



CDL HOSPITALITY TRUSTS

FOR IMMEDIATE RELEASE

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CDL HOSPITALITY TRUSTS REPORTS
TOTAL DISTRIBUTION OF S\$22.1 MILLION FOR 2Q 2016

- Growth from Japan Hotels and inorganic contribution from Hilton Cambridge City Centre mitigated soft trading conditions in other markets
- Net property income of S\$31.3 million and S\$65.0 million for 2Q 2016 and 1H 2016 respectively
- Total distribution per Stapled Security for 2Q 2016 and 1H 2016 was 2.23 cents and 4.45 cents respectively
- CDLHT remains well-poised for acquisitions with gearing of 36.3%

Singapore, 29 July 2016 – CDL Hospitality Trusts (“CDLHT” or the “Group”), a stapled group comprising CDL Hospitality Real Estate Investment Trust (“H-REIT”), a real estate investment trust, and CDL Hospitality Business Trust (“HBT”), a business trust, today announced its results for the second quarter (“2Q 2016”) and first six months (“1H 2016”) ended 30 June 2016.

Financial Highlights:

	1 Apr 2016 to 30 Jun 2016 S\$'000 ("2Q 2016")	1 Apr 2015 to 30 Jun 2015 S\$'000 ("2Q 2015")	Increase/ (Decrease) (%)	1 Jan 2016 to 30 Jun 2016 S\$'000 ("1H 2016")	1 Jan 2015 to 30 Jun 2015 S\$'000 ("1H 2015")	Increase/ (Decrease) (%)
Gross revenue	42,459	39,001	8.9	87,123	81,213	7.3
Net property income	31,324	31,621	(0.9)	65,034	66,118	(1.6)
Income to be distributed to Stapled Securityholders (after retention)	21,347	22,142	(3.6)	43,289	46,111	(6.1)
Capital Distribution	738	-	N.M.	738	-	N.M.
Total Distribution to Stapled Securityholders (after retention and including capital distribution)	22,085	22,142	(0.3)	44,027	46,111	(4.5)
Total distribution per Stapled Security (after retention and including capital distribution) ("DPS")(cents)	2.23	2.25	(0.9)	4.45	4.69	(5.1)

Second Quarter ended 30 June 2016

In 2Q 2016, CDLHT registered net property income (“NPI”) of S\$31.3 million, a decline of 0.9% as compared to 2Q 2015. Contributions from Singapore Hotels and Maldives Resorts declined due to the soft trading environment while Australia and New Zealand Hotels recorded lower fixed rents due to local currency weakness against the Singapore dollar (“SGD”). The decline in NPI was mitigated by inorganic contribution from the UK Hotel, growth from the Japan Hotels as well as incremental income from the newly refurbished mall, Claymore Connect.

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Overall, total distribution to Stapled Securityholders (after retention for working capital) for 2Q 2016, which includes six months of income and capital distribution from the Japan Hotels¹, remained similar to 2Q 2015 at S\$22.1 million. Accordingly, DPS for 2Q 2016 was 2.23 cents.

First Half ended 30 June 2016

For 1H 2016, NPI was 1.6% lower year-on-year (“yoy”) at S\$65.0 million. The decline was due to continued weakness in the Singapore and Maldives markets while the Australia Hotels recorded lower rent contribution due to the weaker Australia dollar and a smaller variable income contribution from FY 2015. The decline in NPI was mitigated by inorganic contribution from the UK Hotel, higher contributions from the New Zealand and Japan Hotels as well as incremental contribution from the newly refurbished mall, Claymore Connect.

Net finance costs for 1H 2016 increased by S\$2.1 million to S\$12.5 million, mainly due to higher interest expenses and foreign exchange loss. The higher interest expense arose due to increased borrowings for the acquisition of the UK Hotel and asset enhancement works as well as a higher quantum of fixed rate borrowings. In addition, there was a general rise in interest rates on floating rate borrowings.

Overall, total distribution to Stapled Securityholders (after retention for working capital) for 1H 2016, which includes six months of income and capital distribution from the Japan Hotels¹, was 4.5% lower at S\$44.0 million. Accordingly, DPS for 1H 2016 was 4.45 cents as compared to the 4.69 cents recorded in 1H 2015.

Mr Vincent Yeo, Chief Executive Officer of CDLHT’s managers, said, “The economic environment has continued to deteriorate and the ongoing uncertainty surrounding Brexit will continue to weigh on business confidence. Although it was encouraging to see stronger visitor arrival numbers to Singapore, it was more likely to have been a growth in leisure travel as corporate activity contraction was evident. The performance of our Singapore Hotels has also been significantly affected by the absence of the South East Asian Games this year as well as our ongoing asset enhancement initiatives at Grand Copthorne Waterfront Hotel and M Hotel, which are slated for completion in 2016. Notwithstanding, the strong performance of our Japan Hotels as well as our UK Hotel, have helped to provide the benefits of income diversification while other markets in our portfolio are going through unfavourable cycles.”

Review of Portfolio’s Performance and Outlook

The combined weighted average statistics for CDLHT’s Singapore Hotels are as follows:

	2Q 2016	2Q 2015	Increase/ (Decrease)	1H 2016	1H 2015	Increase/ (Decrease)
Average Occupancy Rate	83.5%	86.5%	(3.0)pp	83.7 %	87.1%	(3.4)pp
Average Daily Rate	S\$188	S\$200	(6.0)%	S\$190	S\$199	(4.5)%
Revenue per Available Room (“RevPAR”)	S\$157	S\$173	(9.2)%	S\$159	S\$173	(8.1)%

¹ Following the completion of audit and tax filing of the Japan Hotels for its six-month fiscal period ended 31 Mar 2016, contribution from the Japan Hotels for the period from 1 Oct 2015 to 31 Mar 2016 was included in the distribution for 2Q and 1H 2016. The second quarter contribution from the Japan Hotels has not been included in the total distribution for 2Q and 1H 2016. Distribution from the Japan Hotels occurs twice yearly, at six months interval (contribution from 1 Oct to 31 Mar will be distributed in 2Q and that of 1 Apr to 30 Sep in 4Q).



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Singapore

For the period from January to May 2016, international visitor arrivals grew 13.3% yoy to 6.9 million while total visitor days only increased 4.8% yoy to 23.6 million as the average length of stay has declined.

RevPAR for Singapore Hotels fell 9.2% yoy in 2Q 2016 to S\$157 mainly due to the competitive trading environment induced by new rooms supply and softening corporate demand as a result of weak global economic growth. The absence of the South East Asian (“SEA”) Games in June this year also had a very significant impact on revenue as four of the six hotels in CDLHT’s portfolio were designated official SEA Games hotels last year.

Two of the Singapore Hotels have been undergoing asset enhancement works to improve their competitive positioning. Grand Copthorne Waterfront Hotel, which started its renovation in November 2015, has completed the refurbishment of its lobby and three F&B outlets in June 2016. The remaining public area renovation, which involves the addition of new meeting rooms and a tea lounge as well as a refurbishment of some existing meeting rooms, will complete by 2016. At M Hotel, the ongoing room refurbishment is expected to complete in the second half of 2016. While the hotels remain operational, they will continue to face some disruption and revenue loss in the short term.

On the supply front in Singapore, industry room inventory will continue to grow by an estimated 2,866² rooms in 2016, further increasing room stock by 4.7%. As such, room rates are likely to remain competitive as new hotels seek to build their base business.

Japan

The Japan tourism market continues to see strong growth. Year-to-date (“YTD”) June 2016, visitor arrivals into Japan grew 28.2% yoy to 11.7 million³. Against this backdrop, the Japan Hotels posted a combined yoy RevPAR growth of 6.4% in 2Q 2016. NPI contribution from the Japan Hotels in 2Q 2016 increased 26.9% yoy as a result of the robust hospitality market and the stronger Japanese yen during the quarter. However, the recent strengthening of the Japanese yen may result in a moderation of the growth in inbound arrivals.

Maldives

NPI from the Maldives Resorts declined 19.3% yoy in 2Q 2016. The hospitality market continues to face headwinds due to the weakening of the Chinese yuan as well as the relative strength of the USD against the currencies of its major source markets. China, which is the top source market into Maldives, registered a 11.7% yoy decline in arrivals for YTD May 2016. The cautious consumer sentiment towards discretionary spending in the high-end leisure market has led to guests seeking to trade down. Resorts in Maldives responded by launching aggressive promotions to defend their market share. The outlook for the Maldives is expected to remain challenging in the near term.

United Kingdom

Hilton Cambridge City Centre recorded a yoy RevPAR growth of 18.9%⁴ in 2Q 2016. This growth was fuelled by increased corporate business due to the refurbished product as well as the recent rebranding of the hotel. The hotel is currently undergoing renovation to add a new executive lounge and fitness centre, and these works are expected to complete before year end.

Post-Brexit, IMF has revised UK’s growth forecast down by 0.2 percentage points to 1.7% for 2016. The downward revision from 2.2% to 1.3% is more severe in 2017, with IMF citing sizeable uncertainty that

² Based on Horwath data (July 2016) and CDLHT research

³ Japan National Tourism Organization

⁴ The yoy RevPar comparison assumes that CDLHT owned the UK Hotel for 2Q 2015.



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would affect market and consumer confidence⁵. The impact on the corporate segment in Cambridge is uncertain although the UK tourism sector is likely to benefit from increased inbound leisure arrivals due to the weaker British pound.

Australia

In Australia, mining investment continues to be subdued despite improvements in commodity prices. However, any weakness in the performance of the Australia Hotels is mitigated by the defensive lease structure which provides CDLHT with largely fixed rent.

New Zealand

In New Zealand, the tourism sector remains buoyant with visitor arrivals growing 11.7% yoy to a record 1.7 million for the first six months of 2016. Rendezvous Hotel Auckland continues to record strong underlying performance. For 2Q 2016, fixed rent contribution from the New Zealand Hotel was marginally down as a result of the weaker New Zealand dollar against the SGD. Looking ahead, the growth momentum in New Zealand tourism sector is likely to be supported by the increase in new international air services and a strong events calendar.

On 17 June 2016, CDLHT entered into a new lease with a subsidiary of Millennium & Copthorne Hotels New Zealand Limited. The new lease will commence once the existing lease for Rendezvous Hotel Auckland expires on 6 September 2016 and the hotel will be rebranded as Grand Millennium Auckland. Under the new lease structure, CDLHT is positioned to benefit from the growth trajectory in the Auckland hospitality market as the terms provide for more variable income as opposed to the largely fixed rent received currently.

Mr Yeo concluded: "Our balance sheet and debt headroom remains healthy and we will continue to source for acquisitions to enhance our returns to Stapled Securityholders and diversify our income."

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⁵ IMF, "World Economic Outlook", 19 Jul 2016



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About CDL Hospitality Trusts

CDL Hospitality Trusts (“CDLHT”) is one of Asia’s leading hospitality trusts with assets valued at S\$2.5 billion. CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust (“H-REIT”), a real estate investment trust, and CDL Hospitality Business Trust (“HBT”), a business trust. CDLHT was listed on the Singapore Exchange Securities Trading Limited on 19 July 2006. M&C REIT Management Limited is the manager of H-REIT, the first hotel real estate investment trust in Singapore, and M&C Business Trust Management Limited is the trustee-manager of CDL Hospitality Business Trust.

CDLHT was established with the principal investment strategy of investing in a diversified portfolio of hospitality and/or hospitality-related assets. As at 30 June 2016, CDLHT owns 15 hotels, two resorts and a retail mall comprising a total of 4,911 rooms. The properties under CDLHT’s portfolio include:

- (i) six hotels in the gateway city of Singapore (Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King’s Hotel, Novotel Singapore Clarke Quay and Studio M Hotel) as well as a shopping arcade adjoining Orchard Hotel (Claymore Connect);
- (ii) five hotels in Brisbane and Perth, Australia (Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth);
- (iii) two hotels in Japan’s gateway city of Tokyo (Hotel MyStays Asakusabashi and Hotel MyStays Kamata);
- (iv) one hotel in New Zealand’s gateway city of Auckland (Rendezvous Hotel Auckland);
- (v) one hotel in Cambridge, United Kingdom (Hilton Cambridge City Centre, previously known as Cambridge City Hotel); and
- (vi) two resorts in Maldives (Angsana Velavaru and Jumeirah Dhevanafushi).