

## FAR EAST H-TRUST REPORTS FY 2015 INCOME AVAILABLE FOR DISTRIBUTION OF \$82.2 MILLION

### Highlights:

- Distribution per Stapled Security at 1.17 in 4Q 2015 and 4.60 in FY 2015
- Asset enhancement projects on track to improve quality and competitiveness of properties
- Outlook remains uncertain due to demand and supply-side factors; hospitality sector may benefit from biennial and new MICE events in 2016

**Singapore, 24 February 2016** – Far East Hospitality Trust (“Far East H-Trust”) posted gross revenue of \$28.9 million and net property income of \$26.3 million for the quarter ended 31 December 2015 (“4Q 2015”). Income available for distribution was \$20.6 million and distribution per stapled security (“DPS”) was 1.17 cents.

For the full year ended 31 December 2015 (“FY 2015”), gross revenue was \$114.6 million and net property income was \$103.7 million. Income available for distribution was \$82.2 million, which translates into a distribution per stapled security (“DPS”) of 4.60 cents for FY 2015 or a yield of 6.9%<sup>1</sup>.

### Summary of Results

	4Q 2015	4Q 2014	Variance (%)	FY 2015	FY 2014	Variance (%)
Gross Revenue (\$'000)	28,851	30,280	(4.7)	114,617	121,719	(5.8)
Net Property Income (\$'000)	26,289	27,652	(4.9)	103,657	110,026	(5.8)
Income Available for Distribution (\$'000)	20,649	22,858	(9.7)	82,221	91,494	(10.1)
Distribution per Stapled Security (“DPS”) (cents)	1.17	1.28	(8.6)	4.60	5.14	(10.5)

**Mr Gerald Lee, Chief Executive Officer of the REIT Manager** said, “Corporate travel remained soft in 2015 as companies scaled back on their travel budgets in view of the uncertain economic outlook. We also faced competition from new and existing hotels. Despite the challenges, we maintained healthy occupancies at our properties. The retail and office spaces continued to provide stability to our portfolio, contributing positively towards our performance.

<sup>1</sup> Based on the closing price of \$0.665 on 31 December 2015

Going forward, we expect the operating environment to remain competitive. To improve the quality and competitiveness of our properties, we have embarked on several asset enhancement programmes which we will carry through this year.”

## Review of Performance

	4Q 2015		4Q 2014		Change +/-	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	85.3	82.6	82.4	83.2	2.9pp	(0.6pp)
Average Daily Rate (\$)	171	218	186	250	(7.6%)	(12.8%)
RevPAR / RevPAU (\$)	146	180	153	208	(4.4%)	(13.5%)

	FY 2015		FY 2014		Change +/-	
	Hotels	Serviced Residences	Hotels	Serviced Residences	Hotels	Serviced Residences
Average Occupancy (%)	85.4	87.0	83.3	87.5	2.2pp	(0.5pp)
Average Daily Rate (\$)	171	230	187	251	(8.3%)	(8.3%)
RevPAR / RevPAU (\$)	146	200	155	219	(5.8%)	(8.8%)

### Hotels

The operating environment for the hotels remained challenging, as the uncertain global economic climate weighed on the demand for corporate travel. The operating landscape was made more competitive by the supply of new hotel rooms into the market. Consequently, the revenue per available room (“RevPAR”) of the hotel portfolio fell 4.4% year-on-year to \$146 in 4Q 2015, mainly due to a 7.6% year-on-year decrease in the average daily rate (“ADR”). The lower ADR was partially mitigated by a 2.9pp year-on-year improvement in the average occupancy.

On a full year basis, RevPAR declined 5.8% year-on-year to \$146 despite a 2.2pp year-on-year increase in average occupancy. Apart from the factors mentioned above, the relatively strong Singapore dollar also affected visitor arrivals from key source markets in the region. While events such as the SEA Games 2015 had some positive effect on overall demand, this was partly diluted by the absence of major biennial exhibitions during the year.

### Serviced Residences

Demand for serviced residence (“SR”) accommodation continued to remain weak during the quarter mainly due to lower corporate travel budgets and weaker demand from project groups, especially from some sectors which have slowed down, such as Oil & Gas. As a result, the average occupancy and ADR of the SR portfolio declined 0.6pp

and 12.8% year-on-year respectively, pushing the revenue per available unit (“RevPAU”) down by 13.5% year-on-year to \$180 in 4Q 2015.

For FY 2015, ADR was affected while occupancy held steady at a healthy level. As a result, RevPAU for the SR portfolio declined by 8.8% year-on-year to \$200 in FY 2015.

#### Excluded Commercial Premises

The better performance of the excluded commercial premises (i.e. retail and office spaces) cushioned the softer contribution from the hotels and serviced residences.

The segment continued to provide stability to the portfolio in 4Q 2015 and FY 2015. Revenue held steady at \$5.8 million in 4Q 2015, making up 20.0% of the gross revenue of Far East H-Trust.

For FY 2015, revenue from the retail and office spaces registered a year-on-year increase of 1.9% to \$23.7 million, mainly due to an improvement in rental rates. Contribution from the retail and office spaces formed 20.6% of the gross revenue of Far East H-Trust.

Significant savings in operating expenses relating to the excluded commercial premises helped to lift the net property income of Far East H-Trust.

#### Valuation of Investment Properties

Following the revaluation of Far East H-Trust’s investment properties on 31 December 2015 by independent valuers, the portfolio of 8 hotels and 4 serviced residences has been valued at approximately \$2.44 billion. The net asset value per stapled security was 93.91 cents.

#### Asset Enhancement Initiatives

On the asset enhancement front, we are midway through our refurbishment of the two and three-bedroom apartments at Regency House. The studio apartments and breakfast lounge were completed last year. The full completion of this asset enhancement programme is expected by the second quarter of 2016.

In addition, the renovation programme for Orchard Parade Hotel has commenced in 4Q 2015, starting with works done to the swimming pool, pool deck and gym. The renovation is expected to complete by the second quarter of 2016.

At Central Square (Village Residence Clarke Quay), we have reconfigured the existing serviced office space to create 9 new serviced office units, bringing it to a total of 61 units. We have also refurbished all the serviced office units and upgraded the public areas, including the main lobby, breakfast lounge and pantry. The refurbishment is expected to complete by the first quarter of 2016.

## Capital Management

As at 31 December 2015, Far East H-Trust's financial position remained stable with 59% of its debt portfolio secured at fixed interest rates. The average cost of debt is approximately 2.5% per annum and the weighted average debt to maturity is 3.3 years.

## **Outlook**

Based on the latest data from the Singapore Tourism Board ("STB"), international visitor arrivals to Singapore was fairly flat with a slight 0.4% increase year-on-year for the first eleven months of 2015. While there was a strong recovery in Chinese arrivals, which increased by 21.2% year-on-year, visitorship from key source markets such as Indonesia and Malaysia fell<sup>2</sup>.

Given the uncertain global economic environment, corporate travel may continue to remain soft and weigh on the demand for accommodation. This alongside a new inventory of approximately 2,700<sup>3</sup> hotel rooms expected to come onstream in 2016 could further intensify the competitive landscape of the hospitality market, with pressures on both occupancy and room rates.

The impact of the oversupply of hotel rooms may be partially mitigated this year by a more active events calendar with the return of major biennial exhibitions (e.g. Singapore Airshow) and the hosting of new sporting and MICE events (e.g. World Rugby Sevens Series).

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<sup>2</sup> Singapore Tourism Board International Visitor Arrivals Statistics, as at 19 January 2016

<sup>3</sup> 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.

The value of the Stapled Securities and the income derived from them, if any, may fall as well as rise. The Stapled Securities are not obligations of, deposits in, or guaranteed by, the Managers or any of their affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors should note that they will have no right to request the Managers to redeem or purchase their Stapled Securities for so long as the Stapled Securities are listed on the SGX-ST. It is intended that investors and 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. The past performance of Far East H-Trust is not necessarily indicative of the future performance of Far East H-Trust.