

Far East Hospitality Trust
Unaudited Financial Statements Announcement
For the half year ended 30 June 2023

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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. 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, and the binding contract for the sale and purchase of the leasehold interest in Village Residences Clarke Quay (“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 for the divestment of its leasehold interest in VRCQ. 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 till 31 December 2022.

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 2023
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 2023	1H 2022	Better / (Worse)	1H 2023	1H 2022	Better / (Worse)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Master lease rental	(a)	43,992	33,748	30.4	43,992	33,748	30.4
Retail and office revenue		8,046	7,250	11.0	8,046	7,250	11.0
Gross revenue		52,038	40,998	26.9	52,038	40,998	26.9
Property tax	(b)	(1,883)	(2,395)	21.4	(1,883)	(2,395)	21.4
Property insurance		(49)	(46)	(6.5)	(49)	(46)	(6.5)
MCST contribution		(158)	(180)	12.2	(158)	(180)	12.2
Retail and office expenses		(869)	(727)	(19.5)	(869)	(727)	(19.5)
Reversal of impairment losses on trade receivables		100	27	>100.0	100	27	>100.0
Property manager fees		(209)	(222)	5.9	(209)	(222)	5.9
Property expenses		(3,068)	(3,543)	13.4	(3,068)	(3,543)	13.4
Net property income		48,970	37,455	30.7	48,970	37,455	30.7
REIT Manager's fees		(5,057)	(4,512)	(12.1)	(5,057)	(4,512)	(12.1)
Trustee's fees		(157)	(155)	(1.3)	(157)	(155)	(1.3)
Other trust expenses		(533)	(557)	4.3	(532)	(556)	4.3
Interest and other income	(c)	1,879	377	>100.0	1,879	377	>100.0
Finance expenses	(d)	(12,084)	(8,132)	(48.6)	(12,084)	(8,132)	(48.6)
Net income before joint venture's results		33,018	24,476	34.9	33,019	24,477	34.9
Share of results of joint venture	(e)	-	-	N.M.	-	-	N.M.
Net income before tax and fair value changes		33,018	24,476	34.9	33,019	24,477	34.9
Unrealised foreign exchange loss	(f)	(1,917)	-	N.M.	(1,917)	-	N.M.
Fair value change in derivative financial instruments	(g)	(5,158)	10,700	>(100.0)	(5,158)	10,700	>(100.0)
Gain on disposal of investment property	(h)	17,912	39,296	(54.4)	17,912	39,296	(54.4)
Total return for the period before income tax		43,855	74,472	(41.1)	43,856	74,473	(41.1)
Income tax expense		(136)	(39)	>(100.0)	(136)	(39)	>(100.0)
Total return for the period		43,719	74,433	(41.3)	43,720	74,434	(41.3)
Distribution Statement							
Total return for the period before income tax		43,855	74,472	(41.1)	43,856	74,473	(41.1)
Net tax adjustments	(i)	(7,107)	(45,707)	84.5	(7,107)	(45,707)	84.5
Taxable income		36,748	28,765	27.8	36,749	28,766	27.8
Tax-exempt income		664	192	>100.0	664	192	>100.0
Income available for distribution		37,412	28,957	29.2	37,413	28,958	29.2
Distribution comprises:							
- from taxable income		34,401	28,595	20.3	34,401	28,595	20.3
- from other gains		4,000	1,986	>100.0	4,000	1,986	>100.0
		38,401	30,581	25.6	38,401	30,581	25.6

The Manager resolved to distribute S\$38.4 million to Stapled Securityholders for 1H 2023, comprising taxable income of S\$34.4 million; and other gains of S\$4.0 million from divestment of VRCQ. Far East H-REIT's distribution policy is to distribute at least 90.0% of its taxable income for the full financial year. For 1H 2023, the Manager has resolved to distribute 93.6% of the taxable income available for distribution to the Stapled Securityholders.

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Notes:

N.M. – Not meaningful

- (a) Refer to section 8 on “Review of performance” for the explanation of variances.
- (b) The decrease in property tax expense is due to lower annual value assessment for all properties.
- (c) Higher interest and other income arose from higher interest rates on the shareholder loan due from Fontaine Investment Pte Ltd (“FIPL”) and interest income earned on fixed deposits placement.
- (d) Higher finance expenses are mainly due to higher interest rates on the floating rate loans.
- (e) The share of results of joint venture relates to the equity accounting of FIPL’s results. The share of losses has exceeded the carrying amount of the investment since December 2021.
- (f) The unrealised foreign exchange loss arose from exchange difference on the US dollar denominated term loan. A cross currency swap (“CCS”) has been entered into to hedge against any foreign exchange exposure on the principal and interest payments. This is a non-tax chargeable / deductible item and has no impact on the taxable income and distributable income to the Stapled Securityholders.
- (g) This relates to net change in fair value of interest rate swap and cross currency swap contracts entered to hedge against the interest rate and foreign currency 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.
- (h) The gain on disposal of investment property pertains to the incentive fee received on 24 March 2023 for the divestment of VRCQ which was completed in March 2022.
- (i) Included in the net tax adjustments are the following:

No	Far East H-Trust			Far East H-REIT		
	1H 2023	1H 2022	Better / (Worse)	1H 2023	1H 2022	Better / (Worse)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
(i)	4,552	4,061	12.1	4,552	4,061	12.1
- REIT Manager's fees paid/payable in Stapled Securities						
- Trustee's fees	157	155	1.3	157	155	1.3
- Amortisation of debt-related transaction cost	259	379	(31.7)	259	379	(31.7)
- Unrealised foreign exchange loss	1,917	-	N.M.	1,917	-	N.M.
- Fair value change in derivative financial instruments	5,158	(10,700)	>100.0	5,158	(10,700)	>100.0
- Gain on disposal of investment property	(17,912)	(39,296)	54.4	(17,912)	(39,296)	54.4
- Other items	(1,238)	(306)	>(100.0)	(1,238)	(306)	>(100.0)
Net tax adjustments	(7,107)	(45,707)	84.5	(7,107)	(45,707)	84.5

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 2023
1(b) Balance Sheets
1(b)(i) Balance Sheets as at 30 June 2023

	Note	As at 30 June 2023			As at 31 December 2022		
		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)	2,448,545	2,448,545	-	2,446,750	2,446,750	-
Joint venture	(b)	-	-	-	-	-	-
Derivative financial assets	(c)	2,153	2,153	-	8,982	8,982	-
Total non-current assets		2,450,698	2,450,698	-	2,455,732	2,455,732	-
Current assets							
Cash and cash equivalents	(d)	64,252	64,252	-	49,774	49,774	-
Prepayments		20	20	-	81	81	-
Trade and other receivables	(e)	49,136	49,136	30	45,489	45,489	30
Derivative financial assets	(c)	5,688	5,688	-	4,017	4,017	-
Total current assets		119,096	119,096	30	99,361	99,361	30
Total assets		2,569,794	2,569,794	30	2,555,093	2,555,093	30
Current liabilities							
Trade and other liabilities	(f)	3,562	3,555	37	2,704	2,698	36
Borrowings	(g)	124,950	124,950	-	-	-	-
Accruals	(h)	3,972	3,971	1	5,892	5,891	1
Rental deposits		1,438	1,438	-	1,775	1,775	-
Deferred income		90	90	-	90	90	-
Income tax payable		136	136	-	146	146	-
Total current liabilities		134,148	134,140	38	10,607	10,600	37
Non-current liabilities							
Borrowings	(g)	614,796	614,796	-	737,816	737,816	-
Rental deposits		6,491	6,491	-	6,094	6,094	-
Deferred income		736	736	-	781	781	-
Total non-current liabilities		622,023	622,023	-	744,691	744,691	-
Total liabilities		756,171	756,163	38	755,298	755,291	37
Net assets		1,813,623	1,813,631	(8)	1,799,795	1,799,802	(7)
Represented by:							
Unitholders' funds							
Unitholders' funds of Far East H-REIT		1,813,631	1,813,631	-	1,799,802	1,799,802	-
Unitholders' funds of Far East H-BT		(8)	-	(8)	(7)	-	(7)
		1,813,623	1,813,631	(8)	1,799,795	1,799,802	(7)

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Notes:

- (a) The increase in investment properties was mainly attributable to the capital expenditure capitalised for Orchard Rendezvous Hotel, Rendezvous Hotel Singapore and Vibe Hotel Singapore Orchard. Please refer to the details in Note 1(e)(3) *Investment properties*.
- (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 2023.
- (c) This relates to the fair value of interest rate swap and CCS contracts entered to hedge against interest rate risk and foreign exchange exposure of Far East H-REIT.
- (d) Cash and cash equivalents comprise cash at bank of S\$5.0 million and fixed deposits of S\$59.3 million. The increase in cash and cash equivalents is mainly due to the incentive fee received from divestment of VRCQ.
- (e) This includes a shareholders' loan and accrued interest due from FIPL of S\$37.2 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. The increase in trade and other receivables is mainly due to higher trade receivables and interest receivables from FIPL and fixed deposits.
- (f) The increase in trade and other payables is mainly due to higher GST payable arising from higher lease billings in the second quarter.
- (g) The total gross borrowings as at 30 June 2023 of S\$741.2 million. The increase from the balances as at 31 December 2022 is due to unrealised foreign exchange loss on the US dollar denominated term loan. On 31 March 2023, a new facility with an option for either US or Singapore dollar denomination was drawn down to early refinance the existing S\$100.0 million term loan ahead of its maturity on 28 March 2024.

The current borrowings relate to a term loan of S\$125.0 million due to mature in March 2024. The REIT Manager is evaluating and assessing the refinancing options with its lenders for the term loan.

As at 30 June 2023, Far East H-REIT has undrawn and uncommitted revolving credit facilities ("RCF") of S\$275.0 million with 3 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)(4) *Borrowings*.

- (h) The decrease in accruals is mainly due to payment of capital expenditure accrued as at 31 December 2022.

Unaudited Financial Statements Announcement for the half year ended 30 June 2023
1(c) Cash Flow Statements

	Note	Far East H-Trust		Far East H-REIT	
		1H 2023	1H 2022	1H 2023	1H 2022
		S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities					
Total return before income tax		43,855	74,472	43,856	74,473
Adjustments for:					
Interest and other income		(1,879)	(377)	(1,879)	(377)
Finance expenses		12,084	8,132	12,084	8,132
Unrealised foreign exchange loss		1,917	-	1,917	-
Fair value change in derivative financial instruments		5,158	(10,700)	5,158	(10,700)
Gain on disposal of investment property		(17,912)	(39,296)	(17,912)	(39,296)
REIT Manager's fees issued/issuable in Stapled Securities		4,552	4,061	4,552	4,061
Share of results of joint venture		-	-	-	-
Reversal of impairment losses on trade receivables		(100)	(27)	(100)	(27)
Operating profit before working capital changes		47,675	36,265	47,676	36,266
Changes in working capital					
Trade and other receivables		(2,294)	362	(2,294)	362
Trade and other liabilities		716	(3,717)	715	(3,718)
Rental deposits		12	(371)	12	(371)
Income tax paid		(146)	(67)	(146)	(67)
Cash flows generated from operating activities		45,963	32,472	45,963	32,472
Cash flows from investing activities					
Capital expenditure on investment properties	(a)	(2,837)	(2,288)	(2,837)	(2,288)
Net proceeds from divestment of investment property		17,912	263,716	17,912	263,716
Loan to joint venture company		-	(1,500)	-	(1,500)
Interest received		547	-	547	-
Cash flows generated from investing activities		15,622	259,928	15,622	259,928
Cash flows from financing activities					
Proceeds from borrowings	(b)	100,000	17,821	100,000	17,821
Finance costs paid		(12,664)	(7,900)	(12,664)	(7,900)
Repayment of borrowings	(b)	(100,000)	(227,821)	(100,000)	(227,821)
Distribution to Stapled Securityholders	(c)	(34,443)	(30,258)	(34,443)	(30,258)
Cash flows used in financing activities		(47,107)	(248,158)	(47,107)	(248,158)
Net increase in cash and cash equivalents		14,478	44,242	14,478	44,242
Cash and cash equivalents at beginning of the period		49,774	11,694	49,774	11,694
Cash and cash equivalents at end of the period		64,252	55,936	64,252	55,936

Unaudited Financial Statements Announcement for the half year ended 30 June 2023
Notes:

- (a) Capital expenditure incurred mainly relates to asset enhancement work carried out at the properties namely Orchard Rendezvous Hotel, Rendezvous Hotel Singapore, Vibe Hotel Singapore Orchard and Village Hotel Changi.
- (b) The term loan of S\$100.0 million equivalent was drawn down in March 2023 to refinance a S\$100.0 million term loan due on 28 March 2024.
- (c) The distribution to Stapled Securityholders in 1H 2023 relates to the cash distribution for the financial period from 1 July 2022 to 31 December 2022, which was paid on 22 March 2023. In the corresponding period, 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.

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 2023 to 30 June 2023

	Stapled Securityholders' Funds						
	Far East H-REIT			Far East H-BT			Far East H-Trust
	Units in issue	Accumulated profit	Total	Units in issue	Accumulated loss	Total	Total
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Balance at 1 January 2023	1,779,791	20,011	1,799,802	28	(35)	(7)	1,799,795
Operations							
Increase in net assets resulting from operations	-	43,720	43,720	-	(1)	(1)	43,719
	-	43,720	43,720	-	(1)	(1)	43,719
Unitholders' transactions							
Issuance of Stapled Securities:							
- REIT Manager's fees ^(a)	4,552	-	4,552	-	-	-	4,552
Distribution to Stapled Securityholders ^(b)	-	(34,443)	(34,443)	-	-	-	(34,443)
Net increase/(decrease) in net assets resulting from unitholders' transactions	4,552	(34,443)	(29,891)	-	-	-	(29,891)
Balance at 30 June 2023	1,784,343	29,288	1,813,631	28	(36)	(8)	1,813,623

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 2023 to 30 June 2023. 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 2023 will be issued in April 2024.
- (b) Distribution to Stapled Securityholders relates to distribution paid in respect of financial period from 1 July 2022 to 31 December 2022.

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**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							
Increase 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 were issued on 26 April 2023.
- (b) Distribution to Stapled Securityholders relates to distribution paid in respect of the financial period from 1 July 2021 to 31 December 2021.

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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 2023 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 2022. 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 2022 except for the adoption of new and amended standards as set out in Note 2.1.

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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 ***New and 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 2022.

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*.

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 2023		As at 31 December 2022	
	Far East H-Trust	Far East H-REIT	Far East H-Trust	Far East H-REIT
	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January	2,446,750	2,446,750	2,336,500	2,336,500
Capital expenditure capitalised	1,795	1,795	8,068	8,068
Fair value change recognised in statement of total return	-	-	102,182	102,182
At 30 June/31 December	2,448,545	2,448,545	2,446,750	2,446,750

Investment properties are based on valuations determined by independent external valuers as at 31 December 2022, 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 2023 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 2022 valuation except to the extent of capital expenditure incurred during the six-month period ended 30 June 2023.

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As at 31 December 2022, 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, discount rates, revenue per available room/unit and price per square foot/metre. The ongoing geo-political headwinds, economic uncertainty and rising interest rate cost may have impact on the Singapore economy and the property market. As at 31 December 2022, the valuers have recommended to monitor the situation closely to reflect any potential impact on the valuation in due course. The REIT Manager is of the view that the valuation methods and estimates are reflective of the market conditions as at 30 June 2023.

The fair value of the investment properties is categorised as Level 3 of the fair value measurement hierarchy and is determined by key assumptions. 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. Borrowings

	As at 30 June 2023		As at 31 December 2022	
	Far East H-Trust	Far East H-REIT	Far East H-Trust	Far East H-REIT
	S\$'000	S\$'000	S\$'000	S\$'000
Unsecured				
Amounts repayable in one year or less, or on demand	124,950	124,950	-	-
Amounts repayable after one year	614,796	614,796	737,816	737,816
	<u>739,746</u>	<u>739,746</u>	<u>737,816</u>	<u>737,816</u>

Details of borrowings and collateral:

The total facilities of Far East H-REIT as at 30 June 2023 are as follows:

- Unsecured term loan facilities of S\$741.2 million; and
- S\$275.0 million of uncommitted RCF.

On 30 March 2023, DBS Trustee Limited in its capacity of Far East H-REIT entered into a S\$125.0 million sustainability-linked facility agreement comprising S\$100.0 million 7 years term loan facility and S\$25.0 million uncommitted RCF with its existing lender to refinance the term loan of S\$100.0 million well ahead of its maturity on 28 March 2024.

The weighted average cost of debt was approximately 3.2% per annum. The weighted average debt-to-maturity was extended from 2.8 years in 1H 2022 to 3.5 years taking into account the extended tenor.

Gearing as of 30 June 2023 was 32.0% (31 December 2022: 32.0%). Interest coverage ratio¹ as at 30 June 2023 was 3.6x (31 December 2022: 3.8x).

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 3.5x (31 December 2022: 3.6x) based on the definition prescribed by Appendix 6 of the Code on Collective Investment Schemes.

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5. 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 2023 No. of Stapled Securities '000	1H 2022 No. of Stapled Securities '000
Stapled Securities in issue at beginning of period	1,988,382	1,974,831
Issuance of Stapled Securities:		
- REIT Manager's fees	8,996	8,542
Stapled Securities in issue	1,997,378	1,983,373
Stapled Securities to be issued:		
- REIT Manager's fees – Base fees	2,658	2,416
- REIT Manager's fees – Performance fees (a)	2,190	1,633
Stapled Securities in issue and to be issued at end of period	2,002,226	1,987,422

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 2023 to 30 June 2023 are not entitled to 1H 2023 distribution.

6. Earnings per Stapled Security ("EPS") and Distribution per Stapled Security ("DPS")

	Far East H-Trust	
	1H 2023	1H 2022
Weighted average number of Stapled Securities ('000)	1,992,861	1,979,271
Basic EPS (cents)	2.19	3.76
Weighted average number of Stapled Securities ('000) ⁽¹⁾	1,997,709	1,983,320
Diluted EPS (cents)	2.19	3.75
Number of Stapled Securities in issue at end of period ('000)	1,997,378	1,983,372
Number of Stapled Securities to be issued before Books Closure Date ('000)	2,658	2,416
Total number of Stapled Securities entitled to distribution ('000)	2,000,036	1,985,788
DPS (cents)	1.92	1.54

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- (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.

7. Net Asset Value ("NAV") / Net Tangible Asset ("NTA") per Stapled Security

	Far East H-Trust	
	30 June 2023	31 December 2022
Stapled Securities in issue and to be issued at end of period ('000)	2,002,226	1,994,630
NAV / NTA per Stapled Security (cents)	90.58	90.23

8. Financial ratios

	1H 2023		1H 2022	
	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	0.64	0.64	0.65	0.65
- Excluding performance component of the REIT Manager's management fees	0.48	0.48	0.52	0.52
Turnover ratio ⁽²⁾	-	-	-	-

- (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.

9. Subsequent events

On 26 July 2023, Far East H-Trust issued 2,658,000 new Stapled Securities at a price of S\$0.6064 per Stapled Security in payment of 90% of the REIT Manager's fees (base fees) for the period from 1 April 2023 to 30 June 2023.

On 28 July 2023, the REIT Manager declared a distribution of S\$38,401,000 or 1.92 Singapore cents per Stapled Security to Stapled Securityholders in respect of the period from 1 January 2023 to 30 June 2023.

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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)(6) *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)(7) *Net Asset Value / Net Tangible Asset per Stapled Security* for details.

Unaudited Financial Statements Announcement for the half year ended 30 June 2023
8 A review of the performance for the half year and full year ended 30 June 2023
8(a) Statement of net income and distribution of Far East Hospitality Trust

	1H 2023 S\$'000	1H 2022 S\$'000	Better / (Worse) %
Gross revenue	52,038	40,998	26.9
Net property income	48,970	37,455	30.7
<i>Net property income margin</i>	<i>94.1%</i>	<i>91.4%</i>	<i>2.7pp</i>
Income available for distribution	37,412	28,957	29.2
Distribution to Stapled Securityholders	38,401	30,581	25.6
DPS (cents)	1.92	1.54	24.7

8(b) Review of the performance of half year ended 30 June 2023
1H 2023 vs 1H 2022

Gross revenue for 1H 2023 increased 26.9% YoY to S\$52.0 million as a result of strong performance by all segments of the portfolio despite the divestment of VRCQ on 24 March 2022. The master lease rental for 1H 2023 improved with more hotels performing above fixed rent along with the SRs' continued performance with higher variable rents achieved.

For the period, average daily rate ("ADR") of hotels grew 71.4% to S\$169, with good demand from corporate groups and further recovery in leisure bookings. The hotels on government contracts were also contracted at higher rates as compared to 1H 2022. Average occupancy increased 10.1pp to 78.3% as some hotels in the portfolio were ramping up in 1H 2022 after exiting the government contracts. In addition, The Elizabeth Hotel was also closed for renovation and subsequently rebranded as Vibe Hotel Singapore Orchard upon its reopening in November 2022. Correspondingly, Revenue per available room ("RevPAR") grew 96.9% to S\$133.

The SRs continued to demonstrate strong performance with new long-stay bookings secured at higher rates. As such, ADR grew 23.0% to S\$253. Consequently, revenue per available unit ("RevPAU") registered a 22.8% YoY increase to S\$224, close to the all-time high of S\$230 since initial public offering.

A snapshot of the hotel and SR performance in 1H 2023 is set out below.

	1H 2023		1H 2022		Better / (Worse)	
	Hotels	SRs ²	Hotels	SRs ²	Hotels	SRs
Average Occupancy (%)	78.3	88.3	68.2	88.5	10.1pp	(0.2pp)
Average Daily Rate (S\$)	169	253	99	206	71.4%	23.0%
RevPAR / RevPAU (S\$)	133	224	67	182	96.9%	22.8%

Despite the disposal of Central Square, revenue from the retail and office spaces grew 11.0% YoY to S\$8.0 million as higher occupancies and rents were secured on the back of improving market conditions. Revenue of the existing commercial spaces grew 20.4% YoY.

Net property income for 1H 2023 stood at S\$49.0 million, 30.7% higher than 1H 2022. Finance expenses were higher by S\$3.9 million as compared to 1H2022 mainly due to higher interest rates on the floating rate loans.

Distribution to Stapled Securityholders for 1H 2023 grew 25.6% to S\$38.4 million as a result of higher net property income contribution and distribution of other gains from the divestment of Central Square. This translates to a distribution per Stapled Security of 1.92 cents compared to 1.54 cents for the same period last year.

² On a same-store basis, excluding VRCQ for 1H 2022, average occupancy would have decreased 1.9pp YoY from 90.2% to 88.3% while ADR would have grown 21.8% from S\$208 to S\$253. Correspondingly, RevPAU would have been 19.3% higher YoY from S\$187 to S\$224.

Unaudited Financial Statements Announcement for the half year ended 30 June 2023

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.

For the first half of 2023, international visitor arrivals into Singapore continued to trend upwards, reaching 6.3 million visitor arrivals. With a healthy pipeline of events lined up for the remainder of 2023, visitor arrivals are expected to achieve Singapore Tourism Board's target of around 12 to 14 million visitors.

While the hospitality sector has rebounded to a much healthier state, the return of Chinese travellers into Singapore will form the next phase of recovery. For the month of June, visitor arrivals from China grew 18% month-on-month to 113.3k arrivals, forming about 37% of 2019's monthly average.

Despite macroeconomic headwinds arising from an elevated inflationary and interest rate environment, the REIT Manager remains positive over the longer-term prospects of the hospitality industry. Continued efforts by the Government and the industry to uphold Singapore's attractiveness as a destination for investments, MICE (Meetings, incentives, conferences and exhibitions), and leisure activities will drive demand for the years ahead.

11 DISTRIBUTIONS
Current financial period

Any distribution declared for the current period?

Yes

Distribution period

Distribution for the half year from 1 January 2023 to 30 June 2023

Distribution type

Taxable income
Other gains

Distribution per stapled security

Distribution Type	Distribution Rate (cents)
Taxable income	1.72
Other gains	0.20
Total	1.92

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%.

All other investors received their distributions after deduction of tax at the rate of 17%.

Other gains distribution

Other gains distribution is not taxable in the hands of all Stapled Securityholders.

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Date paid/payable	5 September 2023
Books closure date	7 August 2023
Stapled Securityholders must complete and return Form A or Form B, as applicable	22 August 2023

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 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%.

All other investors received their distributions after deduction of tax at the rate of 17%.

Other gains distribution

Other gains distribution is not taxable in the hands of all Stapled Securityholders.

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.

Unaudited Financial Statements Announcement for the half year ended 30 June 2023

14 Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of FEO Hospitality Asset Management Pte Ltd (as manager of Far East Hospitality Real Estate Investment Trust) (the "REIT Manager") and FEO Hospitality Trust Management Pte Ltd (as trustee-manager of Far East Hospitality Business Trust) (the "Trustee-Manager"), hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the REIT Manager and the Trustee-Manager which may render these interim financial 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

By Order of the Board

Gerald Lee Hwee Keong
Chief Executive Officer and Executive Director
FEO Hospitality Asset Management Pte. Ltd.
(Company Registration No. 201102629K)
28 July 2023

Gerald Lee Hwee Keong
Chief Executive Officer and Executive Director
FEO Hospitality Trust Management Pte. Ltd.
(Company Registration No. 201210698W)
28 July 2023

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.