CDL HOSPITALITY TRUSTS

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CDL HOSPITALITY TRUSTS REPORTS
TOTAL DISTRIBUTION OF S$29.8 MILLION FOR 4Q 2015

- **Strong performance from Japan Hotels and maiden contribution of S$2.3 million from Hilton Cambridge City Centre mitigated soft trading conditions in some markets**
- **Net property income of S$37.8 million and S$137.0 million for 4Q 2015 and FY 2015 respectively**
- **Total distribution per Stapled Security for 4Q 2015 was 3.8% lower at 3.01 cents**

***Singapore, 28 January 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 fourth quarter ("4Q 2015") and full year ("FY 2015") ended 31 December 2015.

Financial Highlights:

	1 Oct 2015 to 31 Dec 2015 S$'000 ("4Q 2015")	1 Oct 2014 to 31 Dec 2014 S$'000 ("4Q 2014")	Increase/ Decrease	1 Jan 2015 to 31 Dec 2015 S$'000 ("FY 2015")	1 Jan 2014 to 31 Dec 2014 S$'000 ("FY 2014")	Increase/ Decrease
Gross revenue	50,113	45,094	11.1	172,410	166,812	3.4
Net property income	37,805	38,647	(2.2)	137,003	140,526	(2.5)
Net income before fair value adjustment	22,003	30,725	(28.4)	89,561	106,242	(15.7)
Income available for distribution to holders of Stapled Securities	31,844	34,117	(6.7)	108,958	119,515	(8.8)
Less: Income retained for working capital	(3,185)	(3,412)	(6.7)	(10,896)	(11,952)	(8.8)
Add: Capital Distribution	1,130	-	N.M.	1,130	-	N.M.
Total distribution to holders of Stapled Securities (after retention and including capital distribution)	29,789	30,705	(3.0)	99,192	107,563	(7.8)
Total distribution per Stapled Security (before retention and including capital distribution) (cents)						
- For the period	3.33	3.47	(4.0)	11.15	12.19	(8.5)
- Annualised	13.21	13.77	(4.0)	11.15	12.19	(8.5)
Total distribution per Stapled Security (after retention and including capital distribution) ("DPU") (cents)						
- For the period	3.01	3.13	(3.8)	10.06	10.98	(8.4)
- Annualised	11.94	12.42	(3.8)	10.06	10.98	(8.4)

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Fourth Quarter ended 31 December 2015

In 4Q 2015, CDLHT registered net property income ("NPI") of S$37.8 million, a decline of S$0.8 million or 2.2% as compared to 4Q 2014. Contributions from Maldives Resorts and Singapore Hotels declined due to 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 the inorganic contributions from Hilton Cambridge City Centre and Japan Hotels which were acquired on 1 October 2015 and 19 December 2014 respectively.

Net finance costs for 4Q 2015 increased by S$3.9 million to S$7.2 million mainly due to higher interest expenses and exchange losses from the revaluation of its Australia dollar ("AUD") and New Zealand dollar ("NZD") denominated receivables and cash equivalent balances. The higher interest expense arose due to additional loans taken for acquisitions as well as higher overall funding costs.

Total distribution (after retention for working capital) of S$29.8 million, which includes the annual variable rent of Angsana Velavaru and nine-month income and capital distribution from the Japan Hotels[1], will be distributed to unitholders for the quarter. This represents a drop of S$0.9 million or 3.0% year-on-year ("yoy"). Accordingly, DPU was 3.01 cents in 4Q 2015, 3.8% lower as compared to 4Q 2014.

Full Year ended 31 December 2015

For FY 2015, CDLHT registered NPI of S$137.0 million, S$3.5 million or 2.5% lower than FY 2014. The decline was mainly due to headwinds in the Singapore and Maldives hospitality sectors while Australia and New Zealand Hotels recorded lower fixed rents due to local currency weakness against the SGD. However, inorganic contributions from the recently acquired Hilton Cambridge City Centre as well as a full year contribution from the Japan Hotels (inclusive of last 13 days of FY 2014), mitigated the decline in the markets that are currently going through unfavourable trading conditions.

Net finance costs for FY 2015 increased by S$5.9 million to S$22.3 million largely due to higher interest expenses of S$4.4 million yoy. The higher interest expenses were mainly due to the conversion of some of the borrowings into longer tenor loans, general rise in interest rates on floating loans and additional borrowings drawn to finance the recent acquisitions. There was also net exchange loss of S$0.6 million, largely due to the depreciation of AUD and NZD against the SGD in respect of its foreign currency denominated receivables and cash equivalent balances at balance sheet date.

Total distribution for FY 2015 (after retention for working capital) is S$99.2 million (including the annual variable rent of Angsana Velavaru and nine-month income and capital distribution from the Japan Hotels[1]). This represents a drop of S$8.4 million compared to FY 2014. Accordingly, DPU was 10.06 cents for FY 2015 as compared to 10.98 cents for FY 2014.

The group revalued its investment properties as at 31 December 2015 and recorded a net fair value loss of S$30.2 million for 4Q 2015 and FY 2015. The fair value loss mainly arose from its Singapore, Australia and Maldives properties (offset by a fair value gain on its New Zealand property) but has no impact on the unitholders' distribution.

Mr Vincent Yeo, Chief Executive Officer of CDLHT's managers, said, "Widespread economic slowdown has resulted in weaker trading conditions in some of our markets. Nevertheless, the strong performance from our Japan Hotels as well as our Cambridge hotel acquisition that was completed in October last year helped to provide the benefits of income diversification while other markets in our portfolio are going through unfavourable cycles. For 2016, we continue to maintain a cautious outlook for our portfolio hotels as a result of the macro uncertainty."

1 Following the completion of the statutory audit of the Japan Hotels for its fiscal period ended 30 Sep 2015, contribution from the Japan Hotels for the period from 19 Dec 2014 to 30 Sep 2015 (acquisition completed on 19 Dec 2014) was included in the distribution for 4Q and FY 2015. The fourth quarter contribution of the Japan Hotels has not been included in the overall distribution for 4Q and FY 2015. Going forward, distribution from the Japan Hotels will occur twice yearly, at six months interval.

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Review of Portfolio's Performance and Outlook

The combined weighted average statistics for CDLHT's Singapore Hotels for 4Q 2015 and FY 2015 are as follows:

	4Q 2015	4Q 2014	Increase/ Decrease	FY 2015	FY 2014	Increase/ Decrease
Average Occupancy Rate	86.5%	90.0%	(3.5)pp	87.7%	89.1%	(1.4)pp
Average Daily Rate	S$199	S$205	(2.9)%	S$199	S$210	(5.2)%
Room Revenue per Available Room ("RevPAR")	S$172	S$185	(7.0)%	S$175	S$188	(6.9)%

Singapore

RevPAR for the Singapore Hotels fell by 6.9% yoy in FY 2015 to S$175 mainly due to the subdued corporate travel demand amidst a slower global economic environment. Occupancy at M Hotel and Grand Copthorne Waterfront Hotel were also affected due to refurbishment works.

According to Singapore Tourism Board ("STB"), total visitor arrivals grew 0.4% yoy to 13.8 million for the first eleven months of 2015, largely due to a 21.2% yoy increase in Chinese arrivals. The recent tie-up between Alitrip and STB to offer a greater variety of travel products to Chinese visitors is likely to encourage more visitorship from the world's largest outbound source market[2].

Singapore is expected to see a better events calendar in 2016 as compared to 2015. These include the return of biennial citywide events such as Singapore Airshow in February and Food and Hotel Asia in April, introduction of new marquee events such as Rugby World Sevens Series in April and hosting of prominent medical congresses in May[3]. Singapore has also been successful in attracting big corporate incentive groups. For instance, in 2016, companies such as Herbalife and Unicity International are bringing approximately 20,000 and 25,000 people into Singapore respectively[4,5].

On a more cautious note, despite the healthy events calendar, the outlook for Singapore hospitality sector in 2016 remains uncertain. Global economic outlook looks set to be disappointing based on the latest statement from the International Monetary Fund. Any further slowdown in economic activities will weigh on attendant demand for hotel rooms in Singapore.

On the supply front in Singapore, industry room inventory will continue to grow by an estimated 3,930 rooms in 2016, further increasing room stock by 6.4%. As such, room rates are likely to remain competitive as new hotels seek to build their base.

As part of ongoing asset enhancements, Grand Copthorne Waterfront Hotel is currently undergoing renovation to refresh its lobby, add meeting room capacity and augment its food and beverage offerings. The entire renovation is expected to complete by the second half of 2016. At M Hotel, the 288-room refurbishment is scheduled for completion by April 2016. Thereafter, M Hotel will proceed with another room refurbishment for its 115 club rooms and this is expected to complete in second half of 2016.

2 People's Daily Online, "China Ranks No.1 in World Outbound Market for a Third Consecutive Year", 6 Nov 2015
3 STB, "Slew of prominent medical congresses in Singapore and Southeast Asia for the first time", 18 Dec 2015
4 The Straits Times, "Singapore wants business travellers to have fun - and spend more", 2 Dec 2015
5 STB, "Singapore remains Asia's top meeting and convention city for 2014", 9 Sep 2015

Maldives

Maldives registered 2.4% yoy visitor arrival growth for 2015, welcoming 1.2 million tourists. However, the hospitality market remained challenging as a result of the strong USD and this was compounded by the devaluation of the Chinese yuan in August 2015 and the sustained weakness of euro and Russian rouble. Forward bookings were also hampered by the one week state of emergency declared in October 2015. Correspondingly, the two Maldives Resorts registered yoy RevPAR decline of 18.8% for FY 2015. In view of the difficult market conditions, the managers have been working with the operators of both resorts to take cost containment measures to protect the margins of the resorts.

Japan

Japan witnessed another record-breaking year for the tourism sector in 2015. In 2015, the country welcomed 19.7 million foreign visitors, a remarkable yoy growth of 47.1%[6]. Correspondingly, the Japan Hotels posted stellar performance, registering a yoy RevPAR growth of 22.2%[7] in FY 2015. Tourism growth is likely to maintain its upwards trajectory as it benefits from the various government initiatives. In November 2015, the Japanese Prime Minister has called for a revision of the visitor arrivals target to 30.0 million visitors by year 2020, up from the previous target of 20.0 million[8]. The outlook for the hospitality sector is expected to remain positive.

United Kingdom

The newly acquired hotel, Hilton Cambridge City Centre, recorded a robust yoy RevPAR growth of 20.8%[9] in 4Q 2015. This growth was fuelled by increased business following the refurbishment that was completed in April 2015. The UK tourism sector continues to gain momentum with visitor arrivals up 4.0% yoy to 30.5 million for the first ten months of 2015. The recent rebranding of the Cambridge hotel on 15 December 2015 to the Hilton Cambridge City Centre should augment the trading performance as the hotel benefits from the management expertise and distribution strength of the international operator.

Australasia

In Perth and Brisbane, weakness in the natural resource sector as a result of the falling commodity prices coupled with the additional hotel supply may weigh on the trading performance of the hospitality sector. However, this is mitigated by the defensive lease structure which provides CDLHT with largely fixed rent.

In New Zealand, the tourism sector is enjoying buoyant demand with tourist arrivals growing 8.9% yoy to a record 3.1 million visitors for the 12-month period ended November 2015[10]. Given the good growth momentum, the near term outlook for the hospitality sector looks promising.

Mr Vincent Yeo, concluded, "While the market conditions remain challenging, they may also present opportunities for investment at the same time. Our balance sheet and debt headroom remains healthy and this will put us in good stead when pursuing suitable acquisition opportunities."

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6 Japan National Tourism Organization (JNTO)
7 The yoy RevPAR comparison assumes H-REIT, through the Japan Trust, owned the Japan Hotels for the year ended 31 Dec 2014
8 The Straits Times, "Visitors to Japan surge to record high in 2015, nearing 2020 target", 19 Jan 2016
9 The yoy RevPar comparison assumes that CDLHT owned the UK Hotel for the quarter ended 31 Dec 2014
10 New Zealand Herald, "Record migrants, tourists for NZ", 21 Dec 2015

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About CDL Hospitality Trusts

CDL Hospitality Trusts ("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 31 December 2015, CDLHT owns 15 hotels and two resorts with a total of 4,909 rooms, comprising:

(i) six hotels in 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 Australia's key gateway cities of Brisbane and Perth (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 Grand 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).