i)	2,771	2,513	10.3	10,767	10,058	7.0
- Trustee's fees		84	77	9.1	322	312	3.2
- Amortisation of debt-related transaction cost		180	133	35.3	680	671	1.3
- Fair value change in derivative financial instruments		3,892	25	>100.0	955	4,643	(79.4)
- Fair value change in investment properties		(30,198)	41,477	>(100.0)	(30,198)	41,477	>(100.0)
- Share of results of joint venture		1,872	36	>100.0	2,087	141	>100.0
- Other items		17	196	(91.3)	152	416	(63.5)
Net tax adjustments		(21,382)	44,457	>(100.0)	(15,235)	57,718	>(100.0)

Notes:

- (i) This represents 90% of REIT Manager's fees paid/payable in Stapled Securities.
- (f) The rollover adjustment for FY 2018 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.
- (g) This relates to taxable income that were undistributed in 1Q2018 to 3Q2018 due to rounding.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018
1(b) Balance Sheets
**1(b)(i) Balance Sheets as at 31 December 2018
Far East H-REIT and Far East H-Trust**

	Note	As at 31 December 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)	2,633,500	2,633,500	–	2,380,800	2,380,800	–
Joint venture	(b)	14,356	14,356	–	16,443	16,443	–
Derivative financial assets	(d)	–	–	–	288	288	–
Total non-current assets		2,647,856	2,647,856	–	2,397,531	2,397,531	–
Current assets							
Cash and cash equivalents		12,837	12,837	–	3,910	3,910	–
Prepayments		71	71	–	99	99	–
Trade and other receivables	(c)	38,516	38,516	30	36,408	36,408	30
Derivative financial assets	(d)	371	371	–	–	–	–
Total current assets		51,795	51,795	30	40,417	40,417	30
Total assets		2,699,651	2,699,651	30	2,437,948	2,437,948	30
Current liabilities							
Trade and other payables		4,108	4,128	10	3,621	3,643	8
Borrowings	(e)	152,598	152,598	–	248,986	248,986	–
Accruals		7,909	7,908	1	6,658	6,657	1
Derivative financial liabilities	(d)	–	–	–	204	204	–
Rental deposits		2,926	2,926	–	2,363	2,363	–
Deferred income		90	90	–	90	90	–
Income tax payable		54	54	–	19	19	–
Total current liabilities		167,685	167,704	11	261,941	261,962	9
Non-current liabilities							
Borrowings	(e)	875,269	875,269	–	548,879	548,879	–
Derivative financial liabilities	(d)	2,037	2,037	–	794	794	–
Rental deposits		5,950	5,950	–	6,389	6,389	–
Deferred income		1,141	1,141	–	1,231	1,231	–
Total non-current liabilities		884,397	884,397	–	557,293	557,293	–
Total liabilities		1,052,082	1,052,101	11	819,234	819,255	9
Net assets		1,647,569	1,647,550	19	1,618,714	1,618,693	21
Represented by:							
Unitholders' funds							
Unitholders' funds of Far East H-REIT		1,647,550	1,647,550	–	1,618,693	1,618,693	–
Unitholders' funds of Far East H-BT		19	–	19	21	–	21
		1,647,569	1,647,550	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, fair value change in investment properties 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\$28.0 million. The amount is used to finance the development of a new hotel site located at Artillery Avenue, Sentosa. Phase One of the development has obtained temporary occupation permit on 31 October 2018. Village Hotel at Sentosa and The Outpost Hotel at Sentosa are targeted to open in 2Q 2019.
- (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 the term loan of S\$100.0 million due to mature in August 2019 and RCF of S\$52.7 million which is payable on demand. The REIT Manager has received commitment from the existing lender to refinance the term loan of S\$100.0 million ahead of its maturity in August 2019. Please refer to the details of aggregate amount of borrowings in section 1(b)(ii).

1(b)(ii) Aggregate Amounts of Borrowings as at 31 December 2018

	As at 31 December 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	152,598	152,598	248,986	248,986
Amounts repayable after one year	875,269	875,269	548,879	548,879
	1,027,867	1,027,867	797,865	797,865

Details of borrowings and collateral:

The total facilities of Far East H-REIT as at 31 December 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 year:

- 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;
- S\$100.0 million multi-currency RCF on 13 April 2018; and
- S\$50 million each on 7 November 2018, with two institutional banks to early refinancing of term loan of S\$100.0 million due in December 2018.

The weighted average cost of debt was approximately 2.7% per annum and the weighted average debt-to-maturity was improved to 3.3 years (2017: 3 years).

Gearing as of 31 December 2018 was 40.1%.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018
**1(c) Consolidated Cash Flow Statements
 Far East H-REIT and Far East H-Trust**

		Far East H-REIT			
Note	4Q 2018	4Q 2017	FY 2018	FY 2017	
	S\$'000	S\$'000	S\$'000	S\$'000	
Cash flows from operating activities					
Total return before income tax	40,061	(26,460)	90,660	14,316	
Adjustments for:					
Interest and other income	(198)	(133)	(718)	(473)	
Finance expenses	7,525	5,156	26,779	20,284	
Fair value change in derivative financial instruments	3,892	25	955	4,643	
Fair value change in investment properties	(30,198)	41,477	(30,198)	41,477	
REIT Manager's fees issued/issuable in Stapled Securities	2,771	2,513	10,767	10,058	
Share of results of joint venture	1,872	36	2,087	141	
Deferred income recognised	-	(23)	-	(90)	
Operating profit before working capital changes	25,725	22,591	100,332	90,356	
Changes in working capital					
Trade and other receivables	840	(199)	(154)	(1,367)	
Trade and other payables	511	(1,073)	585	(142)	
Rental deposits	(96)	21	38	(326)	
Income tax paid	-	-	(19)	(13)	
Cash flows generated from operating activities	26,980	21,340	100,782	88,508	
Cash flows from investing activities					
Capital expenditure on investment properties	(891)	(533)	(4,122)	(3,104)	
Acquisition of investment properties	-	-	(217,514)	-	
Loan to joint venture	(1,170)	-	(1,170)	-	
Interest received	-	24	8	24	
Cash flows used in investing activities	(2,061)	(509)	(222,798)	(3,080)	
Cash flows from financing activities					
Proceeds from borrowings	112,670	8,000	493,565	258,000	
Finance costs paid	(5,623)	(2,674)	(26,381)	(20,689)	
Repayment of borrowings	(108,500)	(6,000)	(262,150)	(283,000)	
Distribution to Stapled Securityholders	(19,656)	(19,103)	(74,091)	(51,214)	
Cash flows (used in) / generated from financing activities	(21,109)	(19,777)	130,943	(96,903)	
Net increase/(decrease) in cash and cash equivalents	3,810	1,054	8,927	(11,475)	
Cash and cash equivalents at beginning of the period	9,027	2,856	3,910	15,385	
Cash and cash equivalents at end of the period	12,837	3,910	12,837	3,910	

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		Far East H-Trust			
Note	4Q 2018	4Q 2017	FY 2018	FY 2017	
	S\$'000	S\$'000	S\$'000	S\$'000	
Cash flows from operating activities					
Total return before income tax	40,061	(26,461)	90,658	14,314	
Adjustments for:					
Interest and other income	(198)	(133)	(718)	(473)	
Finance expenses	7,525	5,156	26,779	20,284	
Fair value change in derivative financial instruments	3,892	25	955	4,643	
Fair value change in investment properties	(30,198)	41,477	(30,198)	41,477	
REIT Manager's fees issued/issuable in Stapled Securities	2,771	2,513	10,767	10,058	
Share of results of joint venture	1,872	36	2,087	141	
Deferred income recognised	-	(23)	-	(90)	
Operating profit before working capital changes	25,725	22,590	100,330	90,354	
Changes in working capital					
Trade and other receivables	840	(199)	(154)	(1,367)	
Trade and other payables	511	(1,072)	587	(140)	
Rental deposits	(96)	21	38	(326)	
Income tax paid	-	-	(19)	(13)	
Cash flows generated from operating activities	26,980	21,340	100,782	88,508	
Cash flows from investing activities					
Capital expenditure on investment properties (a)	(891)	(533)	(4,122)	(3,104)	
Acquisition of investment properties (b)	-	-	(217,514)	-	
Loan to joint venture	(1,170)	-	(1,170)	-	
Interest received	-	24	8	24	
Cash flows used in investing activities	(2,061)	(509)	(222,798)	(3,080)	
Cash flows from financing activities					
Proceeds from borrowings (c)	112,670	8,000	493,565	258,000	
Finance costs paid	(5,623)	(2,674)	(26,381)	(20,689)	
Repayment of borrowings (c)	(108,500)	(6,000)	(262,150)	(283,000)	
Distribution to Stapled Securityholders (d)	(19,656)	(19,103)	(74,091)	(51,214)	
Cash flows (used in) / generated from financing activities	(21,109)	(19,777)	130,943	(96,903)	
Net increase/(decrease) in cash and cash equivalents	3,810	1,054	8,927	(11,475)	
Cash and cash equivalents at beginning of the period	9,027	2,856	3,910	15,385	
Cash and cash equivalents at end of the period	12,837	3,910	12,837	3,910	

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.

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- (c) The term loans of S\$427.9 million and revolving credit facility of S\$65.7 million were drawdown during the year mainly to partially finance the acquisition of Oasia Hotel Downtown and early refinanced term loans of S\$132.2 million and S\$100.0 million matured in August 2018 and December 2018 respectively.
- (d) The distribution to Stapled Securityholders in 4Q 2018 relates to the financial period from 1 July 2018 to 30 September 2018, which was paid in cash on 13 December 2018. In the corresponding period, the distribution for the financial period from 1 July 2017 to 30 September 2017 was paid on 15 December 2017.

1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 October 2018 to 31 December 2018

	Stapled Securityholders' Funds						
	Far East H-REIT			Far East H-BT			Far East H-Trust
	Units in issue S\$'000	Accumulated loss S\$'000	Total S\$'000	Units in issue S\$'000	Accumulated loss S\$'000	Total S\$'000	Total S\$'000
Balance at 1 October 2018	1,704,661	(80,272)	1,624,389	28	(9)	19	1,624,408
Operations							
Increase in net assets resulting from operations	-	40,046	40,046	-	-	-	40,046
	-	40,046	40,046	-	-	-	40,046
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	2,771	-	2,771	-	-	-	2,771
Distribution to Stapled Securityholders ^(b)	-	(19,656)	(19,656)	-	-	-	(19,656)
Net increase/(decrease) in net assets resulting from unitholders' transactions	2,771	(19,656)	(16,885)	-	-	-	(16,885)
Balance at 31 December 2018	1,707,432	(59,882)	1,647,550	28	(9)	19	1,647,569

Notes:

- (a) This represents the Stapled Securities to be issued as partial satisfaction of the base and performance management fees incurred for the 4Q 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 July 2018 to 30 September 2018, which was paid on 13 December 2018.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018

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 loss 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 were issued within 30 days from quarter end. Stapled Securities relating to performance management fee for FY2017 were issued on 26 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.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2018 to 31 December 2018

	Stapled Securityholders' Funds						
	Far East H-REIT			Far East H-BT			Far East H-Trust
	Units in issue S\$'000	Accumulated loss S\$'000	Total S\$'000	Units in issue S\$'000	Accumulated loss S\$'000	Total S\$'000	Total S\$'000
Balance at 1 January 2018	1,695,091	(76,398)	1,618,693	28	(7)	21	1,618,714
Operations							
Increase in net assets resulting from operations	-	90,606	90,606	-	(2)	(2)	90,604
	-	90,606	90,606	-	(2)	(2)	90,604
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	10,767	-	10,767	-	-	-	10,767
- REIT Acquisition fees ^(b)	1,575	-	1,575	-	-	-	1,575
Distribution to Stapled Securityholders ^(c)	-	(74,091)	(74,091)	-	-	-	(74,091)
Net increase/(decrease) in net assets resulting from unitholders' transactions	12,342	(74,091)	(61,749)	-	-	-	(61,749)
Balance at 31 December 2018	1,707,433	(59,883)	1,647,550	28	(9)	19	1,647,569

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 31 December 2018. The Stapled Securities relating to base management fee were issued within 30 days from the relevant 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 September 2018.

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018
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 loss S\$'000	Total S\$'000	Units in issue S\$'000	Accumulated loss S\$'000	Total S\$'000	Total S\$'000
Balance at 1 January 2017	1,662,270	(16,718)	1,645,552	28	(5)	23	1,645,575
Operations							
Increase/(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 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 were issued within 30 days from the relevant 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 December 2017.
- (c) Distribution to Stapled Securityholders relates to the period from 1 October 2016 to 30 September 2017.

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

Far East H-TRUST				
	4Q 2018	4Q 2017	FY 2018	FY 2017
	No. of Stapled Securities '000	No. of Stapled Securities '000	No. of Stapled Securities '000	No. of Stapled Securities '000
Stapled Securities in issue at beginning of period	1,869,148	1,852,176	1,854,701	1,801,415
Issuance of Stapled Securities:				
- REIT Manager's fees	2,864	2,525	15,078	16,753
- REIT Manager's Acquisition fees	-	-	2,233	-
- Distribution Reinvestment Plan	-	-	-	36,533
Stapled Securities in issue	1,872,012	1,854,701	1,872,012	1,854,701
Stapled Securities to be issued:				
- REIT Manager's fees – Base fees	2,996	2,360	2,996	2,360
- REIT Manager's fees – Performance fees (a)	6,077	4,709	6,077	4,709
Stapled Securities in issue and to be issued at end of period	1,881,085	1,861,770	1,881,085	1,861,770

Footnotes:

- (a) 6,077,203 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 31 December 2018 are not entitled to 4Q 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 fourth quarter and year ended 31 December 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 31 December 2018

	Far East H-Trust			
	4Q 2018	4Q 2017	FY 2018	FY 2017
Weighted average number of Stapled Securities ('000)	1,871,233	1,854,015	1,865,103	1,826,587
Basic EPS (cents)	2.14	(1.43)	4.86	0.78
Weighted average number of Stapled Securities ('000) ⁽¹⁾	1,877,310	1,858,724	1,871,180	1,831,296
Diluted EPS (cents)	2.13	(1.42)	4.84	0.78
Number of Stapled Securities in issue at end of period ('000)	1,872,012	1,854,701	1,872,012	1,854,701
Number of Stapled Securities to be issued before Books Closure Date ('000)	2,996	2,360	2,996	2,360
Total number of Stapled Securities entitled to distribution ('000)	1,875,008	1,857,061	1,875,008	1,857,061
DPS (cents)	1.00	0.97	4.00	3.90

⁽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 2018	31 December 2017
Stapled Securities in issue and to be issued at end of period ('000)	1,881,085	1,861,770
NAV / NTA per Stapled Security (cents)	87.59	86.94

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018
8 A review of the performance for the quarter ended 31 December 2018
8(a) Statement of net income and distribution of Far East Hospitality Trust

	4Q 2018	4Q 2017	Better / (Worse)	FY 2018	FY 2017	Better / (Worse)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	28,919	25,718	12.4	113,678	103,825	9.5
Net property income	26,324	23,114	13.9	102,755	93,154	10.3
Net property income margin	91.0%	89.9%	1.1pp	90.4%	89.7%	0.7pp
Income available for distribution	19,097	18,205	4.9	75,363	72,013	4.7
Distribution per Stapled Security (cents)	1.00	0.97	3.1	4.00	3.90	2.6

8(b) Review of the performance of fourth quarter and year ended 31 December 2018
4Q 2018 vs 4Q 2017

Gross revenue grew 12.4% to S\$28.9 million in 4Q 2018 as compared to S\$25.7 million in 4Q 2017. The master lease rental was boosted by the improvement in the performance of the serviced residences and the addition of Oasia Hotel Downtown to the portfolio.

The hotels showed a year-on-year improvement in performance in 4Q 2018. Revenue per available room ("RevPAR") of the hotel portfolio grew 7.5% year-on-year to S\$142 in 4Q 2018 with the average daily rate ("ADR") growing by 6.5% and occupancy by 0.8pp. In addition to the positive impact of adding Oasia Hotel Downtown to the portfolio in April 2018 and the improvement in performance by the rebranded Orchard Rendezvous Hotel (formerly known as Orchard Parade Hotel), the hotels benefitted from an uptick in overall market demand.

The serviced residences ("SRs") portfolio showed a healthy year-on-year occupancy growth of 6.1pp in 4Q 2018. ADR in 4Q 2018 was marginally lower year-on-year by 0.3%. As a result, revenue per available unit ("RevPAU") of the SR portfolio grew 7.5% to S\$179 in 4Q 2018.

A snapshot of the hotel and SR performance in 4Q 2018 is set out below.

	4Q 2018		4Q 2017		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	86.2	84.3	85.4	78.2	0.8pp	6.1pp
Average Daily Rate (S\$)	165	212	155	213	6.5%	(0.3%)
RevPAR / RevPAU (S\$)	142	179	132	166	7.5%	7.5%

Revenue from the retail and office spaces declined 2.4% year-on-year to \$5.5 million in 4Q 2018.

Net property income was higher by 13.9% at S\$26.3 million. The REIT Manager's fees were 10.3% higher year-on-year as a result of the increase in size of Far East H-REIT's portfolio arising from the acquisition of Oasia Hotel Downtown on 2 April 2018.

Finance costs had increased 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\$19.1 million or 4.9% higher year-on-year. Distribution per Stapled Security was 3.1% higher at 1.00 Singapore cents.

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FY 2018 vs FY 2017

Gross revenue for FY 2018 was S\$113.7 million, an increase of 9.5% year-on-year, due to an increase in master lease rental from the hotels.

The hotels showed a year-on-year improvement in performance in FY 2018 and was further lifted by the addition of Oasia Hotel Downtown to the portfolio. RevPAR of the hotel portfolio grew 6.2% to S\$144 due to an increase in both occupancy and ADR of 1.5pp and 4.4% respectively.

There was a slight improvement in the performance of the SRs year-on-year in FY 2018. Average occupancy for the SRs improved 4.1pp to 84.1% while the ADR was 4.0% lower at S\$210. Correspondingly, RevPAU of the SR portfolio increased marginally by 0.9% year-on-year to S\$177.

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

	FY 2018		FY 2017		Better / (Worse)	
	Hotels	SRs	Hotels	SRs	Hotels	SRs
Average Occupancy (%)	89.1	84.1	87.5	80.0	1.5pp	4.1pp
Average Daily Rate (S\$)	162	210	155	219	4.4%	(4.0%)
RevPAR / RevPAU (S\$)	144	177	136	175	6.2%	0.9%

Revenue from the retail and office spaces declined 2.7% year-on-year to S\$22.1 million in FY 2018.

Net property income was higher by 10.3% at S\$102.8 million. The REIT Manager's fees were 7.1% higher year-on-year as a result of the increase in size of Far East H-REIT's portfolio arising from the acquisition of Oasia Hotel Downtown on 2 April 2018.

Other trust expenses of S\$0.9 million for FY 2018 was lower as compared to FY 2017, mainly due to the costs associated with the administration of the distribution reinvestment plan in FY 2017.

Finance costs had increased 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\$75.4 million or 4.7% higher year-on-year. Distribution per Staped Security was 2.6% higher at 4.00 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, benefitting from a better balance in demand and supply in the industry. There was a more moderate increase in new hotel rooms of 1.1% in 2018¹, as compared to a growth of 5.1% between 2013 to 2017². In 2019, room supply is expected to increase by 2.2%.³

Visitor arrivals had grown by 6.6% year-on-year in the first eleven months of 2018⁴. Contributing to this growth are developments such as the expansion of flight and cruise connectivities to key visitor markets and continued marketing and promotion efforts by the Singapore Tourism Board and the travel industry.

¹ Far East H-Trust's compilation

² CBRE Report Data

³ Far East H-Trust's compilation

⁴ Singapore Tourism Board, Visitor Arrivals Statistics

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018

Nonetheless, with higher trade policy uncertainties and slowing economic growth in key markets, the hospitality sector could see a dampening in corporate demand. The serviced residences have shown signs of turning around but corporate demand is still expected to remain subdued.

11 DISTRIBUTIONS
Current financial period

Any distribution declared for the current period?	Yes
Distribution period	Distribution for the quarter from 1 October 2018 to 31 December 2018
Distribution type	Taxable income
Distribution per stapled security	1.00 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	28 March 2019
Books closure date	21 February 2019
Stapled Securityholders must complete and return Form A or Form B, as applicable	12 March 2019

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Corresponding period of the preceding 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	<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.

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14 Segment revenue and results of operating segments
(a) Operating segments for the year ended 31 December 2018

	Hotels and serviced residences	Retails and offices and others	Total
	S\$'000	S\$'000	S\$'000
Gross revenue	91,606	22,072	113,678
Segment net property income	85,986	16,769	102,755
REIT Manager's fees			(11,963)
Trustee's fees			(322)
Other trust expenses			(907)
Interest and other income			718
Finance costs			(26,779)
Net income before tax and fair value changes			63,502
Fair value change in investment properties	9,784	20,414	30,198
Fair value change in derivative financial instruments			(955)
Share of results of joint venture			(2,087)
Total return for the year before income tax			90,658
Income tax expense			(54)
Total return for the year after income tax before distribution			90,604

(b) 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)
Interest and other income			473
Finance costs			(20,284)
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

Unaudited Financial Statements Announcement for the fourth quarter and year ended 31 December 2018

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 2018 S\$'000	FY 2017 S\$'000	Better / (Worse) %
Gross revenue reported for first half year	54,250	50,651	7.1
Net income for first half year	33,010	23,575	40.0
Gross revenue reported for second half year	59,428	53,174	11.8
Net income for second half year	57,594	(9,280)	>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	2018 S\$'000	2017 S\$'000
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
1 October 2017 to 31 December 2017	18,014	–
1 January 2018 to 31 March 2018	17,543	–
1 April 2018 to 30 June 2018	18,878	–
1 July 2018 to 30 September 2018	19,656	–
	74,091	73,977

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.

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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)
13 February 2019

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer
FEO Hospitality Trust Management Pte. Ltd.
(Company Registration No. 201210698W)
13 February 2019

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.