



CDL HOSPITALITY TRUSTS



CDL HOSPITALITY TRUSTS

ANNUAL REPORT 2016





4,912
Rooms



6
Countries



18
Properties



CONTENTS

CDL Hospitality Trusts ("CDLHT") is one of Asia's leading hospitality trusts with assets valued at S\$2.4 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 4,912 rooms and are operated by master lessees and hotel managers, which include reputable and/or international hotel chains such as Millennium Hotels and Resorts, AccorHotels, Hotel MyStays, Hilton Hotels and Resorts, Banyan Tree Hotels & Resorts, Jumeirah Resorts & Hotels.

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 2016.

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OVERVIEW AND FINANCIAL REVIEW

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\$2.4 billion as at 31 December 2016, with a total of 4,912 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 2,718 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 (the "**NZ Hotel**"), Grand Millennium 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 255 rooms). The two resorts in Maldives comprise Angsana Velavaru and Jumeirah Dhevanafushi (collectively the "**Maldives Resorts**") with an aggregate of 150 villas). The hotel property in United Kingdom (the "**UK Hotel**"), Hilton Cambridge City Centre, is a 198-room upper upscale hotel.

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. Hilton Cambridge City Centre is situated in a prime location in the heart of Cambridge city centre and within the vicinity of popular tourist attractions. CDLHT's luxurious resorts in the Maldives, a top-tier premium destination with the exclusive "one-island-one-resort" concept, offer 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 Hilton Cambridge City Centre, 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 Hilton Cambridge City Centre 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.

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 £1.5 billion as at 3 March 2017. 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.

OVERVIEW OF CDL HOSPITALITY TRUSTS



Junior Ballroom, Novotel Singapore Clarke Quay

- 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.

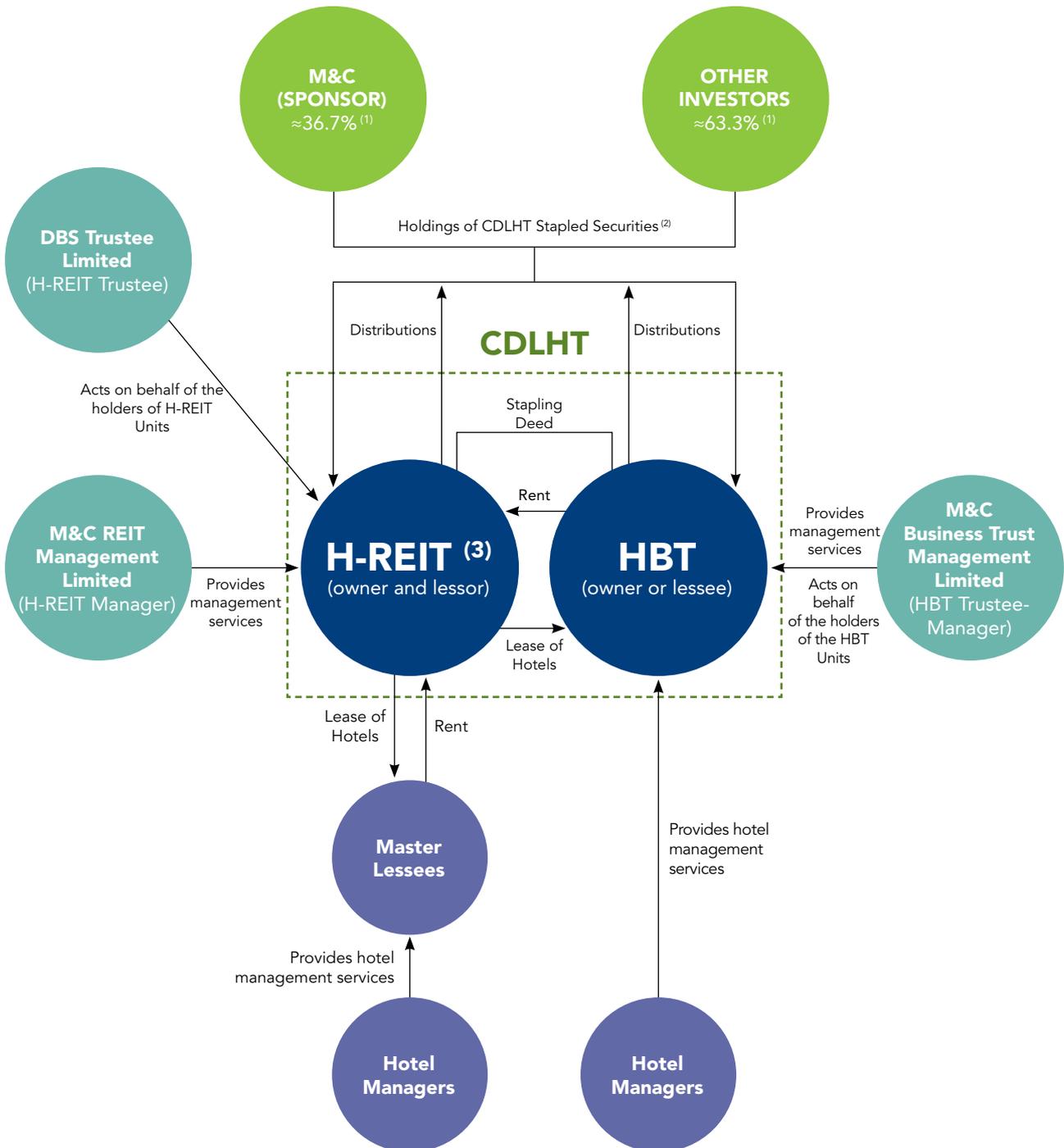
The HBT Group currently acts as the master lessees for three of the properties in H-REIT's portfolio, namely Jumeirah Dhevanafushi, Hotel MyStays Asakusabashi and Hotel MyStays Kamata, and is the asset owner of Hilton Cambridge City Centre, and appoints professional hotel managers to manage these properties.

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

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 2017.
 (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.

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

CHAIRMAN'S STATEMENT



"2016 marks a significant milestone for CDLHT as it represents a meaningful and rewarding decade since CDLHT was listed on the Singapore Exchange Securities Trading Limited."

On behalf of the Board of Directors of the H-REIT Manager and the HBT Trustee-Manager (collectively the "**Managers**"), I am pleased to present our annual report for the financial year ended 31 December 2016 ("**FY 2016**").

MARKING 10 YEARS OF GROWTH

2016 marks a significant milestone for CDLHT as it represents a meaningful and rewarding decade since CDLHT was listed on the Singapore Exchange Securities Trading Limited. CDLHT's portfolio has delivered commendable growth and the strategy pursued by us has generated approximately 207.3% ⁽¹⁾ in total return for Stapled Security Holders who have invested in CDLHT since its public listing on 19 July 2006.

H-REIT, which was the first hotel REIT to list in Singapore, started with a portfolio of assets valued at S\$846.3 million, comprising four hotels with 1,915 rooms and a retail mall adjoining Orchard Hotel, in Singapore. CDLHT has since expanded to become one of Asia's leading hospitality trusts with quality assets valued at S\$2.4 billion, comprising 15 hotels and 2 resorts with 4,912 rooms as well as a retail mall. We have also geographically diversified our footprint from a single country exposure to six countries, which has strengthened our portfolio and earnings base.

We will build on our decade of success and strive to continually create value and deliver sustainable returns for Stapled Security Holders through strategically pursuing hospitality assets with growth potential and engaging in active asset enhancement to maximise the potential of our investments.

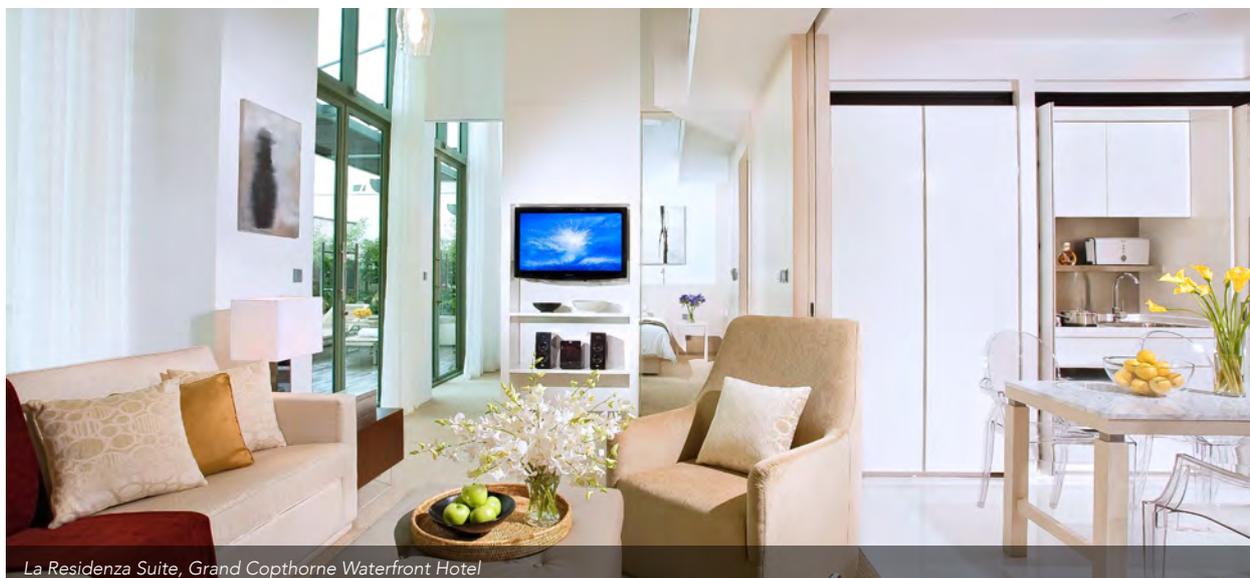
DELIVERING STABLE RETURNS

2016 was a year of challenging global economic conditions and uncertainties which affected the trading environment of some of the markets that we have a presence in, particularly our core market, Singapore. Certain key industries in Singapore such as Offshore & Marine, Shipping and Finance witnessed a significant slowdown which affected the hospitality industry. Major currencies also experienced volatility, which were in part affected by the unexpected result of the referendum for Britain's withdrawal from the European Union ("**Brexit**") in June 2016 as well as other political events worldwide.

While headwinds were faced in some of our markets, CDLHT's portfolio has benefited from the diversification of income through strategic acquisitions in key cities over the years. These acquisitions have helped to mitigate the decline in net property income ("**NPI**") from our Singapore portfolio and our overseas contribution of portfolio NPI has grown from 33.6% in FY 2015 to 38.5% in FY 2016.

NPI of CDLHT increased slightly by S\$0.6 million in FY 2016 to S\$137.6 million despite challenging conditions. This was supported by the contribution from the acquisition of Hilton Cambridge City Centre, and strong NPI growth from Grand Millennium Auckland as a result of higher variable rental income driven by strong underlying hotel performance. The higher rental income for this hotel was also due to the rebranding and commencement of the new lease in September 2016 which contains a more significant variable rent component. There were also incremental contributions from our only retail mall, Claymore Connect, and the Japan Hotels. The increase in NPI helped to

(1) Total return comprises capital appreciation and assumes the distributions paid out during the period from 19 July 2006 to 31 December 2016 are reinvested in the Stapled Securities of CDLHT.



La Residenza Suite, Grand Copthorne Waterfront Hotel

offset weakness in the Singapore and Maldives markets as well as lower contribution from the Australia Hotels due to negative currency translation and smaller variable income.

Consequently, total distribution to Stapled Security Holders for FY 2016 was largely unchanged at S\$99.1 million. We are pleased to deliver Total Distribution per Stapled Security of 10.00 cents for FY 2016, compared to 10.06 cents in FY 2015, reflecting stability in our overall performance.

MARKET REVIEW AND OUTLOOK

In 2016, the Singapore hospitality industry faced headwinds amidst lower corporate activities which stemmed from global economic weakness, as well as increased room supply. As a result, RevPAR for the Singapore Hotels declined by 8.6% to S\$160 in FY 2016. Total visitor days to Singapore grew 2.2% year-on-year ("**yoy**") for 2016 ⁽²⁾. Our Singapore Hotels were able to maintain a healthy average occupancy rate of 85.4% for FY 2016.

In 2017, the trading environment in Singapore for hotels is expected to remain competitive, especially given the absence of biennial city-wide events such as the Singapore Airshow in February and Food & Hotel Asia in April. With a further 5.9% increase in new supply of hotel rooms ⁽³⁾ and uncertainties arising from Brexit as well as

increased global political risks, the outlook remains one of caution.

Despite uncertainties in the near term, we are optimistic on the long term outlook for the Singapore tourism sector. Singapore, being a key financial centre and gateway for conducting business with the Asia Pacific region and the rest of the world, continues to be an attractive hub for conferences and events and was ranked as the top international meeting city for the ninth consecutive year ⁽⁴⁾. Continued efforts by the Singapore government are also in place to drive tourism flows such as active marketing by the Singapore Tourism Board ("**STB**") and infrastructure development. These include strategic partnership deals between STB and Chinese online travel services, as well as the ongoing construction of Changi Airport's Terminal 4, Terminal 5 and Jewel Changi Airport – a retail and lifestyle mixed-use complex, which will serve to anchor Singapore's position as a leading aviation hub in the region.

In Japan, demand drivers remained strong with international visitor arrivals growing 21.8% to a record 24.0 million for 2016 ⁽⁵⁾. Consequently, the Japan Hotels enjoyed strong occupancies of over 90% but faced rate pressure partly from currency headwinds during the year and rising competition from new hotel room supply. As a result, RevPAR increased marginally by 0.6%. The long-term outlook for the hospitality sector in Japan is expected to be positive, with the Japanese government's

(2) International Visitor Arrivals Statistics – STB.

(3) Based on STB, Horwath data (January 2017) and CDLHT research.

(4) Travel Biz, "Singapore crowned Top International Meeting City by UIA", 30 September 2016.

(5) Japan National Tourism Organization.

CHAIRMAN'S STATEMENT



favourable initiatives and aim to welcome 40.0 million foreign visitors in 2020 ⁽⁶⁾ in conjunction with the Tokyo Olympics. The government's approval of the integrated resorts will likely also provide support for long term tourism growth.

In Maldives, the near term outlook continues to be challenging. Given that the room rates are priced in US dollar, the relative strength of the US dollar against some of the top source markets has affected demand and caused a downward adjustment in room rates as a compensating effect. In addition, the cautious consumer sentiment towards discretionary spending in the high-end leisure market and slowing growth in China may continue to affect the performance of our Maldives Resorts. As such, the Managers have been working with operators of both resorts to improve the market mix as well as taking cost containment measures.

For the Australia Hotels, rent contribution for FY 2016 was lower mainly due to negative currency translation and lower variable income. With the subdued natural resources sector outlook and increase in new hotel room supply in Perth and Brisbane, the trading performance of the hospitality sector will likely remain challenging. However, the defensive lease structure of the Australia Hotels which provides CDLHT with largely fixed rent will mitigate any downside risks in the hotels' performance.

The acquisition of Hilton Cambridge City Centre in October 2015 has augmented CDLHT's portfolio performance in FY 2016. The positive influence of the rebranding exercise in 2016 coupled with the product uplift after its refurbishment, has supported a yoy RevPAR growth of 11.9%. Looking

ahead, the weaker pound is likely to improve tourism flows in UK and international arrivals are expected to increase in 2017 ⁽⁷⁾. However, there will be economic uncertainty due to the impending commencement of the formal Brexit negotiations in March 2017, which may affect corporate demand.

In New Zealand, the tourism sector continued to enjoy strong growth, reflected by the 11.8% yoy growth in visitor arrivals in 2016 to a record high of 3.5 million ⁽⁸⁾. The surge in tourism arrivals was supported by additional commercial flight capacity serving Auckland during 2016, with new international airlines being launched and new routes being established. This has benefited our NZ Hotel, Grand Millennium Auckland, which saw a robust yoy RevPAR growth of 10.8%.

The Managers are optimistic about the outlook of the New Zealand hospitality sector and the growth momentum is likely to be supported by the increase in new international air services and a strong events calendar. In 2017, New Zealand will host a number of global sporting events, including the World Masters Games, Lions Tour and Rugby League World Cup, which are expected to increase international visitor flows to Auckland. Grand Millennium Auckland's new variable lease structure allows CDLHT to be strongly positioned to maximise the benefit of the growth trajectory going forward.

The importance of broadening our asset base remains a paramount consideration. Our geographically diversified portfolio of quality assets is expected to continue to provide CDLHT with the benefits of income diversification and generate sustainable returns for our Staped Security Holders.

(6) Nikkei Asian Review, "Japan prepares for mass influx of tourists", 11 January 2017.

(7) TTG, "2017 could be 'record year' for inbound tourism", 30 December 2016.

(8) Statistics New Zealand, "International Visitor Arrivals to New Zealand".

"Our geographically diversified portfolio of quality assets is expected to continue to provide CDLHT with the benefits of income diversification and generate sustainable returns for our Stapled Security Holders."

OPTIMISING PORTFOLIO VALUE THROUGH ASSET ENHANCEMENTS

The Managers are actively pursuing asset enhancement initiatives for CDLHT's portfolio and we believe that the softer trading environment in some of our markets presents opportunities to improve our assets' value and competitiveness, which allows CDLHT to capture the medium and long-term growth potential of our properties.

In 2016, Grand Copthorne Waterfront Hotel completed its extensive renovation where its lobby was refreshed, meeting room capacity was increased and its food and beverage offerings were significantly augmented. At M Hotel, the refurbishment of rooms was completed at the end of 2016. At Claymore Connect, the tenant mix was enhanced with new food and beverage offerings with the introduction of PIM PAM by FOC and return of Muddy Murphy's Irish Pub in 2016. In 2017, there will be further asset enhancement programmes to improve the competitiveness of our Singapore Hotels in view of the new products in the market place.

For CDLHT's overseas assets, the Japan Hotels have completed the conversion of all 118 smoking rooms to non-smoking rooms across both hotels as at January 2017, to facilitate the growing demand from non-smoking guests. In New Zealand, Grand Millennium Auckland's lobby refurbishment was completed in 2016 and some public area enhancement works will be ongoing during 2017. Over in Australia, Mercure Perth is expected to complete its bar refurbishment to an Italian café in 2017. For Hilton Cambridge City Centre, refurbishments which supported the hotel's ability to capitalise on the market buoyancy, such as the entrance canopy replacement, addition of a gym and the Executive Lounge, were completed during 2016. The UK Hotel will continue to see ongoing enhancements to the lobby and restaurant concept in 2017.

CAPITAL MANAGEMENT

As at 31 December 2016, our balance sheet remained robust with a gearing ratio of 36.8%. CDLHT has maintained its rating of BBB- on the Fitch Issuer Default Rating and has an interest cover of 6.2 times for FY 2016.

In August 2016, the Managers successfully refinanced the bridge loan of £64.6 million relating to the acquisition of the UK Hotel and a medium term note of S\$83.6 million into two 5-year floating rate term loans. Post-refinancing, our overall debt maturity profile has been further improved to 3.0 years with no borrowings maturing in 2017 while our floating rate risk continues to be well managed with 61.0% of our borrowings being fixed-rate loans.

APPRECIATION

On behalf of the Board, I would like to thank Jimmy Chan, Daniel Desbaillets and Ronald Issen, who have stepped down from the Board during 2016, for their advice and immeasurable contributions over the years. At the same time, I would like to extend a warm welcome to Bill Foo and Kenny Kim, who joined the Board on 11 May 2016 and 25 January 2017 respectively. To my fellow Board members, management and staff of the Managers and the H-REIT Trustee, I would like to express my sincere gratitude for your tireless commitment to the business over the years. I would also like to take this opportunity to thank our lessees, business partners and service providers from around the world for your continued support to the Group. Finally, I want to thank our Stapled Security Holders for your steadfast support in the last decade. It has truly been a fulfilling 10 years for CDLHT and we will strive to continually capitalise on opportunities to create value in the long run.

I look forward to meeting you at our annual general meetings on 26 April 2017.

Wong Hong Ren
Chairman

FINANCIAL HIGHLIGHTS

STATEMENT OF TOTAL RETURN

	FY 2016 S\$'000	FY 2015 S\$'000	Variance
Net property income	137,560	137,003	+0.4%
Net income before fair value adjustment	71,969	81,786 ⁽¹⁾	-12.0%
Income available for distribution	105,530	108,958	-3.1%
Total distribution (after retention for working capital)	99,124 ⁽²⁾	99,192	-0.1%

BALANCE SHEET

Prudent capital management has resulted in a healthy balance sheet for CDLHT. As at 31 December 2016, CDLHT's exposure to derivatives⁽³⁾ represents a negligible percentage of its net assets and market capitalisation.

	As at 31 Dec 2016 S\$'000	As at 31 Dec 2015 S\$'000	Variance
Investment properties	2,175,008 ⁽⁴⁾	2,176,664	-0.1%
Property, plant and equipment	244,361 ⁽⁵⁾	270,855	-9.8%
Non-current assets	2,426,186	2,455,141	-1.2%
Total assets	2,535,342	2,547,483	-0.5%
Borrowings ⁽⁶⁾	932,627	926,020	+0.7%
Net assets	1,546,421	1,565,819 ⁽¹⁾	-1.2%

KEY FINANCIAL INDICATORS

	As at 31 Dec 2016	As at 31 Dec 2015	Variance
Gearing	36.8%	36.4%	+0.4pp
Weighted average cost of debt	2.5%	2.5%	-
Weighted average debt to maturity (years)	3.0	2.8	+0.2
Interest coverage ratio	6.2x	6.6x	-0.4x
Net asset value per unit	S\$1.55	S\$1.58 ⁽¹⁾	-2.0%

(1) At the time of acquisition on the UK hotel by HBT Group on 1 October 2015, the fair value of the assets acquired and liabilities assumed were determined on a provisional basis. Following the completion of the review in 2016 of the provisional amounts recognised previously, the fair value was restated (to reflect finalised amounts) in accordance with FRS 103 Business Combination. The restatement does not have any impact on the distribution of CDLHT.

(2) The undistributed income of S\$10,553,000 retained for working capital comprised solely of tax exempt income.

(3) The fair value of the derivatives as at 31 December 2016 is disclosed under Note 12 on page 159 of the Annual Report.

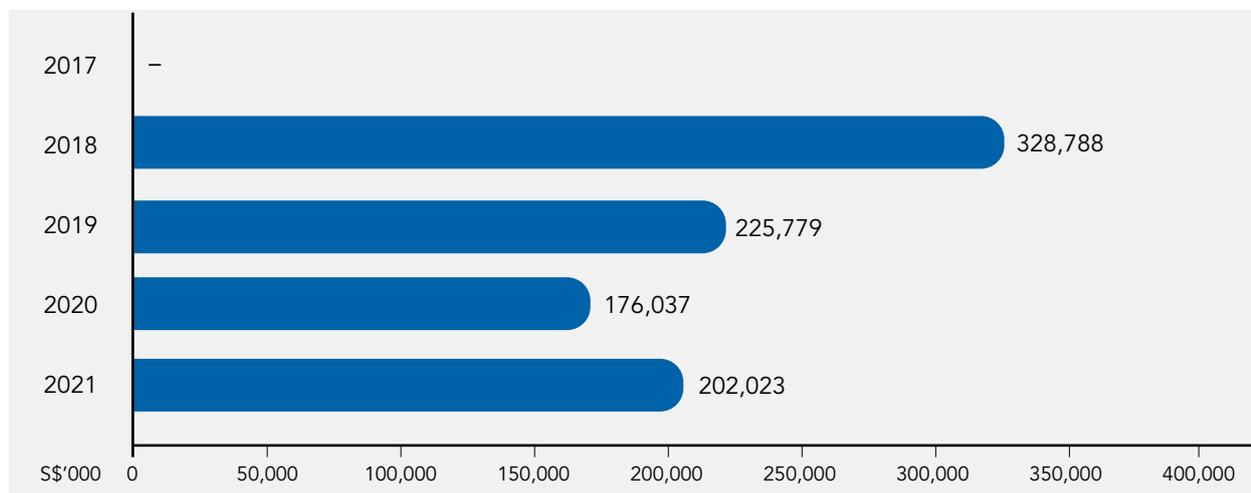
(4) All properties, excluding Jumeirah Dhevanafushi, the Japan Hotels and the UK Hotel, are accounted for as Investment Properties.

(5) In CDLHT's consolidated financial statements as at 31 December 2016, Jumeirah Dhevanafushi is accounted for at cost as Property, Plant and Equipment and Prepaid Land Lease while the Japan Hotels and the UK Hotel are accounted for at cost as Property, Plant and Equipment.

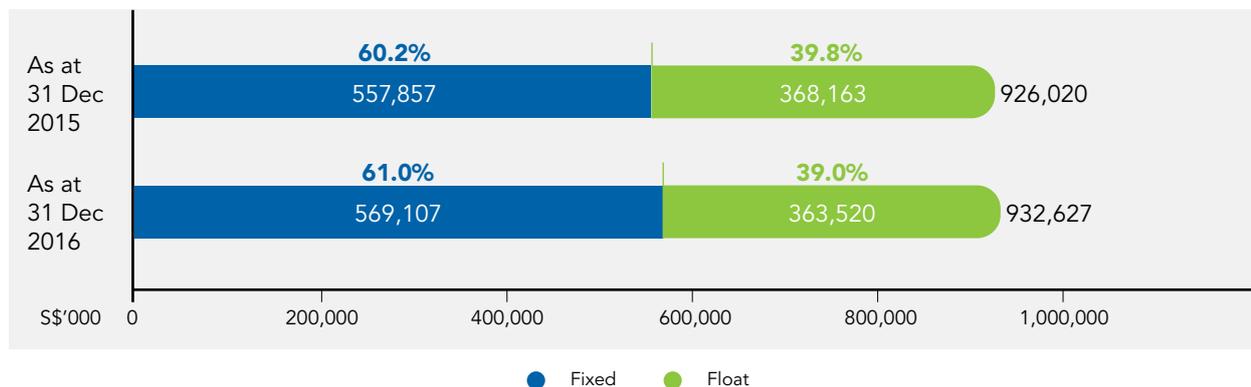
(6) The borrowings are presented before the deduction of unamortised transaction costs.

DEBT PROFILE OF CDLHT ⁽¹⁾

Debt Maturity Profile

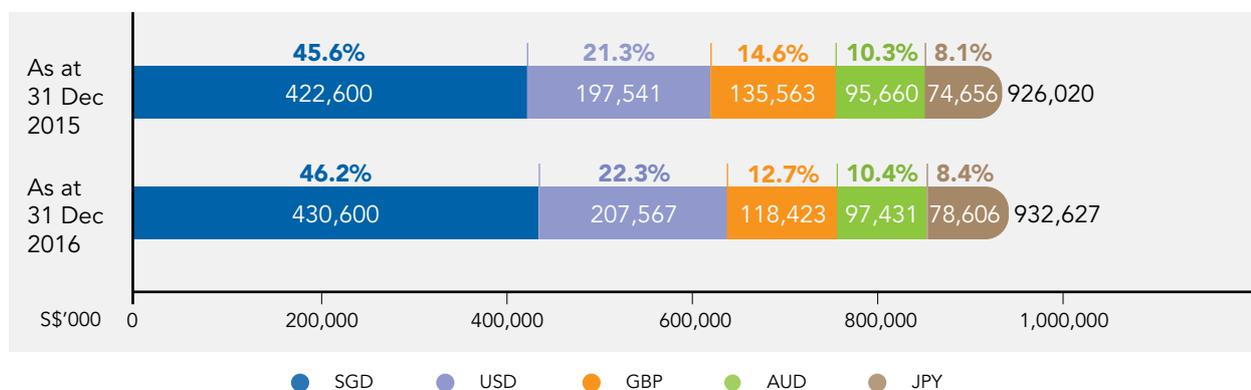


Fixed-rate Versus Floating-rate Borrowings



● Fixed ● Float

Debt Currency Profile



● SGD ● USD ● GBP ● AUD ● JPY

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

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

Number of Rooms

As at
19 July 2006 (IPO)

1,915

Number of Rooms

As at
31 December 2016

4,912



Orchard Hotel

10 YEARS

Of Growth In Our Portfolio



Studio M Hotel



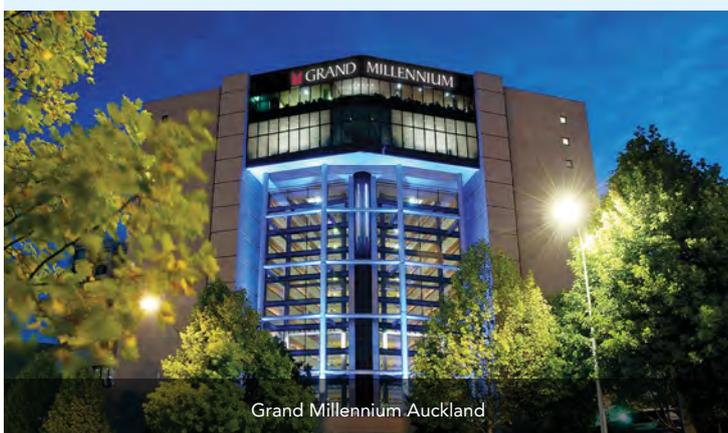
Novotel Singapore
Clarke Quay



Ibis Brisbane



Mercure Perth



Grand Millennium Auckland



Hotel MyStays
Asakusabashi



Hotel MyStays Kamata



Grand Copthorne Waterfront Hotel



M Hotel



Copthorne King's Hotel

Number of Properties
As at 19 July 2006 (IPO)
4 Hotels and 1 Retail Mall



Claymore Connect

Number of Properties
As at 31 December 2016
15 Hotels, 2 Resorts and 1 Retail Mall



Novotel Brisbane



Mercure Brisbane



Ibis Perth



Angsana Velavaru



Jumeirah Dhevanafushi

Assets Valued
As at 19 July 2006 (IPO)
\$S0.8 billion

Assets Valued
As at 31 December 2016
\$S2.4 billion



Hilton Cambridge City Centre

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

As at 31 December 2016

COUNTRY EXPOSURE OF ASSETS UNDER MANAGEMENT



UNITED KINGDOM



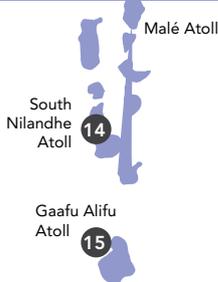
SINGAPORE



AUSTRALIA



MALDIVES



JAPAN



NEW ZEALAND



- 1 Orchard Hotel
- 2 Grand Copthorne Waterfront Hotel
- 3 M Hotel
- 4 Copthorne King's Hotel
- 5 Studio M Hotel
- 6 Novotel Singapore Clarke Quay

- 7 Claymore Connect
- 8 Mercure Perth
- 9 Ibis Perth
- 10 Novotel Brisbane
- 11 Mercure Brisbane
- 12 Ibis Brisbane

- 13 Grand Millennium Auckland
- 14 Angsana Velavaru
- 15 Jumeirah Dhevanafushi
- 16 Hotel MyStays Kamata
- 17 Hotel MyStays Asakusabashi
- 18 Hilton Cambridge City Centre

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	65 years	19 Jul 2006	S\$330.1	S\$424.0
Grand Copthorne Waterfront Hotel	574			19 Jul 2006	S\$234.1	S\$348.0
M Hotel	415			19 Jul 2006	S\$161.5	S\$234.0
Copthorne King's Hotel	310	99-year leasehold interest commencing 1 Feb 1968	50 years	19 Jul 2006	S\$86.1	S\$116.0
Studio M Hotel	360	99-year leasehold interest commencing 26 Feb 2007	89 years	3 May 2011	S\$154.0	S\$153.0
Novotel Singapore Clarke Quay	403	97 years and 30 days leasehold interest commencing 2 Apr 1980	60 years	7 Jun 2007	S\$201.0	S\$319.0
Claymore Connect	N.A.	75-year leasehold interest commencing 19 Jul 2006	65 years	19 Jul 2006	S\$34.5	S\$90.0
NEW ZEALAND						
Grand Millennium Auckland	452	Freehold	–	19 Dec 2006	NZ\$113.0	NZ\$177.0
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\$62.0
Ibis Brisbane	218	Freehold	–	18 Feb 2010		
Mercure Perth	239	Strata Freehold	–	18 Feb 2010	A\$36.2	A\$46.0
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	31 years	31 Jan 2013	US\$71.0	US\$66.0
Jumeirah Dhevanafushi	37	50-year leasehold interest commencing 15 Jun 2006	39 years	31 Dec 2013	US\$59.6	US\$49.5
JAPAN						
Hotel MyStays Asakusabashi	139	Freehold	–	19 Dec 2014	¥3,200	¥3,802
Hotel MyStays Kamata	116	Freehold	–	19 Dec 2014	¥2,600	¥2,741
UNITED KINGDOM						
Hilton Cambridge City Centre	198	125-year leasehold interest commencing 25 Dec 1990	99 years ⁽²⁾	1 Oct 2015	£61.5	£62.3

(1) All properties were valued as at 31 December 2016.

(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).

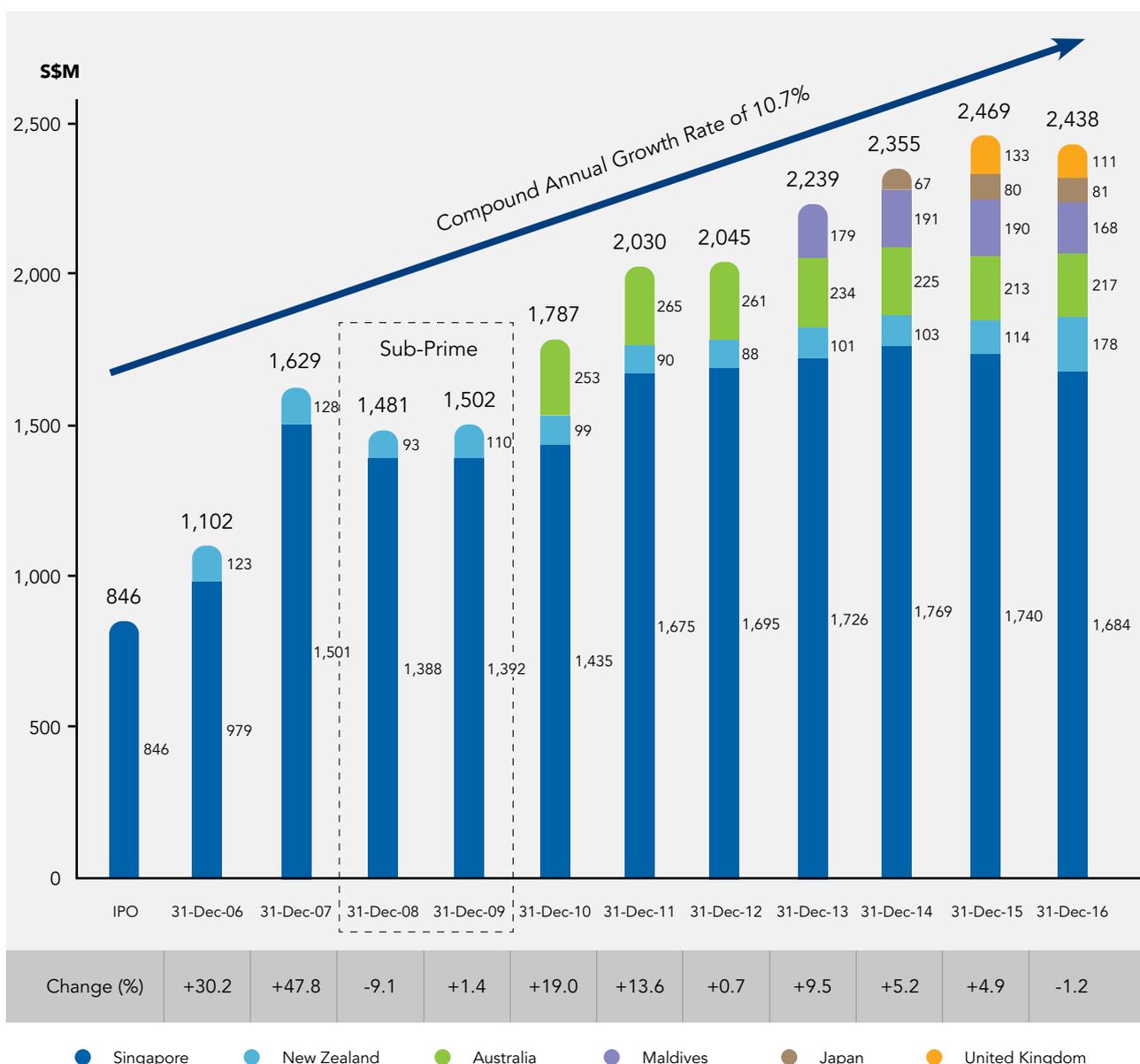
PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

PORTFOLIO VALUATION ⁽¹⁾

As at 31 December 2016

As at 31 December 2016, the valuation of CDLHT's portfolio registered a slight yoy decrease of 1.2% mainly due to a weaker trading environment for the Singapore Hotels and the Maldives Resorts as well as negative currency translation for the UK Hotel. These were partially offset by an increase in valuation for the NZ Hotel and Australia Hotels.

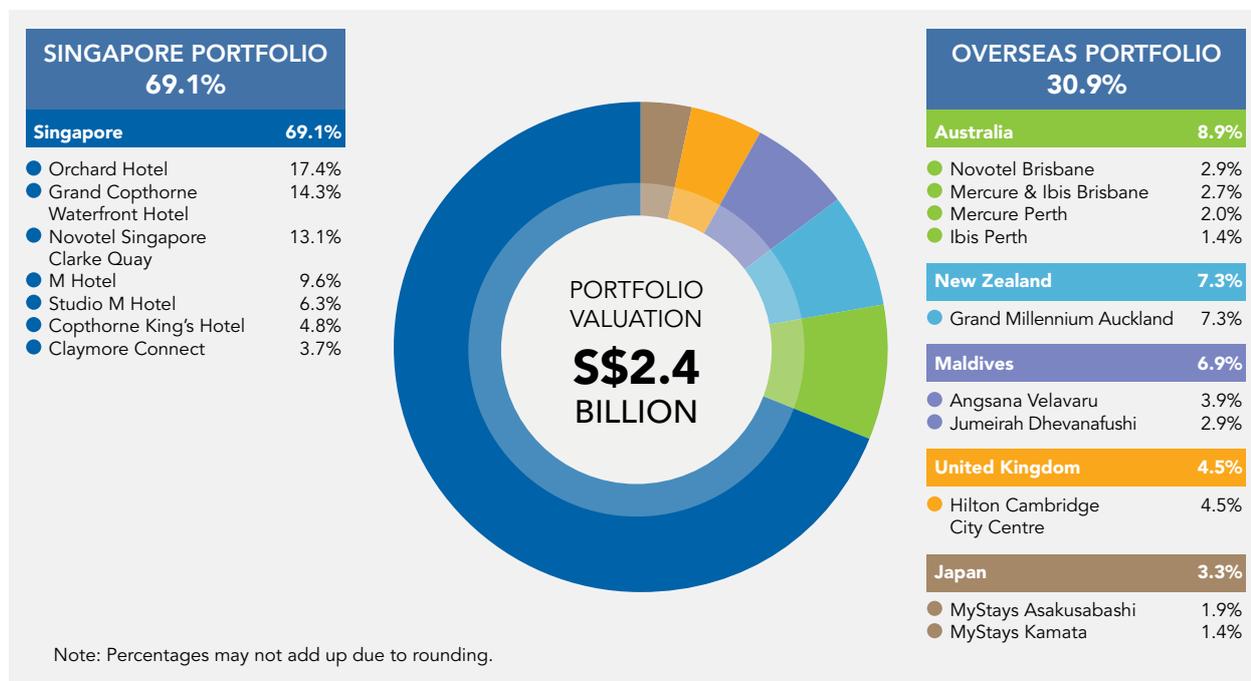
Since IPO, the portfolio value of CDLHT has increased from S\$0.8 billion to S\$2.4 billion, representing a CAGR of 10.7%.



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

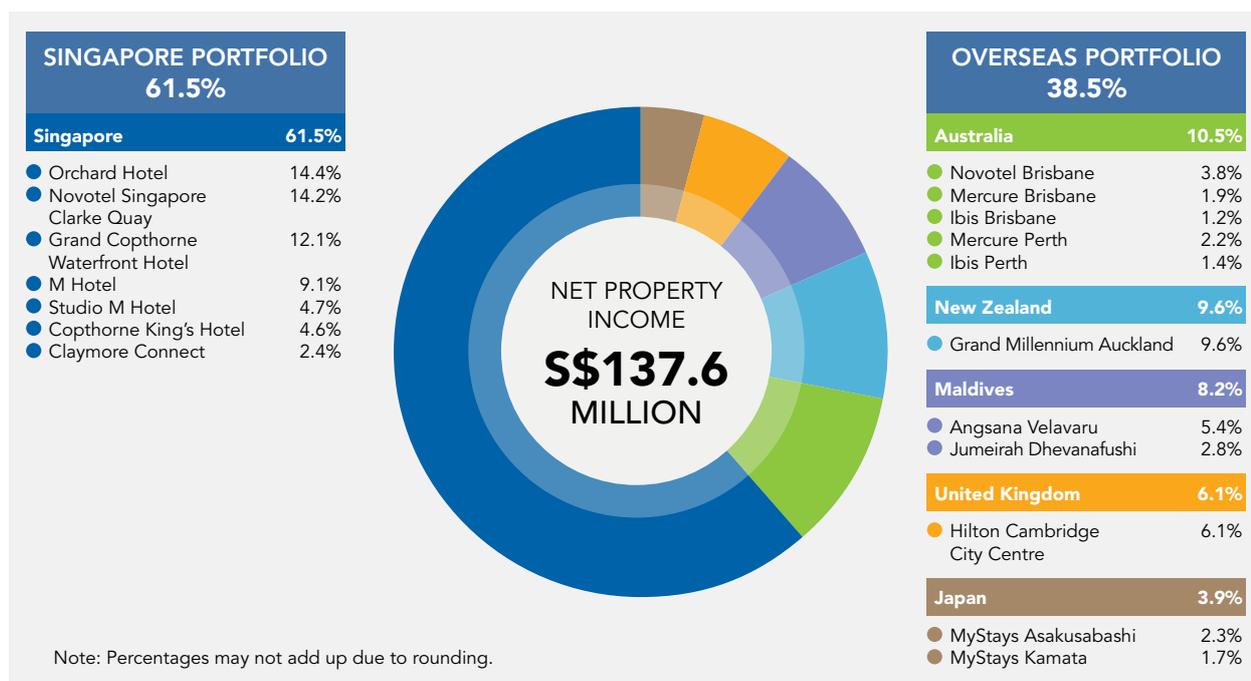
PORTFOLIO VALUATION BY GEOGRAPHY AND PROPERTIES

As at 31 December 2016



NET PROPERTY INCOME BY GEOGRAPHY AND PROPERTIES

For FY 2016



PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS



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

For FY 2016

CDLHT had 30 tenants in total for properties that were leased out in FY 2016, nine for the hotel properties and 21 for Claymore Connect. The top 10 tenants contributed to 96.2% of the total gross rental income for properties with leases.

		S\$'000	% of Total Gross Rental Income
1	Republic Hotels & Resorts Limited	25,850	19.7%
2	City Hotels Pte. Ltd.	21,707	16.5%
3	AAPC Clarke Quay Hotel Pte. Ltd.	20,920	15.9%
4	AAPC Properties Pty Ltd.	14,438	11.0%
5	Harbour View Hotel Pte. Ltd.	13,741	10.5%
6	Maldives Bay Pvt Ltd	8,304	6.3%
7	Rendezvous Hotels (NZ) Limited	7,463	5.7%
8	Republic Iconic Hotel Pte. Ltd.	7,047	5.4%
9	Hospitality Services Limited	5,811	4.4%
10	Cold Storage Singapore (1983) Pte Ltd	1,109	0.8%

Tenant Classification: ● Hotels ● Supermarket

(1) Does not include properties which are on management contracts, namely Jumeirah Dhevanafushi, Hotel MyStays Asakusabashi, Hotel MyStays Kamata and Hilton Cambridge City Centre.

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

For FY 2016

95.4% of CDLHT's gross rental income for FY 2016 was attributed to hotel properties and the remaining 4.6% 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	46.7%
Novotel Singapore Clarke Quay	Approximately 13.5 years from 7 Jun 2007 expiring 31 Dec 2020	2020	15.9%
Australia Hotels	Approximately 11 years from 19 Feb 2010 expiring 30 Apr 2021	2021	11.0%
Grand Millennium Auckland	Three years from 7 Sep 2016 with options to renew for two further 3-year terms each	2019	10.1% ⁽⁴⁾
Angsana Velavaru	10 years from 1 Feb 2013 expiring 31 Jan 2023	2023	6.3%
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	5.4%
Claymore Connect	Range of lease terms - for details on lease expiry profile, refer to page 57		4.6%

Weighted Average Lease Expiry (Based on Gross Rental Income)

Hotel Properties (All hotel leases)	7.6 years ⁽⁵⁾
Grand Millennium Auckland (New hotel lease)	3.0 years
Claymore Connect (All retail leases)	2.0 years ⁽⁶⁾
Claymore Connect (New retail leases)	2.9 years ⁽⁶⁾

The weighted average lease expiry of new leases entered into in FY 2016 are shown separately for the retail mall (Claymore Connect) and Grand Millennium Auckland as the nature and profile of these leases differ and a separate disclosure is more meaningful.

In FY 2016, all the new leases entered into relating to Claymore Connect represent only 0.2% ⁽⁷⁾ of total gross rental income for the year, while the new lease for Grand Millennium Auckland represents 4.4% 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 2016 actual gross rental income from Rendezvous Hotels (NZ) Limited (previous lessee) and Hospitality Services Limited (current lessee).
- (5) Based on FY 2016 actual gross rental income.
- (6) Based on the passing rental income in the month which the lease expires and excludes gross turnover rent. The weighted average lease expiry by NLA for Claymore Connect and the new leases are 1.9 years and 2.5 years respectively.
- (7) Computed based on gross rental income of new leases entered into at Claymore Connect in FY 2016 as a percentage of gross rental income of all properties on leases for FY 2016.

YEAR IN REVIEW

PERFORMANCE BY COUNTRY AND PROPERTY ⁽¹⁾

	FY 2016 S\$'000	FY 2015 S\$'000	Variance	FY 2016 S\$'000	FY 2015 S\$'000	Variance
PROPERTIES ON LEASES	Gross Rental Revenue			Net Property Income		
Singapore	95,370	101,328	-5.9%	84,658	90,983	-7.0%
Singapore Hotels	89,265	96,930	-7.9%	81,411	88,793	-8.3%
Orchard Hotel	21,707	24,128	-10.0%	19,816	22,030	-10.1%
Grand Copthorne Waterfront Hotel	18,117	19,952	-9.2%	16,683	18,396	-9.3%
M Hotel	13,741	15,090	-8.9%	12,510	13,872	-9.8%
Copthorne King's Hotel	7,733	8,353	-7.4%	6,313	6,988	-9.7%
Studio M Hotel	7,047	7,810	-9.8%	6,496	7,185	-9.6%
Novotel Singapore Clarke Quay	20,920	21,597	-3.1%	19,593	20,323	-3.6%
Singapore Retail	6,105	4,398	38.8%	3,247	2,190	48.3%
Claymore Connect ⁽²⁾	6,105	4,398	38.8%	3,247	2,190	48.3%
Australia	14,438	15,194	-5.0%	14,438	15,194	-5.0%
Mercure Brisbane	2,570	2,706	-5.0%	2,570	2,706	-5.0%
Ibis Brisbane	1,714	1,804	-5.0%	1,714	1,804	-5.0%
Novotel Brisbane	5,217	5,490	-5.0%	5,217	5,490	-5.0%
Ibis Perth	1,956	2,058	-5.0%	1,956	2,058	-5.0%
Mercure Perth	2,981	3,136	-5.0%	2,981	3,136	-5.0%
New Zealand	13,274	9,677	37.2%	13,274	9,677	37.2%
Grand Millennium Auckland ⁽³⁾	13,274	9,677	37.2%	13,274	9,677	37.2%
Maldives	8,304	10,201	-18.6%	7,451	9,107	-18.2%
Angsana Velavaru	8,304	10,201	-18.6%	7,451	9,107	-18.2%
Sub-Total	131,386	136,400	-3.7%	119,821	124,961	-4.1%
PROPERTIES ON MANAGEMENT CONTRACTS	Gross Hotel Revenue			Net Property Income		
Maldives	17,481	20,152	-13.3%	3,855	4,525	-14.8%
Jumeirah Dhevanafushi	17,481	20,152	-13.3%	3,855	4,525	-14.8%
Japan	10,572	9,726	8.7%	5,426	5,240	3.5%
Hotel MyStays Asakusabashi	5,994	5,312	12.9%	3,115	2,862	8.8%
Hotel MyStays Kamata	4,578	4,414	3.7%	2,311	2,378	-2.8%
United Kingdom	21,418	6,132	249.3%	8,458	2,277	271.5%
Hilton Cambridge City Centre ⁽⁴⁾	21,418	6,132	249.3%	8,458	2,277	271.5%
Sub-Total	49,471	36,010	37.4%	17,739	12,042	47.3%
Total Portfolio	180,857	172,410	4.9%	137,560	137,003	0.4%

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

(2) Claymore Connect received its temporary occupation permit in March 2015 after extensive renovation and was officially opened on 8 October 2015.

(3) Formerly known as Rendezvous Grand Hotel Auckland, Grand Millennium Auckland was re-branded on 7 September 2016, following the expiry of the lease with Rendezvous Hotels (NZ) Limited.

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



REVIEW OF FINANCIAL PERFORMANCE

CDLHT achieved a 4.9% increase in gross revenue to S\$180.9 million in FY 2016, primarily due to the recognition of a full year's hotel revenue of S\$21.4 million from Hilton Cambridge City Centre, which was acquired in October 2015; and a S\$3.6 million increase in revenue contribution from Grand Millennium Auckland to S\$13.3 million as a result of stronger underlying hotel performance and higher variable rental income ⁽⁵⁾. The higher rental income for this hotel was also due to the rebranding and commencement of the new lease in September 2016 which contained a more significant variable rent component. Revenue contribution from Claymore Connect and the Japan Hotels also saw an increase of S\$1.7 million and S\$0.8 million respectively. These improvements mitigated the weaker trading performance from the Singapore Hotels and Maldives Resorts, which declined by S\$7.7 million and S\$4.6 million yoy respectively, while the Australia Hotels registered lower rent contribution by S\$0.8 million mainly due to negative currency translation and smaller variable rental income.

Accordingly, total NPI for FY 2016 increased by S\$0.6 million to S\$137.6 million. The combined increase of S\$9.8 million in NPI from Hilton Cambridge City Centre and Grand Millennium Auckland was offset largely by the decline of S\$9.7 million from the Singapore Hotels and Maldives Resorts.

Total distribution ⁽⁶⁾ to Stapled Security Holders (after retention for working capital) for FY 2016 was largely unchanged at S\$99.1 million. Accordingly, DPS for FY 2016 was 10.00 cents as compared to the 10.06 cents recorded in FY 2015.

CDLHT revalued its investment properties as at 31 December 2016 and recorded a net fair value loss of S\$21.6 million for FY 2016. The fair value loss mainly arose from its Singapore and Maldives properties but was partially offset by a fair value gain on its New Zealand and Australia properties. In addition, there was an impairment charge of S\$8.1 million to non-current assets. Both the revaluation and impairment charge have no impact on the distribution.

Operating Expenses	FY 2016	FY 2015 ⁽⁷⁾
Total Operating Expenses ⁽⁸⁾ (S\$'000)	108,888	90,624
Net Asset Value (S\$'000)	1,546,421	1,565,819
Total Operating Expenses as a Percentage of Net Asset Value	7.0%	5.8%

(5) CDLHT commenced a new lease with Millennium & Copthorne Hotels New Zealand Limited on 7 September 2016 and the hotel was rebranded as Grand Millennium Auckland.

(6) Distribution from the Japan Hotels occurs twice yearly, at six months intervals (contribution from 1 October to 31 March will be distributed in 2Q and that of 1 April to 30 September in 4Q). Additionally, there was also a capital distribution of S\$4.1 million from the Japan Hotels in FY2016 (FY 2015: S\$1.1 million), which included a one-off consumption tax refund of S\$2.5 million relating to the acquisition of these hotels.

(7) At the time of acquisition on the UK Hotel by HBT Group on 1 October 2015, the fair value of the assets acquired and liabilities assumed were determined on a provisional basis. Following the completion of the review in 2016 of the provisional amounts recognised previously, the fair value was restated (to reflect finalised amounts) in accordance with FRS 103 Business Combination. The restatement does not have any impact on the distribution of CDLHT.

(8) 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. Refer to Page 115 of the Financial Statements for details relating to the operating expenses.

YEAR IN REVIEW

HOTELS PERFORMANCE FOR FY 2016

Singapore

Total international visitor arrivals to Singapore grew 7.7% yoy to 16.4 million for 2016, largely underpinned by growth in Singapore's top two source markets – China and Indonesia. Total visitor days on the other hand, only grew 2.2% yoy as the average length of stay declined from 3.6 days to 3.4 days⁽⁹⁾.

The city experienced a slowdown in corporate travel amidst the global economic slowdown. The absence of events during the year such as the SEA games and SG50 celebrations as well as the Zika-related travel advisory issued against Singapore in September 2016, also affected the performance of the Singapore Hotels. Additionally, the refurbishment works at Grand Copthorne Waterfront Hotel and M Hotel during the year also affected the performance of these hotels. The new supply of about 2,900 rooms⁽¹⁰⁾ gave rise to competitive pricing strategies in the market, posing downward pressure on room rates. Through active management of business mix, the Group's hotels were able to retain a healthy occupancy level of 85.4% through the replacement of reduced corporate business with lower rated leisure business. Consequently, average RevPAR for the Singapore Hotels decreased by 8.6% yoy to S\$160 for FY 2016.

CDLHT's Singapore Hotels Performance	FY 2016	FY 2015	Variance
Average Occupancy Rate	85.4%	87.7%	-2.3pp
Average Daily Rate	S\$187	S\$199	-6.0%
RevPAR	S\$160	S\$175	-8.6%

Overseas

For Japan, international visitor arrivals recorded robust growth, with a yoy increase of 21.8% to a record 24.0 million for 2016⁽¹¹⁾. Consequently, the Japan Hotels posted a positive performance but faced rate pressure partly from currency headwinds during the year and rising competition from new hotel room supply. Collective RevPAR for the Japan Hotels grew marginally by 0.6% for FY 2016 and NPI contribution increased 3.5% yoy to S\$5.4 million.

Over in Maldives, the hospitality market remained challenging in the face of the slowdown in Chinese luxury travel and the continued strength of the US dollar (which room rates are priced in), which resulted in significant downward price adjustment in some of the major source countries as a compensating effect. The situation was further compounded by new supply in 2016 which intensified rate competition. Accordingly, the Maldives Resorts posted a yoy RevPAR decline of 25.1% and total contribution from the two resorts decreased 17.1% yoy to S\$11.3 million in FY 2016.

CDLHT's Australia Hotels in Brisbane and Perth experienced softer performance in the year due to continued weakness in the natural resources sector where the value of committed resources and energy projects has fallen by 12.0% over 12 months to October 2016⁽¹²⁾. However, this effect was mitigated by the defensive lease structure which provides CDLHT with a high proportion of fixed rent. Contribution from the Australia Hotels decreased by 5.0% yoy to S\$14.4 million, attributable to the weakening of the Australian dollar against the Singapore dollar and the recognition of a smaller variable income of S\$0.4 million for FY 2016, compared to S\$1.1 million recognised in FY 2015.

Hilton Cambridge City Centre, which was acquired in 2015, contributed a full year NPI of S\$8.5 million for FY 2016. The positive influence of the rebranding exercise in 2016 coupled with the product uplift after its refurbishment supported a yoy RevPAR growth of 11.9%.

In New Zealand, the tourism sector enjoyed strong growth in 2016 with a record number of international visitor arrivals. Total visitor arrivals in 2016 surged 11.8% yoy to 3.5 million⁽¹³⁾, facilitated by additional commercial flight capacity serving Auckland with new international airlines being launched and new routes being established during the year. Against this backdrop, the NZ Hotel posted a robust yoy RevPAR growth of 10.8%.

On 7 September 2016, CDLHT commenced a new lease and the NZ Hotel was re-branded as Grand Millennium Auckland. CDLHT benefitted from the buoyant Auckland hospitality market under the new lease structure which provided for more variable income as compared to the largely fixed rent received under the previous lease. As a result, Grand Millennium Auckland traded strongly with an NPI contribution of S\$13.3 million, representing a yoy increase of 37.2%.

(9) International Visitor Arrivals Statistics – STB.

(10) STB.

(11) Japan National Tourism Organization.

(12) Australia Department of Industry, Innovation and Science, "Resources and Energy Quarterly December 2016".

(13) Statistics New Zealand, "International Visitor Arrivals to New Zealand".

NURTURING FOR GROWTH

The H-REIT Manager and HBT Trustee-Manager are continuously working with master lessees and hotel managers to enhance the quality of the assets of CDLHT under management with a view to increase value and returns to Stapled Security Holders.

For the Singapore portfolio, Grand Copthorne Waterfront Hotel underwent renovation to refresh its lobby and increase meeting room capacity. Its food and beverage offerings were also augmented through the transformation of dining concepts, such as a new buffet restaurant named Food Capital and Italian restaurant named Grissini. All the refurbishments were fully completed at the end of 2016 and have enhanced Grand Copthorne Waterfront Hotel's offerings and positioning as one of Singapore's leading conference hotels.



Lobby, Grand Copthorne Waterfront Hotel



Food Capital, Grand Copthorne Waterfront Hotel

At M Hotel, the refurbishment of rooms was completed at the end of 2016. Two additional suites, namely the The Studio Serviced Suite and One-Bedroom Serviced Suite, were also introduced during the year, bringing the total room count of M Hotel to 415. The refurbishment is expected to increase the hotel's competitiveness, allowing further leverage on its strategic location in the heart of Singapore's financial district.

During 2016, Claymore Connect welcomed the return of a former tenant, Muddy Murphy's Irish Pub, which has an established operating history of 20 years in Singapore with a strong following. A new Spanish restaurant, PIM PAM by FOC, also opened at the end of 2016.

In 2017, the wireless internet infrastructure will be upgraded across all the M&C hotels in CDLHT's Singapore portfolio, namely Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel and Studio M Hotel, which will allow for a more comprehensive experience for corporate guests. At Novotel Singapore Clarke Quay, extensive refurbishment of all hotel rooms and lift lobbies will be carried out progressively after the first quarter and complete by end 2018, which will enhance guests' stay experience and anchor the hotel as a popular choice for business and leisure customers.

For CDLHT's overseas portfolio, Novotel Brisbane completed the refurbishment of its bar into GourmetBar, which officially opened at the end of 2016. At Mercure Perth, renovation of its bar into an Italian café, Cucina on Hay, is currently being carried out and is expected to open in the first half of 2017. In Japan, a working space was converted at Hotel MyStays Asakusabashi into an additional room at the end of 2016, bringing the total room count of the Japan Hotels to 255. During 2016, Hotel MyStays Asakusabashi and Hotel MyStays Kamata also converted 44 and 45 smoking rooms respectively into non-smoking rooms to cater to the burgeoning demand from non-smoking guests. In January 2017, all remaining smoking rooms at the Japan Hotels were fully converted into non-smoking rooms.

YEAR IN REVIEW



Porte Cochère, Hilton Cambridge City Centre



Executive Lounge, Hilton Cambridge City Centre

Hilton Cambridge City Centre also underwent a number of product uplifts after CDLHT's acquisition in October 2015 to maximise the asset's potential. A new gym, LivingWell Fitness, as well as the Executive Lounge were introduced at the end of 2016. The entrance canopy of the hotel was also replaced during the year, refreshing the hotel's façade after the re-branding exercise. In 2017, the restaurant and lobby will continue to be enhanced, including the launch of a new restaurant concept.

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

CAPITAL STRUCTURE AND RISK MANAGEMENT

As at 31 December 2016, CDLHT's total borrowings stood at S\$932.6 million with a gearing ratio of 36.8%. CDLHT is rated BBB- on the Fitch Issuer Default Rating and has an interest cover of 6.2 times for FY 2016.

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 August 2016, the floating rate bridge loan amounting to £64.6 million (S\$115.2 million) drawn for the acquisition of the UK Hotel and a floating rate medium term note of S\$83.6 million were refinanced with two 5-year floating rate term loans. As a result of the refinancing, the weighted average debt to maturity has been extended to 3.0 years while floating rate risk remains well managed with the proportion of borrowings on fixed interest rates at 61.0% as at 31 December 2016.

The H-REIT Group has in place a S\$1.0 billion multi-currency medium term note programme of which S\$880.0 million remains unutilised and a S\$250.0 million multi-currency revolving credit facility of which S\$88.5 million is unutilised. On top of that, CDLHT also has a S\$300.0 million uncommitted multi-currency bridge facility which is available for acquisitions when opportunities arise. CDLHT will continue to enhance financial flexibility by maintaining diversified sources of funding.

STAPLED SECURITY PRICE STATISTICS

CDLHT closed at a price of S\$1.340 per Stapled Security as at 31 December 2016. Since IPO, the Stapled Security's price has appreciated by 61.4%. In year 2016, the Stapled Security's price increased slightly by 1.1% from S\$1.325, the closing price as at 31 December 2015.

Assuming a unitholder held the Stapled Securities from IPO till 31 December 2016 and had the distributions been reinvested in the Stapled Securities of CDLHT on the day they were paid out, total return to the unitholder would have been 207.3%. On the same basis, the total return of the Stapled Securities would have been 8.7% in year 2016.

Summary of Stapled Security Price Statistics

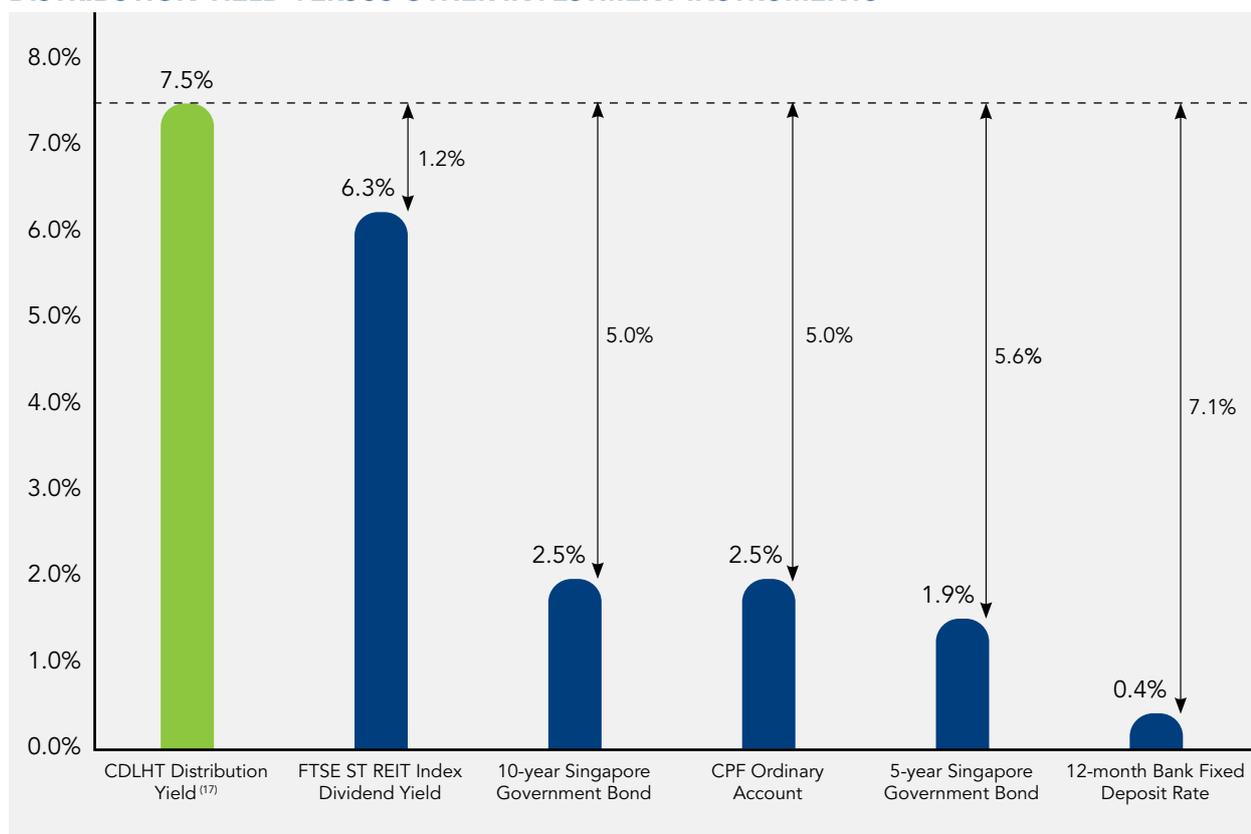
IPO as at 19 July 2006	S\$0.830
Closing Price as at 31 December 2015	S\$1.325
Closing Price as at 31 December 2016	S\$1.340
Highest Price in FY 2016	S\$1.530
Lowest Price in FY 2016	S\$1.250
Weighted Average Price in FY 2016	S\$1.372
Trading Volume in FY 2016 (Number of Stapled Securities)	360.8 million

Source: Bloomberg

Return on Investment	From 1 Jan 2016 to 31 Dec 2016	Since Listing on 19 Jul 2006 to 31 Dec 2016
Price Change	1.1% ⁽¹⁴⁾	61.4%
Total Return	8.7% ⁽¹⁵⁾	207.3% ⁽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 2016 compared with the closing price on 31 December 2015.

(15) Total return comprises capital appreciation and assumes the distributions paid out during the respective periods are reinvested in the Stapled Securities of CDLHT.

(16) All information as at 31 December 2016 and percentages may not add up due to rounding.

(17) Based on CDLHT's DPU of 10.00 cents for FY 2016 and closing price of S\$1.340 as at 31 December 2016.

MARKET REVIEW



AUCKLAND



BRISBANE



PERTH



SINGAPORE



MALDIVES



TOKYO



CAMBRIDGE

SINGAPORE HOTEL PROPERTY SECTOR

As of 1 March 2017

SINGAPORE TOURISM MARKET

Based on statistics from the STB released on 14 February 2017, Singapore welcomed 16.4 million visitors for the full year 2016. This represents a 7.7% yoy increase, fuelled by a surge in visitors from Singapore's top source markets such as China, Indonesia, Thailand and India.

Similar to previous years' trends, Singapore's top five source markets are Indonesia (2.89 million, 17.6%), China (2.86 million, 17.5%), Malaysia (1.15 million, 7.0%), India (1.10 million, 6.7%) and Australia (1.03 million, 6.3%). These five market segments constituted 55.1% of the total visitor arrivals in 2016.

Chinese visitors in particular, showed good growth rates during 2016, recording a 36.0% increase from the previous year to 2.86 million, retaining its position as Singapore's second largest source market. The surge in Chinese travellers was largely due to the numerous strategic partnership deals that STB concluded with Chinese online travel services, e.g. Alitrip, to increase its presence in the Chinese market with the aim of increasing the number of independent Chinese visitors to Singapore. In addition, STB has been expanding their visitor markets by aggressively targeting secondary Chinese cities, such as Chengdu, Xiamen and Chongqing. These strategies have proved to be successful thus far.

Indonesia continues to be Singapore's top source market with 2.89 million visitors for the same period, representing a yoy increase of 5.9%. Markets like India and Thailand also showed a 8.2% and 5.8% growth over the corresponding period last year. India is currently the fourth top source market, replacing Australia. On the other hand, visitors from Hong Kong showed a decline of 11.8% to 0.5 million due to its weaker economic performance.

However, we note that the growth in visitor arrivals slowed down in the second half of 2016 as compared to the first half. The strong Singapore dollar vis-a-vis her regional countries has made consumption relatively more expensive and less attractive. In addition, the competition for tourism dollar has intensified in recent years in Asia. Moving forward, STB needs to ensure the sustainability of visitor arrivals by tapping on different source markets and visitor profiles.

The Singapore tourism market experiences certain seasonality trends which can be observed from the monthly visitor arrivals. In general, the peak period for the tourism sector falls between June to August, where the surge in tourist arrivals during this period can be attributed to reasons such as The Great Singapore Sale; Australian travellers escaping winter season and; summer holidays in Europe and the United States. The Formula 1 night race, which typically takes place during the third quarter of the year, also helps to boost visitor arrivals. Another peak

season is from late November to December where many tourists spend their Christmas holidays in Singapore.

In contrast, periods from January to February, April to May and September to mid-November are relatively quiet for the tourism sector, although it is still well supported by the Meetings, Incentive Travel, Conventions and Exhibitions (MICE) industry for business guests all year round. Suntec Convention Centre and Sands Expo and Convention Centre are two world-class destinations that are able to accommodate new and returning events across various sectors. In 2016, events held in Singapore included International Dental Exhibition & Meeting (IDEM), Singapore Contemporary Art Show and Future Travel Experience (FTE) Asia Expo. Upcoming events in 2017 include Interpol World 2017, 5th Annual Worldwide Nursing Conference (WNC 2017) and Asia Health 2017.

On the aviation front, Singapore offers 7,000 weekly scheduled flights as of December 2016 and is connected to 380 cities worldwide. According to Changi Airport Group (CAG), passenger movements totalled a record 58.7 million for the full year 2016, an increase of 5.9% over the previous year. South East Asia, North East Asia and Oceania routes contributed 90% of the growth in passenger traffic in 2016. Jakarta continues to serve as Changi Airport's busiest route, followed by Kuala Lumpur and Bangkok. In 2016, CAG expanded their operations and welcomed two passenger airlines (West Air and Fiji Airways) whilst existing airlines United Airlines and Singapore Airlines introduced non-stop flights to San Francisco. Changi Airport also clinched 26 Best Airport awards in 2016, including Skytrax's World's Best Airport Award 2016 for the fourth consecutive year.

Moving forward, the aviation industry is expected to thrive in light of recovering travel demand from regional markets like Thailand, Vietnam and China. Likewise, the growing affluence from emerging countries will help fuel the aggressive expansion of low cost budget carriers and this will further improve traffic growth in Changi Airport. With growing trends of airline self-transfer and the cruise industry, CAG will work together with various agencies to better tap on these segments.

Lastly, with Terminal 4 (opening in second half 2017), Terminal 5 (opening late 2020s) and an iconic lifestyle project Jewel Changi Airport currently in development (targeted to open in 2019), this will help strengthen Changi Airport's position as a world class airport and destination for all passengers and capture growth opportunities in the aviation industry.

HOTEL MARKET PERFORMANCE

For the full year 2016, hotel performance dipped as ADR decreased 3.6% yoy to \$237 and market wide occupancy dipped 0.9 percentage points to 84.2%. While RevPAR decreased 4.6% to \$199, the decline in occupancy levels

was better than expected due to improving visitor arrivals. The decline in trading performance was also a result to other macroeconomic factors such as a weakening global economy and regional currency depreciation (e.g Indonesian rupiah and Malaysian ringgit against the Singapore dollar) which discouraged outbound travel.

EXISTING SUPPLY

A financial centre and hub for conferences and events, Singapore is a strategic gateway for conducting business with Asia Pacific region and the rest of the world. In the past ten years, Singapore has witnessed a stable growth in business demand. Noteworthy, with the introduction of Integrated Resort (IRs) and various quality tourism offerings, Singapore has also generated a strong demand from the leisure segment in the recent years.

The hotel market has had a relatively stable supply for numerous years. However, due to the opening of two IRs, the hotel market saw a notable increase in supply in 2010, registering a 12.3% yoy growth, based on CBRE Research. According to STB, there were 413 hotels with 63,850 rooms⁽¹⁾ as at 31 December 2016 after taking into account the new completions and expansions. This represents a 2,942 nett increase in rooms and a 4.8% yoy increase in room stock. In terms of hotel demand, the number of room nights available (RNA) and the number of room nights (RNS) sold for 2016 increased 7.1% and 6.0% respectively yoy. With a disparity in supply and demand, overall occupancy decreased 0.9 percentage points to 84.2%.

FUTURE SUPPLY

In 2016, RNA increased approximately 7.1% yoy with the majority of the new supply coming from the mid-tier to upscale segment. This includes the 298-key Ibis Styles Singapore on Macpherson, 314-key Oasia Downtown, 451-key Holiday Inn Express Katong and 293-key M Social Singapore amongst others.

Hotel supply in Singapore is expected to increase significantly in 2017. Of total supply, approximately 3,700 rooms are expected to be added between 2017 and 2018, with 2017 having the larger increase in room inventory. However, it is also likely that some projects will experience delays in construction, postponements or even cancellations. CBRE expects operational headwinds and increased competition to ease gradually as additional supply starts to taper off from 2019 onwards.

Hotels opening in 2017 include the 610-key YOTEL Orchard, 225-key InterContinental Singapore Robertson Quay and 342-key Andaz Duo amongst others. While the growth in inventory helps translate to greater hotel stock diversity, it will however, create downward pressure on hotel performance in terms of occupancy levels and competitive pricing strategies.

(1) Includes hostels with more than four rooms.

HOTEL MARKET OUTLOOK

Singapore's position as a financial hub continues to attract business travellers while the existing capacity in conference and exhibition space enables Singapore to host larger business and MICE meetings, anchoring Singapore's position as a leading international meeting city. Furthermore, leisure visitors will be drawn to attractions such as the National Gallery of Singapore, Gardens by the Bay, Marine Life Park and River Safari as well as events hosted.

We expect that in 2017, the added inventory will pose some operational headwinds, especially in terms of occupancy levels. Hence, we predict that occupancy levels will tighten in the near future. However, given the strategic location of Singapore as a gateway city and limited options for new hotel developments, we believe that the oversupply in the next two to three years will gradually taper off with increasing demand in the longer term. CBRE forecasts visitor arrivals to reach 16.7 million in 2017, a 2% increase yoy. This is in line with STB's forecast at 16.4 to 16.7 million visitors, a 0% to 2% increase from 2016.

In addition, there are risks that need to be taken into account such as terrorism, disease, weather, earthquake, economic changes etc., which are unpredictable and can have a sudden and substantial impact on performance. This is particularly the case for the Singapore market which is dominated by international rather than domestic demand. Forecasting future performance in the face of such risks is inherently challenging and performance in the coming years is uncertain.

With the increasing hotels supply and alternative choices of accommodation, occupancy dropped 0.9 percentage point to 84.2% while ADR decreased 3.6% to \$237 for the full year 2016. This resulted in a RevPAR of \$199 for 2016. CBRE estimates that occupancy levels to increase slightly by 0.3 percentage points to 84.5% in 2017 and rates will be impacted negatively in the short term. CBRE expects ADR to drop 1.0% to \$234 and remain stagnant in 2018. With rates and occupancy dipping, RevPAR is forecasted to have a slight decline over the next two years by 0.6% and 1.6% respectively. Performance is expected to stabilise by end of 2017 as supply of new rooms start to taper off, alongside a sustainable increase of visitor arrivals.

BRISBANE, AUSTRALIA HOTEL PROPERTY SECTOR



As of 1 March 2017

BRISBANE TOURISM MARKET

Over the 2015/16 financial year, Brisbane reported 1,169,123 international visitors who spent 24,013,202 visitor nights in the region. This represents strong 9.7% growth in international visitors and 4.1% growth in international visitor nights compared to the prior year. When compared to Queensland, Brisbane represented approximately 47.1% of total international visitors with an average length of stay in excess of 20 nights. Major source markets include China, other regions in Asia, Korea, New Zealand and the United Kingdom. Of these international visitors approximately 83.4% stayed in a rented house/apartment/unit/villa or with friends and relatives.

In the same period, Brisbane attracted 5,741,180 domestic visitors equating to 17,477,566 visitor nights. This represents approximately 28.4% of total visitors to Queensland and an average length stay of 3 nights. Nearly 50% of all domestic visitor nights were for the purpose of visiting friends or relatives and this is supported by approximately 56.9% of visitors staying with their friends or relatives.

HOTEL MARKET PERFORMANCE

The Brisbane hotel market performed strongly over the ten years to June 2012 due to minimal new room supply and strong demand growth underpinned by the buoyant corporate, government and mining sectors. According to the Australian Bureau of Statistics (ABS), Brisbane hotel occupancies peaked in 2011/12 at 81% while market ADR peaked in 2012/13 at \$175. Market Room Yield peaked at \$139 in 2011/12, representing an 18% increase in five years alone.

According to the latest available ABS data, over the year to June 2016, Brisbane hotel occupancies declined to 72.4% which represented the fourth year of a softening occupancy profile. Market ADR has also declined from the 2012/13 peak to \$159 over the year to June 2016, resulting in Room Yield declining by around 17% from its 2012/13 peak. This trend reflects modest demand growth not keeping pace with a 31% increase in room stock over the five years to June 2016.

EXISTING AND FUTURE SUPPLY

Brisbane is one of Australia's hotel development focal points with a strong pipeline of projects. Local and state Government has provided strong support for hotel development in recent years. This support has been driven from strong demand in the corporate and government sectors between 2009 and 2012 during which time there was relatively limited hotel development. In addition, the well-intended motivation to grow and position Brisbane as a global commercial centre has also motivated interest in the sector. Significant incentives have included the

Brisbane City Council's infrastructure charges moratorium for new hotel development which was in place between July 2011 and June 2015.

With regards to anticipated future supply, JLL Hotels & Hospitality Group are aware of eight properties which are currently under construction in Brisbane City which once completed will result in a net increase of 1,688 rooms or 18.6% of the existing stock. We also note that a 374-room Ibis and Pullman dual branded hotel is currently under construction at the Brisbane Airport Domestic Terminal, however this project is located outside the Brisbane City area.

We are further aware of six likely proposed and seven mooted accommodation projects comprising approximately 1,104 and 889 rooms respectively. We note that mooted projects include those where a Development Application (DA) for accommodation rooms has been approved. This differs from likely proposed projects where a DA has been approved and JLL has determined that construction is imminent but not certain.

HOTEL MARKET OUTLOOK

Brisbane's accommodation market has softened since mid-2012 in line with moderating government, corporate and convention related demand. Notwithstanding, trading performance showed some signs of stabilising in 2014, boosted by the G20 summit in November. However, the subsequent demand growth evident during 2015 and 2016 was outpaced by a significant increase in hotel room supply resulting in softer trading conditions overall. We anticipate this characteristic of the market to continue for the short to medium term.

Improved performance will be somewhat dependent on the extent of a recovery in the corporate and conference segments as well as growth in the leisure segment. Resource sector related corporate demand may also improve over the medium term with renewed investment in mining infrastructure. However a timeframe on these potential trends remains unclear and at this point is anticipated to be progressive and over several years rather than being experienced over the short term. Most challenging for the Brisbane market will be its ability to absorb the significant and ongoing increase to supply.

In the medium to long term, recent investments in convention infrastructure including the expansion of Brisbane Convention and Exhibition Centre and the opening of the Royal International Convention Centre (RICC) are expected to enhance the longer-term outlook in terms of both corporate and leisure demand. Other projects aimed at revitalising Brisbane's central business district and enhancing Brisbane as a leisure destination are also critical in this regard. Of particular note are major projects such as the Destination Brisbane Consortium's Queens Wharf and the Howard Smith Wharves redevelopment.

PERTH, AUSTRALIA HOTEL PROPERTY SECTOR



As of 1 March 2017

PERTH TOURISM MARKET

Over the 2015/16 financial year, Perth reported 840,333 international visitors who spent 21,633,000 visitor nights in the region. This represents 7.4% growth in international visitors albeit with a 6.0% decline in international visitor nights compared to the prior year. When compared to Western Australia, Perth represented approximately 94.6% of total international visitors with an average length of stay in excess of 25 nights. Major source markets include Germany, Japan, the United States of America and Hong Kong. Of these international visitors approximately 83.2% stayed in a rented house/apartment/unit/villa or with friends and relatives.

In the same period, Perth attracted 3,892,459 domestic visitors equating to 13,996,193 visitor nights. This represents approximately 42.1% of total visitors to Western Australia and an average length stay of 4 nights. Nearly 50% of all domestic visitor nights were for the purpose of visiting friends or relatives and this is supported by approximately 59.9% of visitors staying with their friends or relatives.

HOTEL MARKET PERFORMANCE

The Perth hotel market performed strongly over the ten years to June 2013 due to minimal new room supply and strong demand growth underpinned by the buoyant mining sector. According to the Australian Bureau of Statistics (ABS), Perth hotel occupancies peaked in 2011/12 at almost 86% while market ADR peaked in 2012/13 at \$197. Market Room Yield peaked at \$166 in 2011/12, representing a 63% increase in five years alone.

According to the latest available ABS data, over the year to June 2016, Perth hotel occupancies declined to 79.9% which represented the fourth year of a softening occupancy profile. Market ADR has also declined from the 2012/13 peak to \$171 over the year to June 2016, resulting in Room Yield declining by around 17% from its 2011/12 peak. This trend reflects subdued demand arising from the mining sector slowdown along with a 9% increase in room stock over the five years to June 2016.

EXISTING AND FUTURE SUPPLY

After a period of constrained supply, the Perth accommodation market has moved into a development phase with increased development interest and activity. Perth is currently one of Australia's hotel development focal points with a strong pipeline of projects. The current pipeline was to a large extent driven by significant resource and corporate related demand between 2009 and 2012, during which time there was relatively limited hotel development, as well as strong overseas investment.

Development activity has yet to show signs of slowing down, and a number of new accommodation projects are under construction. Notwithstanding this, the longstanding challenges of standalone hotel development (including financing and the costs versus capital values gap) are anticipated to temper the development pipeline and the progression of numerous projects to the construction phase.

With regards to anticipated future supply, JLL Hotels & Hospitality Group are aware of seven properties currently under construction in Perth City which once complete will result in a net increase of 1,116 rooms or 17.9% on the existing stock.

We are also aware of several mooted accommodation projects and note that mooted projects include those where a Development Application (DA) for accommodation rooms has been approved. This differs from likely proposed projects where a DA has been approved and JLL has determined that construction is imminent but not certain.

HOTEL MARKET OUTLOOK

Perth's accommodation market experienced strong growth between 2010 and 2012 as the resources sector drove corporate demand for short term accommodation in the region. While demand from this segment has since softened, domestic and international leisure related demand continues to improve. The shift in market mix has impacted the ADR achieved as leisure is typically lower yielding business and corporate contracts have become more difficult to secure.

Trading performance is anticipated to moderate over the short term as a number of short term accommodation developments currently under construction will enter the market.

Notwithstanding this, longer term performance will be dependent on the markets ability to absorb the new supply, the recovery in the corporate and conference segment as well as the continued growth in leisure demand. Investment in major infrastructure projects such as Elizabeth Quay and the growth in domestic and international visitation, supported by the lower Australian dollar, are expected to enhance the longer-term outlook.

AUCKLAND, NEW ZEALAND HOTEL PROPERTY SECTOR



As of 1 March 2017

AUCKLAND TOURISM MARKET

International visitation has continued to improve in 2016 with a record high of 3.5 million total visitor arrivals to New Zealand in the year 2016. This was an increase of 11.8% from the previous year. There was strong growth in all of the key geographic source markets. In particular, visitor arrivals from China increased by 14.9% or 53,104 visitors while visitor arrivals from Australia increased by 6.2% or 82,400 visitors.

There were 18.3 million passenger movements at Auckland Airport in 2016 representing an increase of 12.0% on the 2015 performance. 54% of these movements related to international passengers. According to Tourism Industry Aotearoa, 55% of guest nights in Auckland hotels are domestically sourced while 12% are Australian and 7% are Chinese.

HOTEL MARKET PERFORMANCE

The Auckland hotel market has continued to experience strong growth in demand and this combined with limited new hotel supply has resulted in further strong growth in ADR and occupancy across the year.

Occupancy levels in Auckland have shown significant growth in recent years as a result of increased demand coupled with limited new supply. All segments are achieving record occupancy levels with the 4.5 and 5.0 star segments both above 85%. The market as a whole achieved an average occupancy rate of 86.3% in the 12 months to January 2017, up from 84.4% in the same period in 2016.

All segments are now also achieving record ADR's with growth of 12.2% achieved across the market as a whole in the 12 months to January 2017 with an ADR of \$185.71. As a result of the combined growth in occupancy and ADRs, RevPAR improved 14.8% in the 12 months to January 2017 to \$160.33.

EXISTING AND FUTURE SUPPLY

There are currently a total of 68 hotels across the city with some 9,246 rooms as at January 2017.

The current pipeline of hotel supply represents an increase of 32% of the current inventory over the next five years at an average of 5.7% per annum assuming all properties are developed as planned.

Significant projects planned for Auckland include:

- Copthorne Hotel HarbourCity – The Copthorne Hotel HarbourCity on Quay Street is currently undergoing a refurbishment reportedly costing \$30 million. The hotel will be converted to the Group's "M Social" 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 195-room Park Hyatt Wynyard Quarter has recently started construction. The hotel will occupy a prime waterfront site in Wynyard Quarter with construction expected to take two years.
- 396 Queen Street – Russell Property Group acquired an office building in November 2016 known as 396 Queen Street, to the southern end of the central business district, which they intend to convert to a 255 room 4.5 star full service hotel.
- SkyCity Hotel – As part of the construction of the New Zealand International Convention Centre, SkyCity has 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.
- Ritz Carlton – Chinese developer's NDG have 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.
- Pullman Auckland Airport – Auckland International Airport and Tainui Group Holdings have recently announced plans to develop a new 250-room Pullman Hotel at Auckland Airport. The hotel is planned to open in late 2019 and will be located on an existing car park near the Novotel Auckland Airport which was constructed in 2011.

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.

An independent report was commissioned by the New Zealand Government to provide forecasts of hotel performance for the major markets. This report used econometric modelling to forecast Auckland occupancy levels to reach 89% by 2020 with ADR growth of 26% over this five year period based on the current pipeline of hotel developments.

2017 is expected to be a strong year for the hotel market with the World Masters Games, British & Irish Lions Tour and Rugby League World Cup all taking place during the year.

With new stock entering the market throughout 2018-2020, we are forecasting the market to stabilise in the mid 80% range before improving, following the construction of the New Zealand International Convention Centre which is expected to drive further demand for hotel rooms.

We are forecasting continued ADR growth as the market benefits from a combination of high occupancy levels, the development of new 5-star hotels in the central business district, together with a higher proportion of conference guests who generally pay higher rates.

MALDIVES HOTEL PROPERTY SECTOR



As of 1 March 2017

MALDIVES TOURISM MARKET

Between 2006 and 2016, visitor arrivals to the Maldives grew at a Compounded Annual Growth Rate (CAGR) of about 7.9% p.a. With the exceptions of the 2004 Indian Ocean earthquake and tsunami and the global financial crisis in 2008 and 2009, the total number of international visitors to the Maldives has witnessed steady growth over the past decade.

In 2016, the Ministry of Tourism launched the 'Visit Maldives Year 2016' campaign, aiming to attract 1.5 million international visitors for the first time. As part of the campaign, the government conducted various national and international activities to strengthen the Maldives' brand and marketed the country as an exclusive destination. However, the Ministry of Tourism fell short of their target, recording approximately 1.3 million visitors for the full year. While Mainland Chinese visitor arrivals have declined by 9.8% yoy in 2016, other key source markets such as India, the UK and Italy have displayed healthy yoy growth of 27.9%, 9.8% and 8.5% respectively. Consequently, total international visitors to the Maldives have increased by 4.2% as compared to 2015.

HOTEL MARKET PERFORMANCE

According to STR Global, the trading environment in the Maldives proved to be challenging in 2016, with occupancy and average daily rates in all segments of the market experiencing contraction. Occupancy in the luxury market declined by 3.6 percentage points to 58.5% while rates in the same segment decreased by 3.7% yoy to US\$1,369. Overall, RevPAR for the luxury market decreased by 9.3% to US\$800. In the upscale segment, a larger yoy decline was recorded, with occupancy and rate contracting by 1.7% and 10.0% respectively, resulting in a RevPAR fall of 11.5%.

Despite the moderate growth in visitor arrivals, the market faced strong headwinds due to a strengthening US Dollar and an increase in rooms supply of resorts and alternative accommodation options such as guest houses. Based on 2016 statistics provided by the Ministry of Tourism, occupancy rate for guest houses has increased by 5.1 percentage points to 28.9% while overall resort occupancy rate has decreased by 2.3 percentage points to 74.0%.

EXISTING AND FUTURE SUPPLY

According to the Ministry of Tourism, Arts and Culture, a total of 126 resorts with 26,933 beds were registered in the Maldives as at December 2016 as compared to 115 resorts with 24,877 beds in December 2015. This represents growth in the number of beds of approximately 8.3% yoy.

An estimated 3,000 rooms are expected to be added to supply from 2017 to 2019. This will include new brands to the Maldives such as the Grand Melia, Noku and Spanish brand Riu Hotels which plans to open two hotels in 2018 – the 174-room Riu Palace and the 248-room Riu Classic. Also set to open in 2018 is The Chedi Dhapparu, delayed from its original planned opening in 2016, as well as the first Pullman resort in the Maldives, a 120-room resort in the southern Gaafu Alifu Atoll. In addition, IHG will be managing their third resort in the Maldives – the 83-room InterContinental Maldives Maamunagau Resort – on behalf of Hotel Properties Limited, which is expected to open in three to five years' time. We are aware that a number of lagoons in North and South Malé atoll are undergoing reclamation works in 2017, and that will inflate future hotel supply in the Maldives as well.

Several other projects, such as the 100-room Zitahli Resort & Spa, the 100-room JW Marriott Maldives, the 110-room Centara Hudhufushi Resort & Spa, and the 114-room Mandarin Oriental that were planned for earlier openings, now appear to be delayed indefinitely. The opening of the Radisson Blu Maldives Hulhumale has also been pushed back to 2018 or 2019 from its original opening date of mid-2015.

HOTEL MARKET OUTLOOK

Uncertainties stemming from global developments such as Brexit and the Trump Presidency suggest challenges to the Maldives' tourism industry in the short term. Several key source market currencies have depreciated relative to the US Dollar, including the Euro, Sterling Pound, Chinese Renminbi and Korean Won in the past six months, which may impact arrivals from these markets. Political tensions and resulting sanctions on Russia, coupled with the persistent weakness of the Ruble (approximately 42% lower than the peak in 2014) have had a lasting impact on arrivals from Russia, a key source market particularly in the luxury segment. After displaying significant growth from 2009 to 2014, Mainland Chinese visitation has recorded declines over the past two years. Visitor arrivals from the UK, which have been a bright spot in 2016, have an uncertain outlook in the short to medium term given the Brexit vote in June 2016 which has significantly impacted the Sterling Pound against the US Dollar.

Looking forward, the operating market and global economy, coupled with the potential supply influx, are likely to limit Maldives' resort trading performance in the short term. In addition, the string of high-stakes elections in France, Germany and Netherlands could bring about greater political and economic uncertainties for the European Union, thus potentially impacting European visitor arrivals. However, we expect that increased marketing campaigns, continued investment in tourism infrastructure and growing airlift from new source markets will improve the medium to long-term prospects of the Maldives.



TOKYO, JAPAN

HOTEL PROPERTY SECTOR

As of 6 March 2017

TOKYO TOURISM MARKET

The number of foreign visitors to Japan in 2016 was 24,039,000, an increase by 21.8% yoy. This figure exceeds the highest record of 19,737,400 in 2015 by more than 4 million. The breakdown of visitors by country include: China, which increased by 27.6% to 6.37 million, South Korea, which increased by 27.2% to 5.09 million, and Taiwan, which increased by 13.3% to 4.16 million. All other nations in the top ten source markets marked yoy increases. Sightseeing makes up the majority of the purpose of visitors, representing 71.3% in 2016 (October to December).

The main drivers of growth include: relaxation of visa requirements for Japan (including easing of multiple-entry visa requirements), a longer length of stay, and arrival of cruise ships from Asian countries. Recent relaxation of visa requirements was conducted for India, Vietnam, Qatar and China in 2016. Multiple-entry visa was also introduced, requirements were relaxed, and the application process was simplified. Visitors from Asian countries could better afford overseas trips due to economic growth and inbound Asian visitors to Japan increased in the full year of 2016 in spite of a stronger yen. The rate of increase in visitors was faster than expected, and it has already exceeded the government's original target of 20 million people.

The Japanese government has revised their target upwards to 40 million foreign tourist by 2020, and 60 million by 2030. They consider the promotion of a "sightseeing nation" to be an important engine of economic growth and have decided to expedite development of tourist related facilities/systems to improve conveniences of sightseeing, and also eased regulations on accommodations at private houses. This revision in the policy was made to support the growing number of foreign tourists which exceeded their estimation.

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 visitors to Tokyo including tourists exceeded 529 million people in 2015. Among them, Japanese tourists increased by 2.1% yoy to 516.7 million and foreign tourists increased by 34.0% yoy to 11.9 million. In January and March in 2016, the total number of tourists who visited Tokyo was 136.6 million (+3.2%), of which foreign tourists constituted 3.2 million (+24.4%) and domestic tourists constituted 133.5 million (+2.8%), showing an upward trend for both categories.

The amount tourists had spent (tourism consumption) in Tokyo in 2015 increased by 7.4% yoy, reaching approximately 5.9 trillion yen. The spill-over effects onto the economy in Tokyo generated by the tourism consumption increased by 7.3% yoy, marking a record high 12.8 trillion yen. During January to March in 2016, total tourism consumption was 1.4 trillion yen (-3.4%), but that of foreign tourists was 264.2 billion yen (+6.3%). The increase of foreign Asian tourists is influenced by the growing GDP of Asian nations. Therefore, it is expected to continue even after the upcoming 2020 Olympic Games.

HOTEL MARKET PERFORMANCE

Based on the latest data by Japan Tourism Agency, the annual total number of guests who stayed in hotels in 2016 was 494.2 million, reflecting a decrease of -1.9% yoy. Among them, foreigners constituted 14.3%, with an increase of 8.0% yoy.

According to the Japan Tourism Agency, in 2016, the top three nationalities for foreign guests are Taiwan, China and South Korea. These three collectively account for 55.0% of the total number of guests who stayed in hotels. In terms of growth rates, China (yoy growth of 103.3%), South Korea (yoy growth of 115.6%), Philippines (yoy growth of 107.9%), Hong Kong (yoy growth of 108.2%), Indonesia (yoy growth of 107.5%), Vietnam (yoy growth of

119.8%), and Canada (yoy growth of 108.1%) have shown significant growth. The order of the top ten countries has changed compared to the previous year where China emerged top and Hong Kong has exceeded the United States, but all countries have shown an increase yoy.

The majority of hotel guests in 2016 were domestic, which represented 85.6% of total guests. The increase in domestic travellers was contributed by more domestic flights, economical bus trips, number of senior age travellers, and online accommodation reservation, which made travel arrangements easier. Both foreign and domestic travellers tend to have longer stays and foreign travellers tend to come in groups, bringing family.

The economy hotel occupancy rates across Japan and Tokyo in 2016 were 74.4% and 83.5% respectively, compared to 74.2% and 85.3% in the same period in 2015. While there was a slight decrease in Tokyo yoy, it illustrates the relatively steady trend of recent hotel occupancy rates in Tokyo and nationwide Japan, due to the large improvement in the recent growth of the Japanese tourism market.

The average daily rate has been constantly growing since 2011. The KPI index of RevPar (2007=100) for the whole of Japan was below 80 but recovered to 2007 levels in 2015 at 100. It continued to grow in 2016, exceeding the 110 range, despite slightly weakened occupancy rates.

EXISTING AND FUTURE SUPPLY

According to the Ministry of Health, Labour and Welfare, the total number of hotel rooms in Tokyo in 2016 stands at around 149,000 which represent a year-on-year growth of around 3.8%.

According to industry journals available, it was estimated that total stock of hotel rooms would reach approximately 111,956 in Tokyo by 2019. Example of expected new hotels are, "Remm Roppongi" with 400 rooms in Minato-ku, Tokyo in March 2017, "APA Hotel & Resort Nishi Shinjuku 5-chome Eki Tower" with 710 rooms in Shinjuku-ku, Tokyo in May 2018, and "Higashi Gotanda 2-chome Hotel Project" with 372 rooms in Shinagawa-ku, Tokyo in Summer in 2018 etc.

Demand for accommodation is growing and according to a consulting firm in Tokyo, hotel room demand was estimated to exceed the available stock in 2015 by 320%, and it will further grow at 480% in 2030.

HOTEL MARKET OUTLOOK

As described above, the outlook for the hotel market in Japan is favourable. Development of new hotels is increasing and corporations from other industries such as building maintenance and restaurant operators are entering the hotel management business. For midterm prospects, the Tokyo Olympics in 2020 is the nearest peak for tourism, but looking at the long-term, GDP growth in neighbouring countries is a key factor. According to a hotel consulting company in Tokyo, people begin going for overseas trip when they achieve a GDP per capita of more than US\$3,000, and the number of overseas travellers rapidly increases when US\$10,000 GDP per capita is achieved. Among the Asian nations with under US\$10,000 GDP per person, China has exceeded US\$8,000, Thailand is at US\$5,700, Indonesia is at US\$3,600, and Philippines is at US\$3,000. The tourism industry in Asia is expected to grow in the near future, and Japan is one of the most favoured destinations for Asian tourists. Key reasons for tourists choosing to visit Japan include buying fashion goods, cosmetics, electrical appliances, dining and seeing historical heritage sites. It is also observed that Japanese hospitality is very much favoured by tourists, and this trend will continue in the future when the tourism environment in Japan would be more refined under the effort led by the government.

CAMBRIDGE, UNITED KINGDOM HOTEL PROPERTY SECTOR



As of 1 March 2017

CAMBRIDGE TOURISM MARKET

Overseas residents made 9.2 million visits to the UK in the three months to December 2016. This was 6% higher than the same three months in 2015. The total number of inbound tourist visits to the UK in 2016 grew yoy by 3% to a record 37.3 million, representing a further year of continued growth, which has been seen since 2010. The fall in the value of the pound and the continuation of major government initiatives (including VisitBritain's GREAT Britain campaign) are thought to have been contributing factors towards this growth. Tourist numbers are forecast by VisitBritain to continue to rise in 2017 to 38.1 million, largely due to the favourable exchange rate, which is likely to continue to offer good value for money. Average spend per visit was £593 in 2016, a decrease from £609 in 2015. While average spend per visit peaked in 2013 at £650, spending for 2016 as a whole set a new record, at £22.2 billion.

Renowned for its history, architecture and cultural appeal, the city of Cambridge is a popular destination for both domestic and overseas visitors. Described as one of the 'most beautiful cities in the world' by Forbes, tourism generated £350 million for the city's economy in 2015. The city of Cambridge witnessed 430,000 visitors in 2015 (the most recent full year data available), making it the 10th most visited city in the UK. This was a 3% increase on the previous year.

Research from the Office for National Statistics (ONS) suggests that average spend per visit was £814 in 2015, a marked increase compared to £727 per visit achieved in 2014. This was 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 the International Passenger Survey by the Office for National Statistics in 2015, 33% of staying visitors were visiting friends or relatives, 29% were on business trips and 25% were on holiday.

HOTEL MARKET PERFORMANCE

Cambridge is a strong performing hotel market relative to the UK as a whole. Occupancy fell 1% in 2016, however it remains at 78% and is therefore ranked 15th in the market. In 2016 Cambridge achieved an average room rate (ARR) of £90.41, a 4% rise on the previous year and is amongst the highest of any UK market outside of London. As a result of the increase in ARR, revenue per available room (RevPAR) within the city experienced continued growth to £71.90, an increase of 3% yoy, but a lower rate of growth than has been seen previously (Cambridge saw RevPAR grow by circa 10% annually between 2012 and 2014, and by 7% 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 attractions.

EXISTING AND FUTURE SUPPLY

As at February 2017, there were 32 hotels within the city comprising 2,451 bedrooms. The number of hotel bedrooms within Cambridge has increase by circa 29% in the last five

years, with 571 bedrooms being added over this period. Specifically, there has been a steady increase in branded budget hotel supply located on the outskirts of Cambridge city centre, with the most recent being the opening of the Hotel Ibis Cambridge Central Station which totals 231 bedrooms. The most recent new entrant to the full service market within Cambridge city centre was the 48-bedroom Varsity Hotel and Spa which opened in 2010.

The average size of hotels in the city is 77 bedrooms, which is larger than the average in England of 48 bedrooms. Travelodge, a budget hotel operator, occupies the largest proportion of supply with circa 20% of the bed stock within the city. Premier inn, also a budget hotel operator, occupies 12% of the total hotel stock. The largest hotel in the city is the Hotel Ibis Cambridge Central Station which offers 231 bedrooms. Approximately 27% of the city's hotel stock is unbranded. There are seven 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.

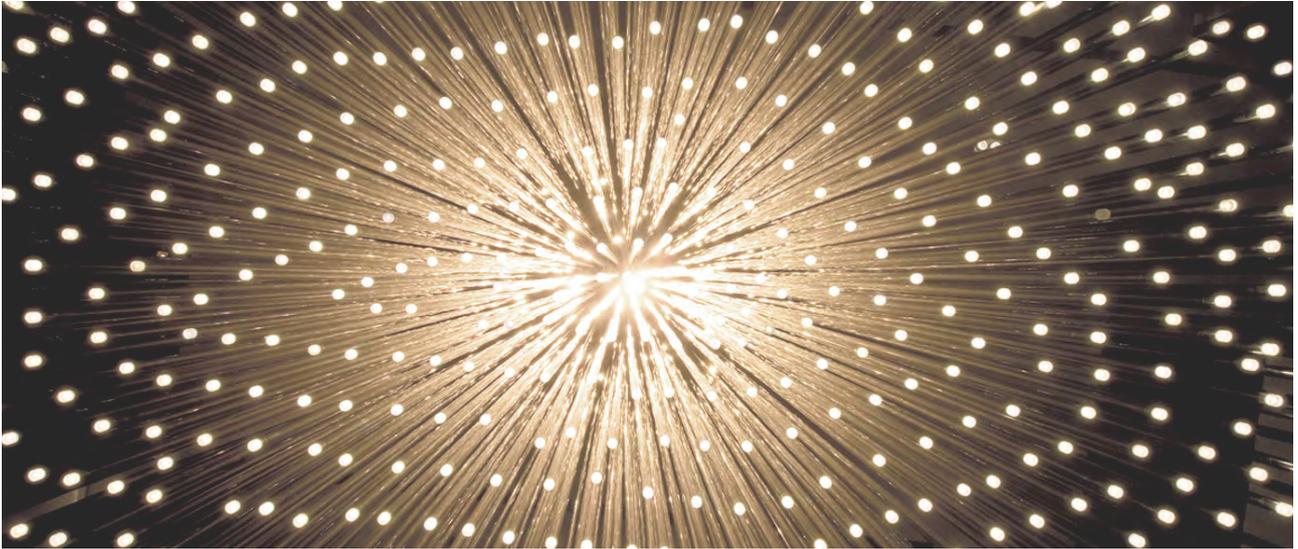
In terms of new supply within Cambridge city centre, we are aware that there are a total of 1,166 bedrooms in the hotel pipeline, distributed between 16 hotels. 21% of these bedrooms are due to be delivered in 2017, and the remainder are either speculative or on hold. We are aware that the pipeline due for completion this year comprises three hotels, two of which are extensions to existing hotels. The 4-star DoubleTree by Hilton Hotel Cambridge is due to be extended by 16 bedrooms, and the 4-star University Arms is being extended by 73 bedrooms. The Tamburlaine is a new 4-star 155 bedroom full service hotel which will open on 1 April 2017. The hotel benefits from a good location on Station Road, adjacent to Cambridge Railway Station.

Brookgate and its development partners Network Rail and DB Schenker are planning to create a new 36-acre business quarter with a hotel around a new railway station at Cambridge North, which is expected to open in May 2017. Pre-planning discussions have been held with Cambridge City Council regarding the CB4 scheme, which has been designed by Formation Architects and would include offices, residential apartments, restaurants and shops. Brookgate is currently developing the CB1 mixed-use scheme around the main railway station in central Cambridge, including the 231-bed Hotel Ibis Cambridge Central Station, which opened in September 2016.

HOTEL MARKET OUTLOOK

In light of the strong corporate and leisure-related demand, coupled with the weak pound, it is expected that occupancy levels and ARR will continue to remain robust within the city in the medium term. Cambridge's proximity to London and its pool of highly skilled labour continues to attract a large number of science and technology firms, which continues to bolster hotel performance in the city. Specifically, the completion of AstraZeneca's headquarters within the city (expected in 2017) is expected to further enhance corporate demand. 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.

LEADERSHIP STRUCTURE



BOARD OF DIRECTORS

M&C REIT MANAGEMENT LIMITED (THE "H-REIT MANAGER")

M&C BUSINESS TRUST MANAGEMENT LIMITED (THE "HBT TRUSTEE-MANAGER")

WONG HONG REN, 65

Mr Wong Hong Ren was appointed a Director of M&C REIT Management Limited (the "**H-REIT Manager**") and M&C Business Trust Management Limited (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 currently holds Executive positions in City e-Solutions Limited and Sceptre Hospitality Resources Pte. Ltd. Mr Wong is also the Non-Executive Chairman of Millennium & Copthorne Hotels New Zealand Limited.

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 Millennium & Copthorne Hotels plc ("**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 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, 48

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.

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 and managers 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 which may not be suitable for H-REIT. Mr Yeo also handles the asset management function relating to some of the hotels currently.

BOARD OF DIRECTORS

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, 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, 63

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. Ms Lim was previously the Chairman of the Audit Committees and a member of the Risk Management Committees of both the H-REIT Manager and the HBT Trustee-Manager until both 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.

RONALD SEAH LIM SIANG, 69

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 both the H-REIT Manager and the HBT Trustee-Manager until both 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.

BOARD OF DIRECTORS

FOO SAY MUI (BILL), 59

Dr Foo Say Mui (Bill) was appointed an Independent Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 11 May 2016. He is also a member of the Audit and Risk Committees as well as the Nominating and Remuneration Committees of the H-REIT Manager and the HBT Trustee-Manager.

Dr Foo is currently a director and adviser to several listed and private companies including as a Director of Tung Lok Restaurants (2000) Ltd, Mewah International Inc., IC Power Pte. Ltd., Tower Capital Asia Pte. Ltd. and Unigestion Asia Pte. Ltd. as well as a Senior Adviser at Lazard Asia.

Dr Foo has over 30 years of experience in the financial services industry, having served as the CEO/General Manager of Australia & New Zealand Banking Group Ltd (ANZ) in Singapore for 12 years from 1999 to 2011 and thereafter as Vice Chairman, South and South East Asia for another 4 years, prior to his retirement from ANZ in 2015. Prior to that, he was the Regional Head of Investment Banking for Schroders Investment Bank and also served as the President Director of Schroders Indonesia for about 5 years. He had also served on the Council of the Association of Banks in Singapore for 9 years and was Deputy Chairman of the Singapore Investment Banking Association for about 3 years. Dr Foo was a Director on the Board of Academies Australasia Group Limited, an ASX-listed company until October 2016.

Dr Foo graduated from Concordia University with a Bachelor of Business Administration. He holds a Masters of Business Administration from McGill University and an honorary Doctorate of Commerce from James Cook University Australia, in honour of his contribution to education and the community. Presently, Dr Foo is the chairman of several community and charity organisations, including Salvation Army and Heartware Network (one of the largest youth organisations in Singapore).

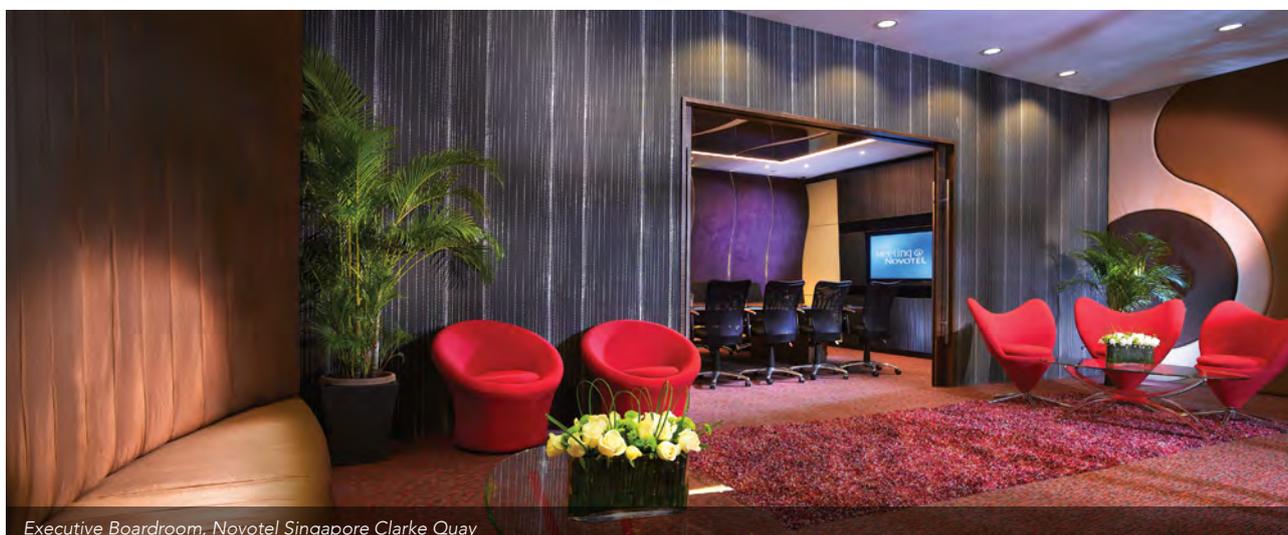
KENNY KIM, 49

Mr Kenny Kim was appointed an Independent Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 25 January 2017.

Mr Kim is currently the Senior Adviser and a member of the Executive Committee of RRJ Capital, one of the largest private equity funds in Asia which focuses on private equity investments in China and Southeast Asia, a position which he took up since October 2015. He is also responsible for originating and executing deals as well as providing advice to fund financial transactions.

Mr Kim has worked in various senior positions in the financial services sector for more than 20 years, having served as the Chief Executive Officer, Strategy and Investments and Group Chief Financial Officer at CIMB Group Holdings Berhad, a financial institution listed on Bursa Malaysia, and the 5th largest banking group in South East Asia. He also acted as Adviser to the Group Chief Executive Officer at CIMB Group Holdings Berhad and its subsidiary, CIMB Group Sdn Bhd up to 30 September 2015. During his tenure with the CIMB Group, Mr Kim was awarded Best Chief Financial Officer in South East Asia and Best Chief Financial Officer in Malaysia in 2013, both awards given by Alpha Southeast Asia, an institutional investment publication focused on Southeast Asia.

Mr Kim graduated from the University of Lancaster, United Kingdom, with a Master of Science in Finance degree. He is also a fellow of the Association of Chartered Certified Accountants, UK, a member of the Institute of Chartered Accountants England & Wales, CF Faculty and a member of the Malaysian Institute of Accountants.



Executive Boardroom, Novotel Singapore Clarke Quay

MANAGEMENT TEAM REPORTING STRUCTURE

As at 1 March 2017

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

WONG HONG REN ⁽¹⁾

Chairman and Non-Executive Director

VINCENT YEO WEE ENG

Chief Executive Officer and Executive 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

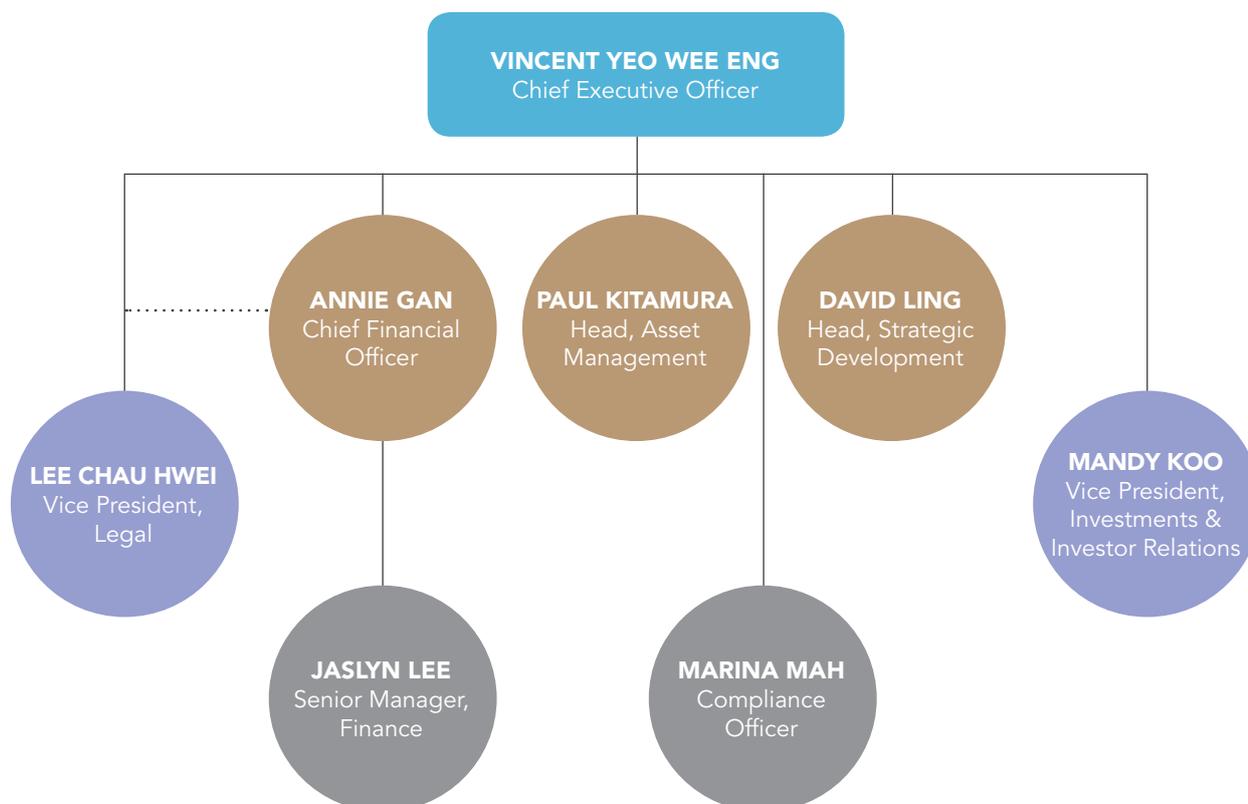
FOO SAY MUI (BILL) ^{(1) (2)}

Non-Executive Independent Director

KENNY KIM

Non-Executive 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 pages 36 and 37 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 28 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 27 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 initiatives 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 comprised 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 University of Chicago Booth Graduate School of Business and a Bachelor of Science degree in Hotel Administration from Cornell University.

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 15 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.

JASLYN LEE

Senior Manager, Finance

Ms Lee 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 Lee has more than 22 years of experience in management, accounting and finance functions in various industries. Prior to joining the H-REIT Manager, Ms Lee was the Senior Manager, Finance, of Ascendas Funds Management (S) Limited, the Manager of Ascendas Real Estate Investment Trust. She was responsible for financial accounting and reporting, management accounting and analysis, taxation and compliance reporting.

Ms Lee is a Certified Public Accountant of the Institute of Singapore Chartered Accountants and Fellow of the Association of Chartered Certified Accountants and holds a Bachelor of Science in Applied Accounting from Oxfords Brookes University.

MARINA MAH

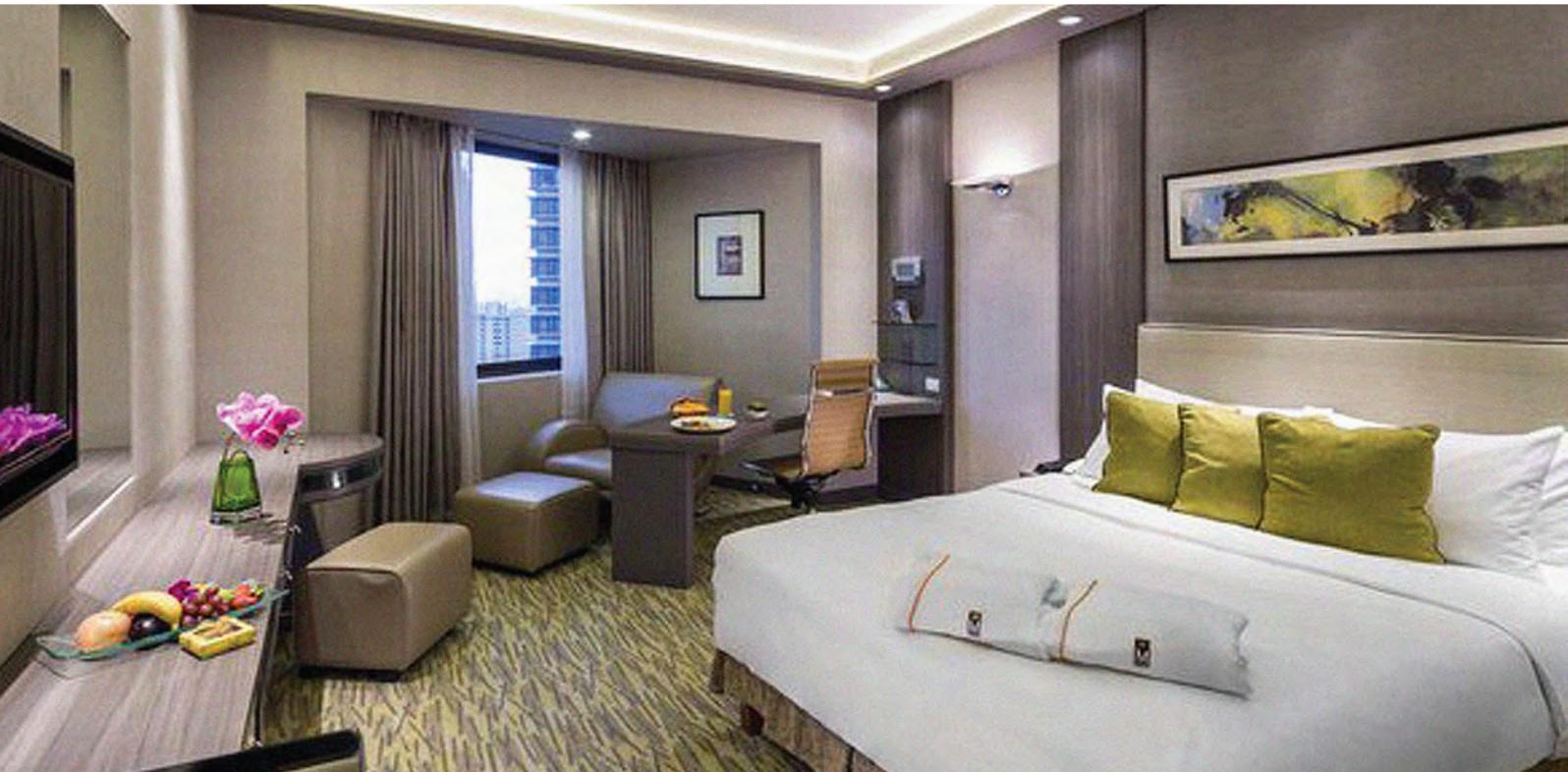
Compliance Officer

Ms Mah is responsible for ensuring H-REIT and the H-REIT Manager 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. She works closely with the authorities and governing bodies as well as the staff of the H-REIT Manager to implement a comprehensive compliance and ethics programme. She monitors the compliance with the policies, procedures and relevant rules and regulations on an ongoing basis and also ensures policies and procedures are kept up to date and adapted accordingly to the changing business environment.

Ms Mah has more than 15 years of auditing, financial management and accounting experience in multinational and listed companies, including 7 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



7

IN SINGAPORE

1

IN NEW ZEALAND

5

IN AUSTRALIA



2

IN MALDIVES

2

IN JAPAN

1

IN UNITED KINGDOM

SINGAPORE



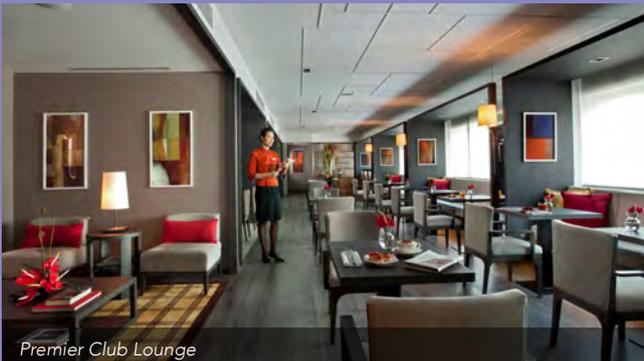
ORCHARD HOTEL

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.



Premier Club Meeting Room



Premier Club Lounge

656
GUEST ROOMS

8,588
SQ M LAND AREA

S\$424M
IN VALUATION



Premier Room, Claymore Wing

Situated on Singapore's renowned Orchard Road, the city-state's premier retail 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 Rooms and Suites designed by world-renowned designer, Pierre Yves Rochon. The hotel's contemporary collection of Premier, Premier Club Rooms and Premier Suites at the Claymore Wing are fully equipped with modern amenities and conveniences.

Facilities available to guests include a half Olympic-sized pool 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, a destination mall catering to the discerning urban family with choice selections of lifestyle services and gastronomic treats.

A wide array of epicurean delights beckons at the hotel's award-winning dining outlets – Hua Ting restaurant and Orchard Café. Intermezzo Bar offers beverages perfect for wind-down sessions.

Notable accolades include:

- Recommended in Michelin Guide 2016 – Hua Ting Restaurant
- TripAdvisor Certificate of Excellence 2016
- SHA Excellent Service Award 2004 – 2016
- BCA Green Mark Gold (2016 – 2018)

PROPERTY DETAILS

Number of guest rooms: 656

Number of food & beverage outlets:
Four outlets comprising Hua Ting Restaurant, Orchard Café, 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 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 2016:
S\$424.0 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 2016 KEY FINANCIALS

Rental income: S\$21.7 million

Net property income: S\$19.8 million

Average occupancy rate: 86.5%

(1) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation, Discounted Cash Flow and Sales Comparison approaches.

SINGAPORE



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.



Tempo Bar



Grand Ballroom

574
GUEST ROOMS

10,860
SQ M LAND AREA

S\$348M
IN VALUATION



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 33 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 banquet-style and 1,100 guests theatre-style. 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.

With a fully equipped 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.

The hotel has recently completed its makeover project in 2016 and unveiled a brand new lobby and an integrated dining destination. This new concept is modern, vibrant and eclectic and the elements of the East and West connect to the modern international travelling community. The lobby area comprises three new F&B outlets including Food Capital, an interactive buffet restaurant, Grissini, an Italian grill restaurant and Tempo, a dynamic bar.

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)

PROPERTY DETAILS

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

Number of food & beverage outlets: Three outlets comprising Food Capital, Grissini and Tempo Bar

Banquet/Conference/Meeting facilities: 33 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 banquet-style and 1,100 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 2016: S\$348.0 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 2016 KEY FINANCIALS

Rental income: S\$18.1 million

Net property income: S\$16.7 million

Average occupancy rate: 81.8%

- (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 CBRE Pte. Ltd. using a combination of the Capitalisation, Discounted Cash Flow and Sales Comparison approaches.

PROPERTY PORTFOLIO

SINGAPORE

M HOTEL 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.



Banquet Suite



Serviced Office Reception

415
GUEST ROOMS

2,134
SQ M LAND AREA

S\$234M
IN VALUATION



Suite Room

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 415 rooms designed for the business travellers with modern technological amenities.

In keeping up with efforts to enhance guests' stay experience, the hotel underwent a refurbishment of its guest rooms which started in March 2015 and was completed in end 2016. Added to the well-appointed rooms and suites are The Studio Serviced Suite and One-Bedroom Serviced Suite with a living area of 66 sq m and 72 sq m respectively. With a commanding view of Singapore and designed for optimum luxury, both Serviced Suites are fully-equipped homes with kitchenette, premium household products and other facilities accompanied by daily housekeeping service.

The hotel's prime location as well as its variety of function areas which are well-equipped with the state-of-the-art audio and visual facilities, makes 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)

PROPERTY DETAILS

Number of guest rooms: 415

Number of food & beverage outlets: Five outlets comprising Café 2000, The Buffet Restaurant, 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, two outdoor jacuzzis 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 2016: S\$234.0 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 2016 KEY FINANCIALS

Rental income: S\$13.7 million

Net property income: S\$12.5 million

Average occupancy rate: 87.4%

(1) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation, Discounted Cash Flow and Sales Comparison approaches.

SINGAPORE



COPTHORNE KING'S HOTEL

403 HAVELOCK ROAD, SINGAPORE 169632

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



Deluxe Room



Princess Terrace Café

310
GUEST ROOMS

5,637
SQ M LAND AREA

S\$116M
IN VALUATION



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 Café 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

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 2016: S\$116.0 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 2016 KEY FINANCIALS

Rental income: S\$7.7 million

Net property income: S\$6.3 million

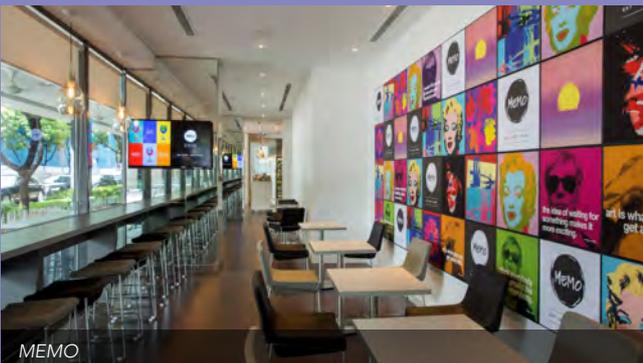
Average occupancy rate: 83.6%

(1) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation, Discounted Cash Flow and Sales Comparison approaches.

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

S\$153M
IN VALUATION



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 lifestyle 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 which 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
- Asia Hotel Forum – Best Design Hotel 2015
- BCA Green Mark Gold (2015 – 2018)
- PUB Water Efficient Building Basic Award (2014)

PROPERTY DETAILS

Number of guest rooms: 360
Number of food & beverage outlets: One outlet – MEMO
Banquet/Conference/Meeting 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 2016: S\$153.0 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 2016 KEY FINANCIALS

Rental income: S\$7.0 million
Net property income: S\$6.5 million
Average occupancy rate: 80.8%

(1) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation, Discounted Cash Flow and Sales Comparison 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.



Phoenix Grand Ballroom



Ballroom Foyer

403
GUEST ROOMS

12,925
SQ M LAND AREA

S\$319M
IN VALUATION



Premier Suite

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 Malay restaurant d'Pelangi completes 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)

PROPERTY DETAILS

Number of guest rooms: 403

Number of food & beverage outlets: Four outlets comprising The SQUARE Restaurant, Dragon Phoenix Restaurant, d'Pelangi 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 2016: 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 2016 KEY FINANCIALS

Rental income: S\$20.9 million

Net property income: S\$19.6 million

Average occupancy rate: 91.9%

(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 CBRE Pte. Ltd. using a combination of the Capitalisation, Discounted Cash Flow and Sales Comparison 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.



Interior



PIM PAM

20
TENANTS

~7,100
SQ M IN NLA

\$\$\$90M
IN VALUATION

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 2016:	S\$90.0 million

FY 2016 KEY FINANCIALS

Rental income:	S\$6.1 million
Net property income:	S\$3.2 million
Total number of tenants as at 31 December 2016:	20
Committed occupancy rate as at 31 December 2016:	91.4%

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.

Positioned as a family-oriented and lifestyle mall on Orchard Road, the mall, which was officially opened in late 2015 after extensive renovation, has been actively enhancing its retail offerings to cater 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 also able to enjoy the convenience of the F&B outlets, beauty, wellness and lifestyle services at the mall.

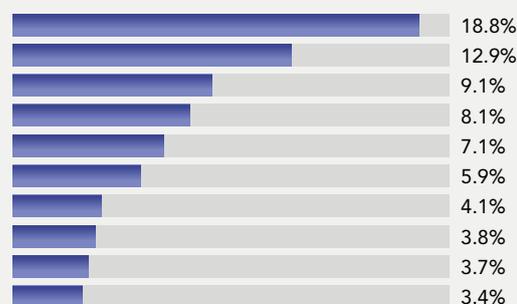
Apart from the anchor tenant Cold Storage, Claymore Connect features tenants such as MapleBear Singapore – an early education centre offering Canadian education philosophies and practices, combined with Singapore's bilingual literacy curriculum and Ch'i Life Studio – Singapore's Premier International 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, French pastries and desserts; Hua Ting Steamboat, a gourmet Cantonese hotpot offering by the renowned Hua Ting restaurant; Jewel Coffee, a leading purveyor of third-wave coffee in Singapore and South-East Asia's leading chain of wine shops – Wine Connection.

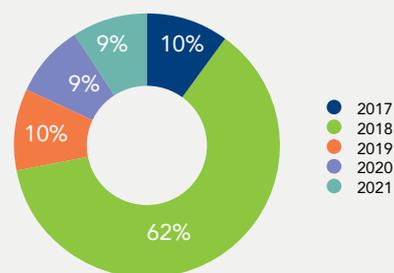
With active lease management, the mall welcomed back a previous tenant in 2016, Muddy Murphy's, which is one of the earliest Irish pubs to open its doors in Singapore more than 20 years ago. The Irish cottage themed pub has a loyal following for its dining and drinks options as well as live televised sports and bands. PIM PAM by FOC also opened in 2016, where this Gastro-bodega inspired by the Barcelonan tapas and wine culture, offers unique Catalan cuisine which is not unlike the gastronomic experience from FOC's Michelin-starred chef, Nandu Jubany.

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.

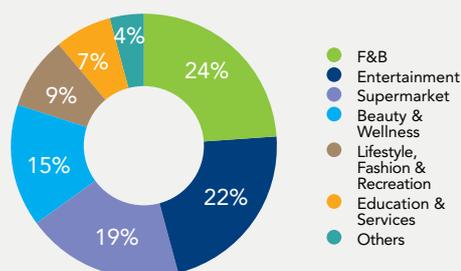
% CONTRIBUTION TO RENTAL INCOME OF TOP 10 TENANTS FOR FY 2016



LEASE EXPIRY ANALYSIS BY PASSING RENTAL INCOME AS AT MONTH OF EXPIRY



TENANT MIX BY RENTAL INCOME FOR FY 2016



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

AUSTRALIA



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.



Twin Premier Room, Novotel Brisbane



Lobby, Ibis Brisbane

NOVOTEL

296

GUEST ROOMS

A\$68M

IN VALUATION

MERCURE & IBIS

194

MERCURE GUEST ROOMS

218

IBIS GUEST ROOMS

A\$62M

IN VALUATION

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 Pantry Restaurant, GourmetBar and Two Donkeys 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 2016:	A\$68.0 million		A\$62.0 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\$4.9 million		A\$4.1 million

FY 2016 KEY FINANCIALS

Rental income:	S\$5.2 million ⁽³⁾ (A\$5.1 million)	S\$2.6 million ⁽³⁾ (A\$2.5 million)	S\$1.7 million ⁽³⁾ (A\$1.7 million)
Net property income:	S\$5.2 million ⁽³⁾ (A\$5.1 million)	S\$2.6 million ⁽³⁾ (A\$2.5 million)	S\$1.7 million ⁽³⁾ (A\$1.7 million)
Average occupancy rate:	79.4%	77.6%	79.2%

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 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 center 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 Jones Lang Lasalle Property Consultants Pte. Ltd. using the Discounted Cash Flow approach.

(3) Based on the average exchange rate of A\$1.00 = S\$1.0280.

AUSTRALIA



MERCURE & 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.



Beccaria Bar, Mercure Perth



Murray Street Grill, Ibis Perth

MERCURE

239

GUEST ROOMS

757

SQ M LAND AREA

A\$46M

IN VALUATION

IBIS

192

GUEST ROOMS

1,480

SQ M LAND AREA

A\$32M

IN VALUATION

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 Cucina on Hay. Cucina on Hay is expected to be fully refurbished in 2017	Two outlets comprising the Rubix Bar and Cafe 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, and gym which was fully refurbished in 2016 with addition of refurbished pool deck area	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 2016:	A\$46.0 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 2016 KEY FINANCIALS

Rental income:	S\$3.0 million ⁽²⁾ (A\$2.9 million)	S\$2.0 million ⁽²⁾ (A\$1.9 million)
Net property income:	S\$3.0 million ⁽²⁾ (A\$2.9 million)	S\$2.0 million ⁽²⁾ (A\$1.9 million)
Average occupancy rate:	87.1%	80.8%

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 Cucina on Hay which is expected to be fully refurbished in 2017, a heated rooftop swimming pool, modern pool deck, spa, and gym which was fully refurbished in 2016 with addition of refurbished pool deck area. 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 and around the corner from the popular King Street shopping strip. The hotel also offers a full service restaurant, casual bar and café, 24-hour room services and three meeting rooms catering for up to 200 guests. Other features include, secure covered parking, business centre and secure guest access to all hotel floors. 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, Gold Planet 21 rating in 2015 and Bronze Planet 21 rating in 2016 for its sustainability efforts.

(1) The properties were valued by Jones Lang Lasalle Property Consultants Pte. Ltd. using the Discounted Cash Flow approach.

(2) Based on the average exchange rate of A\$1.00 = S\$1.0280.

NEW ZEALAND



GRAND MILLENNIUM AUCKLAND

71-87, MAYORAL DRIVE, AUCKLAND

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



Grand Millennium Brasserie

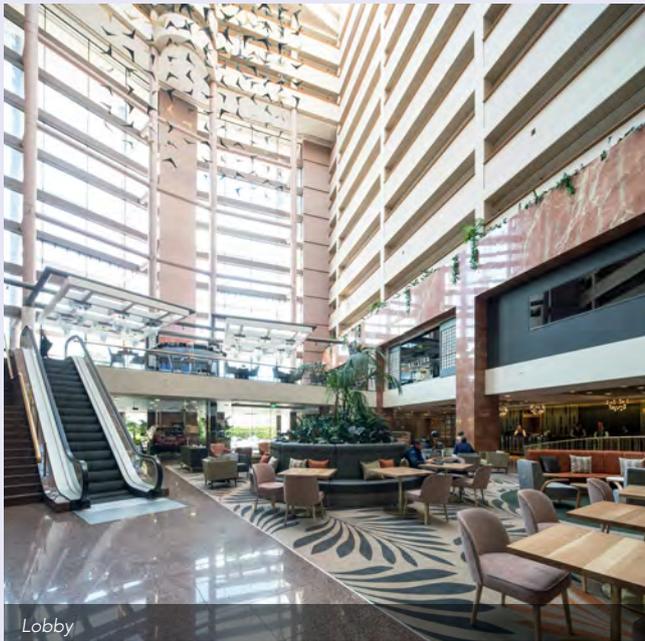


King Deluxe Room

452
GUEST ROOMS

5,910
SQ M LAND AREA

NZ\$177M
IN VALUATION



The 452-room Grand Millennium 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 1,619 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 Grand Millennium Brasserie to Japanese cuisine in Katsura and light lunch and dinner options in Atrium Lounge.

Notable accolades include:

- TripAdvisor Certificate of Excellence (2012 – 2016)
- New Zealand Beef and Lamb Award (2015 – 2016) Grand Millennium Brasserie

PROPERTY DETAILS

Number of guest rooms: 452

Number of food & beverage outlets:
Three outlets comprising Grand Millennium Brasserie, Katsura Japanese Restaurant and the Atrium Lounge

Other facilities:
15 meeting spaces comprising over 1,619 sq m 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 2016:
NZ\$177.0 million

MASTER LEASE DETAILS

Master lessee: Hospitality Services Limited, a subsidiary of Millennium & Copthorne Hotels New Zealand Limited

Term of lease:
Three years from 7 September 2016 with options to renew for two further 3-year terms

Minimum rental income: NZ\$6.0 million

FY 2016 KEY FINANCIALS

Rental income: S\$13.3 million⁽²⁾
(NZ\$13.8 million)

Net property income: S\$13.3 million⁽²⁾
(NZ\$13.8 million)

Average occupancy rate: 84.1%

(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\$0.9628.

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

US\$66M
IN VALUATION



InOcean Villa

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.

Offering Maldivian resort styles, Angsana Velavaru is positioned for romantic vacations and family and group getaways. 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:

- Destination Reader's Choice Awards 2017 – Top 10 Best Hotel in Maldives
- Agoda.com Gold Circle Award 2015
- Best Luxury Beauty Spa – Winner 2013 – World Luxury Spa Awards

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, Castaway Island Dining, Azzurro Bar and Kuredhi Bar

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 2016:

US\$66.0 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 2016 KEY FINANCIALS

Rental income: S\$8.3 million⁽²⁾ (US\$6.0 million)

Net property income: S\$7.5 million⁽²⁾ (US\$5.4 million)

Average occupancy rate: 48.2%

(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\$1.3865.

MALDIVES



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.



Johara Restaurant



Arrival Jetty

37

VILLAS

53,576

SQ M LAND AREA

US\$50M

IN VALUATION



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:

- Luxury Hideaway Spa (Indian Ocean) – Continent Winner 2016 – World Luxury Spa Awards
- TripAdvisor Certificate of Excellence (2012 – 2016)
- Maldives' Leading Luxury Resort – Winner 2014 – World Travel Awards
- Condé Nast Johansens Spa Awards – Best for Couples – Runner Up 2015
- 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 Trade Awards

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 2016: US\$49.5 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 2016 KEY FINANCIALS

Gross hotel revenue: S\$17.5 million ⁽²⁾ (US\$12.6 million)

Net property income: S\$3.9 million ⁽²⁾ (US\$2.8 million)

Average occupancy rate: 64.7%

(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\$1.3865.

JAPAN



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.



Double Room, Hotel MyStays Asakusabashi



Single Room, Hotel MyStays Kamata

ASAKUSABASHI

139

GUEST ROOMS

564

SQ. M LAND AREA

¥3.8B

IN VALUATION

KAMATA

116

GUEST ROOMS

497

SQ. M LAND AREA

¥2.7B

IN VALUATION

PROPERTY DETAILS

Hotel:	Hotel MyStays Asakusabashi	Hotel MyStays Kamata
Number of guest rooms:	139	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 2016:	¥3.80 billion	¥2.74 billion

HOTEL MANAGEMENT AGREEMENT DETAILS

Operator:	MyStays Hotel Management Co., Ltd.
Term of hotel management agreement	Expires on 18 July 2019 (automatically renewed for 3-year term unless notice of termination given by either party)

FY 2016 KEY FINANCIALS

Gross hotel revenue:	S\$6.0 million ⁽²⁾ (¥472.0 million)	S\$4.6 million ⁽²⁾ (¥360.4 million)
Net property income:	S\$3.1 million ⁽²⁾ (¥245.2 million)	S\$2.3 million ⁽²⁾ (¥182.0 million)
Average occupancy rate:	92.8%	91.6%

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 – 2016)

(1) The Japan Hotels were valued by International Appraisals Incorporated using a combination of the Capitalisation, Discounted Cash Flow and Sales Comparison approaches.

(2) Based on the average exchange rate of S\$1.00 = ¥78.74.

UNITED KINGDOM



HILTON CAMBRIDGE CITY CENTRE

20 DOWNING STREET, CAMBRIDGE

Situated in a prime location in the heart of Cambridge city centre, the hotel is beside the main thoroughfare and within the vicinity of popular tourist attractions.



Lobby Lounge



Junior Suite

198
GUEST ROOMS

~3,600
SQ M LAND AREA

£62M
IN VALUATION



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 Gardens and Trinity College. The 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, newly refurbished LivingWell Fitness Gym and a meetings/events space for up to 200 people. The hotel has been rejuvenated following a £8.2 million phased refurbishment programme involving its 198 rooms and public areas. The majority of this refurbishment was completed in April 2015, with some elements still in progress currently.

Notable accolades include:

- TripAdvisor Certificate of Excellence (2015 – 2016)
- Accreditation by the Meeting Industry Association
- Booking.com Certificate of Excellence 2016
- Laterooms.com Certificate of Excellence 2016
- Gold Accreditation for Overall Customer Experience in the Cambridge BID Awards 2016

PROPERTY DETAILS

Number of guest rooms: 198 rooms

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: Five function rooms comprising approximately 400 sq m of event space which can be used for intimate board meetings through to hosting of gala dinners for up to 150 persons

Other facilities: Executive Lounge and LivingWell Fitness Gym

Car park facilities: 54 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 31 December 2016: £62.3 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

FY 2016 KEY FINANCIALS

Gross hotel revenue: S\$21.4 million⁽⁴⁾ (£11.4 million)

Net property income: S\$8.5 million⁽⁴⁾ (£4.5 million)

Average occupancy rate: 79.2%

(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 using the Discounted Cash Flow approach.

(4) Based on the average exchange rate of £1.00 = S\$1.8791.

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.

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 this 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 set out within this report.

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

The H-REIT Manager has general powers of management over the assets of H-REIT and its 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 of H-REIT's properties 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 on acquisitions, 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 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 ("**SFA**"), 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.

HBT acts as the master lessee of Jumeirah Dhevanafushi, a resort in the Maldives, 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 acquired and is currently the owner of Hilton Cambridge City Centre, a purpose-built upper upscale hotel located in Cambridge, United Kingdom, which is managed by the Hilton Hotels and Resorts.

CORPORATE GOVERNANCE

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 the HBT Trustee-Manager (collectively, the "**Managers**") respectively. Accordingly, both H-REIT and HBT do not have personnel of their own. The H-REIT Manager and the HBT Trustee-Manager employ experienced and well-qualified management staff to run the day-to-day operations of H-REIT and HBT. The Directors and employees of the H-REIT Manager and HBT Trustee-Manager are remunerated by the H-REIT Manager and HBT Trustee-Manager and not by H-REIT, HBT or CDLHT.

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 Managers' Boards are also responsible for setting strategic business objectives and direction as well as the 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 Board members of the H-REIT Manager and the HBT Trustee-Manager participate in matters relating to corporate governance including setting corporate values and ethical standards, business operations and risk management, financial performance, engaging key stakeholder groups 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 business risk management processes. The Managers' Boards meet quarterly or more often if necessary to (i) review respectively the financial performance of H-REIT and HBT against previously approved budgets, (ii) review the business risks of H-REIT and HBT respectively, (iii) examine liability management, (iv) oversee the sustainability policies and proposals of H-REIT and HBT, and (v) act upon any recommendations and/or comments from both the internal and external auditors of H-REIT and HBT respectively. In assessing business risks, the Managers' Boards also consider the economic environment and risks relevant to the property and hospitality industries. They also review management reports and feasibility studies on individual projects prior to approving major transactions.

CORPORATE GOVERNANCE

Directors' Objective Discharge of Duties and Declaration of Interests

All the Managers' Directors are required to objectively discharge their duties and responsibilities in the interests of H-REIT and HBT. 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 (the "Act") and the SFA, where relevant, and also voluntarily abstain from participating in the deliberation on the same. The Boards of the Managers have each established Nominating and Remuneration Committees ("NRCs") in January 2016 which recommend to the Boards of the H-REIT Manager and the HBT Trustee-Manager the appointments/re-appointments to the Board and Board Committees and assess the independence of Directors. When assessing the independence of Directors, the NRCs take into account the individual Director's objectivity, independent thinking and judgement.

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, namely the Audit and Risk Committees ("ARCs") and NRCs (collectively, referred to hereafter as the "Committees").

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 Committees. The H-REIT Manager Board and the HBT Trustee-Manager Board review such terms of reference periodically to ensure their continued relevance. The composition of the Committees can be found under the corporate directory section in this Annual Report 2016 ("Annual Report").

The delegation of authority by the H-REIT Manager Board and the HBT Trustee-Manager Board to the respective Committees enables the H-REIT Manager Board and the HBT Trustee-Manager Board to achieve operational efficiency by empowering the 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. Further information on the activities of the ARCs and NRCs can be found in the sections on Principles 4, 5, 7, 8, 11, 12 and 13 in this report.

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

Meetings of the Board, ARC and NRC of the Managers were held regularly. Five Board Meetings, inclusive of a Board Strategy Meeting, and five ARC Meetings were held by the Managers' Boards and Committees in 2016.

The NRCs did not hold any physical meetings during the inaugural year of its establishment. However, the NRCs had resolved issues under its purview by way of circulating written resolutions in lieu of physical meetings as permitted under the NRCs' terms of reference.

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 2016 to discuss matters without the presence of Management and the Board 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 members of the Managers' Boards before the start of each calendar year. 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. The Managers' respective Constitution 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.

CORPORATE GOVERNANCE

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 2016, 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.

Directors' Attendance at Board and Committee Meetings of the H-REIT Manager and HBT Trustee-Manager in 2016

	Board	ARC	NRC
No. of Meetings held in 2016	5	5	–
Name of Directors	Number of meetings attended in 2016		
Wong Hong Ren	5	N. A.	–
Vincent Yeo Wee Eng	5	N. A.	N. A.
Jenny Lim Yin Nee	5	5	N. A.
Jimmy Chan Chun Ming ⁽¹⁾	2	2	N. A.
Daniel Marie Ghislain Desbaillets ⁽²⁾	4	N. A.	–
Ronald Seah Lim Siang	5	5	–
Ronald Issen ⁽³⁾	4	N. A.	N. A.
Foo Say Mui (Bill) ⁽⁴⁾	2	3	–

⁽¹⁾ Mr Jimmy Chan Chun Ming, who resigned as a Director on 11 May 2016, had attended two Board Meetings and two ARC Meetings held prior to his resignation.

⁽²⁾ Mr Daniel Marie Ghislain Desbaillets, who resigned as a Director on 13 September 2016, had attended four Board Meetings held prior to his resignation.

⁽³⁾ Mr Ronald Issen, who resigned as a Director on 13 September 2016, had attended four Board Meetings held prior to his resignation.

⁽⁴⁾ Dr Foo Say Mui (Bill), who was appointed a Director on 11 May 2016, had attended two Board Meetings and three ARC Meetings held after his appointment.

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".

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.

CORPORATE GOVERNANCE

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".

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".

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.

The Managers also conduct a comprehensive 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 to the Management team in future. 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.

Dr Foo Say Mui (Bill) was appointed to the Managers' Board and the Managers' ARC in May 2016. He was given detailed briefings by the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") in respect of CDLHT's business and operations, as well as its financial matters. The Chairman of the Managers' ARC also briefed him on the role and responsibilities of the ARC as set out in its terms of reference. Separately, the Company Secretary also briefed Dr Foo on the internal corporate governance practices and the directors' duties and responsibilities pursuant to relevant legislations. In October 2016, Dr Foo was appointed a member of the Managers' NRC, in place of Mr Daniel Desbaillets who stepped down from the Managers' Boards. Dr Foo was provided with the NRC's terms of reference.

In January 2017, Mr Kenny Kim was appointed to the Managers' Boards and arrangements are being made for Mr Kim to attend an induction programme.

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 will be 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 Act, the Listing Manual of SGX-ST and the 2012 Code. The Company Secretary will also co-ordinate 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, 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-ST and SID and the Directors are encouraged to attend such training at the Managers' expense.

CORPORATE GOVERNANCE

Two in-house seminars were conducted by invited external speakers in 2016, the first relating to a review of the Singapore Budget 2016 and the second being a Sustainability Forum on the subject of global and local trends of sustainability integration to enhance business value and long term growth. The Directors were also briefed on cyber-security issues by ST Electronics (Info-Security) Pte Ltd, a company with expertise in the field of info-security solutions, during the year. 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.

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.**

Guideline 2.3

(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 Director is identified in paragraph 3 of the section under the header "Board Independence", and the Boards' reasons for considering her independent are set out in the same paragraph.

Principle 2: Board Composition and Guidance

Board Independence

The Boards of the H-REIT Manager and the HBT Trustee-Manager currently consist of six members each. All members of the Boards, except for the CEO, are non-executive Directors ("NEDs"). Of the five NEDs, the Managers' NRCs have recommended and the Managers' Boards have determined four of them ("4 IDs"), being more than half of the Boards, to be independent⁽¹⁾ 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.

When reviewing the independence of the 4 IDs, the Managers' NRCs had considered the guidelines for independence set out in Guideline 2.3 of the 2012 Code and the Business Trusts Regulations 2005. As part of the consideration, the NRCs took into account their other directorships, annual declaration regarding their independence, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation on such transactions and their ability to maintain objectivity in their conduct as Directors of the Managers. The 4 IDs are Ms Jenny Lim, Mr Ronald Seah, Dr Bill Foo and Mr Kenny Kim. For purposes of determination of independence, the 4 IDs have also provided confirmation that they are not related to the substantial shareholders of the Managers or Stapled Security Holders of CDLHT. The NRCs are satisfied that there is no other relationship which could affect their independence.

In considering the independence of Ms Jenny Lim, who has served on the H-REIT Manager Board and the HBT Trustee-Manager Board for more than nine years, the NRCs and the Boards 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 Board 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 instances where Ms Lim had opined and commented on various acquisition deals, sought Management's clarification as well as challenged Management's recommendations on matters pertaining to her area of responsibilities, whether as a member on the Board or on the ARCs, in order to make informed decisions.

The NRCs deliberated over Ms Lim's independence and concurred that Ms Lim is independent, notwithstanding she has served on the Board beyond nine years, as she has continued to demonstrate strong independence in character and judgement in the discharge of her responsibilities as a Director of the Managers. The Managers have also benefited from her years of experience in finance, taxation and audit.

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 nine years and have determined that Ms Lim will cease to be independent subsequent to the 2017 Annual General Meetings.

⁽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 and are the same as the Directors of the HBT Trustee-Manager.

CORPORATE GOVERNANCE

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".

Guideline 2.6

(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 first and second paragraphs of the section under the heading "H-REIT Manager/ HBT Trustee-Manager Board Composition and Size".

Guideline 2.6

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

Please refer to the first 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 NRCs review the size and composition of the H-REIT Manager Board and the HBT Trustee-Manager Board and also considered the core competencies of the Directors 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, business and funds 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 in 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.

So long as the 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, each of the Directors of the H-REIT Manager Board is also a Director of the HBT Trustee-Manager Board, and vice versa. Further, in line with MAS's Response to Feedback Received on its Consultation Paper on Enhancements to the Regulatory Regime Governing REITs and REIT Managers, under circumstances where unitholders of H-REIT are not given the right to appoint directors, at least half of the H-REIT Manager Board would have to be independent directors. Similarly, the HBT Trustee-Manager Board would also be required to comply with the provision 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 comprise independent Directors.

NEDs' Participation

NEDs of the H-REIT Manager and the HBT Trustee-Manager are encouraged to participate actively at 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 and HBT Trustee-Manager held respective meetings of the independent Directors, chaired by the Lead ID in January 2016 (without the presence of Management, the CEO and Board Chairman).

CORPORATE GOVERNANCE

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-independent and 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 Securities Holders**"), he plays a pivotal role in fostering constructive dialogue between Stapled Securities 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.

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 Stapled Security Holders in 2016. Under the chairmanship of the Lead ID, a meeting of the independent Directors of the H-REIT Manager was convened in January 2016 (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 2017.

CORPORATE GOVERNANCE

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.

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 of the H-REIT Manager and HBT Trustee-Manager".

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 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.

Guideline 4.4

(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".

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

The NRCs 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.

Nominating and Remuneration Committee Composition and Role

In line with recommendations by the MAS, the NRCs of the Managers were established in January 2016.

The NRCs comprised three non-executive directors, out of which two members, including the NRC Chairman, are independent. Please refer to the corporate directory section of this Annual Report for the composition of the NRCs.

The NRCs' responsibilities as set out in its written terms of reference approved by the Board, are to review all Board and Committees composition and membership, board succession plans, review appointments and resignations of Directors and relevant senior management staff, including the CEO and the CFO, review Directors' training and continuous professional development programmes as well as review the remuneration framework and policies of the Managers.

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.

Based on an annual analysis of directorships held by the NRCs 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 NRCs 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 NRCs 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 four.

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 NRCs 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.

CORPORATE GOVERNANCE

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 2016 are set out in the paragraph under the header "H-REIT Manager and HBT Trustee-Manager Board Orientation and Training". The members of the Board 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 "Principle 5: Board Performance".

Guideline 5.1

(b) Has the Board met its performance objectives?

The Boards have reviewed their performance.

Please refer to the paragraph under the heading "Principle 5: Board Performance".

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".

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 2016.

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.

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 ARC and NRC 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 Boards. The minutes of meetings of the Committees are circulated to all Board members.

CORPORATE GOVERNANCE

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 ensures 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

Principle 7: Procedures for developing Remuneration Policies

All Directors and employees of the Managers are remunerated by the H-REIT Manager and HBT Trustee-Manager, as appropriate and in accordance with the remuneration policies set out in the following paragraphs.

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.

Principle 8: Level and Mix of Remuneration

All Directors of the H-REIT Manager, 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. The Board Chairman and chairman and members of the ARC also receive additional fees. Such fees are subject to shareholder's approval at the annual general meeting of the H-REIT Manager. The Directors of the HBT Trustee-Manager presently do not receive any Directors' fee.

CORPORATE GOVERNANCE

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 component (which includes variable, year-end annual and special bonuses). The variable component is determined by the individual's performance, competitive market practices and information gathered from market surveys conducted by independent human resource consultants as well as the Managers' overall performance in each specific year. 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.

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

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 2016, 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 the shareholder 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 2016.

CORPORATE GOVERNANCE

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 Managers' 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 Managers include variable components (in the form of variable bonuses) which are tied to the performance of the individual employees and take into account the performance of CDLHT. Individual performance is based on an annual appraisal of each executive officer of the Managers. The variable components of the remuneration for the executive officers were awarded for FY 2016 pursuant to the review of the individual's performance, the Company's overall performance and industry practices.

The NRCs had recommended and the Boards of the Managers had 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 of the total amount of fees paid to H-REIT Manager and HBT Trustee-Manager in Note 19 of the Notes to the Financial Statements on page 166 of the Annual Report.

The NRCs had recommended and the Boards of the Managers had 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:

- 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 ensure the smooth continuity of leadership to achieve business and operations objectives 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 in Note 19 of the Notes to the Financial Statements on page 166 of the Annual Report.

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

Pursuant to their terms of reference, the NRCs 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 Securities 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 Securities 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 Securities 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 CDLHT operates.

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For the financial year under review, the CEO and the CFO provided assurance to the ARCs 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 Securities 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.

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.

Principle 11: Risk Management and Internal Controls

Risk Management

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. The H-REIT Manager and HBT Trustee-Manager ARCs assist the H-REIT Manager Board and HBT Trustee-Manager Board in providing oversight of risk management and maintaining an effective control environment that reflects both the established risk appetite and the business objectives.

An organisational risk management framework has been established by the Managers to formalise and document the internal processes, many of which are already currently in place, to enable significant business risks affecting H-REIT and HBT to be identified, assessed, monitored, managed and evaluated.

The Managers recognise that the risk management process is an ongoing process and will thus, continuously ensure that the current risk management system and processes are in line with industry practices.

During the financial year under review, the ARCs 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 ARC's 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 ARCs, 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;

CORPORATE GOVERNANCE

- 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).

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".

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 Boards have 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.

Guideline 11.3

(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".

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 the CFO, the H-REIT Manager Board and HBT Trustee-Manager Board confirm, with the assistance of the ARCs, 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 ARCs that the risk management system and system of internal controls in place as at 31 December 2016 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.

CORPORATE GOVERNANCE

Principle 12: Audit and Risk Committee

Composition of the ARCs

The ARCs of both the H-REIT Manager and the HBT Trustee-Manager comprise three NEDs, all of whom (including the chairman of the ARCs) are independent.

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

Powers and Duties of the ARCs

The ARCs are 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 ARCs may invite any Director, Management, officer or employee of the H-REIT Manager and/or the HBT Trustee-Manager to attend its meetings. The ARCs are also authorised to engage any firm of accountants, lawyers or other professionals as they see fit to provide independent counsel and advice to assist in the review or investigation on such matters within their terms of reference as they deem appropriate at the expense of the H-REIT Manager and the HBT Trustee-Manager respectively.

The principal responsibility of the ARCs 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 their 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 Securities 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 Boards 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;
- to review and make recommendations to the Boards for approval by the Stapled Securities 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);

CORPORATE GOVERNANCE

- 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.

Financial Matters

In the review of the financial statements for FY 2016, the H-REIT Manager ARC and the HBT Trustee-Manager ARC have discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the H-REIT Manager ARC and the HBT Trustee-Manager ARC:

Significant Matters	How the ARCs reviewed these matters and what decisions were made
Valuation of investment properties	<p>H-REIT Manager ARC and the HBT Trustee-Manager ARC considered the approach and methodology applied to the valuation model in assessing the valuation of the investment properties. The ARCs noted that:</p> <ul style="list-style-type: none"> • there was appropriate use of third party valuation expertise; • sufficient robust challenge was given to management by the external auditors; • material judgemental assumptions that were used in the valuations were within reasonable parameters; and • conclusions have been appropriately drawn. <p>The valuation of the investment properties was also an area of focus by the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2016. Refer to page 110 of this Annual Report.</p>
Impairment of property, plant and equipment and prepaid land lease	<p>H-REIT Manager ARC and the HBT Trustee-Manager ARC considered the approach and methodology applied to the valuation model in property, plant and equipment and prepaid land lease impairment assessment as well as the assessment of key assumptions applied. The ARCs noted that:</p> <ul style="list-style-type: none"> • the selection of assets to be tested was done appropriately, taking into account indicators of impairment risk and materiality; • there was appropriate use of third party valuation expertise; • sufficient robust challenge was given to management by the external auditors; • material judgemental assumptions that were used in the valuations were within reasonable parameters; and • conclusions have been appropriately drawn. <p>The impairment review was an area of focus by the external auditor. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2016. Refer to pages 110 to 111 of this Annual Report.</p>

CORPORATE GOVERNANCE

During the financial year under review, the ARCs 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 five meetings each during the year respectively and carried out their duties as set out within the terms of reference. The Company Secretary maintains records of all ARC meetings including records of discussions on key deliberations and decisions taken. The ARCs meet with the external auditors separately without the presence of Management annually.

In performing its duties, the H-REIT Manager ARC and the HBT Trustee-Manager ARC also took guidance from the Guidebook for Audit Committees in Singapore issued by MAS, ACRA and SGX-ST in August 2014 as well as the Board Risk Committee Guide issued by the SID in 2016. For the financial year under review, the ARCs 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 ("**ARC Self-Assessment Checklist**"). The ARC Self-Assessment Checklist covered *inter alia*, the responsibilities of the ARCs under their terms of reference.

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

The H-REIT Manager ARC and HBT Trustee-Manager ARC recommended to the Board to approve the full year financial statements.

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".

External Auditors

The ARCs had evaluated the performance of the external auditors for FY 2016. The ARCs 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 ARCs had, in 2016, undertaken a review of the independence of KPMG LLP ("**KPMG**") and gave careful consideration to the H-REIT Group's and the Stapled Group's relationships with them during 2016. In determining the independence of KPMG, the ARCs 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 ARCs also considered the nature of the provision of the non-audit services in 2016 and the corresponding fees and are of the opinion that such non-audit fees did not impair or threaten the audit independence. Based on the review, the ARCs are 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 2016, please refer to Note 21 of the Notes to the Financial Statements.

Guideline 12.6

(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".

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2017, the ARCs had taken into consideration the Audit Quality Indicators Framework introduced by ACRA.

CORPORATE GOVERNANCE

The ARCs 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.

On the basis of the above, the ARCs have 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 2017 Annual General Meetings ("**2017 AGMs**").

Whistle Blowing Policy

The H-REIT Manager and the HBT Trustee-Manager have in place a whistle blowing policy setting out the 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 ARCs have 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. The whistle blowing policy and procedural arrangements are reviewed by the ARCs on an annual basis.

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 ARCs, 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 ARCs review 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 ARCs on a quarterly basis.

The ARCs review the activities of the internal auditors on a quarterly basis and are 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. The ARCs met with the internal auditors separately without the presence of Management in January 2017.

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".

CORPORATE GOVERNANCE

Principle 14: Rights of Stapled Securities Holders

Being committed to good corporate practices, the H-REIT Manager and the HBT Trustee-Manager treat all Stapled Securities Holders fairly and equitably. To facilitate the exercise of Stapled Securities 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 Securities 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, as amended at the 2016 Annual General Meetings, Stapled Securities Holders who are not relevant intermediaries may appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and Stapled Securities Holders who are relevant intermediaries may appoint more than two proxies to attend, speak and vote at general meetings.

The proxy forms must be deposited at such place or places specified in the notice convening the general meetings not less than forty-eight (48) hours before the time set for the general meetings.

Principle 15: Communication with Stapled Securities Holders

The H-REIT Manager and the HBT Trustee-Manager ensure that Stapled Securities 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 Securities Holders receive the annual report of CDLHT and the Notice of general meetings of Stapled Securities Holders, which notice is also advertised in the press and released via SGXNET. Stapled Securities 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.

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 Securities Holders."

Guideline 15.4

(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 teams who are responsible for providing investor relations support. Please refer to the Management Team on page 39 of the Annual Report 2016.

Guideline 15.4

(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 Securities Holders."

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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 Securities Holders."

Principle 16: Conduct of General Meetings of Stapled Securities Holders

At general meetings, Stapled Securities Holders are given the opportunity to communicate their views and are 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 ARCs and the external auditors were present at the last AGMs, and would, together with the Lead ID, and the chairmen of the NRCs, endeavour to be present at the 2017 AGMs to assist the H-REIT Manager Board and the HBT Trustee-Manager Board in addressing queries raised by the Stapled Securities Holders.

All Stapled Securities Holders are allowed to vote in person or by proxy. As the authentication of a Stapled Securities 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.

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 Securities Holders and the responses from the H-REIT Manager Board, HBT Trustee-Manager Board, Management and/or the external auditors. The minutes of the general meetings would be made available to Stapled Securities Holders upon request.

Pursuant to Rule 730A(2) of the Listing Manual of SGX, all resolutions proposed at the 2017 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 since the 2014 AGMs. With electronic poll voting, Stapled Securities 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 on-screen at the meeting. The detailed results setting out the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET after the 2017 AGMs. The detailed procedures for electronic poll voting would be explained at the 2017 AGMs. An external firm is appointed as scrutineers for the 2017 AGMs voting process, which is independent of the firm appointed to undertake the electronic poll voting process.

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.

CORPORATE GOVERNANCE

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 CDL Hospitality Trusts.

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 2016, which is set out on pages 94 to 99 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 ("**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, acquired Hilton Cambridge City Centre (formerly Cambridge City Hotel), United Kingdom, which is managed by Hilton Hotels and Resorts.

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 SGX-ST (the "**Listing Manual**"), the trust deed constituting HBT dated 12 June 2006 (as amended from time to time) (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 Monetary Authority of Singapore ("**MAS**") any contravention of the BTA or Business Trusts Regulations ("**BTR**") by any other person that:
 - o relates to HBT; and
 - o 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 of 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 on pages 72 to 93 of this Annual 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 and Risk Committee about potential projects that it is looking into on behalf of HBT and the HBT Trustee-Manager Board, and the Audit and Risk 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 and Risk 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 advisors.

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.

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.

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

- 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 and Risk 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.

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 advisor 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.

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

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 and Risk 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 and Risk Committee deems necessary. If a member of the Audit and Risk 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 and Risk 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.

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 to the HBT Trustee-Manager 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).

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

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, trustee fee or 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 2016.

Fee	Amount (\$\$'000)	% in Cash	% in Units
Management Fee	438	20%	80%
Acquisition Fee	–	–	–
Trustee Fee	134	100%	0

For the financial year ended 31 December 2016, the HBT Trustee-Manager will receive 100% of trustee fee in cash while the management fee is in the form of 20% cash and 80% Stapled Securities. No expenses were paid to the HBT Trustee-Manager during the financial year ended 31 December 2016 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 ensure that applicable rules and regulations are being complied with.

The HBT Trustee-Manager will also engage the services of and obtain advice from professional advisors 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 believes that proactive efforts in sustainability, in addition to driving the financial performance of its investment portfolio, will support its reputation in the hospitality industry and further improve its relationships with key stakeholders. Accordingly, CDLHT will continue to embrace sustainability efforts to achieve an optimum balance between environmental responsibility and asset efficiency to 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 promotes a holistic approach to sustainability, comprising a focus on resource utilisation, energy cost efficiency and asset enhancement to facilitate efficient operations and responsible 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 and progressive approach to sustainability in its hotels, depending largely on the external hotel operators and lessees to drive hotel performance and steer hotel operations and capital improvements in a sustainable direction.

CDLHT is appreciative of the various efforts made by its hotel operators in the area 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 other energy saving equipment in recent years, such as LED lighting.

On its part, CDLHT supports such ongoing sustainability efforts through its management of capital expenditure, particularly for projects where there are cost-savings benefits, such as 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⁾	Ibis Perth (2014 – 2015) Novotel Brisbane (2013 – 2015) Mercure/Ibis Brisbane (2012 – 2015) Novotel Singapore Clarke Quay (2014)
BCA Green Mark ⁽³⁾	Orchard Hotel (2016 – 2018, Gold) Grand Copthorne Waterfront Hotel (2015 – 2018, Platinum) M Hotel Singapore (2015 – 2018, Gold Plus) Studio M Hotel (2015 – 2018, Gold) Copthorne King's Hotel (2014 – 2017, Platinum) Novotel Singapore Clarke Quay (2013-2016, Gold Plus)
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
 Novotel Singapore Clarke Quay (2015 – 2018, Gold)
 Grand Copthorne Waterfront Hotel (2014 – 2017, Gold)
 M Hotel Singapore (2013 – 2016, Silver)
 Studio M Hotel (2014, Basic)

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

Hotel Safety and Security:

Hotel Security Award
 Grand Copthorne Waterfront Hotel (2004 – 2016)
 M Hotel Singapore (2011 – 2015)

Hotel Security Excellence Award
 Orchard Hotel (2006 – 2016)
 Novotel Singapore Clarke Quay (2014 – 2016)
 M Hotel (2016)
 Copthorne King's Hotel (2012 – 2015)
 Grand Copthorne Waterfront Hotel (2014 – 2015)

SHA Security Star Award
 Orchard Hotel (2016)
 Copthorne King's Hotel (2015)

SHA/SPF/NCPC Hotel Security Excellence Award
 Copthorne King's Hotel (2016)

Workplace Safety & Health BizSAFE Certification
 M Hotel Singapore (2016 – 2019, Level 3)
 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)

NFEC Fire Safety Award
 Orchard Hotel (2016)

Fire Safety Excellence Award
 M Hotel Singapore (2016 – 2018)
 Copthorne King's Hotel (2016)
 Novotel Singapore Clarke Quay (2016)
 Grand Copthorne Waterfront Hotel (2004 – 2016)

- (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 Grand Copthorne Waterfront Hotel, LED lighting conversion with replacement points continued to take place throughout public areas in 2016, generating energy savings and a longer lifespan as compared to traditional lighting. Start/stop sensors installed on all escalators in 2015 provided estimated energy savings totaling 190,000 kWh and over S\$23,000 in 2016. In 2017, Fan Coil Units ("**FCUs**") will be upgraded to improve air side efficiency by an estimated 20%.

Orchard Hotel is in the process of replacing LED lights in the Orchard Wing and all the emergency staircase lights have been replaced with LED motion sensor light fittings in 2016. The hotel is also replacing old FCUs and Air Handling Units ("**AHUs**") to a more efficient model, which will further generate savings in energy consumption and expenses.

M Hotel completed most phases of its lift modernisation in 2016 while Novotel Singapore Clarke Quay is progressing with its lift modernization, which includes regenerative features that lower energy consumption by converting braking and vertical motion into energy to help power lights and lift motors. Operationally, AHU efficiency was achieved by running only 2 cooling towers or at 20% of the capacity at night.

M Hotel also upgraded old FCUs and AHUs to a more efficient standard to generate savings in energy consumption and expenses.

Angsana Velavaru commenced LED lighting conversion in guest villas, common areas and associate areas, in addition to installing solar water heaters for both guest and associate accommodation.

Hilton Cambridge City Center and Grand Millennium Auckland converted to LED lighting in selected public areas and is currently assessing feasibility of LED lighting conversion in the back of house areas.

WATER SAVINGS

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

In Japan, MyStays Asakusabashi and Hotel MyStays Kamata in Tokyo introduced a green plan inviting guests who stay four nights or longer to have their linen changed once every two to three days, instead of on a daily basis.

In the Maldives, water conservation efforts continued at Jumeirah Dhevanafushi through provision of in-house bottled water, guest choice reduced frequency linen laundry and reduced flow rates for taps and showers. At Angsana Velavaru, the hotel has begun placing 500ml dummy bottles in water closets to reduce flushing volume in guest and associate toilets.

RECYCLING EFFORTS

For the Australia Hotels, hazardous waste is sorted for processing in appropriate waste streams, ensuring the responsible disposal of paper, glass, cardboard and plastic items.

In New Zealand, Grand Millennium Auckland has a recycling programme that has captured an estimated 100 tonnes of paper and 374 tonnes of co-mingled recycling in 2016. Co-mingled recycling includes items from all F&B outlets, offices and guest rooms. Collections are made two to three times weekly with the help of independent contractors and recycling takes place at various transfer stations throughout the city.

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.

Commencing from the FY 2017 annual report, CDLHT will comply with the new SGX listing rule 711B covering Environmental, Social and Governance ("**ESG**") information on a 'Comply or Explain' basis. CDLHT has appointed an external consultant to assist with identification of material ESG factors, help refine policies and practices, assist in setting performance targets and help in the selection of a globally recognised reporting framework.

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 2016.

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	
Ronald Seah Lim Siang	
Foo Say Mui (Bill)	(Appointed on 11 May 2016)
Kenny Kim	(Appointed on 25 January 2017)

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 of the financial year, or the date of appointment if later, or at the end of the financial year.

There were no changes in any of the abovementioned interests of HBT between the end of the financial year and 21 January 2017.

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 114 to 194 are drawn up so as to give a true and fair view of the state of affairs of HBT Group as at 31 December 2016 and of the financial performance, movements 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 Financial Reporting Standards in Singapore; and
- (b) at the date of this statement, having considered the cash flow projections of the HBT Group for the next twelve months, 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 statement of profit or loss of HBT Group for the year ended 31 December 2016:

- 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 (as amended);
- 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 of Directors is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the HBT Group 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

10 March 2017

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 Group or on the interests of all the unitholders of HBT as a whole.

Vincent Yeo Wee Eng
Chief Executive Officer

10 March 2017

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) (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 114 to 194, 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**

Jane Lim Puay Yuen
Director

10 March 2017

REPORT OF THE MANAGER OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

In the opinion 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 114 to 194, comprising the statement of financial position, statement of total return, statement of movements in unitholders' funds, portfolio statement and statement of cash flows of the H-REIT Group; the statement of financial position, statement of total return, statement of movements in unitholders' funds, distribution statement, portfolio statement and statement of cash flows of the Stapled Group; and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial positions and portfolio holdings of the H-REIT Group and the Stapled Group as at 31 December 2016 and the financial performance, movements in unitholders' funds and cash flows of the H-REIT Group and of the Stapled Group and the distributable income 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 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) 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

10 March 2017

INDEPENDENT AUDITORS' REPORT

Unitholders

CDL Hospitality Business Trust

(Constituted under a Trust Deed in the Republic of Singapore)

CDL Hospitality Real Estate Investment Trust

(Constituted under a Trust Deed in the Republic of Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited:

- (i) the financial statements of CDL Hospitality Business Trust ("**HBT**") and its subsidiaries (the "**HBT Group**") for the financial year ended 31 December 2016;
- (ii) the financial statements of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and its subsidiaries (the "**H-REIT Group**") for the financial year ended 31 December 2016; and
- (iii) the financial statements of CDL Hospitality Trusts for the financial year ended 31 December 2016;

as set out on pages 114 to 194. CDL Hospitality Trusts, which comprises the HBT Group and the H-REIT Group, is hereinafter referred to as the "**Stapled Group**".

The accompanying consolidated financial statements comprise the statement of financial position of the HBT Group, and the statement of financial position and portfolio statement of the H-REIT Group and the Stapled Group, as at 31 December 2016; the statement of profit or loss, the statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of the HBT Group; the statement of total return, statement of movements in unitholders' funds and statement of cash flows of the H-REIT Group; the statement of total return, statement of movements in unitholders' funds, distribution statement and statement of cash flows of the Stapled Group, all for the year then ended; and notes to the financial statements, including a summary of significant accounting policies as set out on pages 114 to 194.

In our opinion:

- (a) the accompanying consolidated financial statements of the HBT Group are properly drawn up in accordance with the provisions of the Business Trust Act, Chapter 31A of Singapore (the "**Act**") and Financial Reporting Standards in Singapore ("**FRS**") so as to give a true and fair view of the state of affairs of the HBT Group as at 31 December 2016 and of the financial performance, movements in unitholders' funds and cash flows of the HBT Group for the year then ended; and
- (b) the accompanying consolidated financial statements of the H-REIT Group and the Stapled Group present fairly, in all material respects, the financial positions and portfolio holdings of the H-REIT Group and the Stapled Group as at 31 December 2016 and the financial performance, movements in unitholders' funds, and cash flows of the H-REIT Group and the financial performance, distributable income, movements in unitholders' funds and cash flows of the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("**RAP**") 7 *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants ("**ISCA**").

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the HBT Group, the H-REIT Group and the Stapled Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

(Refer to Note 5 to the financial statements)

The key audit matter

The Stapled Group has hotel properties in Singapore, New Zealand, Australia and Maldives which are classified as investment properties with a carrying value of \$2.2 billion as at 31 December 2016. Investment properties represent the most significant asset item on the statement of financial position.

The Stapled Group's accounting policy is to state investment properties at fair value which are based on independent external valuations. The valuation process involves significant judgement in determining the valuation method to be used and estimating the underlying assumptions to be applied. The valuation are sensitive to key assumptions applied, including those relating to the discount, terminal yield and capitalisation rates, i.e. a change in the assumptions may have a significant impact to the valuation.

How the matter was addressed in our audit

We considered the valuation methodologies used against those applied for similar property types by other valuers. We assessed the reasonableness of the key assumptions used in the valuations which included a comparison of the discount rates, terminal yields and capitalisation rates, against historical rates and available industry data, taking into consideration comparability and market factors. We also assessed whether the disclosures in the financial statements appropriately described the judgements inherent in the valuations.

Our findings

The valuation methods and key assumptions used by the valuers, were comparable to the methods and assumptions used for similar property types by other valuers and available industry data. We found the disclosures in the financial statements to be appropriate in their description of the judgement inherent in the key assumptions used in the valuations, including the inter-relationship between the key unobservable inputs and the fair values.

Impairment of property, plant and equipment and prepaid land lease

(Refer to Notes 6 and 7 to the financial statements)

The key audit matter

The Stapled Group has hotels in Japan, Maldives and the United Kingdom classified as property, plant and equipment and prepaid land lease with a total carrying value of \$251.2 million as at 31 December 2016. Property, plant and equipment and prepaid land lease represent significant asset items on the statement of financial position.

The Stapled Group's accounting policy is to state property, plant and equipment and prepaid land lease at cost less accumulated depreciation and accumulated impairment losses. Jumeirah Dhevanafushi, a property in Maldives, was impaired in 2015 and any further decline in performance would result in further impairment being recorded.

Where indicators of impairment are identified, the recoverable amount of the property is estimated based on an independent external valuation. The valuation process involves significant judgement in determining the valuation method to be used and estimating the underlying assumptions to be applied. The recoverable amount is sensitive to key assumptions applied, including those relating to the discount and terminal yield rates, i.e. a change in the assumptions may have a significant impact to the recoverable amount.

INDEPENDENT AUDITORS' REPORT

How the matter was addressed in our audit

We focused on Jumeirah Dhevanafushi which was further impaired in the current year. We compared the valuation methodology used against those applied for similar property types by other valuers. We assessed the reasonableness of the key assumptions used in the valuation which included a comparison of the discount rate and terminal yield, against historical rates and available industry data, taking into consideration comparability and market factors. We also assessed whether the disclosures in the financial statements appropriately described the judgements inherent in estimating the recoverable amount.

Our findings

The valuation method and key assumptions used by the valuers were comparable to the methods and assumptions used for similar property types by other valuers and available industry data. We found the disclosures in the financial statements to be appropriate in their description of the judgement inherent in the key assumptions used in estimating the recoverable amount.

Other information

M&C Business Trust Management Limited, the Trustee-Manager of HBT (the "**HBT Trustee-Manager**") and M&C REIT Management Limited, the Manager of H-REIT (the "**H-REIT Manager**") are responsible for the other information. The other information comprises the Overview of CDL Hospitality Trusts, Chairman's Statement, Financial Highlights, Portfolio Summary of CDL Hospitality Trusts, Year in Review, Market Review, Leadership Structure, Property Portfolio, Corporate Governance, Statement of Policies and Practices of HBT, Sustainability Reporting, Report of the Trustee-Manager of CDL Hospitality Business Trust, Statement by the Chief Executive Officer of the Trustee-Manager, Report of the Trustee of CDL Hospitality Real Estate Investment Trust, Report of the Manager of CDL Hospitality Real Estate Investment Trust, Statistics of Stapled Securities Holdings and Interested Person Transactions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the HBT Trustee-Manager for the financial statements of the HBT Group

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 Act and FRS, 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.

In preparing the financial statements of the HBT Group, the HBT Trustee-Manager is responsible for assessing the ability of the HBT Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the HBT Trustee-Manager either intends to terminate the HBT Group or to cease the operations of the HBT Group, or has no realistic alternative but to do so.

The responsibilities of the HBT Trustee-Manager include overseeing the HBT Group's financial reporting process.

Responsibilities of the H-REIT Manager for the financial statements of the H-REIT Group and the Stapled Group

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 RAP 7 *Reporting Framework for Unit Trusts* issued by ISCA, and for such internal controls as the H-REIT Manager 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

In preparing the financial statements of the H-REIT Group and the Stapled Group, the H-REIT Manager is responsible for assessing the ability of the H-REIT Group and the Stapled Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the H-REIT Manager either intends to terminate the H-REIT Group and the Stapled Group or to cease the operations of the H-REIT Group and the Stapled Group, or has no realistic alternative but to do so.

The responsibilities of the H-REIT Manager include overseeing the financial reporting process of the H-REIT Group and the Stapled Group.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 internal controls of the HBT Group, the H-REIT Group and the Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the HBT Trustee-Manager and the H-REIT Manager.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the HBT Trustee-Manager and the H-REIT Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the HBT Group, the H-REIT Group and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the HBT Group, the H-REIT Group and the Stapled Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the HBT Group, the H-REIT Group and the Stapled Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the HBT Trustee-Manager and the H-REIT Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the HBT Trustee-Manager and the H-REIT Manager with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT

From the matters communicated with the HBT Trustee-Manager and the H-REIT Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the HBT Trustee-Manager have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lo Mun Wai.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore
10 March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	HBT Group		H-REIT Group		Stapled Group	
		2016 \$'000	2015 \$'000 Restated	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000 Restated
Non-current assets							
Investment properties	5	–	–	2,246,808	2,257,091	2,175,008	2,176,664
Property, plant and equipment	6	107,432	128,636	71,947	69,198	244,361	270,855
Prepaid land lease	7	–	–	–	–	6,817	7,406
Deferred tax assets	14	–	–	–	216	–	216
Other receivables	9	–	–	117,831	135,742	–	–
		107,432	128,636	2,436,586	2,462,247	2,426,186	2,455,141
Current assets							
Inventories	8	1,053	1,280	–	–	1,053	1,280
Trade and other receivables	9	5,820	6,322	26,530	18,741	25,704	19,094
Financial derivative assets	12	66	–	105	–	171	–
Cash and cash equivalents	10	14,301	9,701	67,927	62,267	82,228	71,968
		21,240	17,303	94,562	81,008	109,156	92,342
Total assets		128,672	145,939	2,531,148	2,543,255	2,535,342	2,547,483
Non-current liabilities							
Loans and borrowings	11	–	–	928,849	703,208	928,849	703,208
Rental deposits		–	–	8,981	8,749	8,981	8,749
Other payables	13	117,831	135,742	–	–	–	–
Deferred tax liabilities	14	6,213	7,545	8,902	10,514	15,115	18,059
		124,044	143,287	946,732	722,471	952,945	730,016
Current liabilities							
Loans and borrowings	11	–	–	–	219,136	–	219,136
Trade and other payables	13	11,964	11,389	28,116	26,819	33,433	32,239
Financial derivative liabilities	12	52	–	284	–	336	–
Provision for taxation		656	117	1,551	156	2,207	273
		12,672	11,506	29,951	246,111	35,976	251,648
Total liabilities		136,716	154,793	976,683	968,582	988,921	981,664
Net assets/(liabilities)	16	(8,044)	(8,854)	1,554,465	1,574,673	1,546,421	1,565,819
Represented by:							
Unitholders' funds		(8,044)	(8,854)	1,554,465	1,574,673	1,546,421	1,565,819
Units/Stapled Securities in issue ('000)	15	991,771	987,137	991,771	987,137	991,771	987,137
Net asset value per Unit/ Stapled Security (\$)	16	(0.0081)	(0.0090)	1.56	1.59	1.55	1.58

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS OF THE HBT GROUP STATEMENTS OF TOTAL RETURN OF THE H-REIT GROUP AND THE STAPLED GROUP

Year ended 31 December 2016

	Note	HBT Group		H-REIT Group		Stapled Group	
		2016 \$'000	2015 \$'000 Restated	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000 Restated
Revenue	17	49,471	36,010	141,868	147,209	180,857	172,410
Property expenses							
Operations and maintenance expenses	18(a)	(15,025)	(11,635)	–	–	(15,025)	(11,635)
Hotel management fee		(2,568)	(2,022)	–	–	(2,568)	(2,022)
Property tax		(977)	(267)	(8,938)	(8,609)	(9,915)	(8,876)
Insurance		(161)	(27)	(794)	(1,608)	(955)	(1,635)
Administrative and general expenses	18(b)	(6,826)	(4,609)	–	–	(6,826)	(4,609)
Sales and marketing expenses	18(c)	(2,171)	(1,674)	–	–	(2,171)	(1,674)
Energy and utility expenses		(2,041)	(2,021)	–	–	(2,041)	(2,021)
Rental expenses		(10,917)	(10,931)	–	–	(435)	(122)
Other property expenses		–	(42)	(3,361)	(2,771)	(3,361)	(2,813)
		(40,686)	(33,228)	(13,093)	(12,988)	(43,297)	(35,407)
Net property income		8,785	2,782	128,775	134,221	137,560	137,003
H-REIT Manager's base fees	19	–	–	(5,975)	(6,052)	(5,975)	(6,052)
H-REIT Manager's performance fees	19	–	–	(6,439)	(6,711)	(6,439)	(6,711)
H-REIT Trustee's fees		–	–	(272)	(273)	(272)	(273)
HBT Trustee-Manager's management fees	19	(438)	–	–	–	(438)	–
HBT Trustee-Manager's trustee fees		(134)	(37)	–	–	(134)	(37)
HBT Trustee-Manager's acquisition fee		–	(132)	–	–	–	(132)
Valuation fees		(28)	–	(157)	(198)	(185)	(198)
Depreciation, amortisation and impairment losses		(3,769)	(8,824)	(1,774)	(1,511)	(16,938)	(15,230)
Other trust expenses		(187)	(2,631)	(2,107)	(1,659)	(2,294)	(4,290)
Finance income		13	16	2,367	908	141	332
Finance costs		(2,663)	(582)	(32,633)	(22,636)	(33,057)	(22,626)
Net finance costs	20	(2,650)	(566)	(30,266)	(21,728)	(32,916)	(22,294)
Net income/(loss) before fair value adjustments		1,579	(9,408)	81,785	96,089	71,969	81,786
Net fair value losses on investment properties		–	–	(33,018)	(38,534)	(21,623)	(30,221)
Net income/(loss) before tax	21	1,579	(9,408)	48,767	57,555	50,346	51,565
Tax expense	22	(634)	(190)	(380)	(629)	(1,014)	(874)
Net income/(loss)/Total return for the year	23	945	(9,598)	48,387	56,926	49,332	50,691
Earnings per Stapled Security (cents)	24						
Basic						4.98	5.15
Diluted						4.95	5.15

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF THE HBT GROUP

As at 31 December 2016

	HBT Group	
	2016 \$'000	2015 \$'000 Restated
Net income/(loss) for the year	945	(9,598)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	1,991	216
Other comprehensive income for the year, net of tax	1,991	216
Total comprehensive income for the year	2,936	(9,382)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

As at 31 December 2016

HBT Group

	Units in issue and to be issued \$'000	Issue expenses \$'000	Foreign currency translation reserve \$'000	Accumulated profits/ (losses) \$'000	Total \$'000
At 1 January 2016, as restated	500	(121)	225	(9,458)	(8,854)
Operations					
Increase/(decrease) in net assets resulting from operations	–	–	–	945	945
Hedging reserve					
- Effective position of changes in fair value of cash flow hedge	–	–	–	–	–
Foreign currency translation reserve					
- Translation differences relating to financial statements of foreign subsidiaries	–	–	1,991	–	1,991
- Exchange differences on a monetary item forming part of net investment in foreign operation	–	–	–	–	–
- Exchange differences on hedge of net investments in foreign operations	–	–	–	–	–
Other comprehensive income	–	–	1,991	–	1,991
Total comprehensive income	–	–	1,991	–	2,936
Unitholders' transactions					
- Units/ Stapled Securities issued and to be issued as payment of H-REIT Manager's management fees	–	–	–	–	–
- Units/ Stapled Securities to be issued as payment of HBT Trustee Manager's management fees	350	–	–	–	350
- Distributions to holders of Stapled Securities	–	–	–	(2,476)	(2,476)
Net decrease in net assets resulting from unitholders' transactions	350	–	–	(2,476)	(2,126)
At 31 December 2016	850	(121)	2,216	(10,989)	(8,044)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

As at 31 December 2016

H-REIT Group

	Units in issue and to be issued \$'000	Issue expenses \$'000	Foreign currency translation reserve \$'000	Accumulated profits/ (losses) \$'000	Total \$'000
At 1 January 2016	1,158,930	(23,921)	(32,952)	472,616	1,574,673
Operations					
Increase/(decrease) in net assets resulting from operations	–	–	–	48,387	48,387
Hedging reserve					
- Effective position of changes in fair value of cash flow hedge	–	–	–	–	–
Foreign currency translation reserve					
- Translation differences relating to financial statements of foreign subsidiaries	–	–	10,277	–	10,277
- Exchange differences on a monetary item forming part of net investment in foreign operation	–	–	6,411	–	6,411
- Exchange differences on hedge of net investments in foreign operations	–	–	(476)	–	(476)
Other comprehensive income	–	–	16,212	–	16,212
Total comprehensive income	–	–	16,212	48,387	64,599
Unitholders' transactions					
- Units/ Stapled Securities issued and to be issued as payment of H-REIT Manager's management fees	9,931	–	–	–	9,931
- Units/ Stapled Securities to be issued as payment of HBT Trustee Manager's management fees	–	–	–	–	–
- Distributions to holders of Stapled Securities	(1,881)	–	–	(92,857)	(94,738)
Net decrease in net assets resulting from unitholders' transactions	8,050	–	–	(92,857)	(84,807)
At 31 December 2016	1,166,980	(23,921)	(16,740)	428,146	1,554,465

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

As at 31 December 2016

Stapled Group

	Total \$'000
At 1 January 2016, as restated	1,565,819
Operations	
Increase/(decrease) in net assets resulting from operations	49,332
Hedging reserve	
- Effective position of changes in fair value of cash flow hedge	-
Foreign currency translation reserve	
- Translation differences relating to financial statements of foreign subsidiaries	12,268
- Exchange differences on a monetary item forming part of net investment in foreign operation	6,411
- Exchange differences on hedge of net investments in foreign operations	(476)
Other comprehensive income	18,203
Total comprehensive income	67,535
Unitholders' transactions	
- Units/ Stapled Securities issued and to be issued as payment of H-REIT Manager's management fees	9,931
- Units/ Stapled Securities to be issued as payment of HBT Trustee Manager's management fees	350
- Distributions to holders of Stapled Securities	(97,214)
Net decrease in net assets resulting from unitholders' transactions	(86,933)
At 31 December 2016	1,546,421

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

As at 31 December 2015

HBT Group

	Units in issue and to be issued \$'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					
Increase/(decrease) in net assets resulting from operations (restated, Note 32)	-	-	-	(9,598)	(9,598)
Hedging reserve					
- Effective position of changes in fair value of cash flow hedge	-	-	-	-	-
Foreign currency translation reserve					
- Translation differences relating to financial statements of foreign subsidiaries (restated, Note 32)	-	-	216	-	216
- Exchange differences on a monetary item forming part of net investment in foreign operation	-	-	-	-	-
- Exchange differences on hedge of net investments in foreign operations	-	-	-	-	-
Other comprehensive income	-	-	216	-	216
Total comprehensive income	-	-	216	(9,598)	(9,382)
Unitholders' transactions					
- Units/ Stapled Securities issued and to be issued as payment of H-REIT Manager's management fees	-	-	-	-	-
- Distributions to holders of Stapled Securities	-	-	-	-	-
Net decrease in net assets resulting from unitholders' transactions	-	-	-	-	-
At 31 December 2015	500	(121)	225	(9,458)	(8,854)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

As at 31 December 2015

H-REIT Group

	Units in issue and to be issued \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits/ (losses) \$'000	Total \$'000
At 1 January 2015	1,148,720	(23,921)	(581)	(23,650)	518,277	1,618,845
Operations						
Increase/(decrease) in net assets resulting from operations	–	–	–	–	56,926	56,926
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	–	–	–	11,947	–	11,947
- Exchange differences on a monetary item forming part of net investment in foreign operation	–	–	–	(13,225)	–	(13,225)
- Exchange differences on hedge of net investments in foreign operations	–	–	–	(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 issued and 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

As at 31 December 2015

Stapled Group

	Total \$'000
At 1 January 2015	1,616,127
Operations	
Increase/(decrease) in net assets resulting from operations (restated, Note 32)	50,691
Hedging reserve	
- Effective position of changes in fair value of cash flow hedge	581
Foreign currency translation reserve	
- Translation differences relating to financial statements of foreign subsidiaries (restated, Note 32)	12,046
- Exchange differences on a monetary item forming part of net investment in foreign operation	(13,225)
- Exchange differences on hedge of net investments in foreign operations	(8,024)
Other comprehensive income	(8,622)
Total comprehensive income	42,069
Unitholders' transactions	
- Units/ Stapled Securities issued and to be issued as payment of H-REIT Manager's management fees	10,210
- Distributions to holders of Stapled Securities	(102,587)
Net decrease in net assets resulting from unitholders' transactions	(92,377)
At 31 December 2015	1,565,819

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 operations 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 2016

	Stapled Group	
	2016	2015
	\$'000	\$'000
Amount available for distribution to holders of Stapled Securities at the beginning of the year	52,555	55,950
Total return of H-REIT (Note 23)	14,713	36,240
Total return of HBT (Note 23)	4,253	1,105
Net tax adjustments (Note A)	86,564	71,613
	105,530	108,958
Less: Amount retained for working capital	(10,553)	(10,896)
Add: Capital distribution	4,147	1,130
Amount available for distribution to holders of Stapled Securities	151,679	155,142
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)
Distribution of 5.37 cents per Stapled Security for the period from 1/7/2015 to 31/12/2015	(53,118)	–
Distribution of 4.45 cents per Stapled Security for the period from 1/1/2016 to 30/6/2016	(44,096)	–
	(97,214)	(102,587)
Income available for distribution to holders of Stapled Securities at the end of the year	54,465	52,555
Distribution per Stapled Security (DPS) (cents)*	10.00	10.06
Note A – Net tax adjustments comprise:		
Non-tax deductible/(chargeable) items:		
- Amortisation of debt-related transaction costs	999	926
- Fair value loss on financial derivatives	178	–
- Financial expense arising from remeasuring non-current rental deposits at amortised cost	205	196
- Foreign exchange loss	3,159	22,267
- H-REIT Manager's management fees paid/payable in Stapled Securities	9,931	10,210
- H-REIT Trustee's fees	272	273
- HBT Trustee-Manager's management fees paid/payable in Stapled Securities	350	–
- HBT Trustee-Manager's trustee fees	134	37
- Net fair value loss on investment properties	61,959	37,260
- Impairment loss on subsidiary	8,963	–
- Other items	414	444
Net tax adjustments	86,564	71,613

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 2016

H-REIT Group

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2016 \$'000	Carrying value at 31/12/2015 \$'000	Percentage of total net assets at 31/12/2016 %	Percentage of total net assets at 31/12/2015 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	65 years	442 Orchard Road	Hotel	424,000	449,000	27.3	28.5
Claymore Connect	Freehold *	75 years	65 years	442 Orchard Road	Retail	90,000	106,000	5.8	6.7
Grand Copthorne Waterfront Hotel	Freehold *	75 years	65 years	392 Havelock Road	Hotel	348,000	351,000	22.4	22.3
M Hotel	Freehold *	75 years	65 years	81 Anson Road	Hotel	234,000	235,000	15.0	14.9
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	50 years	403 Havelock Road	Hotel	116,000	121,000	7.5	7.7
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	60 years	177A River Valley Road	Hotel	319,000	319,000	20.5	20.3
Studio M Hotel	Leasehold	99 years from 26 February 2007	89 years	3 Nanson Road	Hotel	153,000	159,000	9.8	10.1
New Zealand									
Grand Millennium Auckland (previously known as Rendezvous Hotel Auckland)	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	177,832	113,525	11.4	7.2
Balance carried forward						1,861,832	1,853,525	119.7	117.7

* 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 2016

H-REIT Group

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2016 \$'000	Carrying value at 31/12/2015 \$'000	Percentage of total net assets at 31/12/2016 %	Percentage of total net assets at 31/12/2015 %
Balance brought forward						1,861,832	1,853,525	119.7	117.7
Australia									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	64,815	63,534	4.2	4.0
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	71,087	69,795	4.6	4.4
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	33,453	32,845	2.1	2.1
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	48,088	46,906	3.1	3.0
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	31 years	South Nilandhe Atoll	Resort	95,733	110,059	6.2	7.0
Jumeirah Dhevanafushi	Leasehold	50 years from 15 June 2006	39 years	Gaafu Alifu Atoll	Resort	71,800	80,427	4.6	5.1
Investment properties, at valuation						2,246,808	2,257,091	144.5	143.3
Property, plant and equipment									
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	39,087	37,763	2.5	2.4
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	31,964	30,905	2.0	2.0
Other plant and equipment	–	–	–	–	–	896	530	0.1	0.0
Property, plant and equipment, at cost less accumulated depreciation and impairment losses						71,947	69,198	4.6	4.4
Other assets and liabilities (net)						(764,290)	(751,616)	(49.1)	(47.7)
Net assets of the H-REIT Group						1,554,465	1,574,673	100.00	100.00

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2016

Stapled Group

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2016 \$'000	Carrying value at 31/12/2015 \$'000	Percentage of total net assets at 31/12/2016 %	Percentage of total net assets at 31/12/2015 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	65 years	442 Orchard Road	Hotel	424,000	449,000	27.4	28.7
Claymore Connect	Freehold *	75 years	65 years	442 Orchard Road	Retail	90,000	106,000	5.8	6.8
Grand Copthorne Waterfront Hotel	Freehold *	75 years	65 years	392 Havelock Road	Hotel	348,000	351,000	22.5	22.4
M Hotel	Freehold *	75 years	65 years	81 Anson Road	Hotel	234,000	235,000	15.1	15.0
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	50 years	403 Havelock Road	Hotel	116,000	121,000	7.5	7.7
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	60 years	177A River Valley Road	Hotel	319,000	319,000	20.6	20.4
Studio M Hotel	Leasehold	99 years from 26 February 2007	89 years	3 Nanson Road	Hotel	153,000	159,000	9.9	10.1
New Zealand									
Grand Millennium Auckland (previously Rendezvous Hotel Auckland)	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	177,832	113,525	11.5	7.2
Balance carried forward						1,861,832	1,853,525	120.3	118.3

* 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 2016

Stapled Group

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2016 \$'000	Carrying value at 31/12/2015 \$'000	Percentage of total net assets at 31/12/2016 %	Percentage of total net assets at 31/12/2015 %
Balance brought forward						1,861,832	1,853,525	120.3	118.3
Australia									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	64,815	63,534	4.2	4.1
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	71,087	69,795	4.6	4.5
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	33,453	32,845	2.2	2.1
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	48,088	46,906	3.1	3.0
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	31 years	South Nilandhe Atoll	Resort	95,733	110,059	6.2	7.0
Investment properties, at valuation						2,175,008	2,176,664	140.6	139.0
Property, plant and equipment and prepaid land lease									
Maldives									
Jumeirah Dhevanafushi	Leasehold	50 years from 15 June 2006	39 years	Gaafu Alifu Atoll	Resort	64,983	80,427	4.2	5.2
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	39,087	37,763	2.5	2.4
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	31,964	30,905	2.1	2.0
United Kingdom									
Hilton Cambridge City Centre (formerly known as Cambridge City Hotel)	Leasehold	125 years from 25 December 1990	99 years	Downing Street, Cambridge	Hotel	107,432	128,636	6.9	8.2
Other plant and equipment	–	–	–	–	–	7,712	530	0.5	0.0
Property plant and equipment and prepaid land lease, at cost less accumulated depreciation and impairment losses						251,178	278,261	16.2	17.8
Other assets and liabilities (net)						(879,765)	(889,106)	(56.8)	(56.8)
Net assets of the Stapled Group						1,546,421	1,565,819	100.0	100.0

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2016

The valuations adopted for the investment properties were as follows:

	H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Investment properties				
Orchard Hotel	424,000	449,000	424,000	449,000
Grand Copthorne Waterfront Hotel	348,000	351,000	348,000	351,000
Novotel Singapore Clarke Quay	319,000	319,000	319,000	319,000
M Hotel	234,000	235,000	234,000	235,000
Studio M Hotel	153,000	159,000	153,000	159,000
Copthorne King's Hotel	116,000	121,000	116,000	121,000
Claymore Connect	90,000	106,000	90,000	106,000
Grand Millennium Auckland	177,832	113,525	177,832	113,525
Mercure Brisbane and Ibis Brisbane	64,815	63,534	64,815	63,534
Novotel Brisbane	71,087	69,795	71,087	69,795
Ibis Perth	33,453	32,845	33,453	32,845
Mercure Perth	48,088	46,906	48,088	46,906
Angsana Velavaru	95,733	110,059	95,733	110,059
Jumeirah Dhevanafushi	71,800	80,427	–	–
	<u>2,246,808</u>	<u>2,257,091</u>	<u>2,175,008</u>	<u>2,176,664</u>

The fair values of property, plant and equipment and prepaid land lease relating to the following properties were as follows:

	H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Property, plant and equipment and prepaid land lease				
Jumeirah Dhevanafushi	–	–	71,800	80,427
Hotel MyStays Asakusabashi	46,917	43,598	46,917	43,598
Hotel MyStays Kamata	33,824	35,980	33,824	35,980
Hilton Cambridge City Centre	–	–	110,944	132,686
	<u>80,741</u>	<u>79,578</u>	<u>263,485</u>	<u>292,691</u>

The accompanying notes form an integral part of these financial statements.

PORTFOLIO STATEMENTS

As at 31 December 2016

As at 31 December 2016, Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Studio M Hotel, Copthorne King's Hotel and Grand Millennium Auckland are leased by the H-REIT Group to related corporations of the H-REIT Manager. Jumeirah Dhevanafushi is leased by the H-REIT Group to the HBT Group. As at 31 December 2015, Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Studio M Hotel, Copthorne King's Hotel are leased by the H-REIT Group to related corporations of the H-REIT Manager. Jumeirah Dhevanafushi is leased by the H-REIT Group to the HBT Group.

The terms of lease are as follows:

Singapore

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 another 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 lease for Novotel Singapore Clarke Quay contains a term of approximately 13.5 years from 7 June 2007. The leases for Claymore Connect generally contain an initial term of one to three years. Subsequent renewals are renegotiated with the lessees.

New Zealand

The lease for Grand Millennium Auckland contains an initial term of 3 years from 7 September 2016 with an option to extend for two 3-year periods.

Australia

The leases for the Australia properties contain a term of approximately 11 years from 19 February 2010.

Maldives

The lease for Angsana Velavaru contains a term of 10 years from 1 February 2013. Jumeirah Dhevanafushi is leased to CDL HBT Oceanic Maldives Private Limited, an indirect subsidiary of HBT, for a term of 10 years from 31 December 2013.

Japan

The Japan properties are under 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. The lease for the properties was renewed for a term of 3 years from 18 July 2016.

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Year ended 31 December 2016

Note	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000 Restated	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000 Restated
Cash flows from operating activities						
	1,579	(9,408)	48,767	57,555	50,346	51,565
	Net income/(loss) before tax					
	Adjustments for:					
	H-REIT Manager's and HBT Trustee- Manager's fees paid/payable in Stapled Securities					
	350	–	9,931	10,210	10,281	10,210
	Depreciation of property, plant and equipment					
	3,769	1,049	1,774	1,511	8,586	5,479
	Amortisation of prepaid land lease					
	–	–	–	–	272	253
	Impairment loss on:					
	- trade receivables					
	223	42	153	470	376	512
	- property, plant and equipment					
	–	–	–	–	7,330	1,557
	- prepaid land lease					
	–	–	–	–	750	166
	- goodwill					
26	–	7,775	–	–	–	7,775
	Property, plant and equipment written off					
	–	142	–	–	–	142
	Net fair value loss on investment properties					
	–	–	33,018	38,534	21,623	30,221
	Transaction costs for acquisition of a subsidiary					
	–	2,442	–	–	–	2,442
	Net finance costs					
	2,650	572	30,266	21,073	32,916	21,654
	8,571	2,614	123,909	129,353	132,480	131,976
	Operating income before working capital changes					
	Changes in working capital:					
	Inventories					
	246	245	–	–	246	245
	Trade and other receivables					
	151	(1,924)	(2,012)	1,945	(6,357)	2,887
	Trade and other payables					
	(242)	(404)	3,617	375	7,871	(2,905)
	8,726	531	125,514	131,673	134,240	132,203
	Cash generated from operating activities					
	(235)	(154)	(534)	(850)	(769)	(1,004)
	Tax paid					
	8,491	377	124,980	130,823	133,471	131,199
	Net cash generated from operating activities					
Cash flows from investing activities						
	(2,174)	(512)	(823)	(335)	(3,994)	(2,304)
	Additions to property, plant and equipment and prepaid land lease					
	Capital expenditure on investment properties					
	–	–	(15,201)	(16,924)	(14,204)	(15,466)
	Net cash outflow from acquisition of a subsidiary					
26	–	(133,564)	–	–	–	(133,564)
	Interest received					
	–	–	1,417	318	148	318
	(2,174)	(134,076)	(14,607)	(16,941)	(18,050)	(151,016)
	Net cash used in investing activities					

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

Year ended 31 December 2016

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000 Restated	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000 Restated
Cash flows from financing activities						
Movements in related party balances	3,282	139,144	(3,282)	(139,144)	–	–
Proceeds from bank loans	–	–	223,612	378,723	223,612	378,723
Proceeds from issuance of bond	–	–	–	35,030	–	35,030
Repayment of bank loans	–	–	(207,422)	(273,308)	(207,422)	(273,308)
Payment of transaction costs related to borrowings	–	–	(1,214)	(2,835)	(1,214)	(2,835)
Finance costs paid	(1,269)	–	(22,368)	(20,142)	(22,368)	(20,142)
Distributions to holders of Stapled Securities	(2,476)	–	(94,738)	(102,587)	(97,214)	(102,587)
Movement in restricted cash	–	–	(11)	(1,371)	(11)	(1,371)
Net cash generated from/(used in) financing activities	(463)	139,144	(105,423)	(125,634)	(104,617)	13,510
Net increase/(decrease) in cash and cash equivalents	5,854	5,445	4,950	(11,752)	10,804	(6,307)
Cash and cash equivalents at beginning of the year	9,701	4,066	60,896	72,381	70,597	76,447
Effect of exchange rate changes on cash and cash equivalents	(1,254)	190	625	267	(629)	457
Cash and cash equivalents at end of the year (Note 10)	14,301	9,701	66,471	60,896	80,772	70,597

Significant non-cash transactions

There were the following non-cash transactions:

Year ended 31 December 2016

- (i) 7,445,903 Stapled Securities amounting to \$9.9 million have been or will be issued to the H-REIT Manager as satisfaction of the management fee payable in Stapled Securities.
- (ii) 266,125 Stapled Securities amounting to \$0.4 million will be issued to the HBT Trustee-Manager as satisfaction of the management fee payable in Stapled Securities.

Year ended 31 December 2015

6,921,908 Stapled Securities amounting to \$10.2 million had been or would be issued to the H-REIT Manager at various unit prices as satisfaction of asset management fees payable in Stapled Securities.

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 10 March 2017.

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) (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 (as amended) (the "**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.

HBT functions as a master lessee and 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 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. For the year ended 31 December 2016, 80% of the HBT Trustee-Manager's fees was satisfied in the form of Stapled Securities and the remaining 20% was satisfied in cash. For the year-ended 31 December 2015, the HBT Trustee-Manager's fees were satisfied in cash.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

(i) HBT Trustee-Manager's fees (cont'd)

- 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 is 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.

For the year ended 31 December 2015, the acquisition fee payable to the HBT Trustee-Manager arising from HBT Group's purchase of 100% of the equity interest in a company incorporated in United Kingdom, which owns the Hilton Cambridge City Centre (Note 26), was satisfied in cash.

(ii) H-REIT Manager's fees

Pursuant to 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).

The H-REIT Manager's management fees are payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect (such election to be irrevocable and made prior to the relevant calendar quarter), and in such proportion as may be determined by the H-REIT Manager, such determination to be irrevocable and made prior to be relevant calendar quarter. 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 2016, 80% of the H-REIT Manager's management fees was satisfied in Stapled Securities and the remaining 20% was satisfied in 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.

The portion of the base management fee payable in the form of Stapled Securities is paid on a quarterly basis, in arrears. The portion of the base management fee payable in the form of cash is paid on a monthly basis, in arrears. With effect from 1 January 2016, performance fee will be paid on an annual basis in arrears, regardless of whether it is paid in the form of Stapled Securities or in cash.

- 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. 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.

(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 GOING CONCERN

The consolidated financial statements of the HBT Group have been prepared on a going concern basis notwithstanding the deficiency in unitholders' funds of \$8,044,000, after having considered the cash flow projections of the HBT Group for the next twelve months. The HBT Group is expected to have sufficient funds to meet its liabilities as and when they fall due.

3 BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements of the HBT Group are prepared in accordance with Singapore Financial Reporting Standards ("**FRS**"), the applicable requirements of the Business Trust Act, Chapter 31A of Singapore and the provisions of the HBT Trust Deed.

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, 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 FRS.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as described below.

3.3 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.

3.4 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 5 – Valuation of investment properties
- Note 6 – Impairment of property, plant and equipment and prepaid land lease
- Note 26 – Acquisition of subsidiary (determination of fair value of assets and liabilities and impairment of goodwill in business combinations)

NOTES TO THE FINANCIAL STATEMENTS

3 BASIS OF PREPARATION (CONT'D)

3.4 Use of estimates and judgements (cont'd)

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 H-REIT Manager and the HBT Trustee-Manager regularly review 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 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.

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).

Transfers between levels of the fair value hierarchy are recognised 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 5 – Valuation of investment properties
- Note 26 – Acquisition of subsidiary (determination of fair value of assets and liabilities)
- Note 27 – Valuation of financial instruments

4 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.

4.1 Consolidation

Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (cont'd)

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 Stapled 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 or the statement of total return (as the case may be).

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.

Property acquisitions and business combinations

At the time of acquisition, the Stapled Group considers whether each acquisition represents an acquisition of business or an acquisition of an asset. An acquisition is accounted for as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the HBT Trustee-Manager and the H-REIT Manager consider whether significant processes such as strategic management and operational processes, are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of business and accounted for as stated above. Where the acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

Subsidiaries

Subsidiaries are entities either controlled by the HBT Group or the H-REIT Group. The HBT Group and the H-REIT Group control an entity when they are exposed to or has rights to, variable returns from their involvement with the entity and have the ability to affect those returns through their 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 HBT Group, the H-REIT Group and the Stapled Group, where appropriate.

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.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 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 translated 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 translation are recognised in the statement of total return, except for differences arising on the translation 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 profit or loss or the statement of total return (as the case may be) 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.

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 translation 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.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 Property, plant and equipment

Recognition and measurement

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.

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 profit or loss or the statement of total return (as the case may be).

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 profit or loss or the statement of total return (as the case may be) 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.

Depreciation is recognised as an expense in profit or loss or the statement of total return (as the case may be) 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 and capital work-in-progress are 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 and computers	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4.4 Prepaid land lease

Prepaid land lease relates to upfront payment on long-term leasehold interest in land. The payment is stated at cost and amortised on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 Investment properties

Recognition and measurement

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.

Classification

Properties are classified either as investment properties or property, plant and equipment in the statement of financial position. In assessing whether a property is classified as an investment property or property, plant and equipment, the Stapled Group takes into consideration several factors including, but not limited to, the business model, the extent of ancillary services provided, the power that the Stapled Group has to make significant operating and financing decisions regarding the operations of the property and the significance of its exposure to variations in the net cash flows of the property. The factors above are considered collectively, together with the facts and circumstances of each lease, in determining the classification of a property.

4.6 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 HBT Group, the H-REIT Group and the Stapled Group have 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.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (cont'd)

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 (excluding prepayments) and cash and cash equivalents.

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 HBT Group, the H-REIT Group and the Stapled Group become 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 HBT Group, the H-REIT Group and the Stapled Group have 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 initially measured at fair value less 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.

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 profit or loss or the statement of total return (as the case may be) when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 Financial instruments (cont'd)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in unitholders' funds. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss or the statement of total return (as the case may be).

When the hedged item is a non-financial asset, the amount accumulated in unitholders' funds is reclassified to profit or loss or the statement of total return (as the case may be) in the same period or periods during which the non-financial item affects profit or loss or the statement of total return (as the case may be). In other cases as well, the amount accumulated in unitholders' funds is reclassified to profit or loss or the statement of total return (as the case may be) in the same period that the hedged item affects profit or loss or the statement of total return (as the case may be). If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in unitholders' funds is reclassified to profit or loss or the statement of total return (as the case may be).

Other derivative financial instruments

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss or the statement of total return (as the case may be).

4.7 Inventories

Inventories comprise mainly food, beverage stocks and consumables for the hotel and result operations.

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.

4.8 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Stapled Group on terms that the Stapled Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Stapled Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Impairment (cont'd)

Loans and receivables (cont'd)

In assessing collective impairment, the Stapled Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 asset's original effective interest rate. Losses are recognised in profit or loss or the statement of total return (as the case may be) and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Stapled Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss or the statement of total return (as the case may be).

Non-financial assets

The recoverable amount of an asset or CGU 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 or CGU. 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 CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss or the statement of total return (as the case may be). Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGUs), and then to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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, net of depreciation or amortisation, if no impairment loss had been recognised.

4.9 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

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 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.

Hotel income and food and beverage revenue

Revenue from hotel operations is recognised when the relevant rooms and services are rendered to the customers.

4.11 Expenses

Lease payments

Payments made under operating leases are recognised in profit or loss or the statement of total return (as the case may be) 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 fees

H-REIT Manager's 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).

Employee benefits

- *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

- *Short-term employee benefits*

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 Stapled 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.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 Finance income and finance costs

Finance income comprises interest income on funds invested, net foreign exchange gains and gains on hedging instruments that are recognised in profit or loss or the statement of total return (as the case may be). Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprises interest expense on borrowings, amortisation of debt-related transaction costs, unwinding of the discount on non-current rental deposits, net foreign exchange losses and losses on hedging instruments that are recognised in profit or loss or the statement of total return (as the case may be). All borrowing costs are recognised in profit or loss or the statement of total return (as the case may be) using the effective interest method.

Foreign exchange gains and losses are reported on a net basis.

4.13 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss or the statement of total return (as the case may be) 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflect uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of 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;
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Stapled Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to 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 or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 Tax (cont'd)

In determining the amount of current and deferred tax, the Stapled Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. 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 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.

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 Singapore branch of a company incorporated outside Singapore; or
- A body of persons (excluding partnerships) incorporated or registered in Singapore, including:
 - (i) a charity registered under the Charities Act (Cap 37) or established by any written law;
 - (ii) a town council;
 - (iii) a statutory board;
 - (iv) a co-operative society registered under the Co-operative Societies Act (Cap 62);
 - (v) a trade union registered under the Trade Unions Act (Cap 333); or
 - (vi) an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145).

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.

4.14 Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Earnings per Stapled Security

The Stapled Group presents basic and diluted earnings per Stapled Security. Basic earnings per Stapled Security is calculated by dividing the total return attributable to Stapled Security Holders by the weighted average number of Stapled Securities outstanding during the year. Diluted earnings per Stapled Security is determined by adjusting the total return attributable to Stapled Security Holders and the weighted average number of Stapled Securities outstanding, adjusted for the effects of all dilutive potential Stapled Securities.

4.16 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 investment properties and property, plant and equipment during the year.

4.17 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 2016 and earlier application is permitted, however; the Stapled Group has not early applied the following new or amended standards in preparing these financial statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the HBT Group, the H-REIT Group and the Stapled Group in future periods, the H-REIT Manager and the HBT Trustee-Manager has to assess the transition options and the potential impact on the financial statements.

An initial assessment of the new standards that are relevant to the Stapled Group is set out below.

Applicable to 2018 financial statements

FRS 115 Revenue from Contracts with Customers

Summary of the requirements

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*.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 New standards and interpretations not adopted (cont'd)

FRS 115 Revenue from Contracts with Customers (cont'd)

Summary of the requirements (cont'd)

FRS 115 is effective for the annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

Potential impact on the financial statements

FRS 115 is expected to impact the Stapled Group's accounting for advertising barter transactions, breakages from hotel booking deposits received, volume rebates granted to customers, bundled room packages and transactions with online travel agents. Based on an initial assessment, the adoption of the standard is not expected to have a significant impact on the Stapled Group's financial statements.

Transition

The Stapled Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach.

FRS 109 Financial instruments

Summary of the requirements

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

Potential impact on the financial statements

The Stapled Group's initial assessment of the impact of FRS 109 is described below:

Classification and measurement

The Stapled Group's trade and other receivables that are currently accounted for at amortised cost will continue to be accounted for using the amortised cost model under FRS 109. Accordingly, the Stapled Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Impairment

The Stapled Group plans to adopt the simplified approach and record lifetime expected impairment losses on all trade receivables. However, the Stapled Group does not expect a significant increase in its impairment loss allowance.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 New standards and interpretations not adopted (cont'd)

FRS 109 Financial Instruments (cont'd)

Potential impact on the financial statements (cont'd)

Hedge accounting

The Stapled Group currently applies hedge accounting to foreign currency exposures arising from certain of its foreign operations whose functional currencies are not the same as H-REIT's functional currency. The Stapled Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

Transition

The Stapled Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach.

Applicable to 2019 financial statements

FRS 116 Leases

Summary of the requirements

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("**ROU**") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

Potential impact on the financial statements

The HBT Group leases certain properties from the H-REIT Group under operating leases. Based on a preliminary assessment, the HBT Group expects the operating leases to be recognised as ROU assets with corresponding lease liabilities. Such operating lease commitments amount to approximately \$31.5 million as at 31 December 2016 (Note 28). In addition, the H-REIT Group has identified that certain lease agreements contain variable lease payments where further assessment needs to be performed to determine whether these variable lease payments are to be included in the ROU assets.

NOTES TO THE FINANCIAL STATEMENTS

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.17 New standards and interpretations not adopted (cont'd)

Convergence with International Financial Reporting Standards (IFRS)

Singapore-incorporated companies and business trusts listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as IFRS-IFRS ("SG-IFRS") in these financial statements) for the financial year ending 31 December 2018 onwards.

HBT has performed a preliminary assessment of the impact of SG-IFRS 1 *First time adoption of IFRS* for the transition to the new reporting framework. HBT expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described above.

5 INVESTMENT PROPERTIES

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	–	–	2,257,091	2,288,455	2,176,664	2,206,423
Capital expenditure incurred	–	–	8,161	11,057	7,164	9,599
Fair value changes	–	–	(33,018)	(38,534)	(21,623)	(30,221)
Translation differences	–	–	14,574	(3,887)	12,803	(9,137)
At 31 December	–	–	2,246,808	2,257,091	2,175,008	2,176,664

Measurement of fair value

Fair value hierarchy

The carrying amounts of the investment properties as at 31 December 2016 were based on independent valuations undertaken by CBRE Pte. Ltd. for the Singapore properties, CBRE Limited for the New Zealand property and Jones Lang LaSalle Property Consultants Pte. Ltd. for the Australia and Maldives properties. The carrying amounts of the investment properties as at 31 December 2015 located in Singapore, New Zealand, Australia and Maldives were based on independent valuations undertaken by Knight Frank Pte. Ltd., CBRE Limited, CBRE Valuations Pty Limited and Jones Lang LaSalle Property Consultants Pte. Ltd., respectively. 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 discounted cash flow and capitalisation methods, where appropriate. The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal yield and capitalisation rate. The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuation. 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 3.4).

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Type	Valuation techniques	Unobservable input	2016 Range	2015 Range
Singapore	Discounted cash flow and capitalisation methods	Discount rate	7.00% - 7.75%	7.50%
		Terminal yield	5.00% - 5.75%	5.50% - 6.50%
		Capitalisation rate	4.50% - 5.25%	5.25% - 6.25%
New Zealand	Discounted cash flow and capitalisation methods	Discount rate	10.75%	11.00%
		Terminal yield	7.75%	8.00%
		Capitalisation rate	7.50%	7.75%
Australia	Discounted cash flow method	Discount rate	10.25% - 11.00%	10.00%
		Terminal yield	7.75% - 8.50%	8.00% - 8.50%
Maldives	Discounted cash flow method	Discount rate	12.50% - 12.75%	13.50% - 13.75%
		Terminal yield	8.50% - 8.75%	8.50% - 8.75%

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.

Key unobservable inputs

Key unobservable inputs correspond to:

- Discount rate which is arrived at taking into consideration the rate of return of recent market transactions, adjusted for specific risks relating to the property.
- Terminal yield which reflects the forecast performance and investment market in which the property is located.
- Capitalisation rate corresponds to a rate of return on investment properties based on the expected income that the property will generate.

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT

HBT Group	Leasehold land \$'000	Building \$'000	Furniture and fixtures \$'000	Capital work-in- progress \$'000	Total \$'000
Cost					
At 1 January 2015	–	–	–	–	–
Acquisition of business (Note 26)	52,477	61,958	18,251	–	132,686
Additions	–	–	37	475	512
Write-off	–	–	(142)	–	(142)
Translation differences	(1,333)	(1,574)	(463)	–	(3,370)
At 31 December 2015	51,144	60,384	17,683	475	129,686
At 1 January 2016	51,144	60,384	17,683	475	129,686
Additions	–	–	–	2,174	2,174
Translation differences	(7,829)	(9,244)	(2,708)	(186)	(19,967)
At 31 December 2016	43,315	51,140	14,975	2,463	111,893
Accumulated depreciation					
At 1 January 2015	–	–	–	–	–
Depreciation	46	388	615	–	1,049
Translation differences	*	1	*	–	1
At 31 December 2015	46	389	615	–	1,050
At 1 January 2016	46	389	615	–	1,050
Depreciation	456	1,163	2,150	–	3,769
Translation differences	(31)	(120)	(207)	–	(358)
At 31 December 2016	471	1,432	2,558	–	4,461
Carrying amounts					
At 1 January 2015	–	–	–	–	–
At 31 December 2015	51,098	59,995	17,068	475	128,636
At 31 December 2016	42,844	49,708	12,417	2,463	107,432

* Amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

H-REIT Group	Freehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Motor vehicles and boats \$'000	Furniture and fixtures \$'000	Total \$'000
Cost						
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
At 1 January 2016	36,036	27,947	6,072	624	85	70,764
Additions	–	213	19	527	64	823
Translation differences	1,907	1,472	323	42	1	3,745
At 31 December 2016	37,943	29,632	6,414	1,193	150	75,332
Accumulated depreciation						
At 1 January 2015	–	–	–	–	–	–
Depreciation	–	820	596	90	5	1,511
Translation differences	–	30	22	3	*	55
At 31 December 2015	–	850	618	93	5	1,566
At 1 January 2016	–	850	618	93	5	1,566
Depreciation	–	898	650	193	33	1,774
Translation differences	–	20	14	11	*	45
At 31 December 2016	–	1,768	1,282	297	38	3,385
Carrying amounts						
At 1 January 2015	33,775	26,142	5,771	346	–	66,034
At 31 December 2015	36,036	27,097	5,454	531	80	69,198
At 31 December 2016	37,943	27,864	5,132	896	112	71,947

* Amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Stapled Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Furniture and fixtures \$'000	Motor vehicles and boats \$'000	Office equipment and computers \$'000	Capital work-in-progress \$'000	Total \$'000
Cost									
At 1 January 2015	33,775	–	92,552	9,249	2,770	510	744	1,386	140,986
Acquisition of business (Note 26)	–	52,477	61,958	–	18,251	–	–	–	132,686
Additions	18	–	75	37	54	275	415	559	1,433
Disposal/Write-off	–	–	–	–	(142)	–	–	–	(142)
Transfer from capital work-in-progress	–	–	1,375	–	143	–	3	(1,521)	–
Reclassification	–	–	–	(80)	80	–	–	–	–
Translation differences	2,243	(1,333)	4,616	613	(272)	42	62	50	6,021
At 31 December 2015	36,036	51,144	160,576	9,819	20,884	827	1,224	474	280,984
At 1 January 2016	36,036	51,144	160,576	9,819	20,884	827	1,224	474	280,984
Additions	–	–	363	19	102	555	43	2,653	3,735
Translation differences	1,907	(7,829)	(5,742)	428	(2,618)	49	36	(164)	(13,933)
At 31 December 2016	37,943	43,315	155,197	10,266	18,368	1,431	1,303	2,963	270,786
Accumulated depreciation and impairment losses									
At 1 January 2015	–	–	1,823	347	394	34	128	–	2,726
Depreciation	–	46	3,120	957	1,044	126	186	–	5,479
Impairment loss	–	–	1,492	65	–	–	–	–	1,557
Translation differences	–	*	252	57	38	6	14	–	367
At 31 December 2015	–	46	6,687	1,426	1,476	166	328	–	10,129
At 1 January 2016	–	46	6,687	1,426	1,476	166	328	–	10,129
Depreciation	–	456	4,008	1,017	2,621	240	244	–	8,586
Impairment loss	–	–	7,051	279	–	–	–	–	7,330
Translation differences	–	(31)	467	69	(162)	16	21	–	380
At 31 December 2016	–	471	18,213	2,791	3,935	422	593	–	26,425
Carrying amounts									
At 1 January 2015	33,775	–	90,729	8,902	2,376	476	616	1,386	138,260
At 31 December 2015	36,036	51,098	153,889	8,393	19,408	661	896	474	270,855
At 31 December 2016	37,943	42,844	136,984	7,475	14,433	1,009	710	2,963	244,361

* Amount less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment loss

Property, plant and equipment and prepaid land lease (Note 7) relate to hotel properties. Each property is considered a single cash generating unit. During the year, an impairment assessment was undertaken on Jumeirah Dhevanafushi, a resort in Maldives, due to its weak performance in the challenging market in Maldives. The recoverable amount was estimated using the value in use approach. Based on the assessment, the recoverable amount of Jumeirah Dhevanafushi was estimated to be \$71.8 million (2015: \$80.4 million) and an impairment loss of \$8.1 million (2015: \$1.7 million) was recognised. The impairment loss was recognised in "Depreciation, amortisation and impairment losses" in the statement of total return and is also disclosed under the Maldives segment (Note 25).

The impairment loss was allocated to the assets of Jumeirah Dhevanafushi which included buildings and plant and machinery classified as property, plant and equipment, and prepaid land lease (Note 7) proportionately based on their carrying amounts before impairment.

The key assumptions used in the estimating the recoverable amount were as follows:

	2016 %	2015 %
Discount rate	12.5	13.5
Terminal yield rate	8.5	8.5
Growth in revenue per available room (RevPar)	4.0 – 13.9	5.0 – 14.8

The discount rate was adopted after considering long term inflation expectations, together with further allowance for any additional execution risk to reflect the perceived risk of the operations relative to other properties and achievement of cash flow projections. The cash flow projections included specific estimates for ten years and a terminal yield rate was applied thereafter. The cash flows were estimated taking into account the historical performance of the hotel, the estimated RevPar having regard to the resort's prospect and inflation for the next ten years and the market conditions in the Maldives hospitality sector. The terminal yield rate was adopted by reference to the yields of recent market transactions, market factors and the age, location and condition of the property.

Following the impairment loss recognised on Jumeirah Dhevanafushi, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

7 PREPAID LAND LEASE

	Stapled Group	
	2016 \$'000	2015 \$'000
Cost		
At 1 January	8,072	6,727
Additions	260	871
Translation differences	238	474
At 31 December	8,570	8,072
Accumulated amortisation and impairment losses		
At 1 January	666	220
Amortisation	272	253
Impairment loss	750	166
Translation differences	65	27
At 31 December	1,753	666
Carrying amount		
At 31 December	6,817	7,406

Further information about the impairment loss is included in Note 6 - Property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

8 INVENTORIES

Inventory consists mainly of food and beverages, engineering items and spa supplies for the operations of a hotel and resort.

9 TRADE AND OTHER RECEIVABLES

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables:						
- related corporations	–	–	7,167	6,097	7,167	6,097
- related entities	–	–	3,786	2,816	–	–
- third parties	2,574	2,357	3,237	3,841	5,813	6,199
	2,574	2,357	14,190	12,754	12,980	12,296
Impairment loss	(332)	(164)	(250)	(539)	(582)	(703)
Net trade receivables	2,242	2,193	13,940	12,215	12,398	11,593
Other receivables:						
- related corporations	–	–	11	33	11	33
- related entities	2,071	2,869	791	285	–	–
- third parties	498	620	10,092	3,998	10,590	4,618
	2,569	3,489	10,894	4,316	10,601	4,651
Loan to a related entity	–	–	117,831	135,742	–	–
Rental deposits	–	–	149	126	149	126
Loans and receivables	4,811	5,682	142,814	152,399	23,148	16,370
Prepayments	1,009	640	1,547	2,084	2,556	2,724
	5,820	6,322	144,361	154,483	25,704	19,094
Non-current	–	–	117,831	135,742	–	–
Current	5,820	6,322	26,530	18,741	25,704	19,094
	5,820	6,322	144,361	154,483	25,704	19,094

Related corporations refers to related corporations of the H-REIT Manager and HBT Trustee-Manager. Related entities refers to HBT and its subsidiaries.

The H-REIT Group's properties, except Claymore Connect, are leased to master lessees. The contribution to trade receivables from these master lessees as at 31 December 2016 is \$13,574,000 (2015: \$11,867,000), of which \$2,621,000 (2015: \$2,978,000) is from third parties, \$7,167,000 (2015: \$6,073,000) is from related corporations and \$3,786,000 (2015: \$2,816,000) is from the HBT Group. There is no impairment loss arising from these outstanding balances.

Outstanding receivables from related corporations and related entities are unsecured, interest free and repayable on demand. The loan to a related entity relates to a loan extended by H-REIT to HBT to acquire a property in United Kingdom in 2015. This loan is unsecured, interest-bearing and is for a tenure of 6 years (Note 13). There is no impairment loss arising from these outstanding balances.

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 2016 \$'000	Impairment loss 2016 \$'000	Gross 2015 \$'000	Impairment loss 2015 \$'000
HBT Group				
Not past due	4,326	–	4,701	–
Past due 31 – 60 days	374	–	437	–
Past due 61 – 90 days	65	–	220	–
Past due over 90 days	378	332	488	164
	5,143	332	5,846	164
H-REIT Group				
Not past due	142,747	13	152,337	74
Past due 31 – 60 days	–	–	131	99
Past due 61 – 90 days	66	13	173	99
Past due over 90 days	251	224	297	267
	143,064	250	152,938	539
Stapled Group				
Not past due	22,596	13	15,327	74
Past due 31 – 60 days	374	–	568	99
Past due 61 – 90 days	131	13	393	99
Past due over 90 days	629	556	785	431
	23,730	582	17,073	703

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.

The movement in the allowance for impairment losses in respect of trade receivables during the year is as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	164	113	539	69	703	182
Impairment loss recognised	223	42	153	470	376	512
Amounts utilised	(65)	–	(442)	–	(507)	–
Translation differences	10	9	–	–	10	9
At 31 December	332	164	250	539	582	703

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank	14,301	9,701	24,262	19,359	38,563	29,060
Fixed deposits with financial institutions	–	–	43,665	42,908	43,665	42,908
Cash and cash equivalents in the statement of financial position	14,301	9,701	67,927	62,267	82,228	71,968
Restricted cash – cash reserved by a trust bank in Japan	–	–	(1,456)	(1,371)	(1,456)	(1,371)
Cash and cash equivalents in the statement of cash flows	14,301	9,701	66,471	60,896	80,772	70,597

11 LOANS AND BORROWINGS

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At amortised cost:						
Non-current						
Secured TMK bond	–	–	37,727	35,694	37,727	35,694
Unsecured medium term notes	–	–	119,959	119,934	119,959	119,934
Unsecured bank loans	–	–	771,163	547,580	771,163	547,580
	–	–	928,849	703,208	928,849	703,208
Current						
Unsecured medium term notes	–	–	–	83,573	–	83,573
Unsecured bank loans	–	–	–	135,563	–	135,563
	–	–	–	219,136	–	219,136
	–	–	928,849	922,344	928,849	922,344

Secured TMK bond

The TMK bond included in the H-REIT Group relates to a 5-year Japanese Yen denominated bond of \$38.3 million (JPY3.1 billion) (2015: \$36.3 million (JPY3.1 billion)) issued by H-REIT's indirectly-owned subsidiary, CDLHT Hanei Tokutei Mokuteki Kaisha. CDLHT's interest in Japan Hotels is held via a Tokutei Mokuteki Kaisha ("**TMK**") structure, and such TMK structure is required to issue a bond to fund the acquisition of assets.

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.

Unsecured medium term notes

H-REIT's wholly-owned subsidiary, CDLHT MTN Pte. Ltd. has in place a \$1.0 billion Multi-currency Medium Term Note Programme (the "**Programme**"). As at the end of the financial year, a \$120.0 million (2015: \$203.6 million) 5-year fixed rate medium term note has been issued by this subsidiary and \$880.0 million (2015: \$796.4 million) of the Programme remains unissued.

NOTES TO THE FINANCIAL STATEMENTS

11 LOANS AND BORROWINGS (CONT'D)

Unsecured bank loans

As at the end of the financial year, the H-REIT Group has the following facilities:

Facilities partially drawn down or available for utilisation

- (i) \$250.0 million (2015: \$250.0 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). As at the end of the financial year, \$161.5 million (2015: \$149.0 million) has been fully drawn down under this facility and \$88.5 million (2015: \$101.0 million) of the facilities remained unutilised.
- (ii) \$300.0 million (2015: \$300.0 million) uncommitted multi-currency unsecured bridge loan facility ("**Bridge Loan Facility**") with a bank, with a maximum repayment period of one year. At the end of the financial year, \$300.0 million (2015: \$164.4 million) remained unutilised.

Facilities fully drawn down

- (i) \$70.0 million (2015: \$70.0 million) fixed rate term loan facility;
- (ii) \$83.6 million (2015: Nil) floating rate term loan facility;
- (iii) \$97.4 million (A\$93.2 million) (2015: \$95.7 million (A\$93.2 million)) fixed rate term loan facility;
- (iv) \$108.8 million (US\$75.0 million) (2015: \$105.8 million (US\$75.0 million)) fixed rate term loan facility;
- (v) \$94.3 million (US\$65.0 million) (2015: \$91.7 million (US\$65.0 million)) fixed rate term loan facility;
- (vi) \$40.4 million (JPY3.3 billion) (2015: \$38.3 million (JPY3.3 billion)) fixed rate term loan facility; and
- (vii) \$118.4 million (£66.5 million) (2015: Nil) floating rate term loan facility.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
As at 31 December 2016				
Secured TMK bond				
JPY	0.66	2020	38,254	37,727
Unsecured bank loans				
SGD	1.83 to 2.99	2018 to 2021	310,600	309,224
AUD	4.01	2020	97,431	96,831
USD	2.13 to 2.80	2018 to 2019	207,567	207,110
JPY	1.06	2020	40,352	40,195
GBP	1.65	2021	118,423	117,803
Unsecured medium term notes				
SGD	2.50	2018	120,000	119,959
			<u>932,627</u>	<u>928,849</u>

NOTES TO THE FINANCIAL STATEMENTS

11 LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule (cont'd)

	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
As at 31 December 2015				
Secured TMK bond				
JPY	0.66	2020	36,332	35,694
Unsecured bank loans				
SGD	2.61 to 2.99	2016 to 2019	219,000	217,633
AUD	4.010	2020	95,660	94,938
USD	2.55 to 2.80	2018 to 2019	197,541	196,885
JPY	1.06	2020	38,324	38,124
GBP	1.12	2016	135,563	135,563
Unsecured medium term notes				
SGD	2.50	2018	203,600	203,507
			<u>926,020</u>	<u>922,344</u>

12 FINANCIAL DERIVATIVES

	HBT Group		H-REIT Group		Stapled Group	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets						
Forward foreign exchange contracts	66	–	105	–	171	–
Current liabilities						
Forward foreign exchange contracts	52	–	284	–	336	–

The HBT Group and the H-REIT Group use forward foreign exchange contracts to manage their exposure to foreign currencies.

As at 31 December 2016, the HBT Group, the H-REIT Group and the Stapled Group had forward foreign exchange contracts with a total notional amount of \$3,286,000, \$12,744,000 and \$16,030,000, respectively.

NOTES TO THE FINANCIAL STATEMENTS

13 TRADE AND OTHER PAYABLES

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables:						
- related corporations	–	–	543	110	543	110
- the H-REIT Manager	–	–	273	–	273	–
- related entities	3,786	2,816	–	–	–	–
- the HBT Trustee-Manager	22	–	–	–	22	–
- third parties	3,200	1,353	4,295	4,661	7,495	6,014
	7,008	4,169	5,111	4,771	8,333	6,124
Other payables:						
- related corporations	–	222	3	–	3	222
- the H-REIT Manager	–	5	130	37	130	42
- the HBT Trustee-Manager	48	–	–	–	48	–
- related entities	791	285	2,071	2,869	–	–
- third parties	199	228	129	7,611	329	7,840
	1,038	740	2,333	10,517	510	8,104
Loan from a related entity	117,831	135,742	–	–	–	–
Accruals	3,918	6,269	18,479	9,214	22,397	15,483
Rental deposits	–	211	268	132	268	343
Interest payable	–	–	1,925	2,185	1,925	2,185
	129,795	147,131	28,116	26,819	33,433	32,239
Non-current	117,831	135,742	–	–	–	–
Current	11,964	11,389	28,116	26,819	33,433	32,239
	129,795	147,131	28,116	26,819	33,433	32,239

Related corporations refer to related corporations of the H-REIT Manager and the HBT Trustee-Manager. Related entities refer to the H-REIT and its subsidiaries or HBT and its subsidiaries (as the case may be).

Outstanding payables to the related corporations and related entities are unsecured, interest-free and repayable on demand. Loan from a related entity refers to a loan extended by H-REIT to HBT to acquire a property in United Kingdom in 2015. This loan is unsecured, interest-bearing and is for a tenure of 6 years (Note 9).

As at 31 December 2015, included in payables to third parties of the H-REIT Group and the Stapled Group was an amount of \$7,374,000 relating to the remaining purchase consideration payable for the acquisition of a subsidiary.

Included in accruals of the H-REIT Group are the following:

- amounts due to the H-REIT Trustee and H-REIT Manager of \$69,000 (2015: \$46,000) and \$1,386,000 (2015: \$217,000) respectively; and
- amounts due to related corporations of \$513,000 (2015: \$306,000).

NOTES TO THE FINANCIAL STATEMENTS

14 DEFERRED TAX

Movement in temporary differences (prior to offsetting of balances) during the year are as follows:

	Balance as at 1/1/2015 \$'000	Recognised in profit or loss \$'000 Restated	Acquisition of subsidiary (Note 26) \$'000	Exchange differences \$'000	Balance as at 31/12/2015 \$'000 Restated	Recognised in profit or loss \$'000	Exchange differences \$'000	Balance as at 31/12/2016 \$'000
HBT Group								
Deferred tax liabilities								
Property, plant and equipment	–	(32)	7,775	(198)	7,545	(187)	(1,145)	6,213
	Balance as at 1/1/2015 \$'000	Recognised in statement of total return \$'000	Acquisition of subsidiary \$'000	Exchange differences \$'000	Balance as at 31/12/2015 \$'000	Recognised in statement of total return \$'000	Exchange differences \$'000	Balance as at 31/12/2016 \$'000
H-REIT Group								
Deferred tax assets								
Tax losses carried forward	(5,335)	174	–	266	(4,895)	(260)	(93)	(5,248)
Deferred tax liabilities								
Investment properties	15,891	(273)	–	(425)	15,193	(1,237)	194	14,150
Net deferred tax (assets)/ liabilities	10,556	(99)	–	(159)	10,298	(1,497)	101	8,902

NOTES TO THE FINANCIAL STATEMENTS

14 DEFERRED TAX (CONT'D)

	Balance as at 1/1/2015 \$'000	Recognised in statement of total return \$'000 Restated	Acquisition of subsidiary (Note 26) \$'000	Exchange differences \$'000	Balance as at 31/12/2015 \$'000 Restated	Recognised in statement of total return \$'000	Exchange differences \$'000	Balance as at 31/12/2016 \$'000
Stapled Group								
Deferred tax assets								
Tax losses carried forward	(5,335)	174	–	266	(4,895)	(260)	(93)	(5,248)
Deferred tax liabilities								
Investment properties	15,838	(218)	–	(427)	15,193	(1,237)	194	14,150
Property, plant and equipment	–	(33)	7,775	(197)	7,545	(187)	(1,145)	6,213
	15,838	(251)	7,775	(624)	22,738	(1,424)	(951)	20,363
Net deferred tax (assets)/liabilities	10,503	(77)	7,775	(358)	17,843	(1,684)	(1,044)	15,115

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Restated				Restated	
Deferred tax assets	–	–	–	216	–	216
Deferred tax liabilities	(6,213)	(7,545)	(8,902)	(10,514)	(15,115)	(18,059)
	(6,213)	(7,545)	(8,902)	(10,298)	(15,115)	(17,843)

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	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Tax losses	–	16	16,736	1,189	16,736	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.

NOTES TO THE FINANCIAL STATEMENTS

15 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	HBT Group		H-REIT Group		Stapled Group	
	2016 '000	2015 '000	2016 '000	2015 '000	2016 '000	2015 '000
Units/Stapled Securities in issue:						
At 1 January	987,137	980,285	987,137	980,285	987,137	980,285
Creation of Units/Stapled Securities:						
- H-REIT Manager's management fee paid in Stapled Securities	4,634	6,484	4,634	6,484	4,634	6,484
- H-REIT Manager's acquisition fee paid in Stapled Securities	-	368	-	368	-	368
At 31 December	991,771	987,137	991,771	987,137	991,771	987,137
Units/Stapled Securities to be issued:						
H-REIT Manager's management fees payable in Stapled Securities	4,829	2,017	4,829	2,017	4,829	2,017
HBT Trustee-Manager's management fees payable in Stapled Securities	266	-	266	-	266	-
At 31 December	5,095	2,017	5,095	2,017	5,095	2,017
Units/Stapled Securities, in issue and to be issued	996,866	989,154	996,866	989,154	996,866	989,154

During the financial year, 4,634,171 (2015: 6,483,882) Stapled Securities were issued at unit prices ranging from \$1.3034 to \$1.4135 (2015: \$1.3260 to \$1.7345) per Stapled Security, amounting to \$6,217,043 (2015: \$10,309,734), as satisfaction of management fees payable in Stapled Securities.

In 2015, 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 the Japan hotels in December 2014.

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.

NOTES TO THE FINANCIAL STATEMENTS

15 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (CONT'D)

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 of the property portfolio, which is defined as net property income from the property divided by the latest valuation for the property. 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 the 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 45.0% under a single-tier leverage limit.

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 2016 was 36.8% (2015: 36.4%) of H-REIT Group'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 2016 and 2015. 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.

16 NET ASSET VALUE PER UNIT/STAPLED SECURITY

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
		Restated				Restated
Net asset value per Unit/ Stapled Security is based on net assets	(8,044)	(8,854)	1,554,465	1,574,673	1,546,421	1,565,819
Note	'000	'000	'000	'000	'000	'000
Total issued and to be issued Units/Stapled Securities at 31 December	15	996,866	989,154	996,866	989,154	996,866

17 REVENUE

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Rental revenue						
- Fixed rent	-	-	68,210	67,524	68,210	67,524
- Variable rent	-	-	73,658	79,685	63,176	68,876
Room revenue	38,215	26,621	-	-	38,215	26,621
Food and beverage revenue	7,144	5,594	-	-	7,144	5,594
Other revenue	4,112	3,795	-	-	4,112	3,795
	49,471	36,010	141,868	147,209	180,857	172,410

NOTES TO THE FINANCIAL STATEMENTS

17 REVENUE (CONT'D)

Rental revenue for the H-REIT Group includes rental income from the HBT Group and related corporations of the H-REIT Manager of \$10,482,000 (2015: \$10,809,000) and \$74,633,000 (2015: \$75,486,000), respectively.

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.

18 PROPERTY EXPENSES

(a) Operations and maintenance expenses

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Employee benefits expenses	5,441	3,648	–	–	5,441	3,648
Cost of food and beverage and other supplies	2,665	2,212	–	–	2,665	2,212
Cost of other operating departments	2,237	2,270	–	–	2,237	2,270
Repair and maintenance expenses	1,018	992	–	–	1,018	992
Other expenses	3,664	2,513	–	–	3,664	2,513
	15,025	11,635	–	–	15,025	11,635

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Salaries, bonuses and other costs	5,378	3,614	–	–	5,378	3,614
Contributions to defined contribution plans	63	34	–	–	63	34
	5,441	3,648	–	–	5,441	3,648

(b) Administrative and general expenses

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Employee benefits expenses	3,016	2,397	–	–	3,016	2,397
Administrative and general department expenses	3,810	2,212	–	–	3,810	2,212
	6,826	4,609	–	–	6,826	4,609

NOTES TO THE FINANCIAL STATEMENTS

18 PROPERTY EXPENSES (CONT'D)

(b) Administrative and general expenses (cont'd)

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Salaries, bonuses and other costs	2,953	2,331	–	–	2,953	2,331
Contributions to defined contribution plans	63	66	–	–	63	66
	<u>3,016</u>	<u>2,397</u>	<u>–</u>	<u>–</u>	<u>3,016</u>	<u>2,397</u>

(c) Sales and marketing expenses

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Employee benefits expenses	695	468	–	–	695	468
Sales and marketing department expenses	1,476	1,206	–	–	1,476	1,206
	<u>2,171</u>	<u>1,674</u>	<u>–</u>	<u>–</u>	<u>2,171</u>	<u>1,674</u>

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Salaries, bonuses and other costs	689	468	–	–	689	468
Contributions to defined contribution plans	6	–	–	–	6	–
	<u>695</u>	<u>468</u>	<u>–</u>	<u>–</u>	<u>695</u>	<u>468</u>

Employee benefits expenses above include staff-related costs reimbursed to hotel managers of the respective hotels.

19 MANAGEMENT FEES

H-REIT Manager's fees

Included in the H-REIT Manager's fees is an aggregate of 7,445,903 (2015: 6,921,908) Stapled Securities, amounting to approximately \$9,931,000 (2015: \$10,210,000), 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 \$1.3034 to \$1.4135 (2015: \$1.3084 to \$1.7356) per Stapled Security.

HBT Trustee-Manager's fees

Included in the HBT Trustee-Manager's fees is an aggregate of 266,125 (2015: Nil) Stapled Securities, amounting to approximately \$350,000 (2015: Nil), that will be issued to the HBT Trustee-Manager as satisfaction of the H-REIT Manager's management fees payable in Stapled Security, at unit prices ranging from \$1.3034 to \$1.4135 (2015: Nil) per Stapled Security.

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCE INCOME AND FINANCE COSTS

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Finance income						
Interest income received/ receivable from banks	–	6	141	326	141	332
Interest income received/ receivable from HBT	–	–	2,226	582	–	–
Net foreign exchange gains	–	10	–	–	–	–
Fair value gains on financial derivatives	13	–	–	–	–	–
	13	16	2,367	908	141	332
Finance costs						
Interest paid/payable to banks	–	–	(22,088)	(20,787)	(22,088)	(20,787)
Interest paid/payable to H-REIT	(2,226)	(582)	–	–	–	–
Amortisation of debt-related transaction costs	–	–	(1,149)	(998)	(1,149)	(998)
Financial expense arising from remeasuring non-current rental deposits at amortised cost	–	–	(205)	(196)	(205)	(196)
Net foreign exchange losses	(437)	–	(9,013)	(655)	(9,450)	(645)
Fair value losses on financial derivatives	–	–	(178)	–	(165)	–
	(2,663)	(582)	(32,633)	(22,636)	(33,057)	(22,626)
Net finance costs	(2,650)	(566)	(30,266)	(21,728)	(32,916)	(22,294)

21 NET INCOME/(LOSS) BEFORE TAX

Net income/(loss) before tax is arrived at after charging/(crediting) the following items:

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
		Restated				Restated
Audit fees paid to:						
- auditors of HBT/H-REIT	134	121	309	280	443	401
- other auditors	72	44	64	12	136	56
Non-audit fees paid to:						
- auditors of HBT/H-REIT	5	70	52	63	57	133
- other auditors	9	670	135	293	144	963
Depreciation of property, plant and equipment	3,769	1,049	1,774	1,511	8,586	5,479
Amortisation of prepaid land lease	–	–	–	–	272	253
Impairment losses on:						
- trade receivables	223	42	153	470	376	512
- property, plant and equipment	–	–	–	–	7,330	1,557
- prepaid land lease	–	–	–	–	750	166
- goodwill (Note 26)	–	7,775	–	–	–	7,775

NOTES TO THE FINANCIAL STATEMENTS

22 TAX EXPENSE

	HBT Group		H-REIT Group		Stapled Group	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		Restated				Restated
Income tax expense						
Current tax	594	170	1,731	455	2,325	625
Withholding tax	208	38	123	95	331	133
Under provision in prior years	19	14	23	178	42	193
	821	222	1,877	728	2,698	951
Deferred tax credit						
Origination and reversal of temporary differences	(187)	(32)	(1,497)	(99)	(1,684)	(77)
	(187)	(32)	(1,497)	(99)	(1,684)	(77)
Tax expense	634	190	380	629	1,014	874
Reconciliation of effective tax rate						
Net income/(loss) before tax	1,579	(9,408)	48,767	57,555	50,346	51,565
Tax calculated using Singapore tax rate of 17%	268	(1,599)	8,290	9,784	8,559	8,766
Effect of tax in a foreign jurisdiction	(292)	(50)	6,298	1,475	6,005	1,424
Non-tax deductible items	611	2,338	4,500	5,996	5,111	7,808
Non-taxable items	–	–	(4,349)	1,255	(4,349)	1,255
Tax exempt income	–	(229)	(5,026)	(4,862)	(5,026)	(5,091)
Tax transparency	–	–	(12,262)	(13,468)	(12,262)	(13,468)
Tax incentives	–	(234)	–	(13)	–	(247)
Current year tax losses for which no deferred tax asset was recognised	99	16	2,568	–	2,667	16
Change in unrecognised temporary differences	(279)	(104)	–	–	(279)	(104)
Utilisation of tax losses	–	–	215	–	215	–
Withholding tax expense	208	38	123	95	331	133
Under provision in prior years	19	14	23	178	42	193
Others	–	–	–	189	–	189
	634	190	380	629	1,014	874

NOTES TO THE FINANCIAL STATEMENTS

23 NET INCOME/(LOSS)/ TOTAL RETURN FOR THE YEAR

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000 Restated	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000 Restated
Comprises net income/(loss)/ total return of:						
- H-REIT	-	-	14,713	36,240	14,713	36,240
- Other H-REIT Group entities*	-	-	33,674	20,686	33,674	20,686
- HBT	4,253	1,105	-	-	4,253	1,105
- Other HBT Group entities*	(3,308)	(10,703)	-	-	(3,308)	(10,703)
- Stapled Group's consolidation adjustments	-	-	-	-	-	3,363
	945	(9,598)	48,387	56,926	49,332	50,691

* including consolidation adjustments

24 EARNINGS PER STAPLED SECURITY

Basic earnings per Stapled Security is based on:

	Stapled Group	
	2016 \$'000	2015 \$'000 Restated
Total return for the year	49,332	50,691
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:		
- outstanding during the year	990,484	984,600
- to be issued as payment of H-REIT Manager's and/or HBT Manager's management fees payable in Stapled Securities	14	6
	990,498	984,606
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:		
- weighted average number of Stapled Securities (basic)	990,498	984,606
- to be issued as payment of H-REIT Manager's and/or HBT Manager's management fees payable in Stapled Securities	6,368	-
	996,866	984,606

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS

The HBT Group, the H-REIT Group and the Stapled Group have 3, 5 and 6 reportable segments, respectively, as described below. All the segments relate to properties operated as hotels and/or resorts. Each segment is managed separately because of the differences in operating and regulatory environment. The Board of Directors ("BOD") of the HBT Trustee-Manager and the H-REIT Manager review the internal management reports for the segments at least quarterly.

The number of properties included in each reportable segment is set out below:

Reportable segment	Number of properties operated as hotels and/or resorts					
	HBT Group		H-REIT Group		Stapled Group	
	2016	2015	2016	2015	2016	2015
Singapore	–	–	6	6	6	6
New Zealand	–	–	1	1	1	1
Australia	–	–	5	5	5	5
Maldives	1	1	2	2	2	2
Japan	2	2	2	2	2	2
UK	1	1	–	–	1	1

Other operations of the H-REIT Group and the Stapled Group include Claymore Connect which is leased to individual tenants and is operated as a retail space.

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 the H-REIT Manager. Segment net property income is used to measure performance as the HBT Trustee-Manager or the H-REIT Manager believe that such information is the most relevant in evaluating the results of the 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

HBT Group

	Maldives \$'000	Japan \$'000	UK \$'000	Total \$'000
2016				
Revenue - external	17,481	10,572	21,418	49,471
Reportable segment net property income	269	58	8,458	8,785
Depreciation of property, plant and equipment	-	-	(3,769)	(3,769)
Unallocated items:				
- HBT Trustee-Manager's management fees				(438)
- HBT Trustee-Manager's trustee fee				(134)
- Valuation fees				(28)
- Other trust expenses				(187)
- Finance income				13
- Finance costs				(2,663)
- Tax expense				(634)
Net income for the year				945
Other material non-cash items				
Impairment losses on trade receivables	(148)	-	(75)	(223)
Reportable segment assets				
Capital expenditure on property, plant and equipment	-	-	2,174	2,174
Non-current assets	-	-	107,432	107,432
2015				
Revenue - external	20,152	9,726	6,132	36,010
Reportable segment net property income	328	177	2,277	2,782
Depreciation of property, plant and equipment	-	-	(1,049)	(1,049)
Impairment losses on goodwill	-	-	(7,775)	(7,775)
Unallocated items:				
- HBT Trustee-Manager's management fees				(37)
- HBT Trustee-Manager's acquisition fee				(132)
- Other trust expenses				(2,631)
- Finance income				16
- Finance costs				(582)
- Tax expense				(190)
Net loss for the year				(9,598)
Other material non-cash items				
Impairment losses on trade receivables	(42)	-	-	(42)
Reportable segment assets				
Capital expenditure on property, plant and equipment	-	-	512	512
Non-current assets	-	-	128,636	128,636

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

H-REIT Group

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Maldives \$'000	Japan \$'000	Total reportable segments \$'000	Others \$'000	Total \$'000
2016								
Revenue - external	89,265	13,274	14,438	13,088	5,698	135,763	6,105	141,868
Reportable segment net property income	81,411	13,274	14,438	11,037	5,368	125,528	3,247	128,775
Depreciation of property, plant and equipment	-	-	-	(220)	(1,554)	(1,774)	-	(1,774)
Net change in fair value gains/(losses) of investment properties	(45,551)	57,672	411	(29,141)	-	(16,609)	(16,409)	(33,018)
Unallocated items:								
- H-REIT Manager's base fees								(5,975)
- H-REIT Manager's performance fees								(6,439)
- H-REIT Trustee's fees								(272)
- Valuation fees								(157)
- Other trust expenses								(2,107)
- Finance income								2,367
- Finance costs								(32,633)
- Tax expense								(380)
Total return for the year								<u>48,387</u>
Other material non- cash items								
Impairment losses on trade receivables	-	-	-	-	-	-	(153)	(153)
Reportable segment assets								
Capital expenditure on investment properties and property, plant and equipment	5,551	96	-	2,632	296	8,575	409	8,984
Non-current assets [^]	1,594,000	177,832	217,443	168,429	71,051	2,228,755	90,000	2,318,755

[^] Excluding other receivables

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

H-REIT Group (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Maldives \$'000	Japan \$'000	Total reportable segments \$'000	Others \$'000	Total \$'000
2015								
Revenue - external	96,930	9,677	15,194	15,676	5,334	142,811	4,398	147,209
Reportable segment net property income	88,793	9,677	15,194	13,304	5,063	132,031	2,190	134,221
Depreciation of property, plant and equipment	-	-	-	(90)	(1,421)	(1,511)	-	(1,511)
Net change in fair value gains/(losses) of investment properties	(38,650)	15,443	(1,861)	(14,855)	-	(39,923)	1,389	(38,534)
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)
- Other trust expenses								(1,659)
- Finance income								908
- Finance costs								(22,636)
- Tax expense								(629)
Total return for the year								<u>56,926</u>
Other material non- cash items								
Impairment losses on trade receivables	-	-	-	-	-	-	(470)	(470)
Reportable segment assets								
Capital expenditure on investment properties and property, plant and equipment	9,649	966	-	2,080	86	12,781	(1,389)	11,392
Non-current assets [^]	<u>1,634,000</u>	<u>113,525</u>	<u>213,081</u>	<u>191,016</u>	<u>68,667</u>	<u>2,220,289</u>	<u>106,000</u>	<u>2,326,289</u>

[^] Excluding deferred tax assets and other receivables

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

Stapled Group

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Maldives \$'000	Japan \$'000	UK \$'000	Total reportable segments \$'000	Others \$'000	Total \$'000
2016									
Revenue - external	89,265	13,274	14,438	25,785	10,572	21,418	174,752	6,105	180,857
Reportable segment net property income	81,411	13,274	14,438	11,306	5,426	8,458	134,313	3,247	137,560
Depreciation of property, plant and equipment	-	-	-	(3,263)	(1,554)	(3,769)	(8,586)	-	(8,586)
Amortisation of prepaid land lease	-	-	-	(272)	-	-	(272)	-	(272)
Impairment losses on:									
- property, plant and equipment	-	-	-	(7,330)	-	-	(7,330)	-	(7,330)
- prepaid land lease	-	-	-	(750)	-	-	(750)	-	(750)
Net change in fair value gains/(losses) of investment properties	(45,551)	57,672	411	(17,746)	-	-	(5,214)	(16,409)	(21,623)
Unallocated items:									
- H-REIT Manager's base fees									(5,975)
- H-REIT Manager's performance fees									(6,439)
- H-REIT Trustee's fees									(272)
- HBT Trustee-Manager's management fees									(438)
- HBT Trustee-Manager's trustee fees									(134)
- Valuation fees									(185)
- Other trust expenses									(2,294)
- Finance income									141
- Finance costs									(33,057)
- Tax expense									(1,014)
Total return for the year									49,332
Other material non-cash items									
Impairment losses on trade receivables	-	-	-	(148)	-	(75)	(223)	(153)	(376)
Reportable segment assets									
Capital expenditure on investment properties and property, plant and equipment	5,551	96	-	2,373	296	2,174	10,490	409	10,899
Non-current assets	1,594,000	177,832	217,443	168,428	71,051	107,432	2,336,186	90,000	2,426,186

NOTES TO THE FINANCIAL STATEMENTS

25 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

Stapled Group (cont'd)

	Singapore \$'000	New Zealand \$'000	Australia \$'000	Maldives \$'000	Japan \$'000	UK \$'000	Total reportable segments \$'000	Others \$'000	Total \$'000
2015									
Revenue - external	96,930	9,677	15,194	30,353	9,726	6,132	168,012	4,398	172,410
Reportable segment net property income	88,793	9,677	15,194	13,632	5,240	2,277	134,813	2,190	137,003
Depreciation of property, plant and equipment	-	-	-	(3,009)	(1,421)	(1,049)	(5,479)	-	(5,479)
Amortisation of prepaid land lease	-	-	-	(253)	-	-	(253)	-	(253)
Impairment losses on:									
- property, plant and equipment	-	-	-	(1,557)	-	-	(1,557)	-	(1,557)
- prepaid land lease	-	-	-	(166)	-	-	(166)	-	(166)
- goodwill	-	-	-	-	-	(7,775)	(7,775)	-	(7,775)
Net change in fair value gains/(losses) of investment properties	(38,650)	15,443	(1,861)	(6,542)	-	-	(31,610)	1,389	(30,221)
Unallocated items:									
- H-REIT Manager's base fees									(6,052)
- H-REIT Manager's performance fees									(6,711)
- H-REIT Trustee's fees									(273)
- HBT Trustee- Manager's management fees									(37)
- HBT Trustee- Manager's acquisition fee									(132)
- Valuation fees									(198)
- Other trust expenses									(4,290)
- Finance income									332
- Finance costs									(22,626)
- Tax expense									(874)
Total return for the year									50,691
Other material non- cash items									
Impairment losses on trade receivables	-	-	-	(42)	-	-	(42)	(470)	(512)
Reportable segment assets									
Capital expenditure on investment properties and property, plant and equipment	9,649	966	-	1,208	86	512	12,421	(1,389)	11,032
Non-current assets	1,634,000	113,525	213,081	191,016	68,667	128,636	2,348,925	106,000	2,454,925

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 (2015: ten) master lessees. Such master lessees include subsidiaries of Millennium & Copthorne Hotels plc which accounted for approximately \$74,157,000 (2015: \$75,333,000) or 52.3% (2015: 51.2%) of the revenue of the H-REIT Group, and subsidiaries of Accor S.A. which accounted for \$35,358,000 (2015: \$36,792,000) or 24.9% (2015: 25.0%) of the revenue of the H-REIT Group. The revenue is attributable to the Singapore, New Zealand and Australia segments.

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**") (the "**Acquisition**"). The HBT Group had acquired CCH in relation to the acquisition of Cambridge City Hotel in Cambridge (the "**Property**"). The Acquisition was made to broaden the Stapled Group's earning base which was expected to benefit the Stapled Security Holders. The acquisition was accounted for as a business combination as the HBT Group had acquired various operational processes, together with the Property.

In the financial statements for the year ended 31 December 2015, the fair values of the assets acquired and the liabilities assumed on the Acquisition were determined on a provisional basis. The review of the amounts recognised was completed in the current year and in accordance with FRS 103 *Business Combinations*, adjustments have been made to recognised deferred tax liabilities of \$7,775,000. This reduced the net assets acquired by \$7,775,000, giving rise to goodwill of \$7,775,000 which has been fully impaired. The adjustments have been reflected in the comparative information and accordingly, the financial effects of the Acquisition below have been restated, as appropriate. The adjustments do not have an impact on the distribution of the Stapled Group.

In the three months to 31 December 2015, CCH contributed gross revenue of \$6,132,000 and net loss before tax of \$6,402,000 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 loss before tax for the year would have been \$2,501,000. In determining these amounts, management had assumed that the fair value adjustments 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	<u>136,083</u>
<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	<u>(4,961)</u>
Net cash outflow on acquisition	<u>133,564</u>

Acquisition-related costs

The HBT Group incurred a one-off transaction costs of \$2,442,000 (£1,163,000) on legal fees, acquisition fees and due diligence costs. These costs have been included in "other trust expenses" and "HBT Trustee-Manager's acquisition fee" for the financial year ended 31 December 2015.

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)
Deferred tax liabilities	(7,775)
Total identifiable net assets	<u>128,308</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 technique involves the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the Property. The discounted cash flow method involves forecasting the Property's income stream for 10 years and discounting the income stream at 6.50%.

Goodwill

Goodwill arising from the Acquisition has been recognised as follows:

	\$'000
Total consideration transferred	136,083
Less: Fair value of identifiable net assets acquired	<u>(128,308)</u>
Goodwill	7,775
Impairment loss on goodwill	<u>(7,775)</u>
	<u>—</u>

The HBT Group has undertaken an impairment assessment of the goodwill arising from the Acquisition. The recoverable amount was estimated using the fair value less costs to sell approach, taking into consideration the fair value of the underlying property based on the valuation techniques and assumptions described in the table above (Level 3 fair value). Based on this assessment, the goodwill was fully impaired. The impairment loss on goodwill was recognised in "Depreciation, amortisation and impairment losses" in the statement of comprehensive income and is also disclosed under the UK segment (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

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

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 framework

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS

Credit risk (cont'd)

Trade and other receivables (cont'd)

At 31 December 2016 and 31 December 2015, the trade receivables from related corporations and/or related entities arising from the master lease arrangements for certain hotel properties represent a significant portion of the H-REIT Group's and the Stapled Group's receivables (Note 9). Except as disclosed, 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. The Stapled Group does not hold any collateral in respect of their financial assets.

Derivatives

Derivatives are only entered into with banks and financial counterparties with sound credit ratings.

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. As at the end of the financial year, the H-REIT Group maintains several lines of credit (Note 11).

The Stapled Group has contractual commitments to incur capital expenditure (Note 28).

The following are the contractual undiscounted cash inflows/(outflows) of financial liabilities, including estimated interest payments:

	Carrying amount \$'000	Contractual cash flows \$'000	←----- Cash flows -----→ Within 1 year \$'000	between 1 to 5 years \$'000	More than 5 years \$'000
HBT Group					
2016					
Non-derivative financial liabilities					
Trade and other payables	129,795	(141,004)	(14,378)	(126,626)	–
2015					
Non-derivative financial liabilities					
Trade and other payables	147,131	(157,232)	(15,288)	(141,944)	–

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows \$'000	←----- Within 1 year \$'000	Cash flows between 1 to 5 years \$'000	-----> More than 5 years \$'000
H-REIT Group					
2016					
Non-derivative financial liabilities					
Secured TMK bond	37,727	(39,188)	(251)	(38,937)	-
Unsecured medium term note	119,959	(124,299)	(3,000)	(121,299)	-
Unsecured bank loans	771,163	(832,034)	(20,016)	(812,018)	-
Trade and other payables*	27,848	(27,848)	(27,848)	-	-
Rental deposits	9,249	(11,070)	(416)	(1,492)	(9,162)
	<u>965,946</u>	<u>(1,034,439)</u>	<u>(51,531)</u>	<u>(973,746)</u>	<u>(9,162)</u>
2015					
Non-derivative financial liabilities					
Secured TMK bond	35,694	(37,439)	(239)	(37,200)	-
Unsecured medium term note	203,507	(212,005)	(87,756)	(124,249)	-
Unsecured bank loans	683,143	(745,177)	(152,097)	(593,080)	-
Trade and other payables*	26,687	(26,687)	(26,687)	-	-
Rental deposits	8,881	(10,908)	(258)	(1,488)	(9,162)
	<u>957,912</u>	<u>(1,032,216)</u>	<u>(267,037)</u>	<u>(756,017)</u>	<u>(9,162)</u>

* Excluding rental deposits

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows \$'000	←----- Within 1 year \$'000	Cash flows ----- between 1 to 5 years \$'000	-----> More than 5 years \$'000
Stapled Group					
2016					
Non-derivative financial liabilities					
Secured TMK bond	37,727	(39,188)	(251)	(38,937)	–
Unsecured medium term note	119,959	(124,299)	(3,000)	(121,299)	–
Unsecured bank loans	771,163	(832,034)	(20,016)	(812,018)	–
Trade and other payables*	33,165	(33,165)	(33,165)	–	–
Rental deposits	9,249	(11,070)	(416)	(1,492)	(9,162)
	<u>971,263</u>	<u>(1,039,756)</u>	<u>(56,848)</u>	<u>(973,746)</u>	<u>(9,162)</u>
2015					
Non-derivative financial liabilities					
Secured TMK bond	35,694	(37,439)	(239)	(37,200)	–
Unsecured medium term note	203,507	(212,005)	(87,756)	(124,249)	–
Unsecured bank loans	683,143	(745,177)	(152,097)	(593,080)	–
Trade and other payables*	31,896	(31,896)	(31,896)	–	–
Rental deposits	9,092	(11,119)	(469)	(1,488)	(9,162)
	<u>963,332</u>	<u>(1,037,636)</u>	<u>(272,457)</u>	<u>(756,017)</u>	<u>(9,162)</u>

* Excluding rental deposits

The maturity analyses show the contractual undiscounted cash flows of the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity.

The interest payments on floating rate loans and borrowings in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

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 profit or loss and the 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.

Interest rate risk

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.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (cont'd)

Exposure to interest 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 as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments						
Financial assets	59	792	53,560	56,158	53,619	56,950
Financial liabilities	–	–	(569,107)	(557,857)	(569,107)	(557,857)
	<u>59</u>	<u>792</u>	<u>(515,547)</u>	<u>(501,699)</u>	<u>(515,488)</u>	<u>(500,907)</u>
Variable rate instruments						
Financial assets	–	–	117,831	135,563	–	–
Financial liabilities	(117,831)	(135,563)	(363,520)	(368,163)	(363,520)	(368,163)
	<u>(117,831)</u>	<u>(135,563)</u>	<u>(245,689)</u>	<u>(232,600)</u>	<u>(363,520)</u>	<u>(368,163)</u>

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. Therefore, a change in interest rates at the end of the financial year would not affect total return.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rate at the end of the financial year would increase/(decrease) profit or loss (before any tax effects) of the HBT Group and total return (before any tax effects) of the H-REIT Group and the Stapled Group, by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	100 bp	100 bp
	increase	decrease
	\$'000	\$'000
HBT Group		
2016		
Variable rate instruments		
Loan from H-REIT	(1,178)	1,178
Cash flow sensitivity (net)	<u>(1,178)</u>	<u>1,178</u>
2015		
Variable rate instruments		
Loan from H-REIT	(1,356)	1,356
Cash flow sensitivity (net)	<u>(1,356)</u>	<u>1,356</u>

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (cont'd)

	Total return	
	100 bp increase \$'000	100 bp decrease \$'000
H-REIT Group		
2016		
Variable rate instruments		
Loan to HBT	1,178	(1,178)
Loans and borrowings	(3,635)	3,635
Cash flow sensitivity (net)	<u>(2,457)</u>	<u>2,457</u>
2015		
Variable rate instruments		
Loan to HBT	1,356	(1,356)
Loans and borrowings	(3,682)	3,682
Cash flow sensitivity (net)	<u>(2,326)</u>	<u>2,326</u>
Stapled Group		
2016		
Variable rate instruments		
Loans and borrowings	(3,635)	3,635
Cash flow sensitivity (net)	<u>(3,635)</u>	<u>3,635</u>
2015		
Variable rate instruments		
Loans and borrowings	(3,682)	3,682
Cash flow sensitivity (net)	<u>(3,682)</u>	<u>3,682</u>

Foreign currency risk

The Stapled Group has exposure to foreign currency risk as a result of its operations in several countries. The currencies giving rise to this risk are Singapore Dollar, Australian Dollar, New Zealand Dollar, United States Dollar, Japanese Yen and Sterling Pound.

In order to manage the foreign currency risk, the H-REIT Manager and the HBT Trustee-Manager adopts foreign currency risk management strategies that may include:

- entering into foreign currency forward contracts to hedge the foreign currency income from the overseas assets as a natural hedge;
- the use of certain foreign currency denominated borrowings to match the capital values of the overseas assets as a natural hedge, whenever possible; and
- the use of certain foreign currency denominated borrowings to hedge against the currency risk arising from the Stapled Group's net investments in certain subsidiaries in Australia, Maldives and Japan. These borrowings are designated as net investment hedge.

At the end of the financial year, the H-REIT Group and the Stapled Group have designated certain of their bank loans, with a carrying amount of \$97,431,000 (2015: \$329,947,000) as net investment hedges, which mitigate the currency risk arising from certain subsidiaries' net assets.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk (cont'd)

The exposure of the HBT Group, the H-REIT Group and the Stapled Group to foreign currencies (excluding certain foreign currency denominated bank loans that are designated as hedges of the H-REIT Group and the Stapled Group's net investments in certain foreign operations) is as follows based on notional amounts:

	Australian Dollar		New Zealand Dollar		United States Dollar		Japanese Yen		Sterling Pound	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
HBT Group										
Trade and other receivables	-	-	-	-	23	-	32	-	118,438	136,946
Cash and cash equivalents	-	-	-	-	-	-	-	-	3,160	2
Trade and other payables	-	-	-	-	-	-	-	-	(118,619)	(135,742)
Net statement of financial position exposure	-	-	-	-	23	-	32	-	2,979	1,206
Forward exchange contracts	-	-	-	-	-	-	-	-	(2,465)	-
Net exposure	-	-	-	-	23	-	32	-	514	1,206
H-REIT Group										
Trade and other receivables	11,151	3,431	3,829	3,029	1,758	-	-	-	118,619	135,742
Cash and cash equivalents	751	8,698	2,253	7,157	4,138	8,259	1,949	2,809	-	-
Trade and other payables	(1,180)	(813)	-	-	(601)	(1,330)	-	(27)	-	(46)
Bank loans	-	-	-	-	(207,567)	-	(40,352)	-	(118,423)	(135,563)
Net statement of financial position exposure	10,722	11,316	6,082	10,186	(202,272)	6,929	(38,403)	2,782	196	133
Forward exchange contracts	(1,045)	-	(1,803)	-	(1,301)	-	(1,000)	-	-	-
Net exposure	9,677	11,316	4,279	10,186	(203,573)	6,929	(39,403)	2,782	196	133
Stapled Group										
Trade and other receivables	11,151	3,431	3,829	3,029	1,781	-	32	-	237,057	272,688
Cash and cash equivalents	751	8,698	2,253	7,157	4,138	8,259	1,949	2,809	3,160	2
Trade and other payables	(1,180)	(813)	-	-	(601)	(1,330)	-	(27)	(118,619)	(135,788)
Bank loans	-	-	-	-	(207,567)	-	(40,352)	-	(118,423)	(135,563)
Net statement of financial position exposure	10,722	11,316	6,082	10,186	(202,249)	6,929	(38,371)	2,782	3,175	1,339
Forward exchange contracts	(1,045)	-	(1,803)	-	(1,301)	-	(1,000)	-	(2,465)	-
Net exposure	9,677	11,316	4,279	10,186	(203,550)	6,929	(39,371)	2,782	710	1,339

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) profit or loss (before any tax effects) of the HBT Group and total return (before any tax effects) 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 Profit or loss \$'000	H-REIT Group Total return \$'000	Stapled Group Total return \$'000
2016			
Australian Dollar	–	(968)	(968)
New Zealand Dollar	–	(428)	(428)
United States Dollar	(2)	20,357	20,355
Japanese Yen	(3)	3,940	3,937
Sterling Pound	(51)	(20)	(71)
2015			
Australian Dollar	–	(1,132)	(1,132)
New Zealand Dollar	–	(1,019)	(1,019)
United States Dollar	–	(693)	(693)
Japanese Yen	–	(278)	(278)
Sterling Pound	(121)	(13)	(134)

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.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Fair values

Accounting classifications and fair values

The carrying amounts and 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			Total \$'000	Fair value			
	Loans and receivables \$'000	Fair value - hedging instruments \$'000	Other financial liabilities \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
HBT Group								
2016								
Financial assets not measured at fair value								
Trade and other receivables [^]	9	4,811	-	-	4,811			
Cash and cash equivalents	10	14,301	-	-	14,301			
		<u>19,112</u>	<u>-</u>	<u>-</u>	<u>19,112</u>			
Financial assets measured at fair value								
Financial derivative assets	12	-	66	-	66	-	66	-
		<u>-</u>	<u>66</u>	<u>-</u>	<u>66</u>	<u>-</u>	<u>66</u>	<u>-</u>
Financial liabilities not measured at fair value								
Trade and other payables	13	-	-	(129,795)	(129,795)			
		<u>-</u>	<u>-</u>	<u>(129,795)</u>	<u>(129,795)</u>			
Financial liabilities measured at fair value								
Financial derivative liabilities	12	-	(52)	-	(52)	-	(52)	-
		<u>-</u>	<u>(52)</u>	<u>-</u>	<u>(52)</u>	<u>-</u>	<u>(52)</u>	<u>-</u>
2015								
Financial assets and liabilities not measured at fair value								
Trade and other receivables [^]	9	5,682	-	-	5,682			
Cash and cash equivalents	10	9,701	-	-	9,701			
Trade and other payables	13	-	-	(147,131)	(147,131)			
		<u>15,383</u>	<u>-</u>	<u>(147,131)</u>	<u>(131,748)</u>			

[^] Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

Note	Carrying amount			Total \$'000	Fair value			
	Loans and receivables \$'000	Fair value - hedging instruments \$'000	Other financial liabilities \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
H-REIT Group								
2016								
Financial assets not measured at fair value								
	Trade and other receivables [^]	9	142,814	-	-	142,814		
	Cash and cash equivalents	10	67,927	-	-	67,927		
			<u>210,741</u>	<u>-</u>	<u>-</u>	<u>210,741</u>		
Financial assets measured at fair value								
	Financial derivative assets	12	-	105	-	105	-	105
Financial liabilities measured at fair value								
	Financial derivative liabilities	12	-	(284)	-	(284)	-	(284)
Financial liabilities not measured at fair value								
	Secured TMK bond	11	-	(37,727)	(37,727)	-	(37,868)	-
	Unsecured medium term notes	11	-	(119,959)	(119,959)	-	(119,948)	-
	Unsecured bank loans	11	-	(771,163)	(771,163)	-	(770,777)	-
	Trade and other payables		-	(27,848)	(27,848)			
	Rental deposits		-	(9,249)	(9,249)	-	-	(9,607)
			<u>-</u>	<u>(965,946)</u>	<u>(965,946)</u>			
2015								
Financial assets not measured at fair value								
	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>		
Financial liabilities not measured at fair value								
	Secured TMK bond	11	-	(35,694)	(35,694)	-	(35,697)	-
	Unsecured medium term notes	11	-	(203,507)	(203,507)	-	(203,887)	-
	Unsecured bank loans	11	-	(683,143)	(683,143)	-	(681,828)	-
	Trade and other payables		-	(26,687)	(26,687)			
	Rental deposits		-	(8,881)	(8,881)	-	-	(9,215)
			<u>-</u>	<u>(957,912)</u>	<u>(957,912)</u>			

[^] Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

Note	Carrying amount			Total \$'000	Fair value			
	Loans and receivables \$'000	Fair value -hedging instruments \$'000	Other financial liabilities \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Stapled Group								
2016								
Financial assets not measured at fair value								
	9	23,148	-	-	23,148			
	10	82,228	-	-	82,228			
		<u>105,376</u>	<u>-</u>	<u>-</u>	<u>105,376</u>			
Financial assets measured at fair value								
	12	-	171	-	171	-	171	-
Financial liabilities measured at fair value								
	12	-	(336)	-	(336)	-	(336)	-
Financial liabilities not measured at fair value								
	11	-	-	(37,727)	(37,727)	-	(37,868)	-
	11	-	-	(119,959)	(119,959)	-	(119,948)	-
	11	-	-	(771,163)	(771,163)	-	(770,777)	-
		-	-	(33,165)	(33,165)	-	-	-
		-	-	(9,249)	(9,249)	-	-	(9,607)
		<u>-</u>	<u>-</u>	<u>(971,263)</u>	<u>(971,263)</u>	<u>-</u>	<u>-</u>	<u>(9,607)</u>
2015								
Financial assets not measured at fair value								
	9	16,370	-	-	16,370			
	10	71,968	-	-	71,968			
		<u>88,338</u>	<u>-</u>	<u>-</u>	<u>88,338</u>			
Financial liabilities not measured at fair value								
	11	-	-	(35,694)	(35,694)	-	(35,697)	-
	11	-	-	(203,507)	(203,507)	-	(203,887)	-
	11	-	-	(683,143)	(683,143)	-	(681,828)	-
		-	-	(31,896)	(31,896)	-	-	-
		-	-	(9,092)	(9,092)	-	-	(9,426)
		<u>-</u>	<u>-</u>	<u>(963,332)</u>	<u>(963,332)</u>	<u>-</u>	<u>-</u>	<u>(9,426)</u>

^ Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

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.

Financial instruments measured at fair value

Financial derivatives

The fair values of forward foreign exchange contracts (Level 2 fair values) are based on banks' quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Other non-derivative financial liabilities

The fair values of TMK bond, bank loans, medium term notes and rental deposits are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

28 COMMITMENTS

	HBT Group		H-REIT Group		Stapled Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(a) Capital expenditure contracted but not provided for	–	–	610	3,337	610	3,337

(b) Under the terms of the lease agreements for Novotel Singapore Clarke Quay, Grand Millennium Auckland and Jumeirah Dhevanafushi, the H-REIT Group and the Stapled Group are required to incur expenditure equivalent to 2.5% to 4.0% of the gross revenue to maintain and improve the hotel's or resort'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 \$1,717,000 (2015: \$1,103,000) under the terms of the lease agreements.

(c) 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Within 1 year	118	113	71,630	70,698	67,397	66,697
After 1 year but within 5 years	474	450	243,710	240,614	226,778	224,612
After 5 years	330	426	188,069	232,668	178,608	220,755
	922	989	503,409	543,980	472,783	512,064

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)

- (d) The H-REIT Group and the Stapled Group have entered into an operating lease for a conference centre with a related party. 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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Within 1 year	74	548	74	548
After 1 year but within 5 years	–	620	–	620
	<u>74</u>	<u>1,168</u>	<u>74</u>	<u>1,168</u>

- (e) 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. 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 and the Stapled Group recorded a lease payment of \$412,000 (2015: \$121,800).

- (f) The CDL HBT Oceanic Maldives Pvt Ltd, an indirect wholly-owned subsidiary of HBT, has an operating lease 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	
	2016	2015
	\$'000	\$'000
Within 1 year	4,352	4,113
After 1 year but within 5 years	17,406	16,452
After 5 years	9,791	12,339
	<u>31,549</u>	<u>32,904</u>

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.

29 RELATED PARTY TRANSACTIONS

As at 31 December 2016, the H-REIT Manager and the master lessees of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Grand Millennium Auckland are indirect wholly-owned subsidiaries of a substantial holder of the Stapled Securities in the Stapled Group.

As at 31 December 2015, 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.

NOTES TO THE FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (CONT'D)

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Related corporations of the H-REIT Manager and HBT Trustee-Manager						
Rental income received/receivable	–	–	74,633	75,517	74,633	75,517
Rental expense paid/payable	–	–	855	755	855	755
Shared service expenses paid/ payable	–	–	293	53	293	53
Accounting, information technology and human resources service fee paid/ payable	–	40	–	143	–	183
Internal audit services fee paid/ payable	–	–	–	30	–	30
Corporate secretarial services fee paid/payable	44	40	94	99	138	139

30 FINANCIAL RATIOS

	H-REIT Group		Stapled Group	
	2016 %	2015 %	2016 %	2015 %
Expenses to weighted average net assets ⁽¹⁾				
- including performance component of H-REIT Manager's management fees ⁽²⁾	0.96	0.94	1.01	1.23
- excluding performance component of H-REIT Manager's management fees ⁽²⁾	0.55	0.52	0.57	0.81
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.

NOTES TO THE FINANCIAL STATEMENTS

31 GROUP ENTITIES

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 H-REIT Group and the Stapled Group	
		2016 %	2015 %
Subsidiaries of H-REIT			
⁽¹⁾ CDLHT (BVI) One Ltd	British Virgin Islands	100	100
⁽¹⁾ CDLHT (BVI) Trust One	–	100	100
⁽³⁾ Sunshine Hotels Australia Pty Ltd	Australia	100	100
⁽²⁾ CDLHT MTN Pte. Ltd.	Singapore	100	100
⁽¹⁾ CDLHT Sunshine Limited	British Virgin Islands	100	100
⁽¹⁾ CDLHT Sunrise Limited	British Virgin Islands	100	100
⁽¹⁾ CDLHT Two Limited	British Virgin Islands	100	100
⁽¹⁾ CDLHT Sanctuary Limited	British Virgin Islands	100	100
⁽²⁾ CDLHT Oceanic Holdings Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT Hanei One Pte. Ltd.	Singapore	100	100
⁽²⁾ CDLHT Hanei Two Pte. Ltd.	Singapore	100	100
Subsidiaries of CDLHT Sunshine Limited			
⁽¹⁾ Sun One Investments Limited	British Virgin Islands	100	100
⁽¹⁾ Sun Two Investments Limited	British Virgin Islands	100	100
⁽¹⁾ Sun Three Investments Limited	British Virgin Islands	100	100
⁽¹⁾ Sun Four Investments Limited	British Virgin Islands	100	100
Subsidiary of Sun One Investments Limited			
⁽¹⁾ Sun Trust One	–	100	100
Subsidiary of Sun Two Investments Limited			
⁽¹⁾ Sun Trust Two	–	100	100
Subsidiary of Sun Three Investments Limited			
⁽¹⁾ Sun Trust Three	–	100	100
Subsidiary of Sun Four Investments Limited			
⁽¹⁾ Sun Trust Four	–	100	100
Subsidiary of CDLHT Sanctuary Limited			
⁽³⁾ Sanctuary Sands Maldives Private Limited	Maldives	100	100
Subsidiary of CDLHT Oceanic Holdings Pte. Ltd.			
⁽¹⁾ CDLHT Oceanic Ltd	British Virgin Islands	100	100
Subsidiary of CDLHT Oceanic Ltd			
⁽¹⁾ CDLHT Oceanic Two Ltd	British Virgin Islands	100	100
Subsidiary of CDLHT Oceanic Two Ltd			
⁽³⁾ CDLHT Oceanic Maldives Private Limited	Maldives	100	100
Subsidiary of CDLHT Hanei Two Pte. Ltd.			
⁽³⁾ CDLHT Hanei Tokutei Mokuteki Kaisha	Japan	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 GROUP ENTITIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the HBT Group and the Stapled Group	
		2016 %	2015 %
Subsidiaries of HBT			
⁽²⁾ CDL HBT Oceanic Holdings Pte. Ltd.	Singapore	100	100
⁽²⁾ CDL HBT Hanei Pte. Ltd.	Singapore	100	100
⁽²⁾ 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
Subsidiary of CDL HBT Oceanic Ltd			
⁽²⁾ CDL HBT Oceanic Two Ltd	British Virgin Islands	100	100
Subsidiary of CDL HBT Oceanic Two Ltd			
⁽³⁾ CDL HBT Oceanic Maldives Private Limited	Maldives	100	100
Subsidiary of CDL HBT Hanei Pte. Ltd.			
⁽³⁾ AKO GK	Japan	100	100
Subsidiary of CDL HBT Cambridge City Pte. Ltd.			
⁽³⁾ CDL HBT Cambridge City (UK) Ltd	England and Wales	100	100
Subsidiary of CDL HBT Cambridge City (UK) Ltd			
⁽³⁾ CDL HBT Cambridge City Hotel (UK) Ltd	England and Wales	100	100

⁽¹⁾ Not required to be audited under the laws of the country of incorporation/constitution.

⁽²⁾ Audited by KPMG LLP, Singapore.

⁽³⁾ Audited by other member firms of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS

32 COMPARATIVE FIGURES

As disclosed in Note 26, the HBT Group has finalised the fair values of assets and liabilities relating to the Acquisition during the year and the adjustments have been reflected in the comparative amounts presented in these financial statements. Accordingly, the statement of financial position, statement of profit or loss, statement of movements in unitholders' funds and statement of cash flows of the HBT Group and the statement of financial position, statement of total return, earnings per Stapled Security, statement of movements in unitholders' funds and statement of cash flows of the Stapled Group for the year ended 31 December 2015 have been restated as set out below.

	----- HBT Group -----			----- Stapled Group -----		
	As previously reported \$'000	Adjustment \$'000	As restated \$'000	As previously reported \$'000	Adjustment \$'000	As restated \$'000
Statement of financial position						
Deferred tax liabilities	–	7,545	7,545	10,514	7,545	18,059
Unitholders' funds	(1,309)	(7,545)	(8,854)	1,573,364	(7,545)	1,565,819
Net asset value per Unit/Stapled Security (\$)	(0.0013)	(0.0077)	(0.0090)	1.59	(0.01)	1.58
Statement of profit or loss of HBT Group/ Statement of total return of Stapled Group						
Depreciation, amortisation and impairment losses	1,049	7,775	8,824	7,455	7,775	15,230
Net income/(loss) before tax	(1,633)	(7,775)	(9,408)	59,340	(7,775)	51,565
Tax expense	(222)	32	(190)	(906)	32	(874)
Net income/(loss)/ Total return for the year	(1,855)	(7,743)	(9,598)	58,434	(7,743)	50,691
Earnings per Stapled Security (cents)						
- Basic				5.93	(0.78)	5.15
- Diluted				5.93	(0.78)	5.15
Statement of movements in unitholders' funds of HBT Group and Stapled Group						
(Decrease)/increase in net assets resulting from operations	(1,855)	(7,743)	(9,598)	58,434	(7,743)	50,691
Translation differences relating to financial statements of foreign subsidiaries	18	198	216	11,848	198	12,046
Statement of cash flows						
<i>Cash flows from operating activities</i>						
Net income/(loss) before tax	(1,633)	(7,775)	(9,408)	59,340	(7,775)	51,565
Impairment loss on goodwill	–	7,775	7,775	–	7,775	7,775

STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 3 March 2017

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 : 992,696,494 STAPLED SECURITIES

Size of Stapled Securities Holdings	No. of Stapled Securities Holders	%	No. of Stapled Securities	%
1 - 99	21	0.24	303	0.00
100 - 1,000	689	7.77	638,541	0.06
1,001 - 10,000	5,687	64.17	30,165,556	3.04
10,001 - 1,000,000	2,442	27.55	107,380,235	10.82
1,000,001 and above	24	0.27	854,511,859	86.08
	8,863	100.00	992,696,494	100.00

TWENTY LARGEST STAPLED SECURITIES HOLDERS

No.	Name	No. of Stapled Securities	%*
1	HOSPITALITY HOLDINGS PTE LTD	313,950,000	31.63
2	CITIBANK NOMINEES SINGAPORE PTE LTD	152,072,574	15.32
3	DBS NOMINEES PTE LTD	101,235,569	10.20
4	HSBC (SINGAPORE) NOMINEES PTE LTD	87,328,448	8.80
5	M&C REIT MANAGEMENT LIMITED	49,967,489	5.03
6	RAFFLES NOMINEES (PTE) LTD	49,931,347	5.03
7	BNP PARIBAS SECURITIES SERVICES	36,606,697	3.69
8	DBSN SERVICES PTE LTD	15,837,770	1.60
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,179,390	0.72
10	GUAN HONG PLANTATION PTE LTD	5,750,000	0.58
11	MILLENNIUM SECURITIES PTE LTD	4,000,000	0.40
12	DB NOMINEES (SINGAPORE) PTE LTD	3,715,010	0.37
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,327,200	0.34
14	OCBC SECURITIES PRIVATE LTD	3,250,100	0.33
15	MAYBANK KIM ENG SECURITIES PTE LTD	2,883,326	0.29
16	SOON LI HENG CIVIL ENGINEERING PTE LTD	2,800,000	0.28
17	ABN AMRO NOMINEES SINGAPORE PTE LTD	2,719,900	0.27
18	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	2,492,501	0.25
19	MEREN PTE LTD	2,300,000	0.23
20	UOB KAY HIAN PTE LTD	1,983,700	0.20
	TOTAL	849,331,021	85.56

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 3 March 2017

SUBSCRIPTION OF STAPLED SECURITIES IN CDL HOSPITALITY TRUSTS

As at 31 December 2016, 991,771,059 Stapled Securities were issued. On 26 January 2017, 925,435 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 2016 to 31 December 2016.

STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 3 March 2017

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 2017

Name of Director	Holdings
Wong Hong Ren	115,000
Vincent Yeo Wee Eng	115,000
Jenny Lim Yin Nee	NIL
Ronald Seah Lim Siang	NIL
Foo Say Mui (Bill)	NIL
Kenny Kim	NIL

SUBSTANTIAL STAPLED SECURITIES HOLDERS

as at 3 March 2017

Name	Direct Interest	Deemed Interest	Total Holdings	%*
Hospitality Holdings Pte. Ltd.	313,950,000	–	313,950,000	31.63
M&C REIT Management Limited	49,967,489	–	49,967,489	5.03
ATOS Holding AG	–	313,950,000 ⁽¹⁾	313,950,000	31.63
Millennium & Copthorne Hotels plc	–	363,917,489 ⁽²⁾	363,917,489	36.66
City Developments Limited	–	363,917,489 ⁽²⁾	363,917,489	36.66
Hong Leong Investment Holdings Pte. Ltd.	–	367,917,489 ⁽³⁾	367,917,489	37.06
Davos Investment Holdings Private Limited	–	367,917,489 ⁽³⁾	367,917,489	37.06
Kwek Holdings Pte Ltd	–	367,917,489 ⁽³⁾	367,917,489	37.06

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 3 March 2017

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 are deemed under Section 4 of the SFA to have an interest in the 363,917,489 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 367,917,489 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 2017, no less than 62.26% of the Stapled Securities in CDL Hospitality Trusts is held by the public and accordingly, Rule 723 of the Listing Manual of SGX-ST has been complied with.

INTERESTED PERSON TRANSACTIONS

The aggregate value of all Interested Person Transactions, as defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), which were entered into during the financial year ended 31 December 2016 ("**FY 2016**") (excluding transactions less than S\$100,000) are listed below.

Name of Interested Persons	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Stapled Security Holders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST)	Aggregate value of all Interested Person Transactions conducted under Stapled Security Holders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST (excluding transactions less than S\$100,000)
<u>City Developments Limited</u>		
- Rental expense in relation to Waterfront Plaza ⁽¹⁾	S\$719,000	Not Applicable ⁽³⁾
- Provision of Corporate Secretarial Services	S\$144,209	Not Applicable ⁽³⁾
<u>Republic Hotels & Resorts Limited</u>		
- Extension of the utilisation period in relation to Copthorne King's Hotel Singapore's balance furniture, fixtures and fittings reserves	S\$1,936,000	Not Applicable ⁽³⁾
- Rental income in relation to Waterfront Plaza ⁽¹⁾	S\$719,000 ⁽²⁾	Not Applicable ⁽³⁾
<u>Millennium & Copthorne Hotels New Zealand Limited</u>		
- Rental income in relation to Grand Millennium Auckland (previously known as Rendezvous Hotel Auckland)	S\$39,798,000	Not Applicable ⁽³⁾
<u>City Hotels Pte. Ltd.</u>		
- Extension of the utilisation period in relation to Orchard Hotel Singapore's balance furniture, fixtures and fittings reserves	S\$1,028,000	Not Applicable ⁽³⁾
- Shared services expense in relation to certain maintenance and service contracts between Orchard Hotel Singapore and Claymore Connect	S\$1,449,000	Not Applicable ⁽³⁾
Total:	S\$45,074,209	

Notes:

- (1) This relates to a lease agreement between H-REIT and City Developments Limited for the lease of units #01-01 and #01-02 of Waterfront Plaza which H-REIT has sub-let to Republic Hotels & Resorts Limited. Rental income received from Republic Hotels & Resorts Limited is thereafter paid to City Developments Limited as rental expense.
- (2) Not aggregated as no additional exposure due to back-to-back transaction relating to note (1) above.
- (3) The H-REIT Manager and the HBT Trustee-Manager have not sought any unitholders' mandate for interested person/party transactions pursuant to Rule 920 of the Listing Manual of SGX-ST.

Except as disclosed above, there were no additional interested person transactions (excluding transactions of less than \$100,000 each and/or transactions collectively described as "**Exempted Agreements**") entered into in FY 2016.

GLOSSARY PAGE

2012 Code	Code of Corporate Governance 2012
2017 AGMs	2017 Annual General Meetings
4 IDS	The four independent non-executive directors of the total six directors of the Board
ARC Self-Assessment Checklist	A self-assessment checklist which the ARC 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
ACRA	Accounting and Corporate Regulatory Authority
ACRA Code	Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities
Act	The Business Trusts Act, Chapter 31A of Singapore
ADR	Average Daily Rate
Annual Report	Annual Report 2016
ARCs	Audit and Risk Committees
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
BOD	Board of Directors
Brexit	Britain's withdrawal from the European Union
BTA	Business Trusts Act
BTR	Business Trusts Regulations
CAGR	Compound 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
F&B	Food and Beverage
FRS	Singapore Financial Reporting Standards
GDP	Gross Domestic Product
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

GLOSSARY PAGE

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	Initial Public Offering
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 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
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 Grand Millennium Auckland
NRCs	Nominating and Remuneration Committees
Property Funds Appendix	Appendix 6 of the Code on Collective Investment Schemes

GLOSSARY PAGE

RAP	Statement of Recommended Accounting Practice
RevPAR	Revenue per Available Room
RNA	Room Nights Available
RNS	Room Nights Sold
SGX	Singapore Exchange Limited
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 Mokuteki Kaisha
TOP	Temporary Occupation Permit
UK Hotel	Portfolio hotel located in the United Kingdom namely Hilton Cambridge City Centre
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 Waterfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663 on Wednesday, 26 April 2017 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 2016 and the Auditors' Report thereon. **(Ordinary Resolution 1)**

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 2)**

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolutions: **(Ordinary Resolution 3)**

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

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) (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 (as amended) (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;
- (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

NOTICE OF ANNUAL GENERAL MEETINGS

- (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 below)

AS OTHER BUSINESS

4. 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
30 March 2017

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:

1. (a) A Security Holder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meetings. Where such instrument appointing a proxy or proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.
- (b) A Security Holder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meetings, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Security Holder. Where such Security Holder's instrument appointing a proxy or proxies appoints more than two proxies, the number and class of Stapled Securities 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. 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.

NOTICE OF ANNUAL GENERAL MEETINGS

4. 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.
5. 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.
6. 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-Stapled Security, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Annual General Meetings.

Explanatory Note on 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 Annual General Meetings and/or any adjournment thereof, a Security Holder (i) consents to the collection, use and disclosure of the Security Holder's personal data by the Company (or its agents) for the purpose of the processing and administration by the H-REIT Manager and the HBT Trustee-Manager (or its agents) of proxies and representatives appointed for the Annual General Meetings (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meetings (including any adjournment thereof), and in order for the H-REIT Manager and the HBT Trustee-Manager (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 H-REIT Manager and the HBT Trustee-Manager (or its agents), the Security Holder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the H-REIT Manager and the HBT Trustee-Manager (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 Security Holder accepts and agrees to
the personal data privacy terms set out in the Notice
of Annual General Meetings dated 30 March 2017.

PROXY FORM

ANNUAL GENERAL MEETINGS

I/We _____

with 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 Waterfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663 on Wednesday, 26 April 2017 at 10.00 a.m. and at any adjournment thereof in the following manner as specified below. My/our proxy/proxies may vote or abstain from voting at his/their discretion on any of the resolutions where I/we have not specified any voting instruction, and on any other matter arising at the Annual General Meetings.

Note: Voting on all resolutions will be conducted by poll. If you wish to exercise 100% of your votes "For" or "Against" a resolution, please tick with (✓) in the corresponding box against that resolution. If you wish to split your votes, please indicate the number of votes "For" and/or "Against" that resolution.

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 2016 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.		

Dated this _____ day of _____ 2017

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 Security Holder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meetings. Where such instrument appointing a proxy or proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.
- (b) A Security Holder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meetings, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Security Holder. Where such Security Holder's instrument appointing a proxy or proxies appoints more than two proxies, the number and class of Stapled Securities 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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CDL Hospitality Trusts
 (a Stapled Group comprising CDL Hospitality Real Estate
 Investment Trust and CDL Hospitality Business Trust)

C/O The Unit Registrar
 M & C Services Private Limited
 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

Ronald Seah Lim Siang
Independent Non-Executive Director

Foo Say Mui (Bill)
Independent Non-Executive Director

Kenny Kim
Independent Non-Executive Director

AUDIT AND RISK COMMITTEE OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Jenny Lim Yin Nee (Chairman)
Ronald Seah Lim Siang
Foo Say Mui (Bill)

NOMINATING AND REMUNERATION COMMITTEE OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Ronald Seah Lim Siang (Chairman)
Wong Hong Ren
Foo Say Mui (Bill)

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: Lo Mun Wai,
appointment commenced from the audit of
the financial statements for the year ended
31 December 2016)

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)

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Singapore 169662

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