

FAR EAST H-TRUST POSTS 2Q 2016 INCOME AVAILABLE FOR DISTRIBUTION OF \$18.3 MILLION

Highlights:

- Gross revenue at \$26.1 million and net property income at \$23.5 million
- Proportion of fixed-rate debt increased to 71% from 65%
- Refurbished assets better positioned to attract travelers in competitive hospitality market

Singapore, 29 July 2016 – Far East Hospitality Trust (“Far East H-Trust”) reported gross revenue of \$26.1 million in the quarter ended 30 June 2016 (“2Q 2016”). Net property income in 2Q 2016 was \$23.5 million. Income available for distribution was \$18.3 million, or 1.01 cents per Stapled Security.

For the first half of 2016 (“1H 2016”), gross revenue was \$53.5 million and net property income was \$48.1 million. Income available for distribution was \$37.7 million. On a per Stapled Security basis, the distribution for 1H 2016 was 2.09 cents.

Summary of Results

(\$'000)	2Q 2016	2Q 2015	Variance (%)	1H 2016	1H 2015	Variance (%)
Gross Revenue	26,138	28,746	(9.1)	53,503	56,111	(4.6)
Net Property Income	23,470	25,987	(9.7)	48,149	50,474	(4.6)
Income Available for Distribution	18,271	20,803	(12.2)	37,715	40,007	(5.7)
Distribution per Stapled Security (“DPS”) (cents)	1.01	1.16	(12.9)	2.09	2.23	(6.3)

Mr Gerald Lee, Chief Executive Officer of the REIT Manager said, “Despite the increasing number of visitor arrivals into Singapore which has helped to support our occupancy levels, the softness in corporate demand and heightened competition have impacted the average rates of our properties.

Cognisant of the operational headwinds, we took the opportunity to carry out some enhancement works at three of our properties in the first half of the year, to improve the assets’ appeal and competitiveness.

The REIT Manager Board has also created remuneration and nominating committees in line with leading corporate governance practices in the industry. In addition, we will continue to review and fine-tune as appropriate the remuneration and fee structure of the REIT Manager.”

Review of Performance

	2Q 2016		2Q 2015		Better/(Worse)	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	85.3	86.0	86.6	89.3	(1.4pp)	(3.3pp)
Average Daily Rate (\$)	160	218	170	230	(6.1%)	(5.4%)
RevPAR / RevPAU (\$)	136	187	147	206	(7.5%)	(8.9%)

	1H 2016		1H 2015		Better/(Worse)	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	86.6	85.1	84.5	87.5	2.1pp	(2.4pp)
Average Daily Rate (\$)	160	220	171	235	(6.3%)	(6.1%)
RevPAR / RevPAU (\$)	138	188	144	206	(3.9%)	(8.7%)

Hotels

The operating environment for the hotels remained challenging despite some uplift from the biennial Food & Hotel Asia event. This was mainly due to the soft demand for corporate travel amidst the uncertain global economic climate and increased competition from other hotels. The overall performance of the hotels was also partially impacted by the asset enhancement at Orchard Parade Hotel. As a result, the hotel portfolio registered a marginal decrease of 1.4pp in average occupancy while the average daily rate (“ADR”) of the hotel portfolio declined 6.1%, pushing the revenue per available room (“RevPAR”) down by 7.5%.

For 1H 2016, the average occupancy of the hotels was 86.6% and the average daily rate was \$160. RevPAR was 3.9% lower at \$138.

Serviced Residences

The serviced residence portfolio continued to be impacted by the weakness in corporate demand. There was also ongoing renovation at Regency House during the quarter. Hence, average occupancy and ADR of the SR portfolio in 2Q 2016 were 3.3pp and 5.4% lower respectively year-on-year. As a result, revenue per available unit (“RevPAU”) of the SR portfolio declined 8.9% year-on-year to S\$187 in 2Q 2016.

For 1H 2016, the average occupancy of the serviced residences was 85.1% and the average daily rate was \$220. RevPAU was 8.7% lower at \$188.

Excluded Commercial Premises

Revenue from the retail and office spaces was marginally lower by 3.1% at \$5.7 million due to a decrease in the average occupancy, which was partially offset by a higher rental rate achieved during the quarter.

For 1H 2016, revenue was 2.6% lower at \$11.5 million.

Capital Management

During the quarter ended 30 June 2016, \$50 million of Far East H-Trust's floating-rate debt was hedged, increasing the proportion of debt secured at fixed interest rates to 71% from 65%. As at 30 June 2016, the average cost of debt was approximately 2.6% per annum and the weighted average debt to maturity was 2.8 years.

Outlook

Despite the growth in visitor arrivals recorded in the first five months of the year, the average spending on rooms has not correspondingly increased. The hospitality industry in Singapore is expected to remain competitive.

The addition of more than 3,300 new hotel rooms this year¹ is expected to result in increased competition. While there is demand from leisure travellers, the corporate segment, a key focus of the REIT, continues to be soft.

Cognisant of the challenges within the industry, the REIT Manager will continue to enhance its properties to improve their appeal and competitiveness. In the first half of the year, the refurbishment of the two and three-bedroom apartments at Regency House was completed on schedule in the second quarter of 2016. The renovation of the reception, swimming pool, pool deck, gym and function rooms at Orchard Parade Hotel has also been completed.

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¹ CBRE report issued as at December 2015 and Far East H-Trust's compilation

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ABOUT FAR EAST HOSPITALITY TRUST (“Far East H-Trust”)

Far East H-Trust is the first and only Singapore-Focused Hotel and Serviced Residence Hospitality Trust listed on the Main Board of The Singapore Exchange Securities Trading Limited (“SGX-ST”). 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-Trust was listed on the SGX-ST on 27 August 2012 and has a portfolio of 12 properties totaling 2,829 hotel rooms and serviced residence units valued at approximately \$2.44 billion as at 31 December 2015. Managed by FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. (collectively, the “Managers”) and sponsored by members of Far East Organization Group (the “Sponsor”), Far East H-Trust seeks to provide Stapled Securityholders with regular, stable and growing distributions on a quarterly basis. Far East H-Trust is listed on the FTSE ST Mid Cap Index.

ABOUT THE MANAGERS

FEO Hospitality Asset Management Pte Ltd and FEO Hospitality Trust Management Pte Ltd are the managers of Far East H-REIT and Far East H-BT respectively. Both are 67.0% owned by FEO Asset Management Pte Ltd (“FAMPL”) which is a wholly-owned subsidiary of Far East Organization Centre Pte Ltd (“FEOC”), and 33.0% owned by Far East Orchard Limited (“Far East Orchard”), which as at the date of this press release is 59.8% owned by Far East Organization Pte Ltd (“FEOPL”).

IMPORTANT NOTICE

This release 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 property rental income and occupancy, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on the Managers' current view of future events.

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