



CDL HOSPITALITY TRUSTS



CDL HOSPITALITY TRUSTS

ANNUAL REPORT 2015



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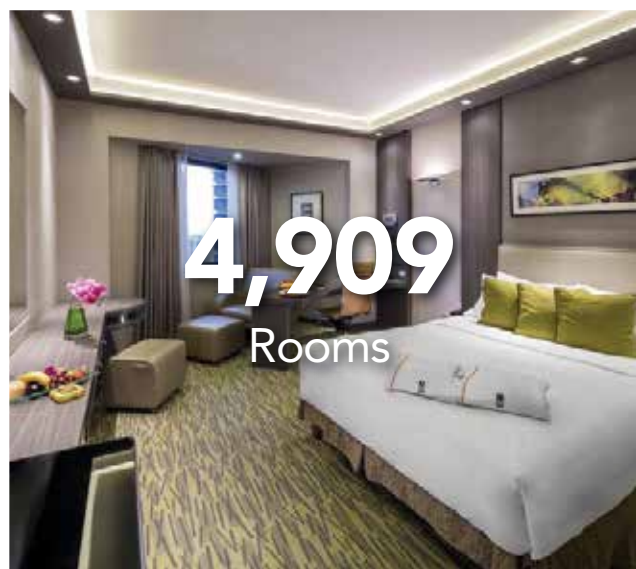




CDL Hospitality Trusts ("**CDLHT**") is one of Asia's leading hospitality trusts with assets valued at S\$2.5 billion. It owns 15 hotels in Singapore, Australia, New Zealand, Japan and United Kingdom, two resorts in Maldives, as well as a retail mall in Singapore. The substantial value of its assets are situated in central locations within Singapore. All the hotels are well located within key cities while the two resorts are located in Maldives, a top-tier destination for luxury tourism.

The properties comprise a total of 4,909 rooms and are operated by master lessees and hotel managers, which include Millennium & Copthorne Hotels plc, Accor S.A., Rendezvous Hotels International Private Limited, Banyan Tree Holdings Limited, Jumeirah International LLC, MyStays Hotel Management Co., Ltd and Hilton Worldwide Inc.

CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("**H-REIT**"), the first hotel real estate investment trust in Singapore, and CDL Hospitality Business Trust ("**HBT**"), a business trust. CDLHT was listed on the Main Board of Singapore Exchange Securities Trading Limited on 19 July 2006 and has a market capitalisation of approximately S\$1.3 billion as at 31 December 2015.



OVERVIEW OF CDL HOSPITALITY TRUSTS

ABOUT CDLHT

CDLHT, a stapled group comprising H-REIT and HBT, was established with the principal investment strategy of investing in a portfolio of hospitality and/or hospitality-related real estate assets globally.

CDLHT owns 18 properties, valued at S\$2.5 billion as at 31 December 2015, with a total of 4,909 hotel rooms, comprising six hotels and a retail mall in Singapore, five hotels in Australia, one hotel in New Zealand, two hotels in Japan, one hotel in United Kingdom and two resorts in Maldives.

The properties in Singapore comprise Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Novotel Singapore Clarke Quay (collectively, the "**Singapore Hotels**" with an aggregate of 2,716 rooms) as well as a retail mall adjoining Orchard Hotel. The hotel properties in Australia comprise Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth (collectively, the "**Australia Hotels**" with an aggregate of 1,139 rooms). The hotel property in New Zealand, Rendezvous Hotel Auckland, adds 452 rooms to CDLHT's portfolio. The two hotels in Japan comprise Hotel MyStays Asakusabashi and Hotel MyStays Kamata (collectively the "**Japan Hotels**" with an aggregate of 254 rooms). The two resorts in Maldives comprise Angsana Velavaru and Jumeirah Dhevanafushi (collectively the "**Maldives Resorts**" with an aggregate of 150 villas).

In October 2015, CDLHT marked its maiden entry into the European market with the acquisition of the 198-room Hilton Cambridge City Centre (formerly known as Cambridge City Hotel, the "**UK Hotel**"). The property is a newly refurbished upper upscale hotel located in the heart of Cambridge city centre in United Kingdom.

CDLHT's portfolio of quality hotel and hotel-related assets in Singapore, Australia and New Zealand are strategically located in or near the central business districts in key cities and largely marketed as "superior" or 5-star hotels. The Japan Hotels are known as business hotels in the local context and are located within close proximity to major transportation networks and tourist attractions in Tokyo. CDLHT's luxurious resorts in the Maldives, a top-tier premium destination with the exclusive "one-island-one-resort" concept, offers guests with two distinct experiences with the beachfront and water villas within one resort.

All the properties, with the exception of Claymore Connect, Jumeirah Dhevanafushi, the Japan Hotels and UK Hotel, are leased to external master lessees by H-REIT. Claymore Connect is leased directly to retail tenants by H-REIT. Jumeirah Dhevanafushi, the Japan Hotels and UK Hotel are managed by hotel management companies.

H-REIT'S STRATEGY

The principal investment strategy of H-REIT is to invest in a diversified portfolio of income-producing real estate, which is primarily used for hospitality and/or hospitality-related purposes. Such investments may be by way of direct acquisition and ownership of properties by H-REIT or may be effected indirectly through the acquisition and ownership of companies or other legal entities, which primary purpose is to hold or own real estate and real estate-related assets which are used for hospitality and hospitality-related purposes.



Junior Ballroom, Novotel Singapore Clarke Quay

Generally, investments will be made where such investments are considered to be value-enhancing, yield-accretive or have potential for capital appreciation, and feasible in the light of regulatory, commercial, political and other relevant considerations.

The objectives of M&C REIT Management Limited, as manager of H-REIT (the "**H-REIT Manager**"), are to maximise the rate of return for the holders of H-REIT units and to make regular distributions. The H-REIT Manager plans to achieve these objectives through the following strategies:

ACQUISITION GROWTH STRATEGY

In evaluating new acquisition opportunities, the H-REIT Manager will consider the need for the diversification of the portfolio by geography and asset profile. Potential sources of acquisitions are likely to arise from:

- H-REIT's relationship with Millennium & Copthorne Hotels plc ("**M&C**"), an international hotel owner and operator listed on the London Stock Exchange with a market capitalisation of approximately £1.4 billion as at 3 March 2016. H-REIT will be able to leverage on M&C's experience, market reach and network of contacts in the global hotel and hospitality sector for its acquisitions. In addition, H-REIT can seek partnership and co-operation opportunities with M&C as it expands globally.
- Opportunities arising from divestment of assets by hospitality service providers who are increasingly looking to free up capital for business expansion or investment funds that have a finite period to dispose acquired assets.
- Opportunities arising from divestment of assets by owners or developers.
- Opportunities to acquire under-performing assets with turnaround potential by implementing value-added strategies such as re-flagging, management change and asset enhancements.

CAPITAL AND RISK MANAGEMENT STRATEGY

The H-REIT Manager intends to use a combination of debt and equity to fund future acquisitions and property enhancements such that it is within the "Aggregate Leverage" limit set out in the Property Funds Appendix.

The objectives of the H-REIT Manager in relation to capital and risk management are to:

- maintain a strong balance sheet and remain within the Aggregate Leverage limit set out in the Property Funds Appendix;

- minimise the cost of debt financing;
- secure diversified funding sources from both financial institutions and capital markets as H-REIT grows in size and scale; and
- manage the exposure arising from adverse market movements in interest rates and foreign exchange through appropriate hedging strategies.

ACTIVE ASSET MANAGEMENT

The H-REIT Manager actively engages its master lessees, leveraging on H-REIT's economies of scale and its relationship with M&C, which has extensive experience in the hospitality industry, to maximise the operating performance and cash flow of the assets. In addition, it seeks to implement various asset enhancement initiatives to improve the assets' value and competitiveness.

HBT'S STRATEGY

M&C Business Trust Management Limited, as trustee-manager of HBT (the "**HBT Trustee-Manager**"), first activated HBT at the end of 2013.

HBT may act as the master lessee(s) of H-REIT's hotels if any of the following occurs:

- It is appointed by H-REIT, in the absence of any other master lessee(s) being appointed, as a master lessee of one of the hotel assets in H-REIT's portfolio at the expiry of the lease term. The intention is for HBT to appoint professional hotel managers to manage these hotels.
- H-REIT acquires hotels in the future, and, if there are no other suitable master lessees, H-REIT will lease these acquired hotels to HBT. HBT will then become a master lessee for these hotels and will appoint professional hotel managers to manage these hotels.

The HBT Group currently acts as the master lessees for three of the properties in H-REIT's portfolio, namely Jumeirah Dhevanafushi, Hotel MyStays Asakusabashi and Hotel MyStays Kamata and appoints professional hotel managers to manage these properties.

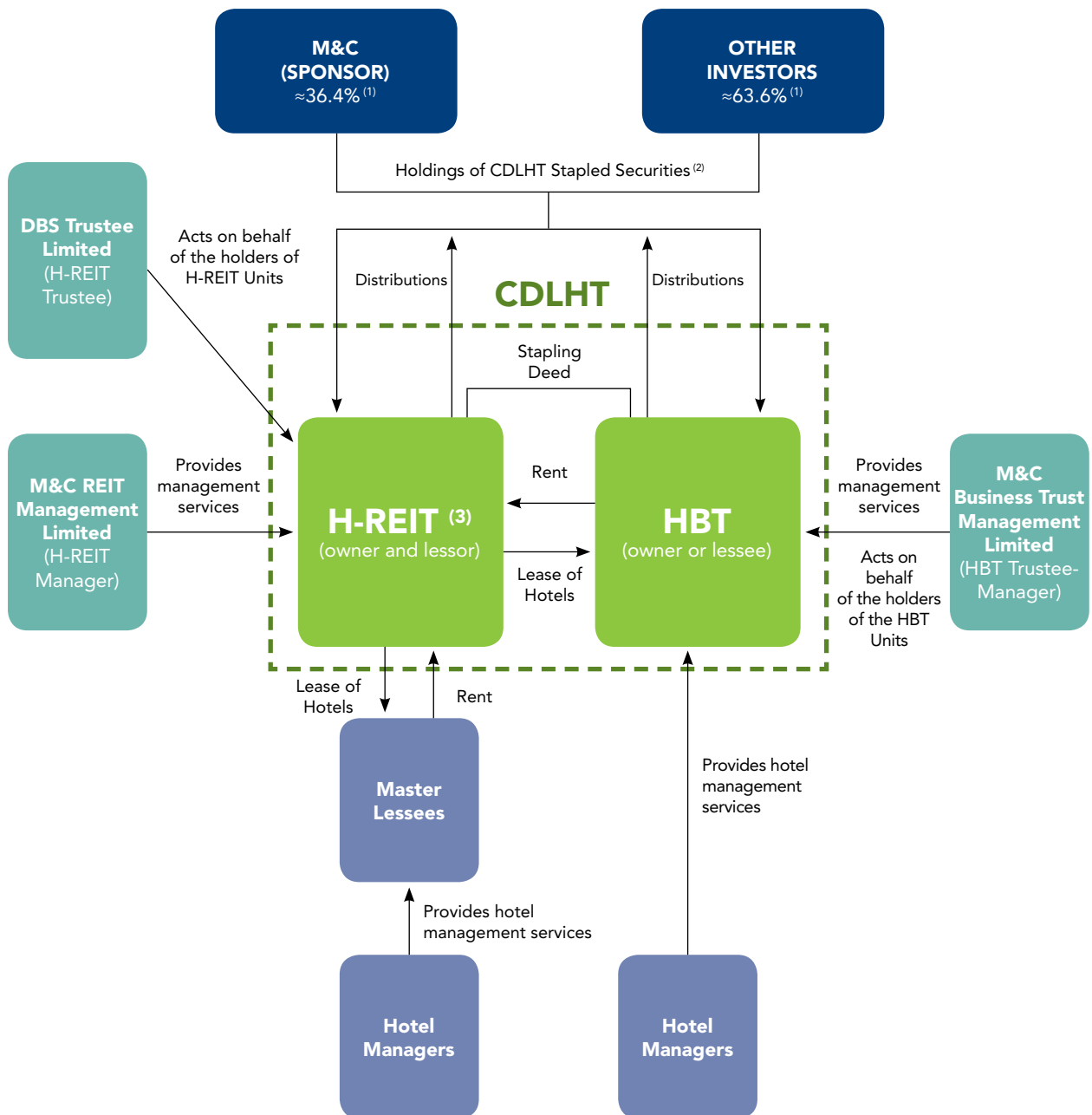
HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments, which may not be suitable for H-REIT.

The HBT Group has acquired the Cambridge City Hotel (now rebranded as Hilton Cambridge City Centre) on 1 October 2015 as the acquisition was not suitable for H-REIT due to adverse tax consequences that would have arisen if H-REIT were to assume the target's specific structure. The HBT Group has appointed Hilton to manage the hotel since acquisition.

STAPLED STRUCTURE OF CDLHT

STAPLED STRUCTURE

CDLHT is a stapled group comprising H-REIT, a real estate investment trust, and HBT, a business trust. CDLHT currently owns 18 properties across six countries.



(1) Holdings of Stapled Securities as at 3 March 2016.

(2) CDLHT comprises stapled units of H-REIT and HBT ("Stapled Securities") with each Stapled Security consisting of a unit in H-REIT and a unit in HBT.

(3) For simplicity, the diagram does not include the relationships in relation to Claymore Connect. The H-REIT Manager asset-manages Claymore Connect and the various tenants of the retail units at Claymore Connect make rental payments to H-REIT under the terms of their respective leases.

OVERVIEW AND FINANCIAL REVIEW

GLOBAL REACH OF SPONSOR, M&C

CDLHT stands to benefit from the Sponsor's financial strength, experience, market reach and network of contacts in the global hotel and hospitality industry. The Sponsor owns and/or operates a portfolio of over 120 hotels worldwide.



NORTH AMERICA	EUROPE	MIDDLE EAST	CHINA & TAIWAN	REST OF ASIA	NEW ZEALAND
Anchorage Avon Boston Boulder Buffalo Chagrin Falls Chicago Cincinnati Durham Kissimmee Los Angeles Minneapolis Nashville New York Scottsdale	France Paris Italy Rome United Kingdom Aberdeen Birmingham Cardiff Dudley Gatwick Glasgow Liverpool London Manchester Newcastle Plymouth Reading Sheffield Slough-Windsor	United Arab Emirates (UAE) Abu Dhabi Dubai Fujairah Sharjah Qatar Doha Kuwait Al Jahra Al Salmiya Iraq Baranan Sulaymaniyah Oman Muscat Mussanah Jordan Amman Saudi Arabia Madinah	China Beijing Chengdu Fuqing Hangzhou Qingdao Shanghai Wuxi Xiamen Taiwan Taipei Taichung Hong Kong	Singapore Indonesia Jakarta Malaysia Cameron Highlands Kuala Lumpur Penang Thailand Bangkok Phuket Philippines Manila Japan Tokyo South Korea Seoul	Auckland Bay of Islands Dunedin Greymouth Hokianga New Plymouth Paihia Palmerston North Queenstown Rotorua Taupo Te Anau Wairarapa Wanganui Wellington

CHAIRMAN'S STATEMENT



"...the long-term outlook for Singapore tourism sector remains positive, augmented by initiatives of the Singapore government. These include the continuing pipeline of tourist attractions and ongoing construction of Changi Airport's Terminal 4 which will serve to entrench Singapore's position as a leading aviation hub in the region."

On behalf of the Board of Directors of the H-REIT Manager and the HBT Trustee-Manager, I am pleased to present our annual report for FY 2015.

DIVERSIFICATION STRATEGY SUPPORTED PORTFOLIO PERFORMANCE

Global economic conditions remained uncertain throughout 2015 amidst turbulent financial markets and this had an adverse impact on our portfolio overall. However, our recent acquisitions of hotels in cities with strong hospitality demand drivers such as Tokyo and Cambridge have supported the portfolio performance by providing the benefits of income diversification and also helped to mitigate the softer trading conditions in some of CDLHT's key markets in 2015. CDLHT's efforts in broadening the earnings base have seen Singapore properties' contribution to portfolio NPI reduce from 69.0% in FY 2014 to 66.4% in FY 2015.

For FY 2015, net property income of CDLHT decreased 2.5% to S\$137.0 million. During the year, the Managers converted some of the borrowings into longer tenor fixed-rate loans in anticipation of further interest rate rises. This exercise, coupled with additional borrowings to fund its acquisition as well as the general rise in floating rates, have led to incremental interest expenses. Consequently, total distribution for FY 2015 registered a 7.8% yoy decline to S\$99.2 million. Total distribution per Stapled Security for FY 2015 was 10.06 cents, compared to 10.98 cents the year before.

MARKET REVIEW AND OUTLOOK

In 2015, the Singapore hospitality industry faced headwinds caused by weak economic environment, as well as increased room supply. This was exacerbated by the relatively strong Singapore dollar, which had affected key source markets around the region. As a result, RevPAR for the Singapore Hotels decreased 6.9% yoy in FY 2015 to S\$175 despite occupancies recording a commendable 87.7%.

In 2016, Singapore is expected to see a better events calendar with new marquee events, prominent medical congresses and the return of biennial citywide events. Singapore has also been successful in attracting big corporate incentive groups to the garden city. Supporting the growth in tourism is an estimated increase of 3,930 rooms in 2016. However, the outlook for the global economy and Singapore hospitality sector in 2016 remains uncertain. The slower economic

OVERVIEW AND FINANCIAL REVIEW

growth in China has also contributed to a higher risk of economic vulnerability worldwide. Any further slowdown in economic activities will weigh on attendant demand for hotel rooms in Singapore.

Notwithstanding the near-term challenges, the long-term outlook for Singapore tourism sector remains positive, augmented by initiatives of the Singapore government. These include the continuing pipeline of tourist attractions and ongoing construction of Changi Airport's Terminal 4 which will serve to entrench Singapore's position as a leading aviation hub in the region.

For CDLHT's Australia and New Zealand Hotels, fixed rent contributions were lower in FY 2015 due to local currency weakness against the Singapore dollar. The lack of new investments in the mining sector in Perth and Brisbane as a result of the weak commodity prices, coupled with the addition of new hotel supply, may weigh on the trading performance of the hospitality sector. However, any weakness in the performance of the Australia Hotels is mitigated by the defensive lease structure which provides CDLHT with largely fixed rent. In New Zealand, the tourism sector is seeing good growth momentum and the near-term outlook for the hospitality sector looks promising.

In Maldives, the operating environment was affected largely by the continued strength of the US dollar against most currencies which rendered the travel destination more expensive. In addition to the currency weakness of key source markets against the US dollar, the slowing

growth in China and the recent devaluation of the Chinese yuan are also expected to dampen demand for luxury resort stays. Recognising the challenging trading environment, the Managers have also been proactively working with operators of the two resorts to work on cost containment measures to protect the profit margins.

Strong performance and contributions from the newly acquired Hilton Cambridge City Centre and the Japan Hotels have helped to mitigate the weaker contributions in other markets in 2015. For the period in which CDLHT owns the UK Hotel (4Q 2015), it traded strongly post-refurbishment, recording a yoy RevPAR growth of 20.8%. The Japan Hotels, which was acquired in December 2014, saw RevPAR growth of 22.2% ⁽¹⁾ in FY 2015 due to a surge in visitor arrivals and active revenue management strategies. Going forward, the Japanese hospitality sector is expected to continue to benefit from the various government initiatives to bring in more tourists into Japan and from the potential growth leading up to the Tokyo Olympics in 2020.

Overall, the Managers remain cautious over the health of the global economy given lingering concerns on the slowing growth in China, as well as the tepid economies in the United States and Europe. The weak economic sentiment may exert challenges for some of the markets that CDLHT operates in. Nevertheless, the geographically diversified portfolio is expected to continue to provide CDLHT with the benefits of income diversification when some markets are going through unfavourable cycles.

(1) The yoy RevPAR comparison assumes H-REIT, through the Japan Trust, owned the Japan Hotels for year ended 31 December 2014.



Club Room (post-refurbishment), M Hotel

CHAIRMAN'S STATEMENT



Grand Ballroom, Grand Copthorne Waterfront Hotel

MAIDEN ENTRY INTO EUROPE VIA ACQUISITION OF CAMBRIDGE CITY HOTEL

On 1 October 2015, CDLHT made its maiden entry into Europe with the acquisition of a hotel in Cambridge, UK for a property price of £61.5 million (approximately S\$132.7 million⁽²⁾). This acquisition was fully funded by sterling-denominated debt. Hilton was appointed as the manager of the hotel and the hotel was rebranded to Hilton Cambridge City Centre on 15 December 2015.

This transaction represented a unique opportunity for CDLHT to secure a prominent presence in Cambridge, which is one of the most robust hospitality markets in UK with a strong demand profile. It remains one of the primary tourist destinations in UK due to its historical and cultural appeal. As it is also an important location for UK's R&D sector, it is home to a large cluster of high-tech businesses focusing on biomedical, pharmaceutical and technology.

The hotel is a newly-refurbished upper upscale hotel and comes with a comprehensive suite of facilities. It also boasts a prime location in the heart of Cambridge city centre, with easy access to transport amenities and close proximity to tourist attractions. In addition, the recent rebranding should also augment the trading performance as the hotel benefits from the management expertise and distribution strength of the international operator.

With the successful completion of its first investment in Europe, CDLHT's portfolio valuation has grown to S\$2.5 billion as at 31 December 2015 and it now enjoys greater income diversification through an enlarged portfolio of 15 hotels and two resorts in six markets with a total room count of 4,909.

PORTFOLIO ENHANCEMENT FOR OPTIMISED VALUE

The Managers are constantly evaluating the portfolio for asset enhancement opportunities that would improve the assets' value and competitiveness.

In 2015, asset enhancement initiatives that were completed include the refurbishment of restaurant and bar at Mercure Perth as well as the addition of two new beach villas at Jumeirah Dhevanafushi. Claymore Connect (formerly known as Orchard Hotel Shopping Arcade) was officially opened in October 2015 following an asset enhancement exercise. The mall's net lettable area has increased by about 10,000 sq ft to approximately 54,000 sq ft⁽³⁾ and is being repositioned as a family-friendly mall.

In 2016, Grand Copthorne Waterfront Hotel is expected to complete its extensive renovation to refresh its lobby, add meeting room capacity and significantly augment its food and beverage offerings. At M Hotel, with the exception of 10 suites, the refurbishment of all the

(2) Based on an exchange rate of £1.00 = S\$2.1575. Price does not include net working capital adjustments and transaction costs.

(3) Excludes net lettable area of the adjoining Galleria which is not part of the asset enhancement exercise.

OVERVIEW AND FINANCIAL REVIEW

"Looking ahead, the Managers will continue to maintain strong financial discipline to capitalise on any acquisition opportunities while strengthening the competitiveness of our properties through proactive asset enhancements."



rooms which started in March 2015 is scheduled for completion by end of 2016. These initiatives reflect the Managers' commitment to enhance the competitive positioning of the assets in order for CDLHT to capitalise on the medium- and long-term growth potential of the Singapore hospitality market.

In Japan, the two hotels have undergone conversion of some of its smoking rooms to non-smoking rooms to capture the burgeoning demand from non-smoking guests in early part of 2016. Over in Australia, Novotel Brisbane is undergoing a refurbishment of its bar while Mercure Brisbane is refurbishing the area outside its conference rooms into a unique space to accommodate various types of exhibitions and trade shows.

PROACTIVE AND DISCIPLINED CAPITAL MANAGEMENT

We are positioned for acquisitive growth with a gearing of 36.4%. CDLHT has maintained its rating of BBB- on the Fitch Issuer Default Rating and has a robust interest cover of 6.6 times for FY 2015.

During the year, the H-REIT Manager has actively refinanced existing debt facilities ahead of their maturities and extended the tenor of its loans so as to mitigate interest rate volatility. In September 2015, the two floating rate loans that were drawn for the acquisition of the Japan Hotels were refinanced with a fixed rate bond and term loan. Separately in December 2015, the H-REIT Manager also refinanced its Australia dollar term loan and secured a fresh revolving credit facility. Post-refinancing, the weighted average

debt to maturity has been extended to 2.8 years and the proportion of borrowings on fixed interest rates has increased to 60.2%.

Looking ahead, the Managers will continue to maintain strong financial discipline to capitalise on any acquisition opportunities while strengthening the competitiveness of our properties through proactive asset enhancements.

NOMINATING AND REMUNERATION COMMITTEE

In January 2016, the Boards of the Managers have each established a new committee, the Nominating and Remuneration Committee, to assist the Boards in matters such as the appointment and re-appointment of Board and Committee members as well as the review of remuneration packages for the Directors and Key Management Personnel of the Managers.

APPRECIATION

On behalf of the Board, I would like to thank our lessees, business partners and service providers for their continued support and valued contribution to the Group. To my fellow directors, management and staff of the Managers and the H-REIT Trustee, I would like to express my appreciation for your dedication and commitment to the business. Finally, I want to thank our Stapled Security Holders for your unwavering support during the year. I look forward to meeting you at our annual general meetings on 28 April 2016.

Wong Hong Ren
Chairman

FINANCIAL HIGHLIGHTS

STATEMENT OF TOTAL RETURN

	FY 2015 S\$'000	FY 2014 S\$'000	Variance
Net property income	137,003	140,526	-2.5%
Net income before fair value adjustment	89,561	106,242	-15.7%
Income available for distribution	108,958	119,515	-8.8%
Total distribution (after retention for working capital)	99,192 ⁽¹⁾	107,563	-7.8%

BALANCE SHEET

Prudent capital management has resulted in a healthy balance sheet for CDLHT. As at 31 December 2015, CDLHT did not have any exposure to financial derivatives.

	As at 31 Dec 2015 S\$'000	As at 31 Dec 2014 S\$'000	Variance
Investment properties	2,176,664 ⁽²⁾	2,206,423	-1.3%
Property, plant and equipment	270,855 ⁽³⁾	138,260	+95.9%
Non-current assets	2,455,141	2,352,334	+4.4%
Total assets	2,547,483	2,450,186	+4.0%
Borrowings ⁽⁴⁾	926,020	776,748	+19.2%
Net assets	1,573,364	1,616,127	-2.6%

KEY FINANCIAL INDICATORS

	As at 31 Dec 2015	As at 31 Dec 2014	Variance
Gearing	36.4%	31.7%	+4.7pp
Weighted average cost of debt	2.5%	2.3%	+0.2pp
Weighted average debt to maturity (years)	2.8	2.5	+0.3
Interest coverage ratio	6.6x	8.6x	-2.0x
Net asset value per unit	S\$1.59	S\$1.65	-3.6%

(1) The undistributed income of S\$10,896,000 retained for working capital comprised solely of tax exempt income.

(2) All properties, excluding Jumeirah Dhevanafushi, the Japan Hotels and the UK Hotel, are accounted for as Investment Properties.

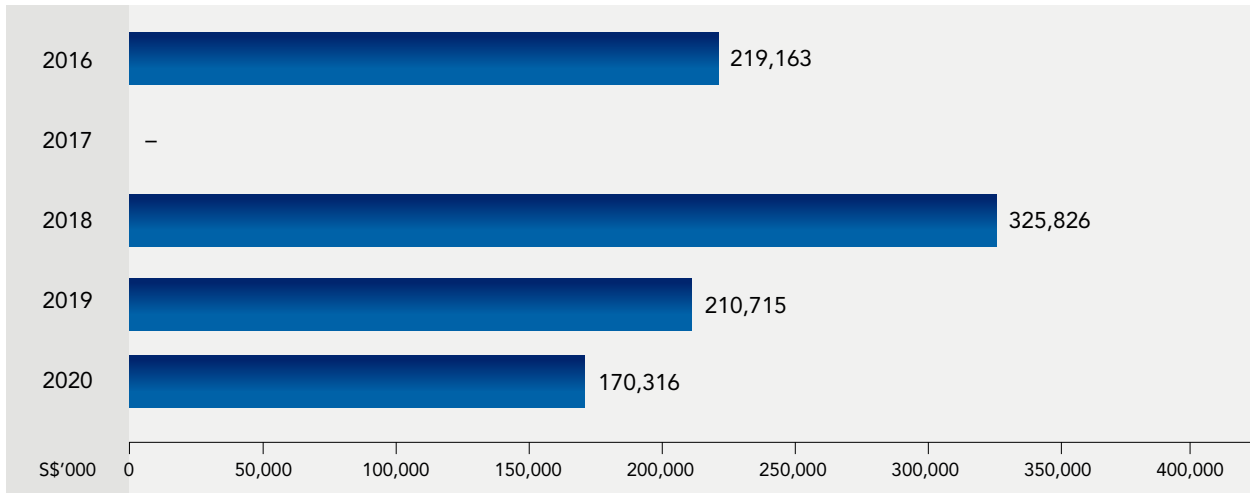
(3) In CDLHT's consolidated financial statements as at 31 December 2015, Jumeirah Dhevanafushi is accounted for at cost as Property, Plant and Equipment and Prepaid Land Lease while both the Japan Hotels and the UK Hotel are accounted for at cost as Property, Plant and Equipment.

(4) The borrowings are presented before the deduction of unamortised transaction costs.

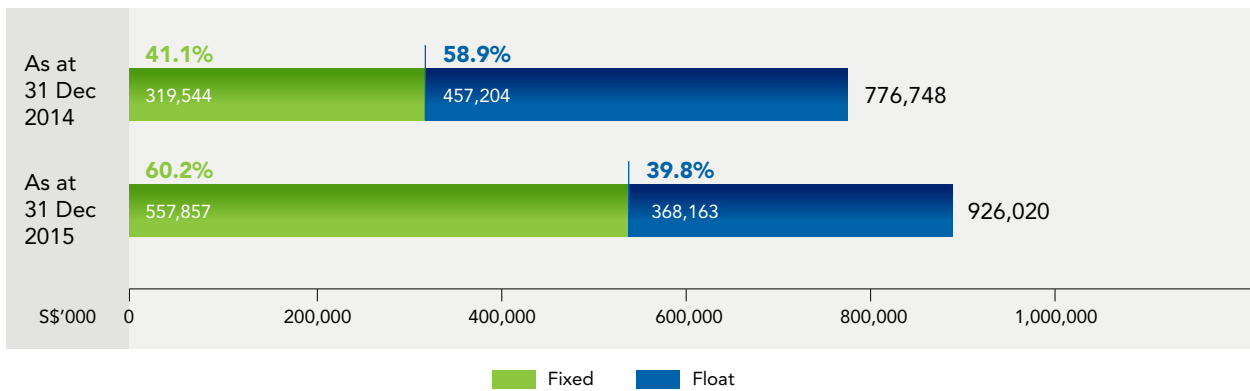
OVERVIEW AND FINANCIAL REVIEW

DEBT PROFILE OF CDLHT⁽¹⁾

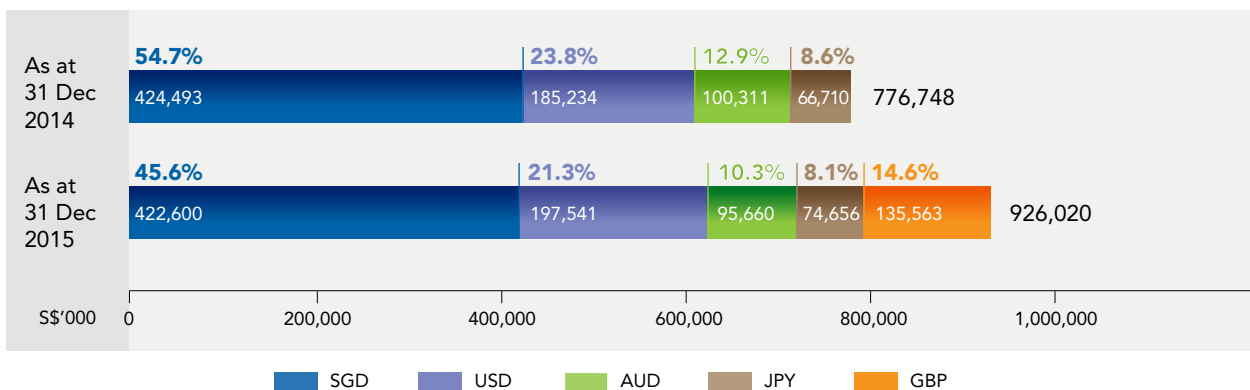
Debt Maturity Profile



Fixed-rate Versus Floating-rate Borrowings



Debt Currency Profile



(1) Numbers and percentages may not add up due to rounding.

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

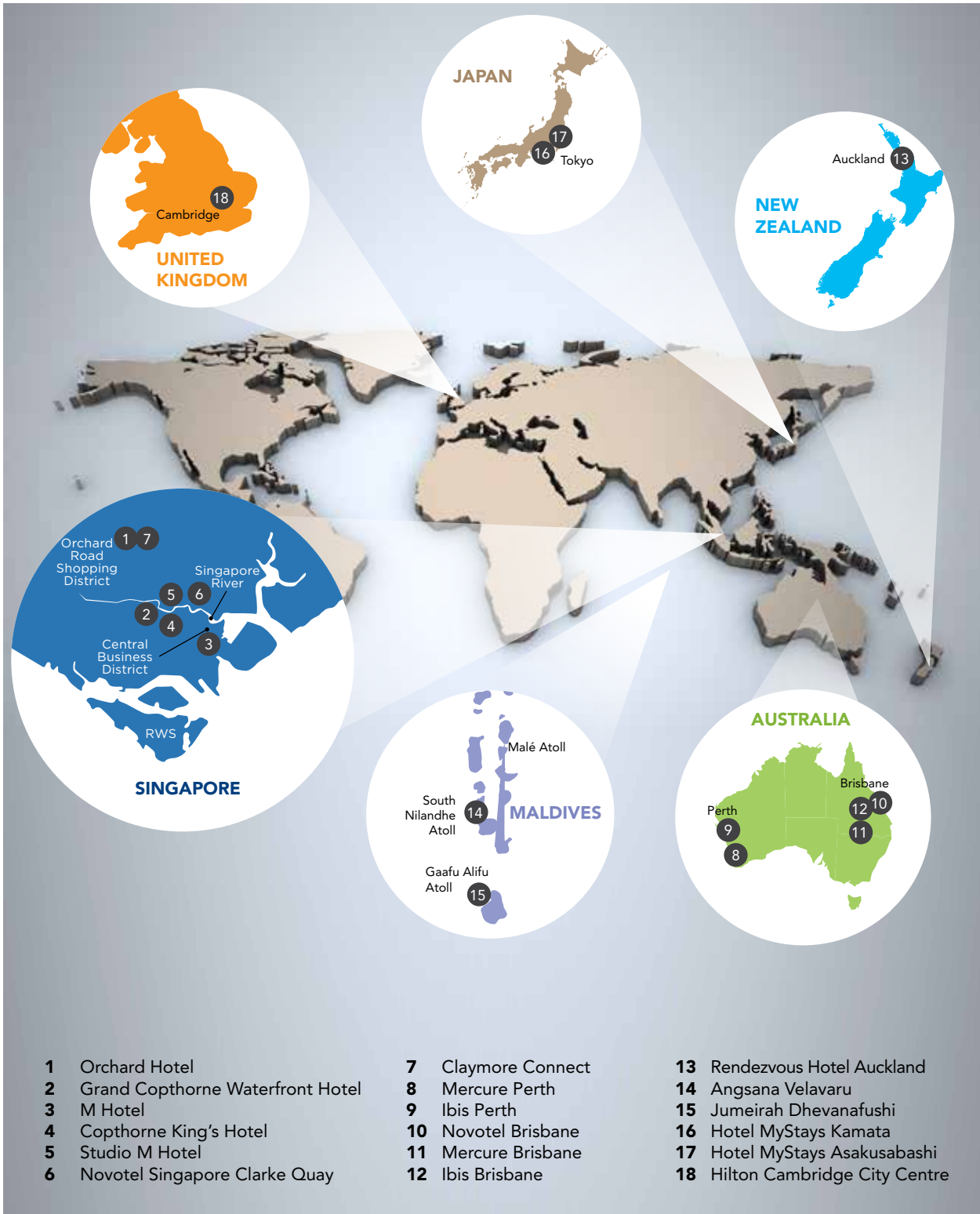
OUR PROPERTIES



SINGAPORE • BRISBANE • PERTH • AUCKLAND • MALDIVES • TOKYO • CAMBRIDGE

OVERVIEW AND FINANCIAL REVIEW

COUNTRY EXPOSURE OF ASSETS UNDER MANAGEMENT



PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

KEY PROPERTY DETAILS

Summary details of CDLHT's properties are as follows:

	No of Rooms	Title	Remaining Term of Land Lease	Date of Acquisition	Purchase Price in millions	Valuation in millions ⁽¹⁾
SINGAPORE						
Orchard Hotel	656	75-year leasehold interest commencing 19 Jul 2006	66 years	19 Jul 2006	S\$330.1	S\$449.0
Grand Copthorne Waterfront Hotel	574			19 Jul 2006	S\$234.1	S\$351.0
M Hotel	413			19 Jul 2006	S\$161.5	S\$235.0
Copthorne King's Hotel	310	99-year leasehold interest commencing 1 Feb 1968	51 years	19 Jul 2006	S\$86.1	S\$121.0
Studio M Hotel	360	99-year leasehold interest commencing 26 Feb 2007	90 years	3 May 2011	S\$154.0	S\$159.0
Novotel Singapore Clarke Quay	403	97 years and 30 days leasehold interest commencing 2 Apr 1980	61 years	7 Jun 2007	S\$201.0	S\$319.0
Claymore Connect	N.A.	75-year leasehold interest commencing 19 Jul 2006	66 years	19 Jul 2006	S\$34.5	S\$106.0
NEW ZEALAND						
Rendezvous Hotel Auckland	452	Freehold	–	19 Dec 2006	NZ\$113.0	NZ\$117.0
AUSTRALIA						
Novotel Brisbane	296	Strata Volumetric Freehold	–	18 Feb 2010	A\$63.5	A\$68.0
Mercure Brisbane	194	Freehold	–	18 Feb 2010	A\$53.7	A\$61.9
Ibis Brisbane	218	Freehold	–	18 Feb 2010		
Mercure Perth	239	Strata Freehold	–	18 Feb 2010		
Ibis Perth	192	Freehold	–	18 Feb 2010	A\$21.6	A\$32.0
MALDIVES						
Angsana Velavaru	113	50-year leasehold interest commencing 26 Aug 1997	32 years	31 Jan 2013	US\$71.0	US\$78.0
Jumeirah Dhevanafushi	37	50-year leasehold interest commencing 15 Jun 2006	40 years	31 Dec 2013	US\$59.6	US\$57.0
JAPAN						
Hotel MyStays Asakusabashi	138	Freehold	–	19 Dec 2014	¥3,200	¥3,720
Hotel MyStays Kamata	116	Freehold	–	19 Dec 2014	¥2,600	¥3,070
UNITED KINGDOM						
Hilton Cambridge City Centre	198	125-year leasehold interest commencing 25 Dec 1990	100 years ⁽²⁾	1 Oct 2015	£61.5	£61.5

(1) All properties, excluding the UK Hotel, were valued as at 31 December 2015. The UK Hotel, which was acquired on 1 October 2015, was valued by Knight Frank LLP as at 25 August 2015.

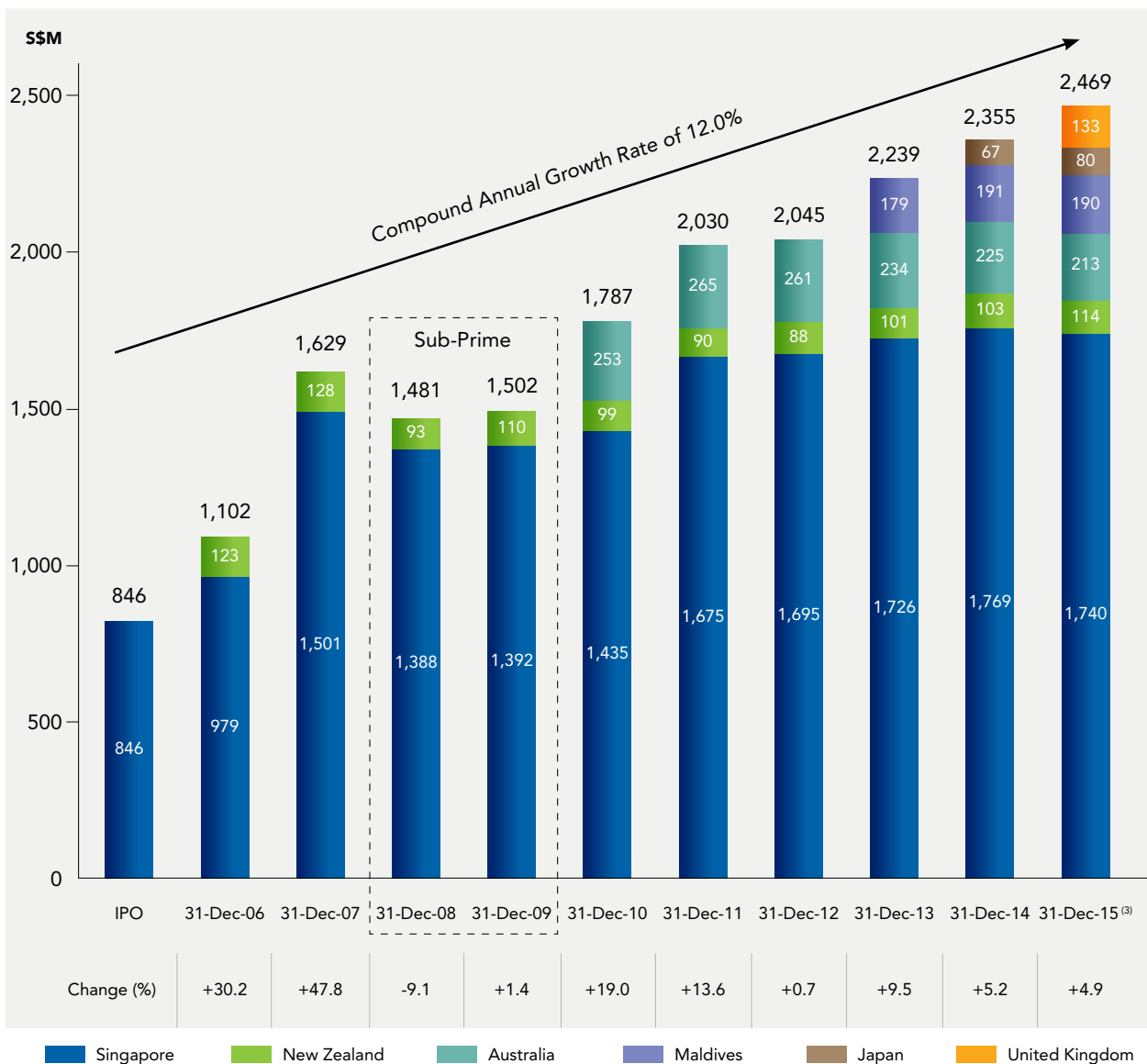
(2) The lease term may be extended for a further term of 50 years pursuant to lessee's (CDLHT) option to renew under the lease granted by the head lessor (Cambridge City Council).

OVERVIEW AND FINANCIAL REVIEW

PORTFOLIO VALUATION ⁽¹⁾
As at 31 December 2015

As at 31 December 2015, the valuation of CDLHT's portfolio registered a yoy increase of 4.9% on the back of the acquisition of the UK Hotel which was valued at £61.5 million (approximately S\$132.7 million ⁽²⁾).

Since IPO, the portfolio value of CDLHT has increased from S\$0.8 billion to S\$2.5 billion, representing a CAGR of 12.0%.



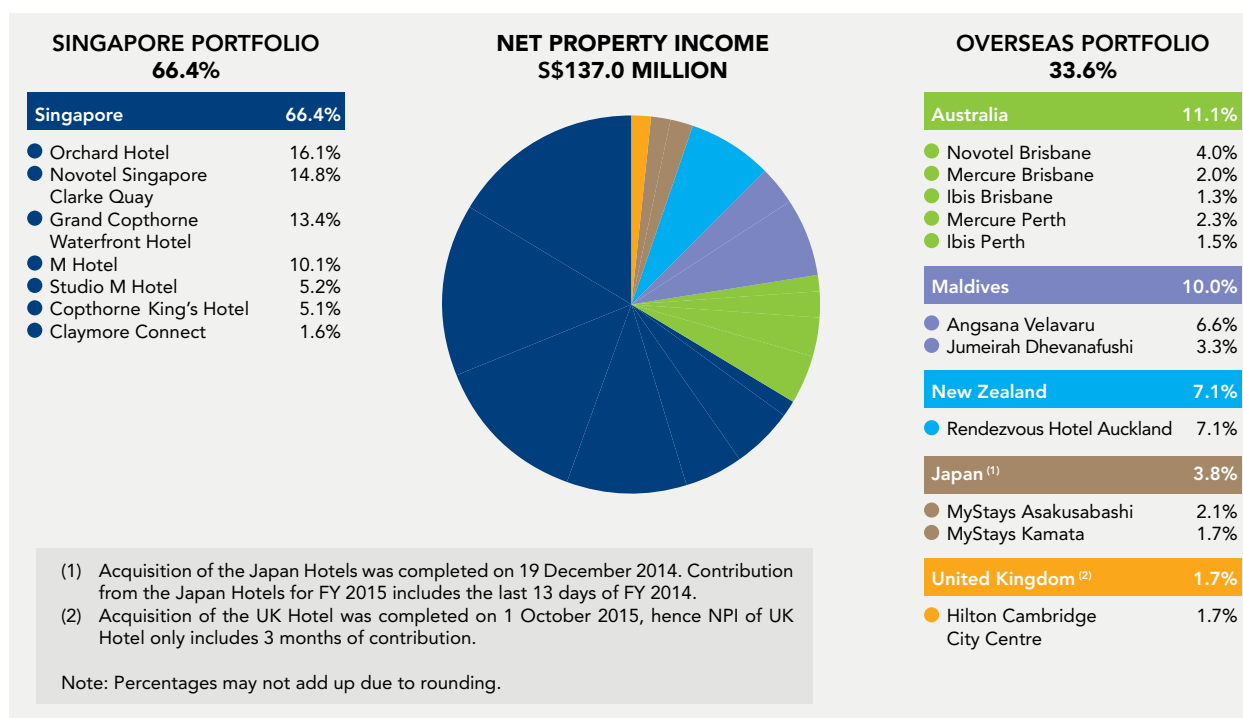
(1) Numbers may not add up due to rounding.

(2) Based on exchange rate of £1.00 = S\$2.1575.

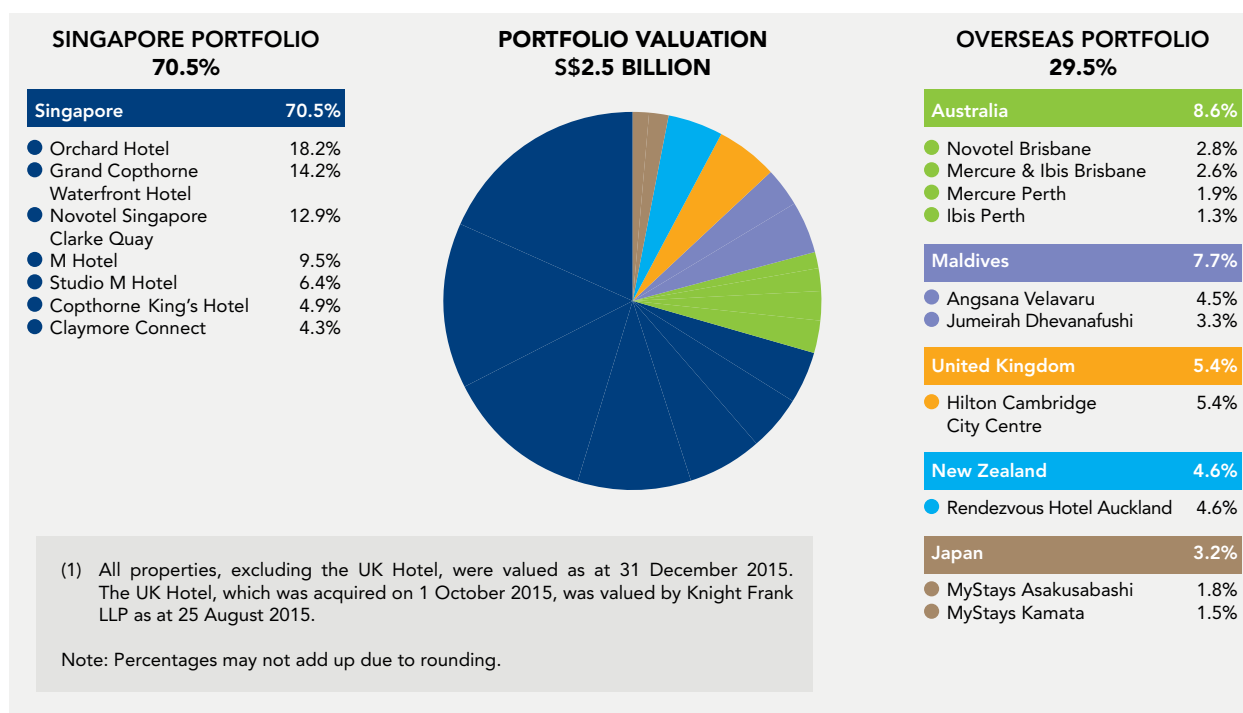
(3) All properties, excluding the UK Hotel, were valued as at 31 December 2015. The UK Hotel, which was acquired on 1 October 2015, was valued by Knight Frank LLP as at 25 August 2015.

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

NET PROPERTY INCOME BY GEOGRAPHY AND PROPERTIES ^{(1) (2)} For FY 2015



PORTFOLIO VALUATION BY GEOGRAPHY AND PROPERTIES ⁽¹⁾ As at 31 December 2015



OVERVIEW AND FINANCIAL REVIEW

TOP 10 TENANTS BY GROSS RENTAL INCOME FOR PROPERTIES WITH LEASES ⁽¹⁾ For FY 2015

CDLHT has 26 tenants in total for properties that are leased out, 8 for the hotel properties and 18 for Claymore Connect. The top 10 tenants contributed to 97.8% of the total gross rental income for properties with leases.

		S\$'000	% of Total Gross Rental Income
Republic Hotels & Resorts Limited		28,305	20.8%
City Hotels Pte. Ltd.		24,128	17.7%
AAPC Clarke Quay Hotel Pte. Ltd.		21,597	15.8%
AAPC Properties Pty Ltd.		15,194	11.1%
Harbour View Hotel Pte. Ltd.		15,090	11.1%
Maldives Bay Pvt Ltd		10,201	7.5%
Rendezvous Hotels (NZ) Limited		9,677	7.1%
Republic Iconic Hotel Pte. Ltd.		7,810	5.7%
TAB SG Pte. Ltd.		867	0.6%
Jamcute Pte. Ltd.		556	0.4%

Tenant Classification: ■ Hotels ■ Entertainment

LEASE EXPIRY PROFILE AND TENANT MIX BY GROSS RENTAL INCOME FOR PROPERTIES WITH LEASES ⁽¹⁾ For FY 2015

96.8% of CDLHT's gross rental income for FY 2015 was attributed to hotel properties and the remaining 3.2% was attributed to Claymore Connect, the only retail mall owned by CDLHT. CDLHT has a strong mix of diversified hotel operators on master leases as well as healthy lease expiry profile.

Properties	Tenure of Lease	Year of Expiry ⁽²⁾	% of Rental Income ⁽³⁾
Singapore IPO Hotels	20 years from 19 Jul 2006 with an option to renew for another 20 years	2026	49.5%
Novotel Singapore Clarke Quay	Approximately 13.5 years from 7 Jun 2007 expiring 31 Dec 2020	2020	15.8%
Australia Hotels	Approximately 11 years from 19 Feb 2010 expiring 30 Apr 2021	2021	11.1%
Angsana Velavaru	10 years from 1 Feb 2013 expiring 31 Jan 2023	2023	7.5%
Rendezvous Hotel Auckland	10 years from 7 Sep 2006	2016	7.1%
Studio M Hotel	20 years from 3 May 2011 with an option to renew for three consecutive additional terms of 20 years + 20 years + 10 years	2031	5.7%
Claymore Connect	Range of lease terms - for details on lease expiry profile, refer to page 57		3.2%

Weighted Average Lease Expiry (Based on Gross Rental Income)

Hotel Properties	8.3 years ⁽⁴⁾
Retail Mall (Claymore Connect)	2.5 years ⁽⁵⁾
New Leases	2.6 years ⁽⁵⁾

In FY 2015, all the new leases entered into relate to Claymore Connect as the mall reopened in October 2015 after a major asset enhancement exercise. The proportion of the new leases is only 1.9% ⁽⁶⁾ of total gross rental income for the year.

- (1) Does not include properties which are on management contracts, namely Jumeirah Dhevanafushi, Hotel MyStays Asakusabashi, Hotel MyStays Kamata and Hilton Cambridge City Centre.
- (2) Expiry does not take into consideration the tenure under the extension options.
- (3) Percentages may not add up to 100% due to rounding.
- (4) Based on FY 2015 actual gross rental income.
- (5) Based on the passing rental income in the month which the lease expires and excludes gross turnover rent. The WALE by NLA for Claymore Connect and the new leases are 2.5 years and 2.6 years respectively.
- (6) Computed based on gross rental income of new leases entered into at Claymore Connect in FY 2015 as a percentage of gross rental income of all properties on leases for FY 2015.

YEAR IN REVIEW

PERFORMANCE BY COUNTRY AND PROPERTY ⁽¹⁾

	FY 2015 S\$'000	FY 2014 S\$'000	Variance	FY 2015 S\$'000	FY 2014 S\$'000	Variance
PROPERTIES ON LEASES	Gross Rental Revenue			Net Property Income		
Singapore	101,328	106,373	-4.7%	90,983	96,994	-6.2%
Orchard Hotel	24,128	25,919	-6.9%	22,030	23,780	-7.4%
Grand Copthorne Waterfront Hotel	19,952	22,636	-11.9%	18,396	20,929	-12.1%
M Hotel	15,090	15,784	-4.4%	13,872	14,478	-4.2%
Copthorne King's Hotel	8,353	8,907	-6.2%	6,988	7,488	-6.7%
Studio M Hotel	7,810	9,008	-13.3%	7,185	8,459	-15.1%
Novotel Singapore Clarke Quay	21,597	22,298	-3.1%	20,323	20,948	-3.0%
Claymore Connect ⁽²⁾	4,398	1,821	141.5%	2,190	912	140.1%
Australia	15,194	16,747	-9.3%	15,194	16,747	-9.3%
Novotel Brisbane	5,490	6,051	-9.3%	5,490	6,051	-9.3%
Mercure Brisbane	2,706	2,982	-9.3%	2,706	2,982	-9.3%
Ibis Brisbane	1,804	1,988	-9.3%	1,804	1,988	-9.3%
Mercure Perth	3,136	3,458	-9.3%	3,136	3,458	-9.3%
Ibis Perth	2,058	2,268	-9.3%	2,058	2,268	-9.3%
New Zealand	9,677	10,234	-5.4%	9,677	10,234	-5.4%
Rendezvous Hotel Auckland	9,677	10,234	-5.4%	9,677	10,234	-5.4%
Maldives	10,201	11,905	-14.3%	9,107	10,863	-16.2%
Angsana Velavaru	10,201	11,905	-14.3%	9,107	10,863	-16.2%
Sub-Total	136,400	145,259	-6.1%	124,961	134,838	-7.3%
PROPERTIES ON MANAGEMENT CONTRACTS	Gross Hotel Revenue			Net Property Income		
Maldives	20,152	21,553	-6.5%	4,525	5,688	-20.4%
Jumeirah Dhevanafushi	20,152	21,553	-6.5%	4,525	5,688	-20.4%
Japan	9,726	-	N.M.	5,240	-	N.M.
Hotel MyStays Asakusabashi	5,312	-	N.M.	2,862	-	N.M.
Hotel MyStays Kamata	4,414	-	N.M.	2,378	-	N.M.
United Kingdom	6,132	-	N.M.	2,277	-	N.M.
Hilton Cambridge City Centre ⁽³⁾	6,132	-	N.M.	2,277	-	N.M.
Sub-Total	36,010	21,553	67.1%	12,042	5,688	111.7%
Total Portfolio	172,410	166,812	3.4%	137,003	140,526	-2.5%

(1) Numbers may not add up due to rounding.

(2) Note that apart from Galleria, no income was recorded for Claymore Connect in FY 2014 as the mall was undergoing asset enhancement works.

(3) As Hilton Cambridge City Centre was acquired on 1 October 2015, the gross revenue and NPI include only contributions for the last three months of 2015.

OVERVIEW AND FINANCIAL REVIEW

REVIEW OF FINANCIAL PERFORMANCE

CDLHT achieved a 3.4% increase in gross revenue to S\$172.4 million in FY 2015, primarily due to the recognition of a full year's hotel revenue of S\$9.7 million from the Japan Hotels⁽⁴⁾ as well as new contribution of S\$6.1 million from Hilton Cambridge City Centre (formerly known as Cambridge City Hotel) which was acquired in October 2015.

Net property income for FY 2015 decreased by 2.5% to S\$137.0 million. Contributions from Singapore properties and Maldives Resorts declined S\$6.0 million and S\$2.9 million respectively as a result of the softer trading environment. The Australia Hotels and New Zealand Hotel recorded lower rents of S\$1.6 million and S\$0.6 million respectively due to local currency weakness against the Singapore dollar. Inorganic contributions of S\$5.2 million from Japan Hotels and S\$2.3 million from the recently acquired UK Hotel have mitigated the weaker performance from other markets in the portfolio.

During the year, the H-REIT Manager converted some of the borrowings into longer tenor fixed-rate loans in anticipation of further interest rate rises. This exercise, coupled with additional borrowings to fund its acquisition as well as the general rise in floating rates, have led to incremental interest expenses.

The total distribution (after deducting income retained for working capital and including capital distribution⁽⁵⁾) for FY 2015 was S\$99.2 million. Accordingly, total distribution per Stapled Security for FY 2015 was 10.06 cents, compared to 10.98 cents the year before.

CDLHT revalued its investment properties as at 31 December 2015 and recorded a net fair value loss of S\$30.2 million. The fair value loss arose mainly from its Singapore, Australia and Maldives properties but was mitigated by a fair value gain on its New Zealand Hotel. The net fair value loss had no impact on unitholders' distribution.

Operating Expenses	FY 2015	FY 2014
Total Operating Expenses ⁽⁶⁾ (S\$'000)	82,849	60,570
Net Asset Value (S\$'000)	1,573,364	1,616,127
Total Operating Expenses as a Percentage of Net Asset Value	5.3%	3.7%

HOTELS PERFORMANCE FOR FY 2015

Singapore

The Singapore Hotels faced headwinds from subdued corporate travel demand amidst a slower global economic environment. The ongoing refurbishments at M Hotel and Grand Copthorne Waterfront Hotel also had some impact on the occupancy level. Notwithstanding the challenging operating environment, the Singapore Hotels posted a healthy occupancy rate of 87.7% in FY 2015. Room rates were under pressure due to increased price competition from new and refurbished hotels. Consequently, RevPAR in FY 2015 registered a decline of 6.9%.

CDLHT's Singapore Hotels Performance	FY 2015	FY 2014	Variance
Average Occupancy Rate	87.7%	89.1%	-1.4pp
Average Daily Rate	S\$199	S\$210	-5.2%
RevPAR	S\$175	S\$188	-6.9%

(4) Acquisition of the Japan Hotels was completed on 19 December 2014. Contribution from the Japan Hotels for FY 2015 includes the last 13 days of 2014.

(5) The capital distribution refers to a S\$1.1 million remittance from the Japan Hotels.

(6) Refers to all operating expenses (including property taxes and insurance) and all fees and charges (including acquisition fees) paid to the Managers and interested parties in FY 2015. Refer to Page 110 of the Financial Statement for details relating to the operating expenses.

YEAR IN REVIEW

Overseas

CDLHT's Australia Hotels in Brisbane and Perth experienced softer performance in the year due to weakness in the natural resources sector as a result of the lower commodity prices. However, this effect was mitigated by the defensive lease structure which provides CDLHT with a high proportion of fixed rent. NPI contribution from the Australia Hotels was down 9.3% yoy to S\$15.2 million, attributable to the weaker Australian dollar.

For New Zealand, the tourism sector is currently enjoying buoyant demand with tourist arrivals growing 9.6% yoy to a record 3.1 million⁽⁷⁾ for full year 2015. Correspondingly, Rendezvous Hotel Auckland also recorded strong underlying performance as a result of the robust market growth. However, due to the fixed rent structure for the hotel, NPI contribution was down 5.4% yoy to S\$9.7 million as a result of the weaker New Zealand dollar.

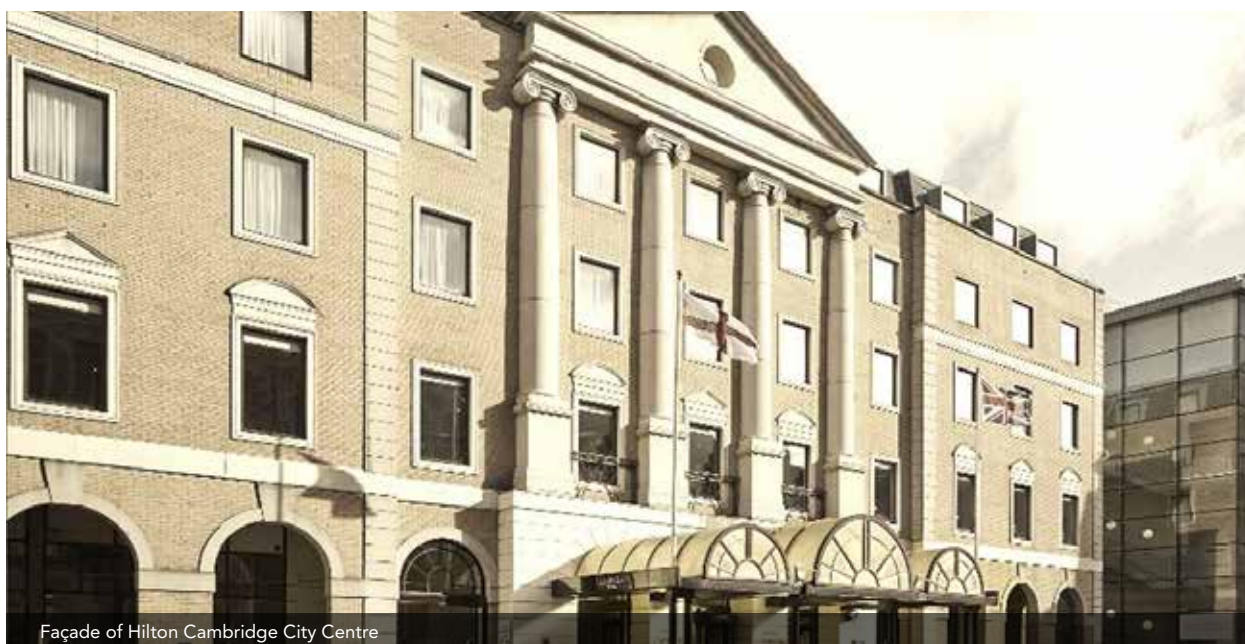
The Maldives Resorts registered a yoy RevPAR decline of 18.8% for FY 2015. The devaluation of the Chinese yuan in August 2015 as well as the continued strength of the US dollar against most currencies, including the euro and Russian rouble, have made Maldives a more expensive travel destination as its room rates are priced in US dollar. The one-week state of emergency declared in October 2015 also hampered forward bookings. Correspondingly, NPI contribution from the two resorts decreased 17.6% yoy to S\$13.6 million.

The Japan Hotels posted a stellar yoy RevPAR growth of 22.2%⁽⁸⁾ for FY 2015 as a result of the robust tourist arrivals. In 2015, Japan welcomed a record 19.7 million visitors in 2015, a phenomenal 47.1%⁽⁹⁾ growth over 2014. As the Japan Hotels were acquired on 19 December 2014, contribution from the Japan Hotels in FY 2015 includes the last 13 days in December 2014.

Hilton Cambridge City Centre, which was acquired on 1 October 2015, performed well. It recorded a robust 4Q 2015 RevPAR growth of 20.8% and this was largely fuelled by increased business due to the refurbishment completed in April 2015.

GROWTH FROM ACQUISITION

Growing beyond Asia Pacific and into Europe



Façade of Hilton Cambridge City Centre

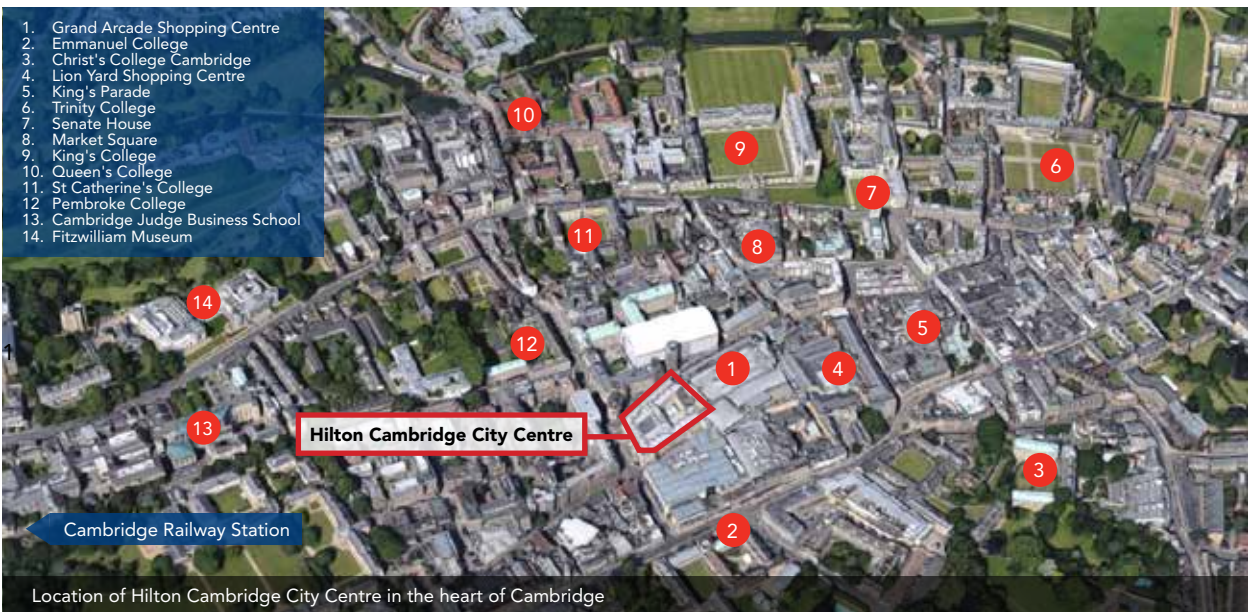
(7) Tourism – Statistics New Zealand

(8) The yoy RevPAR comparison assumes H-REIT, through the Japan Trust, owned the Japan Hotels for the year ended 31 December 2014.

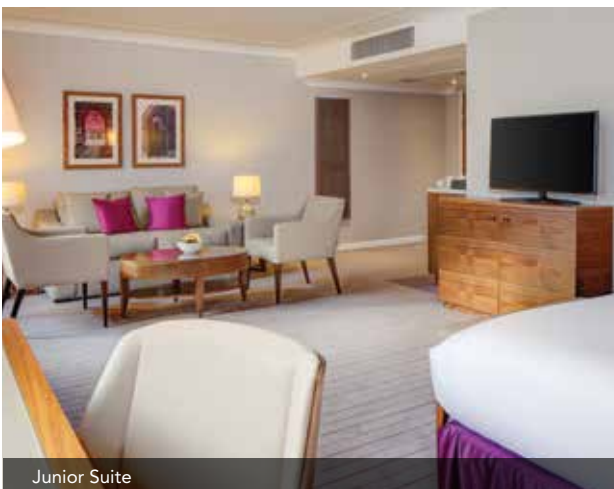
(9) International Visitor Arrivals Statistics – Japanese National Tourism Organization.

OVERVIEW AND FINANCIAL REVIEW

On 1 October 2015, CDLHT marked its maiden entry into Europe with the acquisition of a hotel in Cambridge, UK, for a property price of £61.5 million (approximately S\$132.7 million ⁽¹⁰⁾) which was fully funded by sterling-denominated debt. In conjunction with the successful completion of the acquisition, Hilton UK Manage Limited (an affiliate of Hilton Worldwide Inc.) was appointed as the operator of the hotel. The hotel, formerly known as Cambridge City Hotel, has since been rebranded as Hilton Cambridge City Centre.



The hotel is a newly-refurbished upper upscale hotel offering 198 rooms and a comprehensive suite of facilities. It boasts a prime location in the heart of Cambridge city centre, being 1.6 kilometres from Cambridge railway station and is situated beside the main thoroughfare. It is also within the vicinity of popular tourist destinations such as King's College, Fitzwilliam Museum, and Cambridge's largest shopping mall, the Grand Arcade Shopping Centre which is adjacent to the hotel. In April 2015, the hotel completed an £8.2 million phased refurbishment programme involving the public areas and all the 198 rooms.



(10) Excluding acquisition costs and based on an exchange rate of £1.00 = S\$2.1575. The total acquisition costs (including net working capital adjustments and transaction costs) was approximately £64.2 million (approximately S\$138.5 million).

YEAR IN REVIEW

This acquisition in Cambridge marked CDLHT's first investment into Europe and is expected to benefit the Stapled Security Holders by broadening CDLHT's earning base. The hospitality outlook for UK continues to be strong with international visitor arrivals hitting a record 35.8 million in 2015. Cambridge is a robust hospitality market with strong demand profile. It is one of the primary tourist destinations in UK due to its historical and cultural appeal, and also an important location for UK's R&D sector where it is home to a large cluster of high-tech businesses focusing on biomedical, pharmaceutical and technology.



This transaction was a unique opportunity for CDLHT to secure a prominent presence in Cambridge, one of the strongest hospitality markets in UK, through owning one of the largest hotels in the city.

Property to benefit from burgeoning life science cluster

Cambridge is regarded as an international centre for R&D and sometimes referred to as "Silicon Fen", an allusion to Silicon Valley. The city's growth in recent years has also attracted attention from venture capitalists and other strategic investors, evidenced from the number of major developments that will be completed over the next few years⁽¹¹⁾. One of the biggest relates to Addenbrooke's 2020 Vision to make Cambridge Biomedical Campus one of the largest concentrations of healthcare-related talent and enterprise in Europe. Part of this plan will see the construction of AstraZeneca's Corporate Headquarters and Global R&D Centre which is expected to employ close to 2,000 people when it is completed in 2016⁽¹²⁾.



Artist's Impression of AstraZeneca HQ & R&D Centre

Image Credit: AstraZeneca website

(11) Business Weekly, "Cambridge leads VC investment boom in UK Biotech", 19 January 2015.
 (12) Cambridge Biomedical Campus Website.

OVERVIEW AND FINANCIAL REVIEW

Upside Opportunity from Rebranding and Potential Expansion

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. There are also opportunities for the hotel to progressively expand its meeting facilities as it grows its meeting business and such an undertaking could potentially unlock more value from the property.

NURTURING FOR GROWTH

The Managers are continuously working with master lessees and hotel managers to enhance the quality of the assets under management with a view to increase value and returns to Stapled Security Holders.

For the Singapore hotel portfolio, Grand Copthorne Waterfront Hotel is currently undergoing an extensive renovation to refresh its lobby, add meeting room capacity and significantly augment its food and beverage offerings. The renovation started in November 2015 and is expected to complete by end of 2016. At M Hotel, the room refurbishment which started in March 2015 is scheduled for completion in the second half of 2016.



Artist's Impression of lobby at Grand Copthorne Waterfront Hotel



Artist's Impression of F&B outlet at Grand Copthorne Waterfront Hotel

For its overseas hotel portfolio, Mercure Perth completed a refurbishment of its restaurant and bar in early part of 2015. At Novotel Brisbane, the hotel's bar is currently undergoing a refurbishment and is expected to complete in early part of 2016. Over at Mercure Brisbane, the hotel is refurbishing the area outside the conference rooms into a unique event space which can accommodate various types of exhibitions and trade shows. In Japan, the two hotels have undergone conversion of some of its smoking rooms to non-smoking rooms to cater to the burgeoning demand from non-smoking guests in the early part of 2016.



Restaurant (post-refurbishment), Mercure Perth



Bar (post-refurbishment), Mercure Perth

YEAR IN REVIEW

In October 2015, CDLHT officially opened Claymore Connect (formerly known as Orchard Hotel Shopping Arcade) following a comprehensive asset enhancement exercise. The enhancement exercise, which started in December 2013, has increased the mall's net lettable area by about 10,000 sq ft to approximately 54,000 sq ft⁽¹³⁾.



Hua Ting Steamboat



Cold Storage



MapleBear (Early Childhood Education)



Mon Bijou

Visitors to Claymore Connect will get to enjoy the convenience of a supermarket and also delight in the array of offerings from the various restaurants as well as lifestyle services.

The proactive implementation of AEs is expected to enhance CDLHT's product offerings as well as the long-term revenue generating ability of its properties.

HEALTHY CAPITAL STRUCTURE AND RISK MANAGEMENT

As at 31 December 2015, CDLHT's total borrowing stood at S\$926.0 million with a gearing ratio of 36.4%. CDLHT is rated BBB- on the Fitch Issuer Default Rating and has an interest cover of 6.6 times for FY 2015.

To optimise risk-adjusted returns to Stapled Security Holders, CDLHT endeavours to balance an appropriate mix of debt and equity in financing acquisitions and adopts proactive interest rate management strategies by maintaining a higher percentage of fixed rate borrowings and through the use of interest rate swaps, where appropriate. In 2015, the H-REIT Manager successfully refinanced three of its expiring loans. In September 2015, the two floating rate bridge loans amounting to ¥6.07 billion were refinanced with a fixed rate bond and term loan. In December, the H-REIT Manager refinanced a A\$93.2 million term loan and secured a fresh S\$250.0 million revolving credit facility following the expiry of the previous facility. As a result of the refinancing, the weighted average debt to maturity has been extended to 2.8 years and the proportion of borrowings on fixed interest rates has increased to 60.2%.

(13) Excludes net lettable area of the adjoining Galleria which is not part of the asset enhancement exercise.

OVERVIEW AND FINANCIAL REVIEW

STAPLED SECURITY PRICE STATISTICS

CDLHT closed at a price of S\$1.325 per Stapled Security as at 31 December 2015. Since IPO, the Stapled Security's price has appreciated by 59.6%. In year 2015, the Stapled Security's price decreased 23.9% from S\$1.740, the closing price as at 31 December 2014.

Assuming an investor held the Stapled Securities from IPO till 31 December 2015 and reinvested the distributions received in Stapled Securities of CDLHT, the total return to the investor would have been 182.7%. For FY 2015, the total return would have been -18.9%, as a result of the decrease in the Stapled Security's price.

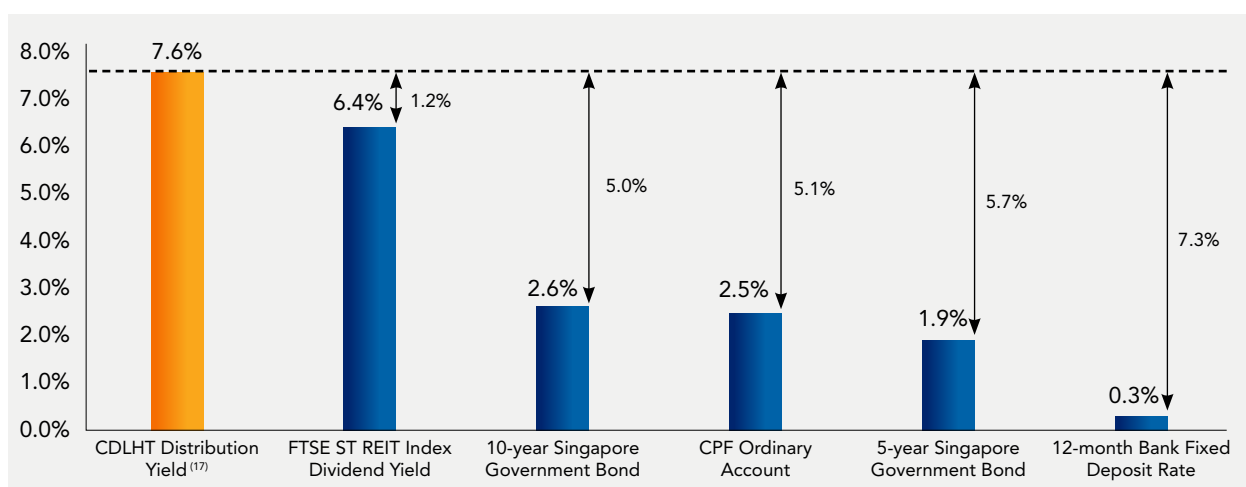
Summary of Stapled Security Price Statistics	
IPO as at 19 July 2006	S\$0.830
Closing Price as at 31 December 2014	S\$1.740
Closing Price as at 31 December 2015	S\$1.325
Highest Price in FY 2015	S\$1.800
Lowest Price in FY 2015	S\$1.255
Weighted Average Price in FY 2015	S\$1.569
Trading Volume in FY 2015 (Number of Stapled Securities)	326.6 million

Source: Bloomberg

Stapled Security Price Performance	From 1 Jan 2015 to 31 Dec 2015	Since Listing on 19 Jul 2006 to 31 Dec 2015
Price Change	-23.9% ⁽¹⁴⁾	59.6%
Total Return	-18.9% ⁽¹⁵⁾	182.7% ⁽¹⁵⁾

Source: Bloomberg

DISTRIBUTION YIELD VERSUS OTHER INVESTMENT INSTRUMENTS⁽¹⁶⁾



Source: Bloomberg, MAS, CPF and Singapore Government Securities

(14) Calculation of the price change is based on the closing price on 31 December 2015 compared with the closing price on 31 December 2014.

(15) Calculation of the total return assumed the distributions paid out during the period are reinvested in Stapled Securities of CDLHT.

(16) All information as at 31 December 2015.

(17) Based on CDLHT's DPU of 10.06 cents for FY 2015 and closing price of \$1.325 as at 31 December 2015.

MARKET REVIEW

SINGAPORE • BRISBANE • PERTH • AUCKLAND • MALDIVES • TOKYO • CAMBRIDGE



AUCKLAND



PERTH





SINGAPORE



BRISBANE



MALDIVES



TOKYO



CAMBRIDGE

SINGAPORE HOTEL PROPERTY SECTOR

as of 1 March 2016



SINGAPORE TOURISM MARKET

The Singapore tourism sector's lacklustre performance in 2015 could extend to 2016 if growth in global economy remains weak and corporate travel budget is reduced according to the STB. Tourism receipts in 2015 fell 6.8% yoy to S\$22 billion, the first decline in six years, and the lowest overall spend since 2010.

The tepid performance in 2015 was attributed to the decline in the number and overall spending of BTMICE travellers. The number of BTMICE travellers fell 6% yoy and their tourism receipts dipped by 8% yoy according to 3Q 2015 STB data. Leisure visitor arrivals have however increased by 2% yoy in 3Q 2015 mitigating against the drop in BTMICE visitor arrivals. The increase in leisure visitors was not able to prevent the decline in tourism receipts as STB shared that the average BTMICE visitor generally spends about two times more than the average leisure visitor.

The strengthening Singapore dollar against regional currencies as well as the uncertain economic outlook affected key markets from Indonesia, Malaysia, Australia and Japan where visitor arrivals declined by 9.7%, 5.0%, 2.9% and 4.3% respectively. On the contrary, Chinese visitors saw 2.11 million visitor arrivals, a 22% yoy increase from 2014. STB attributed the increase to good growth in tier one and two cities.

Based on the statistics from the STB as at 29 February 2016, visitor arrivals in 2015 improved by 0.9% to 15.2 million compared to 2014 arising from increasing visitor numbers from key markets in China and India. Visitors from Southeast Asia saw the biggest decline of 6% decrease yoy led by the biggest drop in visitor arrivals from Indonesia (-9.7%), Brunei Darussalam (-5.2%), Myanmar (-6.5%) and Malaysia (-5.0%). Visitors from North Asia support the overall numbers as overall visitors in this region increased by 10% yoy led by visitors from China (22.3%) and Taiwan (12%). In terms of geographical breakdown of annual international visitor arrivals in 2015, Indonesians (17.9%) still form the biggest share followed by the Chinese (13.8%), the Malaysians (7.7%), the Australians (6.9%) and the Indians (6.7%). These five market segments constitute 53.0% of total market share.

From the visitor arrival performance in 2015, visitor arrivals and tourism receipts from the leisure segment continue to grow lending optimism that Singapore continues to remain an attractive holiday destination. To address the decline in BTMICE visitor numbers, STB broadened marketing efforts such as global campaigns to position Singapore as top business destination and to enhance Singapore destination attractiveness. To boost industry competitiveness, STB embraces collaborative efforts with its tourism partners such as hotel operators to enhance productivity and manpower related initiatives for other tourism industries.

STB also saw over 80 submissions to tap on its S\$10 million Experience Step-Up Fund which aimed to get businesses to develop new tourism experiences. It has also awarded grants to nine projects in 2015 under its S\$5 million Kickstart

Fund for the purpose of extending support for innovative lifestyle events and concepts that have strong tourism appeal.

For 2016, STB expects visitor arrivals to grow from 0% to 3% at 15.2 million to 15.7 million compared to 2015. Tourism receipts are expected to grow by 0% to 2% at S\$22 billion to S\$22.4 billion over the same period.

In the medium term, STB is optimistic about Singapore tourism growth prospects. Singapore is poised to benefit from the projected growth in outbound travel in Asia-Pacific and the pipeline for business events continues to be strong.

Recent developments augur well for Singapore as a destination of choice among business travellers. Singapore was ranked top by Union of International Associations as the top international meeting city for the eighth year running top amongst Asia Pacific cities by International Congress and Convention Association for the 13th consecutive year. Singapore has also secured several high profile and prestigious BTMICE events over the next few years which is evident of her status as a destination of choice.

This is also in line with United Nations World Tourism Organisation's forecast that the strongest tourism growth will be seen in Asia and the Pacific and that visitor arrivals to Asia are expected to increase at about 5% per year to 2030. Moving forward, STB expects tourist spending to grow at 4% to 6% per annum in the next decade compared to a compounded growth rate of 13% between 2003 and 2013.

The growth momentum is attributed in part to the following reasons. Firstly, the proliferation of low cost airlines in Asia, resulting in affordable air travel to a wider population. Secondly, the growing Asian middle class with a higher disposable income and hence a higher propensity to travel. Thirdly, the addition of major tourism projects like the two Integrated Resorts and the hosting of major events of worldwide appeal such as the Formula One Singapore Grand Prix and WTA Championship. Singapore's appeal has been validated by international sources - Lonely Planet has named Singapore as the top destination among countries in Best in Travel 2015.

Singapore's tourism landscape will continue to be enhanced through new additions and soft programmings such as the National Gallery Singapore which opened on 24 November 2015, as well as the expansion of the Singapore Zoo in 2020. The WTA Championship which was held in October/November 2015 marked another successful conclusion of a major sporting event and had attracted more than 130,000 spectators to the event and a yoy increase of more than 30% in ticket demand from overseas markets.

Apart from leisure and holiday makers, MICE business travellers are also drawn to the many state-of-the-art venues that the city-state offers. Singapore was rated the most competitive ASEAN destination and 11th globally by the World Travel and Tourism Council in 2015. The country was given high scores for measures such as business environment, safety and security, health and hygiene, ICT

MARKET REVIEW

readiness, prioritisation of travel and tourism, international openness and infrastructure pertaining to air and surface transport and tourist services. MICE visitors will continue to contribute strongly to the international visitor arrivals number given the sustained strong interest in the growing Asia market, with Singapore poised to capture a slice of this positive trend.

HOTEL MARKET PERFORMANCE

With the operating environment becoming more challenging from declining visitor arrivals and increased competition, Singapore hotels still saw considerably healthy demand in 2015. According to STB, the AOR in 2015 stood at 85.0%, marginally lower than the AOR of 85.5% from a year ago. ARR declined by 4.8% from a year ago while RevPAR declined by 5.4% yoy. Overall hotel revenue performance in 2015 weakened arising from increased competition due to additional supply of hotel rooms in the market, uncertain geopolitical tensions, declined visitor arrivals due to the disappearance of MH370 and a strong Singapore dollar.

ARR of the various hotel tiers declined across the board. Mid-tier hotels saw the greatest yoy drop by 5.6% while upscale hotels registered the least decline by 0.6%. The ARR of luxury and economy hotels declined by 2.8% and 4.5% yoy respectively. Luxury hotel occupancy rates is the highest for 2015 at 86.5% marginally lower than the 87.5% a year ago. Occupancy rates for Upscale, Mid-Tier and Economy hotels are at a healthy 86.1%, 85.5% and 79.3% respectively, not far from a year ago.

EXISTING SUPPLY

According to STB, the hotel stock is estimated at 60,908 in 2015 with an expected net total of 3,736 added in 2015. According to URA, major construction completions in 2015 included the 557-room Genting Hotel Singapore, 262-room Hotel Grand Central, 69-room Hotel Yan, 450-room Park Hotel Alexandra, 488-room Hotel Chancellor @ Orchard, 654-room The South Beach, 1,500-room Hotel Boss, 314-room Sofitel Singapore City Centre and 157-room The Patina.

FUTURE SUPPLY

Moving forward, an estimated 8,451 new hotel rooms are expected to commence trading from 2016 to 2019 cumulating to a future hotel stock of about 69,359 rooms in 2019. This represents a 4-year CAGR of approximately 3.3%. In 2016, another 3,930 new hotel rooms are expected to open including the 314-room Oasia Downtown Hotel, 225-room InterContinental Singapore Robertson Quay and 400-room Mercure Singapore at Middle Road.

HOTEL MARKET OUTLOOK

Whilst the government expects a slowdown in visitor arrivals growth rates, investment in the tourism industry is not likely to decrease. In addition to the existing tourism infrastructure such as Gardens by the Bay – Bay South, Marina Bay Cruise Centre Singapore, the River Safari and the Marine Life Park, the Singapore Sports Hub and the National Gallery Singapore, significant tourism infrastructure projects coming on-stream include the announced expansion of the

Singapore Zoo and the integration of Jurong Bird Park to the Mandai area. These projects are expected to boost visitors flow into Singapore.

Additionally, in anticipation of increased air arrivals, the construction of Changi Airport Terminal 4 and Project Jewel was announced and are expected to be completed in 2017/2018. This will coincide with the strong growth for low cost carriers which is anticipated to bring more visitors into Singapore.

Meanwhile, the STB also aims to boost the tourism sector by introducing new strategies. It focuses on a yield-driven marketing approach to reach out to the target audience who are the most able and inclined to take advantage of Singapore value proposition. This includes intensifying marketing efforts to reach out to more tier-two cities in China, India and Indonesia. A good tourism product pipeline is necessary to attract new and repeat visitors. The MICE sector remains an important tourism segment. STB acknowledges that Singapore is not a low cost Asian destination but it will compete in terms of value for money.

Tourism programmes will also be enhanced, especially in business and leisure events to differentiate itself from regional competition. STB's S\$10 million Experience Step-Up Fund aimed to get businesses to develop new tourism experiences and they have adjusted its funding methods for the Leisure Event Fund and Business Events in Singapore Fund.

Positive results are expected from government initiatives on the tourism industry. However, in the short term, manpower issues are expected to remain as a bugbear for the service-intensive sector, exacerbated by higher foreign worker levies and the lower Dependency Ratio Ceiling. Recent policy shifts may benefit the hotel sector which has become the first sector to get a dedicated five-year manpower strategy, under a national drive to equip students and local workers with industry-relevant skills as announced by the Ministry of Manpower in October 2015. These include more structured internships, an Earn and Learn programme for polytechnic and ITE students, and a framework of new skills needed and career progression opportunities from operations level to senior management roles. The strategy is aimed to align manpower with the number of hotel rooms here which are due to rise by 20% by 2020. The manpower plan is targeted to make hospitality careers more attractive to reduce the likelihood of staff switching out to other sectors.

For 2016, we expect the occupancy rates to be healthy, trending about the long term average of 85% mark. Operating environment is nonetheless expected to be competitive arising from the expected opening of 3,930, 2,727 and 652 new rooms in 2016, 2017 and 2018 respectively. The performance of the hospitality industry should be bolstered by continued growth of the meetings, incentives, conventions and exhibitions industry. Overall, given Singapore's enhanced offerings in the tourism industry, the outlook for the hospitality sector is still positive, albeit with intensifying competition from the region and a higher cost of operations arising from the higher foreign labour levy and the government's continual push for productivity.

BRISBANE, AUSTRALIA HOTEL PROPERTY SECTOR



BRISBANE TOURISM MARKET

In the 2014/15 financial year there were 1,066,121 international visitors to Brisbane, equating to approximately 16% of total international visitors to the Brisbane region, who spent 23,060,625 visitor nights in the region. Major source markets include Other Asia (Burma, Cambodia, Laos, Vietnam, Philippines, Brunei, East Timor, Macau, Mongolia, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka, Afghanistan, Georgia and Kazakhstan), New Zealand, China, Europe and the United Kingdom. The average length of stay by international visitors remains in excess of 22 nights. A major contributor to this growth came from working holiday visitors.

In the same period, Brisbane attracted 28% of the domestic visitors to Queensland, equating to 5,412,989 annual visits and 17,311,604 visitor nights. Visiting friends and relatives (VFR), holiday and business all major reasons for travel to the region.

HOTEL MARKET PERFORMANCE

Analysing the 10-year period from 2003/04 to 2013/14, room nights available in the Brisbane Tourism Region have grown by 34.4% and room nights occupied have increased by 31.6% or an average of 3.4% per annum. The result has been a decrease in occupancy from 73.5% to 72.0%. Over this period there has been a significant increase in Serviced Apartments which have increased by an average of 8.5% per annum from 25% to now 38% of the combined market.

The Brisbane market is dependent to a large extent upon both intra and interstate corporate travellers. Corporate travel increased over recent years due to continued population growth and economic activity, including the contributions made by the infrastructure and mining development cycles. Corporate demand eased in 2009 but strengthened again in 2010 and 2011 as business confidence improved; however, demand slowed during 2012 and has contracted over the past 3 years. Leisure demand for rooms is generally short-term and dominated by the domestic segment during non-peak periods. 2009 saw a competitive environment for this market resulting in reduced room nights. Demand, however, appears to have recovered from 2010 and 2011, which was also impacted by the floods in Brisbane.

The MICE segment provides a significant contribution to the Brisbane market. The Brisbane Convention Centre is readily accessible from hotels within the CBD and surrounding suburbs, and Brisbane is perceived as a safe and competitive destination. A A\$140 million expansion of the Brisbane Convention and Exhibition Centre, adjacent to the existing centre, opened in early 2012. Two additional facilities were completed in 2013 including the A\$59 million transformation of the Industrial Pavilion at the RNA Showgrounds into a

22,000 square metre convention and exhibition centre over two levels as well as the A\$215 million restoration of the Brisbane City Hall which provides quality convention space.

EXISTING AND FUTURE SUPPLY

Interest in short-term accommodation projects was stimulated by strong RevPAR growth occurring from 2010 to 2012. The Brisbane City Council also announced a moratorium on infrastructure charges for new four and five star hotel developments approved before 30 June 2014, in a bid to incentivise new hotel supply. This led to a number of new developments and proposals.

Next Hotel (formerly Lennons Hotel), The Four Points by Sheraton in Mary Street and Tryp Hotels in Fortitude Valley all opened in 2014, introducing an additional 615 new hotel rooms into the Brisbane City market, with the 239 rooms operated by Frasers on Albert Street which opened in April 2015.

There are an additional 1,497 rooms currently under construction, with major projects including the Ibis Brisbane Elizabeth Street (368 rooms), W Hotel (305 rooms), the Holiday Inn Express (226 rooms) and Rydges RNA (208 rooms). With the exception of the W Hotel all other rooms are forecast to enter the market in 2016.

Further to the rooms under construction, we have identified an additional 3,947 rooms (both serviced apartments and hotel rooms projects that are proposed to be completed by 2022). This includes the major redevelopment of the Queens Street Wharf and Casino precinct in which part of the project includes 850 hotel rooms and 300 serviced apartments (although the exact number of hotels rooms is yet to be confirmed).

HOTEL MARKET OUTLOOK

We have had regard to the new supply which has recently opened, developments under construction together with those proposed. Not all proposed developments are expected to proceed and we have applied a probability factor to each in determining the potential increases to supply in the future. Based on forecast supply and historic trends it is expected that occupancy levels will continue to decline over the medium term to 2018 and reach a trough in the low 70% range, after which demand is expected to exceed supply and occupancy is forecast to increase again.

We expect market room rates to decline over the short term, due to the extent of new supply and declining occupancy levels. Strong growth is expected in RevPAR from 2019 to 2021. In 2022, the hotel development proposed as part of the Queens Wharf project is likely to open. The impact on the market will be dependent upon the number of hotels and serviced apartments included in this development.

PERTH, AUSTRALIA HOTEL PROPERTY SECTOR



PERTH TOURISM MARKET

In the 2014/15 financial year, there were 782,575 international visitors to Perth, equating to approximately 19% of total international visitors to the Experience Perth region, who spent 23,011,011 visitor nights in the region. Major source markets include United Kingdom, China and New Zealand. The average length of stay by international visitors remains in excess of 29 nights.

In the same period, Perth attracted 40% of the domestic visitors to Western Australia, equating to 3,281,361 annual visits and 11,734,273 visitor nights. The length of stay is lower than other states due to the fly-in fly-out nature of the mining sector associated with Western Australia.

HOTEL MARKET PERFORMANCE

The Perth market has, for the past decade, enjoyed very strong business orientated demand which has seen most of the city running at 80% plus occupancy levels mid-week; however weekend demand which is typically leisure based produces substantially reduced occupancy. The limited new room supply and consistently strong demand levels have produced both high occupancy levels and average room rates.

The results from the Australian Bureau of Statistics survey data reflects a slowing rate of growth, largely due to the stalling of the market in the second quarter, with the average annual rate of RevPAR growth over the past five years at 1.9%. Discussions with market participants suggests that room demand has grown slightly within Perth, however the ability for hotels to benefit from late call high yielding opportunities has diminished resulting in decreased ADR levels by some 1.8% per annum on a rolling twelve-month measurement basis.

EXISTING AND FUTURE SUPPLY

The Perth hotel market has enjoyed a relatively stable supply for a number of years. Within the CBD there are limited projects currently under construction but a large number is mooted to be undertaken over the coming five-year window. Recently completed developments in the Perth CBD (east and west core) include Como The Treasury (48 rooms) and The Alex Hotel (74 rooms).

There are a number of developments still known to be under consideration or in progress. If all these projects were to come to fruition it would represent a 60% increase on current room stock. Inevitably not all these mooted projects will progress to completion. In terms of our market outlook for Perth we anticipate an increase in supply of some 1,928 rooms over the coming five years.

Additions to room supply will start occurring over the next two years. Over this short term period we anticipate growth in room demand simply on the basis that there are more rooms available thus diminishing the level of would-be travellers who in the past have been unable to travel due to lack of available rooms at a reasonable price level. In our view the additional supply of hotels will see a reversion of room tariffs which are more appropriate for their quality than has been present in this market over the past several years.

HOTEL MARKET OUTLOOK

While strong demand levels have produced high occupancies, the rate of growth has tempered over the past year and the outlook over coming months is less optimistic than previously expected. Notwithstanding this caution, occupancies are likely to remain high in a stable supply situation with room rates expected to moderate further.

Given the recent strong market performance experienced and the expectation that this will continue, a number of hotel and serviced apartment projects are being proposed.

It will be some time before these projects come to fruition which should see occupancies remain in the 75-80% range in the foreseeable future and room rate to continue to moderate.

AUCKLAND, NEW ZEALAND HOTEL PROPERTY SECTOR

as of 1 March 2016



AUCKLAND TOURISM MARKET

Auckland is the main commercial centre of New Zealand with the largest population of some 1.4 million people. It is also the main gateway city for international arrivals; Auckland Airport handles approximately 70% of all international visitor arrivals to the country.

In the year to December 2015, there were 16.34 million passenger movements at the airport, an increase of 6.5% on the previous year. Some 55% of all passenger movements at Auckland Airport are through the international terminal.

The majority of guests to Auckland hotels are sourced domestically (59%) with Australia and China providing 12% and 7% respectively. The Chinese market contribution has grown substantially over the last five years, in 2010, Chinese guests made up 3% of demand while Australia guests made up 18%.

HOTEL MARKET PERFORMANCE

The Auckland hotel market is primarily driven by the FIT segment which contributes some 48% of all room demand followed by the Corporate and Tour segments which contribute 21% and 14% respectively.

Occupancy levels in Auckland have shown significant growth in recent years as a result of increased demand coupled with limited new supply. In 2015 the Auckland hotel market achieved an occupancy level of 84% up from 82.2% in 2014. Citywide ADR was NZ\$164.22 equating to an increase of 11.4% over the previous year. As a result, of the increases in occupancy and ADR, RevPAR for the city increased by 13.8% to NZ\$138.02.

EXISTING AND FUTURE HOTEL SUPPLY

Based on CBRE's survey of Auckland hotels there are currently a total of 64 hotels across the city with some 8,917 rooms. The majority of the hotel stock is located in the CBD with a number of hotels situated in the Airport precinct.

There has been a significant level of media attention relating to the performance of the tourism and hotel market over recent years which has led to a number of hotel developments being considered. In the current economic climate, in most instances, new hotel development feasibility is questionable due primarily to the combination of 'soft' average room rates and high cost of construction.

In saying this however, there are currently a number of hotels proposed in Auckland. Significant projects currently planned for Auckland include:

- Copthorne Hotel HarbourCity – The Copthorne Hotel HarbourCity on Quay Street is currently undergoing a refurbishment reportedly costing NZ\$30 million. The hotel will be converted to the group's 4-star Millennium brand and three additional rooms will be built. The hotel will be closed for the refurbishment until early 2017.
- So by Sofitel – This comprises the conversion of a former office building on Commerce Street within the Britomart

precinct. The hotel will have 130 rooms of a 5-star standard and primarily target high-end leisure business. Construction has begun on site however the project has stalled a number of times and ultimate timing of delivery is difficult to ascertain.

- Park Hyatt Wynyard Quarter – The 196-room Park Hyatt Wynyard Quarter has recently obtained resource consent from Auckland Council. The hotel will occupy a prime waterfront site in Wynyard Quarter and the cost of construction is rumoured to be around NZ\$200 million. Construction has begun on site and the hotel is expected to open in mid to late 2017.
- SkyCity Hotel – As part of the construction of the New Zealand International Convention Centre, SkyCity have received resource consent for the construction of a 300-room 5-star hotel adjoining the centre. Investors are currently being sought to complete the development of the hotel.
- 1 Mills Lane – Mansons have proposed the development of a 175-room 5-star hotel as part of a mixed use office and hotel development on a site on the corner of Albert Street and Mills Lane. It is currently unknown if this development will proceed due to the overall scale of the proposed development.
- Ritz Carlton – Chinese developer NDG has resource consent for the construction of a 52-level residential and hotel tower on Elliot Street near SkyCity. If constructed, this will be the second largest building in New Zealand behind the SkyTower. It is understood that the developer plans to include a 266-room Ritz Carlton hotel within the tower. This site has been vacant since 1987 and a number of proposals have been associated with it since. The latest reports on the site suggested a completion date of 2020, however the current status of the building is unknown.

HOTEL MARKET OUTLOOK

We expect the Auckland hotel market to continue to experience strong demand growth and this combined with limited increases in supply should result in a positive outlook for hoteliers in the medium term.

ATEED (Auckland Tourism, Events and Economic Development) have recently announced a new initiative to drive conference and meeting related business targeting growth of 8.2% in international conference related business as well as 'flattening' the seasonality patterns through conferences and events held in the shoulder and low seasons. The Ministry of Business, Innovation and Employment (MBIE) are also forecasting international visitor days to New Zealand to increase by an average of 6.2% per annum for the next five years.

In addition to the demand increases, we expect ADRs in Auckland to benefit from the proposed development of new 5-star hotels in the CBD, together with the benefit from a higher proportion of conference guests who generally pay higher rates.

MALDIVES HOTEL PROPERTY SECTOR

as of 1 March 2016



MALDIVES TOURISM MARKET

The Maldives has been experiencing steady economic growth in the past decades, driven largely by tourism and fishing. According to the National Bureau of Statistics, the tourism industry accounted for approximately 25% of its Gross Domestic Product (GDP) on average over the past five years.

In 2015, international visitor arrivals experienced slower growth, marginally increasing by 2.4% yoy to reach 1.23 million. The slower pace of growth is primarily due to the decline in Russian and French tourism arrivals and the notable appreciation of the US dollar. However, the decline in visitor arrivals from Russia and France were supplanted by the strong visitor arrivals growth witnessed from other source markets such as Germany (+6.9%), UK (+4.6%), Italy (+13.4%) India (+14.9%), and the Middle East (+12.8%). Visitor arrivals from China remained stable and recorded a marginal yoy decline of 1.1% in 2015.

HOTEL MARKET PERFORMANCE

According to STR Global, overall marketwide trading performance for the Maldives has staged a strong recovery since the global financial crisis up until 2014. Although affected by the Eurozone sovereign debt crisis, market trading performance subsequently increased and showcased consistent yoy growth until 2014 driven by the ease of accessibility of the Maldives to the European and Asian traveler, and propelled by the robust growth in Chinese visitor arrivals. Occupancy has likewise grown and remained relatively robust for a resort destination during the same period.

However, the trading environment in 2015 across the market was more challenging, with occupancy declining 8.8 percentage points to 63.9% compared to the previous year. Average daily rates were relatively flat, growing moderately by 0.8% to US\$725. Overall, RevPAR decreased by 8.0% to US\$463. The relative performance of ADR, despite a strong US dollar, indicates that the market is still able to charge premium rates even though occupancy has declined. We are of the opinion that had Russian demand not been soft during 2015, the Maldives would have had another year of positive RevPAR growth.

The growth of the Chinese market to the Maldives, now representing almost 30% of total visitor arrivals, has also had an effect on occupancy over the past few years. However the growth in visitor arrivals from the Mainland Chinese market has tapered down in 2015. Although overall Chinese demand has shown exponential growth since 2009, Chinese visitors tend to have a shorter length of stay and the market's continued shift to shorter-staying visitors has reduced the average length of stay from 6.7 nights in 2012 to 5.7 nights in 2015.

EXISTING AND FUTURE SUPPLY

According to the Ministry of Tourism, Arts and Culture, a total of 115 resorts with 24,877 beds were registered in the Maldives as at December 2015 as compared to 112 resorts with 24,135 beds in December 2014. This represents growth in the number of beds of approximately 3.1% year over year.

In 2016, a few hotel and resort openings in the Maldives have been announced including the 130-villa Chedi Dhapparu, the 60-villa LUX* North Malé Atoll, the 90-villa Hurawahli Resort and Spa, the 77-villa St Regis Vommuli, and 120-villa Amari Havodda. A total of 994 rooms are planned to open in 2016 and comprise rooms from new openings, re-opening of resorts that closed for refurbishment and expansions in room count by existing resorts. An additional 1,934 rooms are planned to open in 2017 and beyond.

Although the level of new projects in the pipeline is large, we are aware that there is a high degree of uncertainty surrounding the timing of future developments. Certain projects such as Mandarin Oriental Maavelavaru have been delayed indefinitely and other projects may run out of financing and remain idle for the foreseeable future. As a result, even though the future supply discussed is of known projects, it is unlikely that a number of these projects will open on time or at all.

HOTEL MARKET OUTLOOK

The Maldives government is committed to growing its tourism market. In 2016, the Maldives will be embarking on a new "Visit Maldives Year" campaign to boost tourist arrivals. The year-long campaign will comprise international events carried out by the Maldivian government. The government aims to bring in 1.5 million international visitor arrivals in 2016, which would be an approximate increase of 21.5% yoy. The Mainland Chinese source market will continue to be a key focus in 2016, with the target of 500,000 visitor arrivals as compared to 359,514 in 2015.

Several challenges to the tourism industry exist within the short term, in particular macroeconomic events such as the appreciation of the US dollar, uncertainty and volatility in the financial markets, declining oil prices and slowdown in the Chinese economy. Several key source market currencies have depreciated relative to the US dollar, including the euro, Korean won, Japanese yen and Chinese yuan, which could impact arrivals from these markets. Other risks include the widening of competition from emerging resort destinations, in particular the Mauritius, Seychelles and Sri Lanka, which are attracting interest from Europe and Asia. These destinations in particular are focusing on emerging interest from China at market rates that are competitive to Maldivian resorts.

Despite the slower pace of visitor arrivals growth in 2015, the underlying base of demand is likely to remain stable in the medium to long term. Ongoing tourism infrastructure improvements, coupled with increased airlift from other markets, will continue to improve the medium- to long-term prospects of the Maldives.

TOKYO, JAPAN HOTEL PROPERTY SECTOR

as of 14 January 2016



TOKYO TOURISM MARKET

The number of foreign visitors to Japan for 2014 was 13,414,000, up by 29.4% yoy. This figure exceeds the highest record of 10,364,000 in 2013 by more than 3 million. The significant relaxation in visa requirements, expansion in the consumption tax exemption system, an increase in foreign demand due to the economic growth in the Asian region, and the impression of a trip to Japan being highly affordable due to the depreciation of yen had contributed to the surge in the number of foreign tourists to Japan in 2014.

Reviewing the numbers by nationality, visitors from Taiwan (ranked 1st) increased by 28.0% to 2.83 million, visitors from South Korea (ranked 2nd) increased by 12.2% to 2.76 million, and visitors from China (ranked 3rd) increased by 83.3% to 2.41 million. Overall, all 3 countries had shown a year-on-year increase in their arrivals.

The Japanese government has a target of 20 million foreign tourists by 2020, expecting a boost from the Tokyo 2020 Olympic Games/ Paralympic Games. As at end of November 2015, the number of foreign tourists added up to 17.96 million already exceeding the annual highest record in 2014, which indicates a steady increase of tourists to Japan. It is expected that the government target of 20 million tourists will be achieved before 2020.

Reflecting these trends, the Prime Minister Shinzo Abe officially announced that the Japanese government will set a new target of 30 million foreign tourists and instructed the coordination of each governmental department concerned to introduce this new target.

According to the survey on the number of tourists who had visited Tokyo by the Bureau of Industrial and Labour Affairs in Tokyo, the total number of visits to Tokyo including tourists exceeded 515 million people in 2014. Among them, Japanese tourists increased by 0.1% year-on-year to 506.25 million people and foreign tourists increased by 30.2% yoy to 8.87 million people, showing an upward trend for both categories.

The amount tourists had spent (tourism consumption) in Tokyo in 2014 increased by 5.8% yoy, reaching approximately ¥5.6 trillion. The spill-over effects onto the economy in Tokyo generated by the tourism consumption increased by 11.7% yoy, marking a record high ¥11.3 trillion. Given the full-scale underlying recovery of the domestic economy and with Tokyo hosting the upcoming 2020 Olympic Games, it is expected that this upward trend would continue.

HOTEL MARKET PERFORMANCE

Domestic trends of the annual total number of guests based on the latest data by Japan Tourism Agency are as follows: the total number of guests who stayed in hotels in 2014 was 473.5 million, reflecting an increase of 1.6% yoy. Among them, foreigners occupied 9.5% with an increase of 2.3% yoy.

Top 3 in the total number of guests by nationality are Taiwan, China and South Korea. These top 3 collectively accounts for 45% of the total number of guests who stayed in hotels. Reviewing the trends by nationality, the Philippines (yoy growth of 114.2%), China (yoy growth of 88.0%), Vietnam (yoy growth of 76.0%), and Malaysia (yoy growth of 44.9%) have shown significant growth. The order of the top 9 countries such as Taiwan, China, South Korea and the United States remained the same as the previous year with all countries showing an increase on a year-on-year basis.

The economy hotel occupancy rates in whole Japan and Tokyo as of August 2015 were 80.7% and 86.2% respectively, which shows a steady trend of the recent hotel occupancy rates not only in Tokyo but also nationwide due to the large improvement in the recent growth of inbound tourism market.

The accommodation unit price index which had once reached its peak in 2007 had turned to a downward trend. However the trend has reversed since 2011 and is now showing an upward trend once again. With the improvement in inbound tourism, the demand for accommodation facilities has picked up rapidly. We predict that such a trend is expected to continue in the future.

EXISTING AND FUTURE HOTEL SUPPLY

Based on the latest data by Ministry of Health, Labour and Welfare, the number of hotel rooms and Ryokan rooms in Tokyo as of March 2015 stands at around 143,800 which represent a year-on-year growth of around 1.3%.

On the other hand, based on industry journals available, it was announced that approximately 10,700 hotel rooms and Ryokan rooms are planned for opening in Tokyo by 2019. For example, "Keio Presso Inn Hamamatsucho" with 330 rooms in Minato-ku, Tokyo and "APA Hotel Ryogoku-Ekimaie" with 1,000 rooms in Sumida-ku, Tokyo are scheduled to open in winter 2017 and April 2018 respectively.

HOTEL MARKET OUTLOOK

As described above, due to the significant recovery of the domestic leisure demands supported by various reasons such as the recovery of the domestic economy and the increase in foreign tourists visiting Japan, the environment for the hotel market is showing a stable transition. The future outlook is also favourable with the upcoming 2020 Tokyo Olympic Games which is expected to accelerate the trend in the future.

It had been observed in both cities of Beijing in 2008 and London in 2012 that hosting the Olympic Games would provide a positive impact on ADR and RevPAR for the hotels within the city. This implies that further improvement can be expected in the hotel performances in Tokyo towards 2020 when the city will be hosting the Olympic Games.

Based on such favourable trend, the trading market is also showing significant activities. Investors' interests have since expanded beyond central Tokyo area to other major and local cities where a certain level of yield can be expected. It is expected that such trend will continue in the future.

CAMBRIDGE, UNITED KINGDOM HOTEL PROPERTY SECTOR

as of 1 March 2016



CAMBRIDGE TOURISM MARKET

The number of inbound tourist visits to the UK in 2015 reached a record 35.8 million, after several years of growth since 2010. Major sporting events such as the London Olympics, additional flight routes and major government and public body initiatives, including VisitBritain's GREAT Britain campaign, are all thought to have been contributing factors towards the growth witnessed in recent years. Average spend per visit was £609 in 2015, which remains positive following the peak of £650 per visit in 2013, reflecting the relative weakness of sterling leading up to 2013. In 2015, UK visit levels were 4% higher than the 2014 inbound tourist visits of 34.4 million.

Renowned for its history, architecture and cultural appeal, the city of Cambridge is popular destination for both domestic and overseas visitors. Described as one of the "most beautiful cities in the world" by Forbes, tourism generates over £350 million for the city's economy. According to the Cities Outlook 2014 the city is the innovation capital of the country, with more patents per 100,000 population than the next six cities combined. The city of Cambridge witnessed 418,000 visitors in 2014, making it the 10th most visited city in the UK. This represented a 3% increase on the previous year. According to data from the Office for National Statistics, the city hosted a total of 3.7 million visitor nights in 2014. The average length of stay in the city was nine nights, which is higher than the majority of UK markets.

Research from the Office for National Statistics (ONS) suggests that average spend per visit was £727 in 2014, which is the highest of any major city in the UK. Similarly, according to research by Tripadvisor in 2014, Cambridge is the second most expensive UK city to visit, after Edinburgh and ahead of London. According to research by Tourism South East Research, 47% of staying visitors were on holiday, 15% were on visits to friends and relatives and 33% were on business trips. In 2014, the key international tourism contributors to Cambridge included France (54,000 visitors), Germany (43,000), USA (39,000), Netherlands (24,000) and Spain (24,000).

HOTEL MARKET PERFORMANCE

Cambridge is one of the best performing hotel markets in the UK. Occupancy fell by 3% in 2015 but remains at around 80%, well in excess of the national average. In 2015, Cambridge achieved ARR of £118, which was a 4% increase on the previous year. The ARR achieved by the Cambridge market is amongst the highest of any UK market outside of London. Resultantly, RevPAR within the city, which has increased by circa 10% over the last three years, showed a witnessed a marginal improvement in 2015. The strong performance achieved by Cambridge hotels is primarily underpinned by strong corporate and leisure-related demand, fuelled by the significant number of technology and science-related organisations in the Cambridgeshire area and the variety of heritage and cultural tourist attractions.

EXISTING AND FUTURE SUPPLY

As at February 2016, there were 35 hotels within the city, comprising 2,279 bedrooms. This equates to 55 inhabitants per available hotel room. This is lower than the UK average of 105 inhabitants per hotel bedroom but reflects the high number of visitors to the city. The number of hotel bedrooms within Cambridge has increased by circa 27.5% over the last five years, with 540 bedrooms being added during this time. Specifically, there has been a steady increase in branded budget hotel supply located on the outskirts of Cambridge city centre, with the opening of two Premier Inn and two Travelodge hotels totalling 531 bedrooms (the most recent being the 219-bedroom Travelodge Cambridge Newmarket Road in 2013). The only new entrant to the full-service market within the Cambridge city centre has been the 48-bedroom Varsity Hotel and Spa which opened in 2010.

The average size of hotel in the city is 65 bedrooms, which is larger than the UK average of 47 bedrooms. Travelodge, a budget hotel operator, occupy the largest proportion of supply with over 20% of the bed stock within the city. The largest hotel within the city is the Travelodge Cambridge Newmarket Road which offers 219 bedrooms. Approximately 31% of the city's hotel stock is unbranded, which is marginally higher than the national average. There are seven upper upscale hotels within the city, the largest of which is the Hilton Cambridge City Centre offering 198 bedrooms. There are currently no 5-star hotels within the city.

In terms of new supply within Cambridge city centre, we are aware that the 231 bedroom Hotel Ibis located close to Cambridge train station is due to open in August 2016. In addition we are aware of three full service hotels which are due to open in 2017. These include an as yet unbranded 4-star hotel close, also close to Cambridge train station, a Crowne Plaza close to Addenbrooke Hospital and the re-opening of the University Arms Hotel. The University Arms Hotel was closed in 2014 for a major refurbishment and 71-bed extension.

HOTEL MARKET OUTLOOK

In light of the strong corporate and leisure-related demand, coupled with a general undersupply of serviced accommodation in the area, it is expected that occupancy levels and ARR will continue to remain robust within the city in the medium term. Specifically, the completion of AstraZeneca's headquarters within the city (expected in end 2016) is expected to further enhance corporate demand within the city. Similarly, the city's hotel market is expected to benefit from the recently announced Greater Cambridge City Deal (signed in June 2014) by which the city is to receive circa £100 million of public investment for infrastructure projects between 2015 and 2020.

BOARD OF DIRECTORS

M&C REIT MANAGEMENT LIMITED M&C BUSINESS TRUST MANAGEMENT LIMITED

WONG HONG REN, 64

Mr Wong Hong Ren was appointed a Director of the H-REIT Manager and the HBT Trustee-Manager on 17 May 2006. He was subsequently appointed as the non-executive Chairman of both Boards on 12 June 2006. Mr Wong is a member of the Nominating and Remuneration Committees of the H-REIT Manager and the HBT Trustee-Manager.

Mr Wong is currently the Chief Executive Officer of City e-Solutions Limited, a position he took up with effect from 2 March 2015.

Mr Wong joined Hong Leong Management Services Pte. Ltd., a wholly-owned subsidiary of Hong Leong Investment Holdings Pte. Ltd. in 1988 as Group Investment Manager and was redesignated to Executive Vice President (Group Investment) in 2006. He was the Chief Executive Officer of M&C from June 2011 to February 2015, having first joined M&C in 1996 as a Non-Executive Director and subsequently took on the role of Chief Financial Officer and Executive Director in 2001. In the preceding 3-year period, Mr Wong was also the Non-executive Chairman of Grand Plaza Hotel Corporation, First Sponsor Group Limited, Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited before stepping down from these roles in 2015. Mr Wong is widely experienced in hospitality and industrial businesses overseas, investment analysis, international capital markets and merger and acquisition transactions as well as post-acquisition management re-organisation matters.

Mr Wong holds a Masters in Business Administration from Bradford University, United Kingdom.

VINCENT YEO WEE ENG, 47

Mr Vincent Yeo Wee Eng was appointed an Executive Director on 17 May 2006 as well as the Chief Executive Officer on 19 July 2006 of the H-REIT Manager and the HBT Trustee-Manager. He was a member of the Risk Management Committees of the H-REIT Manager and the HBT Trustee-Manager until the dissolution of both committees on 29 December 2015.

Mr Yeo is responsible for working within the H-REIT Manager Board and the HBT Trustee-Manager Board to determine the overall business, investment and operational strategies for H-REIT and HBT. He also works with other members of the H-REIT Manager's management team and the master lessees of H-REIT's hotel properties to ensure that the business, investment and operational strategies of H-REIT are carried out as planned. In addition, Mr Yeo is responsible for the overall management and planning of the strategic direction of H-REIT and HBT. This includes overseeing the acquisition of hospitality and hospitality-related assets and property management strategies for H-REIT, as well as the activities of HBT, which acts as master lessee of any of H-REIT's hotel property or when it undertakes certain hospitality or hospitality-related development projects, acquisitions and investments, which may not be suitable for H-REIT. Mr Yeo also handles the asset management function relating to the hotels currently.

LEADERSHIP STRUCTURE

Prior to his appointment as the Chief Executive Officer of the H-REIT Manager and HBT Trustee-Manager, he was the President of Millennium & Copthorne International Limited ("MCIL"), Asia Pacific from 2003 to July 2006, responsible for overseeing the hotel operations in Asia Pacific and the corporate office in Singapore. Prior to that, he held the position of Chief Operating Officer from 2001 to 2003. Mr Yeo served as Chief Executive Officer of City e-Solutions Limited until November 2008 and as an Executive Director until April 2009. He is currently a non-executive Director of CDL Investments New Zealand Limited.

Between 1998 and 2000, he was an Executive Director of M&C based in London overseeing global sales and marketing. Between 1993 and 1998, he was the Executive Director and then the Managing Director of Millennium & Copthorne Hotels New Zealand Limited where he developed and integrated the largest chain of hotels in New Zealand.

Since 1998, Mr Yeo has been a non-executive Director of Millennium & Copthorne Hotels New Zealand Limited until stepping down from the position on 31 December 2015.

Mr Yeo graduated Summa Cum Laude and the top of his faculty in 1988 from Boston University with a Bachelor of Science in Business Administration (Major in Finance).

JENNY LIM YIN NEE, 62

Ms Jenny Lim Yin Nee was appointed an independent non-executive Director of the H-REIT Manager and the HBT Trustee-Manager on 22 May 2006.

She is the Lead Independent Director and the Chairman of the Audit and Risk Committees of the H-REIT Manager and the HBT Trustee-Manager which was established on 29 December 2015 following the merger of the Audit and Risk Management Committees. Ms Lim was previously the Chairman of the Audit Committee and a member of the Risk Management Committee of both the H-REIT Manager and the HBT Trustee-Manager until the committees were dissolved on 29 December 2015.

Ms Lim was a partner of one of the top four accounting firms and retired on 31 December 2001 to devote her time as a volunteer of a charitable organisation. She was the Head of the Firm's Tax Practice and a member of the Firm's International Tax Committee. She remained as an Advisor to the Firm until 31 January 2004.

Ms Lim started her career in audit and subsequently, specialised in taxation. She has substantial experience in corporate advisory, corporate reorganisations and mergers and acquisitions and has led regional and global projects across a wide spectrum of industries.

Ms Lim is a retired fellow member of the Association of Chartered Certified Accountants, United Kingdom.

She was previously an adjunct professor with the Singapore Management University, a facilitator with the Tax Academy of Singapore and a board member of Raffles Institution. Presently, Ms Lim is the President of Viriya Community Services, a charitable organisation.

JIMMY CHAN CHUN MING, 58

Mr Jimmy Chan Chun Ming was appointed an independent non-executive Director of the H-REIT Manager and the HBT Trustee-Manager on 22 May 2006. He also sits on the Audit and Risk Committees of both the H-REIT Manager and HBT Trustee-Manager. Mr Chan was previously a member of the Audit Committees of the H-REIT Manager and the HBT Trustee-Manager until the committees were dissolved on 29 December 2015.

Mr Chan is the Managing Director of Hsin Chong Strategic Investment (International) Ltd. He has over twenty years of experience in the financial and hospitality industries in Asia Pacific and has held senior positions with HSBC NF China Real Estate Fund, Aareal Bank Group, Starwood Hotels & Resorts Worldwide Inc., City e-Solutions Limited, Société Générale Group and The Chase Manhattan Bank, N.A. being involved in various corporate finance, capital market, syndication, advisory and structured finance transactions for major real estate and hotel companies in the region. Mr Chan was also a non-executive director in Royal Orchid Hotel (Thailand) Public Company Ltd from 2012 to 2014.

Mr Chan graduated from the University of British Columbia in 1980 with a Bachelor of Applied Science, Civil Engineering and from the University of Missouri-Columbia in 1981 with a Master of Science in Construction Management. In 1994 and 1999, he completed the Executive Management Programs at the Kellogg Graduate School of Management, Northwestern University, United States of America.

DANIEL MARIE GHISLAIN DESBAILLETS, 66

Mr Daniel Marie Ghislain Desbaillets was appointed an independent non-executive Director of the H-REIT Manager and the HBT Trustee-Manager on 2 September 2010. Mr Desbaillets is a member of the Nominating and Remuneration Committees of the H-REIT Manager and the HBT Trustee-Manager.

An international hotelier with more than 35 years of experience, especially within the Asia Pacific region, he has held senior positions in Intercontinental Hotel Group, Fullerton Hotels and Resorts and TCC Hotel Group. He also served as Special Advisor to MCIL in 2003, and was subsequently appointed Chief Operating Officer, Asia Pacific, MCIL, where he was responsible for hotel operations and the development of new properties in the region.

Mr Desbaillets currently runs a food and beverage business under Salad Stop Pte Ltd, which operates 15 restaurant-and-bar concept outlets throughout Singapore.

BOARD OF DIRECTORS

RONALD SEAH LIM SIANG, 68

Mr Ronald Seah Lim Siang was appointed an independent non-executive Director of the H-REIT Manager and HBT Trustee-Manager on 21 October 2013. He is currently the Chairman of the Nominating and Remuneration Committees and a member of the Audit and Risk Committees of the H-REIT Manager and the HBT Trustee-Manager. Mr Seah was previously the Chairman of the Risk Management Committees and a member of the Audit Committees of the H-REIT Manager and the HBT Trustee-Manager until the committees were dissolved on 29 December 2015.

Mr Seah sits on the board of directors of other listed companies, namely, Yanlord Land Group Limited, Global Investments Limited, PGG Wrightson Limited and Telechoice International Limited. Mr Seah is also the Chairman of Nucleus Connect Private Ltd.

Over a 25-year period between 1980 and 2005, Mr Seah had held various senior positions within the AIG Group in Singapore, initially as AIA Singapore's Vice-President and Chief Investment Officer managing the investment portfolio of AIA Singapore and later as AIG Global Investment Corporation (Singapore) Ltd's Vice-President of Direct Investments. Between 2001 and 2005, Mr Seah was also the Chairman of the Board of AIG Global Investment Corporation (Singapore) Ltd. From 1978 to 1980, Mr Seah managed the investment portfolio of Post Office Savings Bank as Deputy Head of the Investment and Credit Department. Prior to that, he worked at Singapore Nomura Merchant Bank as an Assistant Manager with responsibilities covering the sale of bonds and securities and offshore (ACU) loan administration for the bank. Between 2002 and 2003, Mr Seah served on the panel of experts of the Commercial Affairs Department of Singapore.

Mr Seah graduated with a Bachelor of Arts and Social Sciences (Second Class Upper in Economics) from the then University of Singapore in 1975.

RONALD NATHANIEL ISSEN, 54

Mr Ronald Nathaniel Issen was appointed a non-independent and non-executive Director of the H-REIT Manager and the HBT Trustee-Manager on 7 April 2014.

Mr Issen is currently a non-executive Director and Deputy Chairman of City e-Solutions Limited. He is a non-executive Director of Capella Hotel Group Asia Pte. Ltd., a non-executive Director of Auric Pacific Group Limited and Managing Director of Issen & Company.

Mr Issen has served in the past, based in Hong Kong, as a Senior Advisor with private equity group Apollo Global Management LLC, and has also served on the Executive Management Committee of eSun Holdings Limited. He began his career with Smith Barney and the Boston Consulting Group and later worked for then-Banque Indosuez and its successor entities. In the preceding 3-year period, Mr Issen was a non-executive and non-independent Director of Food Junction Holdings Limited until December 2013.

Mr Issen holds a Master of Business Administration from Stanford University, where he was an EJ Gallo Foundation Fellow, and holds a Bachelor of Arts from Williams College, cum laude with honors. He also serves as Chapter Head/President and as a member of the Board of Directors of the Stanford GSB Chapter of Hong Kong Limited.



Executive Boardroom, Novotel Singapore Clarke Quay

MANAGEMENT TEAM REPORTING STRUCTURE

As at 1 March 2016

BOARD OF THE H-REIT MANAGER AND HBT TRUSTEE-MANAGER

WONG HONG REN ⁽¹⁾

Chairman and Non-Executive Director

JIMMY CHAN CHUN MING ⁽²⁾

Non-Executive Independent Director

VINCENT YEO WEE ENG

Chief Executive Officer and Executive Director

DANIEL MARIE GHISLAIN DESBAILLETS ⁽¹⁾

Non-Executive Independent Director

JENNY LIM YIN NEE ⁽²⁾

Lead Independent Director and Chairman of the Audit and Risk Committees

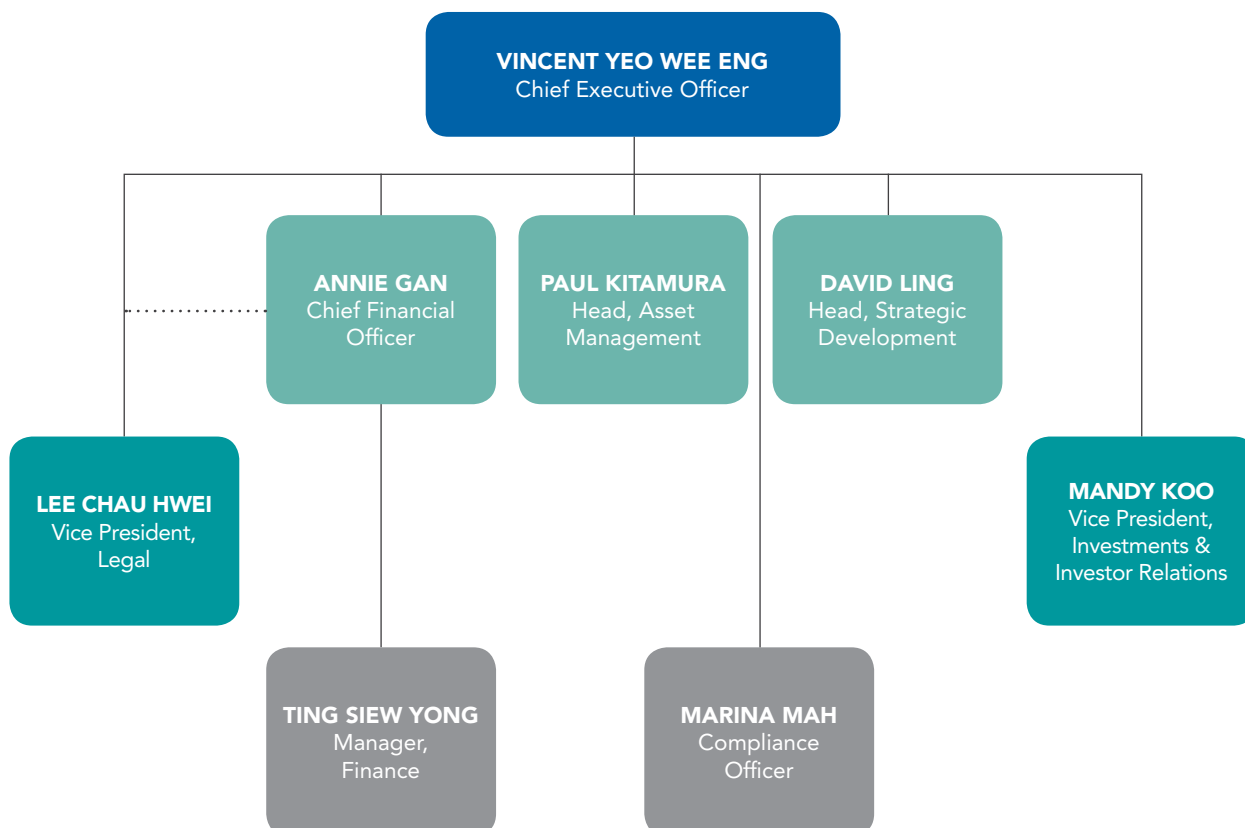
RONALD SEAH LIM SIANG ^{(1) (2)}

Non-Executive Independent Director and Chairman of the Nominating and Remuneration Committees

RONALD NATHANIEL ISSEN

Non-Executive Non-Independent Director

MANAGEMENT TEAM



(1) Member of the Nominating and Remuneration Committees of the H-REIT Manager and the HBT Trustee-Manager.

(2) Member of the Audit and Risk Committees of the H-REIT Manager and the HBT Trustee-Manager.

MANAGEMENT TEAM

VINCENT YEO WEE ENG

Chief Executive Officer

Mr Yeo is also the Executive Director of the H-REIT Manager and the HBT Trustee-Manager and his profile can be found under the "Board of Directors" section on page 36 of the Annual Report.

ANNIE GAN

Chief Financial Officer

Ms Gan is responsible for CDLHT's financial and capital management functions. She oversees all matters involving finance and accounting, treasury, taxation, compliance and fund management, ensuring the alignment with CDLHT's investment strategy while focusing on optimising revenue and investment returns.

Ms Gan has more than 26 years of diverse experience in financial management, treasury, mergers and acquisitions, taxation and corporate advisory as well as in-depth knowledge of the hospitality, property development and property investment industries. Prior to joining the H-REIT Manager and the HBT Trustee-Manager, Ms Gan was the Group Financial Controller of the public-listed company, Orchard Parade Holdings Limited ("OPHL"), a subsidiary of Far East Organisation Pte Ltd. She also served as a Director of all the subsidiaries of OPHL, primarily responsible for the stewardship of the subsidiaries' affairs and advising on new investment opportunities.

Ms Gan was also previously with PricewaterhouseCoopers, Singapore as Senior Audit Manager, where she was responsible for due diligence and acquisition audits, profit forecast reviews and the statutory audits of several public-listed companies and large multinational corporations.

Ms Gan is a Chartered Accountant with the Institute of Singapore Chartered Accountants and a Fellow of Certified Public Accountants of Australia and holds a Bachelor of Commerce from The Australian National University.

DAVID LING

Head, Strategic Development

Mr Ling is responsible for origination of strategic investment opportunities from the regional and international markets for H-REIT. His role includes identifying and securing value propositions, covering both single assets and portfolios, with the objective of growing the long term income and capital value of H-REIT investment holdings. His role is also to expand the network of hospitality relationships for H-REIT to gain access to greater deal flow.

Mr Ling has 26 years of diverse hospitality and real estate experience in markets across Asia Pacific and Europe, and established relationships with major institutional and private investment houses, brokerage firms and financial institutions. His passion and entrepreneurial spirit drove him to establish

and manage four new offices of HVS Hospitality Services in Asia Pacific between 2004 and 2014 as its Chairman and Managing Director, as well as pioneered and chaired the largest and most influential hotel investment conference in mainland China – the annual China Hotel Investment Conference.

Mr Ling speaks regularly at international conferences and lectures at Universities and industry seminars. He served on the international board of HVS from 2005 to 2013 and the Hotel Licensing Board of Singapore from 2011 to 2014.

Graduated with a Master in Urban Land Appraisal from University of Reading, United Kingdom, and a Bachelor of Business (Distinction) in Valuation and Land Economy from Curtin University in Australia, Mr Ling is a member of the Australian Property Institute, Singapore Institute of Surveyors and Valuers and a Licensed Appraiser registered with the Inland Revenue Authority of Singapore.

PAUL KITAMURA

Head, Asset Management

Mr Kitamura is responsible for CDLHT's asset management function which involves performance monitoring and value enhancement across the portfolio.

Earlier, he operated his own hospitality consultancy and served as Senior Vice President of asset management for GIC Real Estate. He was responsible for the fund's Asia-Pacific hospitality portfolio which comprises assets such as the Westin Tokyo, Shangri-La Sydney and Park Hyatt Melbourne, a portfolio of serviced apartments in Japan and a retail portfolio in Australia. During the 2008/09 global downturn, he successfully drove fast-track cost efficiency initiatives and led the brand conversion of the 1,053-room Hilton Fukuoka.

His hotel experience includes leading IHG's efforts in Japan as country head from 2002-2008, securing exclusivity with ANA Airlines to form a JV partnership for a 50-property chain in Japan. During this period, deal flow increased 200% including signing of the 600-room Crowne Plaza Kobe and successful extension of the group's presence in Tokyo, Yokohama, Kyoto and Nagasaki. Operationally, he led IHG's business in Japan through a brand portfolio covering 10 cities which includes Tokyo, Yokohama and Kyoto.

Mr Kitamura also held senior Asia Pacific brand management and marketing positions within IHG in Hong Kong and Singapore. He started his career with Mandarin Oriental Hotel Group where he spent 10 years in a variety of sales & marketing roles at the property, regional and corporate levels.

Mr Kitamura holds a Master of Business Administration from the Chicago Booth Graduate School of Business and a Bachelor of Science degree in Hotel Administration from Cornell University.

LEADERSHIP STRUCTURE

MANDY KOO

Vice President, Investments & Investor Relations

Ms Koo is responsible for sourcing, evaluating, conducting due diligence, structuring and executing potential acquisitions with a view to enhance CDLHT's investment portfolio. She is also responsible for maintaining relations with the investment and research community, as well as providing support in capital raising and corporate finance activities.

Ms Koo was previously with Standard Chartered Bank where she worked in the Corporate Advisory & Finance team that was responsible for the execution of merger and acquisition and equity corporate finance deals in Southeast Asia. Prior to her investment banking stint, she was with YTL Pacific Star REIT Management Limited, primarily involved in investments and asset management. Before this, Ms Koo was with the H-REIT Manager where her core responsibilities were investments and investor relations. She started her career in Singapore Exchange Limited where she was with the issuer regulation function and was responsible for reviewing applications for initial public offerings, fund raising and corporate actions of listed companies.

Ms Koo holds both the Chartered Financial Analyst and Chartered Alternative Investment Analyst designations. She graduated Summa Cum Laude from Singapore Management University with a Bachelor of Business Management (Major in Finance) and a Bachelor of Accountancy.

LEE CHAU HWEI

Vice President, Legal

Mr Lee is responsible for providing legal support and advising, managing and overseeing legal matters relating to investments of CDLHT (including cross-border real estate transactions) and other legal, commercial and corporate work.

Mr Lee was previously a partner with Rodyk & Davidson LLP, and a Deputy Public Prosecutor with The Attorney-General's Chambers. He brings more than 13 years of legal experience, and has represented various real estate investment trusts, foreign and local investors, property fund managers, multinational corporations, statutory boards, developers and banks in direct and indirect acquisitions and divestments, joint ventures, en-bloc acquisitions and other forms of corporate real estate. He has also advised major landlords as well as anchor tenants in various commercial, industrial and residential leasing transactions.

Mr Lee graduated from King's College London in 2000 and was admitted as an Advocate and Solicitor in Singapore in 2002.

TING SIEW YONG

Manager, Finance

Ms Ting assists the Chief Financial Officer in the financial management and accounting functions of CDLHT including statutory reporting, compliance, corporate finance, treasury and taxation matters.

Ms Ting has more than 16 years of experience in management, accounting and finance functions in various industries. Prior to joining the H-REIT Manager and the HBT Trustee-Manager, Ms Ting was the Group Financial Controller of the public-listed company, Top Global Limited, overseeing the Group's finance function. She was also previously with Deloitte & Touche LLP, Singapore as Senior Audit Manager.

Ms Ting is a Certified Public Accountant of the Institute of Singapore Chartered Accountants and Certified Practising Accountant of Certified Public Accountants of Australia. She graduated from Queensland University of Technology, Australia with Bachelor of Business (Accountancy).

MARINA MAH

Compliance Officer

Ms Mah is responsible for ensuring H-REIT complies with applicable provisions under the Securities and Futures Act, the Capital Markets Services Licence Conditions, the SGX Rules, the Code on Collective Investment Schemes, as applicable to the Property Funds Appendix, trust deeds and other relevant regulatory requirements.

Ms Mah has more than 15 years of auditing, financial management and accounting experience in multinational and listed companies, including 6 years of experience in regulatory compliance of H-REIT and H-REIT Manager. Prior to joining the H-REIT Manager, Ms Mah spent several years with Singapore and Hong Kong listed companies, and was responsible for group consolidation covering Asia Pacific, China, US and Europe.

Ms Mah is a Certified Practising Accountant of Certified Public Accountants of Australia and holds a Bachelor of Business (Accountancy) from Queensland University of Technology, Australia.

PROPERTY PORTFOLIO

18

ASSETS AROUND
THE WORLD &
COUNTING



2

IN JAPAN





7

IN SINGAPORE



5

IN AUSTRALIA



2

IN MALDIVES



1

IN NEW ZEALAND



1

IN UNITED KINGDOM

SINGAPORE



ORCHARD HOTEL

442 ORCHARD ROAD, SINGAPORE 238879

Offering cosmopolitan elegance in the heart of Orchard Road, Singapore's premier retail district, and Cantonese fine dining at its award-winning Hua Ting Restaurant.

656

GUEST ROOMS

8,588

SQ. M LAND AREA



Executive Club Lounge

\$S449M

IN VALUATION



Premier Club Meeting Room

PROPERTY PORTFOLIO

PROPERTY DETAILS

Number of guest rooms: 656

Number of food & beverage outlets:

Five outlets comprising Orchard Café, Hua Ting Restaurant, Noodles, Intermezzo Bar and Poolside Snack Bar

Banquet/Conference/Meeting facilities:

A 1,245 sq m pillarless Orchard Grand Ballroom and 343 sq m of pre-function space with a maximum capacity of 1,500 guests theatre-style, and convertible into three separate smaller ballrooms

A Conference Centre with one boardroom and five multi-function rooms equipped with state-of-the-art facilities

Car park facilities: 434 car park lots

The car park facilities are shared with Claymore Connect

Land area: 8,588.0 sq m
(including Claymore Connect)

Gross floor area: 49,940.9 sq m
(including Claymore Connect)

Title: 75-year leasehold interest commencing from 19 July 2006

Vendor: City Hotels Pte. Ltd.

Purchase price at 19 July 2006:
S\$330.1 million

Valuation ⁽¹⁾ as at 31 December 2015:
S\$449.0 million

MASTER LEASE DETAILS

Master lessee: City Hotels Pte. Ltd., a subsidiary of M&C

Term of lease:

20 years from 19 July 2006 with an option to renew for another 20 years

Minimum rental income:

S\$10.3 million comprising a fixed rent of S\$5.9 million and a service charge of S\$4.4 million per annum

FY 2015 KEY FINANCIALS

Rental income: S\$24.1 million

Net property income: S\$22.0 million

Average occupancy rate: 87.1%



Premier Room, Claymore Wing

Situated on Singapore's renowned Orchard Road, the city-state's prime shopping and entertainment belt, Orchard Hotel offers 656 tastefully-appointed guest rooms in characteristically unique twin buildings – Orchard Wing (325-room) and Claymore Wing (331-room).

Orchard Wing features vibrant Deluxe Rooms ideal for business and leisure travellers alike; distinctive Signature Club Rooms, Signature Club Deluxe and Signature Suites designed by world-renowned designer Pierre Yves Rochon. The hotel's stylishly appointed collection of Premier Rooms, Clubs and Suites at the Claymore Wing boasts contemporary interiors, fully equipped with modern amenities and conveniences. Facilities available to guests include a half Olympic-sized pool with sun deck and outdoor jacuzzi, a fitness studio and banquet venues coupled with a pillarless grand ballroom which houses up to 1,500 guests (theatre-style seating). Adjoining the hotel is Claymore Connect, which had undergone redevelopment and was repositioned as a destination mall catering to the discerning urban family with choice selections of lifestyle services and gastronomic treats. Guests staying at Orchard Hotel will enjoy its perfect location for shopping, business entertainment and relaxation.

A wide array of epicurean delights beckons at the hotel's award-winning dining outlets. Hua Ting Restaurant is listed in the 2016 "Singapore Best Restaurants Guide" and "Regional Best Restaurants" by Singapore Tatler, and was also awarded "Three Star Rating" in the 2015 "Singapore's Top Restaurants Guide" by Wine & Dine. International buffet restaurant Orchard Café and cosy eatery Noodles have also been accorded the 2015 "Singapore's Top Restaurants Guide" by Wine & Dine. The lobby's Intermezzo Bar serves up light bites and refreshing cocktails perfect for wind-down sessions with friends and associates.

Notable accolades include:

- TripAdvisor Certificate of Excellence 2015
- Expedia Best of +VIP Hotels 2015
- Ctrip International Hotel Business – Top Hotel 2015
- SHA Excellent Service Award (2004 - 2015)
- BCA Green Mark Gold (2015 - 2018)

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.

SINGAPORE



Club Deluxe Room

GRAND COPTHORNE WATERFRONT HOTEL

392 HAVELOCK ROAD, SINGAPORE 169663

One of Singapore's leading conference hotels along the historic Singapore River and in proximity to the Central Business District and the waterfront precincts of Robertson Quay and Clarke Quay.

574

GUEST ROOMS

10,860

SQ. M LAND AREA



Veranda Meeting Room

\$351M

IN VALUATION



PROPERTY PORTFOLIO

PROPERTY DETAILS

Number of guest rooms: 550 rooms and La Residenza's 24 serviced suites

Number of food & beverage outlets: Three outlets comprising Café Brio's, The Piano Bar and The Pool Bar

Banquet/Conference/Meeting facilities: 34 versatile meeting rooms covering 6,039 sq m, including a six-metre high column-free ballroom of 853 sq m and seating up to 900 guests theatre-style

Other facilities: A fully equipped Business Centre, hair, beauty and wellness services and four units of fully furnished Serviced Offices offering a range of secretarial and business support services including on-site IT support, video conferencing facilities and high-speed internet connection

Car park facilities: 287 car park lots ⁽¹⁾

Land area: 10,860.2 sq m (including adjoining Waterfront Plaza) ⁽²⁾

Gross floor area: 51,726.0 sq m (including adjoining Waterfront Plaza) ⁽²⁾

Title: 75-year leasehold interest commencing from 19 July 2006

Vendor: City Developments Limited

Purchase price at 19 July 2006: S\$234.1 million

Valuation ⁽³⁾ as at 31 December 2015: S\$351.0 million

MASTER LEASE DETAILS

Master lessee: Republic Hotels & Resorts Limited, a subsidiary of M&C

Term of lease: 20 years from 19 July 2006 with an option to renew for another 20 years

Minimum rental income: S\$7.2 million comprising a fixed rent of S\$3.0 million and a service charge of S\$4.2 million per annum

FY 2015 KEY FINANCIALS

Rental income: S\$20.0 million

Net property income: S\$18.4 million

Average occupancy rate: 85.6%



Riverfront Ballroom

The 574-room premier deluxe conference hotel is situated on the banks of the historic Singapore River and close to the Central Business District, Clarke Quay, Robertson Quay, Boat Quay, Orchard Road and the Integrated Resorts. The hotel offers lifestyle comfort and business-enabling conveniences to facilitate travellers' executive accommodation and leisure needs, including La Residenza, comprising 24 serviced suites, which have high ceilings and come in studio, one or two bedroom units.

The adjoining Waterfront Conference Centre has 34 versatile meeting rooms that cover a total area of 6,039 sq m, including a six-metre high column-free ballroom covering 853 sq m and seating up to 900 guests theatre-style. Grand Copthorne Waterfront Hotel is the third largest conference hotel in Singapore. With one of the best designed conference venues in the region, offering unparalleled cutting edge meeting facilities, it is a choice venue for many multinational organisations.

Equipped with a full-service business centre and four serviced offices, the hotel offers the full range of secretarial and business support services. A salon providing hair, beauty and wellness services, satisfies the needs of the leisure guests. In terms of dining options, diners at Café Brio's, a recipient of Wine & Dine Singapore's Top Restaurant from 2013 - 2015, can indulge in local favourites or international cuisines.

The hotel is currently undergoing extensive renovation to refresh its lobby, add meeting room capacity and significantly augment its food and beverage offerings.

Notable accolades include:

- Singapore's Leading Conference Hotel 2015 (Winner) by World Travel Awards
- SHA Excellent Service Award 2015 (12 Star, 4 Gold, 1 Silver)
- BCA Green Mark Platinum (2015 - 2018)
- PUB Water Efficient Building Gold Award (2014 - 2017)

(1) The basement level car park facility was not acquired by H-REIT from City Developments Limited ("CDL"). However, the hotel enjoys a right of easement to use the basement level car park facility.

(2) H-REIT leases from CDL the second level of Waterfront Plaza which comprises the Waterfront Conference Centre which H-REIT in turn sub-lets to Republic Hotels & Resorts Limited ("RHRL"). Rental income received from RHRL is thereafter paid to CDL as rental expense.

(3) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.

SINGAPORE



M HOTEL

81 ANSON ROAD, SINGAPORE 079908

A premier award-winning hotel strategically located in the heart of the financial district and a choice venue for discerning business travellers.

413

GUEST ROOMS

2,134

SQ. M LAND AREA



Spa

S\$235M

IN VALUATION



J Bar

PROPERTY DETAILS

Number of guest rooms: 413

Number of food & beverage outlets:

Five outlets comprising Café 2000, The Buffet, Hokkaido Sushi Restaurant, J Bar and Tea Bar

Banquet/Conference/Meeting facilities:

A banquet suite with a maximum capacity of 350 guests theatre-style (with stage), and 10 multi-function rooms equipped with state-of-the-art facilities

Other facilities: 32 fully furnished designer

office suites complete with a selection of modern business and IT facilities at level.8 Office Suites & Business Centre

The Waterfloor features a spa, an outdoor swimming pool and a 24-hour gymnasium for rejuvenation and recreation

Car park facilities: 237 car park lots

Land area: 2,133.9 sq m

Gross floor area: 32,379.3 sq m

Title: 75-year leasehold interest commencing from 19 July 2006

Vendor: Harbour View Hotel Pte. Ltd.

Purchase price at 19 July 2006: S\$161.5 million

Valuation ⁽¹⁾ as at 31 December 2015: S\$235.0 million

MASTER LEASE DETAILS

Master lessee: Harbour View Hotel Pte. Ltd., a subsidiary of M&C

Term of lease:

20 years from 19 July 2006 with an option to renew for another 20 years

Minimum rental income: S\$6.1 million comprising a fixed rent of S\$3.9 million and a service charge of S\$2.2 million per annum

FY 2015 KEY FINANCIALS

Rental income: S\$15.1 million

Net property income: S\$13.9 million

Average occupancy rate: 93.0%



Banquet Suite

M Hotel, one of Singapore's premier business hotels, is strategically located in the heart of the financial district and close to government offices, the Integrated Resorts, Sentosa, Chinatown and Marina Bay. It has 413 rooms designed for the business travellers with modern technological amenities.

In keeping up with efforts to enhance guests' stay experience, the hotel is undergoing a refurbishment of its guest rooms. The refurbishment which started in March 2015 is scheduled for completion by end 2016.

The hotel's prime location as well as its variety of function spaces, well-equipped with the state-of-the-art audio and visual facilities, make it a favoured venue for corporate meetings, social events and weddings. Its level.8 Office Suites & Business Centre offers 32 fully furnished office suites with comprehensive secretarial support, modern meeting facilities and 24-hour security and services for all business needs.

The food & beverage outlets at M Hotel Singapore offer a generous variety, ranging from the delectable all-day dining spread at Café 2000 and specialty seafood hotpot buffet at The Buffet Restaurant to fresh authentic Japanese delicacies at Hokkaido Sushi Restaurant. Tea Bar at the lobby serves a premium selection of teas and freshly prepared pastries as well as its signature chicken pies. The refurbished J Bar offers live entertainment and a separate daylight function room, J Collyer. The Waterfloor offers guests rejuvenation and recreation during their stay with spa facilities, outdoor swimming pool, jacuzzi and a 24-hour gymnasium.

Notable accolades include:

- Luxury Modern Hotel 2015 by Luxury Travel Guide Award
- Best Overseas Hotel 2014 by Ctrip
- BCA Green Mark Gold Plus (2015 - 2018)
- PUB Water Efficient Building Silver Award (2013 - 2016)

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.

PROPERTY PORTFOLIO

SINGAPORE



Deluxe Room

COPTHORNE KING'S HOTEL

403 HAVELOCK ROAD, SINGAPORE 169632

A superior business hotel that is in proximity to the Central Business District.

310

GUEST ROOMS

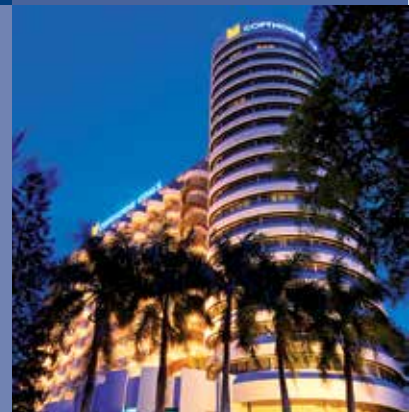
5,637

SQ. M LAND AREA



S\$121M

IN VALUATION



PROPERTY DETAILS

Number of guest rooms: 310

Number of food & beverage outlets:

Four outlets comprising Tien Court Restaurant, Princess Terrace Café, Connections Lounge and Starscafé

Banquet/Conference/Meeting facilities:

Seven fully equipped function rooms that can be easily configured to various meeting arrangements

Car park facilities: 77 car park lots

Land area: 5,636.9 sq m

Gross floor area: 17,598.3 sq m

Title: 99-year leasehold interest commencing from 1 February 1968

Vendor: Republic Hotels & Resorts Limited

Purchase price at 19 July 2006: S\$86.1 million

Valuation ⁽¹⁾ as at 31 December 2015: S\$121.0 million

MASTER LEASE DETAILS

Master lessee: Republic Hotels & Resorts Limited, a subsidiary of M&C

Term of lease:

20 years from 19 July 2006 with an option to renew for another 20 years

Minimum rental income: S\$2.8 million comprising a fixed rent of S\$0.6 million and a service charge of S\$2.2 million per annum

FY 2015 KEY FINANCIALS

Rental income: S\$8.4 million

Net property income: S\$7.0 million

Average occupancy rate: 86.4%



The 310-room hotel is conveniently located minutes away from the Central Business District, Robertson Quay, Clarke Quay, Boat Quay, Orchard Road, Chinatown and the Integrated Resorts.

Copthorne King’s Hotel’s elegantly-appointed rooms and suites offer all the comforts of modern day amenities, replete with award-winning restaurants, seven fully equipped function rooms that can be configured to various meeting arrangements, complete with the latest audio-visual equipment and wireless broadband connectivity. Recreational facilities include a landscaped outdoor pool and jacuzzi, mini putting green, gymnasium, sauna and steam bath.

Its award-winning restaurants include Tien Court Restaurant which serves contemporary regional Chinese cuisine including Cantonese delicacies and Princess Terrace which is renowned in Singapore for serving the best authentic Penang cuisine. Both restaurants have been voted into Singapore Tatler’s "Best Restaurants" list for seven consecutive years from 2007 to 2013 as well as for 2015.

Notable accolades include:

- BCA Green Mark Platinum (2014 - 2017)
- ASEAN Energy Awards 2013 – Retrofitted Building Category

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.

SINGAPORE



STUDIO M HOTEL

3 NANSON ROAD, SINGAPORE 238910

A contemporary design-oriented hotel that is in the Robertson Quay entertainment precinct and in proximity to the Central Business District.

360

GUEST ROOMS

2,932

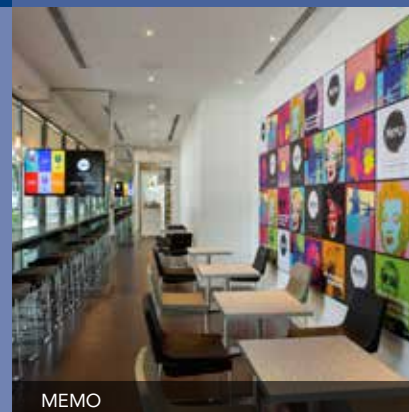
SQ. M LAND AREA



Executive Loft

S\$159M

IN VALUATION



MEMO

PROPERTY PORTFOLIO

PROPERTY DETAILS

Number of guest rooms: 360

Number of food & beverage outlets:
One outlet – MEMO

Other facilities: Recreational facilities incorporating a 25-metre lap pool, a jet pool, an open-air gymnasium and three cabanas

Car park facilities: 30 car park lots

Land area: 2,932.1 sq m

Gross floor area: 8,209.9 sq m

Title: 99-year leasehold interest commencing from 26 February 2007

Vendor: Republic Iconic Hotel Pte. Ltd.

Purchase price at 3 May 2011:
S\$154.0 million

Valuation ⁽¹⁾ as at 31 December 2015:
S\$159.0 million

MASTER LEASE DETAILS

Master lessee: Republic Iconic Hotel Pte. Ltd., a subsidiary of M&C

Term of lease:
20 years from 3 May 2011 with:

- (i) an option to extend the lease for a first additional term of 20 years commencing immediately after the expiry of the initial term;
- (ii) an option to extend the lease for a second additional term of 20 years commencing immediately after the expiry of the first additional term; and
- (iii) an option to extend the lease for a third additional term of 10 years commencing immediately after the expiry of the second additional term.

Minimum rental income: For the nine years after the first year of the lease, a fixed rent of S\$5.0 million per annum. On the tenth anniversary date (the "**Rent Revision Date**") of the commencement of the lease, the fixed rent amount will be revised to an amount equivalent to 50% of the average annual aggregate fixed rent and variable rent for the five fiscal years preceding the Rent Revision Date (the "**Revised Fixed Rent**"). This amount would thereon be the Revised Fixed Rent amount.

FY 2015 KEY FINANCIALS

Rental income: S\$7.8 million

Net property income: S\$7.2 million

Average occupancy rate: 83.5%



Studio M Hotel is a unique and stylised hotel in Singapore that blends modern design with functionality. Designed by Italian style maestro and architect, Piero Lissoni, it is the first fully loft-inspired Singapore hotel that also occupies a prime and vibrant location in the city; within easy reach of both the Central Business District and Orchard Road. The hotel offers a great leisure getaway or business stay in the iconic entertainment precinct of Robertson Quay. Studio M Hotel has 360 stylish guest rooms and facilities include an open-air tropical oasis deck, 25-metre lap pool, a jet pool, well-equipped open-air gymnasium and a food and beverage outlet – MEMO.

Notable accolades include:

- AsiaOne Readers' Choice Award 2015 – Winner (Best Boutique Hotel)
- Agoda.com Gold Circle Award 2015
- BCA Green Mark Gold (2015 - 2018)
- PUB Water Efficient Building Basic Award (2014)

(1) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.

SINGAPORE



NOVOTEL SINGAPORE CLARKE QUAY

177A RIVER VALLEY ROAD, SINGAPORE 179031

Located in the heart of the Clarke Quay entertainment precinct and in proximity to the Central Business District and Marina Bay, Novotel Singapore Clarke Quay is a popular choice for business and leisure customers.

403

GUEST ROOMS

12,925

SQ. M LAND AREA



Phoenix Grand Ballroom

S\$319M

IN VALUATION



Ballroom Foyer

PROPERTY DETAILS

Number of guest rooms: 403

Number of food & beverage outlets:

Four outlets comprising The SQUARE Restaurant, Dragon Phoenix Restaurant, Moghul Mahal Restaurant and Le Bar Rouge

Banquet/Conference/Meeting facilities:

A pillarless ballroom with a maximum capacity of 600 guests, six multifunction rooms with spacious pre-function areas and an executive boardroom which can seat up to 20 guests and hosts the latest AV technology

Car park facilities: 745 car park lots ⁽¹⁾

Land area: 12,925.4 sq m

Title: 97 years and 30 days leasehold interest commencing from 2 April 1980

Vendor: Lehman Brothers Real Estate Partners II L. P. and affiliated partnerships

Purchase price at 7 June 2007:
S\$201.0 million

Valuation ⁽²⁾ as at 31 December 2015:
S\$319.0 million

MASTER LEASE DETAILS

Master lessee: AAPC Clarke Quay Hotel Pte. Ltd., a subsidiary of Accor S.A.

Term of lease:

Approximately 13.5 years from 7 June 2007 expiring 31 December 2020

Minimum rental income: Minimum rent of S\$6.5 million per year guaranteed by master lessee / Accor S.A., subject to maximum rent reserve of S\$6.5 million for the lease term

FY 2015 KEY FINANCIALS

Rental income: S\$21.6 million

Net property income: S\$20.3 million

Average occupancy rate: 91.6%



Novotel Singapore Clarke Quay's 403 hotel guest rooms range from the standard rooms to the premier suites, all offering modern décor, highest comfort and boast magnificent views of the Marina Bay, Singapore River or the lush greenery of Fort Canning Park.

Strategically located between the Central Business District and minutes away from the prime shopping area of Orchard Road, the hotel is situated in the vibrant and dynamic entertainment hub of Singapore Clarke Quay, only 20 minutes' drive from Changi International Airport.

Novotel Singapore Clarke Quay also features 1,200 sq m of renovated meeting facilities including two ballrooms accommodating up to 600 delegates, while its six multi-purpose function rooms are equipped with state-of-the-art technology. Renovated in mid-2015, the brand new green lavish outdoor terrace on Level 5 is ideal for coffee breaks, evening cocktails and networking dinners.

Novotel's signature all-day dining restaurant, The SQUARE, fulfils guests' appetites with superb international and local cuisine. The hotel lounge, Le Bar Rouge is a perfect venue to chat with friends and colleagues. An award winning Chinese restaurant, Dragon Phoenix, and Northern Indian Moghul Mahal restaurant complete the food and beverage offerings of this downtown hotel.

Notable accolades include:

- SEC-Kimberly-Clark Singapore Environmental Achievement Award (Services) – Winner
- ASEAN Green Hotel Award (2016)
- BCA Green Mark Gold Plus (2013 - 2016)
- PUB Water Efficient Building Gold Award (2015 - 2018)

(1) Shared with Liang Court Shopping Centre and Somerset Liang Court Service Apartment (all space owned by Management Corporation Strata Title Plan No. 3027).

(2) The property was valued by Knight Frank Pte Ltd using a combination of Capitalisation and Discounted Cash Flow approaches.

SINGAPORE



CLAYMORE CONNECT

442 ORCHARD ROAD, SINGAPORE 238879

Occupying a prime spot at the junction of Claymore Road and the Orchard Road shopping and tourist belt, Claymore Connect is a family-friendly mall with a range of lifestyle and F&B retail offerings.

~7,100
SQ M IN NLA



Trehaus

\$S106M
IN VALUATION



Hua Ting Steamboat

PROPERTY PORTFOLIO

PROPERTY DETAILS	
Net lettable area (including Galleria):	Approximately 7,100 sq m
Car park facilities:	The car park facilities are shared with Orchard Hotel
Title:	75-year leasehold interest commencing from 19 July 2006
Vendor:	City Hotels Pte. Ltd.
Purchase price at 19 July 2006:	S\$34.5 million
Valuation ⁽¹⁾ as at 31 December 2015:	S\$106.0 million
FY 2015 KEY FINANCIALS	
Rental income:	S\$4.4 million ⁽²⁾
Net property income:	S\$2.2 million ⁽²⁾
Total number of tenants as at 31 December 2015:	18
Committed occupancy rate as at 31 December 2015:	80.1%

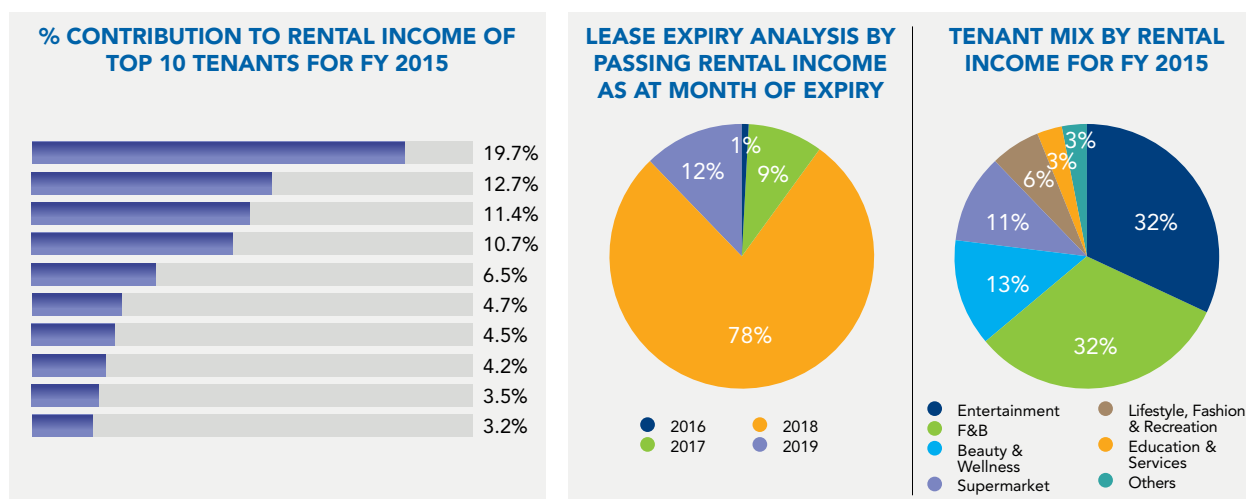
Claymore Connect is within a short walking distance of Orchard MRT station, situated at the junction of Scotts Road, Paterson Road and Orchard Road. Its main entrance is along Claymore Road, with direct access to Orchard Hotel from the mall's mezzanine floor and Level 2. The redeveloped mall received its TOP in March 2015 and was officially opened on 8 October 2015.

Joining the ranks of family-oriented malls on Orchard Road, the newly refurbished mall with enhanced retail offerings caters to the growing captive residential population in the nearby precincts of Tanglin, Orchard and Claymore, given the increasing number of residential developments in these areas. Orchard Hotel guests are able to enjoy the convenience of the F&B outlets, beauty, wellness and lifestyle services at the mall.

Apart from the anchor tenant Cold Storage, Claymore Connect features tenants such as MapleBear Singapore – an early education centre offering Canadian education philosophies and practices, combined with Singapore's bilingual literacy curriculum and Ch'i Life Studio – Singapore's Premier International Martial Arts Studio for children and adults of all ages. Housing the very first of its kind in Singapore, Claymore Connect is also home to Trehaus – a co-working space complete with child play and learning facilities, offering adults a space to work and meet, while their children are being engaged and supervised by caring minders.

The mall also offers a diverse range of food and beverage selections such as Mon Bijou, an artisanal bistro featuring all-day dining favourites and French pastries and desserts; Hua Ting Steamboat, a gourmet Cantonese hotpot offering by the renowned Hua Ting restaurant; sandwiches and salad offerings from international chain, Subway; Jewel Coffee, a leading purveyor of third-wave coffee in Singapore and South-East Asia's leading chain of wine shops – Wine Connection.

In addition, the mall also offers a number of lifestyle and fashion retailers such as Maharaja's Custom Tailors, one of Singapore's leading bespoke men's and womenswear specialists established since 1958 and House of Fine Jewels, offering a wide collection of precious gems and jewellery in exquisite designs. Claymore Connect also features a number of beauty and wellness outlets ready to pamper discerning patrons.



(1) The property was valued by Knight Frank Pte Ltd using a combination of Capitalisation and Discounted Cash Flow approaches.

(2) Rental income of tenants are not reflective of full-year rentals as new tenants have progressively commenced their leases during FY 2015.

AUSTRALIA



Premier Balcony Room, Novotel Brisbane



Lobby, Mercure Brisbane

NOVOTEL, MERCURE & IBIS BRISBANE

NOVOTEL BRISBANE 200 CREEK STREET
MERCURE BRISBANE 85-87 NORTH QUAY
IBIS BRISBANE 27-35 TURBOT STREET

A host of contemporary and functional hotels in central Brisbane, the capital city of Queensland.



NOVOTEL
A\$68M
IN VALUATION

296
GUEST ROOMS

6,235
SQ M LAND AREA



Superior City View Room, Mercure Brisbane

MERCURE & IBIS
A\$62M
IN VALUATION

194 | **218**
MERCURE | IBIS
GUEST | GUEST
ROOMS | ROOMS

3,847
SQ M LAND AREA



Lobby, Ibis Brisbane

PROPERTY PORTFOLIO

PROPERTY DETAILS			
Hotel:	Novotel Brisbane	Mercure Brisbane ⁽¹⁾	Ibis Brisbane ⁽¹⁾
Number of guest rooms:	296	194	218
Number of food & beverage outlets:	Three outlets comprising The Restaurant, The Bar, Plan B Café	One outlet comprising M Republic Restaurant, Bar and Lounge	Two outlets comprising Ibis Kitchen and The Bar
Banquet/Conference/Meeting facilities:	11 versatile conference and function rooms for up to 350 delegates featuring pillarless ballroom, executive boardroom, conference cafe and a unique pool deck area	Three floors of function facilities and 11 conference rooms with ample pre-function areas with natural light for up to 900 delegates	One function room for up to 70 guests
Car park facilities:	70 car park lots		109 car park lots
Land area:	6,235 sq m		3,847 sq m
Gross floor area:	28,049 sq m		38,972 sq m
Title:	Strata Volumetric Freehold		Freehold
Vendor:	Tourism Asset Holdings Limited		Tourism Asset Holdings Limited
Purchase price at 18 February 2010:	A\$63.5 million		A\$53.7 million
Valuation ⁽²⁾ as at 31 December 2015:	A\$68.0 million		A\$61.9 million
MASTER LEASE DETAILS			
Master lessee:	AAPC Properties Pty Ltd, a subsidiary of Accor S.A.		
Term of lease:	Approximately 11 years from 19 February 2010, expiring on 30 April 2021		
Minimum rental income:	A\$4.9 million		A\$4.1 million
FY 2015 KEY FINANCIALS			
Rental income:	S\$5.5 million ⁽³⁾ (A\$5.3 million)	S\$2.7 million ⁽³⁾ (A\$2.6 million)	S\$1.8 million ⁽³⁾ (A\$1.7 million)
Net property income:	S\$5.5 million ⁽³⁾ (A\$5.3 million)	S\$2.7 million ⁽³⁾ (A\$2.6 million)	S\$1.8 million ⁽³⁾ (A\$1.7 million)
Average occupancy rate:	75.2%	79.6%	78.2%

Novotel Brisbane offers 296 modern rooms and suites with comprehensive conference and leisure facilities in the heart of Brisbane. Located in the CBD, within walking distance to the Central Station, Queen Street Mall and the Riverside boardwalk, this hotel is one of Queensland's more popular and stylish hotels amongst multinational corporate and government bodies. Its functional yet stylish features include conference facilities consisting of 11 separate venues for up to 350 delegates. The venues feature natural light and spacious pre-function areas.

The property also features a restaurant, a café, a bar, a large outdoor swimming pool and a gymnasium. For its green initiatives and environmental management, Novotel Brisbane was ISO 14001 certified from 2013 to 2015. The hotel was also awarded the Gold Planet 21 rating in 2014 and 2015 for its sustainability efforts.

Mercure and Ibis Brisbane are interconnected at the ground level and located adjacent to the government and legal precinct. The hotels are within walking distance to the South Bank cultural centre

including the Queensland Gallery of Modern Art, Queensland Performing Arts Centre, internationally acclaimed Brisbane Convention and Exhibition Centre and 16 hectares of cafés, restaurants, cycle paths, gardens, swimming lagoon and vibrant weekend markets.

Mercure Brisbane's 194 spacious and comfortable rooms offer spectacular views over the Brisbane River and the city. The hotel offers a newly refurbished lobby, F&B outlet, as well as three floors of function facilities and 11 conference rooms featuring ample pre-function areas and natural light. The hotel was awarded the Gold Planet 21 rating in 2014 and 2015 for its sustainability efforts. It also received the ISO 14001 environmental certification in 2015.

Ibis Brisbane features 218 spacious rooms with a restaurant, a bar and a function room. Environmental accolades received by the hotel during the year include the ISO 14001 environmental certification as well as the Gold Planet 21 rating.

(1) The Mercure Brisbane and the Ibis Brisbane hotels are interconnected at ground level and situated on one freehold title.

(2) The properties were valued by CBRE Valuations Pty Limited using the Discounted Cash Flow approach.

(3) Based on the average exchange rate of A\$1.00 = S\$1.0341.

AUSTRALIA



Beccaria Bar and Restaurant, Mercure Perth



Murray Street Grill, Ibis Perth

MERCURE AND IBIS PERTH

MERCURE PERTH 10 IRWIN STREET

IBIS PERTH 334 MURRAY STREET

Strategically located in the heart of Perth, the hotels are located minutes away from the Central Business District.



Standard Room, Mercure Perth



Standard Room, Ibis Perth

MERCURE
A\$46M
IN VALUATION

239

GUEST ROOMS

757

SQ M LAND AREA

IBIS
A\$32M
IN VALUATION

192

GUEST ROOMS

1,480

SQ M LAND AREA

PROPERTY PORTFOLIO

PROPERTY DETAILS		
Hotel:	Mercure Perth	Ibis Perth
Number of guest rooms:	239	192
Number of food & beverage outlets:	Two outlets comprising Beccaria Bar and Restaurant and Hydrant Bar and Café	Two outlets comprising the Rubix Bar and Café and Murray Street Grill
Banquet/Conference/Meeting facilities:	Dedicated conference floor on Level 1 providing facilities for up to 350 delegates with six function rooms, heated rooftop swimming pool, spa, sauna and gym	Three function rooms for up to 200 guests
Car park facilities:	32 car park lots	13 car park lots
Land area:	757 sq m	1,480 sq m
Gross floor area:	22,419 sq m	9,650 sq m
Title:	Strata Freehold	Freehold
Vendor:	Tourism Asset Holdings Limited	Tourism Asset Holdings Limited
Purchase price at 18 February 2010:	A\$36.2 million	A\$21.6 million
Valuation ⁽¹⁾ as at 31 December 2015:	A\$45.7 million	A\$32.0 million
MASTER LEASE DETAILS		
Master lessee:	AAPC Properties Pty Ltd, a subsidiary of Accor S.A.	
Term of Lease:	Approximately 11 years from 19 February 2010, expiring on 30 April 2021	
Minimum rental income:	A\$2.8 million	A\$1.9 million
FY 2015 KEY FINANCIALS		
Rental income:	S\$3.1 million ⁽²⁾ (A\$3.0 million)	S\$2.1 million ⁽²⁾ (A\$2.0 million)
Net property income:	S\$3.1 million ⁽²⁾ (A\$3.0 million)	S\$2.1 million ⁽²⁾ (A\$2.0 million)
Average occupancy rate:	90.2%	84.8%

Mercure Perth and Ibis Perth are both strategically located in the heart of Perth city, just a short stroll from the Swan River, Perth Mint and Supreme Court Gardens, amongst many of Perth's attractions.

Mercure Perth features 239 well-appointed rooms, along with two F&B outlets comprising Beccaria Bar and Restaurant, and Hydrant Bar and Café, a heated rooftop swimming pool, spa, sauna and gym. Business guests are well catered for at this hotel with a number of modern meeting rooms available, accommodating up to 350 delegates. The hotel was awarded Gold Planet 21 rating in 2015 for its sustainability efforts.

Ibis Perth features 192 rooms, just 300 metres from the Murray and Hay Street shopping malls. The hotel also offers a restaurant, a bar and café, three meeting rooms catering for up to 200 guests, covered parking and a self-service business centre, making it an ideal location for intimate corporate and personal functions. Ibis Perth is the winner of the 2013 & 2014 Australian Hotels Association awards for best mid-range accommodation and winner of the Western Australia Tourism Gold Standard Accommodation Award for 2011 & 2013. The hotel was awarded the ISO 14001 environmental certification and Gold Planet 21 rating in 2015 for its sustainability efforts.

(1) The properties were valued by CBRE Valuations Pty Limited using the Discounted Cash Flow approach.

(2) Based on the average exchange rate of A\$1.00 = S\$1.0341.

NEW ZEALAND



RENDEZVOUS HOTEL AUCKLAND

71-87, MAYORAL DRIVE, AUCKLAND

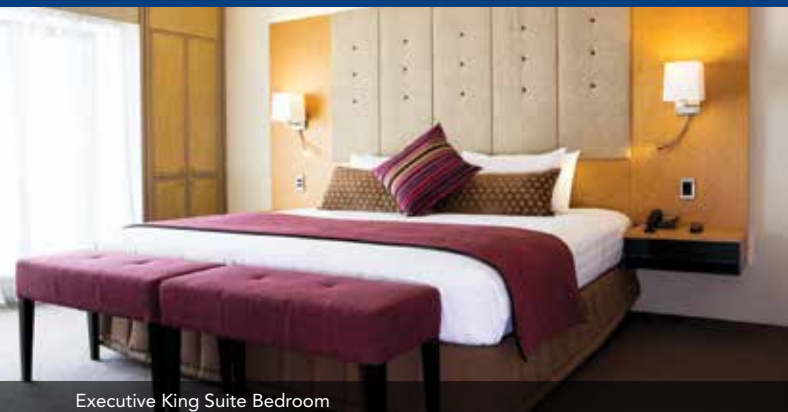
Overlooking the Auckland Central Business District, Rendezvous Hotel Auckland is New Zealand's largest deluxe hotel located within walking distance to Auckland's convention and retail precincts.

452

GUEST ROOMS

5,910

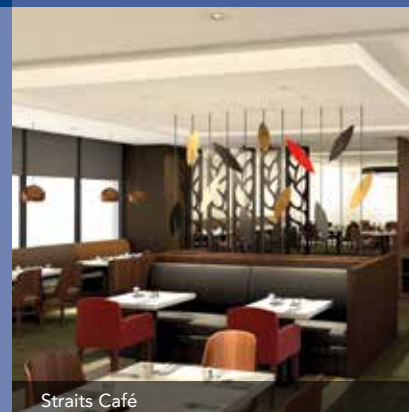
SQ. M LAND AREA



Executive King Suite Bedroom

NZ\$117M

IN VALUATION



Straits Café

PROPERTY DETAILS

Number of guest rooms: 452

Number of food & beverage outlets:

Three outlets comprising Straits Café, Katsura Japanese Restaurant and the Atrium Lounge

Banquet/Conference/Meeting facilities:

16 function rooms comprising over 4,336 sq m of meeting space offering a variety of flexible multifunction rooms that can be used for intimate board meetings through to large gala dinners, exhibitions or cocktail functions for up to 1,000 delegates

Car park facilities: 258 car park lots

Land area: 5,910.0 sq m

Title: Freehold

Vendor: Abacus Funds Management Limited as trustee of Abacus NZ Holdings Trust

Purchase price at 19 December 2006: NZ\$113.0 million

Valuation⁽¹⁾ as at 31 December 2015: NZ\$117.0 million

MASTER LEASE DETAILS

Master lessee: Rendezvous Hotels (NZ) Limited, a subsidiary of Rendezvous Hotels International Private Limited

Term of lease:

10 years commencing from 7 September 2006

Minimum rental income: Base rent of approximately NZ\$10.0 million in FY 2015 which further escalates at a rate of 2.75% per annum

FY 2015 KEY FINANCIALS

Rental income: S\$9.7 million⁽²⁾ (NZ\$10.0 million)

Net property income: S\$9.7 million⁽²⁾ (NZ\$10.0 million)

Average occupancy rate: 85.3%



The 452-room Rendezvous Hotel Auckland is a prime 12-storey atrium-styled hotel located in New Zealand's main gateway city. The property is the largest hotel in the city, situated in the heart of Auckland, only 600 metres south of the Sky City entertainment complex, and minutes from all major commercial buildings and the University of Auckland.

A key highlight of the hotel's location is its proximity to Auckland Conventions, Auckland's prime convention precinct which comprises four of Auckland's finest venues: Aotea Centre, The Civic, Auckland Town Hall and Aotea Square. The hotel is conveniently linked to Auckland Conventions by an exclusive underground pedestrian tunnel.

The hotel has complementary and extensive conference facilities with approximately 4,336 sq m of meeting space that can accommodate up to 1,000 delegates. It also provides a full-serviced business centre which offers additional boardrooms.

The hotel offers varied dining options from an extensive buffet breakfast, and a la carte dinner menu in Straits Café to Japanese cuisine in Katsura, 24-hour room service and light lunch and dinner options in Atrium Lounge.

Notable accolades include:

- TripAdvisor Certificate of Excellence (2012 – 2015)

(1) The property was valued by CBRE Limited using a combination of the Capitalisation, Discounted Cash Flow and Sales Comparison approaches.
 (2) Based on the average exchange rate of NZ\$1.00 = S\$0.9652.

MALDIVES



ANGSANA VELAVARU

VELAVARU ISLAND, SOUTH NILANDHE ATOLL, REPUBLIC OF MALDIVES

Located in a picturesque lagoon in Maldives, Angsana Velavaru offers two distinct experiences with its beachfront villas and its standalone water villas.

113
VILLAS

67,717
SQ. M LAND AREA



InOcean Villa

US\$78M
IN VALUATION



PROPERTY DETAILS

Number of guest rooms:

79 Beachfront Villas, 34 InOcean Villas

Number of food & beverage outlets:

Three restaurants and two bars comprising Kaani Restaurant, Funa Restaurant, Azzuro Bar, Kuredhi Bar and Castaway Island dining

Other facilities: Angsana Spa & Gallery, extensive recreational activities, Marine Conservation Lab, PADI 5 Star Gold Palm Dive Centre, Kids Club, Beach Pavilion

Land area: 67,717 sq m

Title: 50-year leasehold interest commencing from 26 August 1997

Vendor: Maldives Bay Pvt Ltd

Purchase price at 31 January 2013: US\$71.0 million

Valuation⁽¹⁾ as at 31 December 2015: US\$78.0 million

MASTER LEASE DETAILS

Master lessee: Maldives Bay Pvt Ltd, a subsidiary of Banyan Tree Holdings Limited

Term of lease:

10 years from 1 February 2013

Minimum rental income: Minimum rent of US\$6.0 million per year guaranteed by master lessee / Banyan Tree Holdings Limited, subject to maximum rent reserve of US\$6.0 million for the lease term

FY 2015 KEY FINANCIALS

Rental income: S\$10.2 million⁽²⁾ (US\$7.4 million)

Net property income: S\$9.1 million⁽²⁾ (US\$6.6 million)

Average occupancy rate: 56.9%



Maldives is a nation of coral islands scattered across the Indian Ocean, consisting 26 natural atolls with over 1,100 islands. Maldives' tropical climate, white beaches, rich marine environment, "one-island-one-resort" concept and ease of accessibility from Europe, the Middle East and Asia have firmly established the island paradise as a top-tier destination for luxury tourism.

The property is located at the southern edge of Maldives archipelago in the South Nilandhe Atoll. It occupies the island of Velavaru, one of the more intimate lagoons in Maldives. The Angsana Velavaru resort is a 40-minute scenic seaplane ride from Malé International Airport. It comprises 79 Beachfront villas and 34 InOcean villas, providing guests the opportunity to enjoy two distinct experiences at one resort.

Angsana Velavaru is the first resort to introduce the concept of standalone water villas, which are exclusively positioned at the edge of the reef about one kilometre away from the main island. Facilities within the resort include three restaurants, two bars, a private picnic island, an award-winning spa, a cooking school, a lifestyle gallery, a marine conservation lab and a kids' club.

Notable accolades include:

- Agoda.com Gold Circle Award 2015
- Best Luxury Beauty Spa - Winner 2013 - World Luxury Spa Awards

(1) The property was valued by Jones Lang LaSalle Property Consultants Pte Ltd using the Discounted Cash Flow approach.

(2) Based on the average exchange rate of US\$1.00 = S\$1.3710.

MALDIVES



Ocean Sanctuary

JUMEIRAH DHEVANAFUSHI

MERADHOO ISLAND, GAAFU ALIFU ATOLL, REPUBLIC OF MALDIVES

Tucked away at the southern edge of Maldives archipelago, Jumeirah Dhevanafushi is the premier destination that focuses on personalised luxury of the highest standard. Its spacious beachfront and over-water villas are among the largest in the Maldives.

37
VILLAS

53,576
SQ. M LAND AREA



Johara Restaurant

US\$57M
IN VALUATION



PROPERTY DETAILS

Number of guest rooms: 21 Beachfront Villas, 16 Over-Water Villas

Number of food & beverage outlets: Four outlets comprising an all day dining restaurant, pan-Asian cuisine restaurant in an over-water setting, casual BBQ beach dining venue and a cocktail bar

Other facilities: PADI 5 Star dive & water sports centre, Talise SPA, over-water fitness and yoga studios, two infinity edge pools, 24-hour butler services, library and resort boutique

Land area: 53,576 sq m

Title: 50-year leasehold interest commencing from 15 June 2006

Vendor: Xanadu Holdings Pvt Ltd

Purchase price at 31 December 2013: US\$59.6 million

Valuation⁽¹⁾ as at 31 December 2015: US\$57.0 million

HOTEL MANAGEMENT AGREEMENT DETAILS

Operator: Jumeirah Management Services (Maldives) Private Limited

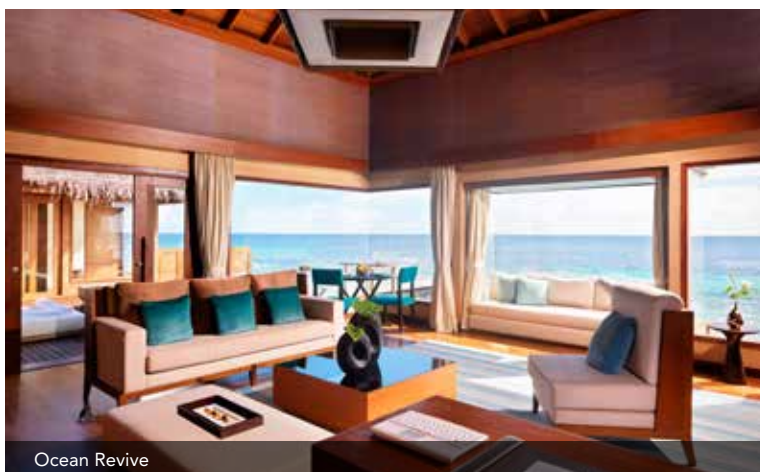
Term of hotel management agreement: 1 November 2011 to 31 October 2046

FY 2015 KEY FINANCIALS

Gross hotel revenue: S\$20.2 million⁽²⁾ (US\$14.7 million)

Net property income: S\$4.5 million⁽²⁾ (US\$3.3 million)

Average occupancy rate: 70.6%



Ocean Revive

Jumeirah Dhevanafushi is located at the southern edge of the Maldives archipelago in the Gaafu Alifu Atoll, occupying the exclusive Meradhoo Island and its surrounding crystal clear lagoon. The resort is accessible via a 55-minute domestic flight from Malé International Airport to Kaadedhdhoo Airport, followed by a 15-minute speedboat journey.

Opened in November 2011, the 37-villa Jumeirah Dhevanafushi features 16 over-water villas and 21 beachfront villas, each with their own private pool. The resort competes at the top end of the Maldives luxury market and the extremely spacious villas are among the largest in the destination. The offering is that of an all-suite resort comprising of one and two-bedroom villas ranging from approximately 200 to 340 sq m. The luxurious beachfront villas occupy the main island of Meradhoo; with the over-water villas located some 800 metres away. The over-water villas boast high 6.3-metre ceilings and full length floor-to-ceiling windows that provide panoramic views of the Indian Ocean from the bedroom, bathroom and living room.

Jumeirah Dhevanafushi offers a wide range of dining, leisure and spa options within the property including four food and beverage outlets, a spa, an over-water gym, a yoga platform, two infinity edge pools, a PADI 5 Star dive and water sports centre, a library and a resort boutique.

Notable accolades include:

- TripAdvisor Certificate of Excellence (2012 - 2015)
- Maldives' Leading Luxury Resort - Winner 2014 - World Travel Awards
- Best for Couples - Runner Up 2015 - Condé Nast Johansens Spa Awards
- Luxury Island Spa of the Year - Maldives Winner 2015 - Luxury Travel Guide
- Indian Ocean's Best Hotel Spa - Winner 2015 - World Spa Awards
- Maldives Best Hotel Spa - Winner 2015 - World Spa Awards
- Maldives' Leading Luxury Hotel Villa (Ocean Sanctuary Sunset) - Winner 2014 & 2015 - World Travel Awards

(1) The property was valued by Jones Lang LaSalle Property Consultants Pte Ltd using the Discounted Cash Flow approach.

(2) Based on the average exchange rate of US\$1.00 = S\$1.3710.

JAPAN



Double Room, Hotel MyStays Asakusabashi



Single Room, Hotel MyStays Kamata

HOTEL MYSTAYS ASAKUSABASHI & MYSTAYS KAMATA

1-5-5 ASAKUSABASHI, TAITO-KU, TOKYO
5-46-5 KAMATA, OTA-KU, TOKYO

Located in close proximity to major transportation networks and tourist attractions, the hotels appeal to both business and leisure travellers.



ASAKUSABASHI

¥3.7B

IN VALUATION

138

GUEST ROOMS

564

SQ M LAND AREA



KAMATA

¥3.1B

IN VALUATION

116

GUEST ROOMS

497

SQ M LAND AREA

PROPERTY PORTFOLIO

PROPERTY DETAILS		
Hotel:	Hotel MyStays Asakusabashi	Hotel MyStays Kamata
Number of guest rooms:	138	116
Other facilities:	1 convenience store	N.A.
Car park facilities:	6 car park lots	6 car park lots
Land area:	564 sq m	497 sq m
Title:	Freehold	Freehold
Vendor:	AKH GK, an indirect wholly-owned subsidiary of Real Estate Capital Asia Partners III L.P.	
Purchase price at 19 December 2014:	¥3.20 billion	¥2.60 billion
Valuation ⁽¹⁾ as at 31 December 2015:	¥3.72 billion	¥3.07 billion
HOTEL MANAGEMENT AGREEMENT DETAILS		
Operator:	MyStays Hotel Management Co., Ltd.	
Term of hotel management agreement:	Expires on 18 July 2016 (automatically renewed for 3-year term unless notice of termination given by either party)	
FY 2015 KEY FINANCIALS		
Gross hotel revenue ⁽²⁾ :	S\$5.3 million ⁽³⁾ (¥470.1 million)	S\$4.4 million ⁽³⁾ (¥390.6 million)
Net property income ⁽²⁾ :	S\$2.9 million ⁽³⁾ (¥253.2 million)	S\$2.4 million ⁽³⁾ (¥210.5 million)
Average occupancy rate:	92.6%	90.5%

Opened in late 2009, both hotels are within close proximity to major transportation networks and tourist attractions.

Hotel MyStays Asakusabashi is a business (economy) hotel which is located in central Tokyo. It has easy access to Asakusa and Akihabara, and is only a few stations away from several popular sightseeing spots and attractions, such as the traditional cultural area of Asakusa. The hotel is also within walking distance to various subway and railway stations. The hotel's modern rooms feature a décor of elegant simplicity catering to travellers of either business or leisure. 24 rooms equipped with kitchenettes allow long-stay visitors to have the option of cooking their own meals. A convenience store is also located on the ground floor and a variety of dining options are available around the hotel.

Hotel MyStays Kamata is a business (economy) hotel, located near to Keikyu-Kamata Station which is only a 10-minute train ride from Haneda Airport. It is within 4 minutes to JR Kamata Station and Tokyu Kamata Station where there are convenient access to major core cities such as Shinagawa, Kawasaki, Yokohama and Shibuya. The hotel's cosy rooms with refined interiors offer a comfortable environment for guests who are travelling alone or otherwise. The hotel also has 25 rooms equipped with kitchenettes, suitable for long-stay guests.

Notable accolades received by both properties include:

- TripAdvisor Certificate of Excellence (2014 - 2015)

(1) The Japan Hotels were valued by Cushman & Wakefield K.K. using a combination of the Capitalisation and Discounted Cash Flow approaches.

(2) As the Japan Hotels were acquired on 19 December 2014, contribution from the hotels for FY 2015 includes the last 13 days of 2014.

(3) Based on the average exchange rate of S\$1.00 = ¥88.50.

UNITED KINGDOM



HILTON CAMBRIDGE CITY CENTRE

20 DOWNING STREET, CAMBRIDGE

CDLHT marked its maiden entry into the European market with the acquisition of Hilton Cambridge City Centre (formerly known as Cambridge City Hotel), United Kingdom in October 2015.

198

GUEST ROOMS

~3,600

SQ. M LAND AREA



Junior Suite

£61.5M

IN VALUATION



The Book Room Restaurant

PROPERTY DETAILS

Number of guest rooms: 198

Number of food & beverage outlets:
Three outlets comprising The Book Room Restaurant, Book Room Bar and Lounge, and Quinns Irish Pub

Banquet/Conference/Meeting facilities:
5 function rooms comprising approximately 400 sq m of meeting space which can be used for intimate board meetings through to hosting of gala dinners

Other facilities: Gym

Car park facilities: 50 car park lots

Land area: ~3,600.0 sq m

Title: 125-year leasehold interest commencing from 25 December 1990⁽¹⁾

Vendor: London & Regional Group Trading No. 3 Limited

Purchase price at 1 October 2015: £61.5 million⁽²⁾

Valuation⁽³⁾ as at 25 August 2015: £61.5 million

HOTEL MANAGEMENT AGREEMENT DETAILS

Operator: Hilton UK Manage Limited, an affiliate of Hilton Worldwide Inc.

Term of hotel management agreement: 1 October 2015 to 31 December 2027

4Q 2015 KEY FINANCIALS⁽⁴⁾

Gross hotel revenue: S\$6.1 million⁽⁵⁾ (£2.9 million)

Net property income: S\$2.3 million⁽⁵⁾ (£1.1 million)

Average occupancy rate: 78.6%



Isaac Newton Function Room

CDLHT marked its maiden entry into the European market with the acquisition of Hilton Cambridge City Centre (formerly known as Cambridge City Hotel), United Kingdom in October 2015.

The property is a newly-refurbished upper upscale hotel with 198 rooms and arguably the best located hotel in Cambridge. It boasts a prime location in the heart of Cambridge city centre, being 1.6 kilometres from Cambridge railway station and is situated beside the main thoroughfare. It is also within the vicinity of popular tourist destinations such as King's College, The Fitzwilliam Museum, Cambridge University Botanic Garden and Trinity College. Grand Arcade Shopping Centre, the city's largest shopping mall, is also adjacent to the property.

The hotel's extensive suite of facilities includes three food & beverage outlets, gym and meetings/events space for up to 200 people. The hotel has been rejuvenated following an £8.2 million phased refurbishment programme involving its 198 rooms and public areas. This refurbishment was completed in April 2015.

CDLHT has appointed Hilton to provide management services. On 15 December 2015, following the completion of certain conversion works and re-launch activities, the hotel was rebranded as Hilton Cambridge City Centre.

Notable accolades include:

- TripAdvisor Certificate of Excellence 2015
- Accreditation by the Meeting Industry Association

(1) The lease term may be extended for a further term of 50 years pursuant to lessee's (CDLHT) option to renew under the lease granted by the head lessor (Cambridge City Council).
 (2) The purchase price of £61.5 million refers to the price of the property and excludes the adjustment for net working capital of £1.6 million.
 (3) The property was valued by Knight Frank LLP as at 25 August 2015 using the Discounted Cash Flow approach.
 (4) As the acquisition was completed on 1 October 2015, the numbers only include the contribution for the last three months of 2015.
 (5) Based on the average exchange rate of £1.00 = S\$2.1005.

CORPORATE GOVERNANCE

Note:

The questions listed out in this column are extracted from the Singapore Exchange Limited's Disclosure Guide on Compliance with the Code of Corporate Governance 2012. The response to each question is set out in bold after each question.

M&C REIT Management Limited (the "**H-REIT Manager**") was appointed manager of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") in accordance with the terms of the Trust Deed dated 8 June 2006 (as amended or restated) between the H-REIT Manager and the H-REIT Trustee, DBS Trustee Limited. M&C Business Trust Management Limited (the "**HBT Trustee-Manager**") was appointed the trustee-manager of CDL Hospitality Business Trust ("**HBT**") in accordance with the terms of the Trust Deed constituting HBT dated 12 June 2006. The H-REIT Manager and the HBT Trustee-Manager (collectively "**the Managers**") executed a Stapling Deed dated 12 June 2006 (the "**Stapling Deed**") to form CDL Hospitality Trusts ("**CDLHT**"), a stapled group comprising H-REIT and HBT, and each Stapled Security consists of one H-REIT Unit and one HBT Unit and is treated as a single instrument.

The H-REIT Manager has general powers of management over the assets of H-REIT. The H-REIT Manager's main responsibility is to manage H-REIT's assets and liabilities for the benefit of the holders of H-REIT Units. The H-REIT Manager is responsible for formulating the business plans in relation to H-REIT's properties and in this regard, it works closely with the master lessees to implement H-REIT's strategies. In addition, the H-REIT Manager sets the strategic direction of H-REIT and gives recommendations to the H-REIT Trustee, DBS Trustee Limited, on the acquisition, divestment or enhancement of H-REIT's assets in accordance with its stated investment strategies.

Other roles and responsibilities of the H-REIT Manager include:

- Managing, enhancing and maintaining Claymore Connect (previously Orchard Hotel Shopping Arcade) aimed at achieving high occupancy levels at a good yield.
- Using its best endeavours to ensure that the business of H-REIT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or for H-REIT at arm's length and on normal commercial terms.
- Ensuring that H-REIT complies with the relevant applicable laws and regulations, including the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore, the Listing Rules issued by Singapore Exchange Securities Trading Limited ("**Listing Manual of SGX-ST**"), the Code on Collective Investment Schemes (including the Property Funds Appendix), the conditions set out in the Capital Markets Services ("**CMS**") Licence for REIT Management issued by the Monetary Authority of Singapore ("**MAS**"), the H-REIT Trust Deed, the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of H-REIT and the holders of the Stapled Securities and all relevant contracts.

The H-REIT Manager holds a CMS licence issued by MAS to conduct real estate investment trust management activities as required under the licensing regime for real estate investment trust managers. In addition, employees of the H-REIT Manager who are engaged in investment management, asset management, financing, marketing and investor relations functions are holders of CMS representative licences.

General

(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.

The differences in practices are set out within the report.

(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?

The reasons for the differences in practices are also set out within the report.

CORPORATE GOVERNANCE

HBT was activated on 31 December 2013. It acts as the master lessee of Jumeirah Dhevanafushi as well as the Japan hotels which were acquired by H-REIT. In addition to its function as a master lessee, HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT. On 1 October 2015, HBT completed the acquisition of Hilton Cambridge City Centre (previously known as Cambridge City Hotel), a purpose-built upper upscale hotel located in Cambridge, United Kingdom.

The HBT Trustee-Manager has the dual responsibility of safeguarding the interests of the HBT Unitholders, and managing the business conducted by HBT. The HBT Trustee-Manager has general powers of management over the assets of HBT and its main responsibility is to manage HBT's assets and liabilities for the benefit of the HBT Unitholders. The HBT Trustee-Manager also sets the strategic direction of HBT and works closely with the hotel managers where it is the master lessee or owner of the properties.

Both H-REIT and HBT are externally managed by the H-REIT Manager and HBT Trustee-Manager respectively. Accordingly, both H-REIT and HBT do not have personnel of their own. Experienced and well-qualified management staff are employed to run the day-to-day operations. The H-REIT Manager and HBT Trustee-Manager, not H-REIT, HBT or CDLHT, remunerate all the Directors and employees of the H-REIT Manager and HBT Trustee-Manager respectively.

This report sets out the corporate governance practices of both the Managers as they have adopted a similar set of corporate governance practices, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). Where there are differences in practice from the principles and guidelines under the 2012 Code, the Managers' position in respect of the same is also explained in this report.

The Managers are committed to maintaining good corporate governance and business integrity in all of CDLHT's business activities.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Primary Functions of the H-REIT Manager Board and the HBT Trustee-Manager Board

Both the H-REIT Manager Board and the HBT Trustee-Manager Board are responsible for the overall corporate governance of the Managers respectively, including establishing goals for management and monitoring the achievement of these goals. The Manager Boards are also responsible for the strategic business direction and risk management of H-REIT and HBT, and to ensure that necessary financial, operational and human resources are in place for the Managers to meet their objectives. All H-REIT Manager Board members and HBT Trustee-Manager Board members participate in matters relating to corporate governance including setting corporate values and ethical standards, business operations and risk management, financial performance and the nomination and review of performance of Directors and key personnel.

The H-REIT Manager Board and the HBT Trustee-Manager Board have established a framework for the management of the Managers, H-REIT and HBT, including a system of internal controls and a business risk management process. The H-REIT Manager Board and the HBT Trustee-Manager Board meet quarterly or more often if necessary and review the financial performance of H-REIT and HBT respectively against a previously approved budget. The H-REIT Manager Board and the HBT Trustee-Manager Board also review the business risks of H-REIT and HBT respectively, examine liability management and act upon any comments from both the internal and external auditors of H-REIT and HBT respectively. In assessing business risks, the H-REIT Manager Board and the HBT Trustee-Manager Board also consider the economic environment and risks relevant to the property industry. They also review management reports and feasibility studies on individual projects prior to approving major transactions.

CORPORATE GOVERNANCE

Independent Judgement

All the Directors of the Managers are required to exercise objective decision-making in the interests of H-REIT and HBT. The H-REIT Manager Directors and the HBT Trustee-Manager Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50 of Singapore, and also voluntarily abstain from deliberation on the same.

Delegation by the H-REIT Manager Board and the HBT Trustee-Manager Board

The primary functions of the H-REIT Manager Board and the HBT Trustee-Manager Board are either carried out directly by the H-REIT Manager Board and the HBT Trustee-Manager Board or through committees established by the H-REIT Manager Board and the HBT Trustee-Manager Board.

On 29 December 2015, the H-REIT Manager Board and the HBT Trustee-Manager Board merged their respective Audit Committees ("**AC**") and Risk Management Committees ("**RMC**"), after reviewing the functions of the AC and RMC and noted the overlapping roles and responsibilities of both committees. Following the dissolution of the AC and RMC, a merged board committee known as the Audit and Risk Committee ("**ARC**") was established by each of the H-REIT Manager Board and the HBT Trustee-Manager Board to undertake the functions and responsibilities of both the previous AC and the RMC.

Specific written terms of reference, duly approved by the H-REIT Manager Board and the HBT Trustee-Manager Board respectively, set out the authority and duties of the ARC. The H-REIT Manager Board and the HBT Trustee-Manager Board will review such terms of reference periodically to ensure their continued relevance. The composition of the ARC can be found under the corporate directory section in this Annual Report 2015 ("**Annual Report**").

The delegation of authority by the H-REIT Manager Board and the HBT Trustee-Manager Board to the respective ARC enables the H-REIT Manager Board and the HBT Trustee-Manager Board to achieve operational efficiency by empowering these committees to decide, review and make recommendations on matters within their respective written terms of reference and/or limits of delegated authority and yet without abdicating their respective responsibility. Please refer to the sections on Principles 11 and 12 in this report for further information on the activities of the ARC.

Board Processes of the H-REIT Manager and the HBT Trustee-Manager

Meetings of the Board, AC and RMC of the Managers were held regularly. For the H-REIT Manager and HBT Trustee-Manager, five Board Meetings, four AC Meetings and two RMC Meetings were held in 2015. A meeting of the Independent Directors ("**IDs**") of the H-REIT Manager Board and HBT Trustee-Manager Board, chaired by the lead independent Director ("**Lead ID**") was also held in 2015 to discuss matters without the presence of Management and Chairman.

The proposed meetings for the Board and committees of the Managers for each new calendar year are set out in a schedule of meetings and notified to all Board members of the Managers before the start of each calendar year with a view to facilitate attendance by Board Members. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary. Both the Managers allow for meetings of their Board and committees to be held via teleconferencing. The H-REIT Manager Board and the HBT Trustee-Manager Board as well as their committees may also make decisions by way of circulating written resolutions.

The attendance of the H-REIT Manager Directors and the HBT Trustee-Manager Directors at meetings of the Board and committees of the Managers, as well as the frequency of such meetings during 2015, are disclosed below. Notwithstanding such disclosure, the H-REIT Manager Board and the HBT Trustee-Manager Board are of the view that the contribution of each Director should not be focused only on his/her attendance at meetings of the Board and/or the Committees.

A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which will further the interests of H-REIT and HBT.

CORPORATE GOVERNANCE

Directors' Attendance at Board and Committee Meetings of the H-REIT Manager in 2015

	Board	AC	RMC
No. of Meetings held in 2015	5	4	2
Name of Directors	Number of meetings attended in 2015		
Wong Hong Ren	4	N. A.	N. A.
Vincent Yeo Wee Eng	5	N. A.	2
Jenny Lim Yin Nee	5	4	2
Jimmy Chan Chun Ming	5	4	N. A.
Daniel Marie Ghislain Desbaillets	5	N. A.	N. A.
Ronald Seah Lim Siang	5	4	2
Ronald Nathaniel Issen	5	N. A.	N. A.

Directors' Attendance at Board and Committee Meetings of the HBT Trustee-Manager in 2015

	Board	AC	RMC
No. of Meetings held in 2015	5	4	2
Name of Directors	Number of meetings attended in 2015		
Wong Hong Ren	4	N. A.	N. A.
Vincent Yeo Wee Eng	5	N. A.	2
Jenny Lim Yin Nee	5	4	2
Jimmy Chan Chun Ming	5	4	N. A.
Daniel Marie Ghislain Desbaillets	4	N. A.	N. A.
Ronald Seah Lim Siang	5	4	2
Ronald Nathaniel Issen	4	N. A.	N. A.

Guideline 1.5

What are the types of material transactions which require approval from the Board?

Please refer to the paragraph under the heading "H-REIT Manager Board and the HBT Trustee-Manager Board Approval".

Guideline 1.6

(a) Are new directors given formal training? If not, please explain why.

Yes, please refer to the section under the heading "H-REIT Manager and HBT Trustee-Manager Board Orientation and Training".

H-REIT Manager Board and the HBT Trustee-Manager Board Approval

The H-REIT Manager Board and the HBT Trustee-Manager Board have in place an internal guide wherein certain key matters are specifically reserved for approval by the H-REIT Manager Board and the HBT Trustee-Manager Board respectively, and these include decisions on material capital expenditure and undertakings or all acquisition and disposal of properties of H-REIT and HBT, setting of strategic decisions or policies or financial objectives which are, or may be significant, in terms of future profitability or performance of H-REIT and HBT as well as decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector, corporate or financial restructuring, decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings other than in the ordinary course of business, adoption of corporate governance policies and any other matters which require the H-REIT Manager Board or the HBT Trustee-Manager Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the H-REIT or HBT Trust Deeds. The Management of the H-REIT Manager and HBT Trustee-Manager are fully apprised of such matters which require the approval of the respective Boards and committees.

H-REIT Manager and HBT Trustee-Manager Board Orientation and Training

Every newly appointed Director of the Managers receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director also receives an induction pack containing information and documents relating to the role and responsibilities of a director, the principal businesses of H-REIT or HBT and their respective subsidiaries, the H-REIT Manager and the HBT Trustee-Manager Board processes and corporate governance practices, relevant policies and procedures, as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting.

CORPORATE GOVERNANCE

Guideline 1.6

(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?

The type of information and training provided are set out in the section under the heading "H-REIT Manager and HBT Trustee-Manager Board Orientation and Training".

Guideline 2.1

Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.

Yes. Please refer to the paragraph with the header "Board Independence".

Guideline 2.3

(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.

No.

(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.

Not applicable.

Guideline 2.4

Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.

Yes. The Directors are identified in paragraph 3 of the section under the header "Board Independence", and the Boards' reasons for considering them independent are set out in the same paragraph.

The Managers also conduct an induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the committees, which seeks to familiarise Directors with CDLHT's business, the Managers' board processes, internal controls and governance practices. The induction programme includes meetings with various key executives of the Management to allow the new Directors to be acquainted with the Management team and to facilitate their independent access in future to the Management team. The programme also includes briefings by the Management team on key areas of the Managers' operations and by each chairman of the relevant Committees to which the Director is newly appointed to on the roles and responsibilities of the Committees.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she is encouraged to also attend the Listed Company Director ("LCD") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LCD Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50 of Singapore, the Listing Manual of SGX-ST and the 2012 Code. The Company Secretary co-ordinates with such Director to endeavour completion of the LCD Programme within one year from his or her date of appointment subject to SID's training schedule and the Director's availability.

The Directors are provided with regular updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management issues, changes in financial reporting standards and tax laws and practices. The Directors are also regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those conducted by The Accounting and Corporate Regulatory Authority ("ACRA"), SGX and SID and the Directors are encouraged to attend such training at the Managers' expense.

Four in-house seminars were conducted in 2015 by invited speakers on topics relating to transfer pricing, cyber security and big data analytics for companies, integrating sustainability for greater business value, financial reporting surveillance programme by ACRA, tax transparency and corporate governance updates for the Directors. In 2015, the Directors were also briefed on the "Prevention of Money Laundering and Countering the Financing of Terrorism" and the "Response to Feedback Received: Consultation on Enhancements to the Regulatory Regime Governing REITs and REIT Managers" by KPMG and Allen & Gledhill LLP respectively. In addition to the training courses/programmes and briefing updates, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Managers' operations.

Principle 2: Board Composition and Guidance

Board Independence

The Boards of the H-REIT Manager and the HBT Trustee-Manager currently consist of seven members each. All members of the Boards, except for the Chief Executive Officer ("CEO"), are non-executive Directors ("NEDs"). Of the six NEDs, four of them ("4 NEDs"), being more than half of the Boards, are independent¹ directors, thus providing for a strong and independent element on the Boards capable of exercising objective judgement on corporate affairs of the H-REIT Group and the HBT Group. No individual or small group of individuals dominates the Boards' decision-making.

¹ The independence of the Directors in this context refers to their independence from management and business relationships with the H-REIT Manager and the HBT Trustee-Manager and their independence from every substantial shareholder of the HBT Trustee-Manager, except to the extent that the Directors of the H-REIT Manager are the same as the Directors of the HBT Trustee-Manager.

CORPORATE GOVERNANCE

When reviewing the independence of the 4 NEDs, the Boards of the H-REIT Manager and the HBT Trustee-Manager had considered the guidelines for independence set out in Guideline 2.3 of the 2012 Code and the Business Trusts Regulations 2005. The 4 NEDs are Ms Jenny Lim, Mr Jimmy Chan, Mr Daniel Desbaillets and Mr Ronald Seah. For purposes of determination of independence, the 4 NEDs have also provided declarations regarding their independence.

In considering the independence of Ms Jenny Lim and Mr Jimmy Chan, both of whom have served on the H-REIT Manager Board and the HBT Trustee-Manager Board for more than nine years, the Directors have given due consideration to the recommendation under Guideline 2.4 of the 2012 Code that the independence of any director who has served on the Boards beyond nine years be subject to particularly rigorous review. Guided by relevant questions provided by the Nominating Committee Guide issued by SID in 2015, the Boards noted observations/instances where Ms Lim and Mr Chan had opined and commented on various acquisition deals, sought Management's clarification as well as challenged Management's recommendations on matters pertaining to their area of responsibilities, whether as a member on the Board or on the committees.

The Boards (with Ms Lim and Mr Chan abstaining respectively in respect of the deliberation over their own independence) have concurred that Ms Lim and Mr Chan are independent, notwithstanding they have served on the Boards beyond nine years, as they have continued to demonstrate strong independence in character and judgement in the discharge of their responsibilities as Directors of the Company. The Managers have also benefited from their years of experience in their respective fields of expertise.

The Boards are cognisant of the new requirements introduced by MAS in relation to the independence of Directors who have served on the Board of Directors for more than 9 years and are taking steps to ensure compliance with MAS' requirements which will take effect no later than the first AGM relating to financial year ending on or after 31 December 2016.

Guideline 2.6

(a) What is the Board's policy with regard to diversity in identifying director nominees?

Please refer to the first paragraph of the section under the heading "H-REIT Manager/ HBT Trustee-Manager Board Composition and Size".

(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.

Please refer to the second and third paragraphs of the section under the heading "H-REIT Manager/ HBT Trustee-Manager Board Composition and Size".

(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?

Please refer to the second paragraph of the section under the heading "H-REIT Manager/ HBT Trustee-Manager Board Composition and Size".

H-REIT Manager / HBT Trustee-Manager Board Composition and Size

The composition of the H-REIT Manager Board and the HBT Trustee-Manager Board is determined using the following principles:

- the Chairman of the H-REIT Manager Board and the HBT Trustee-Manager Board should be a non-executive Director of the H-REIT Manager and the HBT Trustee-Manager;
- the H-REIT Manager Board and the HBT Trustee-Manager Board should comprise Directors with a broad range of commercial experience including expertise in funds management and the hospitality and real estate industries; and
- while H-REIT Units remain stapled to HBT Units, in order to avoid any conflict between H-REIT and HBT and to act in the best interest of CDLHT (a stapled group comprising the H-REIT Group and the HBT Group) (the "**Stapled Group**"), each of the Directors of the H-REIT Manager Board is also a Director of the HBT Trustee-Manager Board, and vice versa. Accordingly, in order for the HBT Trustee-Manager Board to comply with the requirement under Regulation 12 of the Business Trust Regulations 2005 for at least a majority of the Directors of the board of the trustee-manager of a business trust to comprise Directors who are independent from management and business relationships with the trustee-manager, majority of both the H-REIT Manager Board and the HBT Trustee-Manager Board are independent Directors.

CORPORATE GOVERNANCE

The H-REIT Manager Board and the HBT Trustee-Manager Board have also considered the core competencies of the Boards based on the skills and experience of each Director, and are of the view that the Boards have the critical skills and expertise needed in the strategic direction and planning of the business of H-REIT and HBT. The current composition of the Boards comprises directors who have experience in real estate and hotel related businesses, the food and beverage industry, business management, strategic planning, investment analysis, corporate finance, investment portfolio management, audit and taxation, corporate reorganisations and mergers and acquisitions. There is also gender diversity on the Boards. Further information on the individual Directors' background, experience and skills can be found on the "Board of Directors" section in the Annual Report.

In consideration of the scope and nature of the operations of the H-REIT Group and HBT Group, the H-REIT Manager Board and the HBT Trustee-Manager Board are satisfied that the current composition mix and size of the Board provide for sufficient diversity and allow for effective decision-making at the Boards and committees respectively.

NEDs' Participation

NEDs of the H-REIT Manager and the HBT Trustee-Manager are encouraged to participate actively in Board meetings in the development of H-REIT's and HBT's strategic direction and plans, in the review and monitoring of Management's performance through periodic reports from the Management, and have unrestricted access to the Management. They also sit on various committees established by the Boards of the H-REIT Manager and the HBT Trustee-Manager to provide constructive input and the necessary review and monitoring of performance of H-REIT, HBT and the Management. The H-REIT Manager held a meeting of the independent Directors chaired by the Lead ID in January 2015 (without the presence of Management and Chairman).

Principle 3: Chairman and Chief Executive Officer of the H-REIT Manager Board and HBT Trustee-Manager Board

The roles of the Chairman and CEO are separate. The Chairman, Mr Wong Hong Ren, is a non-executive Director while the CEO, Mr Vincent Yeo, is an executive Director. This ensures an appropriate balance of power, increased accountability and greater capacity of the H-REIT Manager Board and the HBT Trustee-Manager Board for independent decision-making. The Chairman is not related to the CEO.

The Chairman bears primary responsibility for the workings of the H-REIT Manager Board and the HBT Trustee-Manager Board, by ensuring effectiveness on all aspects of its role including setting agenda for both the H-REIT Manager Board and the HBT Trustee-Manager Board meetings with input from Management, ensuring that sufficient allocation of time for thorough discussion of each agenda item at Board meetings, promoting an open environment within the Board room for constructive debate, encouraging the NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the H-REIT Manager/HBT Trustee-Manager Board and Management. At annual general meetings and other general meetings of the holders of stapled securities of CDLHT (the "**Stapled Security Holders**"), he plays a pivotal role in fostering constructive dialogue between Stapled Security Holders, the Boards of the H-REIT Manager and the HBT Trustee-Manager and Management.

The CEO of the H-REIT Manager and the HBT Trustee-Manager is responsible for working with the H-REIT Manager Board and the HBT Trustee-Manager Board to determine the overall business, investment and operational strategies for H-REIT and HBT. The CEO also works with the other members of the Managers' management team, master lessees and hotel managers to ensure that the business, investment and operational strategies of H-REIT and HBT are carried out as planned.

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In addition, the CEO is responsible for the overall management and planning of the strategic direction of the Stapled Group, including overseeing the acquisition of hospitality and hospitality-related assets and the asset and property management strategies for H-REIT and HBT.

Lead Independent Director

Ms Jenny Lim, the Lead ID of the H-REIT Manager and HBT Trustee-Manager, serves as an intermediary between the independent NEDs and the Chairman. The role of each of the H-REIT Manager Board's Lead ID and the HBT Trustee Manager Board's Lead ID is set out under the written terms of reference of the Lead ID which have been approved by the Board of the H-REIT Manager and the Board of the HBT Trustee-Manager.

The Lead ID is available to the Stapled Security Holders of CDLHT should they have concerns and for which contact through the normal channels of the Chairman or the Management has failed to resolve or is inappropriate. No query or request on any matter which requires the Lead ID's attention was received from the Stapled Security Holders in 2015. Under the chairmanship of the Lead ID, a meeting of the independent Directors of the H-REIT Manager was convened in January 2015 (without the presence of Management or the Chairman) and separate meetings of the independent Directors of both the H-REIT Manager and HBT Trustee-Manager were also convened in January 2016.

Principle 4: Board Membership

The compositions of both the H-REIT Manager and HBT Trustee-Manager Boards are reviewed annually to ensure that they have the appropriate mix of expertise and experience and to further ensure that at least a majority of each of the Boards comprises independent Directors.

Criteria and Process for Nomination and Selection of New Directors of the H-REIT Manager and HBT Trustee-Manager

The Boards of the Managers have formalised guidelines for Board and Board Committee appointments which include taking into consideration (a) the current Board and Board Committee size, composition mix and core competencies, (b) the candidate's/Director's independence, in the case of an independent NED, (c) the composition requirements for the Board and Committees (if the candidate/Director is proposed to be appointed to any of the Committees), (d) the candidate's/Director's age, gender, track record, experience and capabilities and such other relevant factors as may be determined by the H-REIT Manager Board and HBT Trustee-Manager Board which would provide an appropriate balance and contribute to the collective skills of the respective Boards, and (e) any competing time commitments if the candidate/Director has multiple board representations and/or other principal commitments.

Establishment of Nominating and Remuneration Committee

In 2015, the Board deliberated and considered the establishment of a Nominating and Remuneration Committee ("NRC"), in line with recommendations by the MAS. The establishment of the NRC, together with its terms of reference, was formalised in January 2016 to undertake such roles and responsibilities relating to *inter alia* Board/Board Committee composition, determination of directors' independence, evaluation of Board performance, review of remuneration packages of Directors and Senior Management which are currently overseen by the Board.

H-REIT Manager and HBT Trustee-Manager Directors' Time Commitments

It is recommended under the 2012 Code that the Boards of the H-REIT Manager and HBT Trustee-Manager consider providing guidance on the maximum number of listed company board representations which each Director of the H-REIT Manager and HBT Trustee-Manager may hold in order to address competing time commitments faced by directors serving on multiple boards.

Guideline 4.6

Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.

Please refer to the paragraph under the heading "Criteria and Process for Nomination and Selection of New Directors and Re-Election of Directors of the H-REIT Manager and HBT Trustee-Manager".

Guideline 4.4

(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?

There is no maximum number prescribed.

(b) If a maximum number has not been determined, what are the reasons?

Please refer to the explanation under the heading "H-REIT Manager and HBT Trustee-Manager Directors' Time Commitments".

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Guideline 4.4

(c) What are the specific considerations in considering the capacity of Directors?

Please refer to the paragraph under the heading "Criteria and Process for Nomination and Selection of New Directors and Re-Election of Directors of the H-REIT Manager and HBT Trustee-Manager".

Based on an annual analysis of directorships held by the Directors as well as each Director's confirmation as to whether he/she has any issue with competing time commitments which may impact his/her ability to provide sufficient time and attention to his/her duties as a Director on the respective Boards, the Boards were satisfied that all Directors are able to carry out and have been adequately carrying out their duties as a Director of the Managers. The Boards of the H-REIT Manager and HBT Trustee-Manager further noted that, excluding the directorship held in the H-REIT Manager Board and HBT Trustee-Manager Board, the number of listed company board representations currently held by the Directors did not exceed 4.

Having considered the issue, the Boards do not recommend setting a maximum number of listed company board representations that a Director may hold. They are of the view that the assessment of each individual Director should not be restricted to the number of their respective board representations but should include contributions by the Directors at Board and Committee Meetings. The Boards do not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Boards.

Key Information on Directors

Please refer to the "Board of Directors" section in the Annual Report for key information on the H-REIT Manager Directors and the HBT Trustee-Manager Directors and "Directors' Statement", including *inter alia* the academic and professional qualifications, and directorships held currently and in the preceding three years, and other relevant information as well as the stapled securities held by Directors in CDLHT. Currently, no alternate Directors have been appointed in respect of any of the H-REIT Manager Directors and the HBT Trustee-Manager Directors.

Board Development

The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the expense of the H-REIT Manager or HBT Trustee-Manager (as the case may be). A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2015 are set out in the paragraph under the header "H-REIT Manager and HBT Trustee-Manager Board Orientation and Training".

The members of the Boards are kept apprised twice yearly on a list of training programmes attended by the Directors during the year.

Guideline 5.1

(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?

Please refer to the paragraph under the heading "Board Performance".

(b) Has the Board met its performance objectives? The Boards have reviewed their performance.

Please refer to the paragraph under the heading "Board Performance".

Principle 5: Board Performance

The H-REIT Manager Board and HBT Trustee-Manager Board have in place formal processes to assess the effectiveness of each Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The performance of each Board was assessed through feedback from individual Directors on areas relating to the Board's competencies and effectiveness for the financial year ended 31 December 2015.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

Prior to each meeting, members of the H-REIT Manager Board and HBT Trustee-Manager Board and their Committees are provided with the meeting agenda and the relevant papers submitted by the Management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. The Management, the auditors and professional advisers, who can provide additional insight into the matters for discussion, are also invited from time to time to attend such meetings. The Directors of the Managers have separate and independent access to Management.

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Guideline 6.1

What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

Please refer to the sections under the headings "Complete, Adequate and Timely Information and Access to Management" and "Accountability of the Board and Management of the H-REIT Manager and the HBT Trustee-Manager".

Draft agendas for the Board and Committee meetings are circulated to the Chairman of each Board and the chairmen of the various Committees, in advance, for them to review and suggest items for the agenda. The members of the Board and various Committees also receive reports on financial, whistle-blowing and related party transactions, where applicable, from the Management. Each of the chairmen of the AC and RMC from the H-REIT Manager and the HBT Trustee-Manager provides an annual report of the respective Committees' activities during the year under review to the Board. The minutes of meetings of the Committees are circulated to all Board members.

Company Secretary

The Company Secretary, whose appointment and removal is subject to the approval of the H-REIT Manager Board and the HBT Trustee-Manager Board, attends the Board and Committee meetings and ensure that all Board procedures are followed. The Company Secretary, together with Management of the H-REIT Manager and the HBT Trustee-Manager, also ensures that the H-REIT Manager, H-REIT, the HBT Trustee-Manager and HBT comply with all applicable statutory and regulatory rules. Together with the Management, the Company Secretary also assists the Board Chairman, the Board and Committees of the H-REIT Manager and the HBT Trustee-Manager on corporate governance matters and assist to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors of the Managers and appointments to the various Committees, and continuing training and development for the Directors.

On an on-going basis, the Directors of the H-REIT Manager and the HBT Trustee-Manager have separate and independent access to the Company Secretary, whose duties and responsibilities are clearly defined.

Independent Professional Advice

The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the H-REIT Manager and HBT Trustee-Manager, in furtherance of their duties and in the event that circumstances warrant the same. The Managers have also put in place internal guidelines allowing for the Directors to seek independent professional advice.

REMUNERATION MATTERS

All Directors and employees of the Managers are remunerated by the H-REIT Manager and HBT Trustee-Manager, not H-REIT nor HBT respectively.

Principle 7: Procedures for Developing Remuneration Policies

The H-REIT Manager and HBT Trustee-Manager Boards have adopted a Remuneration Framework (which covers all aspects of remuneration) for Directors and Key Management Personnel ("**KMP**") which serves as an overview of the Remuneration Policy to be deliberated upon in detail by the NRC pursuant to its establishment in January 2016.

Principle 8: Level and Mix of Remuneration

All Directors, including Executive Directors, will receive a fixed base director's fee and the Lead ID will receive an additional fee to reflect her expanded responsibility. Directors who serve on the various Committees also receive additional fees in respect of each Committee that they serve on. For FY 2015, the chairman of the AC will receive a higher fee in respect of her service as chairman of the committee. Such fees are subject to shareholders' approval at the respective annual general meetings of H-REIT Manager and HBT Trustee-Manager.

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Guidelines 9.2, 9.3 and 9.4
Please refer to the sections under the headings "Remuneration Matters" and "Principle 9: Disclosure on Remuneration".

Guidelines 9.6

(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.

(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?

(c) Were all of these performance conditions met? If not, what were the reasons?

Please refer to the Manager's remuneration policy as set out in paragraph under Principle 8, which provides that one of its key objectives is to ensure that employees are rewarded in an equitable way for achieving corporate and individual performance targets. The remuneration packages of the executive officers of the Manager include variable components (in the form of variable bonuses) which are tied to the performance of the individual employees. Individual performance is based on an annual appraisal of each executive officer of the Managers.

The Managers' remuneration policy for Directors comprises the following distinct objectives:

- (a) to ensure that the procedure for determining remuneration for Directors is formal and transparent;
- (b) to ensure that the level of remuneration is sufficient to attract and retain Directors to exercise oversight responsibility over the Company; and
- (c) to ensure that no Director is involved in deciding on his own remuneration.

The Managers' remuneration policy for employees comprises the following distinct objectives:

- (a) to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Managers' needs;
- (b) to ensure that remuneration is commensurate with employees' duties, responsibilities and length of service;
- (c) to build sustainable value-creation to align with longer term shareholder interest;
- (d) to reward employees for achieving corporate and individual performance targets in an equitable way; and
- (e) to enhance retention of key talents to build strong organisational capabilities.

Under the Managers' remuneration policy, the remuneration packages for employees, including the Executive Director, comprises a fixed base component (in the form of a base salary) and a variable bonus. Employees are also provided with the standard benefits including insurance and medical benefits.

Currently, remuneration of the Directors, executive officers and employees are paid in cash only and no compensation is payable to any Director, executive officer or employee of the Managers in the form of options in Stapled Securities or pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement, under the service contracts.

Principle 9: Disclosure on Remuneration

The Directors' fees take into account the Directors' level of contribution and their respective responsibilities, and include Board Committee fees in addition to their base fee. For FY 2015, the aggregate amount of Directors' fees receivable by each of the Directors of the H-REIT Manager Board was less than S\$250,000. These fees will be subject to approval by shareholders of the H-REIT Manager. No Director is involved in deciding his own remuneration. The Directors of the HBT Trustee-Manager Board did not receive any Directors' fees for FY 2015.

The Boards of the Managers have assessed and decided against the disclosure of the Directors' fees on a named basis in exact quantum, and believe that the interests of the Stapled Security Holders will not be prejudiced as a result of such non-disclosure, for the following reasons:

- there is no misalignment between the remuneration of the Directors and the interest of Stapled Security Holders, given that their remuneration is not linked to the gross revenue of H-REIT or HBT and are paid out of the own assets of the Managers; and
- there is full and frank disclosure regarding the total amount of fees paid to H-REIT Manager and HBT Trustee-Manager.

The Boards of the Managers have assessed and decided against the disclosure of the remuneration of the top five executive officers (including the CEO) on a named basis, whether in exact quantum or bands of S\$250,000, and believe that the interests of the Stapled Security Holders will not be prejudiced as a result of such non-disclosure, for the following reasons:

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- due to the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the area of real estate investment trusts and business trusts, disclosure of specific remuneration information may give rise to recruitment and talent retention issues;
- the negative impact to H-REIT and HBT if members of the experienced and qualified management team are poached, thereby affecting both the ability to nurture a sustainable talent pool and the continuity of business and operations of H-REIT and HBT;
- there is no misalignment between the remuneration of the executive officers and the interest of Stapled Security Holders, given that their remuneration is not linked to the gross revenue of H-REIT or HBT and are paid out of the own assets of the Managers; and
- there is full and frank disclosure regarding the total amount of fees paid to H-REIT Manager and HBT Trustee-Manager.

For each of H-REIT and HBT, there is no employee who is an immediate family member of a director or the CEO.

In 2016, each of the H-REIT Manager Board and the HBT Trustee-Manager Board established their respective NRC. Both NRC comprise three NEDs, two of whom, including the NRC chairman, are independent. Please refer to the 'Corporate Directory' section of the Annual Report for the composition of the NRC. The NRC's responsibilities are set out in its written terms of reference approved by the Boards. Pursuant to their terms of reference, NRC shall regularly review and recommend to the Boards, their assessment of the performance of KMPs. The NRC shall also take a holistic approach to the Managers' remuneration policy by considering the contribution and performance of KMPs in light of the performance of CDLHT and prevailing economic and industry conditions. The Managers believe that the establishment of the NRCs will help to ensure that the remuneration policies are more aligned with the interests of Stapled Security Holders.

[Principle 10: Accountability](#)

Accountability of the Board and Management of the H-REIT Manager and the HBT Trustee-Manager

The H-REIT Manager Board and the HBT Trustee-Manager Board provide the Stapled Security Holders with quarterly and full year financial results of the H-REIT Group, the HBT Group and the Stapled Group. Unaudited results of the H-REIT Group, the HBT Group and the Stapled Group for the first, second and third quarters are released to Stapled Security Holders within 45 days of the end of each quarter whilst unaudited full year results of the H-REIT Group, HBT Group and the Stapled Group are released within 60 days from the financial year end. In presenting the full year and quarterly results of the H-REIT Group, the HBT Group and the Stapled Group, the H-REIT Manager Board and HBT Trustee-Manager Board aim to provide the Stapled Security Holders with a balanced and understandable assessment of the performance and financial position of the H-REIT Group, the HBT Group and the Stapled Group, with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the financial year under review, the CEO and the Chief Financial Officer ("**CFO**") provided assurance to the AC on the integrity of the quarterly unaudited financial statements of the H-REIT Group, the HBT Group and the Stapled Group and the Board in turn provided a negative assurance confirmation to the Stapled Security Holders in respect of the unaudited financial statements for the first, second and third quarter in accordance with the regulatory requirements.

The Management provides monthly reports covering H-REIT Group and HBT Group's financial performance to all Directors, including the CEO.

Apart from the periodic updates provided by the Management, any member of the H-REIT Manager Board or HBT Trustee-Manager Board may at any time seek further information from and discuss the respective operations and performance with the Management.

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Principle 11: Risk Management and Internal Controls

The H-REIT Manager Board and the HBT Trustee-Manager Board recognise that they have overall responsibility to ensure proper financial reporting for the H-REIT Group, the HBT Group and the Stapled Group and effectiveness of H-REIT's and HBT's system of internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems.

Risk Management

The H-REIT Manager Board and HBT Trustee-Manager Board had each established a RMC which comprises three members, the majority of whom were independent, including the chairman of the RMC and another member who was the chairman of the AC.

The objective of the RMCs was to assist the H-REIT Manager Board and HBT Trustee-Manager Board in the discharge of their duties to maintain an effective control environment that reflects both the established risk appetite and the business objectives. On 29 December 2015, the RMCs were dissolved and the function and responsibilities of the RMCs are now undertaken by the ARC.

During the financial year under review, the RMCs reported to their respective Boards on the nature and extent of the functions performed by them and made recommendations to the Boards on matters within their scope of duties. The RMCs' other duties within their written terms of reference included:

- providing oversight of the risk management framework designed, established and implemented by the Management for the identification, assessment, management and monitoring of risks, and with the objective of embedding risk management into existing management processes;
- reviewing the overall risk appetite and tolerance as determined using the risk limits and/or parameters established by the Management and approved by the RMC, which limits and/or parameters are to be reviewed from time to time;
- keeping under review the key strategic risks (and gaps) identified by the Management and discuss with Management the risk acceptance and/or risk mitigation strategies taken in respect of such risks;
- reviewing H-REIT's and HBT's risk profile periodically and assist the Board in the review of H-REIT's and HBT's risk strategy and key risk policies;
- ensuring that Management puts in place procedures for accurate and timely monitoring of large exposures and critical risks so that H-REIT and HBT is capable of responding to current and prospective changes within both H-REIT's and HBT's business and industry and the macroeconomic and financial environment;
- reviewing reports on material breaches of risk limits and the adequacy of the proposed actions taken to rectify such breaches; and
- reviewing, assessing and reporting to the Boards annually on the adequacy and effectiveness of the established risk management framework, especially to address H-REIT's and HBT's financial, operational, compliance and information technology risks (which review may be carried out internally or with the assistance of competent third parties).

For the financial year under review, the RMCs each conducted an assessment of its effectiveness based on a self-assessment checklist ("**RMC Self-Assessment Checklist**"). The RMC Self-Assessment Checklist covered *inter alia*, the responsibilities of each of the RMC under its terms of reference.

Based on the self-assessment, the RMCs have agreed that the RMCs have fulfilled their responsibilities and discharged their duties as set out in their respective terms of reference.

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To enable the RMCs to discharge their responsibilities satisfactorily, each RMC was authorised by their respective Board to (i) seek any information that it required from any officer or employee of the Managers, all of whom the RMCs have been granted full access to and who are directed to co-operate with; (ii) exercise full discretion to invite any other Director, Management, representatives from the Managers' or H-REIT and HBT's risk, compliance and/or internal audit functions (as may be applicable), representatives from the external auditors, specific risk owners or any officer or employee of the H-REIT Manager, the HBT Trustee-Manager and their subsidiaries or any external professional advisers to attend its meetings; and (iii) engaged any firm of accountants, lawyers or other professionals as the RMCs saw fit to provide independent counsel and advice or to assist in any review of matters within the RMC's terms of reference as the RMCs deem appropriate, at the Managers' or H-REIT and HBT's expense.

Guideline 11.3

(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.

Please refer to paragraph under the heading "Internal Controls".

(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?

Please refer to the third paragraph under the heading "Internal Controls".

Internal Controls

Having regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of mitigating such risks, H-REIT and HBT's internal controls structure have been designed and put in place by Management to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities. H-REIT and HBT's internal controls structure includes:

- an external audit programme;
- an internal audit programme;
- a risk management framework established for the identification, assessment, measurement and monitoring of its key risks;
- the establishment and review from time to time of policies and procedures which govern and allow for the monitoring of financial, operational, compliance and information technology controls; and
- a whistle blowing programme.

The Board has received assurance from the Management on both the H-REIT Group and HBT Group's financial records and the effectiveness and adequacy of the risk management and internal controls structure. Each Board also receives a separate quarterly representation on the financial information and controls, that nothing has come to Management's attention which may render the financial statements to be false or misleading in any material respect.

Based on the internal controls framework established, the independent annual review and quarterly regulatory and compliance reviews conducted by KPMG Services Pte. Ltd. of H-REIT and HBT's governance and internal controls framework and the written assurance from the CEO and CFO, the H-REIT Manager Board and HBT Trustee-Manager Board confirm, with the assistance of the AC and the RMCs, that they have reviewed the adequacy and effectiveness of H-REIT and HBT's risk management system and internal controls that address the financial, operational, compliance and information technology controls and concur with the opinion of the ARC that the risk management system and system of internal controls in place as at 31 December 2015 are adequate and effective to address in all material respects the financial, operational, compliance and information technology risks within the current scope of H-REIT and HBT's business operations and that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of H-REIT and HBT.

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Principle 12: Audit Committee

Composition of the AC

On 29 December 2015, the AC was dissolved and the function and responsibilities of the AC are now undertaken by the ARC. The ARC of both the H-REIT Manager and the HBT Trustee-Manager comprises three NEDs, all of whom (including the chairman of the ARC) are independent.

The chairman of the ARC and all members of the ARC have audit, accounting or finance background and experience. The H-REIT Manager Board and the HBT Trustee-Manager are of the view that the ARC has sufficient financial management expertise and experience amongst its members to discharge the functions of the ARC within its written terms of reference approved and adopted by the respective Boards.

Powers and Duties of the ARC

The ARC is authorised by the H-REIT Manager Board and the HBT Trustee-Manager Board to review and investigate any matters it deems appropriate within its written terms of reference and has direct and unrestricted access to the external auditors and the internal auditors. The ARC may invite any Director, Management, officer or employee of the H-REIT Manager and/or the HBT Trustee-Manager to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate at the expense of the H-REIT Manager and the HBT Trustee-Manager.

The principal responsibility of the ARC is to assist the H-REIT Manager Board and the HBT Trustee-Manager Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the effectiveness of H-REIT's and HBT's financial reporting process (including reviewing the accounting policies and practices of the H-REIT Group, the HBT Group and the Stapled Group on a consolidated basis) and risk management and key internal controls, including financial, operational, compliance and information technology controls. Other duties within its written terms of reference include:

- to review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of H-REIT Group, HBT Group and CDLHT to be reported to the Stapled Security Holders, and any other formal announcements relating to the financial performance of the H-REIT Group, HBT Group and the Stapled Group.
- to review and report to the Board annually on the adequacy and effectiveness of the H-REIT's and HBT's internal controls, including financial, operational, compliance and information technology controls (which review may be carried out internally or with the assistance of competent third parties);
- to monitor in particular the identification, evaluation, management and monitoring of the risks related to financial reporting;
- to review reports from the Management, external auditors and internal auditors on the systems for internal controls, including financial, operational, compliance and information technology controls and review reports issued by any external professional adviser who may be engaged to carry out an independent review of H-REIT's and HBT's internal controls framework;
- to review activities of the internal auditors on factors such as independence, adequate resources and appropriate standing to perform an effective role;
- to review a summary of the internal audit reports and review Management's responses to the internal audit findings and recommendations;

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- to review and make recommendations to the Boards for approval by the Stapled Security Holders on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to review, on an annual basis, the scope and results of the external audit;
- to assess the independence of the external auditors on an annual basis;
- to ensure that the external auditors' independence and objectivity are not impaired by keeping the nature and extent of non-audit services provided by the external auditors under review (including the fees thereof);
- to review the whistle-blowing policy and the arrangements put in place by the Company for staff and any other persons to raise, in confidence, concerns about possible improprieties in matters of financial reporting or any other matters; and
- to monitor the procedures established to regulate Related Party Transactions and/or Interested Party Transactions, including reviewing any Related Party Transactions and/or Interested Party Transactions entered into from time to time and ensuring compliance with the relevant provisions of the Listing Manual of SGX-ST and the Property Funds Appendix.

During the financial year under review, the AC of the H-REIT Manager and HBT Trustee-Manager have established an internal control system to ensure that all Related Party Transactions and/or Interested Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of H-REIT and the holders of H-REIT units or HBT and the holders of HBT units.

The H-REIT Manager ARC and the HBT Trustee-Manager ARC held four meetings each during the year and carried out their duties as set out within the terms of reference. The Company Secretary maintains records of all AC/ARC meetings including records of discussions on key deliberations and decisions taken. The ARC meets with the external auditors separately without the presence of Management annually.

In performing its duties, the H-REIT Manager AC and the HBT Trustee-Manager AC also took guidance from the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee in October 2008 ("**ACGC Guidebook**") as well as ACGC Guidebook (Second Edition) which was issued by MAS, ACRA and Singapore Exchange in August 2014. For the financial year under review, the AC conducted a self-assessment of its effectiveness in the discharge of its duties and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("**AC Self-Assessment Checklist**") adapted from the self-assessment checklist for audit committees set out in the ACGC Guidebook.

The AC Self-Assessment Checklist covered *inter alia*, the responsibilities of the AC under its terms of reference.

Based on the self-assessment, the H-REIT Manager AC and the HBT Trustee-Manager AC agreed that they had fulfilled their responsibilities and discharged their duties as set out in its terms of reference.

Pursuant to the establishment of the ARC effective from 29 December 2015, the ARC undertakes to continue the responsibilities of the AC moving forward.

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Guideline 12.6

(b) If the external auditors have supplied a substantial amount of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.

Please refer to the second paragraph under the heading "External Auditors".

(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.

Please refer to the third paragraph under the heading "External Auditors".

External Auditors

The AC had evaluated the performance of the external auditors for FY 2015. The AC also reviewed the responses furnished by KPMG LLP, based on the sample questionnaire set out in the "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" issued by ACRA and Singapore Exchange Limited on 15 July 2010.

Taking cognisance that the external auditors should be free from any business or other relationships with the H-REIT Group, HBT Group and the Stapled Group that could materially interfere with their ability to act with integrity and objectivity, the AC had, in 2015, undertaken a review of the independence of KPMG LLP ("**KPMG**") and gave careful consideration to the H-REIT Group's, HBT Group's and the Stapled Group's relationships with them during 2015. In determining the independence of KPMG, the AC reviewed all aspects of their relationships with them including the processes, policies and safeguards adopted by the H-REIT Group, the HBT Group and the Stapled Group and KPMG relating to audit independence. The AC also considered the nature of the provision of the non-audit services in 2015 and the corresponding fees and is of the opinion that such non-audit fees did not impair or threaten the audit independence. Based on the review, the AC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the H-REIT Group's, HBT Group's and the Stapled Group's statutory audit.

For details of the fees paid and/or payable by the H-REIT Group, HBT Group and the Stapled Group in respect of audit and non-audit services for FY 2015, please refer to note 20 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2016, the ARC had taken into consideration the Audit Quality Indicators Framework introduced by the Accounting and Corporate Regulatory Authority ("**ACRA**"). The ARC also considered the following in their review:

- (i) the adequacy and experience of the supervisory and professional staff of KPMG assigned to the audit of the H-REIT Group, HBT Group and the Stapled Group;
- (ii) the audit engagement partner assigned to the audit;
- (iii) KPMG's past experience in auditing clients in the REIT sector; and
- (iv) the size and complexity of the audit exercise for the H-REIT Group, HBT Group and the Stapled Group.

KPMG have confirmed that they are registered with ACRA in accordance with Rule 712(2) of the Listing Manual of SGX-ST. The Stapled Group is thus in compliance with Rules 712 and 715 (read with Rule 716) of the Listing Manual of SGX-ST in relation to the appointment of its auditors.

The audit partner, Mr Koh Wei Peng (Alex) would be up for rotation after the completion of the FY 2015 audit, after being in-charge of five consecutive audits for HBT and CDL Hospitality Trusts and a new audit partner would be coming on board for the FY 2016 audit.

On the basis of the above, the ARC has recommended to the Board the nomination of KPMG for re-appointment as external auditors of the H-REIT Group, HBT Group and the Stapled Group at the 2016 Annual General Meetings ("**2016 AGMs**").

CORPORATE GOVERNANCE

Whistle Blowing Policy

The H-REIT Manager and the HBT Trustee-Manager have in place a whistle blowing procedure where staff of the H-REIT Manager and the HBT Trustee-Manager and other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters, without fear of reprisals in any form. The ARC has the responsibility of overseeing this policy which is administered with the assistance of Management. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action to be taken.

The H-REIT Manager and the HBT Trustee-Manager are committed to maintaining procedures for the confidential and anonymous submission of reports and the anonymity of whistle-blowers concerned will be maintained where so requested by the whistle-blowers who lodged the report. Investigations into such reports will be handled on a confidential basis to the extent permissible or deemed appropriate under the circumstances, and involve persons who need to be involved in order to properly carry out the investigation and will, on a best efforts basis, be carried out in a timely manner.

In order to facilitate and encourage the reporting of such matters, the whistleblowing policy, including the dedicated whistle blowing email address at acchairman@cdlht.com and postal correspondence channel are available on CDLHT's website.

Guideline 13.1

Does the Company have an internal audit function? If not, please explain why.

The H-REIT Manager outsourced the internal audit function for H-REIT's operations to Millennium & Copthorne International Limited, a related corporation. Please refer to the explanation under "Principle 13: Internal Audit".

Principle 13: Internal Audit

Internal Audit ("IA") plays an important role in monitoring an effective system of internal controls. The IA function of the Singapore hotels' operations is performed by the internal audit team of Millennium & Copthorne International Limited, a related corporation. A summary of the internal auditors' reports is extended to the ARC, the CEO and the CFO of the H-REIT Manager and HBT Trustee-Manager. The internal auditors have been directed to meet or exceed the standards set by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The ARC reviews the IA plan. Processes are in place such that material control weaknesses raised in the IA reports are dealt with in a timely manner, with outstanding exceptions or recommendations being closely monitored and reported back to the ARC on a quarterly basis.

The ARC reviews the activities of the internal auditors on a quarterly basis and is satisfied that the IA function is independent of the activities which it audits; is adequately resourced; and has appropriate standing within the H-REIT Manager and HBT Trustee-Manager to perform its role and responsibilities effectively. In FY 2015, at the request of the ARC, the internal auditors performed an audit of the H-REIT Manager. The ARC met with the internal auditors separately without the presence of Management in January 2016.

Principle 14: Rights of Stapled Security Holders

Being committed to good corporate practices, the H-REIT Manager and the HBT Trustee-Manager treat all Stapled Security Holders fairly and equitably. To facilitate the exercise of Stapled Security Holders' rights, the H-REIT Manager and the HBT Trustee-Manager ensure that all material information relating to the Stapled Group and its financial performance is disclosed in an accurate and timely manner via SGXNET.

All Stapled Security Holders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the H-REIT Trust Deed and HBT Trust Deed, Stapled Security Holders may appoint one or 2 proxies to attend and vote at general meetings in their absence. The proxy forms must be deposited with the H-REIT Manager and HBT Trustee-Manager not less than forty-eight (48) hours before the time set for the general meetings.

CORPORATE GOVERNANCE

Taking cognisance of the Companies Amendment Act ("**Amendment Act**") which came into effect on 3 January 2016 which *inter alia* provided for the Stapled Security Holders who are relevant intermediaries (as defined in the Amendment Act) to appoint more than two proxies to attend and vote at general meetings, the Boards have recommended that the relevant provisions within the H-REIT Trust Deed and the HBT Trust Deed respectively (collective, the "**Trust Deeds**") be amended at the 2016 AGMs to align the Trust Deeds with the amendments to the Companies Act and the Code on Collective Investment Schemes. Pursuant to the Amendment Act, relevant intermediaries will be able to appoint more than two proxies at the 2016 AGMs.

Guideline 15.4

(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?

Please refer to the explanation under "Principle 15: Communication with Stapled Security Holders."

(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? Yes, the H-REIT Manager and HBT Trustee-Manager have management who are responsible for providing investor relations support. **Please refer to the Management Team on page 39 of the Annual Report 2015.**

(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?

Please refer to the explanation under "Principle 15: Communication with Stapled Security Holders."

Guideline 15.5

If the Company is not paying any dividends for the financial year, please explain why.

Please refer to the third paragraph under "Principle 15: Communication with Stapled Security Holders."

Principle 15: Communication with Stapled Security Holders

The H-REIT Manager and the HBT Trustee-Manager ensure that Stapled Security Holders are notified of all material information in an accurate and timely manner. The H-REIT Manager and the HBT Trustee-Manager notify their investors in advance of the date of release of the financial results of the H-REIT Group, the HBT Group and the Stapled Group via SGXNET. The quarterly and full year financial results of the H-REIT Group, the HBT Group and the Stapled Group are announced within the mandatory period. The financial statements of the H-REIT Group, the HBT Group and the Stapled Group and other presentation materials presented at general meetings, including material and price-sensitive information, are disseminated and publicly released via SGXNET on a timely basis. All Stapled Security Holders receive the annual report of CDLHT and the Notice of AGM of Stapled Security Holders, which notice is also advertised in the press and released via SGXNET. Stapled Security Holders and investors can access information on CDLHT at its website at www.cdlht.com which provides, inter alia, corporate announcements, press releases and the latest financial results as disclosed by CDLHT on SGXNET.

From time to time, the Management of the H-REIT Manager and the HBT Trustee-Manager hold briefings with analysts and the media to coincide with the release of CDLHT's quarterly and full year financial results. Media presentation slides are also released on SGXNET and made available on the CDLHT's website. In addition, the Management takes an active role in investor relations, meeting local and foreign fund managers regularly as well as participating in roadshows and conferences both locally and overseas.

H-REIT's current distribution policy is to distribute at least 90.0% of its taxable income and its tax exempt income (if any), with the actual level of distribution to be determined at the H-REIT Manager's discretion. H-REIT makes distributions to unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Distributions, when paid, will be in Singapore Dollars. As for HBT's distribution policy, the determination to distribute and the quantum of distributions will be made by the HBT Trustee-Manager Board at its sole discretion.

Principle 16: Conduct of General Meetings of Stapled Security Holders

At general meetings, Stapled Security Holders are given the opportunity to communicate their views and encouraged to ask the H-REIT Manager Board and the HBT Trustee-Manager Board and the Management questions regarding matters affecting H-REIT and HBT. The chairmen of the AC and RMC and the external auditors were present at the last AGMs, and the chairmen of the ARC and NRC would, together with the Lead ID, endeavour to be present at the 2016 AGMs to assist the H-REIT Manager Board and the HBT Trustee-Manager Board in addressing queries raised by the Stapled Security Holders.

All Stapled Security Holders are allowed to vote in person or by proxy. As the authentication of a Stapled Security Holder's identity information and other related integrity issues still remain a concern, the H-REIT Manager and HBT Trustee-Manager have decided, for the time being, not to implement voting in absentia by mail or electronic means.

CORPORATE GOVERNANCE

Separate resolutions on each substantial issue are put to vote at the general meetings. Detailed information on each item in the agenda of the general meetings is in the explanatory notes to the Notice of the general meetings. The H-REIT Manager and HBT Trustee-Manager also maintain minutes of the general meetings, which includes the key comments and queries raised by Stapled Security Holders and the responses from the H-REIT Manager Board, HBT Trustee-Manager Board, Management and/or the external auditors.

Pursuant to Rule 730A(2) of the Listing Manual of SGX, all resolutions proposed at the 2016 AGMs and at any adjournment thereof shall be put to vote by way of poll. In support of greater transparency and to allow for a more efficient voting system, the H-REIT Manager and the HBT Trustee-Manager have introduced electronic poll voting instead of voting by show of hands at the 2014 AGMs. With electronic poll voting, Stapled Security Holders present in person or represented by proxy at the meeting are entitled to vote on a "one-stapled security, one-vote" basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced via SGXNET after the 2016 AGMs.

Corporate Values and Conduct of Business

The H-REIT Manager Board, HBT Trustee-Manager Board and Management are committed to conducting business with integrity and consistent with the highest standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Managers have adopted an internal code of business and ethical conduct which sets out the business principles and practices with respect to matters which may have ethical implications. The code provides a communicable and understandable framework for employees of the Managers to observe principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of business in their relationships with suppliers and amongst employees, including situations where there are potential conflicts of interests.

Internal Code on Dealings in Securities

The H-REIT Manager and the HBT Trustee-Manager have in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the stapled securities of CDLHT by the Directors and officers of both the Managers. These guidelines prohibit dealing in the stapled securities of CDLHT (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such stapled securities, and (c) during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first, second and third quarter of H-REIT's and HBT's financial year and one month before the date of announcement of the full-year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the H-REIT Manager are notified of the commencement of each "closed period" relating to dealing in the stapled securities of CDLHT.

STATEMENT OF POLICIES AND PRACTICES OF HBT

Apart from the corporate governance practices disclosed above, the HBT Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of HBT (as described in section 87(1) of the Business Trusts Act, Chapter 31A of Singapore) in respect of FY 2015, which is set out on pages 92 to 97 in this Annual Report.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

CDL Hospitality Business Trust ("**HBT**") was dormant since the listing of CDL Hospitality Trusts on the Main Board of Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 19 July 2006, until it was activated on 31 December 2013 by M&C Business Trust Management Limited, as the trustee-manager of HBT (the "**HBT Trustee-Manager**"), to be the master lessee of Jumeirah Dhevanafushi, a property which was acquired by a wholly-owned subsidiary of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and which was leased to a wholly-owned subsidiary of HBT. Since then, HBT has proceeded to act as the master lessee of Hotel MyStays Asakusabashi and Hotel MyStays Kamata, Japan and on 1 October 2015, completed the acquisition of Hilton Cambridge City Centre (formerly Cambridge City Hotel).

The Board of Directors of the HBT Trustee-Manager (the "**HBT Trustee-Manager Board**") is responsible for safeguarding the interests of the unitholders of HBT (the "**HBT Unitholders**") as a whole and managing the business of HBT. The HBT Trustee-Manager has general power of management over the business and assets of HBT and its main responsibility is to manage HBT's assets and liabilities for the benefit of the HBT Unitholders as a whole. In the event of a conflict between the interests of the HBT Unitholders as a whole and its own interests, the HBT Trustee-Manager will give priority to the interests of the HBT Unitholders as a whole over its own interests.

The HBT Trustee-Manager Board is also obliged to exercise due care to comply with the relevant provisions of all applicable legislations and regulations, the listing manual of the SGX-ST (the "**Listing Manual**"), the trust deed constituting HBT dated 12 June 2006 (the "**HBT Trust Deed**"), the stapling deed dated 12 June 2006 (the "**Stapling Deed**") and all relevant contracts entered into by HBT.

The HBT Trustee-Manager, in exercising its powers and carrying out its duties as trustee-manager of the HBT, is required to, and will:

- treat the HBT Unitholders who hold units of HBT ("**HBT Units**") in the same class fairly and equally and HBT Unitholders who hold HBT Units in different classes (if any) fairly;
- ensure that all payments out of the trust property of HBT (the "**HBT Trust Property**") are made in accordance with the Business Trusts Act (the "**BTA**"), the HBT Trust Deed and the Stapling Deed;
- report to the Monetary Authority of Singapore (the "**MAS**") any contravention of the BTA or the Business Trusts Regulations (the "**BTR**") by any other person that:
 - relates to HBT; and
 - has had, has or is likely to have, a material adverse effect on the interests of all the HBT Unitholders, or any class of HBT Unitholders, as a whole,as soon as practicable after the HBT Trustee-Manager becomes aware of the contravention;
- ensure that the HBT Trust Property is properly accounted for; and
- ensure that the HBT Trust Property is kept distinct from the property of the HBT Trustee-Manager held in its own capacity.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

In addition, the HBT Trustee-Manager will:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as the trustee-manager of the HBT in accordance with the BTA, the HBT Trust Deed and the Stapling Deed;
- act in the best interests of all the HBT Unitholders as a whole and give priority to the interests of all HBT Unitholders as a whole over its own interests in the event of a conflict between the interests of all HBT Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as the HBT Trustee-Manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the HBT Unitholders;
- hold the HBT Trust Property on trust for all HBT Unitholders as a whole in accordance with the terms of the HBT Trust Deed;
- adhere with the business scope of HBT as set out in the HBT Trust Deed;
- review interested person transactions in relation to HBT;
- review expense and cost allocations payable to the HBT Trustee-Manager in its capacity as trustee-manager of HBT out of the HBT Trust Property and ensure that fees and expenses charged to HBT are appropriate and in accordance with the HBT Trust Deed; and
- comply with the BTA and the Listing Manual.

The MAS has also granted the HBT Trustee-Manager an exemption from compliance with Section 10(2)(a) of the BTA and the directors of the HBT Trustee-Manager (the "**HBT Trustee-Manager Directors**") from compliance with Section 11(1)(a) of the BTA subject to the condition that for the duration of the time that the HBT Units are stapled to the units of H-REIT, the HBT Trustee-Manager and HBT Trustee-Manager Directors shall act in the best interests of all the holders of the stapled securities in CDL Hospitality Trusts.

The HBT Trustee-Manager Board, in exercising its power and carrying out its duties as trustee-manager of HBT, has put in place measures to ensure that:

- the HBT Trust Property is properly accounted for and is kept distinct from the property held by the HBT Trustee-Manager in its own capacity;
- the business scope of HBT as set out in the HBT Trust Deed has been adhered to;
- potential conflicts between the interests of the HBT Trustee-Manager and the interests of the HBT Unitholders as a whole are appropriately managed;
- interested person transactions are transparent, properly recorded and disclosed;
- expenses and cost allocations payable to the HBT Trustee-Manager out of the HBT Trust Property, and the fees and expenses charged to HBT are appropriate and are made in accordance with the HBT Trust Deed; and
- the BTA and the Listing Manual have been complied with.

The HBT Trustee-Manager has also adopted a set of corporate governance practices as set out from pages 72 to 91 of this report.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

HBT Trust Property Properly Accounted For

To ensure that the HBT Trust Property is properly accounted for and is kept distinct from the property held by the HBT Trustee-Manager in its own capacity, the accounting records of HBT are kept separate and distinct from the accounting records of the HBT Trustee-Manager. Different bank accounts are maintained for the HBT Trustee-Manager in its capacity as trustee-manager of HBT and in its own capacity. Regular internal reviews are also carried out to ascertain that all HBT Trust Property has been fully accounted for.

Each of the financial statements of HBT and HBT Trustee-Manager are approved by the HBT Trustee-Manager Directors on a quarterly basis and are duly audited by external auditors on an annual basis to ensure that the HBT Trust Property is properly accounted for and the HBT Trust Property is kept distinct from the property of the HBT Trustee-Manager held in its own capacity.

Adherence to Business Scope

The HBT Trustee-Manager Board reviews and approves all authorised businesses undertaken by HBT so as to ensure its adherence to the business scope under the HBT Trust Deed. Such authorised businesses include:

- (i) the investment in, development of, operation of and/or management of real estate and real estate related assets and all activities, concerns, functions and matters reasonably incidental thereto;
- (ii) acquisition, disposition, ownership, management, operation, finance leasing and leasing of real estate and real estate related assets and all activities, concerns, functions and matters reasonably incidental thereto; and
- (iii) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (i) and (ii),

whether directly, indirectly through subsidiaries or in the form of joint ventures together with other parties.

Management provides regular updates to the HBT Trustee-Manager Board and the Audit Committee⁽¹⁾ about potential projects that it is looking into on behalf of HBT and the HBT Trustee-Manager Board, and the Audit Committee ensures that all such projects are within the permitted business scope under the HBT Trust Deed. Prior to the carrying out of any significant business transactions, the HBT Trustee-Manager Board, the Audit Committee and/or management will have careful regard to the provisions of the HBT Trust Deed and when in doubt, will seek advice from professional advisers.

Potential conflicts of interest

The HBT Trustee-Manager is not involved in any other businesses other than managing HBT. All potential conflicts of interest, as and when they arise, will be identified by the HBT Trustee-Manager Board and management, and will be reviewed accordingly.

As the HBT Trustee-Manager is an indirect wholly-owned subsidiary of Millennium & Copthorne Hotels plc (the "**Sponsor**"), being the sponsor and controlling unitholder of HBT, there may be potential conflicts of interest between HBT, the HBT Trustee-Manager and the Sponsor.

(1) The Audit Committee of the HBT Trustee-Manager was dissolved on 29 December 2015 and the functions and responsibilities of the Audit Committee are now undertaken by the Audit and Risk Committee which was established on the same day. In this regard, the term "Audit Committee" used in this Statement of Policies and Practices will also refer to the "Audit and Risk Committee" where relevant and appropriate.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

The HBT Trustee-Manager has instituted, among others, the following procedures to deal with issues of conflicts of interest:

- The HBT Trustee-Manager Board comprises four independent Directors who do not have management or business relationships with the HBT Trustee-Manager and are independent from the substantial shareholders of the HBT Trustee-Manager. The independent Directors form the majority of the HBT Trustee-Manager Board. This allows the HBT Trustee-Manager Board to examine independently and objectively, any potential issue of conflicts of interest arising between the HBT Trustee-Manager in its own capacity and the HBT Unitholders as a whole.
- Employees, if any, are directly employed by the HBT Trustee-Manager.
- All resolutions in writing of the HBT Trustee-Manager Directors in relation to matters concerning HBT must be approved by all the HBT Trustee-Manager Directors.
- In respect of matters in which the Sponsor and/or its subsidiaries has an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the HBT Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum shall comprise a majority of the independent HBT Trustee-Manager Directors and shall exclude nominee directors of the Sponsor and/ or its subsidiaries.
- In respect of matters in which a HBT Trustee-Manager Director or his Associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director shall abstain from voting. In such matters, the quorum must comprise a majority of the HBT Trustee-Manager Directors and must exclude such interested director.
- Where matters concerning HBT relate to transactions to be entered into by the HBT Trustee-Manager for and on behalf of HBT with an interested person of the HBT Trustee-Manager or HBT (which would include relevant associates thereof), the Audit Committee is required to consider the terms of such transactions (except transactions under agreements which are deemed to have been specifically approved by HBT Unitholders upon purchase of HBT Units) to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of HBT and the HBT Unitholders, and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transactions in question. If the HBT Trustee-Manager is to sign any contract with an interested person of the HBT Trustee-Manager or HBT (except transactions under agreements which are deemed to have been specifically approved by HBT Unitholders upon purchase of HBT Units), the HBT Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to interested person transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed to apply to business trusts.

Present and Ongoing Interested Person Transactions

(i) Exempted Agreements

The fees and charges payable by HBT to the HBT Trustee-Manager under the HBT Trust Deed are considered interested person transactions which are deemed to have been specifically approved by the HBT Unitholders upon their purchase of the HBT Units, to the extent that there are no subsequent changes to the rates and/or bases of the fees charged thereunder which will adversely affect HBT.

(ii) Future Interested Person Transactions

Depending on the materiality of the transaction, HBT may make a public announcement of or obtain prior approval of the HBT Unitholders for such a transaction. If necessary, the HBT Trustee-Manager Board may make a written statement in accordance with the resolution of the HBT Trustee-Manager Board and signed by at least two HBT Trustee-Manager Directors on behalf of the HBT Trustee-Manager Board certifying that, inter alia, such interested person transaction is not detrimental to the interests of the HBT Unitholders as a whole, based on the circumstances at the time of the transaction.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

The HBT Trustee-Manager may, in future, seek an annual general mandate from the HBT Unitholders for recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations with interested persons, and all transactions would then be conducted under such a general mandate for that relevant financial year. In seeking such an annual general mandate, the HBT Trustee-Manager may appoint an independent financial adviser to render an opinion as to whether the methods or procedures for determining the transaction prices contemplated under the annual general mandate are sufficient, in an effort to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of HBT and the HBT Unitholders.

The HBT Trustee-Manager has in place an internal control system as well as policies and procedures to ensure that all future interested person transactions will be undertaken on an arm's length basis, on normal commercial terms, will not be prejudicial to the interests of HBT and the minority HBT Unitholders, and will be in accordance with all applicable requirements of the BTA, the Listing Manual and all applicable guidelines as may from time to time be prescribed to apply to business trusts relating to the transaction in question.

Management identifies interested person transactions in relation to HBT. The HBT Trustee-Manager maintains a register to record all interested person transactions which are entered into by HBT. The HBT Trustee-Manager incorporates into its plan a review of all interested person transactions entered into by HBT during the financial year. The Audit Committee reviews at least quarterly in each financial year the interested person transactions entered into during such quarterly period to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. The review includes the examination of the nature of the transactions and their supporting documents or such other data that the Audit Committee deems necessary. If a member of the Audit Committee has an interest in a transaction, he or she will abstain from participating in the review and approval process in relation to that transaction.

In addition, all such interested person transactions conducted and any contracts entered into by the HBT Trustee-Manager on behalf of HBT with an interested person of the HBT Trustee-Manager or HBT, shall comply with and be in accordance with all applicable requirements of the Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.

In particular, when HBT acquires assets from the Sponsor or parties related to the Sponsor in future, the HBT Trustee-Manager will obtain valuations from independent parties. In any event, interested person transactions entered into by HBT, depending on the materiality of such transactions, may be publicly announced or, as the case may be, approved by HBT Unitholders, and will, in addition, be:

- reviewed and recommended by the Audit Committee of the HBT Trustee-Manager, which comprises only independent directors; and
- decided by the HBT Trustee-Manager Board, of which more than half of the directors are independent directors.

Fees and expenses charged to HBT are appropriate and in accordance with the HBT Trust Deed

The HBT Trustee-Manager is entitled under the HBT Trust Deed to a management fee of 10.0% of HBT's profit before interest and tax in the relevant financial year (calculated before accounting for this management fee in that financial year). For the purpose of calculating the management fee, if HBT holds only a partial interest in an investment from which such profit is derived, such profit shall be pro-rated in proportion to the partial interest held.

The management fee is payable to the HBT Trustee-Manager in the form of cash and/or Stapled Securities or (as the case may be) HBT Units as the HBT Trustee-Manager may elect, and in such proportion and for such period as may be determined by the HBT Trustee-Manager.

STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF CDL HOSPITALITY BUSINESS TRUST

Under the HBT Trust Deed, if the value of the HBT deposited property is at least S\$50.0 million, a maximum of 0.1% per annum of the value of the HBT's deposited property (if any), subject to a minimum fee of S\$10,000 per month, excluding out-of-pocket expenses and goods and services tax, is payable to the HBT Trustee-Manager as trustee fee. For the purpose of calculating the management fee, if HBT holds only a partial interest in any of HBT deposited property, such HBT deposited property shall be pro-rated in proportion to the partial interest held.

The trustee fee is payable in arrears on a monthly basis in the form of cash.

The HBT Trustee-Manager is also entitled to a maximum of 0.1% of the acquisition price of any authorised investment acquired directly or indirectly by HBT (pro-rated if applicable to the proportion of HBT's interest in the authorised investment acquired).

The acquisition fee is payable to the HBT Trustee-Manager in the form of cash and/or Stapled Securities or (as the case may be) HBT Units as the HBT Trustee-Manager may elect, and in such proportion and for such period as may be determined by the HBT Trustee-Manager.

Any increase in the rate or any change in structure of the HBT Trustee-Manager's management fee and trustee fee, or in the maximum permitted level of the acquisition fee, must be approved by an extraordinary resolution passed at a meeting of HBT Unitholders duly convened and held in accordance with the provisions of the HBT Trust Deed.

The table below sets out the fees earned by the HBT Trustee-Manager for the financial year ended 31 December 2015.

Fee	Amount (S\$'000)	% in Cash	% in Units
Management Fee	–	–	–
Acquisition Fee	132	100%	0
Trustee Fee	37	100%	0

During the financial year ended 31 December 2015, the HBT Trustee-Manager has received 100% of the acquisition and trustee fees in cash. No expenses were paid to the HBT Trustee-Manager during the financial year ended 31 December 2015 and any out-of-pocket expenses incurred were funded by HBT's working capital.

Fees payable to the HBT Trustee Manager by HBT will be put up to the HBT Trustee-Manager Board for approval every quarter.

The HBT Trustee-Manager Board will meet every quarter to review the material expenses and fees charged to HBT and to ensure that the expenses payable to the HBT Trustee-Manager out of the HBT Trust Property are appropriate and in accordance with the HBT Trust Deed.

Compliance with the Business Trusts Act and Listing Manual

The Company Secretary and Compliance Officer monitor HBT's compliance with the BTA and the Listing Manual. The HBT Trustee-Manager has an internal compliance manual which serves to summarise all the applicable rules and regulations as well as key internal policies and processes which HBT needs to comply with. The manual will be consistently updated whenever there are changes to the rules and regulations and such policies and processes, and this will help management to check that applicable rules and regulations are being complied with.

The HBT Trustee-Manager will also engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual.

SUSTAINABILITY REPORT

CDLHT and Sustainability

CDLHT recognises that, in addition to the financial performance of its investment portfolio, continued efforts in sustainability will support its reputation in the hospitality industry and further improve its relationships with various stakeholders. As such, CDLHT will continue to monitor its sustainability efforts to achieve an optimum balance and enhance Stapled Security Holders' interests. To add value to stakeholders, including the environment in which its hotels operate and the parties which CDLHT work with, CDLHT espouses a balanced approach to sustainability comprising a focus on environmental sustainability, energy cost efficiency and asset enhancement to facilitate efficient operations and resource consumption.

Sustainability at CDLHT's Hotels

CDLHT leases its hotel properties to lessees, which operate the respective hotels or maintain management agreements with hotel operators. It works with professional hotel operators and lessees and accordingly adopts a supportive approach to sustainability in its hotels depending largely on the external hotel operators and lessees to drive hotel performance and steer hotel operations in a sustainable direction.

CDLHT is aware and appreciative of the efforts made by its hotel operators in the realm of sustainability. Its hotels proactively take steps to reduce water and energy consumption, minimise waste and carbon emissions and to adopt internationally-recognised best practices in environmental management. In particular, quite a number of its hotels have enhanced chiller energy efficiency and/or installed LED lighting in recent years.

On its part, CDLHT supports such ongoing sustainability efforts through its management of capital expenditure, particularly where there are cost-savings benefits, such as through the reduction of energy consumption.

Awards and Achievements

As a result of the efforts of its environmentally-conscious lessees and hotel operators, CDLHT's properties have been awarded several noteworthy sustainability accolades in the recent years, including the following:

Environmental:

ASEAN Green Hotel Award	Novotel Singapore Clarke Quay (2016) Grand Copthorne Waterfront Hotel (2012-2014)
ASEAN Energy Award	Copthorne King's Hotel (2013, Winner for Retrofitted Category)
ISO 9001 ⁽¹⁾	Ibis Brisbane (2015)
ISO 14001 ⁽²⁾	Novotel Brisbane (2013-2015) Mercure/Ibis Brisbane (2012-2015) Ibis Perth (2014-2015) Novotel Singapore Clarke Quay (2014)
BCA Green Mark ⁽³⁾	Orchard Hotel (2015-2018, Gold) Grand Copthorne Waterfront Hotel (2015-2018, Platinum) Copthorne King's Hotel (2014-2017, Platinum) Novotel Singapore Clarke Quay (2013-2016, Gold Plus) M Hotel Singapore (2015-2018, Gold Plus) Studio M Hotel (2015-2018, Gold)
Singapore Green Hotel Award	Grand Copthorne Waterfront Hotel (2015-2016) Novotel Singapore Clarke Quay (2015-2016) M Hotel Singapore (2013-2015)

SUSTAINABILITY REPORT

Awards and Achievements (cont'd)

Environmental:

PUB Water Efficient Building Award
 Grand Copthorne Waterfront Hotel (2014-2017, Gold)
 M Hotel Singapore (2013-2016, Silver)
 Novotel Singapore Clarke Quay (2015-2018, Gold)
 Studio M Hotel (2014, Basic)

NEA-SHA 3R Awards ⁽⁴⁾
 M Hotel Singapore (2014)

Hotel Safety and Security

Hotel Security Award
 M Hotel Singapore (2011-2015)

Hotel Security Excellence Award
 Orchard Hotel (2006-2015)
 Grand Copthorne Waterfront Hotel (2014-2015)
 Copthorne King's Hotel (2012-2015)
 Novotel Singapore Clarke Quay (2014-2015)

SHA Security Star Award
 Orchard Hotel (2015)
 Copthorne King's Hotel (2015)

Workplace Safety & Health BizSAFE Certification
 Grand Copthorne Waterfront Hotel (2015-2018, Level 4)
 Studio M Hotel (2015-2018, Level 3)
 Orchard Hotel (2014-2017, Level 4)
 Copthorne King's Hotel (2014-2015, Level 3)
 Novotel Singapore Clarke Quay (2009-2015, Level 2)

Fire Safety Award
 M Hotel Singapore (2014)

Fire Safety Excellence Award
 Grand Copthorne Waterfront Hotel (2014)
 Copthorne King's Hotel (2014)
 Novotel Singapore Clarke Quay (2014)

- (1) ISO 9001 certification functions as an assessment and indicator of a quality management system within an organisation across all industry sectors. An ISO 9001 certified organisation would have implemented quality management system requirements for all areas of the business including facilities, people, training, services and equipment.
- (2) ISO 14001 sets out the criteria for an environmental management system. It does not state requirements for environmental performance, but maps out a framework that a company or organization can follow to set up an effective environmental management system. It can be used by any organization that wants to improve resource efficiency, reduce waste and drive down costs. Using ISO14001 can provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved. ISO 14001 can also be integrated with other management functions and assists companies in meeting their environmental and economic goals.
- (3) The Green Mark Scheme was launched in January 2005 by the Building and Construction Authority of Singapore to steer the construction industry in Singapore in the direction of environment-friendly buildings. It is essentially a benchmarking scheme that incorporates global recognised best practices in environmental design and performance.
- (4) The NEA-SHA 3R Programme was launched on 1 July 2011 to help hotels achieve better waste management and to increase waste recycling rates. The 3R (Reduce, Reuse and Recycle) will help to conserve natural resources and reduce carbon footprint, which in turn mitigates climate change. Hotels with sustainable waste management reduce costs through improvement of resource use efficiency and reduction of wastages, thereby cutting down waste handling and disposal costs.

SUSTAINABILITY REPORT

Energy Saving Initiatives

At the Grand Copthorne Waterfront Hotel, staircase lights have been replaced with LED bulbs with motion sensors. When there is no motion detected in the staircases, the lights auto-dim to provide illumination at 70% of usual output. In addition, the hotel has also completed installing auto start/stop sensors on all escalators providing energy savings when no guests are present.

At M Hotel and Novotel Singapore Clarke Quay, the hotels are undergoing lift modernization to install regenerative features that lower energy consumption by converting the braking and vertical motion of the lift into energy to help power lights and lift motors.

At M Hotel, the Energy Management System was upgraded with expected energy savings from the optimisation of chiller plant operations to improve its efficiency.

At Hotel MyStays Asakusabashi and Hotel MyStays Kamata in Tokyo, the lighting system has been converted to LED across all bedrooms and common areas, generating energy savings and a longer lifespan compared to traditional lighting.

Water Savings

The Novotel Singapore Clarke Quay undertook a water audit to identify water saving opportunities and adopt best practices which were subsequently implemented at the hotel. Novotel Singapore Clarke Quay implemented an SS577 water efficiency management system and achieved NEA gold award certification.

At Hotel MyStays Asakusabashi and Hotel MyStays Kamata in Tokyo, shower heads were replaced at all guestrooms resulting in water savings of 14-18% .

At Jumeirah Dhevanafushi, new water mains have been installed enabling easier tracing and repair of water piping due to the separation of lines.

Recycling Efforts

At the Grand Copthorne Waterfront Hotel, the sustainability focus was on recycling which contributed to a positive impact towards saving the environment. The implementation of 3R Eco Wiz projects has helped the hotel reduce waste and recycle purified water for re-use instead of using PUB potable water for washing of the compactor room.

At Angsana Velavaru, the resort has successfully removed all plastic bottles. The project involved removing all plastic water bottles and soft drink bottles from the food and beverage outlets, guest room mini bars and associate areas. The plastic bottles have been replaced with glass water bottles and canned soft drinks. The empty tin cans are recycled and sent to Malé and the empty glass water bottles are returned to the manufacturer to reduce the volume of waste produced.

Other Aspects of Sustainability

CDLHT also values the importance of corporate governance and risk management within the sustainability framework. These aspects are observed at CDLHT and are detailed in the corporate governance section of the Annual Report.

CDLHT observes and acts in compliance with its governing documents and the applicable laws and regulations of Singapore in relation to its corporate governance and business activities. CDLHT also expects its employees and officers to conduct themselves ethically. Anti-competitive practices and bribery, fraud and other forms of corruption are not condoned. With this in mind, employees and officers are selected not only for their experience and skills but also with an emphasis on alignment with core value requirements.

FINANCIAL STATEMENTS

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REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

The directors of M&C Business Trust Management Limited, the Trustee-Manager of CDL Hospitality Business Trust ("**HBT**") and its subsidiaries (collectively, the "**HBT Group**"), are pleased to submit this statement to the unitholders together with the audited financial statements for the financial year ended 31 December 2015.

DIRECTORS

The directors of the Trustee-Manager in office at the date of this statement are as follows:

Wong Hong Ren (Chairman)
 Vincent Yeo Wee Eng (Chief Executive Officer)
 Jenny Lim Yin Nee
 Jimmy Chan Chun Ming
 Daniel Marie Ghislain Desbaillets
 Ronald Seah Lim Siang
 Ronald Nathaniel Issen

DIRECTORS' INTEREST IN UNITS OR DEBENTURES

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "**Act**"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children below 18 years of age) in units of HBT are as follows:

	Holdings at beginning of the year	Holdings at end of the year
Wong Hong Ren	115,000	115,000
Vincent Yeo Wee Eng	115,000	115,000

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in units of HBT either at the beginning or at the end of the financial year.

There were no changes in any of the abovementioned interests in HBT between the end of the financial year and 21 January 2016.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE UNITS AND DEBENTURES

Neither at the end of, nor at any time during the financial year, was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in or debentures of HBT.

DIRECTORS' CONTRACTUAL BENEFITS

During the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by HBT or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

OPTIONS

During the financial year, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued units of HBT; and
- (ii) no units issued by virtue of any exercise of option to take up unissued units of HBT.

As at the end of the financial year, there were no unissued units of HBT under options.

REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

AUDITORS

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

STATEMENT BY THE TRUSTEE-MANAGER

In our opinion:

- (a) the consolidated financial statements of HBT Group set out on pages 109 to 186 are drawn up so as to give a true and fair view of the state of affairs of HBT Group as at 31 December 2015 and of the results, changes in unitholders' funds and cash flows of HBT Group for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that HBT Group will be able to pay its debts as and when they fall due.

With respect to the income statement of HBT Group for the year ended 31 December 2015:

- fees or charges paid or payable out of the trust property to the Trustee-Manager are in accordance with HBT's trust deed dated 12 June 2006;
- interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and
- the Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of HBT or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**For and on behalf of the Board of Directors of the Trustee-Manager,
M&C Business Trust Management Limited**

Wong Hong Ren
Director

Vincent Yeo Wee Eng
Director

8 March 2016

STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

In accordance with Section 86 of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of HBT or on the interests of all the unitholders of HBT as a whole.

Vincent Yeo Wee Eng
Chief Executive Officer

8 March 2016

REPORT OF THE TRUSTEE OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

DBS Trustee Limited (the "**H-REIT Trustee**") is under a duty to take into custody and hold the assets of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") held by it or through its subsidiaries (collectively, the "**H-REIT Group**") in trust for the holders of units in H-REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the H-REIT Trustee shall monitor the activities of M&C REIT Management Limited (the "**H-REIT Manager**") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 8 June 2006 as amended by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010 and the Third Supplemental Deed dated 20 July 2010 (collectively, the "**H-REIT Trust Deed**") between the H-REIT Manager and the H-REIT Trustee in each annual accounting period; and report thereon to unitholders in an annual report.

To the best knowledge of the H-REIT Trustee, the H-REIT Manager has, in all material respects, managed the H-REIT Group during the period covered by these financial statements set out on pages 109 to 186, in accordance with the limitations imposed on the investment and borrowing powers set out in the H-REIT Trust Deed.

**For and on behalf of the H-REIT Trustee,
DBS Trustee Limited**

Soh Ee Fong
Director

8 March 2016

REPORT OF THE MANAGER OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

In the opinion of the directors of M&C REIT Management Limited (the "**H-REIT Manager**"), the Manager of CDL Hospitality Real Estate Investment Trust ("**H-REIT**"), the accompanying consolidated financial statements of H-REIT and its subsidiaries (collectively, the "**H-REIT Group**"), and CDL Hospitality Trusts (the "**Stapled Group**", comprising the H-REIT Group and HBT Group) set out on pages 109 to 186, comprising their Statements of Financial Position, Statements of Total Return, Statements of Movements in Unitholders' Funds, Distribution Statements, Portfolio Statements, Statements of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions of the H-REIT Group, and the Stapled Group as at 31 December 2015, the total return, movements in unitholders' funds, distributable income and cash flows of the H-REIT Group, and the Stapled Group for the year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of H-REIT's trust deed between DBS Trustee Limited (the "**H-REIT Trustee**") and the H-REIT Manager dated 8 June 2006 as amended by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010 and the Third Supplemental Deed dated 20 July 2010 (collectively, the "**H-REIT Trust Deed**") and the stapling deed of CDL Hospitality Trusts between the H-REIT Trustee, the H-REIT Manager and M&C Business Trust Management Limited (the Trustee-Manager of HBT) dated 12 June 2006. At the date of this statement, there are reasonable grounds to believe that the H-REIT Group and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

**For and on behalf of the H-REIT Manager,
M&C REIT Management Limited**

Vincent Yeo Wee Eng
Director

8 March 2016

INDEPENDENT AUDITORS' REPORT

Unitholders

CDL Hospitality Business Trust

CDL Hospitality Real Estate Investment Trust

REPORT ON THE FINANCIAL STATEMENTS

We have audited:

- (i) the consolidated financial statements of CDL Hospitality Business Trust and its subsidiaries (the "**HBT Group**") for the financial year ended 31 December 2015;
- (ii) the consolidated financial statements of CDL Hospitality Real Estate Investment Trust and its subsidiaries (the "**H-REIT Group**") for the financial year ended 31 December 2015; and
- (iii) the consolidated financial statements of CDL Hospitality Trusts for the financial year ended 31 December 2015,

as set out on pages 109 to 186. CDL Hospitality Trusts, which comprises the HBT Group and the H-REIT Group, is hereinafter referred to as the "**Stapled Group**".

The accompanying financial statements comprise the statements of financial position of the HBT Group, the H-REIT Group and the Stapled Group and the portfolio statements of the H-REIT Group and Stapled Group as at 31 December 2015; the statement of comprehensive income of the HBT Group, statements of total return of the H-REIT Group and the Stapled Group, statements of movements in unitholders' funds of the HBT Group, the H-REIT Group and the Stapled Group, distribution statement of the Stapled Group and statements of cash flows of the HBT Group, the H-REIT Group and the Stapled Group, all for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information, as set out on pages 109 to 186.

HBT Trustee-Manager's responsibilities for the financial statements

M&C Business Trust Management Limited, the Trustee-Manager of HBT (the "**HBT Trustee-Manager**"), is responsible for the preparation of the consolidated financial statements of the HBT Group that gives a true and fair view in accordance with the provisions of the Business Trusts Act, Chapter 31A of Singapore (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

H-REIT Manager's responsibilities for the financial statements

M&C REIT Management Limited, the Manager of H-REIT (the "**H-REIT Manager**"), is responsible for the preparation and fair presentation of the consolidated financial statements of the H-REIT Group and the Stapled Group in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager of the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's (i) preparation of the financial statements of HBT Group that give a true and fair view; and (ii) preparation and fair presentation of the H-REIT Group and the Stapled Group; in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the HBT Trustee-Manager and the H-REIT Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

- (a) the financial statements of the HBT Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the HBT Group as at 31 December 2015 and the financial performance, movements in unitholders' funds and cash flows of the HBT Group for the year then ended; and
- (b) the financial statements of the H-REIT Group and the Stapled Group present fairly, in all material respects, the consolidated financial positions of the H-REIT Group and the Stapled Group as at 31 December 2015 and the total return, movements in unitholders' funds, distributable income and cash flows of the H-REIT Group and of the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by HBT Trustee-Manager on behalf of HBT and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

8 March 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	HBT Group		H-REIT Group		Stapled Group	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current assets							
Property, plant and equipment	4	128,636	–	69,198	66,034	270,855	138,260
Investment properties	5	–	–	2,257,091	2,288,455	2,176,664	2,206,423
Subsidiaries	6	–	–	–	–	–	–
Prepaid land lease	7	–	–	–	–	7,406	6,507
Rental deposits		–	–	–	126	–	126
Deferred tax assets	14	–	–	216	1,018	216	1,018
Other receivables	9	–	–	135,742	–	–	–
		128,636	–	2,462,247	2,355,633	2,455,141	2,352,334
Current assets							
Inventories	8	1,280	1,366	–	–	1,280	1,366
Trade and other receivables	9	6,322	3,787	18,741	21,599	19,094	20,039
Cash and cash equivalents	10	9,701	4,066	62,267	72,381	71,968	76,447
		17,303	9,219	81,008	93,980	92,342	97,852
Total assets		145,939	9,219	2,543,255	2,449,613	2,547,483	2,450,186
Non-current liabilities							
Loans and borrowings	12	–	–	703,208	457,603	703,208	457,603
Rental deposits		–	–	8,749	7,065	8,749	7,065
Other payables	15	135,742	–	–	–	–	–
Deferred tax liabilities	14	–	–	10,514	11,574	10,514	11,521
		135,742	–	722,471	476,242	722,471	476,189
Current liabilities							
Loans and borrowings	12	–	–	219,136	317,329	219,136	317,329
Trade and other payables	15	11,389	8,647	26,819	36,351	32,239	39,651
Financial derivative liabilities	13	–	–	–	581	–	581
Provision for taxation		117	44	156	265	273	309
		11,506	8,691	246,111	354,526	251,648	357,870
Total liabilities		147,248	8,691	968,582	830,768	974,119	834,059
Net (liabilities)/assets		(1,309)	528	1,574,673	1,618,845	1,573,364	1,616,127
Represented by:							
Unitholders' funds							
Unitholders' funds of H-REIT Group	16	–	–	1,574,673	1,618,845	–	–
Unitholders' funds of HBT Group	16	(1,309)	528	–	–	–	–
Unitholders' funds of Stapled Group	16	–	–	–	–	1,573,364	1,616,127
		(1,309)	528	1,574,673	1,618,845	1,573,364	1,616,127
Units/Stapled Securities in issue ('000)	11	987,137	980,285	987,137	980,285	987,137	980,285
Net asset value per Unit/ Stapled Security (\$)	16	(0.0013)	0.0005	1.59	1.65	1.59	1.65

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF THE HBT GROUP STATEMENTS OF TOTAL RETURN OF THE H-REIT GROUP AND THE STAPLED GROUP

Year ended 31 December 2015

	Note	HBT Group		H-REIT Group		Stapled Group	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Gross revenue							
Gross rental revenue		–	–	147,209	151,630	136,400	145,259
Room revenue		26,621	13,532	–	–	26,621	13,532
Food & beverage revenue		5,594	4,762	–	–	5,594	4,762
Other income		3,795	3,259	–	–	3,795	3,259
	17	36,010	21,553	147,209	151,630	172,410	166,812
Property expenses							
Operations and							
maintenance expenses	18(a)	(11,635)	(8,480)	–	–	(11,635)	(8,480)
Hotel management fee		(2,022)	(1,207)	–	–	(2,022)	(1,207)
Property tax		(267)	–	(8,609)	(8,553)	(8,876)	(8,553)
Insurance		(27)	–	(1,608)	(1,525)	(1,635)	(1,525)
Administrative and							
general expenses	18(b)	(4,609)	(2,163)	–	–	(4,609)	(2,163)
Sales and marketing expenses	18(c)	(1,674)	(1,192)	–	–	(1,674)	(1,192)
Energy and utility expenses		(2,021)	(1,754)	–	–	(2,021)	(1,754)
Rental expenses		(10,931)	(6,371)	–	–	(122)	–
Other property expenses		(42)	–	(2,771)	(1,412)	(2,813)	(1,412)
		(33,228)	(21,167)	(12,988)	(11,490)	(35,407)	(26,286)
Net property income							
		2,782	386	134,221	140,140	137,003	140,526
H-REIT Manager's base fees	19	–	–	(6,052)	(5,840)	(6,052)	(5,840)
H-REIT Manager's							
performance fees	19	–	–	(6,711)	(7,007)	(6,711)	(7,007)
H-REIT Trustee's fees		–	–	(273)	(266)	(273)	(266)
HBT Trustee-Manager's trustee							
and management fees		(37)	(24)	–	–	(37)	(24)
HBT Trustee-Manager's							
acquisition fee		(132)	–	–	–	(132)	–
Valuation fees		–	–	(198)	(170)	(198)	(170)
Depreciation, amortisation							
and impairment losses		(1,049)	–	(1,511)	–	(7,455)	(2,825)
Other trust expenses	20	(2,631)	(148)	(1,659)	(1,564)	(4,290)	(1,712)
Finance income		16	–	908	1,120	332	1,120
Finance costs		(582)	(1)	(22,636)	(17,559)	(22,626)	(17,560)
Net finance costs	21	(566)	(1)	(21,728)	(16,439)	(22,294)	(16,440)
Net (loss)/income before							
fair value adjustment		(1,633)	213	96,089	108,854	89,561	106,242
Net fair value (loss)/gain							
on investment properties		–	–	(38,534)	17,978	(30,221)	17,639
Net (loss)/income	22	(1,633)	213	57,555	126,832	59,340	123,881
Income tax expense	23	(222)	(42)	(629)	(1,434)	(906)	(1,425)
Total return for the year		(1,855)	171	56,926	125,398	58,434	122,456
Other comprehensive							
income for the year, net of tax		–	–	–	–	–	–
Total comprehensive							
income for the year		(1,855)	171	–	–	–	–
Earnings per Stapled							
 Security (cents)							
	24						
Basic						5.93	12.52
Diluted						5.93	12.52

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2015

HBT Group

	Units in issue \$'000	Issue expenses \$'000	Foreign currency translation reserve \$'000	Accumulated profits/(losses) \$'000	Total \$'000
At 1 January 2015	500	(121)	9	140	528
Operations					
Decrease in net assets resulting from operations	-	-	-	(1,855)	(1,855)
Foreign currency translation reserve					
- Translation differences relating to financial statements of foreign subsidiaries	-	-	18	-	18
Other comprehensive income	-	-	18	-	18
Total comprehensive income	-	-	18	(1,855)	(1,837)
At 31 December 2015	500	(121)	27	(1,715)	(1,309)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2015

H-REIT Group

	Units in issue \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2015	1,148,720	(23,921)	(581)	(23,650)	518,277	1,618,845
Operations						
Increase in net assets resulting from operations	-	-	-	-	56,926	56,926
Hedging reserve						
- Effective position of changes in fair value of cash flows hedge	-	-	581	-	-	581
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	-	-	-	11,947	-	11,947
- Exchange differences on a monetary item forming part of net investment in foreign operation	-	-	-	(13,225)	-	(13,225)
- Exchange differences arising from hedge of net investment in foreign operation	-	-	-	(8,024)	-	(8,024)
Other comprehensive income	-	-	581	(9,302)	-	(8,721)
Total comprehensive income	-	-	581	(9,302)	56,926	48,205
Unitholders' transactions						
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	10,210	-	-	-	-	10,210
Distributions to holders of Stapled Securities	-	-	-	-	(102,587)	(102,587)
Net decrease in net assets resulting from unitholders' transactions	10,210	-	-	-	(102,587)	(92,377)
At 31 December 2015	1,158,930	(23,921)	-	(32,952)	472,616	1,574,673

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2015

Stapled Group

	Units in issue \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2015	1,149,220	(24,042)	(581)	(23,774)	515,304	1,616,127
Operations						
Increase in net assets resulting from operations	–	–	–	–	58,434	58,434
Hedging reserve						
- Effective position of changes in fair value of cash flow hedge	–	–	581	–	–	581
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	11,848	–	11,848
- Exchange differences on monetary items forming part of net investment in foreign operation	–	–	–	(13,225)	–	(13,225)
- Exchange differences on hedge of net investment in foreign operation	–	–	–	(8,024)	–	(8,024)
Other comprehensive income	–	–	581	(9,401)	–	(8,820)
Total comprehensive income	–	–	581	(9,401)	58,434	49,614
Unitholders' transactions						
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	10,210	–	–	–	–	10,210
Distributions to holders of Stapled Securities	–	–	–	–	(102,587)	(102,587)
Net decrease in net assets resulting from unitholders' transactions	10,210	–	–	–	(102,587)	(92,377)
At 31 December 2015	1,159,430	(24,042)	–	(33,175)	471,151	1,573,364

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2014

HBT Group

	Units in issue \$'000	Issue expenses \$'000	Foreign currency translation reserve \$'000	Accumulated (losses)/profits \$'000	Total \$'000
At 1 January 2014	500	(121)	–	(31)	348
Operations					
Increase in net assets resulting from operations	–	–	–	171	171
Foreign currency translation reserve					
- Translation differences relating to financial statements of foreign subsidiaries	–	–	9	–	9
Other comprehensive income	–	–	9	–	9
Total comprehensive income	–	–	9	171	180
At 31 December 2014	500	(121)	9	140	528

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2014

H-REIT Group

	Units in issue \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2014	1,137,803	(23,921)	(421)	(16,945)	498,518	1,595,034
Operations						
Increase in net assets resulting from operations	-	-	-	-	125,398	125,398
Hedging reserve						
- Effective position of changes in fair value of cash flows hedge	-	-	(160)	-	-	(160)
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	-	-	-	4,020	-	4,020
- Exchange differences on a monetary item forming part of net investment in foreign operation	-	-	-	(8,052)	-	(8,052)
- Exchange differences arising from hedge of net investment in foreign operation	-	-	-	(2,673)	-	(2,673)
Other comprehensive income	-	-	(160)	(6,705)	-	(6,865)
Total comprehensive income	-	-	(160)	(6,705)	125,398	118,533
Unitholders' transactions						
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	10,278	-	-	-	-	10,278
Units/Stapled Securities to be issued as payment of H-REIT Manager's acquisition fees	639	-	-	-	-	639
Distributions to holders of Stapled Securities	-	-	-	-	(105,639)	(105,639)
Net decrease in net assets resulting from unitholders' transactions	10,917	-	-	-	(105,639)	(94,722)
At 31 December 2014	1,148,720	(23,921)	(581)	(23,650)	518,277	1,618,845

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2014

Stapled Group

	Units in issue \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 1 January 2014	1,138,303	(24,042)	(421)	(16,945)	498,487	1,595,382
Operations						
Increase in net assets resulting from operations	-	-	-	-	122,456	122,456
Hedging reserve						
- Effective position of changes in fair value of cash flow hedge	-	-	(160)	-	-	(160)
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	-	-	-	3,896	-	3,896
- Exchange differences on monetary items forming part of net investment in foreign operation	-	-	-	(8,052)	-	(8,052)
- Exchange differences on hedge of net investment in foreign operation	-	-	-	(2,673)	-	(2,673)
Other comprehensive income	-	-	(160)	(6,829)	-	(6,989)
Total comprehensive income	-	-	(160)	(6,829)	122,456	115,467
Unitholders' transactions						
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	10,278	-	-	-	-	10,278
Units/Stapled Securities to be issued as payment of H-REIT Manager's acquisition fees	639	-	-	-	-	639
Distributions to holders of Stapled Securities	-	-	-	-	(105,639)	(105,639)
Net decrease in net assets resulting from unitholders' transactions	10,917	-	-	-	(105,639)	(94,722)
At 31 December 2014	1,149,220	(24,042)	(581)	(23,774)	515,304	1,616,127

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into Singapore dollar, exchange differences on a monetary item which form part of H-REIT Group's net investment in foreign operation and exchange differences arising from hedge of net investment in foreign operation.

The accompanying notes form an integral part of these financial statements.

DISTRIBUTION STATEMENT

Year ended 31 December 2015

	Stapled Group	
	2015 \$'000	2014 \$'000
Income available for distribution to holders of Stapled Securities at the beginning of the year	55,950	54,026
Net income of H-REIT (Note 22)	36,240	108,149
Net income of HBT (Note 22)	1,105	–
Net tax adjustments (Note A)	71,613	11,366
Amount retained for working capital	(10,896)	(11,952)
	98,062	107,563
Capital distribution	1,130	–
Income available for distribution to holders of Stapled Securities	155,142	161,589
Distribution to holders of Stapled Securities:		
Distribution of 5.56 cents per Stapled Security for the period from 1/7/2013 to 31/12/2013	–	(54,253)
Distribution of 5.25 cents per Stapled Security for the period from 1/1/2014 to 30/6/2014	–	(51,386)
Distribution of 5.74 cents per Stapled Security for the period from 1/7/2014 to 31/12/2014	(56,380)	–
Distribution of 4.69 cents per Stapled Security for the period from 1/1/2015 to 30/6/2015	(46,207)	–
	(102,587)	(105,639)
Income available for distribution to holders of Stapled Securities at the end of the year	52,555	55,950
Distribution per Stapled Security (DPS) (cents) *	10.06	10.98
Note A – Net tax adjustments comprise:		
Non-tax (chargeable)/deductible items:		
- Amortisation of transaction costs	926	940
- Financial expense arising from remeasuring non-current rental deposits at amortised cost	196	188
- Foreign exchange loss	22,267	10,032
- H-REIT Manager's management fees paid/payable in Stapled Securities	10,210	10,278
- HBT Trustee-Manager's trustee fee	37	–
- H-REIT Trustee's fee	273	266
- Net fair value loss/(gain) on investment properties	37,260	(10,717)
- Other items	444	379
Net tax adjustments	71,613	11,366

Distributions of the Stapled Group represents the aggregate of distributions by H-REIT and HBT.

* The DPS relates to the distributions in respect of the relevant financial year. The distribution for the second half of the financial year will be made subsequent to the financial year end.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

H-REIT GROUP

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying value at 31/12/2015 \$'000	Carrying value at 31/12/2014 \$'000	Percentage of Total Net Assets at 31/12/2015 %	Percentage of Total Net Assets at 31/12/2014 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	66 years	442 Orchard Road	Hotel	449,000	460,000	28.5	28.4
Claymore Connect	Freehold *	75 years	66 years	442 Orchard Road	Retail	106,000	106,000	6.7	6.6
Grand Copthorne Waterfront Hotel	Freehold *	75 years	66 years	392 Havelock Road	Hotel	351,000	363,000	22.3	22.4
M Hotel	Freehold *	75 years	66 years	81 Anson Road	Hotel	235,000	235,000	14.9	14.5
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	51 years	403 Havelock Road	Hotel	121,000	122,000	7.7	7.5
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	61 years	177A River Valley Road	Hotel	319,000	319,000	20.3	19.7
Studio M Hotel	Leasehold	99 years from 26 February 2007	90 years	3 Nanson Road	Hotel	159,000	164,000	10.1	10.2
New Zealand									
Rendezvous Hotel Auckland	Freehold	-	-	71 – 87 Mayoral Drive, Auckland	Hotel	113,525	102,890	7.2	6.4
Australia									
Mercure Brisbane and Ibis Brisbane	Freehold	-	-	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	63,534	67,269	4.0	4.2
Novotel Brisbane	Freehold	-	-	200 Creek Street, Brisbane	Hotel	69,795	76,740	4.4	4.7
Ibis Perth	Freehold	-	-	334 Murray Street, Perth	Hotel	32,845	32,289	2.1	2.0
Mercure Perth	Freehold	-	-	10 Irwin Street, Perth	Hotel	46,906	49,079	3.0	3.0
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	32 years	South Nilandhe Atoll	Resort	110,059	109,156	7.0	6.7
Jumeirah Dhevanafushi	Leasehold	50 years from 15 June 2006	40 years	Gaafu Alifu Atoll	Resort	80,427	82,032	5.1	5.1
Balance carried forward						2,257,091	2,288,455	143.3	141.4

* H-REIT's interest in the freehold land is restricted to the remaining term of each respective lease.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

H-REIT GROUP

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying value at 31/12/2015 \$'000	Carrying value at 31/12/2014 \$'000	Percentage of Total Net Assets at 31/12/2015 %	Percentage of Total Net Assets at 31/12/2014 %
Balance brought forward						2,257,091	2,288,455	143.3	141.4
Investment properties, at valuation						2,257,091	2,288,455	143.3	141.4
Property, plant and equipment									
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	37,763	36,251	2.4	2.2
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	30,905	29,437	2.0	1.8
Others	–	–	–	–	–	530	346	0.0	0.0
Property, plant and equipment, at net book value						69,198	66,034	4.4	4.0
Other assets and liabilities (net)						(751,616)	(735,644)	(47.7)	(45.4)
Net assets of the H-REIT Group						1,574,673	1,618,845	100.00	100.00

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

STAPLED GROUP

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying value at 31/12/2015 \$'000	Carrying value at 31/12/2014 \$'000	Percentage of Total Net Assets at 31/12/2015 %	Percentage of Total Net Assets at 31/12/2014 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	66 years	442 Orchard Road	Hotel	449,000	460,000	28.5	28.5
Claymore Connect	Freehold *	75 years	66 years	442 Orchard Road	Retail	106,000	106,000	6.7	6.6
Grand Copthorne Waterfront Hotel	Freehold *	75 years	66 years	392 Havelock Road	Hotel	351,000	363,000	22.3	22.5
M Hotel	Freehold *	75 years	66 years	81 Anson Road	Hotel	235,000	235,000	15.0	14.5
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	51 years	403 Havelock Road	Hotel	121,000	122,000	7.7	7.5
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	61 years	177A River Valley Road	Hotel	319,000	319,000	20.3	19.7
Studio M Hotel	Leasehold	99 years from 26 February 2007	90 years	3 Nanson Road	Hotel	159,000	164,000	10.1	10.2
New Zealand									
Rendezvous Hotel Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	113,525	102,890	7.2	6.4
Australia									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	63,534	67,269	4.0	4.3
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	69,795	76,740	4.4	4.7
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	32,845	32,289	2.1	2.0
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	46,906	49,079	3.0	2.9
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	32 years	South Nilandhe Atoll	Resort	110,059	109,156	7.0	6.8
Balance carried forward						2,176,664	2,206,423	138.3	136.6

* H-REIT's interest in the freehold land is restricted to the remaining term of each respective lease.

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

STAPLED GROUP

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying value at 31/12/2015 \$'000	Carrying value at 31/12/2014 \$'000	Percentage of Total Net Assets at 31/12/2015 %	Percentage of Total Net Assets at 31/12/2014 %
Balance brought forward						2,176,664	2,206,423	138.3	136.6
Investment properties, at valuation						2,176,664	2,206,423	138.3	136.6
Property, plant and equipment and prepaid land lease									
Maldives									
Jumeirah Dhevanafushi	Leasehold	50 years from 15 June 2006	40 years	Gaafu Alifu Atoll	Resort	80,427	78,733	5.1	4.9
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	37,763	36,251	2.4	2.2
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	30,905	29,437	2.0	1.8
United Kingdom									
Hilton Cambridge City Centre (formerly known as Cambridge City Hotel)	Leasehold	125 years from 25 December 1990	100 years	Downing Street, Cambridge	Hotel	128,636	–	8.2	–
Others	–	–	–	–	–	530	346	0.0	0.0
Property, plant and equipment and prepaid land lease, at net book value						278,261	144,767	17.7	8.9
Other assets and liabilities (net)						(881,561)	(735,063)	(56.0)	(45.5)
Net assets of the Stapled Group						1,573,364	1,616,127	100.0	100.0

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

The carrying amounts of the investment properties located in Singapore, New Zealand, Australia and Maldives as at 31 December 2015 were based on independent valuations undertaken by Knight Frank Pte. Ltd. for the Singapore properties, CBRE Valuations Pty Limited for the Australia properties, CBRE Limited for the New Zealand property and Jones Lang LaSalle Property Consultants Pte. Ltd. for the Maldives properties as of 31 December 2015, except otherwise stated below. The independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations were based on the capitalisation and discounted cash flow methods for the Singapore properties; the discounted cash flow approach for the Australia and Maldives properties; and the capitalisation, discounted cash flows and comparable sale approach for New Zealand property.

The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuation. The valuation methods used in determining the fair value involve certain estimates including those relating to capitalisation rate, discount rate and terminal yield.

The valuations adopted for the properties were as follows:

	Note	H-REIT Group		Stapled Group	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Investment properties					
Orchard Hotel		449,000	460,000	449,000	460,000
Grand Copthorne Waterfront Hotel		351,000	363,000	351,000	363,000
Novotel Singapore Clarke Quay		319,000	319,000	319,000	319,000
M Hotel		235,000	235,000	235,000	235,000
Studio M Hotel		159,000	164,000	159,000	164,000
Copthorne King's Hotel		121,000	122,000	121,000	122,000
Claymore Connect	(ii)	106,000	106,000	106,000	106,000
Rendezvous Hotel Auckland		113,525	102,890	113,525	102,890
Mercure Brisbane and Ibis Brisbane		63,534	67,269	63,534	67,269
Novotel Brisbane		69,795	76,740	69,795	76,740
Ibis Perth		32,845	32,289	32,845	32,289
Mercure Perth		46,906	49,079	46,906	49,079
Angsana Velavaru		110,059	109,156	110,059	109,156
Jumeirah Dhevanafushi		80,427	82,032	–	–
	(iii)	2,257,091	2,288,455	2,176,664	2,206,423
Property, plant and equipment and prepaid land lease					
Jumeirah Dhevanafushi		–	–	80,427	82,032
Hotel MyStays Asakusabashi	(iv)	43,598	36,817 / 37,916	43,598	36,817 / 37,916
Hotel MyStays Kamata	(iv)	35,980	28,574 / 29,893	35,980	28,574 / 29,893
Hilton Cambridge City Centre	(v)	–	–	132,686	–

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2015

- (i) Properties are leased to external customers or related corporations. The leases for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel contain an initial term of 20 years from 19 July 2006 with an option to renew for a further 20 years. The lease for Studio M Hotel contains an initial term of 20 years from 3 May 2011 with an option to renew up to a total term of 70 years. The leases for Claymore Connect generally contain an initial term of one to three years. Subsequent renewals are renegotiated with the lessees. The lease for Rendezvous Hotel Auckland contains an initial term of 10 years from 7 September 2006 with an option to renew for a further 5 years. The lease for Novotel Singapore Clarke Quay contains a term of approximately 13.5 years from 7 June 2007. The leases for the Australia investment properties contain a term of approximately 11 years from 19 February 2010. The lease for Angsana Velavaru contains a term of 10 years from 1 February 2013. The lease for Jumeirah Dhevanafushi contains a term of 10 years from 31 December 2013 and the property was leased to CDL HBT Oceanic Maldives Private Limited, an indirect subsidiary of HBT. For the Japan properties, there are master lease arrangements between a trust bank in Japan (in its capacity as the trust bank holding the legal title to the Japan Hotels) and AKO GK, an indirect subsidiary of HBT effective from 19 December 2014 through the last day of August 2016.
- (ii) Claymore Connect received its Temporary Occupation Permit ("**TOP**") in March 2015 and it was officially opened on 8 October 2015.
- (iii) The net change in fair value of the investment properties is recognised in the statement of total return for the year ended 31 December 2015 and is not available for distribution to holders of Stapled Securities.
- (iv) The two properties were appraised by professional valuer at an open market value as at 31 December 2015. The net change in fair value has not been incorporated in the financial statements.
- (v) There was one valuer commissioned by HBT Trustee-Manager. The property was valued as at 25 August 2015 for the purpose of the acquisition (Note 26).

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Year ended 31 December 2015

Note	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash flows from operating activities						
Net (loss)/income	(1,633)	213	57,555	126,832	59,340	123,881
Adjustments for:						
H-REIT Manager's management fees paid/payable in Stapled Securities	–	–	10,210	10,278	10,210	10,278
Net finance costs	572	1	21,073	16,439	21,654	16,440
Impairment loss on trade receivables	42	–	470	–	512	–
Depreciation and amortisation	1,049	–	1,511	–	5,733	2,825
Impairment loss on property, plant and equipment	–	–	–	–	1,557	34
Impairment loss on prepaid land lease	–	–	–	–	166	–
Property, plant and equipment written off	142	–	–	–	142	–
Net fair value loss/(gain) on investment properties	–	–	38,534	(17,978)	30,221	(17,639)
Transaction costs for acquisition of a subsidiary	2,442	–	–	–	2,442	–
Operating income before working capital changes	2,614	214	129,353	135,571	131,977	135,819
Changes in working capital:						
Trade and other receivables	(1,923)	(3,323)	1,945	(4,393)	2,887	(6,742)
Trade and other payables	(404)	7,930	375	5,012	(2,905)	11,934
Inventories	244	(1,366)	–	–	244	(1,366)
Cash generated from operating activities	531	3,455	131,673	136,190	132,203	139,645
Tax paid	(154)	–	(850)	(204)	(1,004)	(204)
Net cash generated from operating activities	377	3,455	130,823	135,986	131,199	139,441
Cash flows from investing activities						
Acquisition of property, plant and equipment and prepaid land lease	(512)	–	(335)	(65,528)	(2,304)	(311)
Capital expenditure on investment properties	–	–	(16,924)	(27,430)	(15,466)	(27,430)
Net cash outflow from acquisition of a subsidiary	26	6	–	–	(133,564)	(65,211)
Interest received	–	–	318	342	318	342
Net cash (used in)/from investing activities	(134,076)	6	(16,941)	(92,616)	(151,016)	(92,610)
Balance carried forward	(133,699)	3,461	113,882	43,370	(19,817)	46,831

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Year ended 31 December 2015

Note	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance carried forward	(133,699)	3,461	113,882	43,370	(19,817)	46,831
Cash flows from financing activities						
Other payables/(receivables)	139,144	–	(139,144)	–	–	–
Distribution to holders of Stapled Securities	–	–	(102,587)	(105,639)	(102,587)	(105,639)
Finance costs paid	–	–	(20,142)	(16,644)	(20,142)	(16,644)
Payment of transaction costs related to borrowings	–	–	(2,835)	(892)	(2,835)	(892)
Proceeds from bank loans	–	–	378,723	230,959	378,723	230,959
Proceeds from issuance of bond	–	–	35,030	–	35,030	–
Repayment of bank loans	–	–	(273,308)	(76,896)	(273,308)	(76,896)
Repayment of notes	–	–	–	(70,000)	–	(70,000)
Restricted cash	–	–	(1,371)	–	(1,371)	–
Net cash from/(used in) financing activities	139,144	–	(125,634)	(39,112)	13,510	(39,112)
Net increase/(decrease) in cash and cash equivalents	5,445	3,461	(11,752)	4,258	(6,307)	7,719
Cash and cash equivalents at beginning of the year	4,066	605	72,381	68,123	76,447	68,728
Effect of exchange rate changes on cash and cash equivalents	190	–	267	–	457	–
Cash and cash equivalents at end of the year (Note 10)	9,701	4,066	60,896	72,381	70,597	76,447

Significant Non-Cash Transactions

H-REIT Group and Stapled Group

For the financial year ended 31 December 2015, a total of 6,921,908 (2014: 6,462,785) Stapled Securities amounting to \$10,210,000 (2014: \$10,917,000) were issued or will be issued to the H-REIT Manager at various unit prices as satisfaction of asset management fees payable in units.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the HBT Trustee-Manager, the H-REIT Manager and the H-REIT Trustee on 8 March 2016.

1 GENERAL

CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and its subsidiaries (the "**H-REIT Group**") and CDL Hospitality Business Trust ("**HBT**") and its subsidiaries (the "**HBT Group**") (collectively, the "**Stapled Group**"). H-REIT is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 8 June 2006 as amended by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010 and the Third Supplemental Deed dated 20 July 2010 (collectively, the "**H-REIT Trust Deed**") between M&C REIT Management Limited (the "**H-REIT Manager**") and DBS Trustee Limited (the "**H-REIT Trustee**"). The H-REIT Trust Deed is governed by the laws of the Republic of Singapore. The H-REIT Trustee is under a duty to take into custody and hold the assets of H-REIT held by it or through its subsidiaries in trust for the holders of units in H-REIT. HBT is a business trust constituted by a trust deed dated 12 June 2006 ("**HBT Trust Deed**") and is managed by M&C Business Trust Management Limited (the "**HBT Trustee-Manager**"). The securities in each of H-REIT and HBT are stapled together under the terms of a stapling deed dated 12 June 2006 entered into between the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager (the "**Stapling Deed**") and cannot be traded separately. Each stapled security in CDL Hospitality Trusts (the "**Stapled Security**") comprises a unit in H-REIT (the "**H-REIT Unit**") and a unit in HBT (the "**HBT Unit**").

CDL Hospitality Trusts was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 19 July 2006.

The principal activity of H-REIT and its subsidiaries is to invest in income producing real estate and real estate related assets, which are used or substantially used for hospitality and hospitality related purposes, with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth.

The HBT Trustee-Manager activated the HBT as master lessee. In addition to its function as a master lessee, HBT may also undertake certain hospitality and hospitality-related development projects, acquisition and investments which may not be suitable for H-REIT.

The consolidated financial statements of the H-REIT Group relate to H-REIT and its subsidiaries. The consolidated financial statements of the HBT Group relate to HBT and its subsidiaries. The consolidated financial statements of the Stapled Group relate to the HBT Group and the H-REIT Group.

Several service agreements are in place in relation to the management of HBT and H-REIT and its property operations. The fee structures of these services are as follows:

(i) *HBT Trustee-Manager's fees*

Pursuant to the Clauses 12.1 and 12.2 of the HBT Trust Deed, the HBT Trustee-Manager is entitled to the following:

- Trustee fee of not exceeding 0.1% per annum of the value of HBT's Deposited Property (as defined in the HBT Trust Deed), subject to a minimum fee of \$10,000 per month, if the value of HBT's Deposited Property is at least \$50.0 million. The trustee fee is payable in arrears on a monthly basis in the form of cash.
- Management fee of 10% of HBT's profit before interest and tax in the relevant financial year (calculated before accounting for the management fee in that financial year).

The management fee is payable in the form of cash or Stapled Securities as the HBT Trustee-Manager may elect, and in such proportion and for such period as may be determined by the HBT Trustee-Manager.

Any increase in the maximum permitted rate or any change in the structure of the HBT Trustee-Manager's management fees must be approved by an extraordinary resolution at a meeting of the holders of the HBT units duly convened and held in accordance with the provisions of the HBT Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

(i) HBT Trustee-Manager's fees (cont'd)

Any portion of the management fee payable in the form of Stapled Securities is payable quarterly in arrears and any portion of the Management fee payable in cash is payable monthly in arrears.

For the year ended 31 December 2015, the HBT Trustee-Manager's fees were satisfied in cash. The trustee fee and management fee form the recurrent and substantial portion of the HBT Trustee-Manager's total remuneration in return for the HBT Trustee-Manager's efforts in the overall management of HBT, which includes, but is not limited to, owning and operating Hilton Cambridge City Centre as well as acting as a master lessee for Jumeirah Dhevanafushi, Hotel MyStays Asakusabashi and Hotel MyStays Kamata, and the management of the professional hotel managers which manages these hotels/resort.

- An acquisition fee of not exceeding 0.1% of the acquisition price of any authorised investment acquired directly or indirectly by HBT (pro-rated if applicable to the proportion of HBT's interest in the authorised investment acquired). The acquisition fee payable in the form of cash and/or Stapled Securities as the HBT Trustee-Manager may elect, and in such proportion as may be determined by the HBT Trustee-Manager.

The acquisition fee is based on a percentage of the purchase consideration for any authorised investment acquired directly or indirectly by HBT. The acquisition fee recognises the time, effort and cost spent by the HBT Trustee-Manager in the sourcing, evaluation and execution of potential opportunities to acquire new authorised investment. As the HBT Trustee-Manager has to provide these services over and above the overall management of the HBT Group, the HBT Trustee-Manager should be compensated fairly to reflect the additional efforts expended and the costs incurred in such transactions. The board of directors of HBT (the "**HBT Board**") has also considered and is of the view that such fee is reasonable and in line with market practices.

For the financial year ended 31 December 2015, the HBT Trustee-Manager earned an acquisition fee which was satisfied in cash arising from its purchase of 100% of the total number of issued shares in a company incorporated in the United Kingdom, which owns the Hilton Cambridge City Centre (Note 26).

(ii) H-REIT Manager's fees

Pursuant to the Clauses 14.1 and 14.2 of the H-REIT Trust Deed, the H-REIT Manager is entitled to the following:

- Management fees comprising a base fee of 0.25% per annum of the value of H-REIT's Deposited Property (as defined in the H-REIT Trust Deed) and a performance fee of 5.0% per annum of H-REIT's net property income (as defined in the H-REIT Trust Deed).

H-REIT Manager's management fees shall be payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect, and in such proportion as may be determined by the H-REIT Manager on a year to year basis. Where the management fees are payable in the form of Stapled Securities or (in the event that unstapling of the H-REIT units and HBT units has taken place) H-REIT units, such Stapled Securities or H-REIT units shall be issued at the market price (as defined in the H-REIT Trust Deed) prevailing at the date the management fees accrue. For the financial year ended 31 December 2015, the H-REIT Manager's management fees were satisfied in the form of 80% Stapled Securities and 20% cash.

Any increase in the maximum permitted rate or any change in the structure of the H-REIT Manager's management fees must be approved by an extraordinary resolution at a meeting of holders of the H-REIT units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

For the financial year ended 31 December 2015, the portion of the management fees (comprising base fee and performance fee) payable in the form of Stapled Securities was paid on a quarterly basis, in arrears. The portion of the management fees (comprising base fee and performance fee) payable in the form of cash was paid on a monthly basis, in arrears. Moving forward, in accordance with the Code on Collective Investment Schemes dated 1 January 2016, the performance fee (whether payable in Stapled Securities or cash) will be paid on an annual basis in arrears. The payment arrangement for the base fee remains unchanged, where the portion of the base fee payable in the form of Stapled Securities will be payable quarterly in arrears and the portion of the base fee payable in cash will be payable monthly in arrears.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

(ii) H-REIT Manager's fees (cont'd)

For the provision of ongoing management services to H-REIT, the H-REIT Manager is entitled to receive an annual management fee in the form of a base fee and a performance fee as stipulated above. Collectively, these fees form the recurrent and substantial portion of the H-REIT Manager's total remuneration as consideration for an extensive service scope which includes, but is not limited to the functions of investment management, active asset management, capital and risk management, financing, and investor relations rendered by the H-REIT Manager.

H-REIT Manager's base fee is based on a percentage of the value of H-REIT's Deposited Property as the scope of H-REIT Manager's duties is commensurate with the size of the asset portfolio of H-REIT and the H-REIT Manager should be compensated for performing its core functions. In addition, the H-REIT Manager has accepted the majority of its base fees in Stapled Securities and this will serve to align the interests of the H-REIT Manager with that of Stapled Security Holders as the H-REIT Manager will assume a vested interest in the performance of the H-REIT Group. The base fee payable to the H-REIT Manager has been assessed by the board of directors of H-REIT (the "**H-REIT Board**") and the H-REIT Board believes that the base fee is reasonable and in line with market practices.

The performance fee payable to the H-REIT Manager is based on a percentage of the H-REIT Group's net property income. The fee methodology is highly transparent and reflective of the alignment of interest between the H-REIT Manager and Stapled Security Holders in driving higher income yields over the long term through proactive management, asset enhancement/repositioning initiatives and cost efficiencies. Accordingly, the H-REIT Board is of the view that the performance fee will incentivise the H-REIT Manager to take a holistic and balanced approach towards seeking growth opportunities and encourage the H-REIT Manager to act in the interests of Stapled Security Holders to enhance the net property income and consequently the long-term value of assets. With effect from 1 January 2016, the performance fee payable will be made on an annual basis in arrears, subsequent to the end of the financial year.

- Acquisition fee of 1% of the acquisition price and a divestment fee of 0.5% of the sale price on all future acquisitions or disposals of properties respectively. Such fees are for services rendered towards the strategic acquisition or disposal of any property by H-REIT in deriving long term returns for its Stapled Security Holders. Both the acquisition fee and divestment fee are payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect, and in such proportion as may be determined by the H-REIT Manager. In the event that the H-REIT Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of Stapled Securities issued at the market price.

The acquisition fee is based on a percentage of the purchase consideration for any real estate purchased directly or indirectly by H-REIT. The divestment fee payable to H-REIT Manager is based on a percentage of the sale consideration for any real estate sold directly or indirectly by H-REIT. The acquisition fee and divestment fee recognises the time, effort and cost spent by the H-REIT Manager in the sourcing, evaluation and execution of potential opportunities to acquire or divest properties, so as to continue delivering long-term sustainable income or realise capital value gains for Stapled Security Holders respectively. As the H-REIT Manager has to provide these services over and above the overall management of the H-REIT Group, the H-REIT Manager should be compensated fairly to reflect the additional efforts expended and the costs incurred in such transactions. The H-REIT Board has also considered and is of the view that such fees are reasonable and in line with market practices.

(iii) H-REIT Trustee's fee

Pursuant to the H-REIT Trust Deed, the H-REIT Trustee's fee shall not exceed 0.1% per annum of the value of H-REIT's Deposited Property (subject to a minimum of \$10,000 per month) or such higher percentage as may be fixed by an extraordinary resolution of a meeting of holders of the H-REIT units. The H-REIT Trustee's fee is payable out of H-REIT's Deposited Property on a monthly basis, in arrears. The H-REIT Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the H-REIT Trust Deed.

Based on the current agreement between the H-REIT Manager and the H-REIT Trustee, the H-REIT Trustee's fee is charged on a scaled basis of up to 0.02% per annum of the value of H-REIT's Deposited Property (subject to a minimum of \$10,000 per month).

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of HBT Group are prepared in accordance with Singapore Financial Reporting Standards ("**FRS**").

The financial statements of the H-REIT Group and the Stapled Group are prepared in accordance with the Statement of Recommended Accounting Practice ("**RAP**") 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, and 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 H-REIT Trust Deed and the Stapling Deed. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as described below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of HBT and H-REIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 – Impairment of property, plant and equipment and prepaid land lease
- Note 5 – Valuation of investment properties
- Note 27 – Valuation of financial instruments

Measurement of fair values

A number of the Stapled Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The H-REIT Manager and the HBT Trustee-Manager have an established control framework with respect to the measurement of fair values. This includes a team that regularly reviews significant unobservable inputs and reports directly to the Chief Financial Officer, who has overall responsibility for all significant fair value measurements.

The team regularly reviews significant unobservable inputs and valuation adjustments included in the fair value measurements. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the H-REIT Manager and the HBT Trustee-Manager assess the documents that evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

When measuring the fair value of an asset or a liability, the H-REIT Manager and the HBT Trustee-Manager use market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: unobservable inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Stapled Group recognises transfers between levels of the fair value hierarchy as of the end of the financial year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – Impairment of property, plant and equipment and prepaid land lease
- Note 5 – Valuation of investment properties
- Note 27 – Valuation of financial instruments

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the HBT Group, the H-REIT Group and the Stapled Group consistently to all periods presented in these financial statements.

3.1 Consolidation

Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Stapled Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

Business combinations (cont'd)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Stapled Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries

Subsidiaries are entities either controlled by the HBT Group or the H-REIT Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies of the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the HBT Group, the H-REIT Group and the Stapled Group.

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the HBT Group, the H-REIT Group and the Stapled Group at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of total return, except for differences arising on the retranslation of a financial liability designated as a hedge of the H-REIT Group's and the Stapled Group's net investment in a foreign operation that is effective (see below), which are recognised in unitholders' funds directly.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognised directly in the foreign currency translation reserve in unitholders' funds. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to the statement of total return as part of the gain or loss on disposal. When only part of the interest in a subsidiary that includes a foreign operation is disposed of while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

Foreign operations (cont'd)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised directly in the foreign currency translation reserve in unitholders' funds.

Hedge of net investment in foreign operation

The H-REIT Group and the Stapled Group apply hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the H-REIT's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in foreign currency translation reserve in unitholders' funds to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the statement of total return. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the statement of total return as part of the profit or loss on disposal.

3.3 Property, plant and equipment

Recognition and measurement

Owner's occupied property is classified as property, plant and equipment. All items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of comprehensive income and statement of total return.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Stapled Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income and statement of total return as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

Depreciation (cont'd)

Depreciation is recognised as an expense in the statement of comprehensive income and statement of total return on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current year is as follows:

- | | |
|----------------------------|------------------------------------------------------|
| • leasehold land | The remaining useful lives of land lease |
| • buildings | 50 years or the remaining useful lives of land lease |
| • plant and machinery | 10 - 12 years |
| • furniture and fixtures | 7 years |
| • motor vehicles and boats | 5 years |
| • office equipment | 5 years |
| • computers | 5 years |

Capital works-in-progress are not depreciated as these assets are not yet available for use.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Prepaid land lease

Prepaid land lease relates to upfront payment on long-term leasehold interests in land. These payments are stated at cost and are amortised on a straight-line basis over the respective period of the lease.

3.5 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost on initial recognition and subsequently at fair value with any changes therein recognised in the statement of total return. The cost of a purchased property comprises its purchase price and any directly attributable expenditure including transaction costs. Fair value is determined in accordance with the H-REIT Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- at least once a year in accordance with the Property Funds Appendix of CIS Code issued by MAS; and
- where the H-REIT Manager proposes to issue new units for subscription or to redeem existing units unless the investment properties have been valued not more than 6 months ago.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above. For taxation purposes, the H-REIT Group may claim capital allowances on assets that qualify as plant and machinery under the income tax laws of the countries in which the investment properties are located.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments

Non-derivative financial assets

Loans and receivables and deposits are initially recognised on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Stapled Group becomes a party to the contractual provisions of the instrument.

The Stapled Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or they transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Stapled Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Stapled Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets are classified into loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables (except prepayments and deferred capital expenditure), cash and cash equivalents and rental deposits.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits.

Non-derivative financial liabilities

Debt securities issued and subordinated liabilities are initially recognised on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Stapled Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Stapled Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are classified into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, trade and other payables and rental deposits.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

Derivative financial instruments, including hedge accounting

Derivative financial instruments are held to hedge foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the statement of total return.

On initial designation of the hedge, the relationship between the hedging instrument(s) and hedged item(s) is formally documented, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. An assessment is made, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of total return when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of total return. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in unitholders' funds to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of total return.

When the hedged item is a non-financial asset, the amount recognised in unitholders' funds is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in unitholders' funds is transferred to the statement of total return in the same period that the hedged item affects the total return.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in unitholders' funds remains there until the forecast transaction occurs.

3.7 Inventories

Inventories comprise mainly food, beverage stocks and consumables.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the statement of total return.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of total return.

Non-financial assets

The carrying amounts of the Stapled Group's non-financial assets, other than investment properties, deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of total return.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

3.9 Unitholders' funds

Unitholders' funds of the Stapled Group comprise unitholders' funds of the HBT Group and the H-REIT Group. Unitholders' funds are classified as equity.

Issue expenses relate to expenses incurred in connection with the issue of Stapled Securities. The expenses are deducted directly against the unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Revenue

Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Variable rentals are recognised as income in the accounting period in which they are earned and the amount can be measured reliably. Contingent rentals are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Hotel income and food and beverage revenue

Revenue from hotel operations is recognised when the relevant rooms and services are rendered to the customers.

3.11 Expenses

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

HBT Trustee-Manager's fees

HBT Trustee-Manager's fees are recognised on an accrual basis using the applicable formula, as described in Note 1(i).

H-REIT Manager's management fees

H-REIT Manager's management fees are recognised on an accrual basis using the applicable formula, as described in Note 1(ii).

H-REIT Trustee's fee

The H-REIT Trustee's fee is recognised on an accrual basis using the applicable formula, as described in Note 1(iii).

Staff costs

Staff costs consist of short-term employee benefit and post-employment benefit. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Post-employee benefit relates to defined contribution plan. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss in the periods during which related services are rendered by employees.

3.12 Finance income and finance cost

Finance income comprises interest income on funds invested, net foreign currency gains and gains on hedging instruments that are recognised in the statement of total return or statement of comprehensive income (as the case may be). Interest income is recognised as it accrues, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Finance income and finance cost (cont'd)

Finance cost comprises interest expense on borrowings, unwinding of the discount on non-current rental deposits, net foreign currency losses and losses on hedging instruments that are recognised in the statement of total return or statement of comprehensive income (as the case may be). All borrowing costs are recognised in the statement of total return or statement of comprehensive income (as the case may be) using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3.13 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits and temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Stapled Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Stapled Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Stapled Group's belief that its tax return positions are supportable. The Stapled Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgements about future events. New information may become available that causes the Stapled Group to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

H-REIT received a tax ruling from the Inland Revenue Authority of Singapore ("IRAS") and subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of H-REIT, H-REIT will not be taxed on the portion of taxable income of H-REIT that is distributed to holders of H-REIT units. Any portion of the taxable income that is not distributed to holders of H-REIT units will be taxed on H-REIT. In the event that there are subsequent adjustments to the taxable income when the actual taxable income of H-REIT is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the taxable income for the next distribution following the agreement with the IRAS.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Tax (cont'd)

Although H-REIT is not taxed on its taxable income distributed, the H-REIT Trustee and the H-REIT Manager are required to deduct income tax at the applicable corporate tax rate from distributions of such taxable income of H-REIT (i.e. which has not been taxed in the hands of the H-REIT Trustee) to certain holders of H-REIT units. The H-REIT Trustee and the H-REIT Manager will not deduct tax from distributions made out of H-REIT's taxable income to the extent that the beneficial holder of H-REIT units is:

- An individual (excluding a partnership in Singapore);
- A tax resident Singapore-incorporated company;
- A body of persons registered or constituted in Singapore (e.g. town council, statutory board, registered charity, registered co-operative society, registered trade union, management corporation, club or trade or industry association); or
- A Singapore branch of a foreign company which has presented a letter of approval from the IRAS granting waiver from tax deduction at source in respect of distributions from H-REIT. For distributions received on or after 1 January 2015, a Singapore branch of a company incorporated outside Singapore will receive such distributions without deduction of tax. There is no need for the branch to obtain prior approval from Comptroller of Income Tax.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains which are considered as trading gains are assessable to tax on H-REIT. Where the gains are capital gains, H-REIT will not be assessed to tax and may distribute the capital gains without tax being deducted at source.

HBT is treated like a company under the one-tier corporate tax system for Singapore income tax purposes. Consequently, HBT is assessed to Singapore income tax on its profits, just like any other company. Distributions are exempt from Singapore income tax in the hands of the unitholders, regardless of their respective tax status.

3.14 Segment reporting

An operating segment is a component of the HBT Group, the H-REIT Group and the Stapled Group that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the HBT Group, the H-REIT Group and the Stapled Group. All operating segments' operating results are reviewed regularly by the HBT Board or the H-REIT Board ("**Boards**") to make decisions about resources to be allocated to the segment and assess its performance, and is a component for which discrete financial information is available.

Segment results that are reported to the Boards include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income, finance costs and trust expenses.

Segment capital expenditure is the total cost incurred on properties during the year.

3.15 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. In addition, Singapore-incorporated companies listed on the Singapore Exchange ("**SGX**") will apply a new financial reporting framework identical to the International Financial Reporting Standards ("**IFRS**") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1: *First-time adoption of IFRS* when transitioning to the new reporting framework. The H-REIT Manager and the HBT Trustee-Manager is currently assessing the potential impact of adopting these new standards and interpretations and the new financial reporting framework, on the financial statements of the HBT Group, the H-REIT Group and the Stapled Group.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 New standards and interpretations not adopted (cont'd)

The new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Stapled Group on 1 January 2018. FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Stapled Group in accounting for revenue and financial instruments, these standard are expected to be relevant. The Stapled Group do not plan to adopt the standard early.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land \$'000	Building \$'000	Capital work- in-progress \$'000	Furniture and fixtures \$'000	Total \$'000
HBT Group					
Cost					
At 1 January 2015	–	–	–	–	–
Acquisition of business (Note 26)	52,477	61,958	–	18,251	132,686
Additions	–	–	475	37	512
Write-off	–	–	–	(142)	(142)
Translation differences	(1,333)	(1,574)	–	(463)	(3,370)
At 31 December 2015	51,144	60,384	475	17,683	129,686
Accumulated depreciation and impairment losses					
At 1 January 2015	–	–	–	–	–
Depreciation	46	388	–	615	1,049
Translation differences	*	1	–	*	1
At 31 December 2015	46	389	–	615	1,050
Carrying amounts					
At 1 January 2015	–	–	–	–	–
At 31 December 2015	51,098	59,995	475	17,068	128,636

* Amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Motor vehicles and boats \$'000	Furniture and fixtures \$'000	Total \$'000
H-REIT Group						
Cost						
At 1 January 2014	–	–	–	–	–	–
Additions	33,861	26,207	5,788	331	–	66,187
Translation differences	(86)	(65)	(17)	15	–	(153)
At 31 December 2014	33,775	26,142	5,771	346	–	66,034
At 1 January 2015	33,775	26,142	5,771	346	–	66,034
Additions	18	67	–	248	2	335
Reclassification	–	–	(80)	–	80	–
Translation differences	2,243	1,738	381	30	3	4,395
At 31 December 2015	36,036	27,947	6,072	624	85	70,764
Accumulated depreciation and impairment losses						
At 1 January 2014 and 31 December 2014	–	–	–	–	–	–
Depreciation	–	820	596	90	5	1,511
Translation differences	–	30	22	3	*	55
At 31 December 2015	–	850	618	93	5	1,566
Carrying amounts						
At 1 January 2014	–	–	–	–	–	–
At 31 December 2014	33,775	26,142	5,771	346	–	66,034
At 31 December 2015	36,036	27,097	5,454	531	80	69,198

* Amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Capital work-in- progress \$'000	Plant and machinery \$'000	Furniture and fixtures \$'000	Motor vehicles and boats \$'000	Office equipments \$'000	Computers \$'000	Total \$'000
Stapled Group										
Cost										
At 1 January 2014	–	–	63,574	1,328	3,330	2,630	164	334	130	71,490
Acquisition of business	33,861	–	26,207	–	5,788	–	–	–	–	65,856
Additions	–	–	35	–	–	17	331	262	21	666
Disposal/Write-off	–	–	–	–	–	–	–	(34)	–	(34)
Translation differences	(86)	–	2,736	58	131	123	15	24	7	3,008
At 31 December 2014	33,775	–	92,552	1,386	9,249	2,770	510	586	158	140,986
At 1 January 2015	33,775	–	92,552	1,386	9,249	2,770	510	586	158	140,986
Acquisition of business (Note 26)	–	52,477	61,958	–	–	18,251	–	–	–	132,686
Additions	18	–	75	559	37	54	275	409	6	1,433
Disposal/Write-off	–	–	–	–	–	(142)	–	–	–	(142)
Transfer from capital work-in-progress	–	–	1,375	(1,521)	–	143	–	–	3	–
Reclassification	–	–	–	–	(80)	80	–	–	–	–
Translation differences	2,243	(1,333)	4,616	50	613	(272)	42	51	11	6,021
At 31 December 2015	36,036	51,144	160,576	474	9,819	20,884	827	1,046	178	280,984
Accumulated depreciation and impairment losses										
At 1 January 2014	–	–	–	–	–	–	–	–	–	–
Depreciation	–	–	1,748	–	333	377	33	95	28	2,614
Translation differences	–	–	75	–	14	17	1	4	1	112
At 31 December 2014	–	–	1,823	–	347	394	34	99	29	2,726
At 1 January 2015	–	–	1,823	–	347	394	34	99	29	2,726
Depreciation	–	46	3,120	–	957	1,044	126	153	33	5,479
Impairment loss	–	–	1,492	–	65	–	–	–	–	1,557
Translation differences	–	*	252	–	57	38	6	11	3	367
At 31 December 2015	–	46	6,687	–	1,426	1,476	166	263	65	10,129
Carrying amounts										
At 1 January 2014	–	–	63,574	1,328	3,330	2,630	164	334	130	71,490
At 31 December 2014	33,775	–	90,729	1,386	8,902	2,376	476	487	129	138,260
At 31 December 2015	36,036	51,098	153,889	474	8,393	19,408	661	783	113	270,855

* Amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment loss

Property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that the assets may be impaired. The recoverable amount of the property, plant and equipment has been subsequently determined based on fair value in use. Based on the above assessment, the management made an impairment loss of \$1,723,000 for one of the resorts in Maldives, Jumeirah Dhevanafushi, as the estimated recoverable amount of the cash-generating unit (the "CGU") was estimated to be lower than its carrying amount due to the challenging market conditions in Maldives.

Assets under Jumeirah Dhevanafushi operating segment form the CGU which include buildings, plant and machinery and prepaid land lease. The impairment loss of \$1,723,000 is allocated to buildings, plant and machinery and prepaid land lease proportionately based on carrying amount before impairment.

Key assumptions used in the estimation of value in use were as follows:

	2015 %
Discount rate	13.5
Terminal yield rate	8.5

The discount rate was adopted after considering the rate of return of the market recent transactions, inflation expectations and further allowance for the perceived risk of the operations and achievement of cash flows projections.

Ten years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity had been determined based on nominal GDP rates for the countries in which the CGU operates and historical hotel transactions.

Following the impairment loss recognised in the Stapled Group's CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

5 INVESTMENT PROPERTIES

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	–	–	2,288,455	2,238,770	2,206,423	2,161,693
Capital expenditure incurred	–	–	11,057	35,945	9,599	34,737
Translation differences	–	–	(3,887)	(4,238)	(9,137)	(7,646)
Fair value changes	–	–	(38,534)	17,978	(30,221)	17,639
At 31 December	–	–	2,257,091	2,288,455	2,176,664	2,206,423

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value

Fair value hierarchy

The investment properties are stated at fair value based on valuations performed by independent professional valuers (see Portfolio Statements). The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuation. The valuation methods (see Portfolio Statements) used in determining the fair value involve certain estimates including those relating to capitalisation rate, discount rate and terminal yield. In relying on the valuation reports, the H-REIT Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of market conditions prevailing at the end of the financial year.

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4).

Valuation techniques and significant unobservable inputs

The following table shows the H-REIT Group's and the Stapled Group's valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Type	Valuation techniques	Unobservable input	2015 Range	2014 Range
Singapore	Discounted Cash flow/ Capitalisation	Discount rate	7.50%	7.75%
		Terminal yield	5.50% - 6.50%	5.75% - 6.75%
		Capitalisation rate	5.25% - 6.25%	5.50% - 6.50%
New Zealand	Discounted Cash flow/ Capitalisation/ Sales Comparison	Discount rate	11.00%	10.75%
		Terminal yield	8.00%	8.25%
		Capitalisation rate	7.75%	8.25%
Australia	Discounted Cash flow	Discount rate	10.00%	10.50%
		Terminal yield	8.00% - 8.50%	8.50% - 9.00%
Maldives	Discounted Cash flow	Discount rate	13.50% - 13.75%	11.50% - 12.00%
		Terminal yield	8.50% - 8.75%	9.50% - 10.00%

Inter-relationship between key unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair value measurement of investment properties are discount rate, terminal yield and capitalisation rate. Significant increases in discount rate, terminal yield and capitalisation rate in isolation would result in a significantly lower fair value.

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES (CONT'D)

Key unobservable inputs

Key unobservable inputs correspond to:

- Discount rate, based on rate of return of the market recent transactions, the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Terminal yield reflects the uncertainty, functional/economic obsolescence and the risk associated with the investment properties.
- Capitalisation rate corresponds to a rate of return on investment properties based on the expected income that the property will generate.

6 SUBSIDIARIES

The HBT Group and the H-REIT Group have equity investments in subsidiaries.

Details of the significant subsidiaries are as follows:

Name of subsidiaries	Place of incorporation	Effective equity interest held by the HBT Group		Effective equity interest held by the H-REIT Group		Effective equity interest held by the Stapled Group	
		2015	2014	2015	2014	2015	2014
		%	%	%	%	%	%
Subsidiaries of H-REIT							
⁽¹⁾ CDLHT (BVI) One Ltd	British Virgin Islands	–	–	100	100	100	100
^{(1), (2)} CDLHT (BVI) Trust One	–	–	–	100	100	100	100
⁽⁵⁾ Sunshine Hotels Australia Pty Ltd	Australia	–	–	100	100	100	100
⁽³⁾ CDLHT MTN Pte. Ltd.	Singapore	–	–	100	100	100	100
⁽¹⁾ CDLHT Sunshine Limited	British Virgin Islands	–	–	100	100	100	100
⁽¹⁾ CDLHT Sunrise Limited	British Virgin Islands	–	–	100	100	100	100
⁽¹⁾ CDLHT Two Limited	British Virgin Islands	–	–	100	100	100	100
⁽¹⁾ CDLHT Sanctuary Limited	British Virgin Islands	–	–	100	100	100	100
⁽³⁾ CDLHT Oceanic Holdings Pte. Ltd.	Singapore	–	–	100	100	100	100
⁽³⁾ CDLHT Hanei One Pte. Ltd.	Singapore	–	–	100	100	100	100
⁽³⁾ CDLHT Hanei Two Pte. Ltd.	Singapore	–	–	100	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the HBT Group		Effective equity interest held by the H-REIT Group		Effective equity interest held by the Stapled Group	
		2015	2014	2015	2014	2015	2014
		%	%	%	%	%	%
Subsidiaries of CDLHT Sunshine Limited							
⁽¹⁾ Sun One Investments Limited	British Virgin Islands	–	–	100	100	100	100
⁽¹⁾ Sun Two Investments Limited	British Virgin Islands	–	–	100	100	100	100
⁽¹⁾ Sun Three Investments Limited	British Virgin Islands	–	–	100	100	100	100
⁽¹⁾ Sun Four Investments Limited	British Virgin Islands	–	–	100	100	100	100
Subsidiary of Sun One Investments Limited							
^{(1), (4)} Sun Trust One	–	–	–	100	100	100	100
Subsidiary of Sun Two Investments Limited							
^{(1), (4)} Sun Trust Two	–	–	–	100	100	100	100
Subsidiary of Sun Three Investments Limited							
^{(1), (4)} Sun Trust Three	–	–	–	100	100	100	100
Subsidiary of Sun Four Investments Limited							
^{(1), (4)} Sun Trust Four	–	–	–	100	100	100	100
Subsidiary of CDLHT Sanctuary Limited							
⁽⁵⁾ Sanctuary Sands Maldives Private Limited	Maldives	–	–	100	100	100	100
Subsidiary of CDLHT Oceanic Holdings Pte. Ltd.							
⁽¹⁾ CDLHT Oceanic Ltd	British Virgin Islands	–	–	100	100	100	100
Subsidiary of CDLHT Oceanic Ltd							
⁽¹⁾ CDLHT Oceanic Two Ltd	British Virgin Islands	–	–	100	100	100	100
Subsidiary of CDLHT Oceanic Two Ltd							
⁽⁵⁾ CDLHT Oceanic Maldives Private Limited	Maldives	–	–	100	100	100	100
Subsidiary of CDLHT Hanei Two Pte. Ltd.							
⁽⁵⁾ CDLHT Hanei Tokutei Mokuteki Kaisha	Japan	–	–	100	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

6 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the HBT Group		Effective equity interest held by the H-REIT Group		Effective equity interest held by the Stapled Group	
		2015	2014	2015	2014	2015	2014
		%	%	%	%	%	%
Subsidiaries of HBT							
⁽³⁾ CDL HBT Oceanic Holdings Pte. Ltd.	Singapore	100	100	–	–	100	100
⁽³⁾ CDL HBT Hanei Pte. Ltd.	Singapore	100	100	–	–	100	100
⁽³⁾ CDL HBT Cambridge City Pte. Ltd.	Singapore	100	–	–	–	100	–
Subsidiary of CDL HBT Oceanic Holdings Pte. Ltd.							
⁽¹⁾ CDL HBT Oceanic Ltd	British Virgin Islands	100	100	–	–	100	100
Subsidiary of CDL HBT Oceanic Ltd							
⁽¹⁾ CDL HBT Oceanic Two Ltd	British Virgin Islands	100	100	–	–	100	100
Subsidiary of CDL HBT Oceanic Two Ltd							
⁽⁵⁾ CDL HBT Oceanic Maldives Private Limited	Maldives	100	100	–	–	100	100
Subsidiary of CDL HBT Hanei Pte. Ltd.							
⁽⁵⁾ AKO GK	Japan	100	100	–	–	100	100
Subsidiary of CDL HBT Cambridge City Pte. Ltd.							
⁽⁶⁾ CDL HBT Cambridge City (UK) Ltd	England and Wales	100	–	–	–	100	–
Subsidiary of CDL HBT Cambridge City (UK) Ltd							
⁽⁶⁾ CDL HBT Cambridge City Hotel (UK) Ltd (formerly known as LR (Cambridge) Limited)	England and Wales	100	–	–	–	100	–

(1) Not required to be audited under the laws of the country of incorporation/constitution.

(2) Constituted by CDLHT (BVI) One Ltd under a Trust Deed dated 23 November 2006.

(3) Audited by KPMG LLP, Singapore.

(4) Constituted by Sunshine Hotels Australia Pty Ltd under a Trust Deed dated 26 January 2010.

(5) Audited by other member firms of KPMG International.

(6) To be audited by other member firms of KPMG International in the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

7 PREPAID LAND LEASE

	Stapled Group	
	2015	2014
	\$'000	\$'000
Cost		
At 1 January	6,727	5,587
Additions	871	857
Translation differences	474	283
At 31 December	8,072	6,727
Accumulated amortisation		
At 1 January	220	–
Amortisation	253	211
Impairment loss	166	–
Translation differences	27	9
At 31 December	666	220
Carrying amount		
At 31 December	7,406	6,507

Further information about the impairment loss is included in Note 4 - Property, plant and equipment.

8 INVENTORIES

	HBT Group		H-REIT Group		Stapled Group	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating supplies	1,280	1,366	–	–	1,280	1,366

Inventory consists mainly of food and beverages, engineering items, spa supplies for the operations of the hotel and resort.

NOTES TO THE FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade receivables from:						
- related corporations of the H-REIT Manager	-	-	6,097	6,728	6,097	6,728
- related entities	-	991	2,816	4,091	-	-
- third parties	2,357	2,074	3,841	4,261	6,199	6,335
	2,357	3,065	12,754	15,080	12,296	13,063
Impairment losses	(164)	(113)	(539)	(69)	(703)	(182)
Net trade receivables	2,193	2,952	12,215	15,011	11,593	12,881
Other receivables from:						
- related corporations of the H-REIT manager	2,869	-	33	11	33	11
- related entities	-	-	285	265	-	-
- loan to HBT (Note 15)	-	-	135,742	-	-	-
- third parties	620	371	3,998	4,249	4,618	4,620
Rental deposits	-	-	126	-	126	-
Loans and receivables	5,682	3,323	152,399	19,536	16,370	17,512
Prepayments	640	464	909	948	1,549	1,412
Deferred capital expenditure	-	-	1,175	1,115	1,175	1,115
	6,322	3,787	154,483	21,599	19,094	20,039
Non-current	-	-	135,742	-	-	-
Current	6,322	3,787	18,741	21,599	19,094	20,039
	6,322	3,787	154,483	21,599	19,094	20,039

The H-REIT Group's investment properties, except Claymore Connect, are leased to ten (2014: ten) master lessees. The contribution to trade receivables from these master lessees as at 31 December 2015 is \$11,867,000 (2014: \$14,748,000), of which \$2,978,000 (2014: \$4,192,000) is from third parties, \$6,073,000 (2014: \$6,728,000) is from related corporations of the H-REIT Manager and \$2,816,000 (2014: \$4,091,000) is from the HBT Group. There is no impairment loss arising from these outstanding balances.

Outstanding balances with related entities are unsecured, interest free and repayable on demand. Loan to HBT was extended by the H-REIT Group to acquire a property in United Kingdom. This loan is unsecured and bears interest ranging from 1.52% to 1.67% per annum for a tenure of 6 years (Note 15). There is no impairment loss arising from these outstanding balances.

Concentration of credit risk relating to trade receivables of H-REIT's Group's retail mall is limited due to the many varied tenants. The H-REIT Group's and the HBT Group's historical experiences in the collection of accounts receivables fall within the recorded impairment losses. Due to these factors, the H-REIT Manager and HBT Trustee-Manager believe that no additional credit risk beyond amounts provided for collection losses is inherent in the trade receivables of the HBT Group, the H-REIT Group and the Stapled Group.

NOTES TO THE FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES (CONT'D)

The ageing of loans and receivables at the end of the financial year is:

	Gross 2015 \$'000	Impairment losses 2015 \$'000	Gross 2014 \$'000	Impairment losses 2014 \$'000
HBT Group				
Not past due	4,701	–	2,933	–
Past due 31 – 60 days	437	–	247	–
Past due 61 – 90 days	220	–	23	–
More than 90 days	488	164	233	113
	5,846	164	3,436	113
H-REIT Group				
Not past due	152,337	74	19,445	–
Past due 31 – 60 days	131	99	87	–
Past due 61 – 90 days	173	99	–	–
More than 90 days	297	267	73	69
	152,938	539	19,605	69
Stapled Group				
Not past due	15,327	74	17,022	–
Past due 31 – 60 days	568	99	343	–
Past due 61 – 90 days	393	99	23	–
More than 90 days	785	431	306	182
	17,073	703	17,694	182

The change in impairment losses in respect of trade receivables during the year is as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	113	–	69	224	182	224
Impairment losses recognised/(reversed)	42	113	470	(155)	512	(42)
Translation differences	9	–	–	–	9	–
At 31 December	164	113	539	69	703	182

Based on historical default rates, the Stapled Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables not past due. These receivables related to tenants or customers that have a good credit record with the HBT Group, the H-REIT Group and the Stapled Group. The H-REIT Group also maintains sufficient security deposits as collateral.

NOTES TO THE FINANCIAL STATEMENTS

10 CASH AND CASH EQUIVALENTS

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash at bank	9,701	4,066	19,359	13,947	29,060	18,013
Fixed deposits with financial institutions	–	–	42,908	58,434	42,908	58,434
Cash and cash equivalents in the statement of financial position	9,701	4,066	62,267	72,381	71,968	76,447
Restricted cash	–	–	(1,371)	–	(1,371)	–
Cash and cash equivalents in the statement of cash flows	9,701	4,066	60,896	72,381	70,597	76,447

Restricted cash represent bank balances of a subsidiary reserved by a trust bank in Japan.

11 UNITS/STAPLED SECURITIES IN ISSUE

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Units/Stapled Securities in issue:						
At 1 January	980,285	974,141	980,285	974,141	980,285	974,141
Creation of Units/Stapled Securities:						
- H-REIT Manager's management fee paid in Stapled Securities	6,484	6,144	6,484	6,144	6,484	6,144
- H-REIT Manager's acquisition fee paid in Stapled Securities	368	–	368	–	368	–
At 31 December	987,137	980,285	987,137	980,285	987,137	980,285
Issued and issuable Units/ Stapled Securities:						
Units/Stapled Securities in issue	987,137	980,285	987,137	980,285	987,137	980,285
H-REIT Manager's management fees payable in Stapled Securities	2,017	1,579	2,017	1,579	2,017	1,579
H-REIT Manager's acquisition fee payable in Stapled Securities	–	368	–	368	–	368
Units/Stapled Securities to be issued	2,017	1,947	2,017	1,947	2,017	1,947
	989,154	982,232	989,154	982,232	989,154	982,232

During the year, the following stapled securities were issued:

- 6,483,882 (2014: 6,143,718) Stapled Securities were issued at unit prices ranging from \$1.3260 to \$1.7345 (2014: \$1.6248 to \$1.7323) per Stapled Security, amounting to \$10,309,734 (2014: \$10,125,657) as satisfaction of management fees paid in Stapled Securities.
- 368,029 Stapled Securities were issued at unit price of \$1.7357 per Stapled Security, amounting to \$638,789 as satisfaction of acquisition fee paid in Stapled Securities for the acquisition of Japan Hotels in December 2014.

NOTES TO THE FINANCIAL STATEMENTS

11 UNITS/STAPLED SECURITIES IN ISSUE (CONT'D)

Each H-REIT unit is stapled together with a HBT unit under the terms of a stapling deed dated 12 June 2006 entered into between the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in H-REIT and HBT.

A holder of the Stapled Security has no equitable or proprietary interest in the underlying assets of the Stapled Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of the Stapled Group.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each HBT unit and H-REIT unit carry the same voting rights.

Capital management

The Boards of the H-REIT Manager and HBT Trustee-Manager have a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of Unitholders' funds. The Boards monitor the yield, which is defined as net property income from the property divided by the latest valuation for the property, on the properties acquired. The Boards also monitor the level of distributions made to holders of Stapled Securities.

The Boards seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

H-REIT is subject to the aggregate leverage limit as defined in the Property Funds Appendix of CIS Code issued by the MAS. The CIS Code stipulates that the total borrowings and deferred payments (together the "**Aggregate Leverage**") of a property fund should not exceed 35.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 35.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of its Deposited Property. With effect from 1 January 2016, the Aggregate Leverage of a property fund shall not exceed 45.0% under a single-tier leverage limit as imposed by the MAS.

For this financial year, H-REIT has a credit rating of BBB- from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2015 was 36.4% (2014: 31.7%) of H-REIT's Deposited Property. This complied with the aggregate leverage limit as described above.

The HBT Group, the H-REIT Group and the Stapled Group are in compliance with the borrowing limit requirements imposed by the relevant Trust Deeds and all externally imposed capital requirements for the financial year 2015 and 2014. There were no substantial changes in the HBT Group's, the H-REIT Group's and the Stapled Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

12 LOANS AND BORROWINGS

	Note	HBT Group		H-REIT Group		Stapled Group	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At amortised cost:							
Non-current liabilities							
Secured TMK bond	(i)	–	–	35,694	–	35,694	–
Unsecured medium term notes	(ii)	–	–	119,934	203,444	119,934	203,444
Unsecured bank loans	(iii)	–	–	547,580	254,159	547,580	254,159
		–	–	703,208	457,603	703,208	457,603
Current liabilities							
Unsecured medium term notes	(ii)	–	–	83,573	–	83,573	–
Unsecured bank loans	(iv)	–	–	135,563	317,329	135,563	317,329
		–	–	219,136	317,329	219,136	317,329
		–	–	922,344	774,932	922,344	774,932

i. Secured TMK bond

The TMK bond included in the H-REIT Group relates to 5-year Japanese Yen denominated bond of JPY3.1 billion (\$35.7 million) issued by H-REIT's indirectly owned subsidiary, CDLHT Hanei Tokutei Mokutei Kaisha. CDLHT's interest in Japan Hotels is held via a Tokutei Mokutei Kaisha ("**TMK**") structure, and such TMK structure is required to issue bond to fund the acquisition of assets. The TMK bond was used to repay the short-term bridging loan, which was previously drawn in December 2014 to fund the acquisition of Japan Hotels.

The bondholders have a statutory preferred right, under Article 128 of the Japan Asset Liquidation Law, to receive payment of all obligations under the bond prior to other creditors out of the assets of the TMK. Such right shall be junior to the priority of the general statutory lien under the Japan Civil Code. While the assets of TMK are subject to a statutory preferred right, it is not considered a mortgage under Japan laws.

ii. Unsecured medium term notes

H-REIT's wholly-owned subsidiary, CDLHT MTN Pte. Ltd. (the "**Issuer**") has in place a \$1.0 billion Multi-currency Medium Term Note Programme (the "**Programme**"). As at the end of the financial year, \$203.6 million medium term notes have been issued by this subsidiary. These comprise:

- \$83.6 million 5-year floating rate note, which are re-priced every six months.
- \$120.0 million 5-year fixed rate medium term note. Proceeds from this medium term note issuance were utilised to partially redeem the outgoing \$260.0 million medium term notes, which expired in August 2013.

NOTES TO THE FINANCIAL STATEMENTS

12 LOANS AND BORROWINGS (CONT'D)

iii. Unsecured borrowings, after one year

- (a) a 3-year to 3.25-year \$250.0 million committed bilateral multi-currency revolving credit facility (the "**RCF Facility**"). In December 2015, H-REIT secured a fresh \$250.0 million RCF Facility from two banks (comprising \$150.0 million for a 3-year term and another \$100.0 million for a 3.25-year term).

H-REIT subsequently drew down \$140.0 million from the RCF Facility to re-finance an outgoing revolving credit facility, which matured in December 2015 and another \$9.0 million to fund the asset enhancement works for Claymore Connect and other operating expenses. As at the end of the financial year, only \$101.0 million of the RCF Facility remained unutilised.

- (b) a 5-year A\$93.2 million (\$95.7 million) bank facility (the "**TL1 Facility**"). In December 2015, the previous 3-year A\$93.2 million term loan matured and H-REIT re-financed it with a fresh 5-year term fixed rate term loan facility.

As at the end of the financial year, there was no unutilised balance as the TL1 Facility was fully drawn down to fund the loan relating to the Australia hotels.

- (c) a 5-year US\$75.0 million (\$105.8 million) fixed rate term loan facility (the "**TL2 Facility**"). As at the end of the financial year, there was no unutilised balance as the TL2 Facility was fully drawn down to fund the loan relating to its resort in Maldives, the Angsana Velavaru.

- (d) a 5-year \$70.0 million floating rate term loan facility (the "**TL3 Facility**"). In April 2015, H-REIT exercised its option to convert its existing 5-year \$70.0 million floating rate term loan into a fixed rate term loan, as allowed under the terms of the TL3 Facility.

As at the end of the financial year, there was no unutilised balance as the TL3 Facility was fully drawn down to redeem the outgoing \$70.0 million medium term notes, which expired in August 2014.

- (e) a 5-year US\$65.0 million (\$91.7 million) floating rate term loan facility (the "**TL4 Facility**"). In January 2015, H-REIT exercised its option to convert its existing 5-year US\$65.0 million (\$91.7 million) floating rate term loan into a fixed rate term loan, as allowed under the terms of the TL4 Facility.

As at the end of the financial year, there was no unutilised balance as the TL4 Facility was fully drawn down to fund the loan relating to its resort in Maldives, the Jumeirah Dhevanafushi (which expired in December 2014), and for working capital purposes.

- (f) In September 2015, H-REIT secured a 5-year JPY3.3 billion (\$38.3 million) fixed rate term loan facility. This was used to repay the short-term bridging loan, which was previously drawn in December 2014 to fund the acquisition of Japan Hotels.

NOTES TO THE FINANCIAL STATEMENTS

12 LOANS AND BORROWINGS (CONT'D)

iv. Unsecured borrowings, within one year

H-REIT has in place a \$300.0 million uncommitted multi-currency bridge loan facility with a bank (the "**Bridge Loan Facility**") to fund acquisitions, capital expenditure and working capital requirements.

The Bridge Loan Facility can be drawn in multiple tranches and each tranche is to be repaid within a maximum period of one year from each draw down date or one year from the first drawn date (where the amount is drawn in multiple tranches).

In December 2015, £64.5 million (\$135.6 million) was drawn down to fund the acquisition of Hilton Cambridge City Centre, located in United Kingdom.

Approximately \$164.4 million of the Bridge Loan Facility remains unutilised as at the end of the financial year.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
H-REIT Group and Stapled Group					
2015					
Fixed rate medium term note	SGD	2.500	2018	120,000	119,935
Floating rate medium term note	SGD	1.273 to 2.152	2016	83,600	83,572
Fixed rate bank loan	AUD	4.010	2020	95,660	94,938
Fixed rate bank loan	SGD	2.990	2019	70,000	69,795
Variable rate bank loan	SGD	2.661	2019	49,000	48,513
Variable rate bank loan	SGD	2.611	2018	100,000	99,325
Fixed rate bank loan	USD	2.800	2018	105,826	105,525
Fixed rate bank loan	USD	2.550	2019	91,715	91,360
Fixed rate bank loan	JPY	1.062	2020	38,324	38,124
Fixed rate bank loan (TMK bond)	JPY	0.657	2020	36,332	35,694
Variable rate bank loan	GBP	1.120 to 1.270	2016	135,563	135,563
				<u>926,020</u>	<u>922,344</u>
2014					
Fixed rate medium term note	SGD	2.500	2018	120,000	119,932
Floating rate medium term note	SGD	1.273 to 1.452	2016	83,600	83,512
Variable rate bank loan	SGD	1.333 to 1.807	2015	150,893	150,660
Variable rate bank loan	SGD	1.351 to 1.451	2019	70,000	69,738
Variable rate bank loan (Note 13)	AUD	4.640 to 5.290	2015	100,311	100,054
Variable rate bank loan	USD	1.338	2019	86,001	85,596
Fixed rate bank loan	USD	2.800	2018	99,233	98,825
Variable rate bank loan	JPY	0.581 to 1.461	2015	66,710	66,615
				<u>776,748</u>	<u>774,932</u>

NOTES TO THE FINANCIAL STATEMENTS

13 FINANCIAL DERIVATIVE LIABILITIES

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Current liabilities						
Interest rate swap used for hedging	-	-	-	581	-	581

The H-REIT Group has an interest rate swap contract with a notional amount of \$nil (2014: \$100,311,000).

In 2014, the H-REIT Group and the Stapled Group used interest rate swaps to manage their exposures to interest rate movements on the floating rate interest-bearing bank loans by swapping the interest expense of a bank loan from floating rate to fixed rate (Note 12).

14 DEFERRED TAX

Movement in temporary differences during the year:

	Balance as at 1/1/2014 \$'000	Recognised in Statement of Total Return \$'000	Exchange differences \$'000	Balance as at 31/12/2014 \$'000	Recognised in Statement of Total Return \$'000	Exchange differences \$'000	Balance as at 31/12/2015 \$'000
H-REIT Group							
Deferred tax assets							
Tax losses carried forward	(3,826)	(1,752)	243	(5,335)	174	266	(4,895)
Deferred tax liabilities							
Investment properties	13,677	2,754	(540)	15,891	(273)	(425)	15,193
Net deferred tax liabilities/ (assets)	9,851	1,002	(297)	10,556	(99)	(159)	10,298
Stapled Group							
Deferred tax assets							
Tax losses carried forward	(3,826)	(1,752)	243	(5,335)	174	266	(4,895)
Deferred tax liabilities							
Investment properties	13,677	2,704	(543)	15,838	(218)	(427)	15,193
Net deferred tax liabilities/ (assets)	9,851	952	(300)	10,503	(44)	(161)	10,298

NOTES TO THE FINANCIAL STATEMENTS

14 DEFERRED TAX (CONT'D)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the H-REIT Group and the Stapled Group can utilise the benefits therefrom.

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Tax losses	16	–	1,189	–	1,205	–

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

15 TRADE AND OTHER PAYABLES

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade payables to:						
- related corporations of the H-REIT Manager	–	–	110	121	110	121
- the H-REIT Manager	–	–	–	1,762	–	1,762
- related entities	2,816	4,091	–	991	–	–
- the HBT Trustee-Manager	–	24	–	–	–	24
- third parties	1,353	1,925	4,661	6,296	6,014	8,221
Other payables to:						
- the H-REIT Manager	5	–	37	244	42	244
- related entities	506	265	2,869	–	222	–
- loan from H-REIT (Note 9)	135,742	–	–	–	–	–
- third parties	229	952	7,611	9,561	7,840	10,513
Accrued operating expenses	6,269	1,390	9,214	14,585	15,483	15,975
Rental deposits	211	–	132	1,026	343	1,026
Interest payable	–	–	2,185	1,765	2,185	1,765
	147,131	8,647	26,819	36,351	32,239	39,651
Non-current	135,742	–	–	–	–	–
Current	11,389	8,647	26,819	36,351	32,239	39,651
	147,131	8,647	26,819	36,351	32,239	39,651

Outstanding balances with the related corporations of H-REIT Manager and related entities are unsecured, interest-free and repayable on demand. Loan from H-REIT is unsecured and bears interest ranging from 1.52% to 1.67% per annum for a tenure of 6 years (Note 9).

Other payables in the H-REIT Group mainly relate to the remaining purchase consideration payable for the acquisition of a subsidiary in prior years of \$7,374,000 (2014: \$7,374,000).

Included in accrued operating expenses of the H-REIT Group are the following:

- amounts due to the H-REIT Trustee and H-REIT Manager of \$46,000 (2014: \$45,000) and \$217,000 (2014: \$2,006,000) respectively; and
- amounts due to related corporations of the H-REIT Manager of \$4,665,000 (2014: \$2,024,000).

NOTES TO THE FINANCIAL STATEMENTS

16 NET ASSET VALUE PER UNIT/STAPLED SECURITY

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Net asset value per Unit/Stapled Security is based on net assets	(1,309)	528	1,574,673	1,618,845	1,573,364	1,616,127
	Note	'000	'000	'000	'000	'000
Total issued and issuable Units/Stapled Securities at 31 December	11	989,154	982,232	989,154	982,232	989,154

17 GROSS REVENUE

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Fixed rent	–	–	67,524	66,577	67,524	66,577
Variable rent	–	–	79,685	85,053	68,876	78,682
Room revenue	26,621	13,532	–	–	26,621	13,532
Food and beverage revenue	5,594	4,762	–	–	5,594	4,762
Other revenue	3,795	3,259	–	–	3,795	3,259
	36,010	21,553	147,209	151,630	172,410	166,812

Variable rent for the H-REIT Group includes rental income from the HBT Group.

Revenue of the HBT Group comprises revenue from hotel and resort operations which represents revenue from letting of rooms, food and beverages sales and revenue from other hotel and resort-related services.

Under the terms of the master lease agreements for the properties, the H-REIT Group is generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue and/or gross operating profit. The initial period of the leases ranges from 10 years to 20 years, with or without options for renewal for a period ranging from 5 years to 50 years.

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY EXPENSES

(a) Operations and maintenance expenses

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Employee benefits expenses	3,648	2,388	–	–	3,648	2,388
Cost of food and beverage and other supplies	2,212	2,049	–	–	2,212	2,049
Cost of other operating departments	2,270	2,257	–	–	2,270	2,257
Repair and maintenance expenses	992	704	–	–	992	704
Other expenses	2,513	1,082	–	–	2,513	1,082
	11,635	8,480	–	–	11,635	8,480

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Salaries	2,493	1,398	–	–	2,493	1,398
Staff welfare and benefits	1,155	990	–	–	1,155	990
	3,648	2,388	–	–	3,648	2,388

(b) Administrative and general expenses

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Employee benefits expenses	2,397	1,032	–	–	2,397	1,032
Administrative and general department expenses	2,212	1,131	–	–	2,212	1,131
	4,609	2,163	–	–	4,609	2,163

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Salaries	1,885	711	–	–	1,885	711
Staff welfare and benefits	512	321	–	–	512	321
	2,397	1,032	–	–	2,397	1,032

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY EXPENSES (CONT'D)

(c) Sales and marketing expenses

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Employee benefits expenses	468	168	–	–	468	168
Sales and marketing department expenses	1,206	1,024	–	–	1,206	1,024
	<u>1,674</u>	<u>1,192</u>	<u>–</u>	<u>–</u>	<u>1,674</u>	<u>1,192</u>

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Salaries	312	110	–	–	312	110
Staff welfare and benefits	156	58	–	–	156	58
	<u>468</u>	<u>168</u>	<u>–</u>	<u>–</u>	<u>468</u>	<u>168</u>

19 H-REIT MANAGER'S FEES

Included in the H-REIT Manager's fees is an aggregate of 6,921,908 (2014: 6,462,785) Stapled Securities, amounting to approximately \$10,210,000 (2014: \$10,917,000), that have been or will be issued to the H-REIT Manager as satisfaction of the H-REIT Manager's management fees payable in Stapled Securities, at unit prices ranging from \$1.3084 to \$1.7356 (2014: \$1.6248 to \$1.7357) per Stapled Security.

20 OTHER TRUST EXPENSES

Included in other trust expenses are the following items:

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Audit fees paid to:						
- auditors of H-REIT/HBT	121	54	280	308	401	362
- other auditors	44	–	12	12	56	12
Non-audit fees paid to:						
- auditors of H-REIT/HBT	70	5	63	68	133	73
- other auditors	670	14	293	242	963	256

NOTES TO THE FINANCIAL STATEMENTS

21 FINANCE INCOME AND FINANCE COSTS

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Interest income received/ receivable from banks	6	–	326	322	332	322
Interest income received/ receivable from HBT	–	–	582	–	–	–
Exchange gain	10	–	–	798	–	798
Finance income	16	–	908	1,120	332	1,120
Exchange loss	–	–	(655)	–	(645)	–
Amortisation of transaction costs capitalised	–	–	(998)	(940)	(998)	(940)
Financial expense arising from remeasuring non-current rental deposits at amortised cost	–	–	(196)	(187)	(196)	(187)
Interest paid/payable to banks	–	(1)	(20,787)	(16,432)	(20,787)	(16,433)
Interest paid/payable to H-REIT	(582)	–	–	–	–	–
Finance costs	(582)	(1)	(22,636)	(17,559)	(22,626)	(17,560)
Net finance costs	(566)	(1)	(21,728)	(16,439)	(22,294)	(16,440)

The amortisation for 2015 and 2014 relate to the amortisation of transaction costs arising from the medium term notes issuance, revolving credit facility and term loan facilities.

22 NET (LOSS)/INCOME

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Comprises net (loss)/income of:						
- H-REIT	–	–	36,240	108,149	36,240	108,149
- Other H-REIT Group entities (including consolidation adjustments)	–	–	21,315	18,683	21,315	18,683
- HBT	1,105	(58)	–	–	1,105	(58)
- Other HBT Group entities (including consolidation adjustments)	(2,738)	271	–	–	(2,738)	271
- Stapled Group's consolidation adjustments	–	–	–	–	3,418	(3,164)
	(1,633)	213	57,555	126,832	59,340	123,881

NOTES TO THE FINANCIAL STATEMENTS

23 TAX EXPENSE

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Income tax expense						
Current tax	209	42	550	332	759	373
Under provision in prior years	13	–	178	100	191	100
	222	42	728	432	950	473
Deferred tax expense						
Origination and reversal of temporary differences	–	–	(99)	1,002	(44)	952
	–	–	(99)	1,002	(44)	952
Tax expense	222	42	629	1,434	906	1,425
Reconciliation of effective tax rate						
Net (loss)/income	(1,633)	213	57,555	126,832	59,340	123,881
Tax calculated using						
Singapore tax rate of 17%	(277)	36	9,784	21,561	10,087	21,060
Effect of tax in a foreign jurisdiction	(50)	(4)	1,475	1,980	1,425	1,987
Non-tax deductible items	1,050	12	5,996	6,460	6,521	6,894
Non-taxable item	–	–	1,255	(3,599)	1,255	(3,548)
Tax exempt income	(229)	(2)	(4,862)	(8,684)	(5,091)	(8,684)
Tax transparency	–	–	(13,468)	(14,839)	(13,468)	(14,839)
Tax incentives	(234)	–	(13)	–	(247)	–
Current year tax losses for which no deferred tax asset was recognised	16	–	–	–	16	–
Change in unrecognised temporary differences	(104)	–	–	–	(104)	–
Recognition of deferred tax assets	–	–	–	(1,037)	–	(1,037)
Utilisation of tax losses	–	–	–	(508)	–	(508)
Under provision in prior years	13	–	178	100	191	100
Others	37	–	284	–	321	–
	222	42	629	1,434	906	1,425

NOTES TO THE FINANCIAL STATEMENTS

24 EARNINGS PER STAPLED SECURITY

Basic earnings per Stapled Security is based on:

	Stapled Group	
	2015 \$'000	2014 \$'000
Total return for the year	58,434	122,456
	Number of Stapled Securities	
	2015 '000	2014 '000
Weighted average number of Stapled Securities:		
- outstanding during the year	984,600	978,067
- to be issued as payment of H-REIT Manager's management fees payable in Stapled Securities	6	4
- to be issued as payment of H-REIT Manager's acquisition fees payable in Stapled Securities	-	13
	984,606	978,084

Diluted earnings per Stapled Security is the same as the basic earnings per Stapled Security as there are no dilutive instruments in issue during the year.

25 OPERATING SEGMENTS

The HBT Group has 3 reportable segments, as described below. The Board of Director ("**BOD**") of the HBT Trustee-Manager reviews internal management reports on a monthly basis. The following summary describes the operations in the reportable segments:

- Maldives - the 1 Maldives resort that is operated under management contract
- Japan - the 2 Japan hotels that are being operated under management contract
- United Kingdom ("**UK**") - the 1 UK hotel that is being operated under management contract

The H-REIT Group have 5 reportable segments, as described below. The reportable segments operate in 5 countries and are managed separately because of the differences in operating and regulatory environment. For each of the reportable segments, the BOD of the H-REIT Manager reviews internal management reports on a monthly basis. The following summary describes the operations in each of the reportable segments:

- Singapore - the 6 Singapore properties (except for Claymore Connect) that are being leased and operated as hotels
- New Zealand - the 1 New Zealand property that is being leased and operated as a hotel
- Australia - the 5 Australia properties that are being leased and operated as hotels
- Maldives - the 2 Maldives properties that are being leased and operated as resorts
- Japan - the 2 Japan properties that are being leased and operated as hotels

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

The Stapled Group have 6 reportable segments, as described below. The reportable segments operate in 6 countries and are managed separately because of the differences in operating and regulatory environment. For each of the reportable segments, the BODs of the HBT Trustee-Manager and H-REIT Manager review internal management reports on a monthly basis. The following summary describes the operations in each of the reportable segments:

- Singapore - the 6 Singapore properties (except for Claymore Connect) that are being leased and operated as hotels
- New Zealand - the 1 New Zealand property that is being leased and operated as a hotel
- Australia - the 5 Australia properties that are being leased and operated as hotels
- Maldives - the 2 Maldives properties of which one that is being leased and operated as a resort and the remaining one is operated under management contract
- Japan - the 2 Japan hotels that are being operated under management contract
- United Kingdom ("**UK**") - the 1 UK hotel that is being operated under management contract

Other operations include Claymore Connect which is being leased to individual tenants and operated as retail space. Claymore Connect does not meet any of the quantitative thresholds for determining reportable segments.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net property income, as included in the internal management reports that are reviewed by the BODs of the HBT Trustee-Manager or H-REIT Manager. Segment net property income is used to measure performance as management believes that such information is the most relevant in evaluating the results of its segments relative to other entities that operate within the same industry.

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Maldives \$'000	Japan \$'000	UK \$'000	Total \$'000
2015				
HBT Group				
Gross revenue - external	20,152	9,726	6,132	36,010
Reportable segment net property income	328	177	2,277	2,782
Unallocated items:				
- HBT Trustee-Manager's trustee and management fees				(37)
- HBT Trustee-Manager's acquisition fee				(132)
- Depreciation and amortisation				(1,049)
- Other trust expenses				(2,631)
- Finance income				16
- Finance costs				(582)
Net loss				<u>(1,633)</u>
Reportable segment assets				
Capital expenditure on property, plant and equipment	-	-	512	512
Non-current assets	-	-	128,636	128,636
2014				
HBT Group				
Gross revenue - external	21,553	-	-	21,553
Reportable segment net property income	386	-	-	386
Unallocated items:				
- HBT Trustee-Manager's trustee and management fees				(24)
- Other trust expenses				(148)
- Finance costs				(1)
Net income				<u>213</u>
Reportable segment assets				
Capital expenditure on property, plant and equipment	-	-	-	-
Non-current assets	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Maldives \$'000	Japan \$'000	Others \$'000	Total \$'000
2015							
H-REIT Group							
Gross revenue	96,930	9,677	15,194	15,676	5,334	4,398	147,209
Reportable segment net property income	88,793	9,677	15,194	13,304	5,063	2,190	134,221
Unallocated items:							
- H-REIT Manager's base fees							(6,052)
- H-REIT Manager's performance fees							(6,711)
- H-REIT Trustee's fees							(273)
- Valuation fees							(198)
- Depreciation and amortisation							(1,511)
- Other trust expenses							(1,659)
- Finance income							908
- Finance costs							(22,636)
Net income before fair value adjustment							96,089
Net change in fair value of investment properties	(38,650)	15,443	(1,861)	(14,855)	-	1,389	(38,534)
Net income							<u>57,555</u>
Reportable segment assets							
Capital expenditure on investment properties	9,649	966	-	1,831	-	(1,389)	11,057
Non-current assets [^]	1,634,000	113,525	213,081	191,016	68,667	106,000	2,326,289

[^] Excluding rental deposit, deferred tax assets and other receivables

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Maldives \$'000	Japan \$'000	Others \$'000	Total \$'000
2014							
H-REIT Group							
Gross revenue	104,552	10,234	16,747	18,276	–	1,821	151,630
Reportable segment net property income	96,082	10,234	16,747	16,165	–	912	140,140
Unallocated items:							
- H-REIT Manager's base fees							(5,840)
- H-REIT Manager's performance fees							(7,007)
- H-REIT Trustee's fees							(266)
- Valuation fees							(170)
- Other trust expenses							(1,564)
- Finance income							1,120
- Finance costs							(17,559)
Net income before fair valuation							108,854
Net change in fair value of investment properties	5,329	2,139	2,734	2,388	–	5,388	17,978
Net income							<u>126,832</u>
Reportable segment assets							
Capital expenditure on investment properties	10,171	783	–	2,379	–	22,612	35,945
Non-current assets [^]	1,663,000	102,890	225,377	191,534	65,688	106,000	2,354,489

[^] Excluding rental deposit and deferred tax assets

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Maldives \$'000	Japan \$'000	UK \$'000	Others \$'000	Total \$'000
2015								
Stapled Group								
Gross revenue - external	96,930	9,677	15,194	30,353	9,726	6,132	4,398	172,410
Reportable segment net property income	88,793	9,677	15,194	13,632	5,240	2,277	2,190	137,003
Unallocated items:								
- H-REIT Manager's base fees								(6,052)
- H-REIT Manager's performance fees								(6,711)
- H-REIT Trustee's fees								(273)
- HBT Trustee-Manager's trustee and management fees								(37)
- HBT Trustee-Manager's acquisition fee								(132)
- Valuation fees								(198)
- Depreciation and amortisation								(5,732)
- Impairment losses on property, plant equipment and prepaid land lease								(1,723)
- Other trust expenses								(4,290)
- Finance income								332
- Finance costs								(22,626)
Net income before fair valuation								89,561
Net change in fair value of investment properties	(38,650)	15,443	(1,861)	(6,542)	-	-	1,389	(30,221)
Net income								<u>59,340</u>
Reportable segment assets								
Capital expenditure on investment properties	9,649	966	-	373	-	-	(1,389)	9,599
Non-current assets [^]	1,634,000	113,525	213,081	191,016	68,667	128,636	106,000	2,454,925

[^] Excluding rental deposit and deferred tax assets

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Maldives \$'000	Japan \$'000	Others \$'000	Total \$'000
2014							
Stapled Group							
Gross revenue - external	104,552	10,234	16,747	33,458	–	1,821	166,812
Reportable segment net property income	96,082	10,234	16,747	16,551	–	912	140,526
Unallocated items:							
- H-REIT Manager's base fees							(5,840)
- H-REIT Manager's performance fees							(7,007)
- HBT Trustee-Manager's trustee and management fees							(24)
- H-REIT Trustee's fees							(266)
- Valuation fees							(170)
- Depreciation and amortisation							(2,825)
- Other trust expenses							(1,712)
- Finance income							1,120
- Finance costs							(17,560)
Net income before fair valuation							106,242
Net change in fair value of investment properties	5,329	2,139	2,734	2,049	–	5,388	17,639
Net income							<u>123,881</u>
Reportable segment assets							
Capital expenditure on investment properties	10,171	783	–	1,172	–	22,611	34,737
Non-current assets [^]	1,663,000	102,890	225,377	188,235	65,688	106,000	2,351,190

[^] Excluding rental deposit and deferred tax assets

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Major customers

The H-REIT Group's properties, except Claymore Connect, are leased to ten (2014: ten) master lessees. The contribution of these master lessees to the gross revenue of the H-REIT Group was \$142,811,000 (2014: \$149,809,000). Such revenue is attributable to the Singapore segment, New Zealand segment, Australia segment, Maldives segment and Japan segment.

Subsidiaries of Millennium & Copthorne Hotels plc accounted for approximately \$75,333,000 (2014: \$82,254,000) or 51.2% (2014: 54.2%) of the gross revenue of the H-REIT Group. Subsidiaries of Accor S.A. contributed \$36,792,000 (2014: \$39,045,000) or 25.0% (2014: 25.8%) to the gross revenue of the H-REIT Group.

26 ACQUISITION OF A SUBSIDIARY

On 1 October 2015, the HBT Group purchased 100% of the shares and voting interests in CDL HBT Cambridge City Hotel (UK) Ltd ("**CCH**"), formerly known as LR (Cambridge) Limited (the "**Acquisition**"). The HBT Group has acquired CCH in relation to the acquisition of Cambridge City Hotel in Cambridge (the "**Property**"). The Acquisition marks the Stapled Group's first investment in Europe and is expected to benefit the Stapled Security Holders by broadening the Stapled Group's earning base.

In the three months to 31 December 2015, CCH contributed gross revenue of \$6,132,000 and net income before tax of \$1,373,000 to the HBT Group's results. Had the acquisition occurred on 1 January 2015, management estimates that the HBT Group's gross revenue would have been \$22,135,000 and the HBT Group's net income before tax for the year would have been \$5,274,000. In determining these amounts, management had assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same had the acquisition occurred on 1 January 2015.

Consideration transferred

	\$'000
Cash paid	136,083
<u>Effect of the acquisition of CCH on cash flows</u>	
Total consideration for 100% equity interest acquired	136,083
Acquisition-related costs	2,442
Less: Cash at bank of subsidiary acquired	(4,961)
Net cash outflow on acquisition	133,564

Acquisition-related costs

The HBT Group incurred a one-off transaction costs of £1,163,000 (\$2,442,000) on legal fees, acquisition fee and due diligence costs. These costs have been included in "other trust expenses" and "HBT Trustee-Manager's acquisition fee".

NOTES TO THE FINANCIAL STATEMENTS

26 ACQUISITION OF A SUBSIDIARY (CONT'D)

Identifiable assets and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	\$'000
Property, plant and equipment	132,686
Inventories	73
Trade and other receivables	2,165
Cash at bank	4,961
Trade and other payables	(3,802)
Total identifiable net assets	<u>136,083</u>

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired

Property, plant and equipment

Valuation techniques

Market comparison technique and Discounted cash flow technique: The Market comparison valuation model considers quoted market prices for similar items when they are available. The Discounted cash flow valuation model is based upon a ten year forecast of the Property's potential trading performance, having built into the calculations any capital expenditure required for the hotel together with a Fixtures, Fittings & Equipment Reserve, based upon an appropriate percentage of the forecast turnover.

If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

27 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Stapled Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Risk management framework

This note presents information about the exposure of the HBT Group, the H-REIT Group and the Stapled Group to each of the above risks, their objectives, policies and procedures for measuring and managing risk, and their management of capital.

Risk management is integral to the whole business of the Stapled Group. The Stapled Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The HBT Trustee-Manager and the H-REIT Manager continually monitor the Stapled Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Stapled Group's activities.

The Audit and Risk Management Committees of the H-REIT Manager and HBT Trustee-Manager assist the H-REIT Manager's and HBT Trustee Manager's Boards in reviewing the effectiveness of the Stapled Group's material internal controls, including those relating to financial, operational and compliance.

In addition, the Audit and Risk Management Committees of the H-REIT Manager and HBT Trustee-Manager also assist the H-REIT Manager's and HBT Trustee-Manager's Boards in discharging its duties with respect to maintaining an effective control environment that reflects both the established risk appetite and the business objectives of the Stapled Group. The Audit and Risk Management Committees oversee how management monitors compliance with the Stapled Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Stapled Group.

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer or counterparty to a financial instrument fails to settle its financial and contractual obligations to the Stapled Group, as and when they fall due.

The carrying value of financial assets in the statement of financial position represents maximum exposure of the Stapled Group of credit risk, before taking into account any collateral held. The Stapled Group do not hold any collateral in respect of their financial assets.

Trade and other receivables

Credit evaluations are performed before lease agreements are entered into with tenants. Rental deposits are received, where appropriate, to reduce credit risk. In addition, the balances due from lessees and tenants are being monitored on an on-going basis.

The hotel/resort operators which manage the hotels under the HBT Group perform credit evaluations on customers before accepting customers and monitor their balances on an on-going basis.

The Stapled Group establishes an allowance for impairment, based on a specific loss component that relates to individually significant exposures, that represents its estimate of incurred losses in respect of trade and other receivables.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Stapled Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At 31 December 2015 and 31 December 2014, except as described in Note 9 to the financial statements, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

Liquidity risk

Liquidity risk is the risk that the Stapled Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The HBT Trustee-Manager and H-REIT Manager monitor their liquidity risk and maintain a level of cash and cash equivalents deemed adequate to finance the HBT Group's and the H-REIT Group's operations and to mitigate the effects of fluctuations in cash flows. The H-REIT Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

In addition, the H-REIT Group maintains the following lines of credit:

- A \$250.0 million (2014: \$200.0 million) committed bilateral multi-currency unsecured revolving credit facility from two banks (comprising \$150.0 million for a 3-year term and another \$100.0 million for a 3.25-year term). At the end of the financial year, \$149.0 million (2014: \$150.9 million) has been drawn down under this facility;
- A \$300.0 million (2014: \$300.0 million) uncommitted multi-currency unsecured bridge loan facility with a bank. At the end of the financial year, \$164.4 million (2014: \$300.0 million) of the facilities remained unutilised;
- A \$1.0 billion Multi-Currency Medium Term Note Programme. At the end of the financial year, \$796.4 million (2014: \$796.4 million) of the Programme remains unissued;
- A \$70.0 million (2014: \$70.0 million) unsecured term loan facility for a 5-year term. At the end of the financial year, this facility was fully drawn down;
- A \$95.7 million (A\$93.2 million) (2014: \$100.3 million (A\$93.2 million)) unsecured term loan facility which was re-financed in December 2015 with a fresh 5-year term (2014: 3-year term). At the end of the financial year, this facility was fully drawn down;
- A \$105.8 million (US\$75.0 million) (2014: \$99.2 million (US\$75.0 million)) unsecured term loan facility for a 5-year term. At the end of the financial year, this facility was fully drawn down;
- A \$91.7 million (US\$65.0 million) (2014: \$86.0 million (US\$65.0 million)) unsecured term loan facility for a 5-year term. At the end of the financial year, this facility was fully drawn down; and
- A \$38.3 million (JPY3.3 billion) unsecured term loan facility and a \$36.3 million (JPY 3.1 billion) secured TMK bond for a 5-year term (2014: \$66.7 million (JPY 6.07 billion)). At the end of the financial year, both facilities were fully drawn down to repay its short-term bridging loan (Note 12 (i) and 12 (iii)(f)).

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

The following are the contractual undiscounted cash inflows/(outflows) of financial liabilities, including interest payments:

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
HBT Group					
2015					
Non-derivative financial liabilities					
Trade and other payables *	146,920	(157,021)	(15,077)	(141,944)	–
Rental deposits	211	(211)	(211)	–	–
	147,131	(157,232)	(15,288)	(141,944)	–
2014					
Non-derivative financial liabilities					
Trade and other payables	8,647	(8,647)	(8,647)	–	–
H-REIT Group					
2015					
Non-derivative financial liabilities					
Fixed rate medium term note	119,935	(127,257)	(3,008)	(124,249)	–
Floating rate medium term note	83,572	(84,748)	(84,748)	–	–
Variable rate bank loans	283,401	(297,472)	(140,427)	(157,045)	–
Fixed rate bank loans	399,742	(447,705)	(11,670)	(436,035)	–
Secured TMK bond	35,694	(37,439)	(239)	(37,200)	–
Trade and other payables *	26,687	(26,687)	(26,687)	–	–
Rental deposits	8,881	(10,908)	(258)	(1,488)	(9,162)
	957,912	(1,032,216)	(267,037)	(756,017)	(9,162)
2014					
Non-derivative financial liabilities					
Fixed rate medium term note	119,932	(130,258)	(3,000)	(127,258)	–
Floating rate medium term note	83,512	(85,318)	(1,064)	(84,254)	–
Variable rate bank loans	472,663	(407,661)	(403,803)	(3,858)	–
Fixed rate bank loans	98,825	(205,197)	(4,629)	(200,568)	–
Trade and other payables *	35,325	(35,325)	(35,325)	–	–
Rental deposits	8,091	(10,314)	(1,026)	(126)	(9,162)
	818,348	(874,073)	(448,847)	(416,064)	(9,162)
Derivative financial instrument					
Interest rate swap	581	(703)	(703)	–	–

* Excluding rental deposits

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
			Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
Stapled Group					
2015					
Non-derivative financial liabilities					
Fixed rate medium term note	119,935	(127,257)	(3,008)	(124,249)	–
Floating rate medium term note	83,572	(84,748)	(84,748)	–	–
Variable rate bank loans	283,401	(297,472)	(140,427)	(157,045)	–
Fixed rate bank loans	399,742	(447,705)	(11,670)	(436,035)	–
Secured TMK bond	35,694	(37,439)	(239)	(37,200)	–
Trade and other payables *	31,896	(31,896)	(31,896)	–	–
Rental deposits	9,092	(11,119)	(469)	(1,488)	(9,162)
	963,332	(1,037,636)	(272,457)	(756,017)	(9,162)
2014					
Non-derivative financial liabilities					
Fixed rate medium term note	119,932	(130,258)	(3,000)	(127,258)	–
Floating rate medium term note	83,512	(85,318)	(1,064)	(84,254)	–
Variable rate bank loans	472,663	(407,661)	(403,803)	(3,858)	–
Fixed rate bank loans	98,825	(205,197)	(4,629)	(200,568)	–
Trade and other payables *	38,625	(38,625)	(38,625)	–	–
Rental deposits	8,091	(10,314)	(1,026)	(126)	(9,162)
	821,648	(877,373)	(452,147)	(416,064)	(9,162)
Derivative financial instrument					
Interest rate swap	581	(703)	(703)	–	–

* Excluding rental deposits

The maturity analyses show the contractual undiscounted cashflows of the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity. Derivative financial instrument held is normally not closed out prior to contractual maturity. The disclosure shows net cashflows for derivative financial instrument that is net cash settled.

Derivative financial instrument is designated as cash flow hedge. The table above reflects the periods in which the cash flows associated with cash flow hedge are expected to occur and impact the total return.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the HBT Group's comprehensive income and H-REIT Group's and the Stapled Group's total return. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk

The Stapled Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the end of the financial year, the interest rate profile of the interest-bearing financial instruments was:

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Fixed rate instruments						
Financial assets	792	3,952	56,158	71,182	56,950	75,134
Financial liabilities	–	–	(557,857)	(219,233)	(557,857)	(219,233)
Interest rate swap	–	–	–	(100,311)	–	(100,311)
	792	3,952	(501,699)	(248,362)	(500,907)	(244,410)
Variable rate instruments						
Financial assets	–	–	135,563	–	–	–
Financial liabilities	(135,563)	–	(368,163)	(557,515)	(368,163)	(557,515)
Interest rate swap	–	–	–	100,311	–	100,311
	(135,563)	–	(232,600)	(457,204)	(368,163)	(457,204)

The H-REIT Manager's and the HBT Trustee-Manager's strategy to manage the risk of potential interest rate volatility is through the use of interest rate hedging instruments and/or fixed rate borrowings. The H-REIT Manager and HBT Trustee-Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

Derivative financial instruments are used to manage exposures to interest rate risks arising from financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Fair value sensitivity analysis for fixed rate instruments

The Stapled Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The Stapled Group does not designate interest rate swap as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the financial year would not affect total return.

Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rate at the end of financial year would increase/(decrease) total comprehensive income (before any tax effects) and unitholders' fund of the HBT Group and total return (before any tax effects) and unitholders' funds of the H-REIT Group and the Stapled Group, by the amounts shown below. This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (cont'd)

Cashflow sensitivity analysis for variable rate instruments (cont'd)

	Total comprehensive income		Unitholders' funds	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
HBT Group				
2015				
Variable rate instrument				
Loan from H-REIT	(1,356)	1,356	-	-
Cashflow sensitivity (net)	(1,356)	1,356	-	-
H-REIT Group				
2015				
Variable rate instruments				
Loan to HBT	1,356	(1,356)	-	-
Loans and borrowings	(3,682)	3,682	-	-
Cashflow sensitivity (net)	(2,326)	2,326	-	-
2014				
Variable rate instruments				
Loans and borrowings	(5,575)	5,575	-	-
Interest rate swap	1,003	(1,003)	6	(374)
Cashflow sensitivity (net)	(4,572)	4,572	6	(374)
Stapled Group				
2015				
Variable rate instruments				
Loans and borrowings	(3,682)	3,682	-	-
Cashflow sensitivity (net)	(3,682)	3,682	-	-
2014				
Variable rate instruments				
Loans and borrowings	(5,575)	5,575	-	-
Interest rate swap	1,003	(1,003)	6	(374)
Cashflow sensitivity (net)	(4,572)	4,572	6	(374)

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk

The H-REIT Manager's and the HBT Trustee-Manager's investment strategy includes investing, directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real estate-related assets. In order to manage the currency risk involved in investing in assets outside of Singapore, the H-REIT Manager and the HBT Trustee-Manager may adopt currency risk management strategies that may include the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge.

The exposure of the HBT Group, the H-REIT Group and the Stapled Group to foreign currencies is as follows based on notional amounts:

	Sterling pound		Singapore dollar	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
HBT Group				
Cash and cash equivalents	2	–	35	24
Trade and other payables	(135,742)	–	–	–
	(135,740)	–	35	24

	Australian dollar		New Zealand dollar		United States dollar		Japanese yen		Sterling pound		Singapore dollar	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
H-REIT Group												
Trade and other receivables	3,431	4,717	3,029	1,481	–	–	–	–	135,742	–	–	–
Cash and cash equivalents	8,698	5,881	7,157	4,178	8,259	15,577	2,809	–	–	–	72	61
Trade and other payables	(813)	(819)	–	–	(1,330)	(1,277)	(27)	(15)	(46)	–	(60)	–
Bank loans	(95,660)	(100,311)	–	–	(197,541)	(185,234)	(38,324)	(35,665)	(135,563)	–	–	–
	(84,344)	(90,532)	10,186	5,659	(190,612)	(170,934)	(35,542)	(35,680)	133	–	12	61

	Australian dollar		New Zealand dollar		United States dollar		Japanese yen		Sterling pound		Singapore dollar	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Stapled Group												
Trade and other receivables	3,431	4,717	3,029	1,481	–	–	–	–	–	–	–	–
Cash and cash equivalents	8,698	5,881	7,157	4,178	8,259	15,577	2,809	–	2	–	107	85
Trade and other payables	(813)	(819)	–	–	(1,330)	(1,277)	(27)	(15)	(46)	–	(60)	–
Bank loans	(95,660)	(100,311)	–	–	(197,541)	(185,234)	(38,324)	(35,665)	(135,563)	–	–	–
	(84,344)	(90,532)	10,186	5,659	(190,612)	(170,934)	(35,542)	(35,680)	(135,607)	–	47	85

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the end of the financial year would increase/(decrease) total comprehensive income and unitholders' funds of the HBT Group and total return (before any tax effects) and unitholders' funds of the H-REIT Group and the Stapled Group, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	HBT Group		H-REIT Group		Stapled Group	
	Total comprehensive income \$'000	Unitholders' funds \$'000	Total return \$'000	Unitholders' funds \$'000	Total return \$'000	Unitholders' funds \$'000
2015						
Australian dollar	–	–	(1,132)	9,566	(1,132)	9,566
New Zealand dollar	–	–	(1,019)	–	(1,019)	–
United States dollar	–	–	(693)	19,754	(693)	19,754
Japanese yen	–	–	(278)	3,832	(278)	3,832
Sterling pound	13,574	–	(13)	–	13,561	–
Singapore dollar	(4)	–	(1)	–	(5)	–
2014						
Australian dollar	–	–	(978)	10,031	(978)	10,031
New Zealand dollar	–	–	(566)	–	(566)	–
United States dollar	–	–	(1,430)	18,523	(1,430)	18,523
Japanese yen	–	–	1	3,567	1	3,567
Singapore dollar	(2)	–	(6)	–	(8)	–

A 10% weakening of the Singapore dollar against the above currencies at the end of the financial year would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The H-REIT Group's investments in its Australia, Maldives and Japan subsidiaries are hedged by Australian dollar, United States dollar and Japanese yen denominated bank loans with the carrying amount of \$329,947,000 (2014: \$351,090,000), which mitigates the currency risk arising from the subsidiaries' net assets. The fair value of the borrowing as at 31 December 2015 was \$328,848,000 (2014: \$349,663,000). The loans are designated as net investment hedge. No ineffectiveness was recognised from the net investment hedge. The H-REIT Group's investments in other subsidiaries are not hedged.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Fair values

Accounting classifications and fair values

The carrying amounts fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, are detailed below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount			Fair value				
		Loans and receivables \$'000	Fair value - hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
HBT Group									
2015									
Trade and other receivables [^]	9	5,682	–	–	5,682				
Cash and cash equivalents	10	9,701	–	–	9,701				
Trade and other payables	15	–	–	(147,131)	(147,131)				
		<u>15,383</u>	<u>–</u>	<u>(147,131)</u>	<u>(131,748)</u>				
2014									
Trade and other receivables [^]	9	3,323	–	–	3,323				
Cash and cash equivalents	10	4,066	–	–	4,066				
Trade and other payables	15	–	–	(8,647)	(8,647)				
		<u>7,389</u>	<u>–</u>	<u>(8,647)</u>	<u>(1,258)</u>				
H-REIT Group									
2015									
Trade and other receivables [^]	9	152,399	–	–	152,399				
Cash and cash equivalents	10	62,267	–	–	62,267				
		<u>214,666</u>	<u>–</u>	<u>–</u>	<u>214,666</u>				
Secured TMK bond	12	–	–	(35,694)	(35,694)	–	(35,697)	–	(35,697)
Unsecured bank loans	12	–	–	(683,143)	(683,143)	–	(681,828)	–	(681,828)
Unsecured medium term notes	12	–	–	(203,507)	(203,507)	–	(203,887)	–	(203,887)
Trade and other payables	15	–	–	(26,819)	(26,819)				
Rental deposits		–	–	(8,749)	(8,749)	–	–	(9,083)	(9,083)
		<u>–</u>	<u>–</u>	<u>(957,912)</u>	<u>(957,912)</u>				

[^] Excluding prepayments and deferred capital expenditure

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

Note	Carrying amount				Fair value			
	Loans and receivables \$'000	Fair value - hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
H-REIT Group								
2014								
Trade and other receivables [^]	9	19,536	–	–	19,536			
Cash and cash equivalents	10	72,381	–	–	72,381			
Rental deposits		126	–	–	126	–	–	123
		<u>92,043</u>	<u>–</u>	<u>–</u>	<u>92,043</u>			<u>123</u>
Unsecured bank loans	12	–	–	(571,488)	(571,488)	–	(570,061)	–
Unsecured medium term notes	12	–	–	(203,444)	(203,444)	–	(203,121)	–
Financial derivatives liabilities	13	–	(581)	–	(581)	–	(581)	–
Trade and other payables	15	–	–	(36,351)	(36,351)	–	–	–
Rental deposits		–	–	(7,065)	(7,065)	–	–	(7,984)
		<u>–</u>	<u>(581)</u>	<u>(818,348)</u>	<u>(818,929)</u>			<u>(7,984)</u>
Stapled Group								
2015								
Trade and other receivables [^]	9	16,370	–	–	16,370			
Cash and cash equivalents	10	71,968	–	–	71,968			
		<u>88,338</u>	<u>–</u>	<u>–</u>	<u>88,338</u>			
Secured TMK bond	12	–	–	(35,694)	(35,694)	–	(35,697)	–
Unsecured bank loans	12	–	–	(683,143)	(683,143)	–	(681,828)	–
Unsecured medium term notes	12	–	–	(203,507)	(203,507)	–	(203,887)	–
Trade and other payables	15	–	–	(32,239)	(32,239)	–	–	–
Rental deposits		–	–	(8,749)	(8,749)	–	–	(9,083)
		<u>–</u>	<u>–</u>	<u>(963,332)</u>	<u>(963,332)</u>			<u>(9,083)</u>

[^] Excluding prepayments and deferred capital expenditure

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

	Note	Carrying amount			Fair value				
		Loans and receivables \$'000	Fair value - hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Stapled Group									
2014									
Trade and other receivables [^]	9	17,512	–	–	17,512				
Cash and cash equivalents	10	76,447	–	–	76,447				
Rental deposits		126	–	–	126	–	–	123	123
		<u>94,085</u>	<u>–</u>	<u>–</u>	<u>94,085</u>				
Unsecured bank loans	12	–	–	(571,488)	(571,488)	–	(570,061)	–	(570,061)
Unsecured medium term notes	12	–	–	(203,444)	(203,444)	–	(203,121)	–	(203,121)
Financial derivatives liabilities	13	–	(581)	–	(581)	–	(581)	–	(581)
Trade and other payables	15	–	–	(39,651)	(39,651)				
Rental deposits		–	–	(7,065)	(7,065)	–	–	(7,984)	(7,984)
		<u>–</u>	<u>(581)</u>	<u>(821,648)</u>	<u>(822,229)</u>				

[^] Excluding prepayments and deferred capital expenditure

Measurement of fair values

Valuation techniques and significant unobservable inputs

The following show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

(i) Derivatives

The fair values of interest rate swaps (Level 2 fair values) are based on banks' quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Stapled Group and counterparty where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Measurement of fair values (cont'd)

Valuation techniques and significant unobservable inputs (cont'd)

(ii) Other non-derivative financial liabilities

Other non-derivative financial liabilities (including loans and borrowings, trade and other payables and rental deposits) are measured at fair value at initial recognition and for disclosure purposes, at each financial year. The fair values of non-derivative financial liabilities with a maturity of less than one year are assumed to approximate their carrying values because of the short period to maturity. The fair values of other non-derivative financial liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

Interest rates used in determining fair values

The interest rate used to discount estimated cash flows is set out below:

	2015 %	2014 %
Fixed rate TMK bond	0.66	–
Fixed rate bank loans	3.04	1.29
Fixed rate medium term notes	2.37	2.50
Rental deposits	2.33	1.74

28 COMMITMENTS

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Capital expenditure contracted but not provided for	–	–	3,337	2,803	3,337	2,803

(b) The HBT Group, the H-REIT Group and the Stapled Group lease out their properties. Non-cancellable operating lease rentals are receivable as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Within 1 year	113	106	70,698	70,515	66,697	66,651
After 1 year but within 5 years	450	422	240,614	240,741	224,612	225,286
After 5 years	426	508	232,668	289,516	220,755	274,147
	989	1,036	543,980	600,772	512,064	566,084

The above operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

28 COMMITMENTS (CONT'D)

- (c) The H-REIT Group and the Stapled Group have entered into an operating lease for a conference centre with a related party. The lease runs for an initial period of 5 years, with an option to renew the lease on expiry of the initial period. The H-REIT Group's and the Stapled Group's commitments for future minimum lease payments under the non-cancellable operating lease are as follows:

	H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Within 1 year	548	755	548	755
After 1 year but within 5 years	620	414	620	414
	<u>1,168</u>	<u>1,169</u>	<u>1,168</u>	<u>1,169</u>

- (d) Under the terms of the lease agreement for Novotel Singapore Clarke Quay, the H-REIT Group and the Stapled Group are required to incur expenditure equivalent to 3.0% of the annual gross revenue of the hotel to maintain and improve the hotel's furniture and fixtures, equipment and its environment. As at the end of the financial year, the H-REIT Group and the Stapled Group are committed to incur capital expenditure of \$140,000 (2014: \$140,000) under the terms of the lease agreement.
- (e) H-REIT's subsidiary, CDLHT Oceanic Maldives Private Limited holds a leasehold interest in Meradhoo in Gaafu Alifu Atoll until the expiry of its land lease on 14 June 2056. On 6 February 2014, the Maldivian government amended the laws and the lease extension fee was to be paid in eight quarterly instalments of US\$187,500 commencing in June 2014. As at the end of the financial year, the future lease extension fee is approximately \$264,500 (US\$187,500).
- (f) HBT's subsidiary, CDL HBT Cambridge City Hotel (UK) Ltd, holds a leasehold land, with a 125-year lease granted by the Cambridge City Council (the "**Head Lessor**"), and the lease granted by the Head Lessor, the ("**Head Lease**") commencing on 25 December 1990. In addition to the approximately 100 years left on the lease, the lease term may be extended for a further term of 50 years pursuant to the lessee's option to renew under the Head Lease. Lease payment under this lease is variable, being a percentage of gross revenue and subject to a minimum value that is itself a function of the aggregate rent paid over the previous 3 years. As at the end of the financial year, the HBT Group recorded lease payment of \$121,800 (£58,000).
- (g) The CDL HBT Oceanic Maldives Pvt Ltd, an indirect wholly-owned subsidiary of HBT has an operating agreement with CDLHT Oceanic Maldives Pvt Ltd, an indirect wholly-owned subsidiary of H-REIT for the use of Jumeirah Dhevanafushi. The HBT Group's commitments for future minimum lease payments under the non-cancellable lease are as follows:

	HBT Group	
	2015 \$'000	2014 \$'000
Within 1 year	4,113	3,969
After 1 year but within 5 years	16,452	15,877
After 5 years	12,339	15,877
	<u>32,904</u>	<u>35,723</u>

NOTES TO THE FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS

The H-REIT Manager and the master lessees of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel and Studio M Hotel are indirect wholly-owned subsidiaries of a substantial holder of the Stapled Securities in the Stapled Group.

In the normal course of the operations of H-REIT, the H-REIT Manager's management and acquisition fees and H-REIT Trustee's fee have been paid or are payable to the H-REIT Manager and H-REIT Trustee respectively.

In the normal course of the operations of HBT, the HBT Trustee-Manager's trustee, management and acquisition fees have been paid or are payable to the HBT Trustee-Manager.

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

	HBT Group		H-REIT Group		Stapled Group	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Transaction value						
Shared service expenses paid/payable to a related corporation of the H-REIT Manager	-	-	53	103	53	103
Provision of accounting, IT and HR services by a related corporation of the H-REIT Manager	40	-	143	106	183	106
Rental expense paid/payable to a related corporation of the H-REIT Manager	-	-	755	755	755	755
Rental income received/receivable from related corporations of the H-REIT Manager	-	-	75,517	82,254	75,517	82,254
Provision of internal audit services by a related corporation of the H-REIT manager	-	-	30	20	30	20
Provision of corporate secretarial services by a related corporation of the H-REIT Manager/HBT Trustee- Manager	40	16	99	64	139	80
Balance outstanding						
Shared service expenses paid/payable to a related corporation of the H-REIT Manager	-	-	6	16	6	16
Provision of accounting, IT and HR services by a related corporation of the H-REIT Manager	-	-	-	27	-	27
Rental income received/receivable from related corporations of the H-REIT Manager	-	-	6,073	6,728	6,073	6,728
Provision of internal audit services by a related corporation of the H-REIT Manager	-	-	-	21	-	21

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL RATIOS

	H-REIT Group		Stapled Group	
	2015 %	2014 %	2015 %	2014 %
Expenses to weighted average net assets ¹				
- including performance component of H-REIT Manager's management fees ²	0.94	0.93	1.23	0.95
- excluding performance component of H-REIT Manager's management fees ²	0.52	0.49	0.81	0.50
Portfolio turnover rate ³	–	–	–	–

1 The annualised 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 the H-REIT Group and the Stapled Group, excluding property expenses, interest expense and income tax expense of each entity, where applicable.

2 Excluding acquisition fee and costs associated with the acquisition of a subsidiary.

3 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the H-REIT Group and the Stapled Group expressed as a percentage of daily average net asset value.

STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 3 March 2016

Summary Information of Stapled Securities

A Stapled Security means a security comprising one unit of H-REIT and one unit of HBT stapled together under the terms of the Stapling Deed dated 12 June 2006. Each holder of the Stapled Securities has one vote per Stapled Security.

Issued and Fully Paid Stapled Securities: 989,153,990 Stapled Securities

Size of Stapled Securities Holdings	No. of Stapled Securities Holders	%	No. of Stapled Securities	%
1 - 99	20	0.24	302	0.00
100 - 1,000	658	7.77	622,941	0.06
1,001 - 10,000	5,468	64.56	28,799,456	2.91
10,001 - 1,000,000	2,298	27.13	99,050,520	10.02
1,000,001 and above	25	0.30	860,680,771	87.01
	8,469	100.00	989,153,990	100.00

Twenty Largest Stapled Securities Holders

No.	Name	No. of Stapled Securities	%
1	Hospitality Holdings Pte. Ltd.	313,950,000	31.74
2	Citibank Nominees Singapore Pte Ltd	131,507,400	13.29
3	HSBC (Singapore) Nominees Pte Ltd	88,932,110	8.99
4	DBS Nominees Pte Ltd	85,819,748	8.68
5	Raffles Nominees (Pte) Ltd	58,848,131	5.95
6	M&C REIT Management Limited	46,424,985	4.69
7	BNP Paribas Securities Services	38,198,857	3.86
8	DBSN Services Pte Ltd	37,072,041	3.75
9	United Overseas Bank Nominees Pte Ltd	16,255,554	1.64
10	Bank of Singapore Nominees Pte Ltd	8,365,701	0.85
11	Guan Hong Plantation Private Limited	5,750,000	0.58
12	DB Nominees (Singapore) Pte Ltd	5,156,580	0.52
13	Millennium Securities Pte Ltd	4,000,000	0.40
14	OCBC Securities Private Ltd	3,095,750	0.31
15	UOB Kay Hian Pte Ltd	2,548,800	0.26
16	BNP Paribas Nominees Singapore Pte Ltd	2,342,245	0.24
17	Meren Pte Ltd	2,300,000	0.23
18	Maybank Kim Eng Securities Pte Ltd	1,486,400	0.15
19	CIMB Securities (Singapore) Pte Ltd	1,479,655	0.15
20	ABN Amro Nominees Singapore Pte Ltd	1,338,293	0.14
		854,872,250	86.42

Subscription of Stapled Securities in CDL Hospitality Trusts

As at 31 December 2015, 987,136,888 Stapled Securities were issued. On 28 January 2016, 2,017,102 Stapled Securities were issued to the H-REIT Manager as payment of 80.0 per cent of management fees for the period from 1 October 2015 to 31 December 2015.

STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 3 March 2016

H-REIT Manager's Directors' and HBT Trustee-Manager's Directors' Stapled Securities Holdings

As shown in the Register of Directors' Stapled Securities Holdings as at 3 March 2016

Name of Director	Holdings
Wong Hong Ren	115,000
Vincent Yeo Wee Eng	115,000
Jenny Lim Yin Nee	NIL
Jimmy Chan Chun Ming	NIL
Daniel Marie Ghislain Desbaillets	NIL
Ronald Seah Lim Siang	NIL
Ronald Nathaniel Issen	NIL

Substantial Stapled Securities Holders

as at 3 March 2016

Name	Direct Interest	Deemed Interest	Total Holdings	% *
Hospitality Holdings Pte. Ltd.	313,950,000	–	313,950,000	31.739
ATOS Holding AG	–	313,950,000 ⁽¹⁾	313,950,000	31.739
Millennium & Copthorne Hotels plc	–	360,374,985 ⁽²⁾	360,374,985	36.433
City Developments Limited	–	360,374,985 ⁽²⁾	360,374,985	36.433
Hong Leong Investment Holdings Pte. Ltd.	–	364,374,985 ⁽³⁾	364,374,985	36.837
Davos Investment Holdings Private Limited	–	364,374,985 ⁽³⁾	364,374,985	36.837
Kwek Holdings Pte Ltd	–	364,374,985 ⁽³⁾	364,374,985	36.837

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 3 March 2016.

Notes:

- (1) ATOS Holding AG is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), to have an interest in the 313,950,000 Stapled Securities held by a company in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- (2) Millennium & Copthorne Hotels plc and City Developments Limited is deemed under Section 4 of the SFA, to have an interest in the 360,374,985 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- (3) Hong Leong Investment Holdings Pte. Ltd., Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA, to have an interest in the 364,374,985 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.

Free Float

Based on information made available to the H-REIT Manager and the HBT Trustee-Manager as at 3 March 2016, no less than 63% of the Stapled Securities in CDL Hospitality Trusts is held by the public and accordingly, Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.

INTERESTED PERSON TRANSACTIONS/ RELATED PARTY TRANSACTIONS

Interested Person Transactions as defined in the Listing Manual of Singapore Exchange Securities Trading Limited and Related Party Transactions (also 'interested party transactions') pursuant to the Property Funds Appendix for real estate investment trusts issued by the Monetary Authority of Singapore and Business Trusts Act respectively are listed below.

Name of Interested Persons/Related Parties	Aggregate value of all Interested Person and/or Related Party Transactions during the financial year under review (excluding transactions less than \$100,000)
Republic Hotels & Resorts Limited	\$27,549,855
- Rental income in relation to Copthorne King's Hotel and Grand Copthorne Waterfront Hotel	
- Rental income in relation to Waterfront Conference Centre ⁽¹⁾	\$755,244
City Hotels Pte. Ltd.	
- Rental income in relation to Orchard Hotel Singapore	\$24,127,633
Harbour View Hotel Pte. Ltd.	
- Rental income in relation to M Hotel	\$15,089,923
City Century Pte. Ltd.	
- Rental income in relation to units at Claymore Connect	\$1,431,411
City Developments Limited	
- Rental expense in relation to Waterfront Conference Centre ⁽¹⁾	\$755,244
- Corporate secretarial services fees	\$138,838
Republic Iconic Hotel Pte. Ltd.	
- Rental income in relation to Studio M Hotel	\$7,809,770
Millennium & Copthorne International Limited	
- Accounting, internal audit, IT and HR function expense for outsourced services	\$173,223

Notes:

- (1) This relates to a lease agreement with City Developments Limited ("CDL") for the lease of the second level of Waterfront Plaza which comprises the Waterfront Conference Centre which H-REIT has sub-let to Republic Hotels & Resorts Limited ("RHRL"). Rental income received from RHRL is thereafter paid to CDL as rental expense.

Except as disclosed above, there were no additional interested person/related party transactions (excluding transactions of less than \$100,000 each and/or transactions collectively described as "**Exempted Agreements**") entered into during the financial year under review.

GLOSSARY PAGE

2012 Code	Code of Corporate Governance 2012
2016 AGMs	2016 Annual General Meetings
4 NEDs	The four independent non-executive directors of the total six non-executive directors of the Board
AC	Audit Committees
AC Self-Assessment Checklist	A self-assessment checklist which the AC used to conduct an assessment of its effectiveness for the financial year under review, adapted from the self-assessment checklist for audit committees set out in the ACGC Guidebook
ACGC Guidebook	Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee in October 2008
ACRA	Accounting and Corporate Regulatory Authority
Act	The Business Trusts Act, Chapter 31A of Singapore
ADR	Average Daily Rate
AEI	Asset Enhancement Initiative
Amendment Act	Companies Amendment Act
Annual Report	Annual Report 2015
AOR	Average Occupancy Rate
ARC	Audit and Risk Committee
ARR	Average Room Rate
Australia Hotels	Portfolio hotels located in Australia consisting of Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth
Boards	Refers to HBT Board and the H-REIT Board
BTA	Business Trusts Act
BTMICE	Business Travel and Meetings, Incentives, Conferences and Exhibitions
BTR	Business Trusts Regulations
CAGR	Compounded Annual Growth Rate
CBD	Central Business District
CCH	CDL HBT Cambridge City Hotel (UK) Ltd
CDL	City Developments Limited
CDP	The Central Depository (Pte) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS Code	Code on Collective Investment Schemes
CMS	Capital Markets Services
CPF	Central Provident Fund
FRS	Singapore Financial Reporting Standards
GDP	Gross Domestic Product

GLOSSARY PAGE

Group or Stapled Group or CDLHT	CDL Hospitality Trusts
HBT	CDL Hospitality Business Trust
HBT Group	CDL Hospitality Business Trust and its subsidiaries
HBT Trust Deed	The trust deed constituting HBT dated 12 June 2006
HBT Trust Property	The trust property of HBT
HBT Trustee-Manager	M&C Business Trust Management Limited as trustee-manager of CDL Hospitality Business Trust
HBT Trustee-Manager Board	Board of Directors of the HBT Trustee-Manager
HBT Trustee-Manager Directors	Directors of the HBT Trustee-Manager
HBT Units	Units of HBT
Head Lease	125-year lease granted by Cambridge City Council commencing from 25 December 1990
Head Lessor	Cambridge City Council
H-REIT	CDL Hospitality Real Estate Investment Trust
H-REIT Group	CDL Hospitality Real Estate Investment Trust and its subsidiaries
H-REIT Manager	M&C REIT Management Limited as the manager of CDL Hospitality Real Estate Investment Trust
H-REIT Trustee	DBS Trustee Limited as the trustee of CDL Hospitality Real Estate Investment Trust
H-REIT Units	Units of H-REIT
IDs	Independent Directors
IFRS	International Financial Reporting Standards
IA	Internal Audit
IPO Hotels	Portfolio hotels at IPO consisting of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel
IRAS	Inland Revenue Authority of Singapore
Japan Hotels	Portfolio hotels located in Japan consisting of Hotel MyStays Asakusabashi and Hotel MyStays Kamata
KMP	Key Management Personnel
KPMG	KPMG LLP
LCD	Listed Company Director
Lead ID	Lead Independent Director
Listing Date	19 July 2006 – listing date of CDLHT
Listing Manual of SGX-ST	Listing rules issued by Singapore Exchange Securities Trading Limited
M&C	Millennium and Copthorne Hotels plc
Maldives Resorts	Portfolio resorts located in the Maldives consisting of Angsana Velavaru and Jumeirah Dhevanafushi
Managers	The H-REIT Manager and the HBT Trustee-Manager
MAS	Monetary Authority of Singapore

GLOSSARY PAGE

MCIL	Millennium and Copthorne International Limited
MICE	Meetings, Incentives, Conventions and Exhibitions
NEDs	Non-Executive Directors
NPI	Net Property Income
New Zealand Hotel	Portfolio hotel located in New Zealand namely Rendezvous Hotel Auckland
NRC	Nominating and Remuneration Committee
Property Funds Appendix	Appendix 6 of the Code on Collective Investment Schemes
RAP	Statement of Recommended Accounting Practice
RevPAR	Revenue per Available Room
RMC	Risk Management Committees
RMC Self-Assessment Checklist	The self-assessment checklist which RMCs used to conduct an assessment of its effectiveness for the financial year under review
SGX	Singapore Exchange
SGX-ST	Singapore Exchange Securities Trading Limited
SID	Singapore Institute of Directors
Singapore Hotels	Portfolio hotels located in Singapore consisting of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Novotel Singapore Clarke Quay
Sponsor	Millennium & Copthorne Hotels plc
Stapled Group	Stapled group comprising the H-REIT Group and the HBT Group
Stapled Securities	Stapled Units of H-REIT and HBT
Stapled Security Holders	Holders of Stapled Securities of CDLHT
Stapling Deed	The stapling deed dated 12 June 2006
STB	Singapore Tourism Board
TMK	Tokutei Mokutei Kaisha
TOP	Temporary Occupation Permit
UK Hotel	Portfolio hotel located in the United Kingdom namely Hilton Cambridge City Centre (or Cambridge City Hotel before rebranding)
YOY or yoy	Year-on-Year

NOTICE OF ANNUAL GENERAL MEETINGS



CDL HOSPITALITY TRUSTS

A stapled group comprising:

CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 8 June 2006 under the laws of the Republic of Singapore)

CDL HOSPITALITY BUSINESS TRUST

(a business trust constituted on 12 June 2006 under the laws of the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the Annual General Meetings ("**Annual General Meetings**") of the security holders of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and CDL Hospitality Business Trust ("**HBT**") will be held at Riverfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663 on Thursday, 28 April 2016 at 10.00 a.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of M&C Business Trust Management Limited, as trustee-manager of HBT (the "**HBT Trustee-Manager**"), the Statement by the Chief Executive Officer of the HBT Trustee-Manager, the Report of DBS Trustee Limited, as trustee of H-REIT (the "**H-REIT Trustee**"), the Report of M&C REIT Management Limited, as manager of H-REIT (the "**H-REIT Manager**") and the Audited Financial Statements of HBT, H-REIT and CDL Hospitality Trusts for the year ended 31 December 2015 and the Auditors' Report thereon.
2. To re-appoint Messrs KPMG LLP as the Independent Auditors of H-REIT and HBT and to hold office until the conclusion of the next Annual General Meetings of H-REIT and HBT, and to authorise the H-REIT Manager and the HBT Trustee-Manager to fix their remuneration.

(Ordinary Resolution 1)

(Ordinary Resolution 2)

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolutions:

3. That authority be and is hereby given to the H-REIT Manager and the HBT Trustee-Manager, to:
 - (a) (i) issue new units in H-REIT ("**H-REIT Units**") and new units in HBT ("**HBT Units**", together with H-REIT Units, the "**Stapled Securities**") whether by way of rights, bonus or otherwise; and/or;
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities, at any time and upon such terms and conditions and for such purposes and to such persons as the H-REIT Manager and the HBT Trustee-Manager may in their absolute discretion deem fit; and

(Ordinary Resolution 3)

NOTICE OF ANNUAL GENERAL MEETINGS

- (b) issue Stapled Securities in pursuance of any Instrument made or granted by the H-REIT Manager and the HBT Trustee-Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a pro rata basis to Security Holders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) shall be based on the number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) at the time this Resolution is passed, after adjusting for:
 - (a) any new Stapled Security arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;
- (3) in exercising the authority conferred by this Resolution, the H-REIT Manager and the HBT Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, Chapter 31A of Singapore for the time being in force, the trust deed constituting H-REIT (as amended and supplemented) (the "**H-REIT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the trust deed constituting HBT (the "**HBT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) (unless revoked or varied by the Security Holders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meetings of H-REIT and HBT or (ii) the date by which the next Annual General Meetings of H-REIT and HBT are required by law to be held, whichever is earlier;

NOTICE OF ANNUAL GENERAL MEETINGS

- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the H-REIT Manager and the HBT Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and
- (6) the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the H-REIT Manager, the H-REIT Trustee or, as the case may be, the HBT Trustee-Manager may consider expedient or necessary or in the interest of H-REIT and HBT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note 1 below)

4. That:

- (a) in accordance with Section 31 of the Business Trusts Act, Chapter 31A of Singapore, the HBT Trust Deed be amended in order to facilitate the extension of the multiple proxies regime to HBT in the manner described in the Appendix to the Annual Report (the "**HBT Trust Deed Amendment**");
- (b) the HBT Trustee-Manager be and is hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as the HBT Trustee-Manager may consider expedient or necessary or in the interests of HBT to give effect to the HBT Trust Deed Amendment;
- (c) in accordance with Clause 27 of the H-REIT Trust Deed, the H-REIT Trust Deed be amended in order to facilitate the extension of the multiple proxies regime to H-REIT in the manner described in the Appendix to the Annual Report (the "**H-REIT Trust Deed Amendment**"); and
- (d) the H-REIT Manager and the H-REIT Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the H-REIT Manager or, as the case may be, the H-REIT Trustee may consider expedient or necessary or in the interests of H-REIT to give effect to the H-REIT Trust Deed Amendment.

**(Extraordinary
Resolution 4)**

NOTICE OF ANNUAL GENERAL MEETINGS

AS OTHER BUSINESS

- To transact such other business as may be transacted at the Annual General Meetings.

BY ORDER OF THE BOARD

M&C REIT Management Limited
(as manager of CDL Hospitality Real Estate
Investment Trust)

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Enid Ling Peek Fong
Company Secretary

Singapore
29 March 2016

BY ORDER OF THE BOARD

M&C Business Trust Management Limited
(as trustee-manager of CDL Hospitality
Business Trust)

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Enid Ling Peek Fong
Company Secretary

Important Notice:

- A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such instrument appointing a proxy or proxies, the proportion of the shareholding concerned to be presented by each proxy shall be specified in the instrument appointing a proxy or proxies.
 - A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's instrument appointing a proxy or proxies appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

- A proxy need not be a Security Holder.
- The Instrument appointing a proxy or proxies (the "Proxy Form") must be deposited at the office of the Unit Registrar, 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the Annual General Meetings.
- Completion and return of the instrument appointing a proxy or proxies shall not preclude a Security Holder from attending and voting at the Annual General Meetings. Any appointment of a proxy or proxies shall be deemed to be revoked if a Security Holder attends the Annual General Meetings in person, and in such event, the H-REIT Manager and the HBT Trustee-Manager reserve the right to refuse to admit any person or persons appointed under this instrument appointing a proxy or proxies, to the Annual General Meetings.
- The Chairman of the Annual General Meetings will be exercising his rights under Paragraph 13 of Schedule 1 to the H-REIT Trust Deed and Paragraph 4.4.1 of the Schedule to the HBT Trust Deed for all resolutions at the Annual General Meetings and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the Annual General Meetings will be voted on by way of a poll.
- To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, Security Holders present in person or represented by proxy at the Annual General Meetings will be entitled to vote on a 'one-Stamped Security, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Annual General Meetings.

NOTICE OF ANNUAL GENERAL MEETINGS

Explanatory Note 1:

1. Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the H-REIT Manager and the HBT Trustee-Manager from the date of these Annual General Meetings until the date of the next Annual General Meetings of H-REIT and HBT, to issue Stapled Securities and to make or grant instruments (such as securities, warrants or debentures) convertible into Stapled Securities and issue Stapled Securities pursuant to such instruments, up to a number not exceeding 50% of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) of which up to 20% of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) may be issued other than on a pro rata basis to Security Holders.

The Ordinary Resolution 3 above, if passed, will also empower the H-REIT Manager and the HBT Trustee-Manager from the date of these Annual General Meetings until the date of the next Annual General Meetings of H-REIT and HBT, to issue Stapled Securities as either full or partial payment of fees which the H-REIT Manager and the HBT Trustee-Manager are entitled to receive for their own accounts pursuant to the H-REIT Trust Deed and the HBT Trust Deed respectively.

For determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the issued Stapled Securities at the time the Ordinary Resolution 3 above is passed, after adjusting for new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Security Holders is required under the Listing Manual of SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the H-REIT Manager and the HBT Trustee-Manager will then obtain the approval of Security Holders accordingly.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

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CDL HOSPITALITY TRUSTS

A stapled group comprising:

CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 8 June 2006 under the laws of the Republic of Singapore)

CDL HOSPITALITY BUSINESS TRUST

(a business trust constituted on 12 June 2006 under the laws of the Republic of Singapore)

Personal Data Privacy

By submitting an instrument appointing proxy(ies) or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 March 2016.

**PROXY FORM
ANNUAL GENERAL MEETINGS**

I/We _____ (Name(s)), and NRIC/Passport/Company Registration No. _____

of _____ (Address)

being a holder/s of units in CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust (collectively, "Stapled Securities"), hereby appoint:

Name	Address	NRIC / Passport Number	Proportion of Stapled Securities Holdings	
			Number of Stapled Securities	%

and/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Stapled Securities Holdings	
			Number of Stapled Securities	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meetings to be held at Riverfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663 on Thursday, 28 April 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meetings as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meetings.

No.	Resolution	No. of votes For *	No. of votes Against *
	ORDINARY BUSINESS		
1	Adoption of the HBT Trustee-Manager's Report, the Statement by the Chief Executive Officer of the HBT Trustee-Manager, the H-REIT Trustee's Report, the H-REIT Manager's Report and the Audited Financial Statements of HBT, H-REIT and CDL Hospitality Trusts for the year ended 31 December 2015 and the Auditors' Report thereon.		
2	Re-appointment of Independent Auditors and authorisation of the H-REIT Manager and the HBT Trustee-Manager to fix the Independent Auditors' remuneration.		
	SPECIAL BUSINESS		
3	Authority to issue Stapled Securities and to make or grant convertible instruments.		
4	Amendment of the HBT Trust Deed and H-REIT Trust Deed.		
	OTHER BUSINESS		
5	Transaction of such other business as may be transacted at an Annual General Meeting		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

Total number of Stapled Securities held

Signature(s) of Security Holder(s) or Common Seal of
Corporate Security Holder(s)**IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM OVERLEAF**

Notes To Proxy Form

- 1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such instrument appointing a proxy or proxies, the proportion of the shareholding concerned to be presented by each proxy shall be specified in the instrument appointing a proxy or proxies.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's instrument appointing a proxy or proxies appoint more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

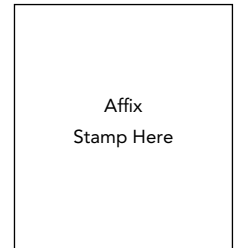
- 2. A proxy need not be a Security Holder.
- 3. A Security Holder should insert the total number of Stapled Securities held. If the Security Holder has Stapled Securities entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he should insert that number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Security Holder.
- 4. The Instrument appointing a proxy or proxies (the "Proxy Form") must be deposited at the office of the Unit Registrar, 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the Annual General Meetings.
- 5. The Proxy Form must be signed by the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
- 6. Where a Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the H-REIT Manager and the HBT Trustee-Manager) be lodged with the Proxy Form; failing which the Proxy Form may be treated as invalid.
- 7. The H-REIT Manager and the HBT Trustee-Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Stapled Securities entered into the Depository Register, the H-REIT Manager and the HBT Trustee-Manager may reject a Proxy Form if the Security Holder, being the appointor, is not shown to have Stapled Securities entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meetings, as certified by CDP to the H-REIT Manager and the HBT Trustee-Manager.
- 8. All Security Holders will be bound by the outcome of the Annual General Meetings regardless of whether they have attended or voted at the Annual General Meetings.

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THE UNIT REGISTRAR

CDL Hospitality Trusts
(a stapled security comprising CDL Hospitality Real Estate
Investment Trust and CDL Hospitality Business Trust)

112 Robinson Road #05-01
Singapore 068902



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CORPORATE DIRECTORY

CDL HOSPITALITY TRUSTS

A Stapled Group comprising H-REIT, a real estate investment trust, and HBT, a business trust

MANAGER OF H-REIT

M&C REIT Management Limited
(Co. Reg. No. 200607091Z)

Registered Address:
36 Robinson Road
#04-01 City House
Singapore 068877
Telephone: (65) 6877 8228
Facsimile: (65) 6225 4959

Office Address:
390 Havelock Road
#02-05 King's Centre
Singapore 169662
Telephone: (65) 6664 8888
Facsimile: (65) 6732 2868
Email: enquiries@cdlht.com
Website: www.cdlht.com

TRUSTEE-MANAGER OF HBT

M&C Business Trust Management Limited
(Co. Reg. No. 200607118H)

Registered Address:
36 Robinson Road
#04-01 City House
Singapore 068877
Telephone: (65) 6877 8228
Facsimile: (65) 6225 4959

Office Address:
390 Havelock Road
#02-05 King's Centre
Singapore 169662
Telephone: (65) 6664 8888
Facsimile: (65) 6732 2868
Email: enquiries@cdlht.com
Website: www.cdlht.com

DIRECTORS OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Wong Hong Ren
Chairman and Non-Executive Director

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Jenny Lim Yin Nee
Lead Independent Director

Jimmy Chan Chun Ming
Independent Non-Executive Director

Daniel Marie Ghislain Desbaillets
Independent Non-Executive Director

Ronald Seah Lim Siang
Independent Non-Executive Director

Ronald Nathaniel Issen
Non-Independent Non-Executive Director

AUDIT AND RISK COMMITTEE OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

(established on 29 December 2015)

Jenny Lim Yin Nee (Chairman)
Jimmy Chan Chun Ming
Ronald Seah Lim Siang

NOMINATING AND REMUNERATION COMMITTEE OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

(established on 27 January 2016)

Ronald Seah Lim Siang (Chairman)
Wong Hong Ren
Daniel Marie Ghislain Desbaillets

TRUSTEE OF H-REIT

DBS Trustee Limited
12 Marina Boulevard
Level 44 DBS Asia Central @
Marina Bay Financial Centre Tower 3
Singapore 018982
Telephone: (65) 6878 8888
Facsimile: (65) 6878 3977

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Telephone: (65) 6213 3388
Facsimile: (65) 6225 4142
(Partner-in-charge: Koh Wei Peng (Alex),
appointment commenced from the audit of
the financial statements for the year ended
31 December 2011)

UNIT REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Telephone: (65) 6227 6660
Facsimile: (65) 6225 1452

LEGAL ADVISER

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989
Telephone: (65) 6890 7188
Facsimile: (65) 6327 3800

COMPANY SECRETARY OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Enid Ling Peek Fong



CDL HOSPITALITY TRUSTS

M&C REIT Management Limited

(As Manager of CDL Hospitality Real Estate Investment Trust)
and

M&C Business Trust Management Limited

(As Trustee-Manager of CDL Hospitality Business Trust)

390 Havelock Road
#02-05 King's Centre
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