

Far East Hospitality Trust
Unaudited Financial Statements Announcement
For the half-year ended 30 June 2022

TABLE OF CONTENTS

Item No.	Description	Page No.
-	Introduction	2
Interim financial information		
1(a)(i)	Statements of Total Return & Distribution Statements	3 – 4
1(b)(i)	Balance Sheets	5 – 6
1(c)	Cash Flow Statements	7 – 8
1(d)	Statements of Movement in Stapled Securityholders' Funds	8 – 9
1(e)	Notes to the Interim Financial Information	10 – 15
Other information required by Listing Rule Appendix 7.2		
2 & 3	Audit Statement	16
4 & 5	Changes in Accounting Policies	16
6	Earnings per Stapled Security and Distribution per Stapled Security	16
7	Net Asset Value / Net Tangible Asset per Stapled Security	16
8	Review of Performance	17
9	Variance Between Forecast and the Actual Results	18
10	Outlook and Prospects	18
11 & 12	Distributions	18 – 19
13	General Mandate Relating to Interested Person Transactions	19
14	Confirmation pursuant to Rule 705(5) of the Listing Manual	19
15	Confirmation pursuant to Rule 720(1) of the Listing Manual	20

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022**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. For the Sentosa hotel development project, the temporary occupancy permit (“TOP”) for the first phase, comprising Village Hotel Sentosa (“VHS”) and The Outpost Hotel Sentosa (“TOH”) was obtained on 31 October 2018. VHS and TOH has commenced hotel operations from 1 April 2019. The TOP for the final phase comprising The Barracks Hotel Sentosa (“TBH”) and two retail blocks, was obtained on 26 September 2019. TBH has commenced hotel operations from 1 December 2019.

On 2 December 2021, Far East H-REIT entered into a put and call option agreement for the sale and purchase of the leasehold interest in Village Residence Clarke Quay (“VRCQ”) with an unrelated third-party acquirer. On 17 March 2022, the call option was exercised and the divestment of VRCQ was completed on 24 March 2022.

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 half-year ended 30 June 2022
1(a) Income statements together with comparatives for corresponding periods in immediately preceding financial year
1(a)(i) Statements of Total Return and Distribution Statements

	Note	Far East H-Trust			Far East H-REIT		
		1H 2022	1H 2021	Better / (Worse)	1H 2022	1H 2021	Better / (Worse)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Master lease rental		33,748	34,209	(1.3)	33,748	34,209	(1.3)
Retail and office revenue		7,250	7,360	(1.5)	7,250	7,360	(1.5)
Gross revenue		40,998	41,569	(1.4)	40,998	41,569	(1.4)
Property tax	(a)	(2,395)	(3,662)	34.6	(2,395)	(3,662)	34.6
Property insurance		(46)	(52)	11.5	(46)	(52)	11.5
MCST contribution		(180)	(180)	-	(180)	(180)	-
Retail and office expenses		(727)	(898)	19.0	(727)	(898)	19.0
Reversal of/ (Impairment losses) on trade receivables		27	(346)	>100.0	27	(346)	>100.0
Property manager fees		(222)	(238)	6.7	(222)	(238)	6.7
Property expenses		(3,543)	(5,376)	34.1	(3,543)	(5,376)	34.1
Net property income		37,455	36,193	3.5	37,455	36,193	3.5
REIT Manager's fees		(4,512)	(4,596)	1.8	(4,512)	(4,596)	1.8
Trustee's fees		(155)	(157)	1.3	(155)	(157)	1.3
Other trust expenses		(557)	(292)	(90.8)	(556)	(291)	(91.1)
Interest and other income		377	241	56.4	377	241	56.4
Finance expenses		(8,132)	(10,691)	23.9	(8,132)	(10,691)	23.9
Net income before joint venture's results		24,476	20,698	18.3	24,477	20,699	18.3
Share of results of joint venture	(b)	-	(2,496)	100.0	-	(2,496)	100.0
Net income before tax and fair value changes		24,476	18,202	34.5	24,477	18,203	34.5
Fair value change in derivative financial instruments	(c)	10,700	7,420	44.2	10,700	7,420	44.2
Fair value change in investment properties		-	1,252	(100.0)	-	1,252	(100.0)
Gain on disposal of investment property	(d)	39,296	-	N.M.	39,296	-	N.M.
Total return for the period before income tax		74,472	26,874	>100.0	74,473	26,875	>100.0
Income tax expense		(39)	(33)	(18.2)	(39)	(33)	(18.2)
Total return for the period		74,433	26,841	>100.0	74,434	26,842	>100.0
<u>Distribution Statement</u>							
Total return for the period before income tax		74,472	26,874	>100.0	74,473	26,875	>100.0
Net tax adjustments	(e)	(45,707)	(1,716)	>(100.0)	(45,707)	(1,716)	>(100.0)
Taxable income		28,765	25,158	14.3	28,766	25,159	14.3
Tax-exempt income		192	160	20.0	192	160	20.0
Income available for distribution		28,957	25,318	14.4	28,958	25,319	14.4
Distribution comprises:							
- from taxable income		28,595	21,694	31.8	28,595	21,694	31.8
- from other gains		1,986	-	N.M.	1,986	-	N.M.
		30,581	21,694	41.0	30,581	21,694	41.0

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

The REIT Manager resolved to distribute S\$30.6 million to Stapled Securityholders for 1H 2022, comprising taxable income of S\$28.6 million; and other gains of S\$2.0 million from divestment of VRCQ. The REIT Manager intends to distribute approximately S\$8.0 million per year over three years. For FY 2022, distribution from divestment gains will be S\$6.2 million to cover the nine months after the disposal of VRCQ.

Notes:

N.M. – Not meaningful

- (a) The decrease in property tax expense is due to lower annual value assessment for the majority of the properties.
- (b) The share of results of joint venture relates to the equity accounting of Fontaine Investment Pte Ltd's ("FIPL") results. The share of losses has exceeded the carrying amount of the investment since 2H 2021.
- (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 gain on disposal of investment property pertains to the divestment of VRCQ which was completed on 24 March 2022.
- (e) Included in the net tax adjustments are the following:

Note	Far East H-Trust			Far East H-REIT		
	1H 2022	1H 2021	Better / (Worse)	1H 2022	1H 2021	Better / (Worse)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
- REIT Manager's fees paid/payable in Stapled Securities	4,061	4,136	(1.8)	4,061	4,136	(1.8)
- Trustee's fees	155	157	(1.3)	155	157	(1.3)
- Amortisation of debt-related transaction cost	379	326	16.3	379	326	16.3
- Fair value change in investment properties	-	(1,252)	100.0	-	(1,252)	100.0
- Fair value change in derivative financial instruments	(10,700)	(7,420)	(44.2)	(10,700)	(7,420)	(44.2)
- Gain on disposal of investment property	(39,296)	-	N.M.	(39,296)	-	N.M.
- Share of results of joint venture	-	2,496	(100.0)	-	2,496	(100.0)
- Other items	(306)	(159)	(92.5)	(306)	(159)	(92.5)
Net tax adjustments	(45,707)	(1,716)	>(100.0)	(45,707)	(1,716)	>(100.0)

Notes:

N.M. – Not meaningful

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

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022
1(b) Balance Sheets
1(b)(i) Balance Sheets as at 30 June 2022

	Note	As at 30 June 2022			As at 31 December 2021		
		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)	2,339,575	2,339,575	-	2,336,500	2,336,500	-
Joint venture	(b)	-	-	-	-	-	-
Derivative assets	(h)	10,935	10,935	-	2,450	2,450	-
Total non-current assets		2,350,510	2,350,510	-	2,338,950	2,338,950	-
Current assets							
Cash and cash equivalents	(c)	55,936	55,936	-	11,694	11,694	-
Prepayments		19	19	-	81	81	-
Trade and other receivables	(d)	44,242	44,242	30	42,683	42,683	30
Investment property held for sale	(e)	-	-	-	271,400	271,400	-
Derivative assets	(h)	94	94	-	-	-	-
Total current assets		100,291	100,291	30	325,858	325,858	30
Total assets		2,450,801	2,450,801	30	2,664,808	2,664,808	30
Current liabilities							
Trade and other payables	(f)	2,464	2,458	36	53,085	53,080	35
Borrowings	(g)	132,040	132,040	-	181,304	181,304	-
Accruals		4,833	4,832	1	4,316	4,315	1
Derivative financial liabilities	(h)	3	3	-	970	970	-
Rental deposits		2,345	2,345	-	2,567	2,567	-
Deferred income		90	90	-	90	90	-
Income tax payable		39	39	-	67	67	-
Total current liabilities		141,814	141,807	37	242,399	242,393	36
Non-current liabilities							
Borrowings	(g)	605,977	605,977	-	766,335	766,335	-
Derivative financial liabilities	(h)	-	-	-	1,154	1,154	-
Rental deposits		5,556	5,556	-	5,657	5,657	-
Deferred income		826	826	-	871	871	-
Total non-current liabilities		612,359	612,359	-	774,017	774,017	-
Total liabilities		754,173	754,166	37	1,016,416	1,016,410	36
Net assets		1,696,628	1,696,635	(7)	1,648,392	1,648,398	(6)
Represented by:							
Unitholders' funds							
Unitholders' funds of Far East H-REIT		1,696,635	1,696,635	-	1,648,398	1,648,398	-
Unitholders' funds of Far East H-BT		(7)	-	(7)	(6)	-	(6)
		1,696,628	1,696,635	(7)	1,648,392	1,648,398	(6)

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022**Notes:**

- (a) The increase in investment properties was mainly attributable to capital expenditure capitalised for Orchard Rendezvous Hotel and Vibe Singapore Orchard (formerly known as The Elizabeth Hotel). Please refer to Note 1(e)(3) *Investment properties* for more details.
- (b) This relates to the 30% joint venture interest in FIPL, for which the share of losses exceeded the carrying value of investment as at 30 June 2022.
- (c) Cash and cash equivalents comprise cash at bank of S\$7.9 million and fixed deposits of S\$48.0 million. The increase in cash and cash equivalents is due to balance proceeds from divestment after repayment of term loans and cash generated from operations.
- (d) This includes a shareholders' loan and accrued interest due from FIPL of S\$35.8 million. The amount is used to finance the development of Village Hotel Sentosa, The Outpost Hotel Sentosa and The Barracks Hotel Sentosa which commenced hotel operations in 2019.
- (e) This pertains to VRCQ which was reclassified from investment properties to investment property held for sale as a put and call option agreement was entered in December 2021 to divest the investment property. The divestment of VRCQ was completed on 24 March 2022.
- (f) The decrease in trade and other payables is mainly due to option fee of S\$47.0 million received for the put and call option entered in December 2021 to divest VRCQ which was realised as gain on disposal of investment property upon completion of the divestment on 24 March 2022.
- (g) The total gross borrowings as at 30 June 2022 of S\$739.3 million was S\$210.0 million lower compared to balances as at 31 December 2021 due to repayment of term loans of S\$210.0 million in March 2022 from the proceeds of the divestment of VRCQ.

The current borrowings relate to term loans amounting to S\$132.2 million due to mature in April 2023. The REIT Manager is evaluating and assessing the refinancing options with its lenders for the term loans

As at 30 June 2022, Far East H-REIT has undrawn and uncommitted revolving credit facilities ("RCF") of S\$300.0 million with 4 banks to fulfill its liabilities as and when they fall due.

Please refer to the details of aggregate amount of borrowings as disclosed in Note 1(e)(5) *Borrowings*.

- (h) This relates to the fair value of interest rate swap contracts entered to hedge against interest rate risk exposure of Far East H-REIT.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022
1(c) Cash Flow Statements

	Note	Far East H-Trust		Far East H-REIT	
		1H 2022	1H 2021	1H 2022	1H 2021
		S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities					
Total return before income tax		74,472	26,874	74,473	26,875
Adjustments for:					
Interest and other income		(377)	(241)	(377)	(241)
Finance expenses		8,132	10,691	8,132	10,691
Fair value change in derivative financial instruments		(10,700)	(7,420)	(10,700)	(7,420)
Fair value change in investment properties		-	(1,252)	-	(1,252)
Gain on disposal of investment property		(39,296)	-	(39,296)	-
REIT Manager's fees issued/issuable in Stapled Securities		4,061	4,136	4,061	4,136
Share of results of joint venture		-	2,496	-	2,496
(Reversal of)/Impairment losses on trade receivables		(27)	346	(27)	346
Operating profit before working capital changes		36,265	35,630	36,266	35,631
Changes in working capital					
Trade and other receivables		362	(2,293)	362	(2,293)
Trade and other payables		(3,717)	(5,351)	(3,718)	(5,352)
Rental deposits		(371)	(78)	(371)	(78)
Income tax paid		(67)	(90)	(67)	(90)
Cash flows generated from operating activities		32,472	27,818	32,472	27,818
Cash flows from investing activities					
Capital expenditure on investment properties	(a)	(2,288)	(70)	(2,288)	(70)
Net proceeds from divestment of investment property		263,716	-	263,716	-
Loan to joint venture		(1,500)	(3,060)	(1,500)	(3,060)
Cash flows generated from/ (used in) investing activities		259,928	(3,130)	259,928	(3,130)
Cash flows from financing activities					
Proceeds from borrowings	(b)	17,821	158,660	17,821	158,660
Finance costs paid		(7,900)	(11,949)	(7,900)	(11,949)
Repayment of borrowings	(b)	(227,821)	(149,860)	(227,821)	(149,860)
Distribution to Stapled Securityholders	(c)	(30,258)	(27,105)	(30,258)	(27,105)
Cash flows used in financing activities		(248,158)	(30,254)	(248,158)	(30,254)
Net increase / (decrease) in cash and cash equivalents		44,242	(5,566)	44,242	(5,566)
Cash and cash equivalents at beginning of the period		11,694	10,919	11,694	10,919
Cash and cash equivalents at end of the period		55,936	5,353	55,936	5,353

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022
Notes:

- (a) Capital expenditure incurred mainly relates to asset enhancement work carried out at the properties such as Orchard Rendezvous Hotel, Vibe Singapore Orchard (formerly known as The Elizabeth Hotel) and Village Hotel Bugis.
- (b) The RCF of S\$17.8 million was drawdown during the period to partially fund the 2H 2021 cash distributions to Stapled Securityholders. The repayment of borrowings pertains to repayment of term loan of \$210.0 million and RCF of \$17.8 million from consideration received from divestment of the leasehold interest in VRCQ and cash flows generated from operations.
- (c) The distribution to Stapled Securityholders in 1H 2022 relates to the cash distribution for the financial period from 1 July 2021 to 31 December 2021, which was paid on 23 March 2022. In the corresponding period, the distribution to Stapled Securityholders in 1H 2021 relates to the cash distribution for the financial period from 1 July 2020 to 31 December 2020, which was paid on 22 March 2021.

1(d) Statements of Movement in Stapled Securityholders' Funds
1(d)(i) Statements of Changes in Stapled Securityholders' Funds for the period from 1 January 2022 to 30 June 2022

	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 2022	1,771,304	(122,906)	1,648,398	28	(34)	(6)	1,648,392
Operations							
Decrease in net assets resulting from operations	-	74,434	74,434	-	(1)	(1)	74,433
	-	74,434	74,434	-	(1)	(1)	74,433
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	4,061	-	4,061	-	-	-	4,061
Distribution to Stapled Securityholders ^(b)	-	(30,258)	(30,258)	-	-	-	(30,258)
Net increase/(decrease) in net assets resulting from unitholders' transactions	4,061	(30,258)	(26,197)	-	-	-	(26,197)
Balance at 30 June 2022	1,775,365	(78,730)	1,696,635	28	(35)	(7)	1,696,628

Notes:

- (a) This represents the Stapled Securities issued and to be issued as partial satisfaction of the base and performance management fees incurred for the financial period of 1 January 2022 to 30 June 2022. 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 FY 2022 will be issued in April 2023.
- (b) Distribution to Stapled Securityholders relates distribution paid in respect of financial period from 1 July 2021 to 31 December 2021.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022
**1(d)(i) Statements of Changes in Stapled Securityholders' Funds
for the period from 1 January 2021 to 30 June 2021**

	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 2021	1,762,807	(205,118)	1,557,689	28	(33)	(5)	1,557,684
Operations							
Decrease in net assets resulting from operations	-	26,842	26,842	-	(1)	(1)	26,841
	-	26,842	26,842	-	(1)	(1)	26,841
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	4,136	-	4,136	-	-	-	4,136
Distribution to Stapled Securityholders ^(b)	-	(27,105)	(27,105)	-	-	-	(27,105)
Net increase/(decrease) in net assets resulting from unitholders' transactions	4,136	(27,105)	(22,969)	-	-	-	(22,969)
Balance at 30 June 2021	1,766,943	(205,381)	1,561,562	28	(34)	(6)	1,561,556

Notes:

- (a) This represents the Stapled Securities issued and to be issued as partial satisfaction of the base and performance management fees incurred for the financial period of 1 January 2021 to 30 June 2021. The Stapled Securities relating to base management fee were issued within 30 days from quarter end. Stapled Securities relating to performance management fee for FY 2021 were issued on 28 April 2022.
- (b) Distribution to Stapled Securityholders relates to distribution paid in respect of the financial period from 1 July 2020 to 31 December 2020.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

1(e) Notes to the interim financial information**1. Corporate information**

Far East Hospitality Trust (“Far East H-Trust” or “Stapled Group”) is a 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 is a Singapore-domiciled real estate investment trust constituted in Singapore pursuant to the trust deed dated 1 August 2012, the first supplemental deed dated 19 October 2012, the second supplemental deed dated 18 April 2016, the third supplemental deed dated 17 April 2019, the fourth supplemental deed dated 23 March 2020 and the fifth supplemental deed dated 29 April 2020 (collectively, the “Far East H-REIT Trust Deed”) between FEO Hospitality Asset Management Pte. Ltd. (the “REIT Manager”) and DBS Trustee Limited (the “REIT Trustee”). The REIT Trustee is under a duty to take into custody and hold the assets of Far East H-REIT in trust for the unitholders of Far East H-REIT.

Far East H-BT is a Singapore-domiciled business trust constituted in Singapore by a trust deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019 (“Far East H-BT Trust Deed”) and is managed by FEO Hospitality Trust Management Pte. Ltd. (the “Trustee-Manager”).

The registered office of the REIT Manager and the Trustee-Manager (collectively, the “Managers”) is located at 1 Tanglin Road, #05-01 Orchard Rendezvous Hotel, Singapore 247905.

The securities in each of Far East H-REIT and Far East H-BT are stapled together under the terms of a stapling deed dated 1 August 2012 and the first supplemental deed dated 17 April 2019 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager (the “Stapling Deed”) and cannot be traded separately. Each stapled security in Far East Hospitality Trust (the “Stapled Security”) comprises a unit in Far East H-REIT and a unit in Far East H-BT.

Far East H-Trust was formally admitted to the Official List of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 27 August 2012.

The principal activity of Far East H-REIT is to invest in income producing real estate in Singapore, used primarily for hospitality and/or hospitality related purposes, with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth.

As at the reporting date, Far East H-BT is inactive.

2. Basis of preparation

The interim financial information of Far East H-REIT and the Stapled Group for the six months ended 30 June 2022 have been prepared in accordance with the recommendations of Statement of Recommended Accounting Practice (“RAP”) 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Far East H-REIT Trust Deed and the Stapling Deed. RAP 7 requires the accounting policies to generally comply with the principles relating to recognition and measurement under the Financial Reporting Standards in Singapore (“FRS”).

The interim financial information do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Far East H-REIT and the Stapled Group’s financial position and performance of Far East H-REIT and the Stapled Group since the most recent audited annual financial statements for the period ended 31 December 2021. The accounting policies and methods of computation adopted in the interim financial information for the current reporting period are consistent with those applied in the audited financial statements for the year ended 31 December 2021 except for the adoption of amended standards as set out in Note 2.1.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

The financial information are presented in Singapore dollars, which is the functional currency of Far East H-REIT and rounded to the nearest thousand (S\$'000), unless otherwise stated. The financial information have been prepared on the historical cost basis except for investment properties and financial derivative instruments which are stated at fair value.

2.1 **Amended standards adopted by Far East H-REIT and the Stapled Group**

A number of amendments to Standards have become applicable for the current reporting period. Far East H-REIT and the Stapled Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 **Use of judgements and estimates**

In preparing the interim financial information, the REIT Manager has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the REIT Manager in applying the Far East H-REIT and the Stapled Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Financial impact arising from revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in Note 3 – *Investment properties* and Note 4 – *Investment property held for sale*.

Far East H-REIT assesses at the end of each reporting period whether there is any indication that the interest in joint venture may be impaired. Determining whether there are indicators of impairment require judgements. In assessing whether the interest may be impaired, the REIT Manager reviews the joint venture's financial information, having regards to the financial performance and the fair value of the hotels held by the joint venture.

3. **Investment properties**

	As at 30 June 2022		As at 31 December 2021	
	Far East H-Trust S\$'000	Far East H-REIT S\$'000	Far East H-Trust S\$'000	Far East H-REIT S\$'000
At 1 January	2,336,500	2,336,500	2,528,700	2,528,700
(Net) Capital expenditure capitalised	3,075	3,075	963	963
Fair value change recognised in statement of total return	-	-	78,237	78,237
Transfer to investment property held for sale	-	-	(271,400)	(271,400)
At 30 June/31 December	2,339,575	2,339,575	2,336,500	2,336,500

Investment properties are based on valuations determined by independent external valuers as at 31 December 2021, adjusted for capital expenditure incurred subsequent to the valuation date. The REIT Manager has assessed that the fair value of the investment properties as at 30 June 2022 and in consultation with external valuers, is of the view that the fair value of the investment properties has not materially changed from the 31 December 2021 valuation except to the extent of capital expenditure incurred during the six-month period ended 30 June 2022.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

As at 31 December 2021, independent valuations of the investment properties were undertaken by CBRE Pte. Ltd. based on the income capitalisation approach and the discounted cash flow analysis for the hotels (direct comparison approach was also used for the retail commercial premises); and Savills Valuation And Professional Services (S) Pte Ltd based on income capitalisation approach, the discounted cash flow analysis and the direct comparison approach for the serviced residences. The REIT Manager believes that these independent valuers possess appropriate professional qualifications and recent experience in the location and category of the investment properties being valued.

The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yields, terminal yields and discount rates. The valuation reports obtained from the valuers also highlighted that given the unprecedented set of circumstances on which to base a judgment, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the valuers have also recommended to keep the valuation of the properties under frequent review. The REIT Manager is of the view that the valuation methods and estimates are reflective of the market conditions as at 30 June 2022.

The fair value of the investment properties is categorised as Level 3 of the fair value measurement hierarchy and is determined by key assumptions which include market-corroborated capitalisation yields, terminal yields and discount rates. A significant increase or decrease in the discount rate and/or capitalisation rate would result in a significantly lower or higher fair value measurement. The higher the comparable sales price, the higher the fair value.

4. Investment property held for sale

On 2 December 2021, REIT Trustee entered into a put and call option agreement and the binding contract for the sale and purchase of the leasehold Interest in VRCQ deemed entered into upon exercise of the call option or (as the case may be) the put option with an unrelated third-party acquirer, to divest its leasehold interest in VRCQ, for S\$313.2 million plus a potential incentive fee of up to S\$18.0 million. The divestment was completed on 24 March 2022.

The carrying amount of the investment property held for sale as at 31 December 2021 of S\$271.4 million was based on an independent valuation undertaken by Savills Valuation And Professional Services (S) Pte Ltd using the residual method and direct comparison approach.

The valuation method used in determining the fair value involves certain estimates including the gross development value and cost of construction. The specific risks inherent in the property are taken into consideration in arriving at the property valuation. The REIT Manager has reviewed the appropriateness of the valuation methodologies, assumptions and estimates adopted and is of the view that they are reflective of the market conditions as at 31 December 2021.

The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The significant unobservable inputs include price per square metre, gross development value per square metre or per room and cost of construction per square metre. The higher the comparable sales price, the higher the fair value. An increase in the gross development value per square foot or a decrease in the cost of construction per square foot would result in a higher fair value.

5. Borrowings

	As at 30 June 2022		As at 31 December 2021	
	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	132,040	132,040	181,304	181,304
Amounts repayable after one year	605,977	605,977	766,335	766,335
	738,017	738,017	947,639	947,639

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022
Details of borrowings and collateral:

The total facilities of Far East H-REIT as at 30 June 2022 are as follows:

- Unsecured term loan facilities of S\$739.3 million; and
- S\$300.0 million of uncommitted RCF.

For the S\$132.2 million term loans due to mature in April 2023, the REIT Manager is evaluating and assessing the refinancing options for the term loans. The refinancing of these term loans are expected to be completed before the repayment date.

The weighted average cost of debt was approximately 1.8% per annum. The weighted average debt-to-maturity was 2.8 years.

Gearing as of 30 June 2022 was 33.3% (31 December 2021: 38.3%). Interest coverage ratio¹ as at 30 June 2022 was 4.0x (31 December 2021: 3.4x).

6. Stapled Securities/ Units in issue

A Stapled Security means a security comprising one unit of Far East H-REIT and one unit of Far East H-BT stapled together under the terms of the Stapling Deed.

Details of Changes in Stapled Securities

	Far East H-Trust	
	1H 2022 No. of Stapled Securities '000	1H 2021 No. of Stapled Securities '000
Stapled Securities in issue at beginning of period	1,974,831	1,961,401
Issuance of Stapled Securities:		
- REIT Manager's fees	8,542	8,057
Stapled Securities in issue	1,983,373	1,969,458
Stapled Securities to be issued:		
- REIT Manager's fees – Base fees	2,416	2,741
- REIT Manager's fees – Performance fees (a)	1,633	1,548
Stapled Securities in issue and to be issued at end of period	1,987,422	1,973,747

Footnotes:

- (a) Stapled Securities to be issued to the REIT Manager as part satisfaction of REIT Manager's performance fee for the period from 1 January 2022 to 30 June 2022 are not entitled to 1H 2022 distribution.

¹ Interest coverage ratio is computed based on earnings before interest, tax, depreciation and amortisation ("EBITDA") over interest expense as per the definition in the loan covenants. This would be 3.7x (31 December 2021: 3.1x) based on the definition prescribed by Appendix 6 of the Code on Collective Investment Schemes.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022
7. Earnings per Stapled Security (“EPS”) and Distribution per Stapled Security (“DPS”)

	Far East H-Trust	
	1H 2022	1H 2021
Weighted average number of Stapled Securities ('000)	1,979,271	1,965,603
Basic EPS (cents)	3.76	1.37
Weighted average number of Stapled Securities ('000) ⁽¹⁾	1,983,320	1,969,892
Diluted EPS (cents)	3.75	1.36
Number of Stapled Securities in issue at end of period ('000)	1,983,372	1,969,458
Number of Stapled Securities to be issued before Books Closure Date ('000)	2,416	2,741
Total number of Stapled Securities entitled to distribution ('000)	1,985,788	1,972,199
DPS (cents) ⁽²⁾	1.54	1.10

⁽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.

⁽²⁾ S\$3.5 million of taxable income available for distribution to Stapled Securityholders was retained in 1H 2021 due to COVID-19 uncertainties.

8. Net Asset Value (“NAV”) / Net Tangible Asset (“NTA”) per Stapled Security

	Far East H-Trust	
	30 June 2022	31 December 2021
Stapled Securities in issue and to be issued at end of period ('000)	1,987,422	1,981,038
NAV / NTA per Stapled Security (cents)	85.37	83.21

9. Financial ratios

	1H 2022		1H 2021	
	Far East H-Trust %	Far East H-REIT %	Far East H-Trust %	Far East H-REIT %
Expense ratio ⁽¹⁾				
- Including performance component of the REIT Manager's management fees	0.65	0.65	0.64	0.64
- Excluding performance component of the REIT Manager's management fees	0.52	0.52	0.52	0.52
Turnover ratio ⁽²⁾	-	-	-	-

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

- (1) The expense ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of Far East H-REIT and the Stapled Group, excluding property expenses, interest expense and income tax expense of each entity, where applicable.
- (2) The turnover ratio is computed based on the lesser of purchases or sales of underlying investment properties of Far East H-REIT and the Stapled Group expressed as a percentage of daily average net asset value.

10. Subsequent events

On 27 July 2022, Far East H-Trust issued 2,415,985 new Stapled Securities at a price of S\$0.6363 per Stapled Security in payment of 90% of the REIT Manager's fees (base fees) for the period from 1 April 2022 to 30 June 2022.

On 29 July 2022, the REIT Manager declared a distribution of S\$30,581,141 or 1.54 Singapore cents per Stapled Security to Stapled Securityholders in respect of the period from 1 January 2022 to 30 June 2022.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

Other information required by Listing Rule Appendix 7.2

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

The interim financial information of the Far East H-REIT and the Far East H-Trust have neither been audited or 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.**

Please refer to 1(e)(2) *Basis of preparation* for details.

- 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.**

Please refer to 1(e)(2) *Basis of preparation* for details.

- 6 Earnings per Stapled Security and Distribution per Stapled Security**

Please refer to Note 1(e)(7) *Earnings per Stapled Security and Distribution per Stapled Security* for details.

- 7 Net Asset Value / Net Tangible Asset per Stapled Security**

Please refer to Note 1(e)(8) *Net Asset Value / Net Tangible Asset per Stapled Security* for details.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022
8 A review of the performance for the half-year ended 30 June 2022
8(a) Statement of net income and distribution of Far East Hospitality Trust

	1H 2022 S\$'000	1H 2021 S\$'000	Better / (Worse) %
Gross revenue	40,998	41,569	(1.4)
Net property income	37,455	36,193	3.5
<i>Net property income margin</i>	<i>91.4%</i>	<i>87.1%</i>	<i>4.3 pp</i>
Income available for distribution	28,957	25,318	14.4
Distribution to Stapled Securityholders	30,581	21,694	41.0
DPS (cents)	1.54	1.10	40.0

8(b) Review of the performance of half-year ended 30 June 2022
1H 2022 vs 1H 2021

Gross revenue for 1H 2022 declined 1.4% year-on-year to S\$41.0 million mainly due to the divestment of VRCQ on 24 March 2022 offset by better performance from SR. The master lease rental for the hotel segment remained at the fixed rent level while the SR segment continued to perform above the fixed rent.

Average occupancy of the hotels declined year-on-year to 68.2%, resulting from the closure of The Elizabeth Hotel for renovation. The average daily rate ("ADR") was 50.0% higher year-on-year at S\$99, reflecting higher contracted rates with the Government and a continued pick-up from inbound travelers across non-government contracted hotels. Correspondingly, Revenue per available room ("RevPAR") was higher year-on-year by 31.4% at S\$67.

The SRs continued to demonstrate strong performance, supported by corporate groups and increased demand from professionals requiring long-stay accommodation. Average occupancy of the SRs increased 12.3pp to 88.5% while ADR grew 13.8% to S\$206. Consequently, revenue per available unit ("RevPAU") grew 31.9% year-on-year to S\$182.

A snapshot of the hotel and SR performance in 1H 2022 is set out below.

	1H 2022		1H 2021		Better / (Worse)	
	Hotels	SRs ²	Hotels	SRs ²	Hotels	SRs
Average Occupancy (%)	68.2	88.5	77.6	76.2	(9.4pp)	12.3pp
Average Daily Rate (S\$)	99	206	66	181	50.0%	13.8%
RevPAR / RevPAU (S\$)	67	182	51	138	31.4%	31.9%

Revenue from the retail and office spaces declined 1.5% year-on-year to S\$7.3 million in 1H 2022 due to the disposal of VRCQ. Excluding the effect of VRCQ, revenue from the retail and office spaces would have increased 12.6% year-on-year on a same-store basis.

Net property income was higher by 3.5% at S\$37.5 million. Finance expenses were lower by 23.9% year-on-year mainly due to repayment of S\$260.3 million of term loans and RCF using proceeds from the divestment of VRCQ and lower fixed rates on interest rate swap contracts.

Distribution to Stapled Securityholders was S\$30.6 million, 41.0% higher year-on-year, due to higher net property income contribution, lower finance cost and other gains distribution from the divestment of VRCQ, translating into

² On a same-store basis, if VRCQ was excluded for both years, average occupancy would have increased 8.2pp year-on-year from 82.0% to 90.2% in 1H 2022 and ADR would have grown 6.7% from S\$195 to S\$208. RevPAU would be 16.9% higher year-on-year from S\$160 to S\$187.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

a distribution per Stapled Security of 1.54 Singapore cents compared to 1.10 Singapore cents in the preceding period.

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 near-term prospects have improved with the progressive re-opening of international borders, easing of COVID-19 measures and streamlining of travel measures by the Singapore government.

For the first half of 2022, Singapore received 1.5 million visitor arrivals, nearly 12 times more than the previous year. The Singapore Tourism Board expects visitor arrivals to reach 4 to 6 million for the year 2022.

Uncertainties over the war in Ukraine, inflationary risk, and further rise in interest rates could adversely affect consumer sentiment and slow the recovery of the hospitality industry. Notwithstanding these developments, Far East H-Trust continues to be protected by the fixed rent component of the long-term master leases for all our properties.

Nonetheless, the REIT Manager is optimistic over the longer-term prospect of the hospitality industry given the continuing efforts by the government and the industry to build Singapore into an attractive destination for investments, MICE and leisure.

11 DISTRIBUTIONS
Current financial period

Any distribution declared for the current period?
Distribution period

Yes

Distribution for the half-year from 1 January 2022 to 30 June 2022

Distribution type

Taxable income
 Other gains

Distribution per stapled security

Distribution Type	Distribution Rate (cents)
Taxable income	1.44
Other gains	0.10
Total	1.54

Tax rate

Taxable income distribution

Qualifying investors and individuals (other than those who held their stapled securities through a partnership) would receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors and foreign funds received their distributions after deduction of tax at the rate of 10%.

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

	All other investors received their distributions after deduction of tax at the rate of 17%.
	<u>Other gains distribution</u>
	Other gains distribution is not taxable in the hands of all Stapled Securityholders.
Date paid/payable	6 September 2022
Books closure date	8 August 2022
Stapled Securityholders must complete and return Form A or Form B, as applicable	23 August 2022

Corresponding period of the preceding financial period

Any distribution declared for the preceding period?	Yes
Distribution period	Distribution for the half-year from 1 January 2021 to 30 June 2021
Distribution type	Taxable income
Distribution per stapled security	1.10 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 and foreign funds 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%.

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 as 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-

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

Manager which may render these interim financial statements of Far East Hospitality Trust to be false or misleading in any material respect.

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

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

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer
FEO Hospitality Asset Management Pte. Ltd.
(Company Registration No. 201102629K)
29 July 2022

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer
FEO Hospitality Trust Management Pte. Ltd.
(Company Registration No. 201210698W)
29 July 2022

Unaudited Financial Statements Announcement for the half-year ended 30 June 2022

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.