
CDL HOSPITALITY TRUSTS
ANNUAL REPORT 2019

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ABOUT CDL HOSPITALITY TRUSTS

CDL Hospitality Trusts ("**CDLHT**") is one of Asia's leading hospitality trusts with assets valued at S$2.85 billion as at 31 December 2019. It owns 19 properties, comprising 16 hotels [(1)] in Singapore, Australia, New Zealand, Japan, United Kingdom, Germany and Italy; two resorts in Maldives; and 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 5,089 rooms [(1)] and are operated by master lessees and hotel managers, which include reputable and/or international hotel groups such as Millennium Hotels and Resorts, AccorHotels, Hotel MyStays, Hilton Hotels and Resorts, Banyan Tree Hotels & Resorts and EVENT 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$2.0 billion as at 31 December 2019.

(1) Number includes Novotel Singapore Clarke Quay. On 23 January 2020, Stapled Security Holders approved the divestment of Novotel Singapore Clarke Quay for redevelopment and the acquisition of W Singapore – Sentosa Cove, both of which are expected to complete around the end of first half of 2020

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 19 properties, valued at S$2.85 billion as at 31 December 2019, with a total of 5,089 [(1) (2)] hotel rooms, comprising six hotels [(2)] and a retail mall in Singapore, three hotels in Australia, one hotel in New Zealand, two hotels in Japan, two hotels in United Kingdom, one hotel in Germany, one hotel in Italy and two resorts in Maldives.

	No. of Keys
SINGAPORE	**2,719**
Hotels ("Singapore Hotels")	
Orchard Hotel	656
Grand Copthorne Waterfront Hotel	574
M Hotel	415
Copthorne King's Hotel*	311
Studio M Hotel	360
Novotel Singapore Clarke Quay	403
Retail Mall	
Claymore Connect	N.A.
NEW ZEALAND ("NZ Hotel")	**452**
Grand Millennium Auckland	452
AUSTRALIA ("Australia Hotels")	**727**
Novotel Brisbane	296
Mercure Perth	239
Ibis Perth	192
MALDIVES ("Maldives Resorts")	**150**
Angsana Velavaru	113
Raffles Maldives Meradhoo	37
JAPAN ("Japan Hotels")	**255**
Hotel MyStays Asakusabashi	139
Hotel MyStays Kamata	116
UNITED KINGDOM ("UK Hotels")	**363**
Hilton Cambridge City Centre	198
The Lowry Hotel	165
GERMANY ("Germany Hotel")	**337**
Pullman Hotel Munich	337
ITALY ("Hotel Cerretani Firenze" or "Italy Hotel")	**86**
Hotel Cerretani Firenze – MGallery	86
TOTAL	**5,089**

* 310 rooms as at 31 December 2019

CDLHT's portfolio of quality hotels 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. CDLHT's only retail mall, Claymore Connect, is located in the main shopping belt of Singapore. 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, an upper upscale hotel, and The Lowry Hotel, a 5-star luxury hotel, are situated in prime locations in the heart of the city centre and within the vicinity of popular tourists' attractions of Cambridge and Manchester respectively. Pullman Hotel Munich, an upper upscale hotel, is located in close proximity to a major business park in Munich. Hotel Cerretani Firenze, a 4-star hotel, is located in the heart of the historic city centre of Florence in Italy. CDLHT's luxurious resorts in the Maldives, a top-tier premium destination with the exclusive "one-island-one-resort" concept, offers guests with two distinct experiences with the beachfront and water villas within one resort.

(1) 5,089 rooms as at 2 March 2020 (5,088 rooms as at 31 December 2019)
(2) Number includes Novotel Singapore Clarke Quay. On 23 January 2020, Stapled Security Holders approved the divestment of Novotel Singapore Clarke Quay for redevelopment and the acquisition of W Singapore – Sentosa Cove, both of which are expected to complete around the end of first half of 2020

All the properties, with the exception of Claymore Connect, Raffles Maldives Meradhoo, the Japan Hotels and the UK Hotels, are leased to external master lessees by H-REIT. Claymore Connect is leased directly to retail tenants by H-REIT. Raffles Maldives Meradhoo, the Japan Hotels and Hilton Cambridge City Centre are managed by hotel management companies. HBT is the asset owner of The Lowry Hotel and is currently responsible for the hotel's operations and management.

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, DPS 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 Limited ("**M&C**"), an international hotel owner and operator and a subsidiary of City Developments Limited, one of the largest property developers in Singapore. 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 divest acquired assets.
- Opportunities arising from divestment of assets by owners or developers.
- Opportunities to acquire under-performing assets with turnaround potential by implementing value-added strategies such as re-flagging, management change and asset enhancements.

CAPITAL AND RISK MANAGEMENT STRATEGY

The H-REIT Manager intends to use a combination of debt and/or 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.

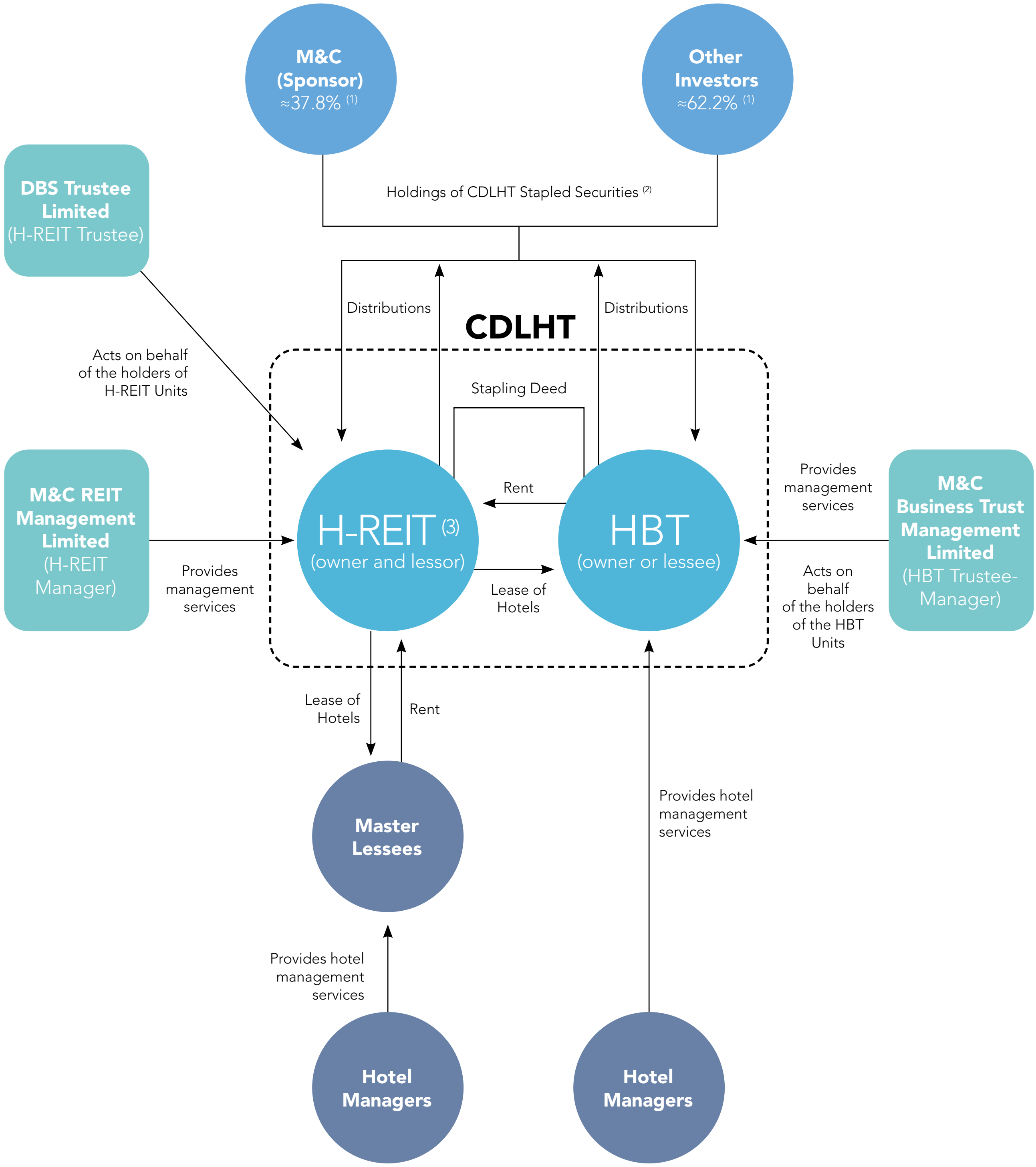
HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments, which may not be suitable for H-REIT.

The HBT Group currently acts as the master lessees for three of the properties in H-REIT's portfolio, namely Raffles Maldives Meradhoo, 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. It is also the asset owner and operator of The Lowry Hotel.

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 19 properties across eight countries.



(1) Holdings of Stapled Securities as at 2 March 2020
(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 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 as well as operates, manages or franchises a portfolio of over 130 hotels worldwide.

MILLENNIUM
HOTELS AND RESORTS

NORTH AMERICA
Anchorage
Avon
Boston
Boulder
Buffalo
Chagrin Falls
Chicago
Durham
Kissimmee
Los Angeles
Minneapolis
Nashville
New York
Scottsdale

EUROPE
Georgia
Tbilisi
France
Paris
Italy
Rome
United Kingdom
Aberdeen
Birmingham
Cardiff
Dudley
Gatwick
Glasgow
Liverpool
London
Manchester
Newcastle
Plymouth
Sheffield
Slough-Windsor
Turkey
Istanbul

MIDDLE EAST
United Arab Emirates (UAE)
Abu Dhabi
Dubai
Sharjah
Qatar
Doha
Kuwait
Al Jahra
Al Salmiya
Kuwait City
Iraq
Sulaymaniyah
Oman
Muscat
Mussanah
Salalah
Jordan
Amman
Saudi Arabia
Hail
Madinah
Makkah
Palestine
Ramallah

CHINA & TAIWAN
China
Beijing
Chengdu
Fuqing
Hangzhou
Shanghai
Wuxi
Wuyishan
Xiamen
Zunyi
Taiwan
Taichung
Taipei
Hualien
Hong Kong

REST OF ASIA
Singapore
Indonesia
Jakarta
Malaysia
Cameron Highlands
Kuala Lumpur
Penang
Thailand
Phuket
Philippines
Manila
Japan
Tokyo
South Korea
Seoul

NEW ZEALAND
Auckland
Bay of Islands
Dunedin
Greymouth
Hokianga
Masterton
New Plymouth
Palmerston North
Queenstown
Rotorua
Taupo
Te Anau
Wanganui
Wellington

FINANCIAL HIGHLIGHTS

STATEMENT OF TOTAL RETURN

	FY 2019 S$'000	FY 2018 S$'000	Variance
Net property income	141,162	146,054	-3.3%
Net income before fair value adjustment	76,412	88,562	-13.7%
Total distribution (before retention for working capital)	119,264	122,563	-2.7%
Total distribution (after retention for working capital)	109,389 (1)	111,603	-2.0%

BALANCE SHEET

Prudent capital management has resulted in a strong and flexible balance sheet for CDLHT. As at 31 December 2019, CDLHT's exposure to derivatives (2) represents a negligible percentage of its net assets and market capitalisation.

	As at 31 Dec 2019 S$'000	As at 31 Dec 2018 S$'000	Variance
Investment properties (3)	2,139,392	2,428,921	-11.9%
Property, plant and equipment	373,843	348,183	+7.4%
Non-current assets	2,524,910	2,788,672	-9.5%
Assets held for sale (4)	368,700	–	N.M.
Total assets	3,061,125	2,962,167	+3.3%
Borrowings (excludes lease liabilities) (5)	1,067,813	1,014,414	+5.3%
Net assets	1,862,487	1,855,322	+0.4%

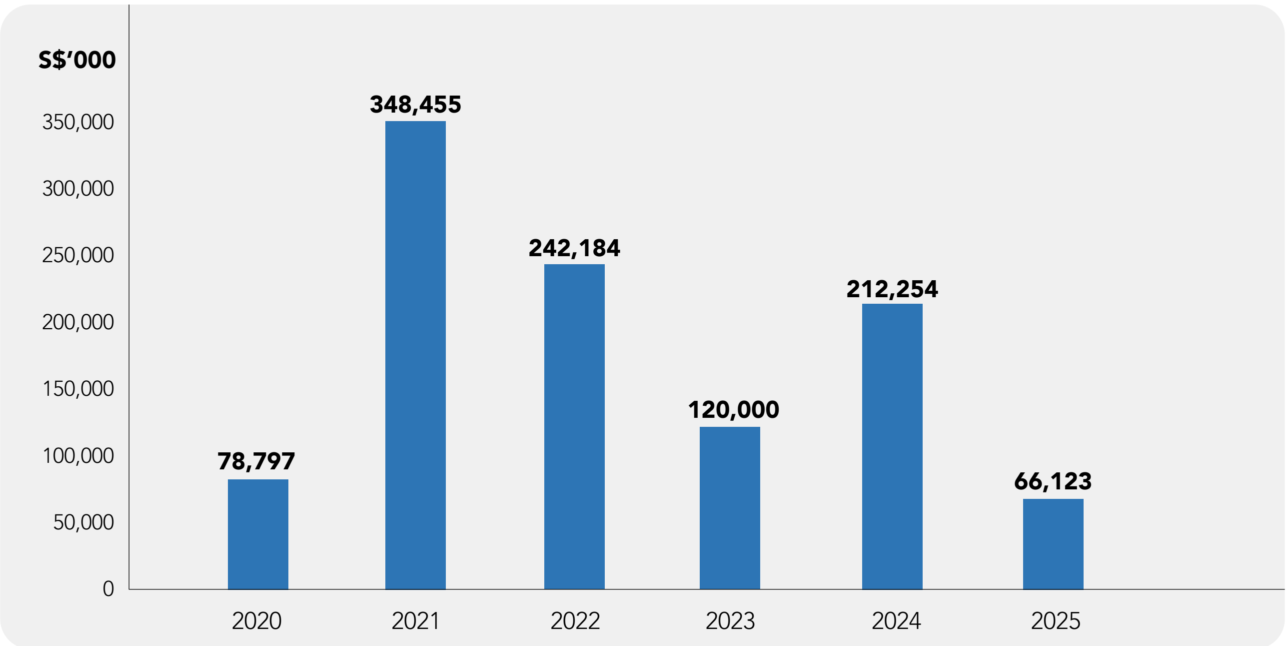
KEY FINANCIAL INDICATORS

	As at 31 Dec 2019	As at 31 Dec 2018	Variance
Gearing	35.4% (6)	34.2%	+1.2pp
Weighted average cost of debt	2.2%	2.4%	-0.1pp
Weighted average debt to maturity (years)	2.9	2.8	+0.1
Interest coverage ratio	6.1x	7.1x	-1.0x
Net asset value per unit (7)	S$1.52	S$1.53	-0.2%

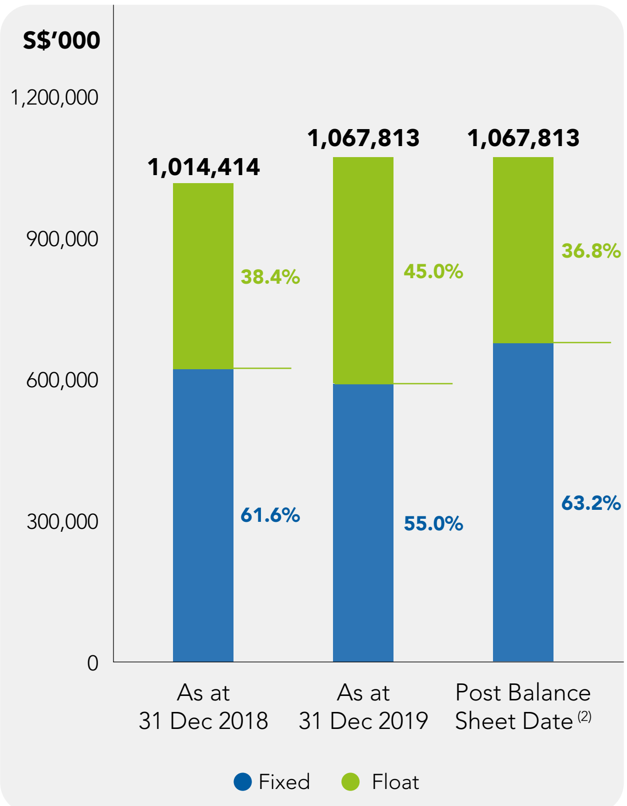
(1) The undistributed income of S$9,875,000 retained for working capital comprised solely of tax exempt income
(2) The fair value of the derivatives as at 31 December 2019 is disclosed under Note 11 on page 200 of the Annual Report
(3) All properties, excluding NCQ, Raffles Maldives Meradhoo, the Japan Hotels and the UK Hotels, are accounted for as Investment Properties
(4) On 21 November 2019, CDLHT announced the proposed divestment of NCQ. Accordingly, this investment property, valued at S$368.7 million, has been reclassified to assets held for sale
(5) The borrowings are presented before the deduction of unamortised transaction costs
(6) For purposes of gearing computation, the total assets exclude the FRS 116 / SFRS(I) 16 *Leases* (adopted wef 1 January 2019). Refer to Note 30 on page 240 of the Annual Report
(7) The number of Stapled Securities issued and to be issued as at 31 December 2019 was 1,216,632,022 as compared to 1,209,888,170 as at 31 December 2018

DEBT PROFILE OF CDLHT [1]

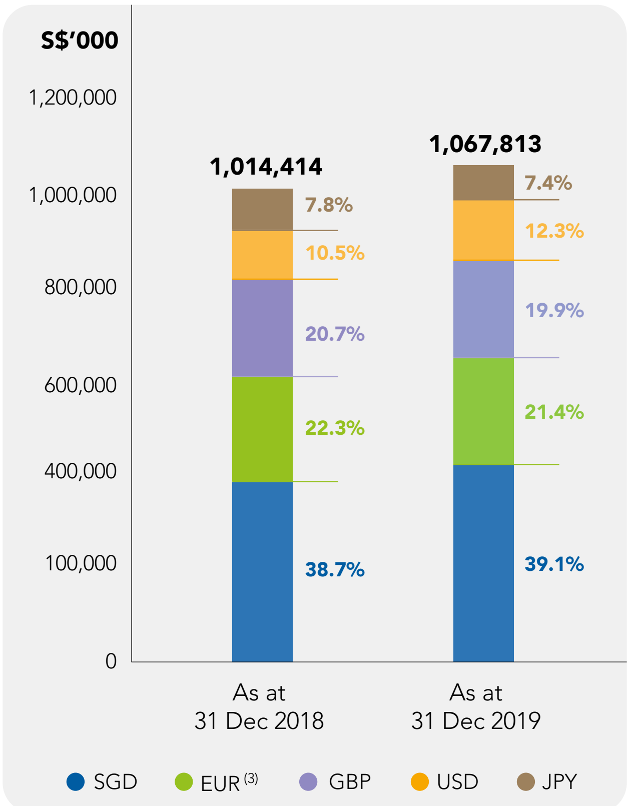
Debt Maturity Profile



Fixed-rate Versus Floating-rate Borrowings



Debt Currency Profile



(1) Excludes lease liabilities
(2) A US$65.0 million term loan was fixed via an interest rate swap in February 2020
(3) Includes term loans fixed via EUR/USD cross currency interest rate swaps, effective exposure is in EUR

CHAIRMAN'S STATEMENT

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 2019 ("**FY 2019**").

BUILDING A STRONG FOUNDATION FOR THE FUTURE

In FY 2019, our focus was to grow our portfolio and to invest in asset enhancement initiatives to optimise the potential of our assets. We also evaluated strategic opportunities to unlock the value of our assets.

We announced two pivotal transactions in November 2019 - the proposed redevelopment of Novotel Singapore Clarke Quay ("**NCQ**"), through its divestment and forward purchase of a brand new hotel at the redeveloped Liang Court Site [1], and the acquisition of W Singapore – Sentosa Cove ("**W Hotel**"). Both landmark transactions received approval with more than 99% voting in favour at the Extraordinary General Meetings held in January 2020 – I would like to thank Stapled Security Holders for your overwhelming support towards the future growth of CDLHT. Collectively, we will be investing close to S$800 million in two Singapore hotels, thereby strengthening our long term presence in Singapore. In divesting NCQ for an attractive premium over its original purchase price, we have also furthered our asset and capital management strategies of unlocking the value of our assets.

Aside from inorganic growth, we continue to focus on driving the performance of our hotels and ensuring that they remain competitive through strategic asset enhancement programmes. During FY 2019, our largest Singapore hotel, Orchard Hotel, completed its rejuvenation project and we also officially opened the first "Raffles" resort in the Maldives, after the resort's repositioning exercise.

Net property income ("**NPI**") for FY 2019 was S$141.2 million, 3.3% lower than the previous year, mainly due to major asset enhancement works at Raffles Maldives Meradhoo and Orchard Hotel, and disruption from renovation works in Angsana Velavaru (Maldives) in the second half of 2019. In addition, the absence of the meetings hosted during Singapore's Chairmanship of ASEAN and two major biennial events contributed to lower NPI for the Singapore Hotels during the first half of the year. The New Zealand, Australia, Japan and UK properties also saw lower contribution, in part due to the weaker currencies in some of these markets.

The collective decline was partially mitigated by the stronger performance of the Singapore Hotels in the second half of 2019 as well as inorganic contribution from Hotel Cerretani Firenze - MGallery and increased NPI for Pullman Hotel Munich.

Overall, total distribution to Stapled Securityholders (after retention for working capital) for FY 2019 was S$109.4 million and DPS was 9.02 cents, a decrease of 2.0% and 2.6% yoy respectively.

AWAY Spa Lounge, W Hotel

(1) Liang Court Site comprises NCQ, Liang Court mall and Somerset Liang Court Singapore ("**Liang Court Site**")

As at 31 December 2019, CDLHT's portfolio value stands at S$2.85 billion, the highest since our listing in July 2006 and translates to a 9.4% compound annual growth rate from IPO.

Our robust balance sheet and ample debt headroom puts us in a strong position to continue sourcing for acquisitions to enhance our returns to Stapled Security Holders. We will also continue to evaluate suitable divestment opportunities as they arise to unlock underlying asset values and/or recycle capital for better returns.

MARKET REVIEW AND OUTLOOK

As I write this message to Stapled Security Holders, the COVID-19 (also widely known as the coronavirus) outbreak is unfolding globally. Our Singapore Hotels had previously reported two consecutive quarters of RevPAR growth (highest quarterly yoy growth recorded since 2012) in the third and fourth quarter of 2019, which is suggestive of a sector recovery. However, hope of sustained growth is shortlived with this unexpected turn of events with China being the epicentre of the outbreak, which is having an adverse impact on Singapore and globally. Tourism and MICE demand is being badly affected and business and consumer confidence has also declined, the extent of which is dependent on the protraction of this situation [2]. The safety and comfort of our guests and staff is of utmost importance and we are actively monitoring the situation and ensuring that our portfolio of hotels is putting in place appropriate measures. In some of our portfolio markets such as Singapore, Italy and Maldives, which are more impacted, we will also pro-actively streamline costs to protect profitability. Where there is downtime, we will also strategically expedite ongoing refurbishment works to prepare for an eventual recovery.

(2) MTI, "MTI Downgrades 2020 GDP Growth Forecast to "-0.5 to 1.5 Per Cent"", 17 February 2020

CHAIRMAN'S STATEMENT

In 2019, total tourism arrivals to Singapore grew 3.3% yoy to a new high of 19.1 million [(3)], underpinned by increased air connectivity and Singapore Tourism Board's ("**STB**") continued marketing and trade cultivation efforts. Key feeder markets such as China, Indonesia, Australia, Philippines and USA have also reached record highs.

Since the COVID-19 outbreak reached Singapore shores in late January 2020, Singapore has seen a significant drop in visitor arrivals, particularly Chinese visitation due to travel restrictions imposed. Visitor arrivals from other key source markets are also expected to fall due to travel advisories and lower travel confidence globally. STB estimates visitor arrivals to fall by about 25% to 30% in 2020, but this estimate may change depending on how long the situation persists [(4)].

Although the COVID-19 global proliferation poses challenges to our business, it is important to look beyond this outbreak. While some events in 1H 2020, including biennial and inaugural, have been postponed due to the COVID-19 situation, the addition of new events is testament to STB's efforts in building a strong MICE pipeline. Looking further out, notable new events secured also include the 20th International Congress of Endocrinology 2022 (more than 4,000 expected attendees) and World Congress of Dermatology 2023 (15,000 expected attendees). The Singapore market has strong tourism fundamentals due to the robust pipeline of tourism products and offerings and diversity of the arrivals [(4)]. Singapore is well positioned for a recovery and we look forward to the containment of the COVID-19 and the resumption of travel confidence.

To support further visitation growth, Singapore continually invests in the expansion of its aviation infrastructure, such as the extensive makeover of Terminal 2 to increase passenger capacity and enhance passenger experience. With work progressing on a cornucopia of large scale tourism projects such as the Mandai Nature Precinct, the Jurong Lake District, the Sentosa-Brani masterplan, the rejuvenation of Orchard Road and the expansion of the Integrated Resorts, Singapore's destination attractiveness will also be enhanced.

On the supply front, Singapore hotel inventory is estimated to increase by 386 net rooms in 2020, representing approximately 0.6% of existing room stock [(5)]. Limited future supply growth is supportive for the hotel sector.

In New Zealand, total arrivals increased 0.7% yoy to 3.9 million for 2019 [(6)] but growing hotel supply is likely to result in an increasingly competitive trading environment. During January to March 2021, Auckland will host a major sporting event – the America's Cup sailing regatta and related challenger series, which is expected to drive hotel demand in the lead up to and during the event [(7)].

The Perth and Brisbane hospitality markets continue to experience competitive trading conditions from increased supply of new hotels. While our hotels were not damaged, the bushfires have ravaged large areas of the country. The defensive lease structure of our Australia Hotels will mitigate any downside risks in the hotels' performance.

In Japan, visitor arrivals grew 2.2% yoy to 31.9 million for 2019 [(8)]. The Japan-South Korea trade spat continues to weigh on Japan's economy and hospitality market, with visitor arrivals from South Korea, the second largest source market for Japan, declining 51.1% [(8)] yoy for 2H 2019. The implementation of sales tax hike has dampened consumer sentiment [(9)], while new supply in the limited service hotel sector in Tokyo and the rebound in number of alternative accommodation listings such as Airbnb [(10)] will also pose near term competitive pressure. Barring a more protracted COVID-19 spread in Japan, the Tokyo 2020 Olympics and Paralympics may provide some yielding opportunities for the Japan Hotels due to expected citywide demand compression.

Tourism arrivals was healthy in Maldives for 2019, driven mainly by growth in visitor arrivals from India and Europe [(11)]. The government is also stepping up efforts to boost tourism, with a recent proposal to increase the 2020 state budget for tourism promotion by close to 50% [(12)]. With the short term closure of borders to Chinese arrivals [(13)], which is Maldives' largest source market, due to the COVID-19 situation, coupled with new supply of resorts, trading conditions is likely to continue to remain highly competitive in the near term.

Visitor arrivals to UK increased 2.7% yoy to 38.9 million for 2019 [(14)] and is estimated to grow 2.9% yoy in 2020 [(15)]. However, uncertainty over the economic impact and trade deal with the European Union (EU) post Brexit may continue to pose headwinds to overall demand in UK. In the near term, both the Cambridge and Manchester markets will see an increase in hotel inventory.

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(3) STB
(4) Channel NewsAsia, "Singapore tourism to take 'significant hit' in 2020 due to coronavirus, up to 30% fewer visitors expected", 11 February 2020
(5) Based on STB, Horwath data (December 2019) and CDLHT research
(6) Statistics – Tourism New Zealand
(7) CBRE Valuation Report (Grand Millennium Auckland), 31 December 2019
(8) Japan National Tourism Organization
(9) Business Times, "Japan proceeds with twice-delayed sales tax hike as growth sputters", 1 October 2019
(10) Savills World Research Japan, "Spotlight Japan Hospitality", August 2019
(11) Ministry of Tourism, Republic of Maldives
(12) Maldives Insider, "Maldives proposes tourism marketing budget hike, allocates $9.98 mln for 2020", 6 November 2019
(13) Maldives Insider, "Maldives closes borders to Chinese arrivals", 2 February 2020
(14) Latest Monthly Data – VisitBritain
(15) VisitBritain


WET Pool and W Lawn – W Hotel

In continental Europe, moderation in economic growth is expected in both Germany and Italy [16]. Notwithstanding this, tourism demand in Munich remains healthy with total arrivals increasing 5.9% yoy to 8.8 million for 2019 [17] while total arrivals to Florence remains largely unchanged for YTD September 2019 [18]. Due to the cyclical nature of Munich's fair calendar, there will be fewer events for 1H 2020 but a robust line-up of events is expected in 2H 2020, barring any major negative spillover effects from the COVID-19 outbreak globally. As Italy has recently reported an escalating outbreak of the COVID-19 virus, it is expected that tourism demand in Florence will also be significantly affected.

STRENGTHENING LONG TERM PRESENCE IN SINGAPORE

We strongly believe in the long term value of hospitality real estate in Singapore and are pleased to secure two attractive opportunities to increase CDLHT's investment in our home market. With a visible runway of upcoming tourism infrastructure, it is also timely for us to prepare our portfolio to ride the long term growth trajectory of Singapore.

For the redevelopment of the 403-key NCQ, our primary objective was to retain CDLHT's presence on the Liang Court Site, where NCQ has immensely benefitted from its prized Clarke Quay location since we acquired it in 2007. By seizing a rare moment in time where all strata title owners of the Liang Court Site came to a consensus on the means to realise its redevelopment potential, we will be divesting NCQ this year for S$375.9 million, thereby realising an 87.0% premium over our original purchase price.

At the same time, we will acquire a turnkey lifestyle hotel with about 460 to 475 rooms in 2025 [19] for no higher than S$475.0 million, through leveraging on our parent company, City Developments Limited's ("**CDL**") renowned development capabilities. The pricing formula for the new hotel removes the development risk and protects the interests of Stapled Security Holders. The new hotel is part of a new iconic integrated development to be built on this site, which will be a prominent skyline addition to the Clarke Quay area. We are excited that the new hotel will be the first "Moxy" branded hotel in Singapore, which will add vibrancy to the hotel landscape. Indeed, it is timely that we will be trading an ageing hotel with a relatively short land lease for a brand new asset with a fresh 99-year land lease.

As proceeds from the divestment of NCQ will not be tied up during the development of the future hotel, we will be able to recycle capital for acquisitions or other uses. The acquisition of the 240-key W Hotel for S$324.0 million this year represents a rare opportunity to secure a high quality, luxury lifestyle hotel in the tightly-held Singapore market. W Hotel also stands to benefit from the major long-term transformation plans for Sentosa and Pulau Brani, which will significantly enhance Sentosa's position as a key tourism driver for Singapore. The addition of W Hotel will also preserve the majority Singapore weightage of CDLHT's portfolio and partially mitigate the absence of income from NCQ.

Collectively, these two transactions enable CDLHT to further penetrate the lifestyle hotel segment at multiple tiers and strengthen our presence in the Singapore hospitality market.

(16) International Monetary Fund, World Economic Outlook, October 2019
(17) München Tourismus
(18) Città Metropolitana Di Firenze
(19) Estimated timeline, subject to change

CHAIRMAN'S STATEMENT

WE STRONGLY BELIEVE IN THE LONG TERM VALUE OF HOSPITALITY REAL ESTATE IN SINGAPORE AND ARE PLEASED TO SECURE TWO ATTRACTIVE OPPORTUNITIES TO INCREASE CDLHT'S INVESTMENT IN OUR HOME MARKET.

OPTIMISING AND CREATING VALUE THROUGH ACTIVE ASSET MANAGEMENT

The Managers constantly review CDLHT's portfolio and continuously identify opportunities to enhance our assets' value and competitiveness through optimising the potential of our properties. This in turn improves the quality of our portfolio.

Orchard Hotel embarked on its refurbishment exercise covering its public areas, rooms in the Orchard Wing and meetings and events space in 2018 and was completed in mid-2019. The rejuvenated product has significantly enhanced overall guest experience and strengthened Orchard Hotel's competitive edge amidst various new hotel offerings in the market. Copthorne King's Hotel has started undergoing pipeworks and guest room refurbishment and should complete in mid-2020. Other asset enhancement opportunities in our Singapore Hotels are also being evaluated.

Looking overseas, Raffles Maldives Meradhoo was officially opened in September 2019. Under the iconic collection of Raffles Hotels and Resorts, the resort will compete at the top end of the Maldives luxury market. The resort will undergo a gestation period of a few years before reaching a normalised occupancy level as awareness of the resort is continually being built up through sales and marketing activities, where travel partners are visiting the resort first before actively promoting it into the market. We are also constructing a new Presidential Villa, which will increase the key count of the resort from 37 to 38. At Angsana Velavaru, a new main public pool was added during the year and 79 land villas are being renovated, of which more than half have been completed in end 2019. The incorporation of infinity pools into 24 of these villas will also strengthen the product offering. The aforementioned refurbishments are to help improve performance in the face of rising competition from new supply.

In UK, Hilton Cambridge City Centre's lounge bar was remodelled in FY 2019. To augment The Lowry Hotel's position as one of the top hotels in Manchester, there were upgrading works carried out during the year for the lobby and food & beverage outlets, as well as the refurbishment of five rooms to junior suites.

PRUDENT CAPITAL MANAGEMENT

As at 31 December 2019, CDLHT has a robust balance sheet with a gearing ratio of 35.4% and ample debt headroom of S$526.4 million [20]. We have also maintained our rating of BBB- on the Fitch Issuer Default Rating [21] with a strong interest cover of 6.1 times for FY 2019.

In the first half of 2019, we refinanced one of our revolving credit facilities, and in the second half of the year, the bridge loan drawn down for the acquisition of Hotel Cerretani Firenze and one of our SGD term loans were refinanced into 5-year fixed rate term loans [22]. In addition, a USD term loan was also refinanced upon its maturity in December 2019 with a 5-year floating rate term loan, and an interest rate swap was subsequently entered in February 2020 to fix the interest rate. Our weighted average cost of debt continues to be low at 2.2% per annum while our floating rate risk is well managed with 36.8% of our borrowings being floating rate loans [23].

SUSTAINABILITY REPORTING

In the past year, global issues such as climate change, waste management and resource scarcity have garnered significant public interest. We are pleased to showcase our efforts under the Sustainability Reporting requirements and to present our Sustainability Report for FY 2019 on pages 113 to 127 of this Annual Report. We increased our engagement with master lessees and hotel managers at CDLHT's assets and have expanded the scope of our report this year to include more of our overseas assets to enhance the transparency of the impact of our sustainability practices across our portfolio.

We remain committed to encouraging the best Environmental, Social and Governance ("**ESG**") practices for continued long term growth and enhancement of portfolio value for our stakeholders.

(20) Assuming gearing limit of 45.0%
(21) The rating is based on a release issued by Fitch Ratings on 28 June 2019 for H-REIT
(22) The bridge loan relating to the acquisition of Hotel Cerretani Firenze was refinanced into a 5-year fixed rate term loan via a EUR/USD cross currency interest rate swap
(23) Post fixing of the USD term loan in February 2020

AWARDS AND ACCOLADES

In the Singapore Governance and Transparency Index 2019 – REIT and Business Trust Category, CDLHT ranked tenth amongst 46 trusts with a slight improvement in scoring, reflecting our ongoing endeavours to ensure and improve transparency of information, proper business practices and sound corporate governance.

As a testament to the quality of our assets, a number of our hotels have continued to be recognised as a preferred choice for travellers and guests in 2019. For instance, Hua Ting Restaurant at Orchard Hotel, which has been a celebrated stalwart in the Chinese fine dining scene for over two decades, received notable accolades including The Michelin Plate 2019 under The Michelin Guide Singapore and the conferment of One Star under Wine & Dine Singapore's Top Restaurants.

Hua Ting Restaurant, Orchard Hotel

APPRECIATION

I would like to take this opportunity to express my heartfelt gratitude to my fellow members of the Boards for their invaluable advice, and the management and staff of the Managers and the H-REIT Trustee for their indefatigable dedication and contribution to CDLHT. On behalf of the Boards and management team, I would also like to take this opportunity to thank our lessees, hotel operators, business partners and service providers from around the world for their continued support to CDLHT. Finally, I would also thank our Stapled Security Holders for the trust in and steadfast support for us.

I look forward to meeting our Stapled Security Holders at our annual general meetings on 23 April 2020.

Chan Soon Hee, Eric

Chairman
Dated as of 2 March 2020

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

Orchard Hotel

SUMMARY OF OUR PORTFOLIO

NUMBER OF PROPERTIES

As at 31 December 2019

16 Hotels, 2 Resorts and 1 Retail Mall

Grand Copthorne Waterfront Hotel

M Hotel

Copthorne King's Hotel

Studio M Hotel

Novotel Singapore Clarke Quay (1)

Claymore Connect

Hotel MyStays Asakusabashi

Hotel MyStays Kamata

(1) On 23 January 2020, Stapled Security Holders approved the divestment of NCQ for redevelopment and the acquisition of W Hotel, both of which are expected to complete around the end of first half of 2020

Novotel Brisbane

Mercure Perth

Ibis Perth

Angsana Velavaru

NUMBER OF ROOMS

As at 2 March 2020

5,089 (1)

VALUATION OF ASSETS

As at 31 December 2019

S$2.85 billion

Grand Millennium Auckland

Raffles Maldives Meradhoo

Hilton Cambridge City Centre

The Lowry Hotel

Pullman Hotel Munich

Hotel Cerretani Firenze

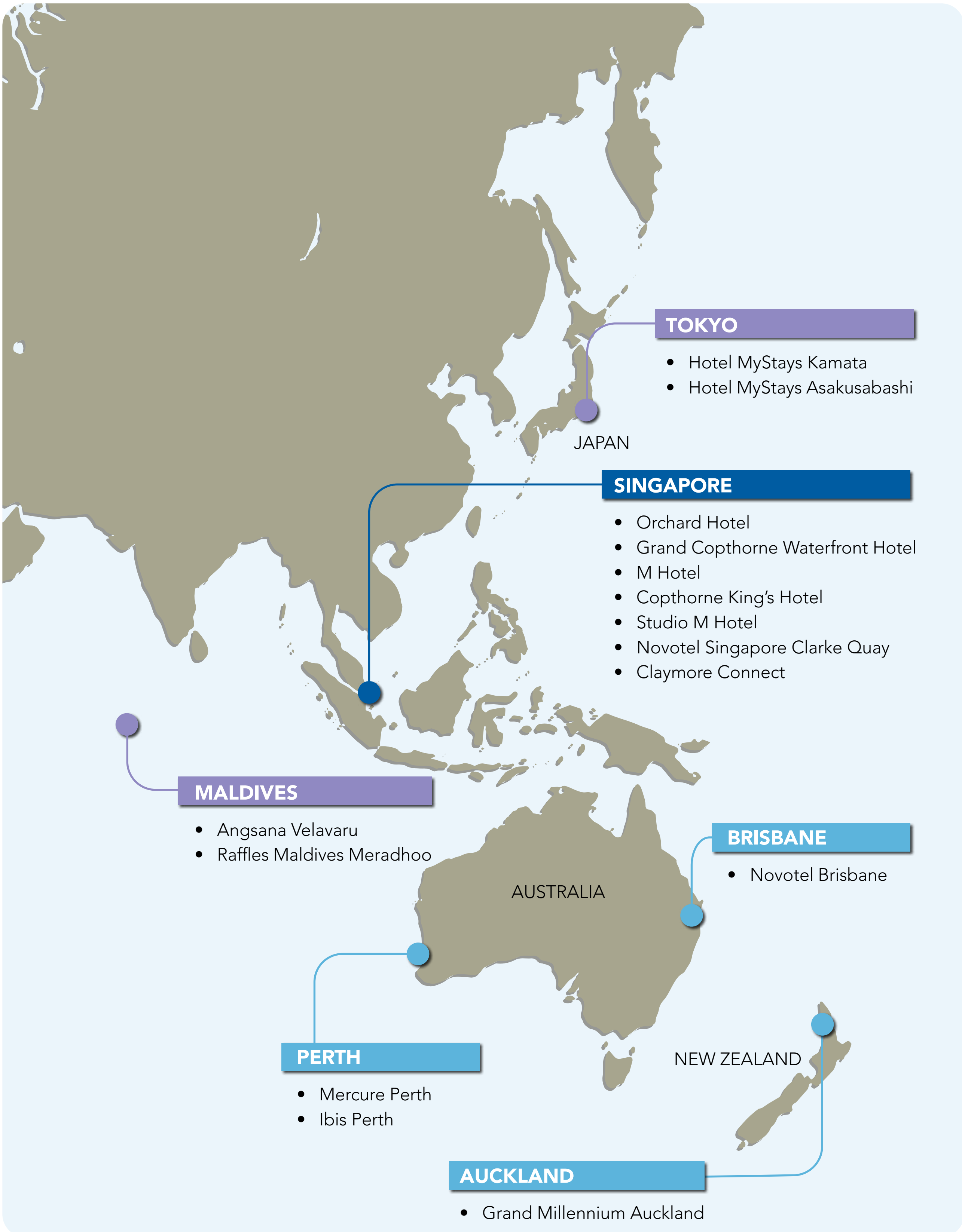
(1) 5,088 rooms as at 31 December 2019

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

GEOGRAPHICAL SPREAD OF ASSETS UNDER MANAGEMENT

As at 31 December 2019

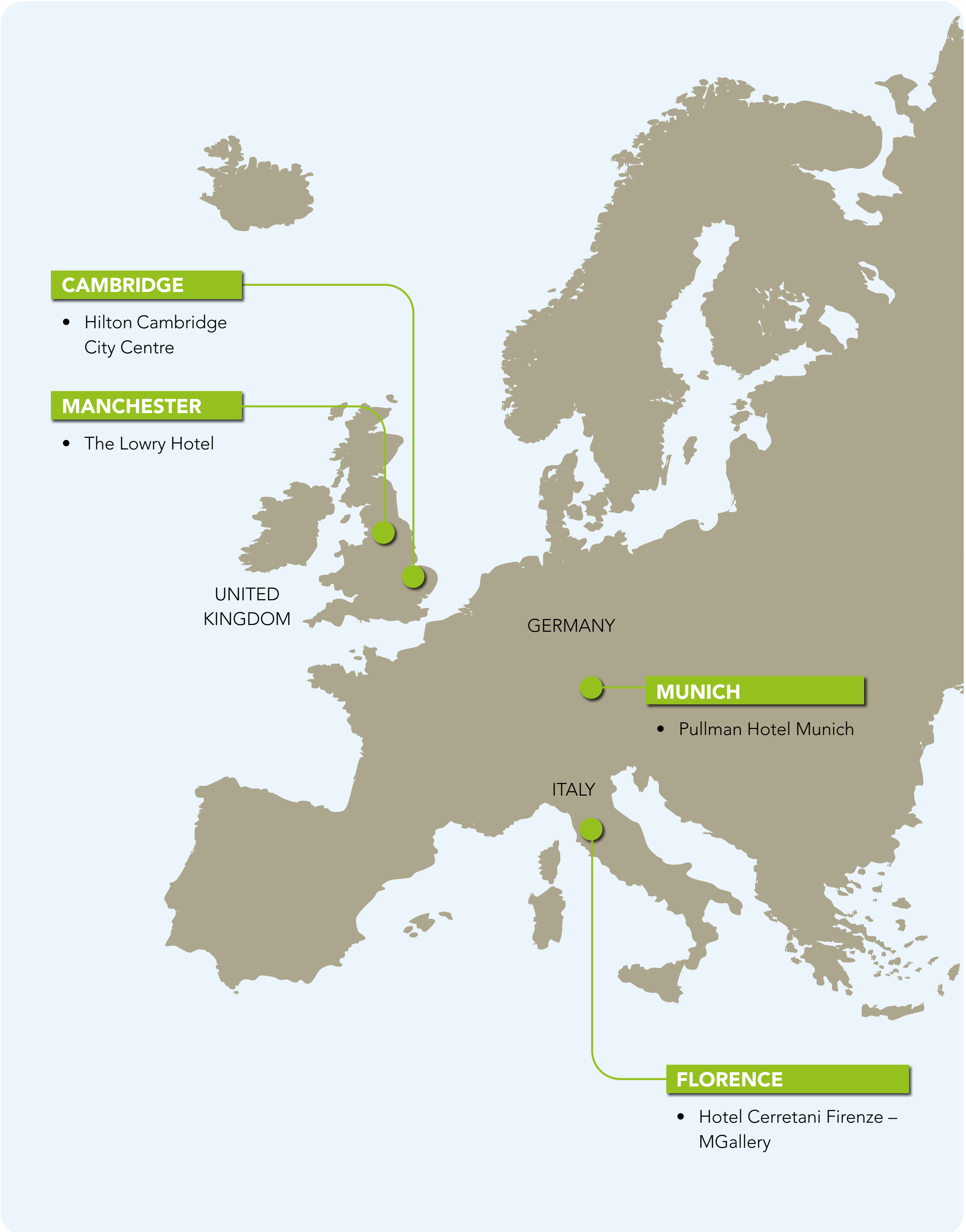
ASIA & OCEANIA



GEOGRAPHICAL SPREAD OF ASSETS UNDER MANAGEMENT

As at 31 December 2019

EUROPE



PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

KEY PROPERTY DETAILS

Summary details of CDLHT's properties are as follows:

	No. of Rooms	Title
SINGAPORE		
Orchard Hotel	656	75-year leasehold interest commencing 19 Jul 2006
Grand Copthorne Waterfront Hotel	574	
M Hotel	415	
Copthorne King's Hotel	311 (2)	99-year leasehold interest commencing 1 Feb 1968
Studio M Hotel	360	99-year leasehold interest commencing 26 Feb 2007
Novotel Singapore Clarke Quay (3)	403	97 years and 30 days leasehold interest commencing 2 Apr 1980
Claymore Connect	N.A.	75-year leasehold interest commencing 19 Jul 2006
NEW ZEALAND		
Grand Millennium Auckland	452	Freehold
AUSTRALIA		
Novotel Brisbane	296	Strata Volumetric Freehold
Mercure Perth	239	Strata Freehold
Ibis Perth	192	Freehold
MALDIVES		
Angsana Velavaru	113	50-year leasehold interest commencing 26 Aug 1997
Raffles Maldives Meradhoo	37	50-year leasehold interest commencing 15 Jun 2006
JAPAN		
Hotel MyStays Asakusabashi	139	Freehold
Hotel MyStays Kamata	116	Freehold
UNITED KINGDOM		
Hilton Cambridge City Centre	198	125-year leasehold interest commencing 25 Dec 1990
The Lowry Hotel	165	150-year leasehold interest commencing 18 Mar 1997
GERMANY		
Pullman Hotel Munich (5)	337	Freehold
ITALY		
Hotel Cerretani Firenze - MGallery (6)	86	Freehold

(1) All properties were valued as at 31 December 2019. Novotel Singapore Clarke Quay was valued by Colliers International Consultancy & Valuation (Singapore) Pte Ltd as at 15 October 2019 for the purpose of the proposed divestment and the valuer opined that the valuation remained unchanged as at 31 December 2019
(2) 310 rooms as at 31 December 2019
(3) Divestment is expected to be complete around the end of first half of 2020
(4) 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)
(5) On the basis of a 100.0% interest. CDLHT owns an effective interest of 94.5% in Pullman Hotel Munich
(6) On the basis of a 100.0% interest. CDLHT owns an effective interest of 95.0% in Hotel Cerretani Firenze

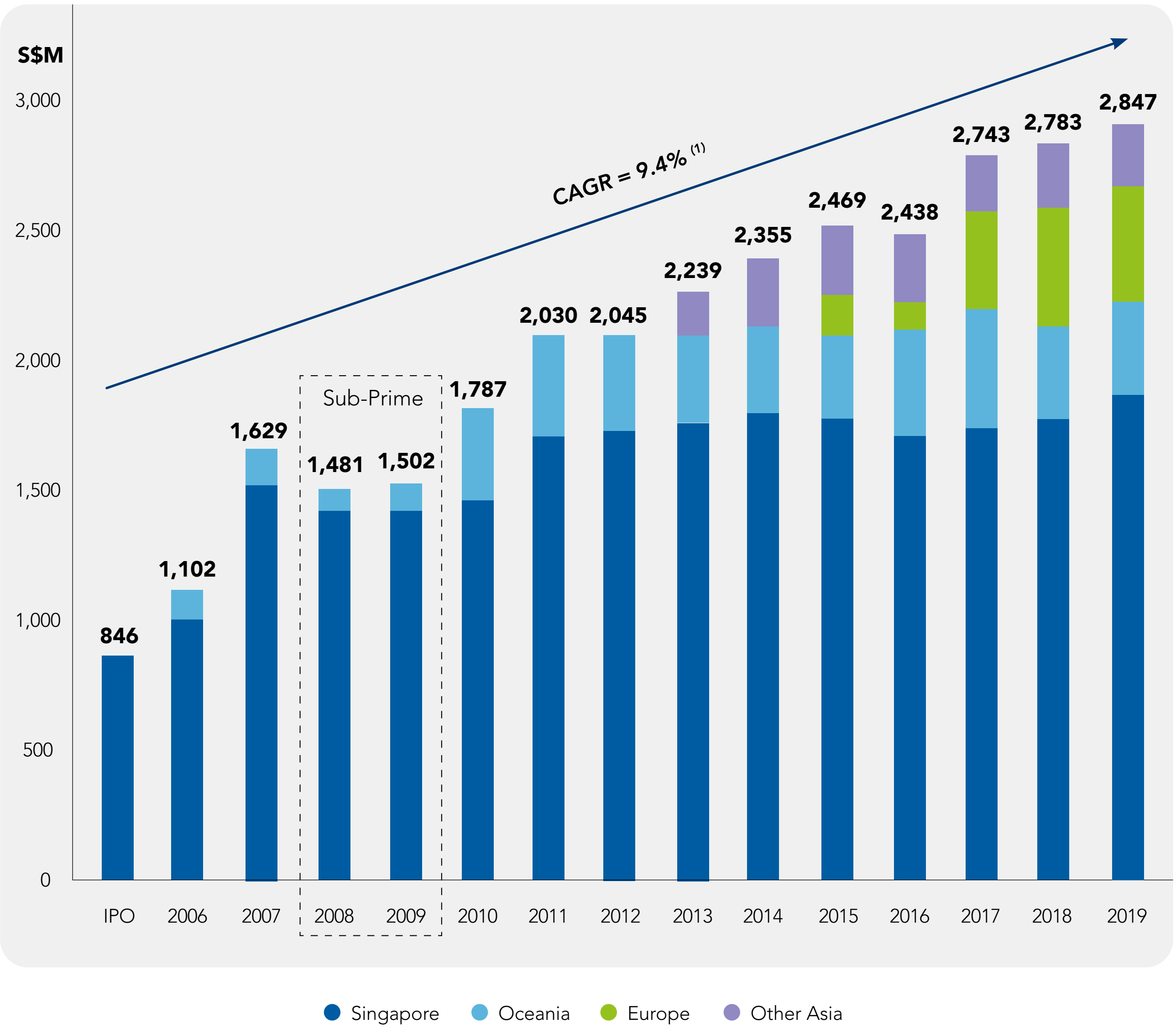
Remaining Term of Land Lease	Date of Acquisition	Purchase Price in Millions	Valuation in Millions (1)
	19 Jul 2006	S$330.1	S$466.0
62 years	19 Jul 2006	S$234.1	S$370.0
	19 Jul 2006	S$161.5	S$245.0
47 years	19 Jul 2006	S$86.1	S$120.0
86 years	3 May 2011	S$154.0	S$173.0
57 years	7 Jun 2007	S$201.0	S$368.7
62 years	19 Jul 2006	S$34.5	S$93.8
–	19 Dec 2006	NZ$113.0	NZ$222.5
–	18 Feb 2010	A$63.5	A$73.0
–	18 Feb 2010	A$36.2	A$48.0
–	18 Feb 2010	A$21.6	A$31.0
28 years	31 Jan 2013	US$71.0	US$57.6
36 years	31 Dec 2013	US$59.6	US$45.0
–	19 Dec 2014	¥3,200	¥4,080
–	19 Dec 2014	¥2,600	¥2,850
96 years (4)	1 Oct 2015	£61.5	£63.4
127 years	4 May 2017	£52.5	£52.1
–	14 Jul 2017	€104.7	€115.7
–	27 Nov 2018	€42.7	€43.9

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

PORTFOLIO VALUATION

As at 31 December 2019, the valuation of CDLHT's portfolio value registered a 2.3% increase to S$2.85 billion. This was mainly due to higher valuation of the Singapore and Japan properties. This was offset mainly by lower valuations from the Maldives and New Zealand properties as a result of a more competitive trading environment and negative currency translation for the Australia, Germany and Italy properties.

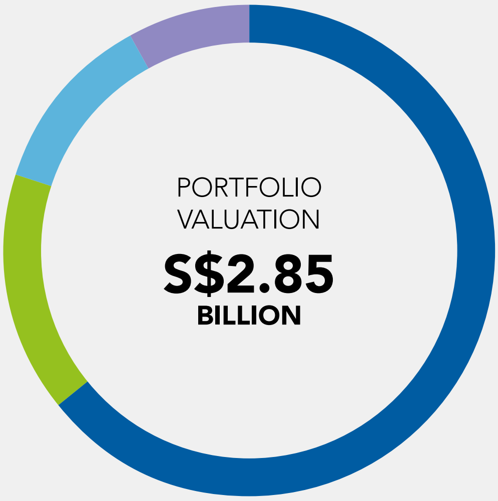
Since IPO till 31 December 2019, the portfolio value of CDLHT has increased from S$0.85 billion to S$2.85 billion, representing a CAGR of 9.4%.



(1) CAGR from IPO to 31 December 2019

PORTFOLIO VALUATION BY GEOGRAPHY AND PROPERTIES

As at 31 December 2019



SINGAPORE PORTFOLIO 64.5%

Singapore	**64.5%**
Orchard Hotel	16.4%
Grand Copthorne Waterfront Hotel	13.0%
Novotel Singapore Clarke Quay	12.9%
M Hotel	8.6%
Studio M Hotel	6.1%
Copthorne King's Hotel	4.2%
Claymore Connect	3.3%

OCEANIA PORTFOLIO 12.1%

New Zealand	**7.0%**
Grand Millennium Auckland	7.0%
Australia	**5.0%**
Novotel Brisbane	2.4%
Mercure Perth	1.6%
Ibis Perth	1.0%

EUROPE PORTFOLIO 15.6%

United Kingdom	**7.1%**
Hilton Cambridge City Centre	3.9%
The Lowry Hotel (Manchester)	3.2%
Germany (1)	**6.1%**
Pullman Hotel Munich	6.1%
Italy (2)	**2.3%**
Hotel Cerretani Firenze	2.3%

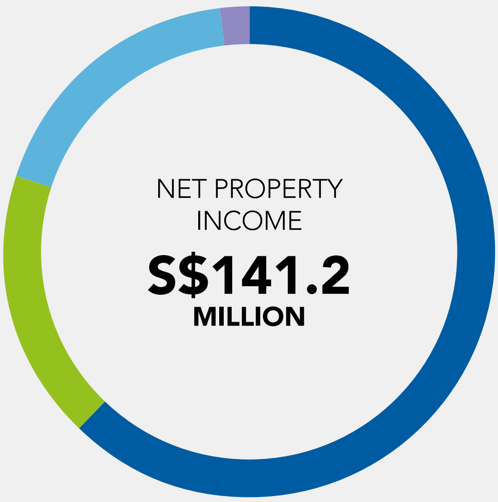
OTHER ASIA PORTFOLIO 7.9%

Maldives	**4.9%**
Angsana Velavaru	2.7%
Raffles Maldives Meradhoo	2.1%
Japan	**3.0%**
MyStays Asakusabashi	1.8%
MyStays Kamata	1.2%

(1) On the basis of a 100% interest. CDLHT owns an effective interest of 94.5% in Pullman Hotel Munich
(2) On the basis of a 100% interest. CDLHT owns an effective interest of 95.0% in Hotel Cerretani Firenze

NET PROPERTY INCOME BY GEOGRAPHY AND PROPERTIES

For FY 2019



SINGAPORE PORTFOLIO 62.3%

Singapore	**62.3%**
Novotel Singapore Clarke Quay	15.1%
Orchard Hotel	12.9%
Grand Copthorne Waterfront Hotel	12.0%
M Hotel	8.7%
Studio M Hotel	5.4%
Copthorne King's Hotel	4.6%
Claymore Connect	3.6%

EUROPE PORTFOLIO 18.0%

United Kingdom	**9.0%**
Hilton Cambridge City Centre	5.4%
The Lowry Hotel (Manchester)	3.5%
Germany	**7.0%**
Pullman Hotel Munich	7.0%
Italy	**2.0%**
Hotel Cerretani Firenze	2.0%

OCEANIA PORTFOLIO 18.0%

New Zealand	**11.6%**
Grand Millennium Auckland	11.6%
Australia	**6.5%**
Novotel Brisbane	3.3%
Mercure Perth	1.9%
Ibis Perth	1.2%

OTHER ASIA PORTFOLIO 1.8%

Japan	**2.7%**
MyStays Asakusabashi	1.5%
MyStays Kamata	1.2%
Maldives	**N.M.**
Angsana Velavaru	4.6%
Raffles Maldives Meradhoo (1)	N.M.

(1) The resort was closed for renovations works from June 2018 and reopened in end September 2019

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

Food Capital, Grand Copthorne Waterfront Hotel

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

For FY 2019

CDLHT had 42 tenants in total for properties that were leased out in FY 2019: 10 for the hotel properties, 21 for Claymore Connect and 11 for the retail/office component of Pullman Hotel Munich. The top 10 tenants contributed to 94.0% of the total gross rental income for properties with leases.

		S$'000	% of Total Gross Rental Income
1	Republic Hotels & Resorts Limited	25,103	17.7%
2	AAPC Clarke Quay Hotel Pte. Ltd.	22,339	15.7%
3	City Hotels Pte. Ltd.	19,635	13.8%
4	Hospitality Services Limited	16,320	11.5%
5	Harbour View Hotel Pte. Ltd.	13,130	9.2%
6	UP Hotel Operations GmbH & Co. KG	10,025	7.1%
7	HI Operations Pty Ltd.	9,139	6.4%
8	Republic Iconic Hotel Pte. Ltd.	8,091	5.7%
9	Maldives Bay Pvt Ltd	6,660	4.7%
10	FC Operations Hotel SRL	3,000	2.1%

● Hotels

(1) Does not include properties without leases, namely Raffles Maldives Meradhoo, Hotel MyStays Asakusabashi, Hotel MyStays Kamata, Hilton Cambridge City Centre and The Lowry Hotel

LEASE EXPIRY PROFILE AND TENANT MIX BY GROSS RENTAL INCOME FOR PROPERTIES WITH LEASES [1]

For FY 2019

94.0% of CDLHT's gross rental income for FY 2019 was attributed to hotel properties and the remaining 6.0% was attributed to Claymore Connect and the retail/office component of Pullman Hotel Munich. 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 Gross Rental Income
Singapore IPO Hotels	20 years from 19 Jul 2006 with an option to renew for another 20 years	2026	40.7%
Novotel Singapore Clarke Quay	Lease commenced from 7 Jun 2007 and will terminate on 23 April 2020 due to the divestment of the hotel. Refer to Page 27 for further details.	2020	15.7%
Grand Millennium Auckland	First 3-year term expired on 6 September 2019; lease provides for two 3-year renewal terms – lease renewed for second 3-year term from 7 September 2019, expiring 6 September 2022	2022	11.5%
Pullman Hotel Munich	Hotel: 20 years from 14 Jul 2017 expiring 13 Jul 2037	2037	7.1%
	Retail/office: Range of lease terms - for details on lease expiry profile, refer to page 85		0.8%
Australia Hotels	Approximately 11 years from 19 Feb 2010 expiring 30 Apr 2021	2021	6.4%
Studio M Hotel	20 years from 3 May 2011 with options to renew for three consecutive additional terms of 20 years + 20 years + 10 years	2031	5.7%
Claymore Connect	Range of lease terms - for details on lease expiry profile, refer to Page 67		5.3%
Angsana Velavaru	10 years from 1 Feb 2013 expiring 31 Jan 2023	2023	4.7%
Hotel Cerretani Firenze	20 years from 27 November 2018 expiring 26 November 2038	2038	2.1%

Weighted Average Lease Expiry	
Hotel Properties (All hotel leases)	5.9 years [3]
Hotel Properties (All hotel leases excluding NCQ)	7.0 years [3]
All retail/office leases	1.8 years [4]
New retail leases	1.7 years [4]

The weighted average lease expiry are shown separately for the retail/office leases versus hotel leases as the nature and profile of these leases differ and separate disclosures are more meaningful.

In 2020, NCQ will be divested and its lease will be terminated on 23 April 2020 (Refer to Page 27 for further details). As such, a separate disclosure for the weighted average lease expiry of the hotel properties excluding NCQ is disclosed on a historical pro forma basis. In FY 2019, all the new leases entered into relates to Claymore Connect and represent only 0.04% [5] of total gross rental income for the year.

(1) Does not include properties without leases, namely Raffles Maldives Meradhoo, Hotel MyStays Asakusabashi, Hotel MyStays Kamata, Hilton Cambridge City Centre and The Lowry Hotel
(2) Expiry does not take into consideration the tenure under the extension options
(3) Based on FY 2019 actual gross rental income
(4) 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 all retail/office leases and the new retail leases are 2.1 years and 1.0 years respectively
(5) Computed based on gross rental income of new leases entered into at Claymore Connect in FY 2019 as a percentage of gross rental income of all properties with leases for FY 2019

YEAR IN REVIEW

PERFORMANCE BY COUNTRY AND PROPERTY

	FY 2019 S$'000	FY 2018 S$'000	Variance	FY 2019 S$'000	FY 2018 S$'000	Variance
PROPERTIES WITH LEASES	**Gross Rental Revenue**			**Net Property Income**		
Singapore	**95,804**	**96,266**	**-0.5%**	**87,880**	**87,445**	**0.5%**
Singapore Hotels	***88,298***	***88,706***	***-0.5%***	***82,860***	***82,121***	***0.9%***
Orchard Hotel	19,635	20,086	-2.2%	18,276	18,597	-1.7%
Grand Copthorne Waterfront Hotel	18,174	18,167	0.0%	16,917	16,908	0.1%
M Hotel	13,130	13,456	-2.4%	12,250	12,457	-1.7%
Copthorne King's Hotel	6,929	7,609	-8.9%	6,461	6,260	3.2%
Studio M Hotel	8,091	7,234	11.8%	7,661	6,857	11.7%
Novotel Singapore Clarke Quay	22,339	22,154	0.8%	21,295	21,042	1.2%
Singapore Retail	***7,506***	***7,560***	***-0.7%***	***5,020***	***5,324***	***-5.7%***
Claymore Connect	7,506	7,560	-0.7%	5,020	5,324	-5.7%
Australia	**9,139**	**9,832**	**-7.0%**	**9,139**	**9,832**	**-7.0%**
Mercure Brisbane (1) *(Divested in January 2018)*	-	75	-100.0%	-	75	-100.0%
Ibis Brisbane (1) *(Divested in January 2018)*	-	50	-100.0%	-	50	-100.0%
Novotel Brisbane	4,695	4,987	-5.9%	4,695	4,987	-5.9%
Ibis Perth	1,761	1,870	-5.8%	1,761	1,870	-5.8%
Mercure Perth	2,683	2,850	-5.9%	2,683	2,850	-5.9%
New Zealand	**16,320**	**17,831**	**-8.5%**	**16,320**	**17,831**	**-8.5%**
Grand Millennium Auckland	16,320	17,831	-8.5%	16,320	17,831	-8.5%
Maldives	**6,660**	**8,089**	**-17.7%**	**6,423**	**7,115**	**-9.7%**
Angsana Velavaru	6,660	8,089	-17.7%	6,423	7,115	-9.7%
Germany	**11,092**	**10,908**	**1.7%**	**9,862**	**9,747**	**1.2%**
Pullman Hotel Munich	11,092	10,908	1.7%	9,862	9,747	1.2%
Italy	**3,000**	**207**	**N.M.**	**2,818**	**118**	**N.M.**
Hotel Cerretani Firenze (2)	3,000	207	N.M.	2,818	118	N.M.
Sub-Total	**142,015**	**143,133**	**-0.8%**	**132,442**	**132,088**	**0.3%**
MANAGED PROPERTIES (3)	**Gross Hotel Revenue**			**Net Property Income**		
Maldives	**3,070**	**4,724**	**-35.0%**	**(7,735)**	**(3,690)**	**N.M.**
Raffles Maldives Meradhoo	3,070	4,724	-35.0%	(7,735)	(3,690)	N.M.
Japan	**9,411**	**9,708**	**-3.1%**	**3,792**	**4,852**	**-21.8%**
Hotel MyStays Asakusabashi	5,324	5,580	-4.6%	2,140	2,809	-23.8%
Hotel MyStays Kamata	4,087	4,127	-1.0%	1,652	2,043	-19.1%
United Kingdom	**42,376**	**44,238**	**-4.2%**	**12,663**	**12,804**	**-1.1%**
Hilton Cambridge City Centre	19,918	20,827	-4.4%	7,658	7,652	0.1%
The Lowry Hotel	22,458	23,411	-4.1%	5,006	5,152	-2.8%
Sub-Total	**54,857**	**58,670**	**-6.5%**	**8,720**	**13,966**	**-37.6%**
Total Portfolio	**196,872**	**201,803**	**-2.4%**	**141,162**	**146,054**	**-3.3%**

(1) As Mercure Brisbane and Ibis Brisbane were divested on 11 January 2018, the gross revenue and NPI for FY 2018 include only contribution from 1 January 2018 to 11 January 2018
(2) As Hotel Cerretani Firenze was acquired on 27 November 2018, the gross revenue and NPI for FY 2018 include only contribution from 27 November 2018 to 31 December 2018
(3) These are properties with management contracts, with the exception of The Lowry Hotel which is self-managed


Premier Club Lounge, Orchard Hotel

REVIEW OF FINANCIAL PERFORMANCE

CDLHT recorded total revenue of S$196.9 million in FY 2019, 2.4% lower as compared to FY 2018. Major asset enhancement works conducted at three properties, Raffles Maldives Meradhoo (closed from June 2018 to September 2019), Orchard Hotel and Angsana Velavaru, affected the overall portfolio performance due to disruption. Coupled with a decrease in contribution from some overseas markets (in part due to weaker currencies), the collective decline was S$7.9 million. This was partially offset by the collective increase in revenue of S$3.0 million from the recognition of a full year's contribution for Hotel Cerretani Firenze and higher contribution from Pullman Hotel Munich.

Accordingly, total NPI for FY 2019 decreased by 3.3% to S$141.2 million. Total distribution to Stapled Security Holders (after retention for working capital) and DPS for FY 2019, decreased by 2.0% yoy to S$109.4 million and 2.6% yoy to 9.02 cents respectively.

CDLHT revalued its portfolio of properties as at 31 December 2019 (1) and recorded a collective net fair value gain of S$49.0 million, mainly due to fair value gains arising from the Singapore, Japan and Germany properties, which were offset largely by fair value losses from the Maldives and New Zealand properties. This revaluation has no impact on CDLHT's distribution.

Operating Expenses	FY 2019	FY 2018
Total Operating Expenses # (S$'000)	120,460	113,241
Net Asset Value (2) (S$'000)	1,854,171	1,847,663
Total Operating Expenses as a Percentage of Net Asset Value	**6.5%**	**6.1%**

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 141 of the Financial Statements for details relating to the operating expenses.

(1) All properties were valued as at 31 December 2019. Novotel Singapore Clarke Quay was valued by Colliers International Consultancy & Valuation (Singapore) Pte Ltd as at 15 October 2019 for the purpose of the proposed divestment and the valuer opined that the valuation remained unchanged as at 31 December 2019

(2) This excludes minority interests

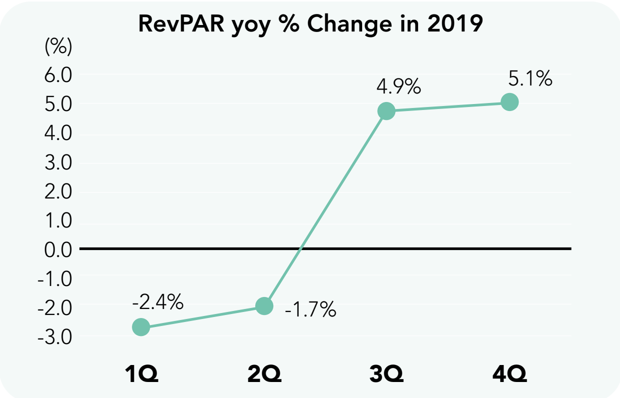
YEAR IN REVIEW

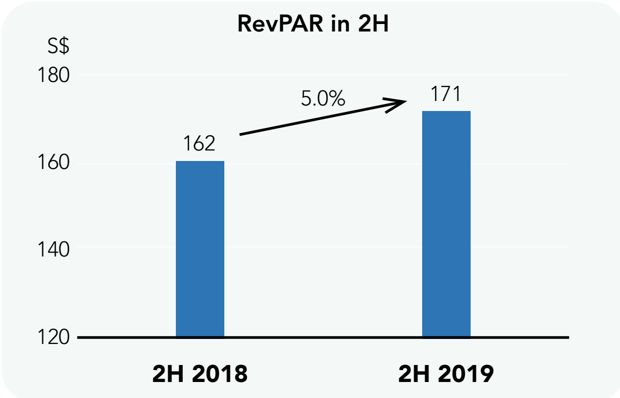
HOTELS PERFORMANCE FOR FY 2019

Singapore

RevPAR for the Singapore Hotels increased 1.6% in FY 2019, bolstered by a stronger leisure market and likely to have benefitted to some extent from the diversion of tourism flows to Singapore as a result of the unrest in Hong Kong. While the first half of 2019 was softer in trading performance due to progressive renovation works undertaken at some of the Singapore Hotels, as well as the absence of the ASEAN Ministerial Meeting series and the biennial Singapore Airshow and Food&Hotel Asia, performance was robust in the second half of 2019 due to a stronger convention and events calendar and leisure travel. RevPAR growth for the second half of 2019 was 5.0%, the strongest half-year yoy growth since 2012.

RevPAR of CDLHT's Singapore Hotels





CDLHT's Singapore Hotels Performance	FY 2019	FY 2018	Variance
Average Occupancy Rate	87.5%	86.9%	0.6pp
Average Daily Rate	S$185	S$184	0.9%
RevPAR	S$162	S$160	1.6%

Overseas

In New Zealand, the increase in new supply and weaker Chinese visitor arrivals resulted in a more competitive market and this caused a 3.3% RevPAR decline for Grand Millennium Auckland. NPI contribution of the hotel was also affected by a weaker NZD and a rising minimum wage environment.

CDLHT continues to receive fixed rent from the Australia Hotels but NPI contribution in SGD terms for FY 2019 was lower due to a weaker AUD.

In UK, Brexit uncertainty affected the year of 2019. An overall lighter sporting and events calendar, coupled with downtime associated with the refurbishment of its restaurant and bar, affected The Lowry Hotel's performance while Hilton Cambridge City Centre faced continued price competition from new supply that opened in 2018. Despite a 1.4% yoy decline in its collective RevPAR, the NPI contribution for the UK Hotels was higher in local currency for the year but lower in SGD terms due to a weaker GBP.

In Munich, the fair calendar in 2019 featured two large events but had lesser overall event days during the year as compared to 2018. As such, Pullman Hotel Munich's RevPAR and NPI contribution increased by 1.2% yoy, which was also supported by strong tourism demand as total arrivals grew 5.9% yoy in 2019.

Hotel Cerretani Firenze recorded its first full year of contribution since its acquisition at the end of November 2018. The hotel adopted an enhanced revenue optimisation strategy through the management of its pricing and volume strategy, and achieved a RevPAR growth of 6.5% yoy [3].

(3) The RevPAR comparison assumes that CDLHT owned Hotel Cerretani Firenze for the full corresponding period

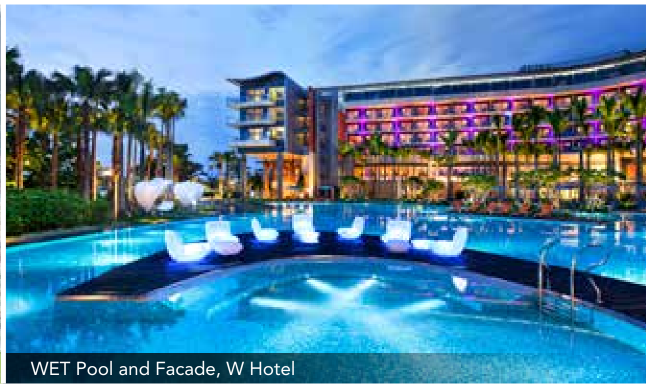
In the Maldives, supply increased by 16.8% [4] in 2019, which more than offset the increase in visitor arrivals. With new resorts offering promotional packages, trading conditions continue to remain challenging. The collective decline in NPI contribution from the Maldives Resorts was mainly due to the gestation period Raffles Maldives Meradhoo is undergoing following its opening in September 2019, as the resort ramps up and re-enters the market amidst an influx of luxury supply. As for Angsana Velavaru, RevPAR grew slightly by 0.6% yoy despite disruption caused by renovation works.

The Japan Hotels had a good start to the year and recorded RevPAR growth of 3.0% yoy for 1H 2019. However, this was reversed in the second half of the year as the Japan-South Korea trade spat caused a sharp decline in South Korean visitation, Japan's second largest source market [5]. Increased supply and recovering number of alternative accommodation such as Airbnb also affected the performance of Japan Hotels. Consequently, RevPAR of the Japan Hotels fell 6.5% yoy and NPI also declined as a result of the recognition of higher operating expenses.

UNLOCKING VALUE THROUGH DIVESTMENT AND RECYCLING CAPITAL FOR LONGER TERM GROWTH

Delivering Long Term Growth


Aerial View, Novotel Singapore Clarke Quay and Liang Court Site


WET Pool and Facade, W Hotel

On 21 November 2019, CDLHT announced the proposed redevelopment of Novotel Singapore Clarke Quay (NCQ) and the acquisition of W Singapore – Sentosa Cove (W Hotel), which were approved by Stapled Security Holders on 23 January 2020.

The redevelopment of NCQ comprises the divestment of NCQ, which sits on the Liang Court Site, to a consortium [6], including joint venture vehicles of City Developments Limited ("**CDL**") and CapitaLand Limited ("**CL**") for S$375.9 million [7]; and the forward purchase of a brand new lifestyle hotel ("**New Hotel**") within the same site, from a subsidiary of CDL [8] for the lower of the fixed price of S$475.0 million [9] or 110.0% of the New Hotel's development costs [10]. The fixed price of S$475.0 million is lower than both independent valuations commissioned [11]. The divestment of NCQ is expected to be completed around the end of first half of 2020 while the acquisition of the New Hotel is expected to be in 2025 [12]. The divestment fee payable for the divestment of NCQ will be waived by the H-REIT Manager.

Acquired in 2007, NCQ is a 403-key hotel located along the River Valley Road in Singapore. Strategically located between the Central Business District and minutes away from the prime shopping area of Orchard Road, the Liang Court Site is situated in the vibrant entertainment hub of Clarke Quay. A consortium led by CDL and CL, which also includes Ascott Residence Trust (collectively, the "**Consortium**"), intends to redevelop the Liang Court Site into an integrated development [13], with a total gross floor area of more than 100,000 square metres ("**sq m**") comprising the New Hotel, two residential towers, a commercial component, and a serviced residence [14].

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(4) Ministry of Tourism, Republic of Maldives
(5) Japan National Tourism Organization
(6) Gemini One Trust ("**CDL Redevelopment Trust**"), Legend Quay Pte. Ltd. and Legend Commercial Trust
(7) Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Knight Frank Pte Ltd valued the land at S$368.7 million and S$370.5 million respectively using the Residual Land Valuation approach as at 15 October 2019
(8) CDL Aquila Pte. Ltd.
(9) The acquisition fee payable to the H-REIT Manager for the acquisition of the New Hotel is no higher than S$3.6 million, which will be satisfied via the issue of new Stapled Securities. For more details, refer to the circular to Stapled Security Holders dated 3 January 2020
(10) Lower of fixed price of S$475.0 million or 110% of development costs (taking into account developer's return). However, any extension fee or levy payable by the joint development parties for any extension of time for the fulfilment of any condition imposed by the Singapore Land Authority in respect of the upgrading of lease tenure of the land lot on which the Liang Court Site is situated upon to a fresh 99-year lease ("**Levy**"), the consideration will be the lower of (i) fixed price; or (ii) Levy (or part thereof) and 110% of the development costs
(11) The New Hotel was valued at S$478.0 million by Knight Frank Pte. Ltd. using a combination of the Capitalisation and Discounted Cash Flow approaches; and S$481.0 million by Colliers International Consultancy & Valuation (Singapore) Pte Ltd using the Discounted Cash Flow approach, as at 15 October 2019
(12) Estimated timeline, subject to change
(13) Subject to approval from the relevant authorities
(14) With a hotel licence

YEAR IN REVIEW

As part of the integrated development, the New Hotel is expected to be custom-built to specifications of the brand standards of the Moxy Hotels ("**Moxy**") brand under Marriott International, Inc. ("**Marriott**"). Moxy is one of the newest lifestyle boutique hotel concepts by Marriott that is designed to be appealing to the next-generation traveller, which includes millennials, and at great value. With about 460 to 475 rooms, the New Hotel will also feature facilities such as rooftop F&B outlet; an open social floor comprising a restaurant, flexible meeting space and a bar; rooftop pool and gym [15].

As for W Hotel, CDLHT will be acquiring it for S$324.0 million [16], which is in line and lower than the two independent valuations commissioned [17], and is expected to complete around the end of first half of 2020. It is located in Sentosa Cove, a luxury waterfront precinct on Sentosa island. A luxury lifestyle hotel with 240 guest rooms, the hotel has won several accolades for its design and has an expansive view of the marina and seafront. The hotel also offers a comprehensive suite of facilities including a ballroom, function rooms, swimming pool, spa, restaurants and bars. "W Hotels", an iconic brand under Marriott, has been the trendsetter for the lifestyle hotel concept in the global hospitality scene for over two decades.


Main Entrance, W Hotel


AWAY Spa, W Hotel

As CDLHT is not required to make any payment during the development of the New Hotel until after the temporary occupation permit (TOP) of the New Hotel is obtained, the proceeds from the divestment of NCQ may be recycled to fund other acquisition opportunities (including W Hotel), repay existing borrowings or make distributions to Stapled Security Holders. With the divestment of NCQ and acquisition of W Hotel, the historical pro forma gearing would be 34.9% and debt headroom would be S$544.8 million [18] as at 31 December 2019. The ample debt headroom allows CDLHT the flexibility to pursue suitable acquisitions to further grow its income base.

Increase Foothold in the Lifestyle Hotel Market

Both transactions will enable CDLHT to further penetrate into the lifestyle hotel market at different price points so as to strengthen and align its portfolio with prevailing trends in the global travel market. There is an increasing focus on lifestyle hotels which provide distinct and unique personal experiences compared to generic brand experiences in cookie-cutter hotels. The New Hotel will be a "Moxy" branded hotel designed to be appealing to the next-generation traveller with its affordable lifestyle position while the W Hotel caters to the luxury lifestyle market. The "W Hotels" and "Moxy" brands are both managed by Marriott, which operates and/or franchises more than 7,200 properties in 134 countries and territories [19] and is one of the world's largest hotel groups.

(15) Subject to change and the approval of the relevant authorities
(16) The vendor in relation to the acquisition is Cityview Place Holdings Pte. Ltd., a subsidiary of CDL. The acquisition fee payable to the H-REIT Manager for the acquisition of W Hotel is approximately S$2.4 million, which will be satisfied via the issue of new Stapled Securities. For more details, refer to the circular to Stapled Security Holders dated 3 January 2020
(17) W Hotel was valued at S$324.0 million by Knight Frank Pte. Ltd. using a combination of the Capitalisation and Discounted Cash Flow approaches; and S$326.0 million by Colliers International Consultancy & Valuation (Singapore) Pte Ltd using the Capitalisation and Discounted Cash Flow approaches, as at 15 October 2019
(18) Assuming gearing limit of 45.0%
(19) Marriott, as at October 2019

Preserve Majority Portfolio Weightage in Singapore and Further Solidify Future Exposure to a Market with Diversified Long-Term Growth Drivers

Through the acquisition of W Hotel and the New Hotel, CDLHT will benefit from continued long-term exposure to Singapore, which is the 5th most visited city in the world and attracts both leisure and business travel, given its status as an international financial centre and renowned MICE destination [20]. Prominent events are constantly being added to its calendar and there is ongoing investment in tourism infrastructure, with several new large-scale projects across the entire island being planned. These include the expansion of Changi Airport, proposed development of Jurong Lake District, repositioning of Orchard Road, rejuvenation of the Riverfront, expansion of the two integrated resorts, and makeover of Mandai Nature Precinct. Most notably, the Singapore government has announced plans for the rejuvenation of large sites including the Greater Southern Waterfront, with new tourism attractions and facilities (including MICE) being planned for Sentosa and Pulau Brani via the Sentosa-Brani masterplan. Alongside these demand drivers, hotel supply growth is also benign at a low annualised growth rate of 1.0% for the next four years [21]. CDLHT will be able to preserve its majority Singapore portfolio weightage through the W Hotel after divesting NCQ. When delivered, the New Hotel will further solidify CDLHT's exposure to Singapore.

Retain Presence in Prime Clarke Quay Location and Penetrate Highly Sought-After Sentosa Market

CDLHT will continue to benefit from being able to retain its presence in the prime Clarke Quay location which has considerably high barriers to entry due to limited acquisition opportunities. The Liang Court Site at Clarke Quay is also an ideal location for an affordable lifestyle hotel as it is a highly popular and vibrant entertainment, shopping and dining destination for tourists and families. Looking ahead, the Consortium plans to rejuvenate the river promenade flanking the integrated development, in line with URA's Draft Master Plan 2019, further enhancing the desirability of the precinct with the increased gentrification and further activation of the waterfront lifestyle potential.

Similarly, the acquisition of W Hotel represents a rare off-market opportunity to acquire a luxury lifestyle hotel and penetrate the highly sought-after Sentosa market, where opportunities to secure a comparable hotel are seldom available in the tightly-held Singapore hospitality market. The island is known for its diverse array of leisure offerings and was strongly profiled on a global scale as the venue of the notable Trump-Kim Summit in 2018. With the S$4.5 billion expansion of Resorts World Sentosa which will see more key attractions being added, as well as the major Sentosa-Brani masterplan, the island is poised to have an enhanced role as a key tourism gateway for the country. As such, W Hotel will be a key beneficiary of the demand growth expected to be generated by the various expansion initiatives at Sentosa and the southern part of Singapore in the medium to long term.

Unlock Value of NCQ and Secure a Brand New Hotel without Bearing Development Risk

The redevelopment of NCQ represents a rare opportunity for CDLHT to realise the valuation gains on its investment in NCQ over the past 13 years and to unlock the value of its interest in the Liang Court Site. This is because the Liang Court Site, which NCQ is a part of, is held under a strata title scheme by CDLHT and two other subsidiary proprietors, and can only be redeveloped after consensus was reached between all subsidiary proprietors. Also, while NCQ has performed strongly since acquisition, it will require significant capital expenditure and major refurbishment to remain competitive in the future. Therefore, this is an opportune time to trade a hotel with a remaining 57-year leasehold to a brand new hotel with a fresh 99-year leasehold from acceptance of lease renewal.

Leveraging on CDL's renowned experience for the development of the New Hotel and acquiring it turnkey with a capped price removes development risk for CDLHT. In addition, the cost plus model allows CDLHT to reap any potential savings.

(20) Colliers Valuation Report dated 15 October 2019
(21) STB, Horwath HTL (as at December 2019) and CDLHT research

YEAR IN REVIEW

Acquire a High Quality Hotel with Potential Upside


SKIRT Restaurant, W Hotel


Fantastic Suite, W Hotel

A high quality asset with numerous design and construction accolades, W Hotel is oriented towards the adjacent waterway and marina with magnificent views. It is equipped with a comprehensive suite of facilities including an outdoor pool, more than 1,400 sq m of event space, three F&B outlets and a pool bar, as well as a spa. Redesign works are also being undertaken at some F&B outlets to increase seating capacity and enhance appeal so as to secure potential revenue upside. Given the medium to longer term demand growth drivers in Sentosa, price per key being reasonable due to high quality of asset and large room sizes, there is potential for long term capital appreciation for W Hotel.

NURTURING FOR GROWTH

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

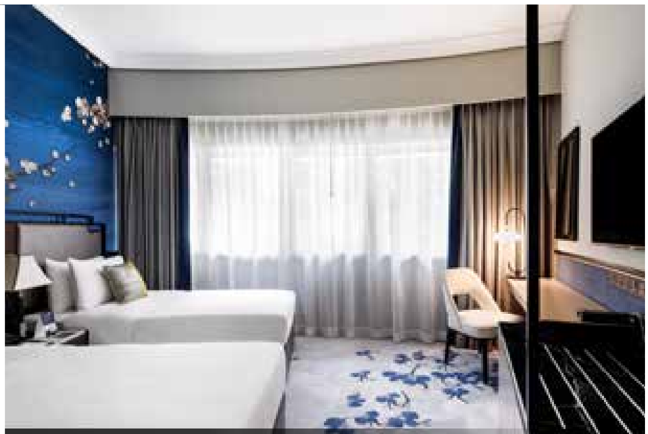
The extensive makeover project for Orchard Hotel, the largest hotel in CDLHT's Singapore portfolio, commenced in 2018 and was completed in 2019. In 2018, its lobby and food and beverage outlets were refurbished and in 2019, a major facelift of all the meeting facilities and the Grand Ballroom was completed in March, followed by the completion of the phased renovation of 260 guest rooms in the Orchard Wing in end June. As one of only four hotels in Singapore with a ballroom that can accommodate 1,000 or more guests, this project has further enhanced Orchard Hotel's standing as one of the top few large ballroom venues in Singapore.

Pipeworks and refurbishment of guest rooms at Copthorne King's Hotel commenced in October 2019 and are expected to complete in mid-2020. The works will be carried out in phases to minimise disruption and the hotel remains operational.


Grand Ballroom, Orchard Hotel


Grand Deluxe Room, Orchard Hotel


Juniper Room, Orchard Hotel


Signature Room, Copthorne King's Hotel

In the Maldives, following the completion of its rebranding exercise where the resort underwent extensive refurbishment, Raffles Maldives Meradhoo has reopened at the end of September 2019 as the first flagship "Raffles Hotels & Resorts" property in the Maldives. A new Presidential Villa is also being constructed, which will further elevate its product offerings in the high-end luxury segment of the Maldives market. For Angsana Velavaru, the construction of a new main public pool was completed in August 2019 and 43 of the 79 land villas have been renovated as at end 2019, with infinity pools added to 24 of these villas. The refurbishment of the remaining 36 land villas will be completed this year.


Yuzu (restaurant) and Yapa Sunset Bar, Raffles Maldives Meradhoo


Over-Water Villas, Raffles Maldives Meradhoo


Main Public Pool, Angsana Velavaru


Land Villa with New Infinity Pool, Angsana Velavaru

YEAR IN REVIEW

Over in UK, The Lowry Hotel's lobby and F&B outlets were refurbished in May and October 2019 while five rooms were upgraded to junior suites in October 2019. These upgrades help to fortify The Lowry Hotel's position as one of the top hotels in Manchester. For Hilton Cambridge City Centre, refurbishment of the Lounge Bar was completed in October 2019.


The Lowry Lounge and Bar, The Lowry Hotel


The Lowry Lounge and Bar, The Lowry Hotel


Lobby, The Lowry Hotel


Lounge Bar, Hilton Cambridge City Centre

STRONG CAPITAL STRUCTURE AND PRUDENT RISK MANAGEMENT

As at 31 December 2019, CDLHT's total borrowings stood at S$1.1 billion with a gearing ratio of 35.4% and debt headroom of S$526.4 million [22]. CDLHT is rated BBB- on the Fitch Issuer Default Rating and has an interest cover of 6.1 times for FY 2019.

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 and cross currency interest rate swaps, where appropriate.

In 2019, CDLHT successfully refinanced four of its loans: a S$100 million 3-year revolving credit facility was refinanced in March; the bridge loan for the acquisition of Hotel Cerretani Firenze was refinanced into a €35.5 million 5-year term loan with a fixed rate [23] in July; a S$70.0m 5-year SGD fixed term loan was refinanced in August; and a US$65.0 million 5-year term loan was refinanced in December with its rate subsequently fixed in February 2020 [24].

As a result of CDLHT's prudent management of debt profile, the average cost of debt remains low at 2.2% per annum and floating rate risk remains well managed with the proportion of borrowings on fixed interest rates at 63.2% [25]. The weighted average debt to maturity is 2.9 years and debt maturity profile is well-balanced with 60.0% of total debt maturing from 2022 onwards. The Managers will strive to proactively minimise near term maturities.

CDLHT will continue to enhance financial flexibility by maintaining diversified sources of funding.

STAPLED SECURITY PRICE STATISTICS

CDLHT closed at a price of S$1.620 per Stapled Security as at 31 December 2019. Since IPO, the Stapled Security's price has appreciated by 95.2%. In year 2019, the Stapled Security's price increased by 11.0% from S$1.460, the closing price as at 31 December 2018.

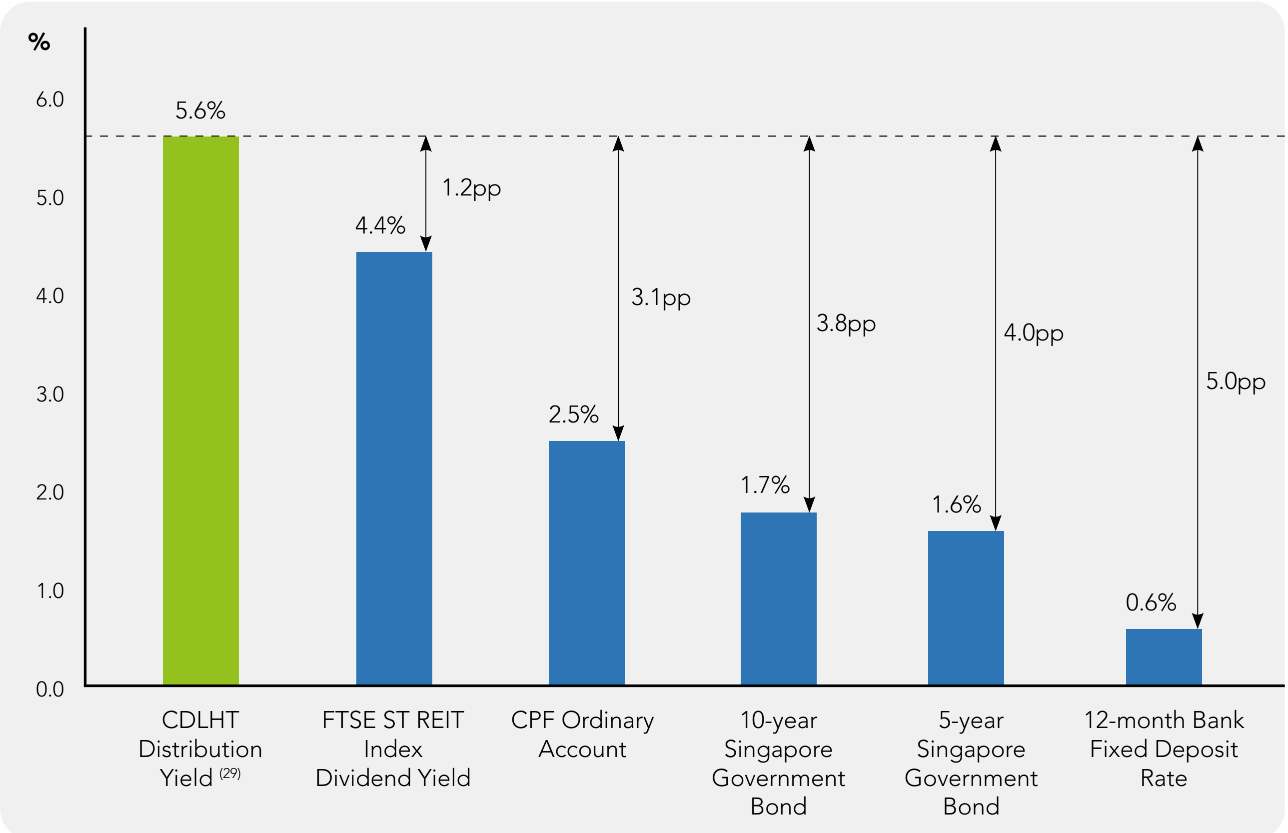
(22) Assuming gearing limit of 45.0%
(23) Term loan fixed via a EUR/USD cross currency interest rate swap
(24) The interest rate for the USD 5-year floating term loan refinanced in December 2019 was subsequently fixed via an interest rate swap in February 2020
(25) Post fixing of USD term loan in February 2020

Assuming a unitholder held the Stapled Securities from IPO till 31 December 2019 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 361.3%. On the same basis, the total return of the Stapled Securities would have been 17.4% in year 2019.

Summary of Stapled Security Statistics	
IPO as at 19 July 2006	S$0.83
Closing Price as at 31 December 2018	S$1.46
Closing Price as at 31 December 2019	S$1.62
Highest Price in FY 2019	S$1.68
Lowest Price in FY 2019	S$1.46
Weighted Average Price in FY 2019	S$1.61
Trading Volume in FY 2019 (Number of Stapled Securities)	506.3 million

Return on Investment	From 1 Jan 2019 to 31 Dec 2019	Since Listing on 19 Jul 2006 to 31 Dec 2019
Price Change	11.0% [26]	95.2%
Total Return [27]	17.4%	361.3%

DISTRIBUTION YIELD VERSUS OTHER INVESTMENT INSTRUMENTS [28]

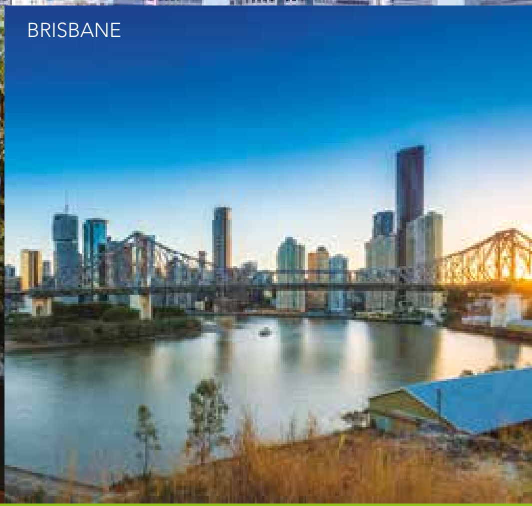


(26) Calculation of the price change is based on the closing price on 31 December 2019 compared with the closing price on 31 December 2018
(27) Total return comprises capital appreciation and assumes the distributions paid out during the respective periods are reinvested in the Stapled Securities of CDLHT
(28) All information as at 31 December 2019 and percentages may not add up due to rounding
(29) Based on CDLHT's DPU of 9.02 cents for FY 2019 and closing price of S$1.62 as at 31 December 2019


SINGAPORE


JAPAN


CAMBRIDGE

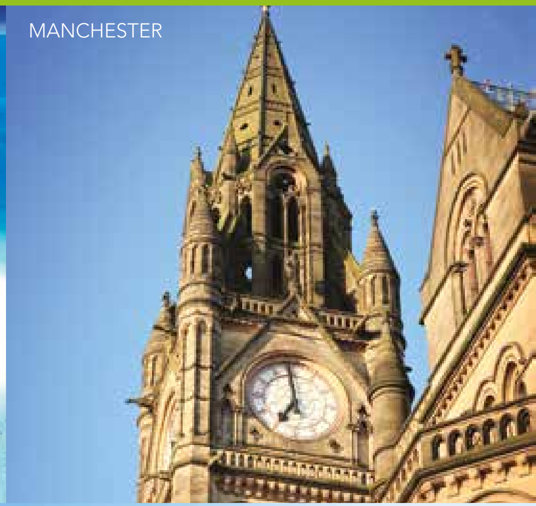

BRISBANE


PERTH

MARKET REVIEW


AUCKLAND


MALDIVES


MANCHESTER


MUNICH


FLORENCE

SINGAPORE HOTEL PROPERTY SECTOR

Knight Frank

SINGAPORE TOURISM MARKET

According to statistics released by STB on 5th February 2020, there were 19.1 million visitors to Singapore for the whole of 2019, a 3.3% yoy increase from 2018. Visitors from the Americas saw the highest growth (+11.6% yoy), followed by Africa (+8.5% yoy), Oceania (+4.2% yoy) and Europe (+3.3% yoy). 11 out of Singapore's top 15 source markets registered an increase in visitor arrivals, with nine markets (China, Indonesia, Australia, Philippines, USA, South Korea, UK, Vietnam and Germany) hitting record-high arrivals. China, USA and Indonesia witnessed the largest absolute growths in visitor arrivals. Visitor arrivals from USA went up by 13.3% yoy to 0.7 million visitors in 2019. Within Asia, visitors from China and Indonesia went up by 6.1% yoy and 2.6% yoy to about 3.6 million and 3.1 million visitors in 2019 respectively.

From January to September 2019, the business travel and meetings, incentive travel, conventions and exhibitions (BTMICE) sector saw a worse performance. BTMICE tourism receipts, excluding sightseeing, entertainment, and gaming, were down 7.0% yoy at S$3.2 billion. The decline was partly due to fewer BTMICE arrivals, which declined 8.0% yoy to 1.8 million visitors and macroeconomic uncertainties that affected spending. Notwithstanding that, Singapore continued to attract leading BTMICE events in 2019. In 2019, Singapore hosted the Intelligent Transport Systems Congress, EY Asia-Pacific Partners Conference, the International Council of Nurses Congress, the Baker Global Tax Conference 2019 & Baker Tilly International World Conference 2019, as well as the Kaspersky Security Analyst Summit 2019, which brought in a healthy number of foreign attendees. In addition, Singapore held the KPMG Asia Pacific Tax Summit 2019 and INSOL 2019. STB also launched a rewards programme INSPIRE in September 2019 to maintain Singapore position as the regional hub for BTMICE events.

According to preliminary estimates, tourism receipts saw a marginal growth of 0.5% to S$27.1 billion. The growth in tourism receipts in 2019 was slowed by lower contribution from these segments: Accommodation (-7.0%), Food & Beverages (-5.0%), and Sightseeing, Entertainment & Gaming (-2.0%). These were partially offset by growths in Shopping (+3.0%) and Other Tourism Components (+4.0%).

From January to September 2019, five of Singapore's top 10 tourism receipts source market recorded growth. Excluding expenditure on Sightseeing, Entertainment & Gaming, China (+2.0%), USA (+14.0%), and Indonesia (+6.0%) registered the highest yoy absolute growths in tourism receipts.

According to STB's annual year-in-review, visitor arrivals to Singapore may fall by 25% to 30% this year due to the COVID-19 outbreak. However, we expect visitor arrivals to recover once the outbreak is contained. As many BTMICE events were pushed back to 2H 2020, a Tourism Recovery Action Task Force will come up with strategies and plans for recovery. Singapore is well-positioned to be a primary hub for BTMICE in the middle term, leveraging on its stable political environment and the growing Southeast Asian economy. The improved flight connectivity to Tier 2 cities in China and major cities in India will also help support the growth in leisure travellers.

STB also highlighted new and rejuvenated offerings such as the Magical Shores attraction at Siloso beach and continued progress on projects. STB, Urban Redevelopment Authority (URA), and National Parks Board (NPB) unveiled plans to revitalise, enhance, and strengthen Orchard Road's position as a lifestyle destination in January 2019. Under the plan, a two-pronged approach will be implemented. As "The Lifestyle Destination", the shopping belt's four sub-precincts – Tanglin, Orchard, Somerset, and Dhoby Ghaut – will assume four unique identities through injecting innovative retail concepts, attractions, entertainment, and events. Meanwhile, "Bring Back the Orchard" will enhance the lush greenery along the Orchard shopping belt and rejuvenate attractions with themed landscaping inspired by Singapore's botanical and horticultural traditions and practices throughout history.

Besides rejuvenating Orchard Road, there are plans to build a 7-hectare integrated tourism development at Jurong Lake District, which is envisaged to be realised in 2026. The concept of the development will be based on the ideas that arise from the expression of interest exercise that was called in April 2019. This integrated project will be connected to the larger district by existing roads, park connector networks, cycling paths, and footpaths.

Mandai Park Holdings, a subsidiary of Temasek Holdings, plans to turn Mandai into an eco-tourism hub by 2023. Jurong Bird Park is due to relocate to Mandai in 2020 while a new Rainforest Park will open in 2021. With a strong focus on conservation and sustainability, Mandai is earmarked as a hub for nature education and research as well as a leading nature destination in Asia. When completed, Mandai's eco-tourism hub is expected to attract more than 10 million visitors each year.

STB also looks to expand the air cruise segment via a five-year tripartite marketing partnership with Changi Airport Group and Royal Caribbean. Leveraging on Changi Airport Singapore's air connectivity to over 380 cities worldwide, this partnership is expected to attract an estimated 623,000 visitors and generate over $430.0 million in tourism dollars between end 2019 to 2024.

The STB also invested in technology and worked with technology partners to attract millennial visitors. For instance, it collaborated and co-invested with Alipay to better engage visitors through digital channels. In April 2019, the STB and Alibaba Group entered into an agreement to jointly launch initiatives aimed at enhancing the visitor experience for Chinese tourists to drive tourism spending in Singapore. Building on the partnership's previous success, the new agreement will continue to leverage on big data and collaboration between the STB, businesses in the Alibaba ecosystem, and key tourism establishments to provide a more in-depth understanding of Chinese visitors' travelling behaviour. The insights are envisaged to be critical in creating targeted market campaigns and enhancing tourism services and experiences in Singapore. Starting 2H 2019, the "Passion Made Possible Privileges" will be the

SINGAPORE HOTEL PROPERTY SECTOR

first in a series of initiatives under the agreement, targeting Chinese tourists throughout their travelling journey - pre-arrival, during, and post-departure - and engaging Chinese visitors for seamless visitor experience. This initiative is also anticipated to drive tourism spending, with merchants who adopted Alipay achieving higher sales.

The $9 billion expansion by Singapore's two integrated resorts is also likely to attract travellers for leisure and business in the future. Las Vegas Sands unveiled expansion plans for the Marina Bay Sands integrated resort. The new addition will strengthen the Marina Bay Sands integrated resort as a world-class tourism and BTMICE destination in the region. The expansion plan includes a 15,000-seater state-of-the-art indoor entertainment arena equipped with world-class design and cutting-edge technology, which will expand its production to appeal to top entertainers around the world who might not have previously included Southeast Asia on their tours. It also consists of a 1,000-room all-suite luxury hotel with a sky roof, a swimming pool, and a signature restaurant, which will set a new standard for luxury accommodation in Southeast Asia. The expansion plan is expected to boost growth in Singapore's tourism and business travel market, benefiting retail and tourism players in Singapore. Furthermore, a dramatic atrium and terraces along with exciting retail and food & beverage offerings, and a combination of meeting rooms, ballrooms, and exhibition halls will cater to groups with specified needs.

Separately, Resorts World Sentosa will invest $4.5 billion, adding over 164,000 sq m of attractions, entertainment and lifestyle offerings. The major expansion will be delivered in phases every year from 2020 to 2025. Universal Studios Singapore and S.E.A Aquarium, will see a substantial increase in size. Two highly themed and immersive attraction, the Minion Park and Super Nintendo World will be added to Universal Studios, while S.E.A Aquarium will be expanded and rebranded as "Singapore Oceanarium", which will be three times larger than the current S.E.A Aquarium.

With Southeast Asia becoming more integrated and connected, MICE events are likely to increase. Singapore becoming a MICE destination would dovetail with the MICE 2020 roadmap, an initiative developed by the STB and the industry, to enhance Singapore's attractiveness as a MICE venue by establishing a connected city. The STB plans to work with major stakeholders to improve the hospitality practices in Singapore to enhance the travel experiences for BTMICE visitors. Some high-profile MICE events set to take place in Singapore include the 25th World Congress of Dermatology 2023, gamescon asia 2020, and World Congress of Anaesthesiologists 2024.

EXISTING SUPPLY

The total stock of hotel rooms in Singapore was 69,367 rooms in 2019 after 2,373 rooms, about 3.4% of the total stock, were completed in 2019. Notable hotels that were granted Temporary Occupation Permits included Dusit Thani Laguna Singapore (152 rooms) and Citadines Rochor Singapore (320 rooms, serviced apartment with a hotel license).

The hotels that announced commencement of operations in 2019 included Village Hotel at Sentosa (606 rooms), The Outpost Hotel at Sentosa (193 rooms), The Barracks Hotel Sentosa (40 rooms), YOTELAIR Singapore Changi (130 rooms), Capri by Fraser China Square (304 rooms), and Raffles Hotel (115 rooms).

FUTURE SUPPLY

The supply of hotel rooms between 2020 and 2021 that are under construction is 2,872 rooms, of which 761 rooms are expected to complete in 2020. Of the 2,872 rooms, the 19-storey hotel development at Club Street accounts for 987 rooms. The hotel development at Club Street is expected to complete in the third quarter of 2021. Separately, there are about 5,409 rooms planned in the pipeline supply. Notable projects that have planning permission but yet to start construction include the hotel development at Alexandra Road (1,000 rooms) and the hotel development at Hoe Chiang Road (807 rooms).

HOTEL MARKET PERFORMANCE

According to STB, the 12-month average island-wide standard average occupancy rate inched higher to 87.0% in 2019 from 86.0% in 2018, lifted by growth in visitor arrivals in 2019. Despite a 2.7% yoy increase in available room nights, gross lettings rose at a slightly faster pace of 3.9% yoy over the same period.

ADR for gazetted hotels inched up by 1.3% to S$221 in 2019. ADR for the Economy segment increased the most at 3.1% yoy while the ADR of the Luxury, Upscale and Mid-Tier segments also increased by 1.8%, 0.5%, and 1.4% yoy respectively.

Correspondingly, RevPAR increased by 2.5% yoy to S$193 in 2019. The RevPAR for both the Economy and Mid-Tier segments went up by 3.8% yoy in 2019, while the RevPAR for the Luxury and Upscale segments went up by 3.1% and 0.8% yoy respectively.

HOTEL MARKET OUTLOOK

The outbreak of COVID-19 is likely to lead to a drop of Chinese visitor arrivals as Singapore has barred entry to all new visitors arriving from mainland China since January 2020. Given that the Chinese visitors represent a significant proportion of the visitors to Singapore, downward pressure on the hospitality sector is expected. Additionally, visitors from other origins may be reluctant to travel amid the outbreak. To alleviate COVID-19's impact on businesses, the Government will grant a 30% property tax rebate on accommodation and function room components of hotel buildings.

Despite the negative impact of COVID-19 on the hospitality sector currently, we anticipate recovery once the outbreak is contained. Singapore's excellent infrastructure, world-class hospitality amenities and stable political environment will continue to appeal to both leisure travellers and organisers of MICE events in the long run.

BRISBANE, AUSTRALIA HOTEL PROPERTY SECTOR

BRISBANE TOURISM MARKET

For the 12 months ended September 2019, there were 1,445,312 international visitors to Brisbane, equating to approximately 15.4% of total visitors to the Brisbane region, who spent 28,231,857 visitor nights in the region. Major source markets include China, New Zealand, United Kingdom, United States of America and Other Asia. The average length of stay by international visitors remains in excess of 19.5 nights. A major contributor to this growth came from holiday and family-oriented visitors.

In the same period, Brisbane attracted 84.0% of the domestic visitors, equating to 7,160,098 annual visits and 21,291,000 visitor nights. Visiting friends and relatives and holiday visitors comprise the largest sectors by purpose.

HOTEL MARKET PERFORMANCE

We have sourced hotel market performance data from Smith Travel Research (STR Global). We note that data from STR represents the entire Brisbane Tourism Region and may not represent the performance of its various submarkets. Supply has increased by 60.0% over the past five years. We note that supply within this data includes both hotels and serviced apartments. Occupancy has fallen to the low 70.0% range as supply has outstripped demand. Despite this, demand has been relatively strong growing by an average of 8.4% per annum over the past 5 years (2014 to 2019). ADR has fallen due to the increase in supply and the resultant competitive market, with new properties seeking to obtain market share and older properties striving to maintain market share. The most significant declines in ADR were experienced in 2016 and 2017 with smaller gains over the past three years.

EXISTING AND FUTURE SUPPLY

The Brisbane City Council announced a moratorium on infrastructure charges for new four and five-star hotel developments approved between 1 July 2011 and 30 June 2014, (where construction commenced within a 2 years of the approval) in a bid to incentivise new hotel supply.

As a result of the moratorium as well as renewed interest in the Brisbane hotel market, a significant number of new developments were undertaken over the five-year period from 2014 to 2019. CBRE estimate that some 3,952 4-5-star hotel rooms were added to the market over the period.
The Hotel Indigo in Fortitude Valley, incorporating 146 upper upscale hotel rooms is currently under construction and expected to open in July 2020.

The bulk of new hotel supply over the short to medium term will be generated by the major redevelopment of the Queens Street Wharf and Casino precinct, in which part of the project includes an estimated 1000+ hotel rooms and serviced apartments (although the exact number of hotels rooms and serviced apartments is yet to be confirmed).

HOTEL MARKET OUTLOOK

The Brisbane City Council's vision outlined within its 'Brisbane 2022 New World City Action Plan', aims to define the city's economic growth over the next seven years and beyond with the aim to establish Brisbane as a pre-eminent New World City by 2022. Brisbane is expected to benefit over the longer term from new development and the extensive range of investment projects and initiatives currently underway and planned. Some developments of note include the Cross-River Rail, Brisbane Airport Corporation second runway and terminal, and Dexus' Eagle Street Pier Business & Leisure Redevelopment.

We expect growth in market room rates as a result of the quality of new product and increased demand. Strong growth is expected in RevPAR from 2020 to 2021. Hotel development proposed as part of the Queens Wharf project is forecast to open at the end of 2022. The impact on the market will be dependent upon the number of hotel and serviced apartments included in this development.

PERTH, AUSTRALIA HOTEL PROPERTY SECTOR

CBRE

PERTH TOURISM MARKET

For the 12 months ended September 2019, there were 941,039 international visitors to Perth, equating to approximately 16.6% of total visitors to the Perth region, who spent 19,089,670 visitor nights in the region. Major source markets include United Kingdom, Singapore, Malaysia and China. The average length of stay by international visitors remains in excess of 20.3 nights. A major contributor to this growth came from family-oriented and holiday visitors.

In the same period, Perth attracted 68% of the domestic visitors to Western Australia, equating to 4,721,329 annual visits and 16,124,905 visitor nights. The length of stay is lower than other states, at 3.4 days, due to the fly-in fly-out nature of the mining sector associated with Western Australia. Visiting friends and relatives and holidays visitors comprise the largest sectors by purpose (35%), and business comprising 22% of visitor nights.

HOTEL MARKET PERFORMANCE

The Perth market has, for the past decade, enjoyed strong business orientated demand which up until about 2016 saw most of the city running at 90.0% plus occupancy levels mid-week; however, weekend demand, which is typically leisure based, produced substantially reduced average occupancy levels. During this time, the limited new room supply and consistently strong demand levels produced record high occupancy levels and average room rates.

The slowdown in exploration and mining production, which became obvious in late 2013 and continues to the current date, has impacted the local accommodation market. The slowing of room demand from the mining & exploration sectors of the market has detrimentally affected ADR levels. It has however provided the market with new opportunities in respect of broadening the tourism business mix with airlines, hotels, wholesalers etc. now actively targeting the leisure, groups and events segments. However as these are lower yielding segments, this is reflected in the ADR decline in recent times.

The most recent published ABS data is to June 2016. We have therefore also considered STR Destination Report data for Perth (being Perth City and metropolitan areas) over the past few years.

STR Global statistics indicate that Perth has continued to experience an increase in room supply over the past few years with an additional 3,954 rooms added since 2017, representing an increase of some 36.5%. Despite strong demand growth, occupancies have declined from 79.4% in 2016 to 73% in 2019 as supply additions exceeded the rate of demand growth. The lower occupancy levels also contributed to a decline in ADR from $170.88 in 2017 to $165.20 in 2019, and over the same period RevPAR declined from $127.53 to $120.75.

EXISTING AND FUTURE SUPPLY

Up until 2016, the Perth hotel market had enjoyed a relatively stable supply. This has changed over the past few years with several hotel developments having been completed and some projects under construction.

New hotels completed in 2019 in Perth include the Ibis Styles (252 rooms), Ritz Carlton (204 rooms), Art Series (250 rooms) and the Novotel Perth Murray Street (435 rooms). The former New Esplanade Hotel reopened as the 80 room Quay Hotel in mid-2019. Developments currently under construction include Park Regis Subiaco (217 rooms) and DoubleTree by Hilton (229 rooms).

HOTEL MARKET OUTLOOK

Despite the slowdown in respect of the mining and resources sectors of the economy, demand has remained relatively stable in the Perth market. Latest market trading information suggests that occupancy is being supported to an extent by ADR discounting. The Perth hotel market enjoyed a relatively stable supply environment for a number of years. This landscape has changed dramatically in recent times with a notable increase of new supply. There has been some 4,000 additional rooms added in recent years, with a further 440 plus rooms currently under construction. Notable factors that have had an impact on the market have been the opening of the new Optus Stadium and Qantas flying direct from Perth to London. There has been a lift in room demand in Perth, which has to an extent, absorbed the increase of available room nights.

The overall performance of the market will depend on the reaction to the market from new quality, high end hotels and the ability of the operators to maintain rate integrity. In the short term, all eyes will be on the performance of the Ritz Carlton, Westin and Novotel Murray Street hotels, as these properties will be considered to be the benchmark for the market ADR.

In our view 2021 marks the start of a growth period in the Perth Hotel Market cycle. New supply is anticipated to moderate considerably whilst the marketing initiatives should be driving stronger visitation in the Perth market. Longer term economic commentary suggests that major export destinations such as China, India & South Korea will support a strengthening of the mining and resources sectors of the Perth economy providing a further stimulus to the hotel market. Over this period our forecasting reflects modest improvement in average occupancy levels stabilising in the mid 70% range with accompanying ADR growth generally reflecting the rate of inflation.

AUCKLAND, NEW ZEALAND HOTEL PROPERTY SECTOR

CBRE

AUCKLAND TOURISM MARKET

Auckland is New Zealand's largest city and the gateway to New Zealand for the majority of international visitors with more than 75% of international visitors arriving via Auckland Airport as well as being the economic hub of the country generating approximately 37% of New Zealand's GDP.

International visitation continued to improve in 2019 with a record high 3.9 million visitor arrivals to New Zealand. This was an increase of 0.7% from the previous year. There was growth in visitors from USA which increased by 4.5% or 15,884 visitors while Australian visitors increased by 2.9% or 43,447 visitors. Chinese visitor arrivals declined by 9.2% or 41,048 visitors.

The latest forecasts prepared by the Ministry of Business Innovation and Employment (MBIE) indicate that visitor arrivals to New Zealand are expected to grow an average of 4.0 per cent each year, reaching 5.1 million visitors in 2025 from 3.9 million in 2018.

There were 21.1 million passenger movements at Auckland Airport in the 12 months to November 2019 representing an increase of 1.07% on the 2018 performance. 52% of these movements related to international passengers. According to Tourism Industry Aotearoa, 52% of guests to Auckland hotels were sourced domestically, with Australia and China the largest international source markets contributing 15% and 6% respectively.

HOTEL MARKET PERFORMANCE

Following a period of strong growth in occupancy between 2012 and 2016 driven by increased demand coupled with limited new supply, increased hotel room supply in Auckland has caused occupancy levels to decline from their peak of 87.0% achieved in the 12 months to May 2017. All segments are achieving occupancy levels in excess of 82% with an overall market average of 82.3% in 2019.

The market achieved an average ADR of $196.19 representing a 4.9% decrease on the previous year as hoteliers combat falling occupancy rates. As a result, RevPAR declined by 6.1% in the last 12 months to $161.55.

EXISTING AND FUTURE HOTEL SUPPLY

Based on CBRE's survey of Auckland hotels and serviced apartments there are a total of 89 properties across the city with some 10,825 rooms.

The current pipeline of hotel supply under construction represents an increase of 24% on the current inventory. In addition to those under construction there are a considerable number of hotel projects planned for Auckland however we consider it unlikely that all of these additional projects will eventuate. We therefore forecast future room supply by applying a probability weighting against each project that we are aware of determined by a combination of the status, location, developer and scale. On this basis we are forecasting an increase in room supply of 29% at an average of 6.5% per annum between now and 2023. Significant projects planned for Auckland include:

- Park Hyatt – Fu Wah is currently building the Park Hyatt Auckland that will comprise a 195 room, luxury 5 star medium rise hotel located on a waterfront site in the Wynyard Quarter precinct of Auckland's CBD. The hotel is expected to be the highest quality hotel in Auckland and is scheduled to open in June 2020.

- Sudima Auckland – Construction has commenced on the Sudima Auckland CBD, which is located on the corner of Nelson Street and Wellesley Street West. The 4.5 star hotel is to comprise 194 rooms and is scheduled to open halfway through 2020.

- Horizon Hotel – SkyCity is currently building a 303 room 5 star hotel as part of the New Zealand International Convention Centre (NZICC) project. The hotel will be operated by SkyCity, who currently operates two other hotels in the precinct, and will have direct links to the convention centre and casino. The hotel is currently planned to open in mid 2020 after delays have been experienced, the original planned opening date was March 2019. Following the fire at the NZICC, there have been comments of further delays to this hotel however an updated opening date has not been provided.

- Hotel Britomart – Cooper and Company have recently commenced construction of their 10 level, 104 room hotel on the corner of Gore and Galway Streets in Auckland's CBD. TFE Hotels have been announced as operator and manager under the TFE Collections brand. Cooper and Co are targeting a 5-Green Star rating and expect the hotel to open in late 2020.

- Te Arikinui Pullman Auckland Airport – Auckland International Airport Limited and Tainui Group Holdings have formed a joint venture to construct a 311 room Pullman hotel on campus at Auckland Airport. The hotel will be located in an existing carpark next to the Novotel Auckland Airport and is expected to open in 2022.

- Holiday Inn Express / Voco Hotel – Pro-invest Hotels of Australia have commenced construction of a 494 room dual branded property within a 38 level tower on the corner of Albert and Wyndham Streets. The Holiday Inn Express portion of the building will occupy the lower levels and comprise approximately two thirds of the rooms while the Voco hotel will comprise the remainder of rooms on the upper floors. The hotel will be operated by ProInvest Hotels with Franchise Agreements to IHG.

- Cordis Auckland Expansion – Construction has commenced on a 250 room extension to the Cordis hotel in a new tower wing which will be linked with the existing building.

- Hotel Indigo – Australian developers Ninety Four Feet have received resource consent for a 41 storey mixed use tower comprising a 225 room hotel and 24 luxury apartments on Albert Street in central Auckland. The hotel will be operated by IHG under the Indigo brand.

- InterContinental Auckland – Precinct Properties are planning to upgrade and partly convert the existing office building at 1 Queen Street (currently HSBC House). Precinct recently announced that the hotel would comprise 244 rooms and be operated by IHG as an InterContinental hotel. This development coincides with the wider Commercial Bay development which includes a 39,000 sqm office tower and 18,000 sqm metre shopping centre.

HOTEL MARKET OUTLOOK

The Auckland hotel market is expected to benefit from continued demand growth with increased flight capacity supported by significant development at Auckland Airport as well as the opening of the New Zealand International Convention Centre and a continuation of the strong events calendar including the 2021 America's Cup and APEC in the same year. The Convention Centre has recently suffered a fire during construction which has completely destroyed the roof and damaged the building. At this stage it is unknown what effect the fire will have on the completion date however it is likely to be delayed further as a result.

With new stock entering the market throughout the coming years, we are forecasting the market to return to the low 80% range with occupancy stabilisation expected following the construction of the New Zealand International Convention Centre which is expected to drive further demand to support the increased supply of hotel rooms.

We are forecasting continued ADR growth at an average of 2.5% as the market benefits from a combination of high occupancy levels, the development of new 5-star hotels together with a higher proportion of conference guests associated with the New Zealand International Convention Centre who generally pay higher rates. The America's Cup and APEC which will both be held in 2021 are expected to create a spike in occupancy with strong demand from international visitors.

MALDIVES HOTEL PROPERTY SECTOR

MALDIVES TOURISM MARKET

Between 2009 and 2019, visitor arrivals to the Maldives grew at a Compounded Annual Growth Rate (CAGR) of 10.0%. With the exception of the global financial crisis in 2009, international visitation to the Maldives has grown year-on-year (y-o-y) over the past decade.

International visitor arrivals increased by 14.7% y-o-y to hit a record high of 1.7 million visitors in 2019, surpassing the target of 1.6 million visitors set by the Ministry of Tourism Maldives. All top 10 source markets registered y-o-y growth in 2019, with top growth markets being India (+83.5%), Italy (+29.5%) and the USA (+27.0%). Visitor arrivals from China, which remained the top source market to the Maldives in 2019, also saw marginal growth, bucking the declining trend seen in the last three years.

On the back of stronger than expected visitor growth, the Maldives has raised its target to 2.0 million visitors for 2020, and 2.5 million visitors by 2023. However, we note that these targets were set prior to the COVID-19 outbreak at the beginning of 2020, which has led to indefinite travel bans on tourists arriving from mainland China and may extend to other countries. Nonetheless, the Maldives has increased the state budget for tourism marketing by around 50% to MYR 154.2 million in 2020. The hike comes after the Maldives increased the tourism marketing budget by almost threefold in 2019, reflecting the new Government's pledge to ramp up the Maldives' tourism sector. The Maldives Marketing & Public Relations Corporation (MMPRC) has also unveiled a new tourism strategy for the Maldives in 2020, with includes a stronger focus on promoting the rich culture of the destination, as well as developing niche markets such as MICE, culture and sports tourism. The strategy is aimed to target a more diverse range of tourists to the Maldives beyond honeymooners, as well as to target the growing demand for experiential travel amongst holidaymakers.

HOTEL MARKET PERFORMANCE

According to STR Global, the Maldives' luxury resort market saw continued growth in trading performance in 2019. ADR in the luxury market rose strongly by 7.5% y-o-y to USD 1,734, more than offsetting the 1.8 percentage point decline to 57.4% in occupancy rates in the same segment. Overall, RevPAR for the luxury market increased by 4.2% to USD 994. In the upscale segment, however, trading performance remained subdued, with occupancy rates and ADR contracting by 1.3% respectively, resulting in a RevPAR fall of 2.6% to USD 374.

Despite continued growth in visitor arrivals, the general market has faced strong headwinds due to strong competition posed by the influx of new supply over the last few years, as well as the continued rise in alternative accommodation options such as guest houses. Occupancy rate performance was hence subdued across most segments, consequently limiting ADR growth. Continued recovery in the higher-spending European markets, however, has led to strong performance during the high season which has largely benefited the luxury segment, albeit the low season remained challenging. Based on 2019 statistics provided by the Ministry of Tourism, occupancy rate for guest houses continued to rise 1.3 percentage points to 33.9%, whilst overall resort occupancy rates fell marginally by 0.5 percentage points to 74.1%.

EXISTING AND FUTURE SUPPLY

According to the Ministry of Tourism, Arts and Culture, a total of 164 resorts with 37,004 beds were registered in the Maldives as at December 2019 as compared to 145 resorts with 31,677 beds in December 2018. This represents an approximate 16.8% y-o-y growth in the number of beds.

An estimated 3,775 rooms are expected to be added to supply between 2020 and 2022, albeit only around half of the rooms are likely to open. The midscale segment will account for the largest proportion (around 52%) of future confirmed room supply, with the upscale and luxury segments account for the remaining 31% and 17% respectively.

From 2020 onwards, the only luxury openings are the three luxury resorts (Patina, Capella and Ritz Carlton) within the Pontiac Land development in North Malé Atoll which will comprise a total of 275 keys. Soneva Fushi will also introduce its first ever overwater villas from April 2020, which will increase its room inventory by eight to 63 villas. The new overwater villas include one-bedroom and two-bedroom villa types.

Known midscale and upscale projects likely to open in 2020 include the 200-room Avani Fares Maldives Resort in Baa Atoll, the 80-room Address Madivaru Maldives Resort + Spa in Ari Atoll, the 350-room Oblu X in North Malé Atoll, the 220-room Oblu Resort in Baa Atoll, the 96-room Gran Meliá Huravee in Thaa Atoll, the 128-room Radisson Blu Resort Maldives in Dhaalu Atoll, the 72-room Tolarno Maldives Kunaavashi Resort in Vaavu Atoll and the 200-room OZO Maldives in Raa Atoll.

The 80-room Chatwal Maaga Maldives and the 500-room Dream Gasveli Maldives, both of which were planned to open in 2020, now appear to be delayed indefinitely after the U.S-based operator, Dream Hotels Group, which is the Operator for the aforementioned resorts, dropped its Asian expansion plans.

HOTEL MARKET OUTLOOK

Luxury trading performance has been on an upward trend since 2018, with the upswing largely attributed to the strong performance during the peak season, buoyed by the recovery in European visitation. Strong demand has allowed luxury resorts to increase rates during the high season, which more than offset sustained weakness in occupancy performance during the low season. Upscale trading performance, on the other hand, remained subdued on the back of the continued influx in supply which has increased competition in the market, leading to a fall in occupancy rates and ADR.

With the supply influx set to remain strong in 2020, trading performance is likely to remain subdued particularly during the low season as supply-side pressures will likely continue to weigh on occupancy levels, and in turn could limit ADR growth. Anticipated continued visitor growth, however, may provide the market some reprieve, however in light of the COVID-19 outbreak at the beginning of 2020 (and resultant mainland China travel bans), this growth could be more subdued than previously expected. Overall, we anticipate trading performance across all segments to either remain flat or experience marginal declines.

In the longer term, the newly built bridge between Hulhumalé and Malé along with the finished tarmac at Velana International Airport suggests that infrastructure improvements will continue to support future growth in the Maldives. The USD 55 million allocation under Budget 2020 to the development of a new passenger terminal in Velana International Airport reflects the government's commitment to boost tourism infrastructure in the Maldives, albeit there remains uncertainty on the completion year.

Although there are new resorts opening in the short to medium term, the government's concerted efforts to improve infrastructure should support demand growth in line with supply. This, coupled with the new tourism strategy to improve visitor diversification beyond the traditional honeymooners, should facilitate further visitor growth to the Maldives.

Looking forward, 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. Continued emphasis on liberalizing the trade environment for foreign investment will also further support growth in investment.

TOKYO, JAPAN HOTEL PROPERTY SECTOR

CUSHMAN & WAKEFIELD

TOKYO TOURISM MARKET

Tokyo's tourism market benefits from the national government policy of "Promotion of Japan as a Tourism-Oriented Country", which includes a significant relaxation in visa requirements and enlargement of consumption tax exemption for foreign visitors. Furthermore, the following background factors attract overseas travellers to Japan: an increase in flight frequencies and capacity with the development of Low-Cost Carriers ("LCCs"); the expanding Asian middle class who seeks leisure time abroad; a weak Japanese yen which enhances affordability to foreign tourists; the designation of Mt. Fuji as a World Heritage Site and Washoku (Japanese Cuisine) as an Intangible Cultural World Heritage. Inbound visitors to Japan first surpassed 10 million in 2013 and have been consistently increasing since then.

In 2019, Japan hosted the first Rugby World Cup in Asia which drew Westerners and boosted tourism to the whole country. According to Japan National Tourism Organization, a record high of 31.9 million foreign travellers (up 2.2% YoY) visited Japan in 2019. While the growth momentum slowed, the 2019 figure is 3.8 times to that of 2012, and Asian visitors account for 84.0% of the total.

By nationality and region, China is the largest source market with 9.6 million visitors (up 14.5% YoY) to Japan in 2019. While South Korea dropped to 5.6 million (down 25.9% YoY) due to trade tensions between the two countries since July 2019, it remained in the second place. Taiwan followed at the third place with 4.9 million visitors (up 2.8% YoY). Philippines and Vietnam have the largest growth among Asian countries, with visitors increased by 21.7% and 27.3% YoY respectively. Visitors from United Kingdom increased 80% YoY during the Rugby World Cup period, which contributes to a total of 27.0% increase per annum in comparison to 2018.

As for Tokyo, according to Bureau of Industrial and Labor Affairs of the municipality, 548.8 million people visited the Metropolis between April 2018 and March 2019. Domestic travellers increased to 534.3 million (up 0.3% YoY) and inbound visitors grew to 14.5 million (up 4.7% YoY). Both showed an upward trend. The total spending amount by visitors to Tokyo in this period reached 5.9 trillion yen (up 0.1% YoY) with 1.2 trillion yen (up 4.5% YoY) contributed by foreign visitors. While the latest quarterly figure of January to March 2019 was decreased to 1.3 trillion yen (down 6.9% YoY), foreign visitors spending recorded an increase to 285 billion (up 4.5% YoY). Spillover effects by visitor's spending to Tokyo economy in 2018 rose to 11.8 trillion yen (up 4.1% YoY).

HOTEL MARKET PERFORMANCE

Based on latest available figure from Japan Tourism Agency, Japan in total has 545.9 million visitor nights (up 2.8% YoY) from November 2018 to October 2019. Number of foreigner guest nights is 101.7 million (up 11.0% YoY), making up 18.6% of the total. By nationalities, China, Taiwan and South Korea are the top three, accounting for 54.1% of foreigner guest nights. In Tokyo, number of total visitor nights is 66.8 million (up 3.2% YoY) with 24.9 million spent by foreigners (up 11.6% YoY) which is 37.3% of total. United Kingdom (up 46.5% YoY), India (up 29.5% YoY) and Australia (up 29.2% YoY) showed significant increase. On the other hand, visitors by South Korea recorded a 13.7% drop due to the Japan-South Korea trade tension.

Economy or budget hotels (known as business hotel in Japan) have an occupancy rate of 75.5% and 84.0% across the country and in Tokyo in the period from November 2018 to October 2019 respectively, similar to the level in the same period the previous year at 75.4% and 84.3%. The trend of hotel occupancy rate is stable as the inbound tourism market expands. In terms of rate, hotel room index shows a sustained increase since 2012 though growth rate slowed from its peak in 2015.

EXISTING AND FUTURE SUPPLY

Tokyo had 2,435 hotels and ryokans (Japanese-style inn) as of March 2019, according to latest data by Ministry of Health, Labour and Welfare. There was a total of 175,300 rooms (up 3.6% YoY) in these accommodation facilities.

Based on available data by industry journals, approximately 18,400 hotel and ryokan rooms are planned or under construction for opening by 2023 in Tokyo. For example, APA Group, a Japanese hospitality group, is opening a large-scale hotel with 1,111 rooms in Sumida ward and a hotel block with 859 rooms in Minato ward of Tokyo in spring and summer of 2020 respectively.

HOTEL MARKET OUTLOOK

The Government of Japan has a target of 40 million foreign tourists by 2020 and 60 million by 2030. However, the target is now challenging with the ongoing tension between Japan and South Korea and the outbreak of the coronavirus in January 2020.

The coronavirus impact is anticipated to be greater than that of SARS in 2003, seeing the rapid spread of the disease, increased size of the Chinese economy and Japan's deepened dependence on China. Group travel bans by Chinese authorities and service cut by major airlines also weigh on inbound tourist figures and hotel occupancy rate. On the other hand, the impact is expected to be short-lived. Overall fundamentals remain intact. Tokyo's summer Olympics and Paralympic Games in 2020 which are going to draw a great deal of international attention, will serve as a catalyst for the recovery. And in post-Olympics, Tokyo remains attractive with its identity as a tourist hub of the country and with its plentiful tourism resources. Hardware and software prepared for the mega-event will also strengthen the MICE tourism of the metropolis. At country level, Osaka World Expo 2025 will be a new milestone to look for in the decade.

While the outbreak posed challenges to tourism and hospitality market, the disruption is to be temporary. Japan market would remain attractive in long term. Hotel demand is expected to recover with mega-events in and after the Olympic year.

CAMBRIDGE, UNITED KINGDOM HOTEL PROPERTY SECTOR

CUSHMAN & WAKEFIELD

CAMBRIDGE TOURISM MARKET

Cambridge is well known for its university, which is consistently ranked as one of the top five in the world. The University has campuses spread throughout the city and comprises the renowned Cavendish Laboratory, King's College Chapel, and the Cambridge University Library. Cambridge's current position as one of the leading locations in the world for research and development (R&D) is attributed to the proximity of the University, providing a high calibre workforce and an established research base.

Cambridge's research and development sector encompasses a wide variety of companies, working in biotechnology, pharmaceuticals, electronic and software engineering and information technology. The cluster of high tech industries and science parks in Cambridge resulted in what was labelled the 'Cambridge Phenomenon' and the area around Cambridge has become known as 'Silicon Fen,' an analogy to 'Silicon Valley' in California. Many of the science parks, mainly related to software and bioscience, include Cambridge Science Park, Cambridge Business Park and Cambridge Biomedical.

Inbound visitors to Cambridge amounted to 547,000 in 2018, according to VisitBritain. This is a 5.4% increase compared to 2017. The whole Cambridgeshire region saw more visitors flock to the area at 700,400 in 2018. The majority of visits were holidays (37.4%) whilst visiting family and friends follows as reason number two at 31%. Business trips accounted for 23.7%.

Local Economy

According to the UK Census 2011, the city's population was 123,867 with circa 24,500 students.

The Public Sector is the largest source of employment in the city. The University is the largest single employer, with circa 9,000 staff along with the Cambridge University hospitals employing circa 7,000 people.

A number of high profile medical research institutes are based in the city, namely Cancer Research UK with over 800 staff. In addition, a large number of firms provide professional expertise or technical support to the many startup companies that characterise Cambridge's economy. Major employers include Deloitte, Microsoft, PwC, Grant Thornton, Brossard De Bayle and Throgmorton Private Capital.

Tourism is a key industry for Cambridge and generates over £835.0 million for the local economy. Cambridge is renowned for its history, architecture and cultural appeal and is one of the UK's principal tourist locations, for both domestic and overseas visitors. As a university city, Cambridge has a thriving culture, including the famous Midsummer Fair that dates to 1211, the Cambridge Folk Festival and the Cambridge Shakespeare Festival.

HOTEL MARKET PERFORMANCE

Hotel performance in Cambridge has seen continuous RevPAR growth over the last four years increasing by almost 7.0%, driven by ADR. The growth in performance has started to slow in 2019 in part due to the new supply that has previously entered the market being absorbed. Occupancy increased by 1.4 percentage points in 2019 reaching 78% although ADR was static at £99.68. As a result, RevPAR increased by 1.4% to £77.71.

EXISTING AND FUTURE SUPPLY

The wider Cambridge hotel market currently consists of 50 hotels accounting for 3,392 bedrooms. The majority of bedrooms are made up of upper upscale hotels (35%) with budget hotels following at 27.5% market share.

The last five years has seen three hotels enter the market with 400 bedrooms. The last hotel opening in Cambridge was the 155-bedroom O'Callaghan The Tamburlaine in 2017.

Over the next two years there are likely to be a further four hotels in the wider market adding a further 709.

2020

- Cambridge Curio Collection by Hilton – 162 keys

2021

- Novotel Cambridge North Station Science Park – 217 keys
- Hyatt Centric Cambridge – 150 keys
- Turing Locke – 180 keys

HOTEL MARKET OUTLOOK

The Cambridge market appears to have absorbed the recent new supply that has entered the market and continues to perform well thanks to its various demand drivers. The performance of the Cambridge market does rely on inbound tourists and with the recent onset of COVID-19 this could not only have an impact on leisure visitors to the city, particularly from the Far East, but also on MICE business from events scheduled in 2020, although at this stage it is too early to assess any potential impact.

MANCHESTER, UNITED KINGDOM HOTEL PROPERTY SECTOR

CUSHMAN & WAKEFIELD

MANCHESTER TOURISM MARKET

Manchester is a city with a rich and diverse cultural landscape. It is particularly known for its music scene and is home to Manchester Arena, the largest arena of its type in the UK and the second largest in Europe. It also has a thriving performing arts scene with a number of large venues including the Manchester Opera House, The Palace Theatre, The Lowry and the Royal Exchange Theatre.

The city has two football clubs in the Premier League – Manchester City and Manchester United. Manchester is also home to the National Cycling Centre including a velodrome and BMX arena. Lancashire CCC plays at Old Trafford Cricket Ground.

According to VisitBritain, inbound visitor numbers saw 1.4 million tourists flock to the city in 2018, an increase of almost 7% compared to the previous year. When including the Greater Manchester area, inbound visitor numbers rise to 1.62m for 2018 with total expenditures at £696.5m. The main reason for visits was visiting friends and family (32.1%) whilst holiday trips followed closely behind (28.1%). Business trips follow in third place at 21.5%.

Local Economy

Manchester has a highly diversified economy as a centre for cultural industries, retail, financial and manufacturing. A number of globally trading firms are also based in Manchester such as Umbro and The Cooperative Banking Group. Furthermore, other international companies have their UK headquarters based in Manchester such as Kellogg's Company, Adidas and Siemens. The movement of the BBC to Manchester signalled the beginning of MediaCity UK, a development by Peel Media and is now home to several media companies including ITV Granada and the University of Salford's media-related teaching and research. This has hugely increased the employment in this sector since.

Manchester's strong national and international communication links and access to a large knowledge pool has attracted a number of top employers to the area and is recognised as a hub for business in the North West. The city hosts a number of conferences and business events, which attracts more than five million delegates annually.

The numerous attractions in the city and the two Premier League Football clubs have transformed Manchester into a major tourist destination generating approximately £5.8 billion annually.

HOTEL MARKET PERFORMANCE

Occupancy levels in central Manchester have ranged between 78.0% and 79.0% over the last four years with the city recording an increase of 0.9% in 2019 to 79.1%. This growth is despite the new supply that has entered the market in recent years. ADR has been relatively static over the last four years with the ADR across the city standing at £84.37 in 2019, similar to the previous year. As a result, RevPAR for 2019 was up 0.9% to £66.70.

EXISTING AND FUTURE SUPPLY

The central Manchester hotel market comprises 92 hotels providing over 11,700 bedrooms. The majority of rooms are within the upscale sector (26.1%) followed by the upper midscale sector (21.4%).

The city has witnessed relatively strong supply growth over the last four years with 19 hotels added to the market, 7 of which were added in the last two years.

The most recent additions in 2019 have included the 137 bedroom Dakota hotel and the 40-bedroom Stock Exchange hotel.

There is also a strong pipeline of new supply proposed in the city with 15 hotels due to enter the market in 2020 and a further 10 hotels due to enter the market in 2021. The total confirmed pipeline amounts to over 3,500 bedrooms of which the majority are in the upscale or upper upscale segments. The new supply includes the following:

2020

- Hotel Brooklyn – 189 keys
- Leonardo Hotel – 275 keys

2021

- Clayton Hotel – 329 keys
- Motel One Hotel – 330 keys
- Maldron Hotel – 278 keys

HOTEL MARKET OUTLOOK

With a strong pipeline of hotels entering in 2020 – 2021, trading conditions are likely to remain competitive with the number of new bedrooms that needs to be absorbed by the market. There are two 5-star hotels proposed being the One St Michael's scheme and the Zetter Hotel at London Road. That being said, the city has shown continued growth to date, highlighting the robustness of the various demand drivers in generating room nights. The performance of the Manchester market does to a degree rely on MICE business and leisure business from large events and with the recent onset of COVID-19 this could have an impact on business from events scheduled in 2020, although at this stage it is too early to assess any potential impact.

MUNICH, GERMANY HOTEL PROPERTY SECTOR

MUNICH TOURISM MARKET

Munich is the capital of the federal state of Bavaria, and with approximately 1.5 million inhabitants is the third-largest city in Germany. Munich offers a large number of cultural and educational attractions and institutions including the technical University of Munich and LudwigMaximilians-University and more than 80 museums including Deutsches Museum, Alte Pinakothek and Residenzmuseum mit Schatzkammer. In addition, Munich is famous for its beer and associated traditions including the world-famous Oktoberfest, with approximately 6.3 million visitors in 2019.

In absolute terms, overnight stays amounted to some 18.3 million in 2019, which equates to an increase of 6.8% compared to the previous year. Over the last ten years, the number of overnight stays has increased by almost 64.9%.

Local Economy

The economic importance of Munich results mainly from the presence of about 50 financial institutions in the city, therefore Munich ranks behind only Frankfurt as the second-largest financial location in Germany. Munich is also the most important German city regarding the insurance market and also a leading location globally. In addition, Munich is the city with the largest number of companies, eight, listed on the DAX stock market underlining the strength of the local economy. Information technology and communications infrastructure is another sector in which Munich has become increasingly important over recent years.

The unemployment rate in Munich was at 3.4% in December 2019, this was 1.6 percentage points below the German average. With a purchasing power per head index of 134.26, the city lies well above the German average. Employment is growing; above all in the service sector and in digitised sectors of the economy. The largest employer is BMW.

Munich Messe GmbH is one of the largest operators of trade-fairs worldwide. Approximately 50 trade fairs and exhibitions take place in Munich every year, with a total of 2.5 million visitors in 2019.

HOTEL MARKET PERFORMANCE

According to STR Global, in 2018, room occupancy figures for hotels in Munich decreased by 0.59 percentage points yoy. In 2018, the occupancy rate for Germany in general was at 71.5% whereby Munich was at 75.3%. This makes Munich the third best performing city in terms of occupancy. Only Hamburg and Berlin had a higher occupancy rate with 78.9% in Hamburg and Berlin with 78.1% in 2018. The Average Daily Rate of 2018 (ADR) increased by 3.1% in comparison to 2017. At an ADR of €126.80, Munich ranks first among Germany's key hotel markets. The selection of hotels considered for the STR benchmark yield a very positive figure, illustrating the advantages gained from less price-sensitive international demand. The development of these two indicators carries forward into a positive trend in Revenue per Available Room (RevPAR), which increased by 2.7% yoy to €95.51.

In 2019, the occupancy rate for Munich decreased by 0.2 percentage points to 75.1%. ADR also shrank from €126.80 to €125.90. As a result, RevPAR fell to €94.53. Still, Munich remains the third best performing major city in Germany. We are of the opinion that the performance has been affected by the new supply on the Munich Hotel Market. This was also noticed in Hamburg and Frankfurt hotel markets.

EXISTING AND FUTURE SUPPLY

Munich is one of the most expensive building locations in Germany, mainly due to the continuing high demand for space and the limited site supply. For the hotel segment, building activity is generally increasing regarding both new developments and refurbishments (including extensions).

Since the beginning of 2019, 15 new hotels have opened in Munich, with an average of approximately 220 rooms. In December 2019, 84,073 beds were offered in 464 establishments. A further 20 schemes are currently under construction, with the Gambino Hotel Werksviertel (300 rooms) being the largest in terms of number of rooms and another 19 projects are planned.

HOTEL MARKET OUTLOOK

There is also a strong pipeline of new supply proposed in the city until 2023. The new supply includes another various of branded hotels located all over Munich.

With a strong pipeline of hotels entering in the upcoming years, trading conditions are likely to remain competitive with the number of new bedrooms needing to be absorbed in the market.

FLORENCE, ITALY HOTEL PROPERTY SECTOR

CUSHMAN & WAKEFIELD

FLORENCE CITY OVERVIEW

The city of Florence is noted for its culture, Renaissance art and architecture and monuments. The city also contains numerous museums and art galleries, such as the Uffizi Gallery and the Palazzo Pitti, and still exerts an influence in the fields of art, culture and politics. Due to Florence's artistic and architectural heritage, it has been ranked by Forbes as one of the most beautiful cities in the world. Furthermore, the historic city center of Florence was declared a World Heritage Site by UNESCO in 1982.

Florence is also an important city for Italian fashion, being ranked in the top 15 fashion capitals of the world.

According to the Istituto Nazionale di Statistica (ISTAT), Florence recorded approximately 3.0 million visitor arrivals and 7.7 million room nights, with an average length stay of 2.6 days. In the past 5 years (2014 – 2018), CAGR for visitor arrivals increased 1.3% while CAGR for room nights increased 3.2%.

The nationality mix of room nights highlights that USA is the main international market (19.1%) followed by China (6.8%) and UK (6.0%).

Local Economy

As a center for cultural industries, retail, financial and manufacturing, Florence has a highly diversified economy. A number of international firms are also based the city and in the surroundings, such as the Italian fashion brands Gucci and Salvatore Ferragamo.

Other well-known companies with offices in Florence include Ermanno Scervino, Panerai, Findomestic, Manetti & Roberts, Carapelli and Sammontana.

EXISTING AND FUTURE SUPPLY

As at end of 2018, there were 390 hotels and 14,543 rooms in Florence.

The market is mostly dominated by 4-star and 3-star properties which account for the 53.0% and 28.9% of the overall number of rooms respectively.

In the last 5 years (2014 – 2018), the number of hotels increased at a CAGR of 0.7% while the number of rooms increased at a CAGR of 0.9%. The growth was mainly driven by the 4-star segment where the number of hotels grew at a CAGR of 4.4% while the number of rooms grew at a CAGR of 2.7%.

There is also a strong pipeline of new supply with 8 hotels due to enter the market from 2020, such as the (Ex) Hotel Majestic (iH Hotels, 5-star, opening in 2020), Palazzo degli Angeli (5-star, opening in 2020), Palazzo Gaddi (NH Hotels, 5-star, opening in 2020) and 25 Hours (Accor, 4-star, opening at the end of 2020). This new supply adds up to nearly 1,000 rooms.

HOTEL MARKET PERFORMANCE

In order to describe the Florence hotel market performance, it is fundamental to analyse the three main performance indicators: Occupancy rate, ADR and RevPAR.

After the 2008 economic crisis, 2014 was the first year in which the occupancy level stabilised above 70%. With an ADR of €119, RevPAR was at €83. In 2015, hotel market performance continued to improve, with the occupancy level reaching 71.3% (+1.8% vs 2014), ADR reaching €130 (+9.9% vs 2014) and a RevPAR of €93 (+12.9% vs 2014).

In the last five years (2015-2019), ADR increased at a CAGR of 8.6%, resulting in an increase in RevPAR at a CAGR of 10.2%

In 2019, Florence reached an occupancy level of 75.6%, an ADR of €181 and a RevPAR of €137.

HOTEL MARKET OUTLOOK

There was a total of 48.5 million room nights in 2019 for Tuscany (+0.7% yoy). In particular, Tuscany's main cities, like Florence, remain attractive destinations for tourists during public holidays. Visitor arrivals and room nights for Florence remained healthy at +1.4% yoy and +2.6% yoy respectively, with international demand being the driving force.

Given Florence's positive historical performance, we do not see any evidence that would suggest a decrease of the hotel market performance or visitor arrivals in the next few years, barring the advent of any unforeseen events.

BOARD OF DIRECTORS

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

CHAN SOON HEE, ERIC, 66

Mr Chan Soon Hee, Eric was appointed a Non-Independent, Non-Executive Director and the Chairman of the Board of Directors of the H-REIT Manager and the HBT Trustee-Manager on 22 June 2018.

Mr Chan is a founder and the Chief Executive Officer of Thoughts Advisory Pte. Ltd. which provides consultancy services to entrepreneurs to further develop their strategic and business plans. He has more than 35 years of experience working in a public accounting firm environment, serving as audit partner with KPMG LLP (KPMG) from 1989 to 2001, and subsequently as partner in charge of Transaction Services at KPMG until his retirement in September 2011.

Mr Chan was the Lead Independent Director, Chairman of the Audit and Risk, Remuneration and Board Sustainability Committees; and a member of the Board and Nominating Committees of City Developments Limited (CDL) until his resignation on 22 June 2018. Both the H-REIT Manager and HBT Trustee-Manager are wholly-owned subsidiaries of CDL.

Mr Chan is a Fellow Chartered Accountant of Singapore, a Fellow of the Chartered Association of Certified Accountants, a Fellow of Certified Public Accountants Australia and a Chartered Valuer & Appraiser.

VINCENT YEO WEE ENG, 51

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.

Executive Boardroom, Novotel Singapore Clarke Quay

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).

FOO SAY MUI (BILL), 62

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 the Lead Independent Director, the Chairman of the Audit and Risk Committees and a member of the Nominating and Remuneration Committees of the H-REIT Manager and the HBT Trustee-Manager.

Dr Foo is currently an adviser, director and chairman to several listed and private companies including Tung Lok Restaurants (2000) Ltd, Mewah International Inc., Kenon Holdings Ltd, Tower Capital Asia Pte. Ltd. and Business Circle Singapore Pte. Ltd.

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 stepped down as the Chairman of Heartware Network, one of the largest youth organisations in Singapore, in June 2019.

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.

RONALD SEAH LIM SIANG, 72

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 sits on the board of directors of other listed companies, namely, Yanlord Land Group Limited, Global Investments Limited and Telechoice International Limited. He was appointed the Lead Independent Director of Global Investments Limited on 25 April 2019. He is also the Chairman of Nucleus Connect Pte. Ltd. Mr Seah stepped down as a Director of PGG Wrightson Limited, a company listed on New Zealand Stock Exchange in August 2019.

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, he 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.

KENNY KIM, 52

Mr Kenny Kim was appointed an Independent Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 25 January 2017. He is also a member of the Audit and Risk Committees of the H-REIT Manager and the HBT Trustee-Manager.

Mr Kim is a founding partner and currently, the Chief Executive Officer of Ikhlas Capital Singapore Pte. Ltd., an ASEAN private equity fund manager headquartered in Singapore and has on-ground presence in Kuala Lumpur, Jakarta and Manila. He was appointed to the Board of

BOARD OF DIRECTORS


Presidential Suite, The Lowry Hotel

Pelikan International Corporation Berhad, a company listed on the Bursa Malaysia on 7 October 2019. Mr Kim was 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 from October 2015 until his resignation in September 2017. At RRJ Capital, he was 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.

CHEAH SUI LING, 48

Ms Cheah Sui Ling was appointed an Independent Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 18 August 2017. She was also appointed as a member of the Nominating and Remuneration Committees of the H-REIT Manager and the HBT Trustee-Manager on 12 February 2018.

Ms Cheah is currently an Operating Partner with Wavemaker Partners, a venture capital firm based in Singapore and Los Angeles that focuses on technology company investments, where she is responsible for helping portfolio companies with business development, follow on financings and eventual exits. She is also an Independent Director and Chairman of the Audit Committee of Parkway Trust Management Limited, the manager of ParkwayLife REIT, listed on the Singapore Exchange.

Ms Cheah has over 20 years of international investment banking and corporate experience, having been a financial and strategic advisor to global and regional companies across multiple industries. Most of her career was spent across Singapore, Paris, Hong Kong, London and New York focusing on capital raising transactions and cross border mergers and acquisitions for corporate clients. Between 2010 to 2013 she was Co-Head of Corporate Finance for South East Asia at BNP Paribas. Prior to that, she was a senior coverage banker for Singapore in the investment banking division of JP Morgan. She started out her career at Merrill Lynch Investment Banking.

Ms Cheah graduated Magna Cum Laude with a Bachelor of Arts in Economics and French from Wellesley College, Massachusetts in the US.

BOARD OF THE H-REIT MANAGER AND HBT TRUSTEE-MANAGER	
CHAN SOON HEE, ERIC Chairman and Non-Executive Director	**RONALD SEAH LIM SIANG** Independent Non-Executive Director
VINCENT YEO WEE ENG Chief Executive Officer and Executive Director	**KENNY KIM** Independent Non-Executive Director
FOO SAY MUI (BILL) Lead Independent Director	**CHEAH SUI LING** Independent Non-Executive Director

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

FOO SAY MUI (BILL)
Chairman

RONALD SEAH LIM SIANG
Member

KENNY KIM
Member

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

RONALD SEAH LIM SIANG
Chairman

FOO SAY MUI (BILL)
Member

CHEAH SUI LING
Member

MANAGEMENT TEAM

VINCENT YEO
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 46 and 47 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, corporate finance (including fund raising activities), 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 31 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.

PAUL KITAMURA

Head, Asset Management

Mr Kitamura is responsible for CDLHT's asset management function involving performance optimisation and asset value enhancement initiatives across the portfolio.

Mr Kitamura has 32 years of experience in hospitality and previously served as Senior Vice President of asset management for GIC Real Estate where he was responsible for the fund's Asia-Pacific hospitality portfolio comprising assets such as the Westin Tokyo, Shangri-La Sydney and Park Hyatt Melbourne, a portfolio of Oakwood serviced apartments in Japan and a retail portfolio in Australia. During the 2008/09 global downturn, he successfully drove cost efficiency initiatives and led the re-branding of the 1,053-room Hilton Fukuoka.

His hotel management experience includes leading IHG's businesses in Japan as country head from 2002-2008, and securing exclusivity with ANA Airlines for a JV partnership for the 50-property ANA hotel 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 across a multi-brand portfolio covering 10 cities including 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

Head, 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. Her role includes the analysis and execution of suitable divestment opportunities for CDLHT. She is also responsible for maintaining relations with the media, investment and research community, as well as equity capital raising and corporate finance activities.

Ms Koo has more than 15 years of experience, spanning across real estate investments and investor relations in the REIT industry, equity corporate finance and listing regulations. Ms Koo was previously with the Standard Chartered Bank Corporate Advisory & Finance team which 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, Issuer Regulation, 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.

Lobby, Studio M Hotel

PROPERTY PORTFOLIO

SINGAPORE

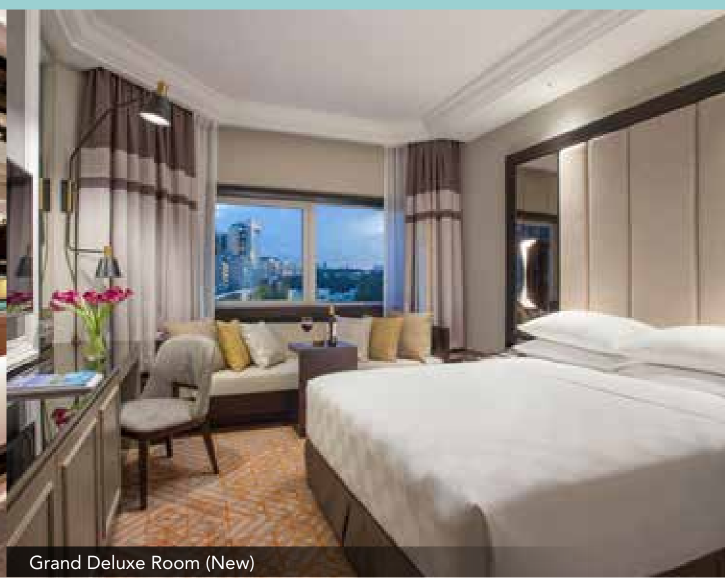

Grand Ballroom (New)

ORCHARD HOTEL

442 Orchard Road, Singapore 238879
Offering cosmopolitan elegance in the heart of Orchard Road, Singapore's premier retail district, and Cantonese fine dining at its award-winning Hua Ting Restaurant.

656 Guest Rooms	**8,588** SQ M Land Area	**S$466M** Valuation as at 31 Dec 2019

The Orchard Cafe


Grand Deluxe Room (New)

PROPERTY DETAILS

Number of guest rooms: 656

Number of food & beverage outlets:
Four outlets comprising Hua Ting Restaurant, The Orchard Cafe, Bar Intermezzo and Poolside Snack Bar

Banquet/Conference/Meeting facilities:
A 1,245 sq m pillar-free 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: 452 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

Purchase price at 19 July 2006:
S$330.1 million

Valuation [(1)] as at 31 December 2019:
S$466.0 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 2019 KEY FINANCIALS

Rental income: S$19.6 million

Net property income: S$18.3 million

Average occupancy rate: 83.4%

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

Situated on Singapore's renowned Orchard Road and in proximity to the Orchard MRT Station and the UNESCO-listed Botanic Gardens, Orchard Hotel offers 656 tastefully-appointed guest rooms and suites in twin wings, Orchard Wing (325-room) and Claymore Wing (331-room).

Enlivened and refurbished to epitomise warm Asian hospitality, Orchard Wing features Grand 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.

The hotel features a host of refreshed dining and events offerings, including a refurbished 1,000-seat Grand Ballroom, one of Singapore's largest column-free dining halls, and comes equipped with two floor-to-ceiling LED walls. Experience a diverse array of signature cuisines at the hotel's award-winning dining outlets, including Hua Ting Restaurant. Guests can also enjoy buffets with local heritage-inspired highlights at The Orchard Cafe or live music and a line-up of contemporary cocktails at Bar Intermezzo, both of which were just renovated in 2018.

Other facilities include a 25m outdoor pool, fitness studio and adjoining the hotel is a destination mall - Claymore Connect, catering to the discerning urban family with choice selections of lifestyle services and gastronomic treats.

NOTABLE ACCOLADES

- TripAdvisor Certificate of Excellence 2019 – 2020 | Certificate of Excellence, Hall of Fame (Excellence Award)
- BCA Green Mark Award (Gold) 2016 – 2019
- Hotel Security Excellence Award 2019
- SHA Excellent Service Award 2019
- The Michelin Guide Singapore (The Michelin Plate) 2019 – Hua Ting Restaurant
- Straits Times & Lianhe Zaobao's Best Asian Restaurants (Gold) 2019 – Hua Ting Restaurant
- Singapore Tatler Singapore's Best Restaurants 2018/19 – Hua Ting Restaurant
- Wine & Dine Singapore's Top Restaurants (One Star) 2019/20 – Hua Ting Restaurant

SINGAPORE


Lobby

GRAND COPTHORNE WATERFRONT HOTEL

392 Havelock Road, Singapore 169663
One of Singapore's leading conference hotels along the historic Singapore River and in proximity to the Central Business District and the waterfront precincts of Robertson Quay and Clarke Quay.

574
Guest Rooms

10,860
SQ M Land Area

S$370M
Valuation as at 31 Dec 2019


Food Capital


La Residenza Suite

PROPERTY DETAILS

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

Number of food & beverage outlets: Four outlets comprising Food Capital, Grissini, Tempo Bar and Red House Seafood

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 600 guests banquet-style and 1,100 guests theatre-style

Other facilities: Hair, beauty and wellness services, Executive Club Lounge and leisure facilities including a 24-hour fitness centre, outdoor swimming pool, jacuzzi and tennis courts

Car park facilities: 287 car park lots (1)

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

Gross floor area: 63,496.0 sq m (including adjoining Waterfront Plaza) (2)

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

Purchase price at 19 July 2006: S$234.1 million

Valuation (3) as at 31 December 2019: S$370.0 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 2019 KEY FINANCIALS

Rental income: S$18.2 million

Net property income: S$16.9 million

Average occupancy rate: 87.2%

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

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

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

Club Deluxe Bayview Room

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, Marina Bay 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 600 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.

The hotel also houses a salon providing hair, beauty and wellness services to satisfy the needs of the leisure guests.

The hotel 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 F&B outlets including Food Capital, an interactive buffet restaurant, Grissini, an Italian grill restaurant and Tempo, a dynamic bar.

NOTABLE ACCOLADES

- Best Convention Hotel, Singapore (2018 – 2020) by International Hotel Awards
- Best Luxury Hotel, Singapore (2018 – 2020) by International Hotel Awards
- International Five Star Hotel (2017 – 2020) by International Hotel Awards
- Blissful Brides Editor's Choice Preferred Banquet Venue Winner (2017 – 2019)
- BCA Green Mark Platinum 2015 – 2021
- SHA Excellent Service Award 2019 (19 Star, 1 Gold)
- Food Capital (2018) and Grissini (2017 – 2018) in Singapore's Top Restaurants by Wine & Dine
- Wine Spectator's 2018 and 2017 Award of Excellence for Grissini Restaurant
- Hotel Security Excellence Award (2004 – 2019)

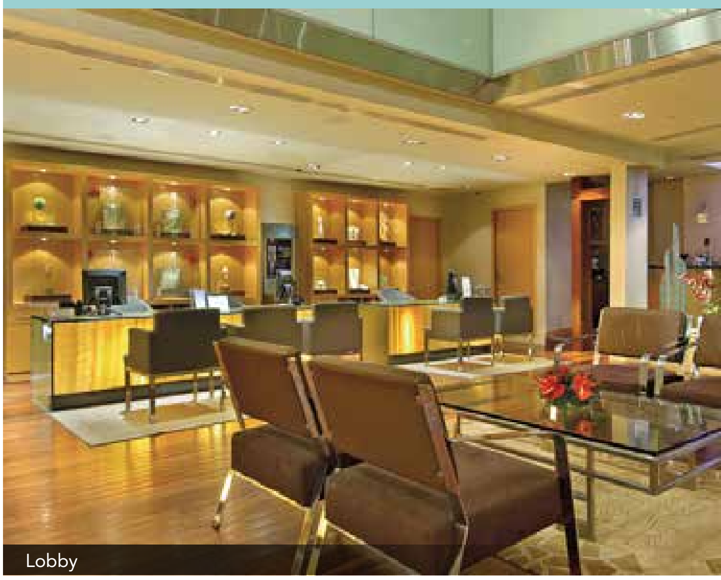
SINGAPORE

Suite Room

M HOTEL SINGAPORE

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.

415	**2,134**	**S$245M**
Guest Rooms	SQ M Land Area	Valuation as at 31 Dec 2019



Lobby

Banquet Suite

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 14 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

Purchase price at 19 July 2006:
S$161.5 million

Valuation [(1)] as at 31 December 2019:
S$245.0 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 2019 KEY FINANCIALS

Rental income: S$13.1 million

Net property income: S$12.3 million

Average occupancy rate: 89.0%

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

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 business travellers with modern technological amenities.

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 internet access for all business needs.

The food & beverage outlets at M Hotel Singapore offer a generous variety, ranging from the delectable all-day dining and seafood buffet 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. The 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

- BCA Green Mark Gold Plus (2018 – 2021)
- PUB Water Efficient Building Silver Award (2013 – 2019)
- Green Hotel Award (2015 – 2016)
- Ctrip Preferred Hotel 2017 and 2018
- Hotels.com™ Loved by Guests Award 2018
- Rakuten Bronze Awards 2018
- Hotel Security Awards 2017 and 2019
- TripAdvisor Certificate of Excellence 2016

SINGAPORE


Signature Studio

COPTHORNE KING'S HOTEL

403 Havelock Road, Singapore 169632
A superior business hotel that is in proximity to the Central Business District.

311
Guest Rooms

5,637
SQ M Land Area

S$120M
Valuation as at 31 Dec 2019


Lobby


Princess Terrace Café

PROPERTY DETAILS

Number of guest rooms: 311 (1)

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

Purchase price at 19 July 2006:
S$86.1 million

Valuation (1)(2) as at 31 December 2019:
S$120.0 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 2019 KEY FINANCIALS

Rental income: S$6.9 million

Net property income: S$6.5 million

Average occupancy rate: 88.4%

The 311-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. In October 2019, the hotel embarked on a room refurbishment project, which includes a makeover of the rooms in the Tower Wing (142 rooms) and is expected to complete by mid-2020. The new rooms are furnished with contemporary Chinese decor, offering guests an enhanced experience. 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 Cantonese delicacies and Princess Terrace Café which is renowned in Singapore for serving authentic Penang cuisine. Both restaurants have been voted into Singapore Tatler's "Best Restaurants Guide" from 2016 to 2019 consecutively.

NOTABLE ACCOLADES

- BCA Green Mark Platinum (2014 – 2018)
- ASEAN Energy Awards 2013 – Retrofitted Building Category

(1) 310 rooms as at 31 December 2019
(2) The property was valued by Knight Frank Pte. Ltd. using a combination of the Capitalisation and Discounted Cash Flow approaches

SINGAPORE

STUDIO M HOTEL

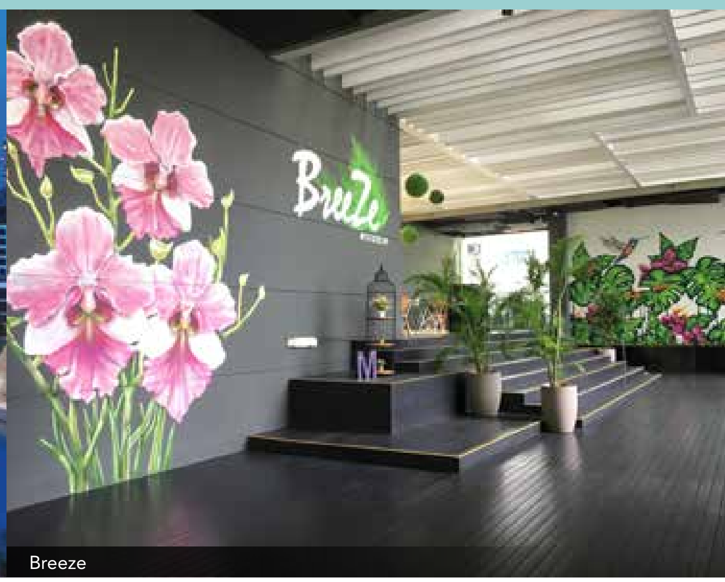
3 Nanson Road, Singapore 238910
A contemporary design-oriented hotel that is in the Robertson Quay entertainment precinct and in proximity to the Central Business District.

360
Guest Rooms

2,932
SQ M Land Area

S$173M
Valuation as at 31 Dec 2019

Executive Loft



Breeze

PROPERTY DETAILS

Number of guest rooms: 360

Number of food & beverage outlets:
Two outlets – MEMO and Breeze (Breakfast only)

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

Car park facilities: 30 car park lots

Land area: 2,932.1 sq m

Gross floor area: 8,258.9 sq m

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

Purchase price at 3 May 2011:
S$154.0 million

Valuation [1] as at 31 December 2019:
S$173.0 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 2019 KEY FINANCIALS

Rental income: S$8.1 million

Net property income: S$7.7 million

Average occupancy rate: 88.3%

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

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 guests and facilities which include an open-air tropical oasis deck where guests can enjoy specialised Asian cuisine for breakfast, 25-metre lap pool, a jet pool, well equipped open-air gymnasium and a food and beverage outlet – MEMO.

MEMO by Studio M Hotel is a modern bistro for the Robertson Quay neighbourhood. It offers a relaxing ambience and features an extensive gourmet menu of light bites ranging from brunch items to hearty meals. With a rustic artsy vibe across its contemporary indoor and al-fresco seating set-up, MEMO also welcomes guests and like-minded partners to host their networking events and lifestyle workshops within the space.

NOTABLE ACCOLADES

- BCA Green Mark Gold (2018 – 2021)
- PUB Water Efficient Building Basic Award (2010 – 2019)
- Singapore Green Hotel Award (2019 – 2020)
- Hotel Security Excellence Award (2018 – 2019)

SINGAPORE


Junior Ballroom

NOVOTEL SINGAPORE CLARKE QUAY

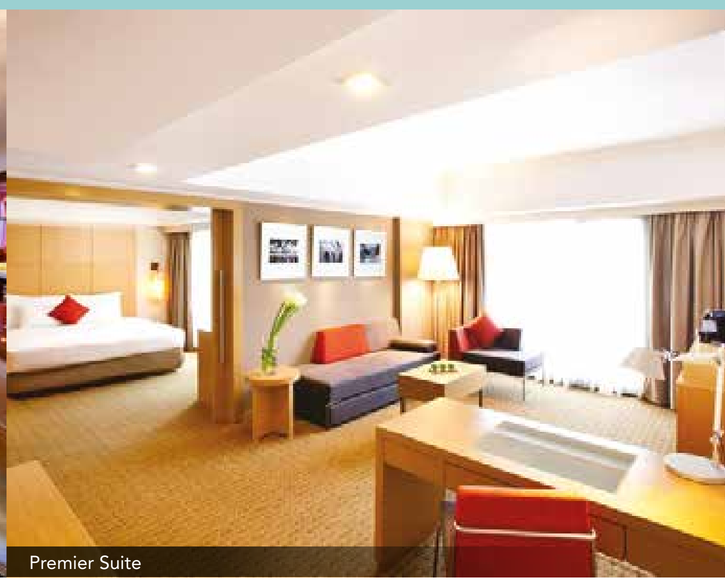
177A River Valley Road, Singapore 179031
Located in the heart of the Clarke Quay entertainment precinct and in proximity to the Central Business District and Marina Bay, Novotel Singapore Clarke Quay is a popular choice for business and leisure customers.

403
Guest Rooms

12,925
SQ M Land Area

S$369M
Valuation as at 31 Dec 2019


Premier Lounge


Premier Suite

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 15 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

Purchase price at 7 June 2007:
S$201.0 million

Valuation [2] as at 31 December 2019:
S$368.7 million

MASTER LEASE DETAILS

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

Lease will terminate on 23 April 2020, following the approval received on 23 January 2020 from Stapled Security Holders, for the divestment of Novotel Singapore Clarke Quay for redevelopment

FY 2019 KEY FINANCIALS

Rental income: S$22.3 million

Net property income: S$21.3 million

Average occupancy rate: 91.9%

Novotel Singapore Clarke Quay's 403 hotel guest rooms range from the standard rooms to the premier suites, all offering modern décor, the highest level of 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 and well connected by public transport with the Fort Canning MRT Station right next to the hotel.

The property first opened in October 1984, and was subsequently rebranded as "Novotel Singapore Clarke Quay" in January 2005, before CDLHT acquired it in June 2007. On 23 January 2020, Stapled Security Holders approved the divestment of Novotel Singapore Clarke Quay for redevelopment. The hotel will receive its last guests and cease operations in early April 2020. The divestment is expected to complete around the end of first half of 2020.

NOTABLE ACCOLADES

- SEC-Kimberly-Clark Singapore Environmental Achievement Award (Services) – Winner
- PUB Water Efficient Building Gold Award (2015 – 2018)
- ASEAN Green Hotel Award (2018)
- BCA Green Mark Gold Plus (2013 – 2020)
- Singapore Green Hotel Award (2018 – 2019)
- National Safety and Security Watch Group Award

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(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 Colliers International Consultancy & Valuation (Singapore) Pte Ltd using the Residual Land Valuation approach

SINGAPORE


Interior

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.

21
Tenants

~7,179
SQ M in NLA

S$94M
Valuation as at 31 Dec 2019


Pim Pam

PROPERTY DETAILS

Net lettable area (including Galleria): Approximately 7,179 sq m

Car park facilities: The car park facilities are shared with Orchard Hotel

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

Purchase price at 19 July 2006: S$34.5 million

Valuation [1] as at 31 December 2019: S$93.8 million

FY 2019 KEY FINANCIALS

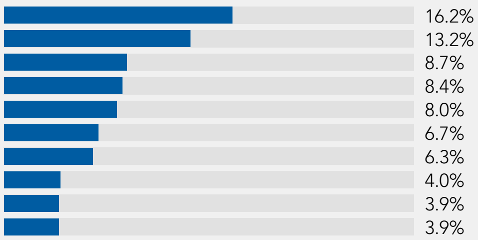
Rental income: S$7.5 million

Net property income: S$5.0 million

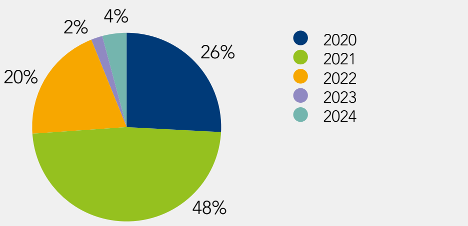
Total number of tenants as at 31 December 2019: 21

Committed occupancy rate as at 31 December 2019: 89.7%

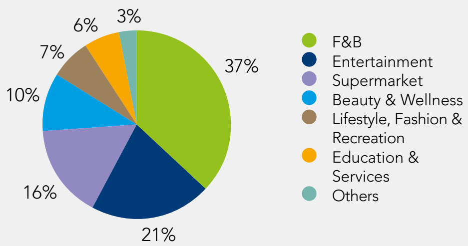
% CONTRIBUTION TO RENTAL INCOME OF TOP 10 TENANTS FOR FY 2019



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



TENANT MIX BY RENTAL INCOME FOR FY 2019



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

Claymore Connect is located within a short walking distance from 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 actively enhances its retail offerings to cater to the captive residential population in the nearby precincts of Tanglin, Orchard and Claymore. Orchard Hotel guests also 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.

The mall also offers a diverse range of food and beverage selections such as:

- PIM PAM by FOC, a Gastro-bodega inspired by the Barcelonan tapas and wine culture, offering unique Catalan cuisine;
- Muddy Murphy's, an Irish cottage themed pub which has a loyal following for its dining and drinks options as well as live band and televised sports;
- The Peranakan, an authentic Straits cuisine restaurant which serves three generations of Peranakan recipes; and
- Jewel Coffee, a leading specialty purveyor in Singapore known for their uniquely roasted single origin espressos.

Additionally, 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; House of Fine Jewels, offering a wide collection of precious gems and jewellery in exquisite designs; and Wine Connection, South-East Asia's leading chain of wine shops. Claymore Connect also features a number of beauty and wellness outlets ready to pamper discerning patrons.

AUSTRALIA


Lobby

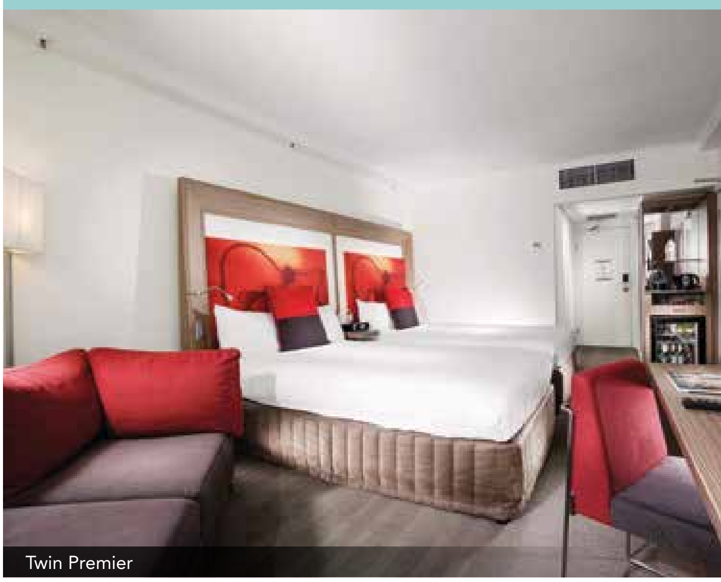
NOVOTEL BRISBANE

200 Creek Street
A contemporary and functional hotel in central Brisbane, the capital city of Queensland.

296
Guest Rooms

6,235
SQ M Land Area

A$73M
Valuation as at 31 Dec 2019


Twin Premier


Gourmet Bar

PROPERTY DETAILS

Number of guest rooms: 296

Number of food & beverage outlets:
Three outlets comprising The Pantry Restaurant, Gourmet Bar and Two Donkeys Café

Banquet/Conference/Meeting facilities:
11 versatile conference and function rooms for up to 400 delegates featuring pillarless ballroom, executive boardroom and a unique outdoor pool deck area

Car park facilities: 70 car park lots

Land area: 6,235 sq m

Gross floor area: 28,049 sq m

Title: Strata Volumetric Freehold

Purchase price at 18 February 2010:
A$63.5 million

Valuation (1) as at 31 December 2019:
A$73.0 million

MASTER LEASE DETAILS

Master lessee: HI Operations Pty Ltd, a subsidiary of AccorInvest Group S.A.

Term of lease:
Approximately 11 years from 19 February 2010, expiring on 30 April 2021

Minimum rental income: A$4.9 million

FY 2019 KEY FINANCIALS

Rental income: S$4.7 million (2)
(A$4.9 million)

Net property income: S$4.7million (2)
(A$4.9 million)

Average occupancy rate: 74.7%

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 Eagle Street Pier within the Howards Smith Wharf precinct, this hotel is popular amongst multinational corporate and government bodies along with leisure guests over major event periods and weekends. Its functional yet stylish features include conference facilities consisting 11 separate venues for up to 400 delegates. The venues feature natural light and spacious pre-function areas.

The property also features a business centre, café, bar, large outdoor swimming pool, sauna and fully equipped gymnasium.

For its green initiatives and environmental management, the hotel was awarded the Gold Planet 21 rating since 2014 for its sustainability efforts.

(1) The property was valued by CBRE Valuations Pty Limited using a combination of the Capitalisation, Discounted Cash Flow and Direct Comparison approaches
(2) Based on the average exchange rate of A$1.00 = S$0.9493

AUSTRALIA

Beccaria Bar and Restaurant, Mercure Perth

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.

MERCURE PERTH

239
Guest Rooms

757
SQ M Land Area

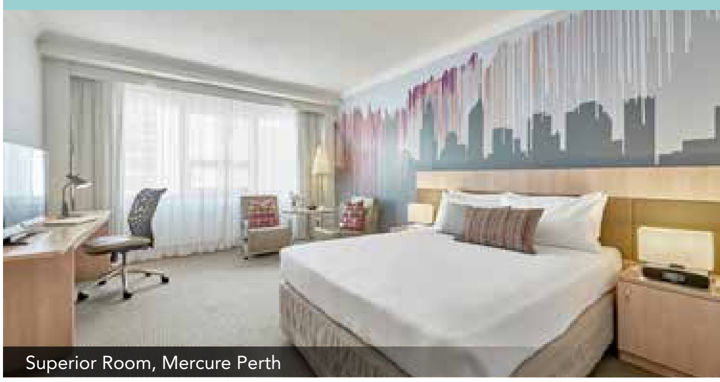
A$48M
Valuation as at 31 Dec 2019

IBIS PERTH

192
Guest Rooms

1,480
SQ M Land Area

A$31M
Valuation as at 31 Dec 2019



Superior Room, Mercure Perth

Murray Street Grill, Ibis Perth

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	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	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
Purchase price at 18 February 2010:	A$36.2 million	A$21.6 million
Valuation (1) as at 31 December 2019:	A$48.0 million	A$31.0 million

MASTER LEASE DETAILS

Master lessee:	HI Operations Pty Ltd, a subsidiary of AccorInvest Group 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 2019 KEY FINANCIALS

Rental income:	S$2.7 million (2) (A$2.8 million)	S$1.8 million (2) (A$1.9 million)
Net property income:	S$2.7 million (2) (A$2.8 million)	S$1.8 million (2) (A$1.9 million)
Average occupancy rate:	83.5%	75.5%

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. The property has a large heated rooftop swimming pool, modern refurbished pool deck area, spa, and spacious gym. The hotel completed a soft-refurbishment on its rooms in 2017, which transformed the guest room interiors with a vibrant and colourful new design. Business guests are also well catered for at this hotel with a number of meeting rooms available, which feature natural light and modern AV technology, 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 and a short walk to the Raine Square shopping and Palace Cinema Complex. The hotel also offers a full service restaurant, casual bar and café, 24-hour room services and three function rooms catering for up to 200 guests. Other features include, secure covered parking, business centre and secure guest access to all hotel floors. The hotel has a Silver Planet 21 rating in 2016 for its sustainability efforts.

(1) Mercure Perth was valued by CBRE Valuations Pty Limited while Ibis Perth was valued by Jones Lang LaSalle Advisory Services Pty Limited, both using a combination of the Capitalisation and Discounted Cash Flow approaches
(2) Based on the average exchange rate of A$1.00 = S$0.9493

NEW ZEALAND

Lobby

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.

452
Guest Rooms

5,910
SQ M Land Area

NZ$223M
Valuation as at 31 Dec 2019

Lobby

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

Banquet/Conference/Meeting facilities:
15 meeting spaces comprising over 1,619 sq m offering a variety of flexible multi-function 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

Purchase price at 19 December 2006:
NZ$113.0 million

Valuation (1) as at 31 December 2019: NZ$222.5 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 each. Lease renewed for second 3-year term from 7 September 2019, expiring 6 September 2022 (3)

Minimum rental income: NZ$6.0 million

FY 2019 KEY FINANCIALS

Rental income: S$16.3 million (2)
(NZ$18.1 million)

Net property income: S$16.3 million (2)
(NZ$18.1 million)

Average occupancy rate: 89.2%


King Deluxe Room

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 also within walking distance to the casino.

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 the Atrium Lounge.

NOTABLE ACCOLADES

- TripAdvisor Certificate of Excellence (2012 – 2019)
- Qualmark Assessment 2019 – 4.5 stars

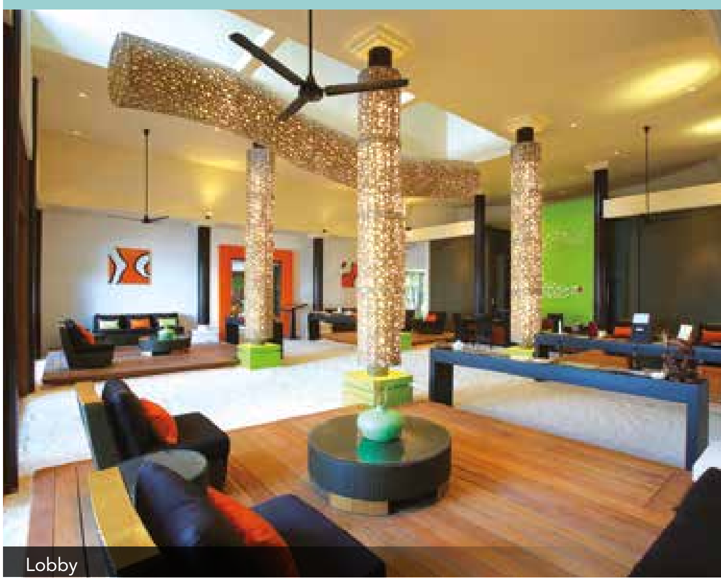
(1) The property was valued by CBRE Limited using a combination of the Capitalisation and Discounted Cash Flow approaches
(2) Based on the average exchange rate of NZ$1.00 = S$0.9022
(3) Lease was renewed on 6 June 2019

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	67,717	US$58M
Villas	SQ M Land Area	Valuation as at 31 Dec 2019



Lobby

InOcean Villa

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 Kuredi Bar

Other facilities:
Angsana Spa & Gallery, Marine Conservation Lab, PADI 5 Star Gold Palm Dive Centre, Watersports Centre, Kids Club, Wedding Pavilion

Land area: 67,717 sq m

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

Purchase price at 31 January 2013:
US$71.0 million

Valuation (1) as at 31 December 2019:
US$57.6 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

FY 2019 KEY FINANCIALS

Rental income: S$6.7 million (2)
(US$4.9 million)

Net property income: S$6.4 million (2)
(US$4.7 million)

Average occupancy rate: 43.5%

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. To strengthen Angsana Velavaru's product offering and market positioning, a new main public pool was constructed in August 2019 and 79 Beachfront Villas are being renovated, of which 43 have been completed in end 2019. Infinity pools were also added to 24 of these villas where guests can have a more enjoyable experience at the 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, cooking classes, lifestyle gallery, a marine conservation lab, water sports and dive center and kids' club.

NOTABLE ACCOLADES

- Luxury Travel Guide Spa & Wellness Awards 2018
- Southern China Extreme Tourism Awards 2017 by Guangzhou Daily – Favorite Island Hotel Resort
- 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

(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$1.3654

MALDIVES


Over-Water Villas

RAFFLES MALDIVES MERADHOO

Meradhoo Island, Gaafu Alifu Atoll, Republic of Maldives
Tucked away at the southern edge of Maldives archipelago, Raffles Maldives Meradhoo is the premier destination that focuses on personalised luxury of the highest standard. Its spacious beachfront and over-water villas are among the largest in the Maldives.

37
Villas

53,576
SQ M Land Area

US$45M
Valuation as at 31 Dec 2019


Beachfront Villa


Thari (restaurant)

PROPERTY DETAILS

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

Number of food & beverage outlets:
Three restaurants comprising Thari, Yuzu and The Firepit and two bars comprising Long Bar and Yapa Sunset Bar

Other facilities:
PADI 5 Star dive and water sports centre, Raffles Spa, over-water fitness and yoga studio, two infinity edge pools, 24-hour butler service, library and resort boutique

Land area: 53,576 sq m

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

Purchase price at 31 December 2013:
US$59.6 million

Valuation [(1)] as at 31 December 2019:
US$45.0 million

HOTEL MANAGEMENT AGREEMENT DETAILS

Operator: AAPC (Maldives) Private Limited

Term of hotel management agreement:
20 years commencing from 9 May 2019 (operator has right to extend another 5 years)

FY 2019 KEY FINANCIALS

The resort was closed on 1 June 2018 for renovation works and reopened as Raffles Maldives Meradhoo on 22 September 2019.

Gross hotel revenue: S$3.1 million [(2)]
(US$2.2 million)

Net property income: -S$7.7 million [(2)]
(-US$5.7 million)

Average occupancy rate: 37.8% [(3)]

Raffles Maldives Meradhoo 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.

Following an extensive enhancement exercise, the resort officially reopened on 22 September 2019, under the iconic collection of Raffles Hotels and Resorts. The 37-villa resort features 16 over-water villas and 21 beachfront villas, each with their own private pool. In addition, a new Presidential Villa is also being constructed which is expected to complete in 2020. 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 220 to 300 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 ceilings and full-length floor-to-ceiling windows that provide panoramic views of the Indian Ocean from the bedroom, bathroom and living room.

Raffles Maldives Meradhoo offers a wide range of dining options including three restaurants and two bars, comprising Thari, an all-day diner; Yuzu, a Peruvian and Japanese fusion restaurant; The Firepit, where guests can enjoy various flame-frilled chef specialty dishes; the popular Long Bar on the main island; and the over-water Yapa Sunset Bar. There are also leisure and spa options within the property including a spa, an over-water gym and yoga studio, two infinity edge pools, a PADI 5 Star dive and water sports centre, a library and a resort boutique.

(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$1.3654
(3) Occupancy is computed from 22 September 2019, the official reopening date, to 31 December 2019

JAPAN

Hotel MyStays Asakusabashi

Hotel MyStays Kamata

HOTEL MYSTAYS ASAKUSABASHI & MYSTAYS KAMATA

1-5-5 Asakusabashi, Taito-Ku, Tokyo | 5-46-5 Kamata, Ota-Ku, Tokyo
Located in close proximity to major transportation networks and tourist attractions, the hotels appeal to both business and leisure travellers.

ASAKUSABASHI

139 Guest Rooms

564 SQ M Land Area

¥4.1B Valuation as at 31 Dec 2019

KAMATA

116 Guest Rooms

497 SQ M Land Area

¥2.9B Valuation as at 31 Dec 2019

Modern Twin Room Sakura, Hotel MyStays Asakusabashi

Single Room, Hotel MyStays Kamata

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
Purchase price at 19 December 2014:	¥3.20 billion	¥2.60 billion
Valuation (1) as at 31 December 2019:	¥4.08 billion	¥2.85 billion

HOTEL MANAGEMENT AGREEMENT DETAILS

Operator:	MyStays Hotel Management Co., Ltd.
Term of hotel management agreement:	3-year auto-renewal basis, unless terminated with notice

FY 2019 KEY FINANCIALS

Gross hotel revenue:	S$5.3 million (2) (¥426.0 million)	S$4.1 million (2) (¥327.0 million)
Net property income:	S$2.1 million (2) (¥171.3 million)	S$1.7 million (2) (¥132.1 million)
Average occupancy rate:	93.4%	91.9%

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. A convenience store is also located on the ground floor and a variety of dining options are available around the hotel. Three rooms in the first quarter of 2018 and two rooms in the second quarter of 2019 were converted into a traditional Japanese design to appeal to international guests.

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.

(1) The Japan Hotels were valued by Cushman & Wakefield K.K. using a combination of the Capitalisation and Discounted Cash Flow approaches
(2) Based on the average exchange rate of S$1.00 = ¥80.00

UNITED KINGDOM

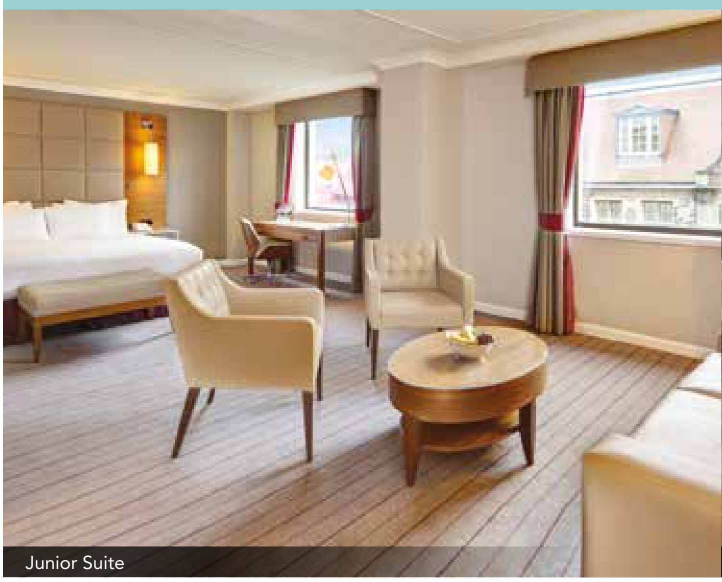
Executive Lounge

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.

198	**~3,600**	**£63M**
Rooms	SQ M Land Area	Valuation as at 31 Dec 2019



Junior Suite

Bull & Bass Restaurant

PROPERTY DETAILS

Number of guest rooms: 198

Number of food & beverage outlets:
Two outlets comprising Bull & Bass Restaurant, and the Lounge Bar

Banquet/Conference/Meeting facilities:
Five function rooms comprising approximately 400 sq m of event space which can be used for intimate board meetings with the latest integrated audio visual technology through to hosting of celebration dinners for up to 150 persons

Other facilities:
Executive Lounge, LivingWell Fitness Gym and The Roguery Barbers & Coffee Shop Cambridge

Land area: ~3,600.0 sq m

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

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

Valuation (3) as at 31 December 2019:
£63.4 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 2019 KEY FINANCIALS

Gross hotel revenue: S$19.9 million (4)
(£11.4 million)

Net property income: S$7.7 million (4)
(£4.4 million)

Average occupancy rate: 78.5%

Hilton Cambridge City Centre is an upper upscale hotel with 198 rooms and suites, and arguably the best located and largest premium hotel in Cambridge City Centre. It boasts a prime location in the heart of the city, being 1.6 km from Cambridge railway station and is situated beside the main shopping and historic attractions. It is also within the vicinity of popular tourist destinations such as King's College, Trinity College, Fitzwilliam Museum, Cambridge University Botanic Gardens, and the River Cam. 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: two food & beverage outlets, the 24-hour LivingWell Fitness Gym, 24-hour In-room Dining, an exclusive Hilton Honors Executive Lounge, secure undercover car parking, and events' space for up to 200 people.

The LivingWell Fitness Gym is for both hotel residents and external members, featuring the latest Precor equipment and two Watt bikes, opened in 2016. The exclusive Hilton Honors Executive Lounge and Bull & Bass Restaurant serving surf and turf dishes paired with exquisite wines, opened in 2017. The Roguery concession, a high-end male-grooming barber and coffee shop, opened in 2018. The main Lounge Bar of the Hotel was re-modelled in 2019.

NOTABLE ACCOLADES

- Booking.com Gold Certificate of Excellence 2017, 2018
- Gold Accreditation for Overall Customer Experience in Cambridge BID Awards 2019
- Gold Accreditation for Bull & Bass Restaurant in Cambridge BID Awards 2018
- HolidayCheck Certificate of Excellence 2018
- Hotels.com Certificate of Excellence 2017, 2018
- TripAdvisor Certificate of Excellence 2015, 2016, 2017, 2018, 2019
- TripAdvisor GreenLeaders GreenPartner 2019
- Accreditation by the Meeting Industry Association 2017, 2018, 2019

(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
(3) The property was valued by Cushman & Wakefield Debenham Tie Leung Limited using the Discounted Cash Flow approach
(4) Based on the average exchange rate of £1.00 = S$1.7429

UNITED KINGDOM


Junior Suite (New)

THE LOWRY HOTEL

50 Dearmans Place, Salford, Manchester M3 5LH
The iconic 5-star hotel is located in proximity to the heart of Manchester city centre and also within the vicinity of top office developments.

165
Rooms

~2,200
SQ M Land Area

£52M
Valuation as at 31 Dec 2019


Public Space at Lobby (New)


The River Restaurant (New)

PROPERTY DETAILS

Number of guest rooms: 165

Number of food & beverage outlets:
Two outlets comprising The River Restaurant and Lowry Lounge and Bar

Banquet/Conference/Meeting facilities:
Eight purpose-built meeting rooms for private events or business conferences and a grand ballroom for up to 400 people

Other facilities:
One gym including a sauna and a spa, and a hair salon

Car park facilities: 88 car park lots

Land area: ~2,200.0 sq m

Title: 150-year leasehold interest commencing 18 March 1997

Purchase price at 4 May 2017:
£52.5 million (1)

Valuation (2) as at 31 December 2019:
£52.1 million

Vacant Possession: Owner-operated, free of operator or brand

FY 2019 KEY FINANCIALS

Gross hotel revenue: S$22.5 million (£12.9 million) (3)

Net property income: S$5.0 million (£2.9 million) (3)

Average occupancy rate: 84.1%

(1) The purchase price of £52.5 million refers to the price of the property and excludes the adjustment for net working capital
(2) The property was valued by Cushman & Wakefield Debenham Tie Leung Limited using the Discounted Cash Flow approach
(3) Based on the average exchange rate of £1.00 = S$1.7429


Lobby (New)

The Lowry Hotel is an iconic 5-star luxury hotel which offers 165 rooms and a comprehensive suite of facilities and is located in proximity to the heart of Manchester city centre. It is also within the vicinity of top office developments such as Spinningfields, prominent retail establishments such as the Arndale Shopping Centre, one of the busiest retail malls in UK, and entertainment hubs such as Royal Theatre Exchange, the Manchester Opera House and the Manchester Arena.

The Lowry Hotel is also well known throughout United Kingdom and since its opening in 2001, the hotel has hosted many notable celebrities, prominent foreign dignitaries, sports stars as well as prestigious football teams.

In keeping up with efforts to enhance The Lowry Hotel's position as one of the top hotels in Manchester, the hotel has undergone a number of renovation works in 2018 and 2019, including the Presidential suite (largest suite accommodation in the city at above 180 sq m), upgrading of five rooms to new junior suites, an upgraded and modern reception and lobby area, and a completely renovated bar and restaurant.

NOTABLE ACCOLADES

- Best Bedroom CHS Awards 2017
- Best Large Hotel, Manchester Tourism Awards 2014
- Best Hotel at the Downtown in Manchester Business Awards 2013
- Best Hotel in the UK at The International Hotel Awards 2013

GERMANY

Lobby

PULLMAN HOTEL MUNICH

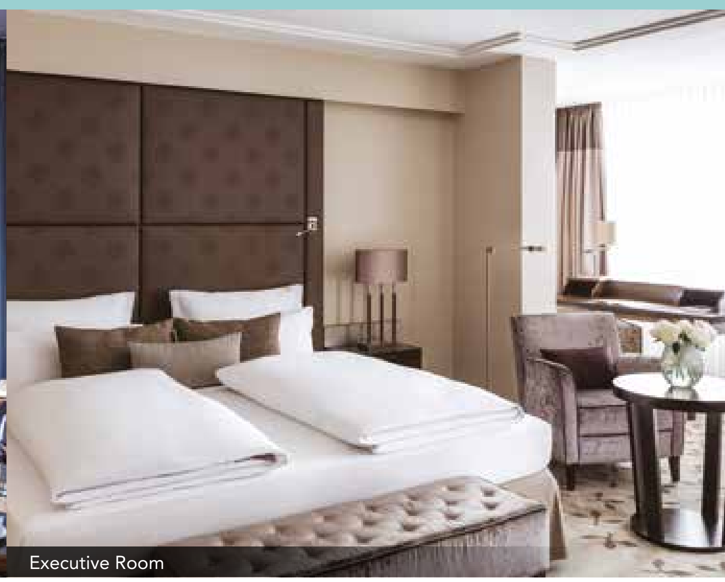
Theodor-Dombart-Strasse 4, 80805 Munich, Germany
Strategically located adjacent to a commercial district which is home to a variety of national and international companies, the hotel also boasts convenient accessibility and is in proximity to many of Munich's popular tourist destinations.

337
Rooms

~8,189
SQ M Land Area

€116M
Valuation as at 31 Dec 2019

Theo's Restaurant



Executive Room

PROPERTY DETAILS

Number of guest rooms: 337

Number of food & beverage outlets:
Five outlets comprising Theo's Restaurant, Theo's Bar, Theo's Beer Garden Terrace, Theo's Castaway Beach and Theo's Lounge

Banquet/Conference/Meeting facilities:
Two conference rooms for up to 80 people

Other facilities:
400 sq m of fitness and spa area
Commercial components of the property has four retail and seven office tenants (committed occupancy rate as 31 December 2019: 100.0%)

Car park facilities: 200 car park lots
The car park facilities are shared with the commercial components of the property

Land area: ~8,189 sq m

Title: Freehold

Purchase price at 14 July 2017:
€98.9 million (1)

Valuation (2) as at 31 December 2019:
€115.7 million

MASTER LEASE DETAILS

Master lessee: UP Hotel Operations GmbH & Co. KG (a wholly-owned subsidiary of EVENT Hotels)

Term of lease: 20 years commencing from 14 July 2017

Minimum rental income: €3.6 million

FY 2019 KEY FINANCIALS

Rental income: S$11.1 million
(€7.3 million) (3)

Net property income: S$9.9 million
(€6.5 million) (3)

Average occupancy rate: 82.7%


Courtyard

Pullman Hotel Munich is a 4-star hotel with 337 rooms and a comprehensive suite of facilities, as well as secondary spaces currently let out to four retail and seven office tenants.

The hotel is strategically located adjacent to the commercial district of "Parkstadt Schwabing", which is home to a variety of national and international companies. It boasts convenient accessibility, with motorways connecting Munich to Berlin and Frankfurt within a two-minute drive away, and the Munich railway station and Munich International Airport being accessible via a short drive. Travellers also have direct access to Munich International Airport via the Lufthansa Express Bus service, which stops diagonally opposite the hotel and runs at regular 15 minute intervals, offering significant cost savings and ease of travel to the airport within 25 minutes.

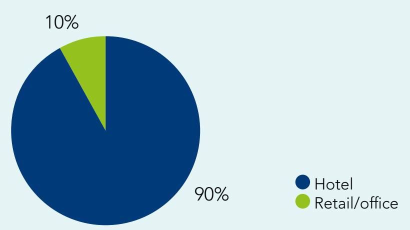
The hotel is also in proximity to many of Munich's popular tourist destinations including the English Garden, the BMW headquarters and Allianz Arena.

A new weatherproof shade sail was installed in the courtyard in 2019 so that the area could be used even in light rain.

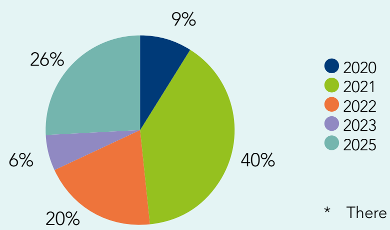
NOTABLE ACCOLADES

- TripAdvisor Certificate of Excellence – 2019
- Booking.com Guest Review Awards – 2019

TENANT MIX BY RENTAL INCOME FOR FY 2019



LEASE EXPIRY ANALYSIS OF OFFICE/RETAIL COMPONENT BY PASSING RENT*



* There are no leases expiring in 2024

(1) The purchase price of €98.9 million is based on H-REIT's effective 94.5% interest in Pullman Hotel Munich, its commercial components and the furniture, fixture and equipment. This excludes the adjustment for net working capital. On the basis of 100% interest, the purchase price is €104.7 million
(2) The property was valued by Cushman & Wakefield (U.K.) LLP (German Branch) using the Discounted Cash Flow approach
(3) Based on the average exchange rate of €1.00 = S$1.5280

ITALY


Junior Suite

HOTEL CERRETANI FIRENZE – MGALLERY

Via De' Cerretani 68, 50123 Florence, Italy
The hotel has an exceptional location in the heart of Florence's historic city centre, with world-famous tourist attractions, good connectivity and transportation within walking distance.

86	~1,350	€44M
Rooms	SQ M Land Area	Valuation as at 31 Dec 2019


Lobby


Il Michelangelo Bar

PROPERTY DETAILS

Number of guest rooms: 86

Number of food & beverage outlets:
Two outlets comprising "Il Patio" Restaurant (which serves breakfast) and "Il Michelangelo" Bar

Land area: ~1,350.0 sq m

Title: Freehold

Purchase price at 27 November 2018:
€40.6 million (1)

Valuation (2) as at 31 December 2019:
€43.9 million

MASTER LEASE DETAILS

Master lessee: FC Operations Hotel SRL, affiliated to EVENT Hotels

Term of lease: 20 years commencing from 27 November 2018

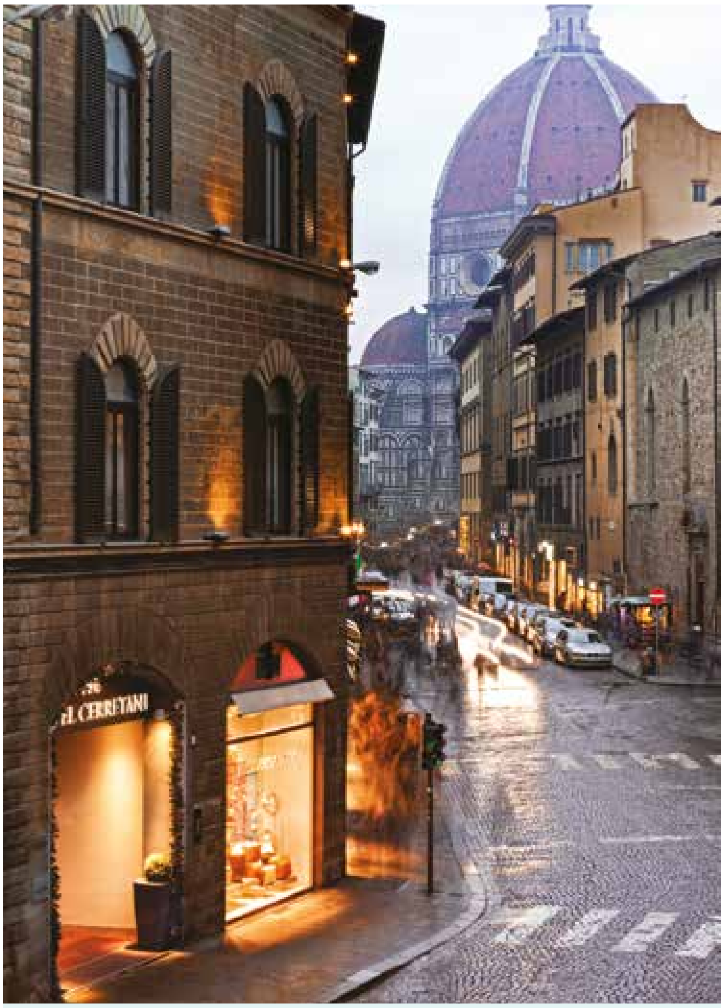
Minimum rental income: €1.3 million

FY 2019 KEY FINANCIALS

Rental income: S$3.0 million
(€2.0 million) (3)

Net property income: S$2.8 million
(€1.8 million) (3)

Average occupancy rate: 81.1%



Hotel Cerretani Firenze – MGallery is a 4-star hotel with 86 rooms. Boasting an exceptional location in the heart of Florence's historic city centre, the hotel is within walking distance to world famous tourist attractions including the cathedral of Santa Maria del Fiore (Il Duomo), Ponte Vecchio, Galleria dell' Accademia, and the Uffizi Gallery, which houses some of the most important works of the Renaissance, such as those by Leonardo da Vinci, Botticelli and Michelangelo.

The main train station is only an 8-minute walk from the hotel while Florence International Airport is also easily accessible via a relatively short 25-minute drive.

In 2016, the hotel underwent a full renovation of all its guest rooms and public areas.

(1) The purchase price of €40.6 million is based on H-REIT's effective 95.0% interest in Hotel Cerretani Firenze and the furniture, fixture and equipment. This excludes the adjustment for net working capital. On the basis of 100% interest, the purchase price is €42.7 million
(2) The property was valued by Cushman & Wakefield (U.K.) LLP (Italian Branch) using the Discounted Cash Flow approach
(3) Based on the average exchange rate of €1.00 = S$1.5280

CORPORATE GOVERNANCE

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 (as amended) 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 Raffles Maldives Meradhoo, a resort in the Maldives which has recently completed its re-branding programme, as well as the Japan hotels which were acquired by H-REIT. In addition to its function as a master lessee, HBT undertakes certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT. HBT is 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, and The Lowry Hotel, a purpose-built 5-star luxury hotel located in Manchester, United Kingdom.

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

Both H-REIT and HBT are externally managed by the H-REIT Manager and 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 provisions of the Code of Corporate Governance 2018 ("**CG Code**"). Where there are differences in practice from the provisions under the CG Code, the Managers' position in respect of the same is also explained in this report.

CORPORATE GOVERNANCE

The Board's Conduct of Affairs
Principle 1

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, desired organisational culture, financial performance, engaging key stakeholder groups and the nomination and review of performance of Directors and key management personnel ("**KMP**"). A Code of Business and Ethical Conduct duly approved by the Managers' Board is in place.

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 performance 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.

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 and the SFA, where relevant, and also recuse themselves from discussions and decisions involving issues of conflict. The Boards of the Managers have established Nominating and Remuneration Committees ("**NRCs**") which recommend to the Boards of the H-REIT Manager and the HBT Trustee-Manager the 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, 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 authorities and duties of the Committees, and provide for each Committee to submit at least an annual report of its activities to the Board. The H-REIT Manager Board and the HBT Trustee-Manager Board review such terms of reference periodically to ensure their continued relevance, taking into account the changes in the governance and legal environment. The composition of the Committees are set out below as well as under the corporate directory section in this Annual Report 2019 ("**Annual Report**"):

Committees	Composition
Audit & Risk Committees	Bill Foo Say Mui Ronald Seah Lim Siang Kenny Kim
Nominating & Remuneration Committees	Ronald Seah Lim Siang Bill Foo Say Mui Cheah Sui Ling

CORPORATE GOVERNANCE

The delegation of authority by the H-REIT Manager Board and the HBT Trustee-Manager Board to the 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 overall responsibility.

Further information on the activities of the ARCs and NRCs can be found in the sections on Principles 4 to 10 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. Seven Board Meetings, four ARC Meetings and two NRC Meetings were held by the Managers' Boards and Committees in 2019.

The attendance of the Directors of H-REIT Manager and the HBT Trustee-Manager at meetings of the Board and Committees of the Managers, as well as the frequency of such meetings during 2019, 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.

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 Secretaries. The Managers' respective Constitutions 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.

Directors' Attendance at the General Meetings and Meetings of Board and the Committees in 2019

	General Meetings	Board	ARC	NRC
Number of meetings held in 2019	1	7	4	2
Name of Directors				
Chan Soon Hee, Eric	1/1	7/7	N. A.	N. A.
Vincent Yeo Wee Eng	1/1	7/7	N. A.	N. A.
Ronald Seah Lim Siang	1/1	7/7	4/4	2/2
Bill Foo Say Mui	1/1	7/7	4/4	2/2
Kenny Kim	1/1	7/7	4/4	N. A.
Cheah Sui Ling	1/1	7/7	N. A.	2/2

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

It is recommended under the CG Code Practice Guidance 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 Directors as well as each Director's confirmation as to whether he/she has any issue with competing time commitments which may impact his/her ability to provide sufficient time and attention to his/her duties as a Director on the respective Boards, the 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 directorships 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 three. The NRCs had in FY2019 recommended that the maximum number of listed company board representations which each Director of the H-REIT Manager and HBT Trustee-Manager may hold be set at six (6), with a view to providing a guide to address potential competing time commitments that may be faced by Directors serving on multiple listed company boards. However, the NRCs may review this guideline from time to time.

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 the 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 Management also provides all Directors of the Managers with monthly updates on the financial performance of the H-REIT and HBT. 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.

Company Secretaries

The Company Secretaries, whose appointment and removal are subject to the approval of the H-REIT Manager Board and the HBT Trustee-Manager Board, attend all Board and Committee meetings, ensure that all Board procedures are followed and assist to ensure coordination and liaison between the Board, the Committees and Management. The Company Secretaries, together with Management of the H-REIT Manager and the HBT Trustee-Manager, also ensure 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 Secretaries also assist 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 Secretaries, 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.

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 over the strategic direction and policies and financial objectives which have or may have material impact on the profitability or performance of H-REIT and HBT and decisions on material capital expenditure and undertakings or all acquisition and disposal of properties 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

H-REIT Manager Board 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.

For a first time Director who has no prior experience as a director of a listed company on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), in addition to the induction as detailed above, he or she will be required to also attend specific modules of the Listed Entity Director ("**LED**") Programme conducted by the Singapore Institute of Directors ("**SID**") , in order to acquire relevant knowledge of what is expected of a listed company director, this being a mandatory requirement under the SGX Listing Rules. Completion of the LED Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual of SGX-ST and the CG Code. The Company Secretaries, where relevant, will co-ordinate with such Director to endeavour completion of the LED 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 updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretaries 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 Secretaries 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 to develop and maintain their skills and knowledge at the Managers' expense. NRCs and the Boards of the Managers are kept informed of the trainings attended by the Directors during the year, as part of the NRCs annual assessment of the skills set of the Boards and the Committees. The NRCs would also recommend further training for the Directors in specific areas, if so required, to supplement the regular updates/briefings provided to Directors from time to time.

The Directors had attended in-house seminars conducted by external speakers and other SID courses in 2019 and they were also briefed during the Boards and Committees meetings on the recent regulatory changes such as accounting, tax, the CG Code and related listing rules revisions. 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.

CORPORATE GOVERNANCE

Board Composition and Guidance
Principle 2

Board Independence

The Boards of the H-REIT Manager and the HBT Trustee-Manager currently comprise six members each. Five members of the Board are considered Non-Executive Directors, of which four of them are considered independent directors ("**IDs**") by the Board, 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. The IDs are Dr Bill Foo, Mr Ronald Seah, Mr Kenny Kim and Ms Cheah Sui Ling. No alternate Directors have been appointed in respect of any of the Directors.

The NRC determines on an annual basis whether or not a Director is independent, bearing in mind the Listing Manual of SGX-ST and the CG Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a Director not to be independent, as well as the enhancements to independence requirements announced by MAS on 2 July 2015 (the "**Enhanced Independence Requirements**").

Under the CG Code, a Director who has no relationship with the Managers, their related corporations, 5% substantial stapled security holders of CDLHT or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the best interests of CDLHT, is considered to be independent. In addition, under the Enhanced Independence Requirements, an ID is one who:

(i) is independent from any management and business relationship with the Managers and CDLHT;
(ii) is independent from any substantial shareholder of the Managers and any substantial stapled security holder of CDLHT; and
(iii) has not served on the Board for a continuous period of 9 years or longer.

When reviewing the independence of the IDs for 2019, the Managers' NRCs had considered the guidelines for independence set out in Provision 2.1 of the CG Code and the Business Trusts Regulations. For purposes of determination of independence, the IDs have also provided confirmation that they are not related to the Managers or stapled security holders of CDLHT or their related corporations and their substantial shareholders or their officers that could interfere, or be reasonably perceived to interfere, with their judgement in the best interests of H-REIT Manager and HBT Trustee-Manager or stapled security holders of CDLHT. The NRCs are satisfied that there is no other relationship which could affect the independence of the IDs. The Board concurred with the NRCs determination of the independence of the IDs.

The Chairman of the Board, Chan Soon Hee, Eric is a non-executive and non-independent Director. The Managers have complied with Provision 2.2 of the CG Code requirement that where the Chairman of the Board is not independent, IDs should make up a majority of the Board.

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 the Board Committees annually. At the recommendation of the NRCs, the Boards adopted a Board Diversity Policy setting out its policy and framework for promoting diversity on the Boards. The Boards recognise that a diverse Board of Directors is an important element which will better support the CDLHT Group's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Boards and to avoid group think and foster constructive debate through the perspectives derived from the various skills, qualifications/knowledge, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors. The final decision on selection of Directors will be based on merit against an objective criteria that complements and expands the skills and experience of the Boards as a whole, and after having given due regard to the overall balance and effectiveness of the diverse Boards.

The NRCs had 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 NRCs are satisfied that there is a good balance of expertise on the Boards, with experience in real estate and hotel related businesses, business and funds management, strategic planning, investment analysis, corporate finance, investment portfolio management, corporate reorganisations, mergers and acquisitions, audit, financial accounting, business consultancy and risk management. The Boards each have one female member, representing approximately 16.7% of the Boards' composition and the average age and tenure of the Directors is 58.5 years and 5.3 years respectively. The NRCs are of the view that whilst there is no immediate need to refresh the Boards, they will look to refresh the Boards from time to time, when appropriate. Further information on the individual Directors' background, experience and skills can be found in the "Board of Directors" section in the Annual Report.

CORPORATE GOVERNANCE

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

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 IDs. Similarly, the HBT Trustee-Manager Board would also be required to comply with the provision under Regulation 12 of the Business Trust Regulations that 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 the H-REIT Manager Board and the HBT Trustee-Manager Board comprise IDs.

Non-Executive 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 Lead Independent Director may call for meetings of NEDs or IDs from time to time, when appropriate, without the presence of the Management and provide feedback to the Chairman after such meetings. There were no formal NED or ID meetings in FY2019 as there were no pertinent issues for discussion.

Chairman and Chief Executive Officer
Principle 3

The roles of the Chairman and CEO are separate. The Chairman, Mr Chan Soon Hee, Eric, 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 and the CEO are also not related to any substantial shareholder of H-REIT Manager and HBT Trustee-Manager.

The Chairman sets the right ethical and behavioural tone and 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.

CORPORATE GOVERNANCE

Lead Independent Director

Dr Bill Foo, who was appointed as the Lead ID of the H-REIT Manager and HBT Trustee-Manager, serves as an intermediary between the IDs 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 2019.

Board Membership
Principle 4

Nominating and Remuneration Committee Composition and Role

All three members of the NRCs are IDs, including the NRC Chairman. The Lead ID is one of the independent members of the NRC. 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 Boards, are to review the structure, size and composition of the Boards and Committees, succession plans for the Chairman of the Board, CEO and KMP, review appointments and resignations of Directors and relevant KMP, including the CEO and the CFO, determine Directors' Independence, evaluate the performance of the Boards, Committees and Directors, review Directors' induction, orientation, training and continuous professional development programmes as well as review the remuneration framework and policies of the Managers and review specific remuneration packages of Directors and KMP.

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 ID; (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.

The NRCs interview shortlisted candidates before formally considering and recommending them for appointment to the Boards and where applicable, to the Committees. Searches for potential candidates are conducted through contacts and recommendations. Shortlisted candidates would be required to furnish their curriculum vitae containing information on their academic/professional qualification, work experience, employment history and experience (if any) as directors of listed companies.

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 five years, and other relevant information as well as the number of 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.

CORPORATE GOVERNANCE

Board Development

The NRCs review the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Boards and where applicable, the Committees. 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 are set out in the paragraph under the header "H-REIT Manager and HBT Trustee-Manager Board Orientation and Training". The members of the Boards are kept apprised twice yearly on the list of training programmes attended by the Directors during the year.

Board Performance
Principle 5

Board Evaluation Process

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 on an annual basis through feedback from individual Directors on areas relating to the Board's competencies and effectiveness. Based on feedback from each individual Director, a consolidated report is prepared and reviewed/ evaluated by the NRCs, its comments and recommendations for improvements, if any, are presented to the Boards.

The NRCs also undertook the evaluation of the performance of the Committees, with the assistance of self-assessment checklists completed by the members of the Committees.

The annual evaluation for the Chairman of the Boards and the individual Director's performance comprise two parts: (a) review of background information concerning the Director including his/her attendance records at the Boards and Committees meetings; and (b) NRCs' evaluation based on certain assessment parameters, which were recommended by the NRCs and approved by the Boards.

When deliberating on the performance of a particular Director who is also a member of the NRCs, that member abstain from the discussions in order to avoid any conflict of interests.

Each of the H-REIT Manager Board and HBT Trustee-Manager Board is of the view that in the financial year, it had operated effectively and each of its members had contributed to its overall effectiveness and is committed to maintain such effectiveness.

The Chairman of the Boards would be fully apprised of the results of the performance evaluation.

CORPORATE GOVERNANCE

Procedures for developing Remuneration Policies
Principle 6

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 the Directors and KMPs and includes termination terms which are applicable to the Executive Director and KMPs.

Level and Mix of Remuneration
Principle 7

All Directors of the H-REIT Manager, including the Executive Director, will receive a fixed base director's fee and the Lead ID will receive an additional fee to reflect his expanded responsibility. The Board Chairman, chairman and members of the ARCs and NRCs respectively also receive additional fees. Such fees are subject to the 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' fees.

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 CEO who is an 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. In 2019, Aon Hewitt Singapore Pte. Ltd., an external human resource consultant was engaged to provide benchmarking for all levels of employees of the Managers. The consultant is not related to the Managers, its controlling shareholder, its related corporations or any of its Directors.

Currently, the 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.

The Managers currently do not have a share scheme or other forms of long-term incentive schemes in place.

The remuneration structure is also directly linked to CDLHT and individual performance of the CEO and KMP, both in terms of financial and non-financial performances. This is achieved by incorporating appropriate key performance indicators ("**KPIs**") and competency reviews for the awarding of annual cash incentives.

Some of these KPIs include key financial indicators, risk management, compliance and controls measures, employee engagement and talent development.

The KPIs are set and chosen because they support how the Managers achieve its strategic objectives. The framework provides a link for staff in understanding how they contribute to the Managers' overall strategic goals. The Board, at the recommendation of the NRC reviews and approves the evaluation of the CEO and KMP annually.

CORPORATE GOVERNANCE

Disclosure on Remuneration
Principle 8

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 FY2019, 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 FY2019.

The structure of the fees payable to Directors of the H-REIT Manager for FY2019 is as follows:

Appointment	Per Annum (S$)
Board of Directors - Chairman's Fee - Base Fee	 80,000* 50,000
Audit and Risk Committee - ARC Chairman's Fee - ARC Member's Fee	 70,000 40,000
Nominating and Remuneration Committee - NRC Chairman's Fee - NRC Member's Fee	 10,000 5,000
Lead Independent Director's Fee	10,000

* Inclusive of Base Fee

A breakdown of the aggregate Directors' Fees received by each Director for FY2019 is appended below:

Director	Role	Directors' Fees (S$)
Chan Soon Hee, Eric	Chairman and Non-Executive Director	80,000
Bill Foo Say Mui	Lead Independent Director Chairman of Audit and Risk Committee Member of NRC	135,000
Vincent Yeo Wee Eng	Executive Director	50,000
Ronald Seah Lim Siang	Independent Non-Executive Director Member of Audit and Risk Committee Chairman of NRC	100,000
Kenny Kim	Independent Non-Executive Director Member of Audit and Risk Committee	90,000
Cheah Sui Ling	Independent Non-Executive Director Member of NRC	55,000

Notwithstanding Provision 8.1(b) of the CG Code, 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 the total remuneration paid in aggregate to the top five KMPs (who are not directors or the CEO), 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, such disclosure of 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 individually and/or collectively, 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 18 of the Notes to the Financial Statements.

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

Pursuant to their terms of reference, the NRCs shall regularly review and recommend to the Boards, their assessment of the performance of KMPs. The NRCs 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.

Accountability and Audit
Principle 9

Risk Management and Internal Controls

The H-REIT Manager Board and the HBT Trustee-Manager Board recognise that they have overall responsibility to ensure proper financial reporting for the H-REIT Group, the HBT Group and the Stapled Group and the adequacy 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.

Oversight of Risk Management

The ARCs of the H-REIT Manager and the HBT Trustee-Manager 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 and reporting to the Boards annually their observations on any matters under their purview including any risk management, internal controls or financial and management matters as they consider necessary and make recommendations to the Boards as they think fit.

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 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.

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.

CORPORATE GOVERNANCE

During the financial year under review, the ARCs reported to their respective Boards on the nature and extent of the risk management 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;
- 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).

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.

Each Board also receives a separate quarterly representation on the financial information and controls, that nothing has come to Management's attention which may render the financial statements to be false or misleading in any material respect.

Based on the internal controls framework established, the independent annual review and quarterly regulatory and compliance reviews conducted by external consultants 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 and internal controls systems that addresses the financial, operational, compliance and information technology controls. The Boards, with the concurrence of the ARCs, conclude that the risk management and internal controls systems in place as at 31 December 2019 is 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.

Audit Committee
Principle 10

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 ARCs have revised their terms of reference to provide that a former partner or director of the Managers' or H-REIT's or HBT's existing external auditors firm or corporation ("**EA**") shall not be appointed to act as a member of the ARC (a) within a period of 2 years commencing on the date of his ceasing to be a partner of the EA; and (b) in any case for as long as he has any financial interest in the EA, to be aligned with the CG Code.

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 adequacy and 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, *inter alia*:

- 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;
- to review, assess and report to the Boards annually on the adequacy and effectiveness of the H-REIT's and HBT's internal controls and risk management systems;
- to review the assurance provided by the CEO and the CFO that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the H-REIT Group's, the HBT Group's and the Stapled Group's operations and financial position; and (b) the adequacy and effectiveness of the risk management and internal controls systems.
- to review the adequacy, effectiveness, independence, scope and results of the internal audit function;
- to review the scope and results of the external audit, and the adequacy, effectiveness, independence and objectivity of the external auditors;
- to approve, on behalf of the Boards, the remuneration and terms of engagement of the external auditors;
- to review and make recommendation to the Boards on the appointment, re-appointment or removal of the external auditors;
- to review all Interested Party Transactions and/or Related Party Transactions entered into from time to time and ensuring compliance with the relevant provisions of the Listing Manual of SGX-ST, the Property Funds Appendix and the relevant accounting standards;
- to ensure that the H-REIT Group, the HBT Group and CDLHT are in compliance with the applicable laws and regulations;
- to oversee the establishment and operation of the whistle-blowing processes; and
- to have oversight on CDLHT's compliance with disclosure requirements relating to sustainability matters.

CORPORATE GOVERNANCE

Financial Matters

In the review of the financial statements for FY2019, 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	The 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: • 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. 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 2019. Refer to page 136 of this Annual Report.
Valuation of property, plant and equipment	The 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 property, plant and equipment. The ARCs noted that: • 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. The valuation of property, plant and equipment was 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 2019. Refer to page 136 of this Annual Report.

During the financial year under review, the ARCs of the H-REIT Manager and HBT Trustee-Manager have established an internal controls 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 ARC has been kept abreast on changes to the accounting standards and issues which have direct impact on the the H-REIT Group, HBT Group and the Stapled Group's financial statements by the CFO and the external auditors during FY2019.

The H-REIT Manager ARC and the HBT Trustee-Manager ARC held four meetings each during the year respectively and carried out their duties as set out within the terms of reference. The Company Secretaries maintain records of all ARC meetings including records of discussions on key deliberations and decisions taken. The ARCs met 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 Audit Committee Guide and the Board Risk Committee Guide both issued by the SID. 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.

CORPORATE GOVERNANCE

External Auditors

The ARCs had evaluated the performance of the external auditors for FY2019. 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, the HBT Group and the Stapled Group that could materially interfere with their ability to act with integrity and objectivity, the ARCs had, in 2019, undertaken a review of the independence of KPMG LLP ("**KPMG**") and gave careful consideration to the H-REIT Group's, the HBT Group's and the Stapled Group's relationships with them during 2019. 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 2019 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, the HBT Group's and the Stapled Group's statutory audit.

For details of the fees paid and/or payable by the H-REIT Group, the HBT Group and the Stapled Group in respect of audit and non-audit services for FY2019, please refer to Note 20 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2020, the ARCs had taken into consideration the Audit Quality Indicators Framework introduced by ACRA.

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, the 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, the 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 2020 Annual General Meetings ("**2020 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 archairman@cdlht.com and postal correspondence channel are available on CDLHT's website and clearly communicates to employees the existence of a whistle-blowing policy. The whistle blowing policy and procedural arrangements are reviewed by the ARCs on an annual basis.

CORPORATE GOVERNANCE

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, who reports directly to the ARCs. Deloitte & Touche Enterprise Risk Services Pte Ltd, a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience, has been appointed as the internal auditors for CDLHT's overseas properties and Claymore Connect.

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 and 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. 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. As the IA function is outsourced, the ARC's evaluation of the IA function's effectiveness were guided by the ARC's self-assessment checklist as well as through the reports submitted by IA at ARC meetings.

The ARCs met with the internal auditors separately without the presence of Management in January 2020.

Rights of Stapled Securities Holders and Engagement

<u>Rights of Stapled Securities Holders and Conduct of General Meetings</u>
<u>Principle 11</u>

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), 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.

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.

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. All the Directors including the chairmen of the ARCs and NRCs as well as the external auditors were present at the last AGMs, and would endeavour to be present at the 2020 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 as recommended by Provision 11.4 of the CG Code.

CORPORATE GOVERNANCE

Pursuant to Rule 730A(2) of the Listing Manual of SGX, all resolutions proposed at the 2019 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 2020 AGMs. The detailed procedures for electronic poll voting would be explained at the 2020 AGMs. An external firm will be appointed as scrutineers for the 2020 AGMs voting process, which is independent of the firm appointed to undertake the electronic poll voting process.

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 Board has considered that it is sufficient at the moment for the minutes of the general meetings to be made available to Stapled Securities Holders upon request rather than publishing them on the corporate website as recommended by Provision 11.5 of the CG Code.

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.

Engagement with Stapled Securities Holders
Principle 12

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 in respect of the financial year under review. The 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 respect of the financial year ended 31 December 2019. In presenting the 2019 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 aimed 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.

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 and stakeholders 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 AGM of Stapled Securities Holders, which notice is also advertised in the press and released via SGXNET. Stapled Securities Holders, stakeholders 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.

CORPORATE GOVERNANCE

Investor Relations Policy

The H-REIT Manager and the HBT Trustee-Manager are committed to building investor confidence and trust through effective open, two-way communication with Stapled Securities Holders, the investment community and the media. The Investor Relations ("**IR**") Policy, available on the CDLHT's corporate website, sets out the process and mechanism to engage its stakeholders, including the channel of communication through which Stapled Securities Holders and investors may pose queries and through which the Company may respond. The IR Policy outlines the principles and framework in which the Company communicates and engages with investors, analysts and other IR stakeholders to provide balanced, clear and pertinent information.

Engagement with Stakeholders
Principle 13

The Management of the H-REIT Manager and the HBT Trustee-Manager noted that the relationships with the key stakeholders may have an impact on the CDLHT's long term sustainability. Regular dialogue with key stakeholders such as employees, master lessees, hotel managers and investors are ongoing to manage their expectations.

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.

Confidential Information

The H-REIT Manager and HBT Trustee-Manager may in the course of business, collect, process, use or disclose personal data of individuals, including H-REIT and HBT unitholders, employees, lessees or tenants, and in some cases, guests or employees of hotels owned, third-party hotel owners, agents, partners, suppliers and other individuals. The CDLHT Data Protection Handbook is in place to ensure that the personal data processed is subject to certain legal safeguards and restrictions, in line with the requirements of the Personal Data Protection Act and SFA.

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 employees 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 in advance of the commencement of each "closed period" relating to dealing in the stapled securities of CDLHT.

STATEMENT OF POLICIES AND PRACTICES OF HBT

Apart from the corporate governance practices disclosed above, the HBT Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of HBT (as described in section 87(1) of the Business Trusts Act, Chapter 31A of Singapore) in respect of FY 2019, which is set out on pages 107 to 112 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 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 Raffles Maldives Meradhoo (1), 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. On 4 May 2017, HBT added The Lowry Hotel to its portfolio and operates it as an owner-operator.

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 Singapore Exchange Securities Trading Limited (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 (as amended from time to time) (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:

  - relates to HBT; and
  - has had, has or is likely to have, a material adverse effect on the interests of all the HBT Unitholders, or any class of HBT Unitholders, as a whole,

  as soon as practicable after the HBT Trustee-Manager becomes aware of the contravention;

- ensure that the HBT Trust Property is properly accounted for; and

- ensure that the HBT Trust Property is kept distinct from the property of the HBT Trustee-Manager held in its own capacity.

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;

(1) The property was acquired as Jumeirah Dhevanafushi in 2013. From September 2017 to June 2018, the resort operated under the temporary identity of Dhevanafushi Maldives Luxury Resort as part of its operator transition programme. It was closed from June 2018 for renovation works and has reopened as Raffles Maldives Meradhoo in 2019.

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

- 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, BTR 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 88 to 106 of this Annual Report.

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. The Trustee-Manager maintains different bank accounts in its own capacity and in its capacity as the Trustee-Manager of HBT. Regular internal reviews are also carried out to ascertain that all trust property of HBT 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. Each of the financial statements of HBT and HBT Trustee-Manager are also kept separate and distinct 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.

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

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 Board and the Audit and Risk Committee of the HBT Trustee-Manager about potential projects that it is looking into on behalf of HBT and the Board and the Audit and Risk Committee of the HBT Trustee-Manager ensure 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 Board, the Audit and Risk Committee and/or management of the HBT Trustee-Manager will have careful regard to the provisions of the HBT Trust Deed and when in doubt, will seek advice from professional advisers.

POTENTIAL CONFLICTS OF INTEREST

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

As the HBT Trustee-Manager is an indirect wholly-owned subsidiary of Millennium & Copthorne Hotels Limited (formerly known as 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.

- 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 an 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.

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

- 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 Stapled Securityholders, 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, 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 adviser to render an opinion as to whether the methods or procedures for determining the transaction prices contemplated under the annual general mandate are sufficient, in an effort to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of HBT and the HBT Unitholders.

The HBT Trustee-Manager has in place an internal control system as well as policies and procedures to ensure that all future interested person transactions will be undertaken on an arm's length basis, on normal commercial terms, will not be prejudicial to the interests of HBT and its minority 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, BTR and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.

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

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.

During the financial year ended 31 December 2019, HBT Trustee-Manager announced (a) its newly-formed wholly-owned subsidiary, Gemini Two Pte. Ltd., entered into a business transfer agreement with a wholly-owned subsidiary of City Development Limited, Cityview Place Holdings Pte Ltd, to acquire the business and business assets of the hotel operated as W Singapore-Sentosa Cove (the "**W Hotel Business Acquisition**" [(2)]); and (b) that it had entered into a sale-and-purchase agreement with a wholly-owned subsidiary of City Development Limited, CDL Aquila Pte. Ltd., to acquire all 100% legal and beneficial interest in the issued and paid-up share capital of Gemini One Pte. Ltd., which is also another wholly-owned subsidiary of City Development Limited ("**New Hotel Business Acquisition**" [(2)]) – which both are interested person transactions. The completion of W Hotel Business Acquisition is expected to be around the end of first half of 2020 while the New Hotel Business Acquisition is expected to be in 2025[(3)]. HBT Unitholders had via the Extraordinary General Meeting held on 23 January 2020, approved, *inter alia*, the W Hotel Business Acquisition and the New Hotel Business Acquisition.

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 comprising a base fee of up to a maximum of 0.25% per annum of the value of the HBT Trust Property and a performance fee of up to a maximum of 5.0% per annum of HBT's net property income. 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 Trust Property is at least S$50.0 million, a maximum of 0.1% per annum of the value of the HBT Trust 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 Trust Property, such HBT Trust 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 receive an acquisition fee at the rate of up to a maximum of 0.75% of the acquisition price for acquisition from interested persons and at a rate of up to a maximum of 1.0% of the acquisition price for all other acquisitions directly or indirectly by HBT (pro-rated if applicable to the proportion of HBT's interest in the authorised investment acquired).

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

The HBT Trustee-Manager is also entitled to a divestment fee at the rate of up to a maximum of 0.5% of the sale price of any divestment directly or indirectly by HBT (pro-rated if applicable to the proportion of HBT's interest).

Any increase in the rate or any change in structure of the HBT Trustee-Manager's management fee, trustee fee, the acquisition fee or the divestment 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.

(2) Please refer to the circular dated 3 January 2020 for more information pertaining the W Hotel Business Acquisition and New Hotel Business Acquisition, including valuations from two independent valuers and opinion of independent financial advisor. HBT Trustee-Manager will continue to make announcements on SGX to provide further updates pertaining the W Hotel Business Acquisition and New Hotel Business Acquisition in due course.

(3) Estimated timeline, subject to change.

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

The table below sets out the fees earned by the HBT Trustee-Manager for the financial year ended 31 December 2019.

Fee	Amount (S$'000)	% in Cash	% in Units
Management Fee	559	20%	80%
Trustee Fee	224	100%	0%

For the financial year ended 31 December 2019, 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 2019 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, cost allocations and fees charged to HBT and to ensure that the fees and 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 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 advisers and consultants from time to time, and in particular when dealing with acquisitions and capital raising, to ensure compliance with the requirements of the BTA and the Listing Manual.

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board has great pleasure in presenting CDL Hospitality Trusts' ("**CDLHT**") third Sustainability Report ("**Report**") for the financial year ended 31 December 2019 ("**FY 2019**"). The Report is in compliance with the Singapore Exchange Limited ("**SGX**") requirements.

In the past year, global issues such as climate change, waste management and resource scarcity have garnered significant public interest. Apart from the rise in green consumerism, we also recognise the importance of assessing the risks and opportunities from Environmental, Social and Governance ("**ESG**") factors to ensure the sustainability and growth of our business in the long-term.

In FY 2019, the H-REIT Manager and HBT Trustee-Manager (collectively the "**Managers**") continue to be actively involved in the development of our sustainability strategy for CDLHT. As asset owners, we remain steadfast in our commitment to pursue sustainable actions at our assets together with our various partners with regard to eco-efficiency, safety, and staff development. At the Managers' level, we focus our efforts on staff development and regulatory compliance.

This Report presents our sustainability efforts throughout the year, including our targets which were formalised by the Managers, and reviewed by the Managers' Boards. We will continue to challenge our sustainability performance each year and commit to targets towards sustainable progress.

In our FY 2019 Sustainability Report, we have also expanded our report scope (1) to include more overseas properties to enhance the transparency of the impact of our sustainability practices across our portfolio.

The new properties that have been scoped in this year's Report include the following properties in the Maldives, Japan, Germany and United Kingdom:

- Angsana Velavaru, Maldives
- Hotel MyStays Asakusabashi, Japan
- Hotel MyStays Kamata, Japan
- Pullman Hotel Munich, Germany
- Hilton Cambridge City Centre, United Kingdom

For the remaining properties, the Managers' Boards have ongoing plans to scope them in for our reports in the near future. CDLHT has maintained the same 6 material ESG factors this year – *Economic Performance, Energy, Water, Employment, Workplace Health and Safety, and Corporate Governance*. This Report will present more information on our progress and initiatives in relation to these factors.

During the year, CDLHT's portfolio has also been presented with several awards, namely:

BCA Green Mark Award (2018) (2)	Platinum • Grand Copthorne Waterfront • Copthorne King's Singapore Gold Plus • M Hotel Singapore • Novotel Singapore Clarke Quay Gold • Orchard Hotel Singapore • Studio M Hotel
bizSAFE Certification	Level 4 • Orchard Hotel Singapore Level 3 • Novotel Singapore Clarke Quay
TripAdvisor GreenLeaders Green Partner	• Hilton Cambridge City Centre
EarthCheck Gold Certificate 2019	• Angsana Velavaru
Singapore Green Hotel Award (2019)	• Grand Copthorne Waterfront • Studio M Hotel

(1) 13 properties scoped in FY 2019 out of a total number of 19 properties at the end of FY 2019, compared to 8 properties scoped in FY 2018 out of a total number of 18 properties at the end of FY 2018.
(2) BCA Green Mark Award is valid for 3 years from the date of certification.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

CDLHT's Sustainability Report covers ESG factors with sustainability strategies, performances and targets for FY 2019 that are pertinent to CDLHT. This Report has been prepared to present our sustainability efforts that are an integral part of our business, contributing to our continued long-term growth strategy and enhancement of portfolio value for our stakeholders.

The scope of this Report includes properties in Singapore, as well as several properties internationally. An expansion of the scope to include more overseas properties reflects the gradual progress through which CDLHT intends to incorporate more transparency over its properties in its Sustainability Report.

The following properties have been included in this year's report scope:

Portfolio Hotel	Location	Managed Property	Properties with Master Leases	Hotel Operator
Orchard Hotel Singapore ("**OHS**")	Singapore		✓	Millennium & Copthorne
Grand Copthorne Waterfront ("**GCW**")			✓	
M Hotel Singapore ("**MHS**")			✓	
Copthorne King's Singapore ("**CKS**")			✓	
Studio M Hotel ("**STM**")			✓	
Novotel Singapore Clarke Quay ("**NCQ**")*			✓	Accor
Pullman Hotel Munich ("**Pullman**")	Germany		✓	Accor
The Lowry Hotel ("**Lowry**")	United Kingdom	✓		Managed by a subsidiary of CDL Hospitality Business Trusts
Hilton Cambridge City Centre ("**HCC**")***		**✓		Hilton
Grand Millennium Auckland ("**GMA**")***	New Zealand		✓	Millennium & Copthorne
Angsana Velavaru ("**AVM**")***	Maldives		✓	Banyan Tree
Hotel MyStays Asakusabashi ("**HMA**")***	Japan	**✓		MyStays
Hotel MyStays Kamata ("**HMK**")***		**✓		

* Announcements have been made in November 2019 with regard to CDLHT's divestment of NCQ, with expected completion of the divestment to be around the end of first half of 2020.

** HBT acts as the master lessee for the Japan hotels in H-REIT's portfolio and is also the owner of Hilton Cambridge City Centre, and appoints professional hotel managers to manage these properties.

*** New properties that have been scoped in.

Most of CDLHT's portfolio hotels within this year's report scope are properties with master leases, with the hotels operated by third-party hotel operators, with the exception of The Lowry Hotel, which is owner-operated, free of operator or brand. OHS, GCW, MHS, CKS, STM, and GMA are operated by subsidiaries of the Millennium & Copthorne, a wholly-owned subsidiary within the CDL Group. As for the rest of the other hotels within the report scope, these are operated by third party hotel operators such as Accor, Hilton, Banyan Tree or MyStays. Although CDLHT does not have full control over the operational practices of the hotels operated by third-party hotel operators, CDLHT strives to enhance its engagement with the hotel operators to develop a stronger sustainability strategy across these properties.

We have prepared this Report in compliance with SGX Listing Rules 711B, developed with reference to the Global Reporting Initiative ("**GRI**") (2016) Standards. The GRI Standards represents global best practices for reporting on a range of economic, environmental and social impacts, and we believe that it will help us better understand and communicate our impact on critical sustainability issues such as climate change and social well-being. In this report, besides quantitative metrics, case studies with references to the various hotels have also been included where deemed appropriate.

CDLHT's sustainability performance for the period of 1 January 2019 to 31 December 2019 has also been presented in this Report.

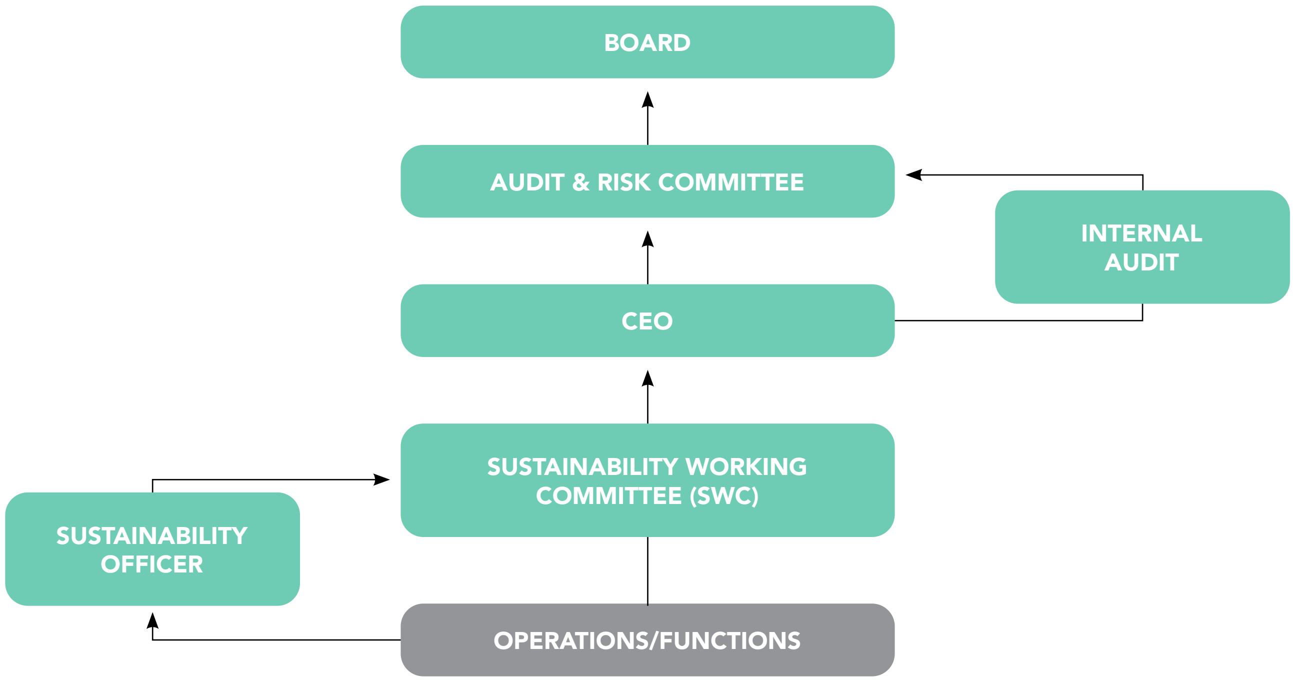
SUSTAINABILITY REPORT

This Report references the following topic-specific disclosures:

- Disclosure 102-8 from GRI 102: General Disclosure 2016
- Disclosure 302-1 and 302-3 from GRI 302: Energy 2016
- Disclosure 303-5 from GRI 303: Water and Effluents 2018
- Disclosure 401-1 from GRI 401: Employment 2016
- Disclosure 403-9 from GRI 403: Occupational Health and Safety 2018
- Disclosure 404-1 from GRI 404: Training and Education 2016
- Disclosure 405-1 from GRI 405: Diversity and Equal Opportunity 2016
- Disclosure 416-2 from GRI 416: Customer Health and Safety 2016
- Disclosure 419-1 from GRI 419: Socioeconomic Compliance 2016

CDLHT takes pride in continuously refining our sustainability strategy and practices. We welcome any feedback and comments regarding our Sustainability Report, which can be directed to Mr. Paul Kitamura (Head of Asset Management).

SUSTAINABILITY GOVERNANCE



At CDLHT, the Managers' Boards are responsible for overseeing the seamless integration of sustainability into CDLHT's business goals and strategies. The Managers' Boards also play a role in managing and monitoring the material ESG factors and their performance. As CDLHT strives to achieve continuous sustainable growth, we have the Audit and Risk Committee ("**ARC**") acting as the strategic advisor for the Managers' Boards regarding sustainability strategies. The ARC convenes annually to review and challenge CDLHT's sustainability efforts and performance.

CDLHT also has a Sustainability Working Committee ("**SWC**") comprising key personnel from various business functions and led by the CEO of the Managers, Mr. Vincent Yeo Wee Eng. The SWC, which manages and monitors CDLHT's overall sustainability performance, leads the development of strategies that incorporate material ESG factors into daily operations and is overseen by the ARC. From FY 2020 onwards, the SWC also has plans to provide periodic reports to the ARC and Managers' Boards on CDLHT's sustainability performance.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

We recognise the importance of regular communication with our stakeholders, as stakeholder engagement facilitates the continuous improvement of our operations and sustainability performance. Hence, CDLHT conducts regular dialogue sessions and other forms of engagements to identify key topics important to our stakeholders, and enables CDLHT to be well-positioned in our response to ESG issues. Below is the generic engagement approach across the hotels that was scoped in.

Stakeholders	Engagement Approach	Key Topics of Concern	Frequency of Engagement
Board of Directors	• Board meetings • Email communication	• Economic performance • ESG performance	Quarterly
Government and Regulators	• Briefings and consultations • Participation in surveys and focus groups	• Social and environmental-related legislations	Periodically
Hotel Employees	Approach by hotel operators: • Training and transition assistance programmes • Annual employment survey • Performance and career development reviews	• Training and development • Career development opportunities • Workplace safety and well-being	Continual Engagement
Hotel Customers	• Customer satisfaction surveys • Social media • Feedback via General Manager	• Customers' health and safety	Continual Engagement
Master Lessees and Hotel Managers	• Regular management meetings and communication • Bilateral communication, one-on-one meetings and site visits	• Workplace safety and well-being • Customer health and safety • Eco-efficiency of buildings	Continual Engagement
Investors	• Annual and interim results briefings and analyst meetings • Investor relations website • Local and overseas investor conferences and road shows	• Economic performance • Regulatory compliance • Eco-efficiency of buildings	Periodically
Hotel Suppliers and Business Partners	Approach by hotel operators: • Assessment of suppliers and vendors • Meetings with business partners	• Economic performance • Environmental factors	Periodically
Others (Media and Community)	• Media releases, press conferences and interviews	• Socio-economic and environmental impact	Periodically

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

During the year, CDLHT conducted a materiality review based on the CDLHT's FY 2018 sustainability performance. During our review, multiple factors were given due consideration from our stakeholders' perspectives. FY 2018's material factors continue to be material and relevant in FY 2019, with the following identified as being the most significant to CDLHT's business operations and key stakeholders:

ECONOMIC	• Economic performance
ENVIRONMENTAL	• Energy • Water
SOCIAL	• Employment • Workplace Health and Safety
GOVERNANCE	• Corporate Governance

These material factors will be reviewed annually in line with the GRI Standards' Materiality Principle, and updated to be aligned with ESG factors that are most relevant to CDLHT and our stakeholders.

ECONOMIC

We recognise the importance of economic performance, which is aligned with CDLHT's strategic objective of maximising the rate of return for our unitholders.

Economic Performance

Our Stapled Securities Holders / investors are key to our strategic investments as we strive to achieve more sustainable growth. We are pleased to share the asset value created in FY 2019's operations in terms of revenue and costs in pages 129 to 246.

ENVIRONMENTAL

Environmental, economic, and social consequences of unfettered global warming have occurred at a rapid pace, and further delays in major global actions will make it increasingly difficult to move toward a low-carbon world. With a key presence in the hospitality industry, we are aware of our environmental impact and are therefore, committed to reducing our carbon footprint and treasuring our resources such as energy and water to work towards being a sustainable organisation.

Energy

As energy consumption is one of the largest environmental impact from our operations, we are committed to the reduction of energy consumption within our hotels and will play an active role in the championing of energy conservation. We target to continuously reduce energy consumption through the active monitoring and review of consumption patterns, in addition to the implementation of energy-efficient improvement measures in the upcoming years.

SUSTAINABILITY REPORT

Our Approach

As asset owner, we have varying levels of control over the daily operation of assets in our portfolio. Nonetheless, we are striving to enhance our engagement of our hotel operators to increasingly embed ESG needs into the heart of our business operations and strategies.

CDLHT has several policies encompassing our portfolio hotels in Singapore to reduce asset energy consumption. Our environmental policy requires our Singapore hotels to embrace new eco-friendly strategies into the future by actively managing, monitoring, and recording energy consumption. The hotels under **Millennium & Copthorne (M&C)** are subject to the M&C Environmental Policy which targets to continuously look for improvements in environmental performance, measure performance regularly, promote conservation and savings in energy, water, and other natural resources wherever possible. A notable hotel is CKS (Singapore), where its M&C Environmental Policy targets to reduce energy usage and cost by at least 3% annually. Our Singapore hotels also have additional policies related to energy consumption, such as the Energy Policy and the Environmental and Sustainability Policy at **MHS (Singapore)**.

For **NCQ (Singapore) and Pullman (Germany), Accor** has established a "Planet 21" programme for its hotels which is based on 4 strategic priorities: work with its employees, involve its customers, innovate with its partners, and work with local communities. "Planet 21" aims to raise awareness on environmental matters for hotel guests, and to prioritise energy-efficient or environmentally-friendly products and equipment such as Energy Star products and electric vehicles. Under the programme, the savings on water and energy consumption are used to fund tree planting.

Committed to reducing Scope 3 [(3)] carbon intensity from its franchised hotels by 52% by 2030, **Hilton** e.g. **HCC (United Kingdom)** is exploring ways to reduce carbon emissions and improve energy efficiency across its business. This is done via creating and partnering with cross-industry networks to support a low-carbon future. With Hilton's award-winning Lightstay platform [(4)], this has enabled Hilton to manage, report and improve our environmental and social impact across its global portfolio of more than 5,600 managed and franchised hotels, including HCC.

Banyan Tree has conceptualised the "Brand for Good" framework to go beyond the precautionary approach by conserving resources through efficient operations, with external assurance by EarthCheck [(5)]. In 2019, **AVM (Maldives)** was awarded the Gold Certification under EarthCheck, by incorporating annual measurement of operational indicators such as energy, emissions, water, waste and paper use, chemical and pesticide use, and community involvement.

MyStays' energy conservation policy is promoted by operating according to stringent domestic laws, including the Energy Conservation Act in Japan. In 2019, the benchmark system of the hotel was introduced by the amendment to the Energy Conservation Act and the evaluation method using indicators common to industries. As such, target levels have been set, where **HMA (Japan)** and **HMK (Japan)** are aiming to achieve the target levels and promote energy conservation. In addition, MyStays' hotels are operating based on the Tokyo Metropolitan Government's Global Warming Countermeasure Report System. As a result, they submit the "Global Warming Countermeasure Report" to the Tokyo Metropolitan Government Bureau of Environment in August every year, which includes data on their energy and water consumption.

Some of the case studies selected to showcase the energy-saving initiatives across our hotels are:

Case Study 1: Green Ambassadors at NCQ (Singapore)

At NCQ (Singapore), a Green Ambassador in each department has been appointed to create awareness on environmental matters and share information on hotel energy consumption. These ambassadors meet 3 times a year to share information about the water, gas, and electrical usage of the hotel and analyse staff consumption.

Besides sharing information, they also invest in energy efficient technologies. For example, the Alerton Energy Management System ("**EMS**") is a native BACnet (automation and control network) control system. With the EMS, the person-in-charge can access system-wide information from the workstation. Based on the information gathered, the EMS will automatically control the chiller plant system and serves as a useful tool in performing maintenance work and meeting operating requirements. With this EMS, the overall chiller plant efficiency achieved is 0.65 kW/RT, which is a 35% decrease from the original efficiency of 1 kW/RT.

(3) According to GRI 305, Scope 3 emissions refer to indirect Green House Gas ("GHG") emissions not included in Scope 2 indirect GHG emissions that occur outside of the organisation, including both upstream and downstream emissions.

(4) LightStay is Hilton Worldwide's proprietary corporate responsibility performance measurement platform. It was developed to calculate and analyse the environmental and societal impact of every Hilton Worldwide branded hotel in their communities. The platform measures energy use, water use, waste output, and carbon output at every Hilton Worldwide hotel around the globe.

(5) EarthCheck is the leading benchmarking certification within the travel and tourism industry.

Case Study 2: Energy Conservation Technologies by Lowry (United Kingdom)

Lowry (United Kingdom), which is operated and self-managed by HBT, is highly proactive and forward-looking with regard to energy conservation technologies and processes.

For example, Lowry has a capital expenditure project to change all existing water circulation pumps to new inverter driven pumps. This could result in a 30% to 50% reduction in energy consumption. In addition, the Engineering department is working to introduce a new 200kw natural gas Combined Heat and Power ("**CHP**") unit. This will result in an estimated 18% saving on energy consumption with annual cost savings of £36,000.

Other forward-looking initiatives are also in place. For example, to reduce air-conditioning requirements, the installation of solar reflective film on the entire south-facing facade of the hotel is currently under review. This film has a potential 65% solar reduction on the room, and thus reduces energy consumption and costs.

As a measure to reduce lighting, heating, ventilation and air-conditioning ("**HVAC**") consumption, the Engineering department is considering a system where the lighting and the HVAC units are controlled by a passive infrared ("**PIR**") sensor. The PIR sensor automatically switches off the lights and HVAC when no movement is detected in the guest rooms, and prevents hotel guests from keeping the HVAC unit on after they have left the room.

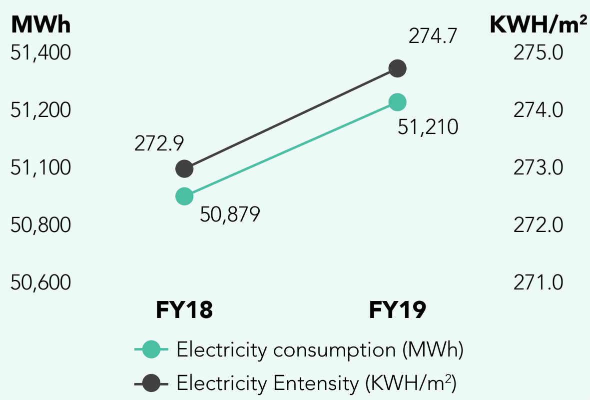
Our Performance

The total electricity consumption and intensity for our Singapore hotels is at 51,210 megawatt hours (MWh) and 274.7 KWh/m² for FY 2019, which is 0.7% higher than the FY 2018 electricity consumption and intensity [(6)].

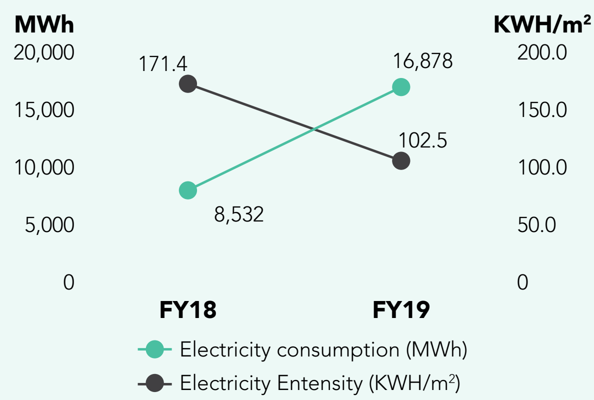
As for our overseas hotels, the increase in electricity consumption was due to the addition of 5 overseas hotels in this year's report scope. Nonetheless, electricity intensity has decreased by 40.2% from 171.4 KWh/m² in FY 2018 to 102.5 KWh/m² in FY 2019. The reason for the large decrease in electricity intensity is due to the addition of **HCC (United Kingdom)**, **Pullman (Germany)**, **HMA and HMK (Japan)** into the report scope for FY2019. These 4 hotels, with relatively smaller function spaces and F&B outlets, are targeted at business travellers. As a result of the smaller function spaces and F&B outlets which consume significantly less electricity, **HCC (United Kingdom)**, **Pullman (Germany)**, **HMA and HMK (Japan)** have consequently lower electricity consumption and intensity. This is also the same reason for the lower electricity consumption and intensity when comparing with the Singapore hotels, as seen in the charts below. At the Singapore hotels, particularly OHS (Singapore) and GCW (Singapore), their amenities include large F&B outlets and function spaces which are capable of hosting large-scale events such as conferences and wedding banquets. As a result, these spaces typically generate larger electricity consumption.

The following charts illustrate electricity consumption and intensity for the Singapore and overseas hotels in FY 2018 and FY 2019:

Electricity Consumption and Intensity for Singapore Hotels



Electricity Consumption and Intensity for Overseas Hotels



* The electricity consumption and intensity for overseas hotels for FY 2018 has been restated, due to a compilation error noted for **GMA (Auckland)'s** electricity consumption data subsequent to the publication of the FY 2018 Sustainability Report. The FY 2018 electricity consumption and intensity previously reported for all hotels scoped in for FY 2018 were 58,920 MWh and 249.4 KWh/m² respectively, of which the electricity consumption and intensity attributing to overseas hotels scoped in for FY 2018 were 8,041 MWh and 274.5 KWh/m².

(6) Electricity intensity is calculated by total consumption divided by the total gross floor area for the hotels within scope.

SUSTAINABILITY REPORT

We have not attained the 2% targeted reduction in electricity intensity set for FY 2019 for the Singapore portfolio. This is partly attributed to the renovation works that occurred at STM (Singapore) in FY 2018, which added a new outdoor bistro and a renovated kitchen. Such renovation works resulted in the lower electricity consumption and intensity in FY 2018, thereby resulting in the larger spike in FY 2019 upon the resumption of normal operations. Nonetheless, we have set a target and strive to reduce the electricity intensity for the scoped in hotels by 1% to 2% for FY 2020.

In the upcoming year, the following hotels have also set their own respective targets with regard to energy consumption and certifications:

- **OHS and STM (Singapore):** Target to achieve the BCA Green Mark Gold Plus rating by FY 2020
- **MHS (Singapore):** Maintaining BCA Green Mark Gold Plus rating
- **CKS (Singapore):** Maintaining BCA Green Mark Platinum rating
- **GMA (New Zealand):** To comply with the New Zealand Energy Efficiency & Conservation Strategy, with the following 3 priority areas:
  - Renewable and efficient use of process heat;
  - Efficient and low-emissions transport; and
  - Innovative and efficient use of electricity
- **AVM (Maldives):** 5% reduction in energy consumption compared to FY 2019

WATER

The use of water is essential and integral to the business operations of our properties and hotels. Globally, access to clean water has become increasingly difficult, as many of the water systems that keep ecosystems thriving and sustaining a growing human population have become stressed.

As asset owners, we are mindful of our water consumption practices and are committed to conserve water through the implementation of policies, water saving measures and at the same time, providing educational materials and information to our hotel guests and the community.

Our Approach

The policies for water conservation for our hotels are under the same environmental policies as described in the energy section above. Nonetheless, our portfolio of hotels in Singapore further ensure the effective implementation of the policies via the reporting of Total Water Data to the Public Utilities Board's ("**PUB**") Water Efficiency Management Plan, monthly tracking of utilities data by the Engineering department and close monitoring of usage of elevated consumption and potential leaks. OHS (Singapore) and NCQ (Singapore) in particular, closely monitor individual department meters and are constantly on the lookout for any water leakages or malfunctioning equipment.

Some of the case studies selected to showcase the water-saving initiatives across our hotels are:

Case Study 1: Water Efficiency Training at HCC (United Kingdom)

A 6-day workshop involving housekeeping and kitchen staff was conducted by **HCC (United Kingdom)** in January 2019, to raise awareness of reducing water consumption and sharing best practices with regard to efficient water usage. This is based on the belief that even small changes in staff behaviour can have significant effects in the overall reduction of water consumption. For example, by encouraging housekeeping staff to be more conscious about resource use and their own time, such as initiating a "one-flush" policy during guestroom cleaning — this has drastically reduced water consumption, especially as the previous practice used more than 2 flushes per room. The Hilton University Water courses such as "Why Water Stewardship Matters" and "Travel with Purpose Water" has also been covered during the workshop.

Case Study 2: Water Saving Technologies at GMA (New Zealand)

In line with the Millennium Copthorne & Kingsgate NZ Environmental Policy to continuously improve environmental performance, **GMA (New Zealand)** has been innovative and proactive in adopting water saving technologies in order to reduce water consumption.

Examples of water saving technologies implemented at the hotel are as follows:

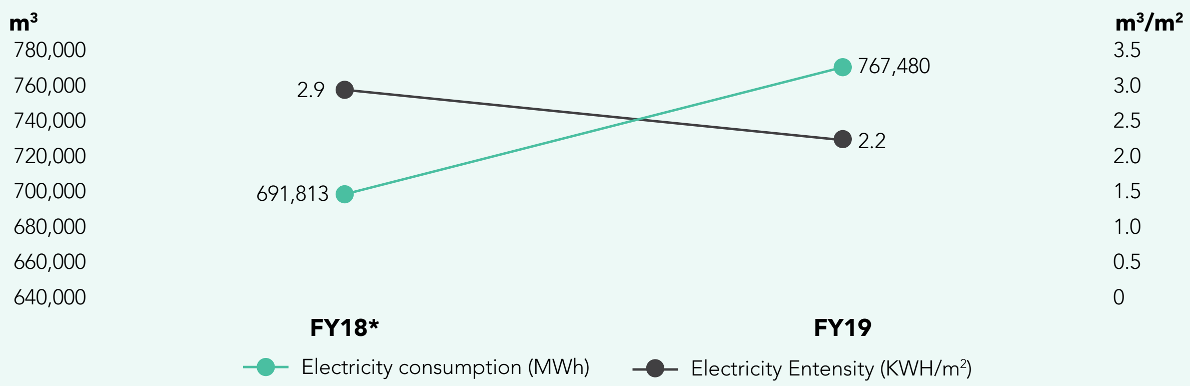
- Water-efficient shower heads installed in all guest rooms to ensure that consumption is kept to a minimum
- Flow restrictors fitted into all kitchen and bathroom taps
- Toilet systems reduced in water usage per flush by 20% by changing to a smaller plunger seal
- Reduction of water consumption via implementation of a controlled valve system
- Regular maintenance and replacement of faulty taps and valves to prevent water wastage
- Installation of water sub-meters to monitor major water usage such as cooling towers
- Water consumption (including sub-meters) is tracked by the Building Management System ("**BMS**"), which also provides for leak detection
- Encourage and invite hotel guests to be environmentally friendly, such as reducing housekeeping during their stay

Our Performance

The target set for FY 2019 was to maintain or reduce the total water intensity compared to 2017 water intensity (7) (which was at 3.2 m³/m²). In FY 2019, water intensity decreased by 25.4% from 2.9 m³/m² in FY 2018 to 2.2 m³/m², achieving the target set for FY 2019. Apart from our ongoing efforts in water management, the reduction was also due to the additional overseas hotels scoped in for FY 2019. As seen in the electricity section above, the overseas hotels scoped in (**HCC (United Kingdom)**, **Pullman (Germany)**, **HMA and HMK (Japan)**) have smaller function spaces and F&B outlets compared to the Singapore hotels, which therefore consume significantly less water. As a result, the addition of the overseas hotels in this year's report scope attributed to an increase in total water consumption but a decrease in total water intensity due to their significantly lower water consumption intensity.

The following chart illustrates CDLHT's water consumption and water intensity in FY 2019:

Water consumption and intensity for all hotels



* The water consumption and intensity for FY 2018 has been restated, due to a compilation error noted for **GMA (Auckland)'s** water consumption data subsequent to the publication of the FY 2018 Sustainability Report. The FY 2018 water consumption and intensity previously reported were 846,574 m³ and 3.58 m³/m² respectively.

(7) Water consumption intensity is calculated by total water consumption divided by the total gross floor area for the hotels within scope.

In the upcoming year, we will target to reduce total water intensity by 1% to 2% for FY 2020. The following hotels have also set targets to reduce water consumption:

- **OHS (Singapore):** 3% reduction in water intensity in FY 2020
- **MHS (Singapore):** 10 % reduction of water consumption in FY 2020
- **STM (Singapore):** 3% reduction in overall water consumption by FY 2022
- **AVM (Maldives):** 10% reduction of water consumption in FY 2020
- **HMA and HMK (Japan):** 1% reduction of water consumption in FY 2020

SOCIAL

The employees at our hotels are integral to the development of the hotels in terms of operations and reputation. Our hotels therefore commit to employee engagement through a myriad of strategies and initiatives.

Employment

Our hotels are committed to talent attraction, development and retention through providing an inclusive and progressive work environment, and training and development opportunities for the employees. Our hotels are also upholding fair employment standards, as well as providing fair and competitive remuneration based on merit and law.

Our Approach

The Human Resource departments of the hotels are mainly in charge of employment, with all other departments supporting them. With a common goal to invest in employees, the departments work together to ensure that the following policies, processes and initiatives complement one another.

The Singapore hotels have several policies in place relating to talent retention which apply to our Singapore hotels' employees, and these include the following:

- Diversity Policy
- Fair and merit-based employment and recruitment practices
- Policies on performance evaluation and career development, and others
- Tripartite Alliance for Fair and Progressive Employment Practices ("**TAFPEP**")
- Fair and competitive remuneration based on merit

The monitoring of employees' feedback is also carried out via staff dialogues in order to better understand the key concerns of our employees. The hotels' employees participate in employee engagement surveys, annual or semi-annual performance reviews, and are provided with structured learning and development programmes. Additionally, the hotels monitor the re-certification requirements for employees such as food handlers.

Some of our overseas hotels have similar policies to the Singapore hotels as listed below:

- Employee Handbook detailing policies and procedures regarding employment (hiring, termination, retirement, etc.), working hours, leave and other employment benefits, remuneration and bonuses, code of conduct and conflict of interests, amongst others
- Policies on performance evaluation and career development
- Induction and On Boarding Checklist which details all required role-specific training
- Performance Management Policy
- Counselling and Discipline Policy
- All-risks coverage policy for all construction sites
- Health and Safety related clauses in contracts with third-party service providers

Similar to the policies at the Singapore hotels, employee feedback is monitored through annual engagement surveys, and structured development programmes are provided to hotel employees in **Pullman (Germany)** and **Lowry (United Kingdom)**. Furthermore, **Lowry (United Kingdom)** invests in workforce development that provides fair and equal opportunities as Lowry aims to attract the best talent in order to maintain its status as the best hotel in Manchester.

Some of the case studies selected to showcase the initiatives to enhance retention and engagement of employees across our hotels are:

Case Study 1: Identification of Strong Team Performers at MHS (Singapore)

At **MHS (Singapore)**, departments are encouraged to identify strong team performers who can be groomed to take on successive leadership roles. Upon identification, developmental plans are structured, placing identified staff under a specific training program sourced by MHS' Human Resource department. This motivates and encourages employees to perform at their best. In addition, staff are cross-trained to not only develop their skills in various hotel functions, but to enhance their staff morale by providing them with a myriad of tasks.

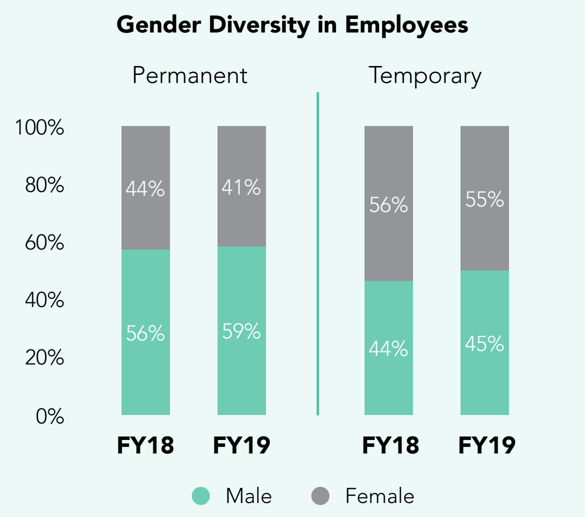
Case Study 2: Engagement Multiplier System at Lowry (United Kingdom)

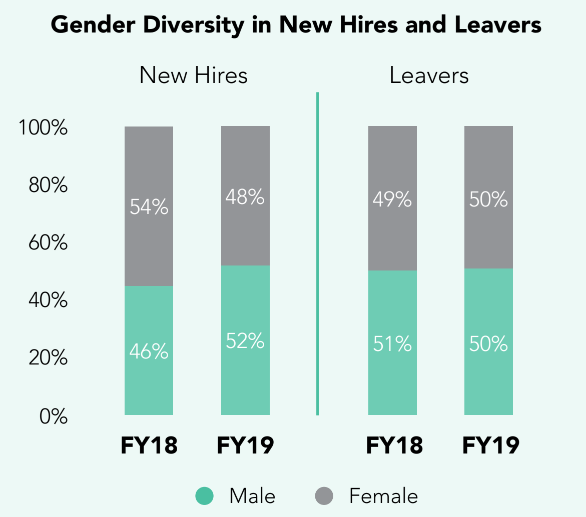
A notable example to enhance engagement of employees is at **Lowry (United Kingdom)**, where an "Engagement Multiplier" system has been introduced to drive the engagement of employees throughout the year. Anonymous surveys are sent to all contracted employees on a quarterly basis, allowing team members to submit honest and unbiased feedback or suggestions. The survey results are then broken down to 6 key engagement drivers, and the respective department heads then decide on an area of focus for development and a 3-point action plan for implementation.

Our Employee Profile

2,423 people are employed across our portfolio of assets in FY 2019. Of that, 84.7% are permanent employees and 15.3% are considered temporary. The new hire rate for permanent employees (8) was 29% and the annual turnover rate for permanent employees (9) was 39% in FY 2019.

Although the gender diversity amongst permanent employees deteriorated slightly from FY 2018 to FY 2019, the gender diversity is still fairly even amongst current employees and both new hires and leavers.





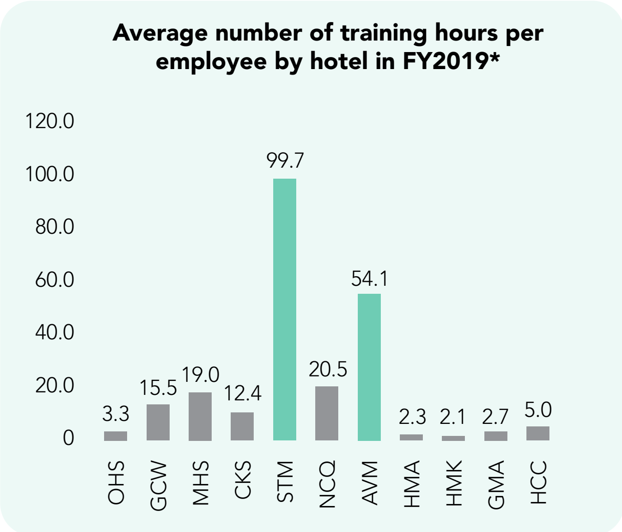
(8) Annual new hire rate = Total new hires (for permanent employees) in the year / Total number of permanent employees at the end of the year
(9) Annual turnover rate = Total turnover (for permanent employees) in the year / Total number of permanent employees at the end of the year

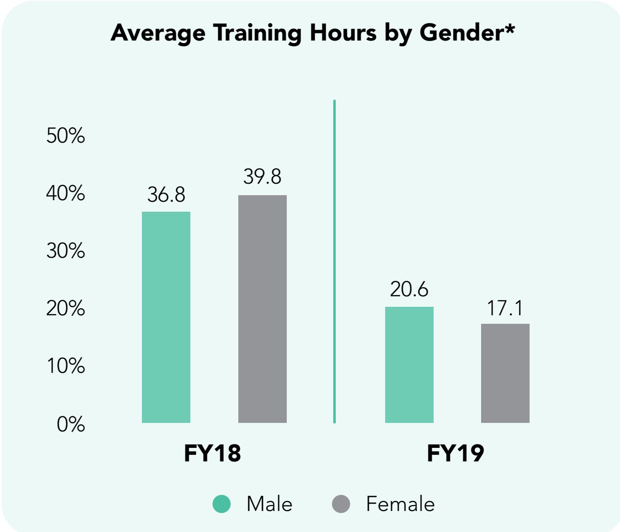
SUSTAINABILITY REPORT

Training and Development

With regard to training and development, the Singapore hotels' employees are provided with various opportunities during the year and undergo annual performance appraisals. **Pullman (Germany**), **GMA (New Zealand)** and **Lowry (United Kingdom)** adopt a similar approach which focuses on their employees' well-being.

Employees across the portfolio received an average of 19.2 hours of training per employee over the year (10), where only **STM (Singapore)** and **AVM (Maldives)** have achieved the target of 30 training hours per employee for each hotel scoped in for FY 2019. The average number of training hours across all hotels has also decreased by 44% for males and 57% for females. A reason for the low number of training hours recorded by some of the hotels is because many of the training sessions received by the employees were on-the job, and not officially recorded.





* **Lowry (United Kingdom)** and **Pullman (Germany)** have been excluded from the calculation as the training hours received by the employees were not officially recorded during the year.

In the upcoming year, we will continue to set a target for increasing the average number of training hours per employee for each of the hotels scoped in for FY 2020, as compared to FY 2019.

(10) Average number of training hours = Total number of training hours for the year / Total number of permanent and temporary employees at the end of the year. Pullman and Lowry employees have been excluded from this calculation, as the official training hours received by the employees at both hotels were not officially recorded during the year.

The following hotels have also set targets to retain employment and enhance employee productivity:

OHS (Singapore)
- Maintain employee turnover rate within industry norms
- Increase employee satisfaction at all levels
- Implement incentive initiatives to encourage self-learning amongst employees for career development
- Develop a diverse and relevant learning and development programme for employees

MHS (Singapore)
- Maintain employee turnover rate within industry norms
- Conduct annual or bi-annual performance reviews or appraisals for all employees
- Increase employee satisfaction at all levels
- Implement incentive initiatives to encourage self-learning amongst employees for career development
- Develop a diverse and relevant learning and development programme for employees
- Complete an average of 35 training hours per employee per year
- Commit to fair employment practices
- Continue to provide fair and competitive remuneration based on merit

Lowry (United Kingdom)
- 5 training hours per month per employee (60 hours per year)

Pullman (Germany)
- Conduct annual or bi-annual performance reviews or appraisals for all employees
- Increase employee satisfaction at all levels
- Complete an average of 30 training hours per employee per year
- Commit to fair employment practices
- Continue to provide fair and competitive remuneration based on merit and law

WORKPLACE HEALTH AND SAFETY

Our hotels recognise that employees are their greatest asset; hence their safety and well-being are of utmost importance to us. Our hotels are accountable for the health and safety of their employees in the workplace and strive to provide them with a safe working environment.

Through various policies, processes and initiatives, our hotels adopt all achievable means to eliminate hazards and reduce the risk of injury to their employees and contractors.

Our Approach

Communication of hazard and risk identification to Workplace Health and Safety ("**WHS**") employees is a crucial and essential part of managing health and safety risks at the workplace. Workplace health and safety jobs are delegated to departments such as Engineering, Human Resource, Safety and Security. The hotels' strict expectations for compliance is not only limited to their employees, but also to their visitors and sub-contractors, who are all expected to comply with appropriate standards and workplace directions to protect everyone's health and safety.

All managers and supervisors are responsible and accountable for the safety and health of our employees, sub-contractors and trust property under their control, ensuring that they are always compliant with all regulations, procedures and safe work practices.

The first step to eliminating hazards and reducing risk of workplace injuries is to have proper policies in place. For example, **Pullman (Germany), NCQ (Singapore), Lowry (United Kingdom), GMA (Auckland) and AVM (Maldives)** have an Employee Handbook that includes health and safety related clauses and workplace health and safety policies.

Processes have been implemented to ensure that these policy measures are well executed. In our Singapore assets, monthly safety reports sent to the hotels' management and contractors are audited based on their operations, ensuring that they meet safety requirements in accordance with local laws. Workplace risk assessments are carried out to identify potential hazards, determining whether employees might be at risk. Hazards are also recorded and reviewed annually or when the need arises.

Some of the case studies selected to showcase the initiatives to strengthen health and safety procedures across our hotels are:

Case Study 1: Health and Safety Procedures at STM (Singapore)

At **STM (Singapore)**, safety programmes, management and employee accountability are evaluated regularly to ensure that they maintain the strictest standards. New employee safety induction training and refresher training on the hazards and safe work practices specific to their jobs are conducted for full-time employees. Monthly employee health and safety meetings are conducted to encourage feedback and ensure that all health and safety information are clear with the employees.

STM also collaborates with contractors to draft safe work agreements for on-site contract services, with risk assessment provided for approval before commencing work at the hotel site. All technicians and supervisors have attended the Work-At-Height course to enable them to be competent to carry out their jobs safely and effectively in the hotel workplace. At STM, the following must be included when using or practicing appropriate actions to comply with legislative requirements for incident investigation, analysis and reports:

- Protection of incident scene in its original state and preserved from being altered;
- Notification of relevant agencies for any reportable incidents;
- Conducting WHS incident investigations (investigation of incident and reporting of incident to relevant stakeholders and authorities);
- Conducting WHS incident analysis (WHS incident root cause analysis, and corrective and preventive action analysis);
- Submission of reportable incidents via Singapore's Ministry of Manpower's "iReport" processes;
- Notification of insurance company;
- Reporting of incident to the corporate legal counsel and functional heads; and
- Advising Human Resource department on the Work Injury Compensation Claim process

Case Study 2: Health and Safety Procedures at Pullman (Germany)

Pullman (Germany) ensures that their assets, including elevators, escalators, and stairwells, are well-maintained and all hazards are well signposted, while providing regular trainings to employees on the potential health risk and safety hazards in the work environment, as well as the proper precautions to take. A Safety Manager is appointed to conduct bi-annual spot checks, timely investigations and execute preventive and corrective actions upon reported incidents involving employees or visitors. Equipment are also constantly upgraded in order to provide hotel staff with the appropriate safety equipment required to perform their job functions safely. Most importantly, an open communication channel across all levels is available to gather feedback on safety and health related issues for discussion.

Our Performance

During the year, there were zero incidents of fatality or permanent injury at all assets and zero incidents of non-compliance with regulations related to health and safety, which allowed our hotels to meet the FY 2019 targets. There were 53 reportable employee injuries across the portfolio in FY 2019, which gives our hotels an Accident Frequency Rate [11] of 10.32 accidents per million man-hours worked. For workers who were not employees but whose work and/or workplace is controlled by the hotels, there were 3 reportable injuries across the portfolio which gives an Accident Frequency Rate of 19.36 accidents per million man-hours worked.

Our goal is to always prevent all occupational injuries and illnesses to the best of our abilities. In the upcoming year, we aim to maintain our current performance by continuing to comply with health and safety requirements.

(11) Based on GRI Disclosure 403-9, rate of fatalities as a result or work-related injury = Number of fatalities as a result of work-related injury / Numbers of hours worked x 1,000,000.

SUSTAINABILITY REPORT

GOVERNANCE

We believe that genuine commitment to good corporate governance is essential to the sustainable growth of CDLHT.

Corporate Governance

Maintaining the trust of the public is important to us as reputation plays a key role in the success of CDLHT. CDLHT is committed to upholding high ethical standards and integrity in our operations through good corporate governance, responsible business practices, as well as an accountable and transparent management system. These factors are means of preventing and minimising non-compliance, misconduct or corrupt business practices.

Our Approach

As a means of practicing good corporate governance throughout CDLHT, compliance training relevant to their respective business functions is provided to employees. Upon employment, new employees of the hotels are introduced to CDLHT's anti-corruption policies.

All hotel employees are also required to adhere to the Employee Code of Conduct and maintain high levels of integrity throughout our operations. All hotel employees with guest interactions will have to attend compulsory training courses such as the Ethics and Corporate Social Responsibility Charter, and on whistle-blowing policies.

Corporate Policies

Recognising the importance of institutionalising a strong risk culture across our assets, our Singapore hotels have implemented various policies covering a range of issues from bribery to data protection. Policies addressing bribery are namely the Anti-Bribery Policy, Anti-Corruption Compliance Guide, Business Hospitality and Gifts Policy, Whistleblowing Policy, and the Ethics and Corporate Social Responsibility Charter. Other additional policies include the Corporate Communications Policy, Global Data Protection Policy and Related Party Transactions Policy.

To ensure the effective implementation of corporate governance policies in our Singapore hotels, several processes have been set in place:

- Regular screening of changes in applicable laws and regulations;
- Review of contracts for compliance by the Legal department before authorisation;
- Reporting of any suspected violations to line manager by any employee;
- Oversight and monitoring of non-compliance issues related to corruption. Any violations of applicable environmental and socio-economic laws will be subject to review for disciplinary action by the Talent & Culture department;
- Documentation of incidents on an incident report that will be filed with the Security department; and
- Open-door policy by the Human Resource department for staff to have an appropriate channel to report any non-compliance incidents

For our overseas hotels, there are other specific policies in place. An example is **GMA (New Zealand)**, where policies addressing other important issues on corporate governance, such as equal employment opportunities, harassment, social networking, Payment Card Industry Security and Substance Free Workplace, are established. As a result, regular screening of data and files that are held in E-mail inboxes has been implemented. There are also follow-up actions taken, such as the investigation of any reported incidents, to ensure that preventive and corrective actions have been executed. Online training modules are available at GMA to educate team members on all legal, health and safety requirements. These online training modules are included in on-boarding checklists and are strongly emphasised by the department heads during on-the-job trainings.

CDLHT aims to maintain zero incidences of non-compliance with laws or regulations resulting in significant fines and non-monetary sanctions, while striving to conduct training on relevant policies during orientation for new hires.

FINANCIAL STATEMENTS

CONTENTS

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 report to the unitholders together with the audited financial statements for the financial year ended 31 December 2019.

DIRECTORS

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

Chan Soon Hee, Eric	(Chairman)
Vincent Yeo Wee Eng	(Chief Executive Officer)
Ronald Seah Lim Siang	
Foo Say Mui (Bill)	
Kenny Kim	
Cheah Sui Ling	

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 interest of director 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
Vincent Yeo Wee Eng	138,000	138,000

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

There were no changes in the abovementioned interests of HBT between the end of the financial year and 21 January 2020.

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 in 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

AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee during the year and at the date of this statement are:

- Foo Say Mui (Bill) (Chairman), Independent, non-executive director
- Ronald Seah Lim Siang, Independent, non-executive director
- Kenny Kim, Independent, non-executive director

The Audit and Risk Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit and Risk Committee has held four meetings since the last report of the Trustee-Manager. In performing its functions, the Audit and Risk Committee met with HBT's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the HBT's internal accounting control system.

The Audit and Risk Committee also reviewed the following:

- assistance provided by HBT's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of HBT prior to their submission to the directors of the Trustee-Manager for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit and Risk Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit and Risk Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors of the Trustee-Manager that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of HBT.

In appointing our auditors for HBT Group, we have complied with Rules 712 and 715 of the SGX Listing Manual.

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 140 to 246 are drawn up so as to give a true and fair view of the state of affairs of HBT Group as at 31 December 2019 and 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 Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that HBT Group will be able to pay its debts as and when they fall due.

REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

With respect to the statement of profit or loss of HBT Group for the financial year ended 31 December 2019:

- 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

Chan Soon Hee, Eric
Director

Vincent Yeo Wee Eng
Director

4 March 2020

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

4 March 2020

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 140 to 246, 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

4 March 2020

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 140 to 246, 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 2019 and the financial performance, movements in unitholders' funds and cash flows of the H-REIT Group and the financial performance, movements in unitholders' funds, distributable income and cash flows 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 (as amended). 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

4 March 2020

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 consolidated financial statements of CDL Hospitality Business Trust ("**HBT**") and its subsidiaries (the "**HBT Group**"), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss, statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of the HBT Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;

(ii) the consolidated financial statements of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and its subsidiaries (the "**H-REIT Group**"), which comprise the statement of financial position and portfolio statement as at 31 December 2019, the statement of total return, statement of movements in unitholders' funds and statement of cash flows of the H-REIT Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies; and

(iii) the consolidated financial statements of CDL Hospitality Trusts, which comprise the statement of financial position and portfolio statement as at 31 December 2019, the statement of total return, distribution statement, statement of movements in unitholders' funds and statement of cash flows of CDL Hospitality Trusts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;

as set out on pages 140 to 246. CDL Hospitality Trusts, which comprises the HBT Group and the H-REIT Group, is hereinafter referred to as the "**Stapled Group**".

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 Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the state of affairs of the HBT Group as at 31 December 2019 and the financial performance, movements in unitholders' funds and cash flows of the HBT Group for the year ended on that date; and

(b) the accompanying consolidated financial statements of the H-REIT Group and the Stapled Group present fairly, in all material respects, the financial position and portfolio holdings of the H-REIT Group and the Stapled Group as at 31 December 2019 and the financial performance, movements in unitholders' funds and cash flows of the H-REIT Group and the financial performance, movements in unitholders' funds, distributable income 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 4 to the financial statements)

The key audit matter

The Stapled Group and the H-REIT Group own hotel properties which are classified as investment properties with a carrying value of $2.1 billion and $2.2 billion respectively, as at 31 December 2019. Investment properties represent the most significant asset item on the statement of financial position.

The accounting policy of the Stapled Group and the H-REIT Group is to state investment properties at fair value 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 valuations are sensitive to the key assumptions applied and a change in assumptions could 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 assumptions against historical rates and available industry data, taking into consideration comparability and market factors.

Our findings

The valuation methods used were in line with generally accepted market prices and the key assumptions were comparable to available industry data.

Valuation of property, plant and equipment
(Refer to Note 5 to the financial statements)

The key audit matter

The Stapled Group, the H-REIT Group and the HBT Group own hotels classified as property, plant and equipment with a total carrying value of $373.8 million, $86.2 million and $257.7 million respectively, as at 31 December 2019. Property, plant and equipment represents a significant asset item on the statement of financial position.

The accounting policy of the Stapled Group, the H-REIT Group and the HBT Group is to revalue freehold land, leasehold land and buildings included as part of property, plant and equipment to their fair value at the reporting date 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 valuations are sensitive to the key assumptions applied and a change in assumptions could 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 assumptions against historical rates and available industry data, taking into consideration comparability and market factors.

Our findings

The valuation methods used were in line with generally accepted market prices and the key assumptions were comparable to available industry data.

INDEPENDENT AUDITORS' REPORT

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 is defined as all information in the annual report other than the financial statements and our auditors' reports thereon.

We have obtained all other information prior to the date of this auditors' report.

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

The HBT Trustee-Manager is responsible for the preparation of financial statements of the HBT Group that gives a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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, 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 HBT Trustee-Manager's responsibilities include overseeing the HBT Group's financial reporting process.

Responsibilities of the H-REIT Manager for the financial statements

The H-REIT Manager is responsible for the preparation and fair presentation of the financial statements of the H-REIT Group and the Stapled Group in accordance with the recommendations of RAP 7 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.

In preparing the financial statements, 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 H-REIT Manager's responsibilities include overseeing the financial reporting process of the H-REIT Group and of the Stapled Group.

INDEPENDENT AUDITORS' REPORT

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.

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.

INDEPENDENT AUDITORS' REPORT

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 on behalf of HBT 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
4 March 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	HBT Group 2019 $'000	HBT Group 2018 $'000	H-REIT Group 2019 $'000	H-REIT Group 2018 $'000	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Non-current assets							
Investment properties	4	–	–	2,209,253	2,497,456	2,139,392	2,428,921
Property, plant and equipment	5	257,735	202,316	86,240	84,186	373,843	348,183
Prepaid land lease		–	–	–	–	–	6,853
Finance lease receivables	6	–	–	4,923	–	4,923	–
Deferred tax assets	13	–	–	635	606	635	606
Financial derivative assets	11	–	–	5,968	3,960	5,968	3,960
Other receivables	7	–	–	149	149	149	149
		257,735	202,316	2,307,168	2,586,357	2,524,910	2,788,672
Current assets							
Inventories		1,767	889	–	–	1,767	889
Finance lease receivables	6	–	–	800	–	800	–
Trade and other receivables	7	14,190	11,241	50,079	39,791	28,915	32,828
Financial derivative assets	11	–	70	79	124	79	195
Cash and cash equivalents	8	7,802	12,506	128,152	127,077	135,954	139,583
		23,759	24,706	179,110	166,992	167,515	173,495
Asset held for sale	9	–	–	368,700	–	368,700	–
		23,759	24,706	547,810	166,992	536,215	173,495
Total assets		281,494	227,022	2,854,978	2,753,349	3,061,125	2,962,167
Non-current liabilities							
Loans and borrowings	10	147,913	93,418	914,877	669,275	1,023,938	762,693
Other payables	12	–	–	10,476	10,243	10,476	10,243
Deferred tax liabilities	13	16,032	15,367	16,925	16,262	32,957	31,629
		163,945	108,785	942,278	695,780	1,067,371	804,565
Current liabilities							
Loans and borrowings	10	2,072	–	79,741	248,675	79,749	248,675
Financial derivative liabilities	11	23	–	164	37	187	37
Trade and other payables	12	41,673	24,811	37,307	35,152	43,626	41,758
Provision for taxation		822	573	6,883	11,237	7,705	11,810
		44,590	25,384	124,095	295,101	131,267	302,280
Total liabilities		208,535	134,169	1,066,373	990,881	1,198,638	1,106,845
Net assets		72,959	92,853	1,788,605	1,762,468	1,862,487	1,855,322
Represented by:							
Unitholders' funds		72,959	92,853	1,780,289	1,754,809	1,854,171	1,847,663
Non-controlling interests	14	–	–	8,316	7,659	8,316	7,659
		72,959	92,853	1,788,605	1,762,468	1,862,487	1,855,322
Units/Stapled Securities in issue ('000)	15	1,212,584	1,205,465	1,212,584	1,205,465	1,212,584	1,205,465
Net asset value per Unit/ Stapled Security ($)	16	0.0600	0.0767	1.46	1.45	1.52	1.53

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 2019

	Note	HBT Group 2019 $'000	HBT Group 2018 $'000	H-REIT Group 2019 $'000	H-REIT Group 2018 $'000	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Revenue	17	54,857	58,670	150,148	152,292	196,872	201,803
Property expenses							
Operations and maintenance expenses		(12,546)	(12,424)	–	–	(12,546)	(12,424)
Employee benefit expenses		(17,076)	(15,748)	–	–	(17,076)	(15,748)
Rental expenses		(4,131)	(9,826)	–	–	(94)	(667)
Property tax		(2,340)	(2,352)	(6,188)	(7,482)	(8,528)	(9,834)
Other property expenses		(13,148)	(12,096)	(4,318)	(4,980)	(17,466)	(17,076)
		(49,241)	(52,446)	(10,506)	(12,462)	(55,710)	(55,749)
Net property income		5,616	6,224	139,642	139,830	141,162	146,054
H-REIT Manager's management fee	18	–	–	(13,118)	(12,873)	(13,118)	(12,873)
H-REIT Trustee's fee		–	–	(389)	(345)	(389)	(345)
HBT Trustee-Manager's management fee	18	(559)	(413)	–	–	(559)	(413)
HBT Trustee-Manager's trustee fee		(224)	(229)	–	–	(224)	(229)
Valuation fee		121	(31)	(174)	(154)	(53)	(185)
Depreciation and amortisation	20	(9,950)	(6,624)	(1,906)	(2,126)	(12,027)	(11,711)
Other expenses		(1,975)	(1,176)	(7,881)	(3,507)	(9,856)	(4,683)
Finance income		–	407	3,020	5,438	2,927	5,516
Finance costs		(5,615)	(2,846)	(29,139)	(26,752)	(31,451)	(32,569)
Net finance costs	19	(5,615)	(2,439)	(26,119)	(21,314)	(28,524)	(27,053)
Net (loss)/income		(12,586)	(4,688)	90,055	99,511	76,412	88,562
(Revaluation deficit)/ Reversal of revaluation deficit on property, plant and equipment and prepaid land lease		(1,088)	–	243	710	(17,325)	(2,793)
Net fair value gain on investment properties	4	–	–	46,780	28,718	66,418	35,076
Gain on disposal of investment properties and related cessation of business of foreign operations		–	–	–	5,367	–	5,367
Loss/Total return for the year before tax	20	(13,674)	(4,688)	137,078	134,306	125,505	126,212
Tax expense	21	(2,302)	(2,505)	(9,146)	(13,170)	(11,448)	(15,675)
Loss/Total return for the year	22	(15,976)	(7,193)	127,932	121,136	114,057	110,537
Loss/Total return attributable to:							
Unitholders		(15,976)	(7,193)	126,606	120,919	112,731	110,320
Non-controlling interests	14	–	–	1,326	217	1,326	217
		(15,976)	(7,193)	127,932	121,136	114,057	110,537
Earnings per Stapled Security (cents)	23						
Basic						9.31	9.16
Diluted						9.27	9.12

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

STATEMENT OF COMPREHENSIVE INCOME OF THE HBT GROUP

Year ended 31 December 2019

	HBT Group 2019 $'000	HBT Group 2018 $'000
Net loss for the year	(15,976)	(7,193)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation surplus on property, plant and equipment	1,785	5,256
Tax effect on revaluation surplus on property, plant and equipment	(65)	(1,471)
	1,720	3,785
Items that are or may be reclassified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign subsidiaries	1,167	(3,026)
Exchange differences on monetary items forming part of net investments in foreign operations	965	(2,915)
Exchange differences on hedge of net investments in foreign operations	(818)	2,475
	1,314	(3,466)
Other comprehensive income for the year, net of tax	3,034	319
Total comprehensive income for the year	(12,942)	(6,874)

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2019

HBT GROUP

	Units in issue and to be issued $'000	Issue expenses $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2019	117,863	(121)	10,771	1,838	(37,498)	92,853
Operations						
- Decrease in net assets resulting from operations	–	–	–	–	(15,976)	(15,976)
Revaluation reserve						
- Revaluation surplus on property, plant and equipment	–	–	1,785	–	–	1,785
- Tax effect on revaluation surplus on property, plant and equipment	–	–	(65)	–	–	(65)
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	1,167	–	1,167
- Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	965	–	965
- Exchange differences on hedge of net investments in foreign operations	–	–	–	(818)	–	(818)
Other comprehensive income	–	–	1,720	1,314	–	3,034
Total comprehensive income	–	–	1,720	1,314	(15,976)	(12,942)
Transactions with owners, recorded directly in equity						
<u>Contributions by and distributions to owners</u>						
- Distributions to holders of Stapled Securities	(4,793)	–	–	–	(2,606)	(7,399)
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee	447	–	–	–	–	447
Total contributions by and distributions to owners	(4,346)	–	–	–	(2,606)	(6,952)
Total transactions with owners	(4,346)	–	–	–	(2,606)	(6,952)
At 31 December 2019	113,517	(121)	12,491	3,152	(56,080)	72,959

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2019

H-REIT GROUP

	Attributable to Stapled Security-holders $'000	Non-controlling interests $'000	Total $'000
At 1 January 2019	1,754,809	7,659	1,762,468
Operations			
- Increase in net assets resulting from operations	126,606	1,326	127,932
Revaluation reserve			
- Revaluation surplus on property, plant and equipment	3,433	–	3,433
- Tax effect on revaluation surplus on property, plant and equipment	(660)	–	(660)
Foreign currency translation reserve			
- Translation differences relating to financial statements of foreign subsidiaries	(9,322)	(352)	(9,674)
- Exchange differences on monetary items forming part of net investment in foreign operations	(2,560)	–	(2,560)
- Exchange differences on hedge of net investments in foreign operations	367	–	367
- Exchange differences transferred to statement of total return upon disposal of investment properties and related cessation of business of foreign operations	78	–	78
Other comprehensive income	(8,664)	(352)	(9,016)
Total comprehensive income	117,942	974	118,916
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
- Distributions to holders of Stapled Securities	(102,726)	–	(102,726)
- Distributions to non-controlling interests	–	(222)	(222)
- Return of capital to non-controlling interests	–	(95)	(95)
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fee	10,494	–	10,494
- Unit issue costs	(230)	–	(230)
Total contributions by and distributions to owners	(92,462)	(317)	(92,779)
Total transactions with owners	(92,462)	(317)	(92,779)
At 31 December 2019	1,780,289	8,316	1,788,605

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2019

STAPLED GROUP

	Attributable to Stapled Security-holders $'000	Non-controlling interests $'000	Total $'000
At 1 January 2019	1,847,663	7,659	1,855,322
Operations			
- Increase in net assets resulting from operations	112,731	1,326	114,057
Revaluation reserve			
- Revaluation surplus on property, plant and equipment	5,111	–	5,111
- Tax effect on revaluation surplus on property, plant and equipment	(725)	–	(725)
Foreign currency translation reserve			
- Translation differences relating to financial statements of foreign subsidiaries	(8,134)	(352)	(8,486)
- Exchange differences on monetary items forming part of net investment in foreign operations	(1,595)	–	(1,595)
- Exchange differences on hedge of net investments in foreign operations	(1,544)	–	(1,544)
- Exchange differences transferred to statement of total return upon disposal of investment properties and related cessation of business of foreign operations	78	–	78
Other comprehensive income	(6,809)	(352)	(7,161)
Total comprehensive income	105,922	974	106,896
Transactions with owners, recorded directly in equity			
<u>Contributions by and distributions to owners</u>			
- Distributions to holders of Stapled Securities	(110,125)	–	(110,125)
- Distributions to non-controlling interests	–	(222)	(222)
- Return of capital to non-controlling interests	–	(95)	(95)
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fee	10,494	–	10,494
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee	447	–	447
- Unit issue costs	(230)	–	(230)
Total contributions by and distributions to owners	(99,414)	(317)	(99,731)
Total transactions with owners	(99,414)	(317)	(99,731)
At 31 December 2019	1,854,171	8,316	1,862,487

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2019

HBT GROUP

	Units in issue and to be issued $'000	Issue expenses $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2018	117,971	(121)	6,986	5,304	(23,760)	106,380
Operations						
- Decrease in net assets resulting from operations	–	–	–	–	(7,193)	(7,193)
Revaluation reserve						
- Revaluation surplus on property, plant and equipment	–	–	5,256	–	–	5,256
- Tax effect on revaluation surplus on property, plant and equipment	–	–	(1,471)	–	–	(1,471)
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	(3,026)	–	(3,026)
- Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	(2,915)	–	(2,915)
- Exchange differences on hedge of net investments in foreign operations	–	–	–	2,475	–	2,475
Other comprehensive income	–	–	3,785	(3,466)	–	319
Total comprehensive income	–	–	3,785	(3,466)	(7,193)	(6,874)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
- Distributions to holders of Stapled Securities	(438)	–	–	–	(6,545)	(6,983)
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee	330	–	–	–	–	330
Total contributions by and distributions to owners	(108)	–	–	–	(6,545)	(6,653)
Total transactions with owners	(108)	–	–	–	(6,545)	(6,653)
At 31 December 2018	117,863	(121)	10,771	1,838	(37,498)	92,853

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2019

H-REIT GROUP

	Attributable to Stapled Security-holders $'000	Non-controlling interests $'000	Total $'000
At 1 January 2018	1,733,892	4,990	1,738,882
Operations			
- Increase in net assets resulting from operations	120,919	217	121,136
Revaluation reserve			
- Revaluation surplus on property, plant and equipment	3,232	–	3,232
- Tax effect on revaluation surplus on property, plant and equipment	(665)	–	(665)
Foreign currency translation reserve			
- Translation differences relating to financial statements of foreign subsidiaries	(5,518)	(18)	(5,536)
- Exchange differences on monetary items forming part of net investment in foreign operations	(6,196)	–	(6,196)
- Exchange differences on hedge of net investments in foreign operations	(2,796)	–	(2,796)
- Exchange differences transferred to statement of total return upon disposal of investment properties and related cessation of business of foreign operations	8,024	–	8,024
Other comprehensive income	(3,919)	(18)	(3,937)
Total comprehensive income	117,000	199	117,199
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
- Distributions to holders of Stapled Securities	(106,353)	–	(106,353)
- Distributions to non-controlling interests	–	(262)	(262)
- Return of capital to non-controlling interests	–	(49)	(49)
- Capital contribution from non-controlling interests	–	487	487
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fee	10,300	–	10,300
- Unit issue costs	(30)	–	(30)
Total contributions by and distributions to owners	(96,083)	176	(95,907)
Changes in ownership interests in subsidiaries			
- Acquisition of subsidiaries with non-controlling interests	–	2,294	2,294
Total changes in ownership interests in subsidiaries	–	2,294	2,294
Total transactions with owners	(96,083)	2,470	(93,613)
At 31 December 2018	1,754,809	7,659	1,762,468

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
Year ended 31 December 2019

STAPLED GROUP

	Attributable to Stapled Security-holders $'000	Non-controlling interests $'000	Total $'000
At 1 January 2018	1,840,273	4,990	1,845,263
Operations			
- Increase in net assets resulting from operations	110,320	217	110,537
Revaluation reserve			
- Revaluation surplus on property, plant and equipment	8,594	–	8,594
- Tax effect on revaluation surplus on property, plant and equipment	(2,136)	–	(2,136)
Foreign currency translation reserve			
- Translation differences relating to financial statements of foreign subsidiaries	(8,544)	(18)	(8,562)
- Exchange differences on monetary items forming part of net investment in foreign operations	(9,111)	–	(9,111)
- Exchange differences on hedge of net investments in foreign operations	2,979	–	2,979
- Exchange differences transferred to statement of total return upon disposal of investment properties and related cessation of business of foreign operations	8,024	–	8,024
Other comprehensive income	(194)	(18)	(212)
Total comprehensive income	110,126	199	110,325
Balance carried forward	1,950,399	5,189	1,955,588

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS
Year ended 31 December 2019

STAPLED GROUP (CONT'D)

	Attributable to Stapled Security-holders $'000	Non-controlling interests $'000	Total $'000
Balance brought forward	1,950,399	5,189	1,955,588
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
- Distributions to holders of Stapled Securities	(113,336)	–	(113,336)
- Distributions to non-controlling interests	–	(262)	(262)
- Return of capital to non-controlling interests	–	(49)	(49)
- Capital contribution from non-controlling interests	–	487	487
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fee	10,300	–	10,300
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fee	330	–	330
- Unit issue costs	(30)	–	(30)
Total contributions by and distributions to owners	(102,736)	176	(102,560)
Changes in ownership interests in subsidiaries			
- Acquisition of subsidiaries with non-controlling interests	–	2,294	2,294
Total changes in ownership interests in subsidiaries	–	2,294	2,294
Total transactions with owners	(102,736)	2,470	(100,266)
At 31 December 2018	1,847,663	7,659	1,855,322

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 monetary items which form part of Stapled Group's net investment in foreign operations and exchange differences arising from hedge of net investment in foreign operations.

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

DISTRIBUTION STATEMENT
Year ended 31 December 2019

	Note	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Amount available for distribution to holders of Stapled Securities at the beginning of the year		58,864	60,597
Total return of H-REIT	22	135,401	105,296
Total return of HBT	22	136	(15,577)
Net tax adjustments (Note A)		(36,788)	19,885
		98,749	109,604
Less: Amount retained for working capital		(9,875)	(10,960)
Add: Capital distribution		20,515	12,959
Amount available for distribution to holders of Stapled Securities		168,253	172,200
Distribution to holders of Stapled Securities:			
Distribution of 5.12 cents per Stapled Security for the period from 1/7/2017 to 31/12/2017		–	(61,420)
Distribution of 4.31 cents per Stapled Security for the period from 1/1/2018 to 30/6/2018		–	(51,916)
Distribution of 4.95 cents per Stapled Security for the period from 1/7/2018 to 31/12/2018		(59,719)	–
Distribution of 4.16 cents per Stapled Security for the period from 1/1/2019 to 30/6/2019		(50,406)	–
		(110,125)	(113,336)
Amount available for distribution to holders of Stapled Securities at the end of the year		58,128	58,864
Distribution per Stapled Security (DPS) (cents)[1]		9.02	9.26
Note A – Net tax adjustments comprise:			
Non-tax deductible/(chargeable) items:			
- Amortisation of transaction costs		1,288	1,232
- Fair value gain on financial derivatives		(1,836)	(4,064)
- Income in relation to gain on disposal of investment properties		–	(7,567)
- Gain on dissolution of a subsidiary		(582)	–
- Financial expense arising from accretion of non-current rental deposits measured at amortised cost		231	222
- Foreign exchange loss		7,220	15,563
- Impairment loss on investment in subsidiaries		23,636	24,367
- H-REIT Manager's management fee paid/payable in Stapled Securities		10,494	10,300
- H-REIT Trustee's fee		389	345
- HBT Trustee-Manager's management fee paid/payable in Stapled Securities		447	330
- HBT Trustee-Manager's trustee fee		224	229
- Net fair value gain on investment properties		(81,308)	(21,885)
- Other items		3,009	813
Net tax adjustments		(36,788)	19,885

Distributions of the Stapled Group represents the aggregate of distributions by H-REIT and HBT.

(1) 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 2019

H-REIT GROUP

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2019 [1] $'000	Carrying value at 31/12/2018 $'000	Percentage of total net assets at 31/12/2019 %	Percentage of total net assets at 31/12/2018 %
Investment properties									
Singapore									
Orchard Hotel	Freehold [2]	75 years	62 years	442 Orchard Road	Hotel	466,000	444,000	26.1	25.2
Claymore Connect	Freehold [2]	75 years	62 years	442 Orchard Road	Retail	93,800	95,800	5.2	5.4
Grand Copthorne Waterfront Hotel	Freehold [2]	75 years	62 years	392 Havelock Road	Hotel	370,000	357,000	20.7	20.3
M Hotel	Freehold [2]	75 years	62 years	81 Anson Road	Hotel	245,000	237,000	13.7	13.5
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	47 years	403 Havelock Road	Hotel	120,000	118,000	6.7	6.7
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	57 years	177A River Valley Road	Hotel	– [3]	333,000	–	18.9
Studio M Hotel	Leasehold	99 years from 26 February 2007	86 years	3 Nanson Road	Hotel	173,000	154,000	9.7	8.7
Balance carried forward						1,467,800	1,738,800	82.1	98.7

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

PORTFOLIO STATEMENTS
As at 31 December 2019

H-REIT GROUP (CONT'D)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2019 (1) $'000	Carrying value at 31/12/2018 $'000	Percentage of total net assets at 31/12/2019 %	Percentage of total net assets at 31/12/2018 %
Balance brought forward						1,467,800	1,738,800	82.1	98.7
Germany									
Pullman Hotel Munich	Freehold	–	–	Theodor-Dombart-Strasse 4, Munich	Hotel	173,874	180,434	9.7	10.2
Italy									
Hotel Cerretani Firenze - MGallery	Freehold	–	–	Via De Cerretani 68, Florence	Hotel	65,973	68,424	3.7	3.9
New Zealand									
Grand Millennium Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	200,450	214,714	11.2	12.2
Australia									
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	68,533	70,100	3.8	4.0
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	29,103	31,908	1.6	1.8
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	45,062	46,411	2.5	2.6
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	28 years	South Nilandhe Atoll	Resort	88,597	78,130	5.0	4.4
Raffles Maldives Meradhoo [4]	Leasehold	50 years from 15 June 2006	36 years	Gaafu Alifu Atoll	Resort	69,861	68,535	3.9	3.9
Investment properties						2,209,253	2,497,456	123.5	141.7

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

PORTFOLIO STATEMENTS
As at 31 December 2019

H-REIT GROUP (CONT'D)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2019 [1] $'000	Carrying value at 31/12/2018 $'000	Percentage of total net assets at 31/12/2019 %	Percentage of total net assets at 31/12/2018 %
Property, plant and equipment									
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	50,470	49,640	2.8	2.8
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	35,254	34,003	2.0	2.0
Other plant and equipment	–	–	–	–	–	516	543	–	–
Property, plant and equipment						86,240	84,186	4.8	4.8
Asset held for sale									
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	57 years	177A River Valley Road	Hotel	368,700 [3]	–	20.6	–
						2,664,193	2,581,642	148.9	146.5
Other assets and liabilities (net)						(875,588)	(819,174)	(48.9)	(46.5)
Net assets of the H-REIT Group						1,788,605	1,762,468	100.0	100.0

(1) The carrying value includes the right-of-use asset recognised on adoption of FRS 116 (Note 2.5).
(2) H-REIT's interest in the freehold land is restricted to the remaining term of each respective lease.
(3) Classified as "Asset held for sale" as at 31 December 2019 (Note 9).
(4) Previously known as Dhevanafushi Maldives Luxury Resort.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

STAPLED GROUP

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2019 [1] $'000	Carrying value at 31/12/2018 $'000	Percentage of total net assets at 31/12/2019 %	Percentage of total net assets at 31/12/2018 %
Investment properties									
Singapore									
Orchard Hotel	Freehold [2]	75 years	62 years	442 Orchard Road	Hotel	466,000	444,000	25.0	23.9
Claymore Connect	Freehold [2]	75 years	62 years	442 Orchard Road	Retail	93,800	95,800	5.0	5.2
Grand Copthorne Waterfront Hotel	Freehold [2]	75 years	62 years	392 Havelock Road	Hotel	370,000	357,000	19.9	19.2
M Hotel	Freehold [2]	75 years	62 years	81 Anson Road	Hotel	245,000	237,000	13.2	12.8
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	47 years	403 Havelock Road	Hotel	120,000	118,000	6.4	6.4
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	57 years	177A River Valley Road	Hotel	– [3]	333,000	–	17.9
Studio M Hotel	Leasehold	99 years from 26 February 2007	86 years	3 Nanson Road	Hotel	173,000	154,000	9.3	8.3
Balance carried forward						1,467,800	1,738,800	78.8	93.7

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

PORTFOLIO STATEMENTS
As at 31 December 2019

STAPLED GROUP (CONT'D)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2019 (1) $'000	Carrying value at 31/12/2018 $'000	Percentage of total net assets at 31/12/2019 %	Percentage of total net assets at 31/12/2018 %
Balance brought forward						1,467,800	1,738,800	78.8	93.7
Germany									
Pullman Hotel Munich	Freehold	–	–	Theodor-Dombart-Strasse 4, Munich	Hotel	173,874	180,434	9.3	9.7
Italy									
Hotel Cerretani Firenze - MGallery	Freehold	–	–	Via De Cerretani 68, Florence	Hotel	65,973	68,424	3.5	3.7
New Zealand									
Grand Millennium Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	200,450	214,714	10.8	11.6
Australia									
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	68,533	70,100	3.7	3.8
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	29,103	31,908	1.6	1.7
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	45,062	46,411	2.4	2.5
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	28 years	South Nilandhe Atoll	Resort	88,597	78,130	4.7	4.2
Investment properties						2,139,392	2,428,921	114.8	130.9

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

PORTFOLIO STATEMENTS

As at 31 December 2019

STAPLED GROUP (CONT'D)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2019 [1] $'000	Carrying value at 31/12/2018 $'000	Percentage of total net assets at 31/12/2019 %	Percentage of total net assets at 31/12/2018 %
Property, plant and equipment and prepaid land lease									
Maldives									
Raffles Maldives Meradhoo [4]	Leasehold	50 years from 15 June 2006	36 years	Gaafu Alifu Atoll	Resort	69,889	68,535	3.8	3.7
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	50,470	49,640	2.7	2.7
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	35,254	34,003	1.9	1.8
United Kingdom									
Hilton Cambridge City Centre	Leasehold	125 years from 25 December 1990	96 years	Downing Street, Cambridge	Hotel	118,379	110,037	6.4	5.9
The Lowry Hotel	Leasehold	150 years from 18 March 1997	127 years	Manchester	Hotel	99,335	92,278	5.3	5.0
Other plant and equipment	–	–	–	–	–	516	543	0.0	0.0
Property plant and equipment and prepaid land lease						373,843	355,036	20.1	19.1
Asset held for sale									
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	57 years	177A River Valley Road	Hotel	368,700 [3]	–	19.8	–
						2,881,935	2,783,957	154.7	150.0
Other assets and liabilities (net)						(1,019,448)	(928,635)	(54.7)	(50.0)
Net assets of the Stapled Group						1,862,487	1,855,322	100.0	100.0

(1) The carrying value includes the right-of-use asset recognised on adoption of FRS 116 (Note 2.5).
(2) H-REIT's interest in the freehold land is restricted to the remaining term of each respective lease.
(3) Classified as "Asset held for sale" as at 31 December 2019 (Note 9).
(4) Previously known as Dhevanafushi Maldives Luxury Resort.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

The valuations adopted for the investment properties were as follows:

	H-REIT Group		Stapled Group	
	2019 (1) $'000	2018 $'000	2019 (1) $'000	2018 $'000
Investment properties				
Orchard Hotel	466,000	444,000	466,000	444,000
Grand Copthorne Waterfront Hotel	370,000	357,000	370,000	357,000
M Hotel	245,000	237,000	245,000	237,000
Copthorne King's Hotel	120,000	118,000	120,000	118,000
Novotel Singapore Clarke Quay	368,700(2)	333,000	368,700(2)	333,000
Studio M Hotel	173,000	154,000	173,000	154,000
Claymore Connect	93,800	95,800	93,800	95,800
Grand Millennium Auckland	200,450	214,714	200,450	214,714
Novotel Brisbane	68,533	70,100	68,533	70,100
Ibis Perth	29,103	31,908	29,103	31,908
Mercure Perth	45,062	46,411	45,062	46,411
Angsana Velavaru	88,597	78,130	88,597	78,130
Raffles Maldives Meradhoo (3)	69,861	68,535	–	–
Pullman Hotel Munich	173,874	180,434	173,874	180,434
Hotel Cerretani Firenze - MGallery	65,973	68,424	65,973	68,424
	2,577,953	2,497,456	2,508,092	2,428,921

The carrying values of property, plant and equipment and prepaid land lease by property are set out below:

	H-REIT Group		Stapled Group	
	2019 (1) $'000	2018 $'000	2019 (1) $'000	2018 $'000
Property, plant and equipment and prepaid land lease				
Raffles Maldives Meradhoo (3)	–	–	69,889	68,535
Hotel MyStays Asakusabashi	50,470	49,640	50,470	49,640
Hotel MyStays Kamata	35,254	34,003	35,254	34,003
Hilton Cambridge City Centre	–	–	118,379	110,037
The Lowry Hotel	–	–	99,335	92,278
Other plant and equipment	516	543	516	543
	86,240	84,186	373,843	355,036

(1) The carrying value includes the right-of-use asset recognised on adoption of FRS 116 (Note 2.5).
(2) Classified as "Asset held for sale" as at 31 December 2019 (Note 9).
(3) Previously known as Dhevanafushi Maldives Luxury Resort.

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

PORTFOLIO STATEMENTS

As at 31 December 2019

As at 31 December 2019 and 31 December 2018, Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Grand Millennium Auckland are leased by the H-REIT Group to related corporations of the H-REIT Manager. Raffles Maldives Meradhoo and the Japan Properties are leased by the H-REIT Group to the HBT Group.

The terms of the 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 which contains a term of approximately 13.5 years from 7 June 2007 will be terminated in April 2020 upon completion of the sale of the property. The leases for Claymore Connect generally contain an initial term of one to three years.

New Zealand

The lease for Grand Millennium Auckland contains a term of 3 years from 7 September 2019 with an option to extend for a 3-year period.

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. Raffles Maldives Meradhoo (previously known as Dhevanafushi Maldives Luxury Resort) is leased to CDL HBT Oceanic Maldives Private Limited, an indirect subsidiary of HBT, for a term of 10 years from 31 December 2013 with an option to renew for another 10 years.

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 1 year from 18 July 2019.

Germany

The lease for Pullman Hotel Munich contains a term of 20 years from 14 July 2017. The leases for the office and retail components generally contain an initial term of one to five years.

Italy

The lease for Hotel Cerretani Firenze - MGallery contains a term of 20 years from 27 November 2018.

Subsequent renewals are renegotiated with the lessees.

STATEMENTS OF CASH FLOWS

Year ended 31 December 2019

	Note	HBT Group 2019 $'000	HBT Group 2018 $'000	H-REIT Group 2019 $'000	H-REIT Group 2018 $'000	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Cash flows from operating activities							
Loss/Total return for the year before tax		(13,674)	(4,688)	137,078	134,306	125,505	126,212
Adjustments for:							
H-REIT Manager's and HBT Trustee-Manager's fees paid/payable in Stapled Securities		447	330	10,494	10,300	10,941	10,630
Depreciation of property, plant and equipment	5	9,950	6,624	1,906	2,126	12,027	11,375
Amortisation of prepaid land lease		–	–	–	–	–	336
(Reversal of impairment loss)/ Impairment loss on trade receivables		(9)	167	163	(86)	154	81
Revaluation deficit/(Reversal of revaluation deficit) on property, plant and equipment and prepaid land lease		1,088	–	(243)	(710)	17,325	2,793
Property, plant and equipment written off		240	–	–	7	240	7
Net fair value gain on investment properties		–	–	(46,780)	(28,718)	(66,418)	(35,076)
Gain on disposal of investment properties and related cessation of business of foreign operations		–	–	–	(5,367)	–	(5,367)
Net finance costs		5,615	2,439	26,119	21,314	28,524	27,053
Operating income before working capital changes		3,657	4,872	128,737	133,172	128,298	138,044
Changes in working capital:							
Inventories		(888)	275	–	–	(888)	275
Trade and other receivables		(3,015)	(3,043)	(11,191)	(17,205)	3,280	(10,836)
Trade and other payables		17,182	8,789	5,458	(876)	5,153	(1,485)
Cash generated from operating activities		16,936	10,893	123,004	115,091	135,843	125,998
Tax paid		(1,662)	(1,529)	(13,290)	(1,295)	(14,952)	(2,824)
Net cash generated from operating activities		15,274	9,364	109,714	113,796	120,891	123,174
Cash flows from investing activities							
Acquisition of subsidiaries, net of cash acquired	29	–	–	(1,838)	(47,736)	(1,838)	(47,736)
Additions to property, plant and equipment		(5,351)	(4,132)	(477)	(475)	(18,569)	(23,115)
Capital expenditure on investment properties		–	–	(38,897)	(32,332)	(26,156)	(13,840)
Proceeds from disposal of investment properties		–	–	23	80,149	23	80,149
Receipt of finance lease receivables		–	–	756	–	756	–
Interest received		–	–	1,220	1,306	1,220	1,307
Net cash (used in)/generated from investing activities		(5,351)	(4,132)	(39,213)	912	(44,564)	(3,235)

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

STATEMENTS OF CASH FLOWS
Year ended 31 December 2019

	Note	HBT Group 2019 $'000	HBT Group 2018 $'000	H-REIT Group 2019 $'000	H-REIT Group 2018 $'000	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Cash flows from financing activities							
Payment of transaction costs related to rights issue		–	–	(230)	(30)	(230)	(30)
Proceeds from bank loans		–	–	322,957	268,646	322,957	268,646
Repayment of bank loans		–	–	(264,340)	(205,420)	(264,340)	(205,420)
Payment of transaction costs related to bank loans		–	(29)	(2,304)	(881)	(2,304)	(910)
Payment of lease liabilities		(2,020)	–	(1,022)	–	(1,064)	–
Finance costs paid		(5,242)	(2,689)	(18,612)	(15,438)	(21,735)	(18,127)
Distributions to holders of Stapled Securities		(7,399)	(6,983)	(102,726)	(106,353)	(110,125)	(113,336)
Distributions to holders of non-controlling interests		–	–	(309)	(314)	(309)	(314)
Capital contribution from non-controlling interests		–	–	–	487	–	487
Return of capital to non-controlling interests		–	–	(97)	(49)	(97)	(49)
Repayment of loan to non-controlling interests		–	–	–	(3,669)	–	(3,669)
Movement in restricted cash		–	–	276	(59)	276	(59)
Net cash used in financing activities		(14,661)	(9,701)	(66,407)	(63,080)	(76,971)	(72,781)
Net (decrease)/increase in cash and cash equivalents		(4,738)	(4,469)	4,094	51,628	(644)	47,158
Cash and cash equivalents at beginning of the year		12,506	17,278	125,740	77,370	138,246	94,648
Effect of exchange rate changes on cash and cash equivalents		34	(303)	(2,743)	(3,258)	(2,709)	(3,560)
Cash and cash equivalents at end of the year	8	7,802	12,506	127,091	125,740	134,893	138,246

Significant non-cash transactions

There were the following non-cash transactions:

(i) 6,799,933 (2018: 6,540,031) Stapled Securities amounting to $10.5 million (2018: $10.8 million) were issued to the H-REIT Manager as satisfaction of the management fee payable in Stapled Securities.

(ii) 318,401 (2018: 102,663) Stapled Securities amounting to $0.5 million (2018: $0.2 million) were issued to the HBT Trustee-Manager as satisfaction of the management fee 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 4 March 2020.

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

Prior to 1 May 2018

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.

  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.

  The portion of the management fee payable in the form of Stapled Securities is payable quarterly in arrears and the 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)*

Prior to 1 May 2018 (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.

From 1 May 2018

Pursuant to Clauses 12.1, 12.2, 12.3 and 12.4 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 fees comprising a base fee of 0.25% per annum of the value of HBT's Deposited Property (as defined in the HBT Trust Deed) and a performance fee of 5.0% per annum of HBT's net property income (as defined in the HBT Trust Deed). Before the revision, management fee was 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 HBT Trustee-Manager's management fees are payable in the form of Stapled Securities and/or cash as the HBT Trustee-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 HBT Trustee-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) HBT units, such Stapled Securities or HBT units shall be issued at the market price (as defined in the HBT Trust Deed) prevailing at the date the management fees accrue.

  For the years ended 31 December 2019 and 31 December 2018, 80% of the HBT Trustee-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 HBT Trustee-Manager's management fees must be approved by an extraordinary resolution at a meeting of holders of the HBT units duly convened and held in accordance with the provisions of the HBT 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. Performance fee is paid on an annual basis in arrears, regardless of whether it is paid in the form of Stapled Securities or in cash.

- An acquisition fee of 1% (0.75% for acquisitions from related parties as defined in the HBT Trust Deed) 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 HBT Trustee-Manager may elect, and in such proportion as may be determined by the HBT Trustee-Manager. In the event that the HBT Trustee-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.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

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

From 1 May 2018 (cont'd)

- Development management fee of 3% of the Total Project Costs (as defined in the HBT Trust Deed) incurred in a Development Project (as defined in the HBT Trust Deed) undertaken on behalf of HBT Group. If the estimated Total Project Costs exceeds $200.0 million, the HBT Trustee-Manager's independent directors will first review and approve the quantum of the development management fee whereupon the HBT Trustee-Manager may be directed by its independent directors to reduce the development management fee.

  The development management fee is payable in equal monthly instalments in cash over the construction period of each Development Project based on the HBT Trustee-Manager's best estimate of the Total Project Costs and construction period and, if necessary, a final payment of the balance amount to be paid to the HBT Trustee-Manager or (as the case may be) paid by the HBT Trustee-Manager when the Total Project Costs is finalised. No acquisition fee shall be paid when the HBT Trustee-Manager receives the development management fee for a Development Project.

  Any increase in the percentage or any change in the structure of the HBT Trustee-Manager's development management fee must be approved by an extraordinary resolution at a meeting of holders of the HBT units duly convened and held in accordance with the provisions of the HBT Trust Deed.

(ii) H-REIT Manager's fees

Prior to 1 May 2018

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 years ended 31 December 2019 and 31 December 2018, 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. Performance fee is paid on an annual basis in arrears, regardless of whether it is paid in the form of Stapled Securities or in cash.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

(ii) *H-REIT Manager's fees (cont'd)*

Prior to 1 May 2018 (cont'd)

- 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.

From 1 May 2018

The following amendments were made pursuant to Clauses 14.2 and 14.7 of the H-REIT Trust Deed:

- Acquisition fee of 1% (0.75% for acquisitions from related parties as defined in the H-REIT Trust Deed) 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.

- Development management fee of 3% of the Total Project Costs (as defined in the H-REIT Trust Deed) incurred in a Development Project (as defined in the H-REIT Trust Deed) undertaken on behalf of H-REIT Group. If the estimated Total Project Costs exceeds $200.0 million, the H-REIT Manager's independent directors will first review and approve the quantum of the development management fee whereupon the H-REIT Manager may be directed by its independent directors to reduce the development management fee.

  The development management fee is payable in equal monthly instalments in cash over the construction period of each Development Project based on the H-REIT Manager's best estimate of the Total Project Costs and construction period and, if necessary, a final payment of the balance amount to be paid to the H-REIT Manager or (as the case may be) paid by the H-REIT Manager when the Total Project Costs is finalised. No acquisition fee shall be paid when the H-REIT Manager receives the development management fee for a Development Project.

  Any increase in the percentage or any change in the structure of the H-REIT Manager's development management fee 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.

(iii) *H-REIT Trustee's fee*

Pursuant to the H-REIT Trust Deed, the H-REIT Trustee's fee shall not exceed 0.1% per annum of the value of H-REIT's Deposited Property (subject to a minimum of $10,000 per month) or such higher percentage as may be fixed by an extraordinary resolution of a meeting of holders of the H-REIT units. The H-REIT Trustee's fee is payable out of H-REIT's Deposited Property on a monthly basis, in arrears. The H-REIT Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the H-REIT Trust Deed.

Based on the current agreement between the H-REIT Manager and the H-REIT Trustee, the H-REIT Trustee's fee is charged on a scaled basis of up to 0.02% per annum of the value of H-REIT's Deposited Property (subject to a minimum of $10,000 per month).

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the HBT Group have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), 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 the Singapore Financial Reporting Standards ("**FRS**").

This is the first set of the annual financial statements in which FRS 116 / SFRS(I) 16 *Leases* has been applied by the HBT Group, H-REIT Group and Stapled Group. The related changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of HBT and H-REIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 – Valuation of investment properties
- Note 5 – Valuation of property, plant and equipment

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 / SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

When measuring the fair value of an asset or a liability, the H-REIT Manager and the HBT Trustee-Manager use market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: unobservable inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

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 4 – Valuation of investment properties
- Note 5 – Valuation of property, plant and equipment
- Note 25 – Valuation of financial instruments

2.5 Change in accounting policies

Various new FRSs or SFRS(I)s, amendments to and interpretations of FRSs or SFRS(I)s have been applied in the financial statements for the first time for the annual period beginning on 1 January 2019. Other than FRS 116 / SFRS(I) 16, the application of these amendments to standards and interpretations did not have a material impact on the financial statements.

The HBT Group, H-REIT Group and Stapled Group (collectively, the "**Entities**") applied FRS 116 / SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses or the unitholders' funds (as the case may be) at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under FRS 17 / SFRS(I) 1-17 *Leases* and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 / SFRS(I) 16 have not generally been applied to comparative information.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.5 Change in accounting policies (cont'd)

FRS 116 / SFRS(I) 16 *Leases*

Definition of a lease

Previously, the Entities determined at contract inception whether an arrangement was or contained a lease under INT FRS 104 / SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Entities now assess whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116 / SFRS(I) 16.

On transition to FRS 116 / SFRS(I) 16, the Entities elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Entities applied FRS 116 / SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under FRS 17 / SFRS(I) 1-17 and INT FRS 104 / SFRS(I) INT 4 were not reassessed for whether there is a lease under FRS 116 / SFRS(I) 16. Therefore, the definition of a lease under FRS 116 / SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As lessees, the Entities lease mainly land and buildings. The Entities previously classified leases as operating or finance leases based on their assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying assets to the Entities. Under FRS 116 / SFRS(I) 16, the Entities recognise right-of-use ("**ROU**") assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Entities allocate the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property, the Entities have elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under FRS 17 / SFRS(I) 1-17

Previously, the Entities classified property leases as operating leases under FRS 17 / SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. ROU assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Entities have tested their ROU assets for impairment on the date of transition and have concluded that there is no indication that the ROU assets are impaired.

The Entities used a number of practical expedients when applying FRS 116 / SFRS(I) 16 to leases previously classified as operating leases under FRS 17 / SFRS(I) 1-17. In particular, the Entities:

- did not recognise ROU assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the ROU asset at the date of initial application; and
- used hindsight when determining the lease term.

2 BASIS OF PREPARATION (CONT'D)

2.5 Change in accounting policies (cont'd)

FRS 116 / SFRS(I) 16 *Leases* (cont'd)

As a lessor

The H-REIT Group and the Stapled Group lease out their investment properties, including own property and ROU assets. The H-REIT Group and the Stapled Group have classified these leases as operating leases or finance leases.

The H-REIT Group and the Stapled Group are not required to make any adjustments on transition to FRS 116 / SFRS(I) 16 for leases in which they act as lessors, except for a sub-lease.

The H-REIT Group and the Stapled Group sub-lease one of their properties. Under FRS 17 / SFRS(I) 1-17, the head lease and the sub-lease contracts were classified as operating leases. On transition to FRS 116 / SFRS(I) 16, the ROU asset recognised from the head lease is presented in investment property, and measured at fair value at that date. The H-REIT Group and the Stapled Group assessed the classification of the sub-lease contract with reference to the ROU asset arising from the head lease rather than the underlying asset, and concluded that the sub-lease is a finance lease under FRS 116 / SFRS(I) 16. Consequently, the H-REIT Group and the Stapled Group derecognised the ROU asset relating to the head lease and recognised finance lease receivables. During the term of the sub-lease, the H-REIT Group and the Stapled Group recognise both interest income on the sub-lease and interest expense on the head lease.

The H-REIT Group and the Stapled Group have applied FRS 115 / SFRS(I) 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Impact on transition [(1)]

On transition to FRS 116 / SFRS(I) 16, additional ROU assets, finance lease receivables and lease liabilities were recognised in the statements of financial position. The impact on transition as of 1 January 2019 is summarised below:

	1 January 2019		
	HBT Group $'000	H-REIT Group $'000	Stapled Group $'000
ROU assets presented in property, plant and equipment	52,046	101	24,688 [(2)]
ROU assets presented in investment properties	–	19,917	10,847
Finance lease receivables	–	6,478	6,478
Prepaid land lease	–	–	(6,853)
Lease liabilities	(52,046)	(26,496)	(35,160)

(1) For the impact of FRS 116 / SFRS(I) 16 on total return or profit or loss (as the case may be), see Note 30. For the impact of FRS 116 / SFRS(I) 16 on segment information, see Note 24. For details on accounting policies under FRS 116 / SFRS(I) 16 and FRS 17 / SFRS(I) 1-17, see Note 3.6.

(2) Includes prepaid land lease with carrying amount of $6,853,000 as at 1 January 2019 being reclassified to property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.5 Change in accounting policies (cont'd)

FRS 116 / SFRS(I) 16 *Leases* (cont'd)

Impact on transition [1] (cont'd)

When measuring lease liabilities, the Entities discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The weighted average rate applied by the HBT Group, the H-REIT Group and the Stapled Group is 4.82%, 4.96% and 4.65% respectively.

	1 January 2019		
	HBT Group $'000	**H-REIT Group $'000**	**Stapled Group $'000**
Operating lease commitments at 31 December 2018 as disclosed under FRS 17 / SFRS(I) 1-17 in the Entities' consolidated financial statements	22,661	2,441	4,542
Discounted using the incremental borrowing rates at 1 January 2019	20,103	2,347	4,236
– Variable lease payments based on an index or a rate	6,775	19,917	26,692
– Recognition exemption for leases with less than 12 months of lease term at transition	(61)	–	(61)
– Extension options reasonably certain to be exercised	25,229	4,232	4,293
Lease liabilities recognised at 1 January 2019	52,046	26,496	35,160

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the HBT Group, the H-REIT Group and the Stapled Group consistently to all periods presented in these financial statements, except as explained in Note 2.5, which addresses the changes in accounting policies.

3.1 Consolidation

(i) Stapling

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

(ii) 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 ("**NCI**") 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

(ii) Business combinations (cont'd)

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).

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRS / SFRS(I).

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.

(iii) 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.

(iv) Subsidiaries

Subsidiaries are entities controlled by either 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. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the HBT Group, the H-REIT Group and the Stapled Group.

3.2 Foreign currencies

(i) 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 exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(i) Foreign currency transactions (cont'd)

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 that 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 generally recognised in profit or loss or the statement of total return (as the case may be). However, for foreign currency differences arising on the translation of a financial liability designated as a hedge of the HBT Group's, H-REIT Group's and the Stapled Group's net investment in a foreign operation to the extent that the hedge is effective are recognised in other comprehensive income ("**OCI**") or unitholders' funds (as the case may be) directly.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in OCI or unitholders' funds (as the case may be). However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. 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 NCI.

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.

(iii) Hedge of net investment in foreign operation

The HBT Group, 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 HBT Group, H-REIT Group and the Stapled Group'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 profit or loss or the statement of total return (as the case may be). When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss or the statement of total return (as the case may be) as part of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment

(i) Recognition and measurement

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent to recognition, freehold land, leasehold land and buildings are measured at fair value less accumulated depreciation and accumulated impairment losses while other assets are measured at cost less accumulated depreciation and accumulated impairment losses.

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.

Any surplus arising on the revaluation is recognised in OCI or unitholders' funds (as the case may be), except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss or the statement of total return (as the case may be), in which case the credit to that extent is recognised in profit or loss or the statement of total return (as the case may be). Any deficit on revaluation is recognised in profit or loss or the statement of total return (as the case may be) except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in OCI or unitholders' funds (as the case may be).

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). The revaluation surplus included in equity or unitholders' funds (as the case may be) in respect of an item of property, plant and equipment measured using revaluation model, is transferred directly to accumulated profits or unitholders' funds (as the case may be).

(ii) 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.

(iii) 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. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Stapled Group will obtain ownership by the end of the lease term. 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	Remaining useful lives of land leases of 29 years to 128 years
• Buildings	31 years to 50 years
• Plant and machinery	10 - 12 years
• Furniture and fixtures	7 years
• Motor vehicles and boats	5 years
• Office equipment	5 years

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Prepaid land lease

Prepaid land lease related to upfront payment on long-term leasehold interest in land and was amortised on a straight-line basis over the period of the lease.

With the adoption of FRS 116 / SFRS(I) 16 on 1 January 2019, prepaid land lease has been reclassified to property, plant and equipment.

3.5 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any changes therein recognised in the statement of total return.

The cost of a purchased property comprises its purchase price and any directly attributable expenditure including transaction costs. Fair value is determined in accordance with the H-REIT Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- at least once a year in accordance with the Property Funds Appendix of CIS Code issued by MAS; and
- where the H-REIT Manager proposes to issue new units for subscription or to redeem existing units unless the investment properties have been valued not more than 6 months ago.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

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.

3.6 Leases

The Stapled Group has applied FRS 116 / SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 / SFRS(I) 1-17 and INT FRS 104 / SFRS(I) INT 4. The details of accounting policies under FRS 17 / SFRS(I) 1-17 and INT FRS 104 / SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Stapled Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Stapled Group uses the definition of a lease in FRS 116 / SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Stapled Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Stapled Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Stapled Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

(i) As a lessee (cont'd)

The subsequent measurement of the ROU asset will depend on whether it is presented in investment property or property, plant and equipment. The accounting policies for investment property and property, plant and equipment are set out in Note 3.5 and Note 3.3 respectively.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate as the discount rate.

The Stapled Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substances fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- lease payments in an optional renewal period if the Stapled Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Stapled Group changes its assessment of whether it will exercise an extension option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Stapled Group presents ROU assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low value assets

The Stapled Group has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases. The Stapled Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Stapled Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Stapled Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

Policy applicable from 1 January 2019 (cont'd)

(ii) As a lessor (cont'd)

To classify each lease, the Stapled Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Stapled Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Stapled Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, then the Stapled Group applies FRS 115 / SFRS(I) 15 to allocate the consideration in the contract.

The Stapled Group applies the derecognition and impairment requirements in FRS 109 / SFRS(I) 9 to the net investment in the lease (see Note 3.9(i)).

The Stapled Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

Generally, the accounting policies applicable to the Stapled Group as a lessor in the comparative period were not different from FRS 16 / SFRS(I) 16 except for the classification of sub-lease entered into that resulted in a finance lease classification.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Stapled Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset whole obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee, the Stapled Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under leases were classified as operating leases and were not recognised in the Stapled Group's statement of financial position. Payments made under operating leases were 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. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Leases (cont'd)

Policy applicable before 1 January 2019 (cont'd)

(ii) As a lessor

When the Stapled Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Stapled Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Stapled Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment property is recognised as 'revenue' on a straight-line basis over the term of the lease.

3.7 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Stapled Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified at: amortised cost; fair value through OCI ("**FVOCI**") – debt instrument; FVOCI – equity or fair value through profit or loss ("**FVTPL**").

Financial assets are not reclassified subsequent to their initial recognition unless the Stapled Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets at amortised cost (cont'd)

Financial assets: Business model assessment

The Stapled Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Stapled Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Stapled Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Stapled Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Stapled Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Stapled Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss or the statement of total return (as the case may be).

(iii) Derecognition

Financial assets

The Stapled Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Stapled Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Stapled Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Stapled Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss or the statement of total return (as the case may be).

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Stapled Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed deposits that are subject to an insignificant risk of changes in their fair values, and are used by the Stapled Group in the management of its short-term commitments. For the purpose of the statement of cash flows, restricted cash is excluded.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

(vi) Derivative financial instruments and hedge accounting

The Stapled Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss or the statement of total return (as the case may be) as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss or the statement of total return (as the case may be).

The Stapled Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Stapled Group documents the risk management objective and strategy for undertaking the hedge. The Stapled Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Net investment hedges

The Stapled Group designates certain derivatives or non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within unitholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss or the statement of total return (as the case may be). The amount recognised in the translation reserve is reclassified to profit or loss or the statement of total return (as the case may be) as a reclassification adjustment on disposal of the foreign operation.

Other non-trading derivatives

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).

3.8 Inventories

Inventories comprise mainly food, beverage stocks, engineering items and spa supplies for the operations of hotels and a resort.

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment

(i) Non-derivative financial assets

The Stapled Group recognises loss allowances for expected credit loss ("**ECL**") on financial assets measured at amortised cost and lease receivables.

Loss allowances of the Stapled Group are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Stapled Group applies the simplified approach to provide for ECL for all trade receivables (including lease receivables). The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Stapled Group applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Stapled Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Stapled Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Stapled Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

The Stapled Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Stapled Group in full, without recourse by the Stapled Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECL is the maximum contractual period over which the Stapled Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Stapled Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Stapled Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Credit-impaired financial assets (cont'd)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Stapled Group on terms that the Stapled Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Stapled Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Stapled Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Stapled Group's non-financial assets, other than investment properties, deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit ("**CGU**") exceeds its recoverable amount.

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 the other assets in the CGU (group of CGUs) on a *pro rata* basis.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

(ii) Non-financial assets (cont'd)

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.

3.10 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Stapled Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, freehold land, leasehold land and buildings included in property, plant and equipment, and investment properties, which continue to be measured in accordance with the Stapled Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss or the statement of total return (as the case may be). Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

3.11 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.

3.12 Provisions

A provision is recognised if, as a result of a past event, the Stapled Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.13 Revenue

(i) 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.

(ii) Hotel revenue

Revenue from hotel and resort operations is recognised when the accommodation and related services are rendered.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits

(i) 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.

(ii) 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.

3.15 Finance income and finance costs

Finance income comprises interest income on funds invested, interest income on finance lease receivables, 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 loans and borrowings and lease liabilities, amortisation of transaction costs on loans and borrowings, 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).

Interest income or all borrowing costs are recognised as it accrues, in profit or loss or the statement of total return (as the case may be), using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

3.16 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 OCI or unitholders' funds.

The Stapled Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 / SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets.*

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:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax (cont'd)

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.

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;
- 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); and
  - (v) a trade union registered under the Trade Unions Act (Cap 333).
- 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); and
- real estate investment trust exchange-traded funds which have been accorded the tax transparency treatment.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 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.

3.18 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 Securityholders 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 Securityholders and the weighted average number of Stapled Securities outstanding, adjusted for the effects of all dilutive potential Stapled Securities.

3.19 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 (the "**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 management fee, finance income, finance costs and other expenses.

Segment capital expenditure is the total cost incurred on investment properties and property, plant and equipment during the year.

3.20 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Stapled Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs / SFRS(I)s, interpretations and amendments to FRSs / SFRS(I)s are not expected to have a significant impact on the Stapled Group's financial statements:

- Amendments to References to Conceptual Framework in FRS / SFRS(I) Standards
- Definition of a Business (Amendments to FRS 103 / SFRS(I) 3 *Business Combinations*)
- Definition of Material (Amendments to FRS 1 / SFRS(I) 1-1 *Presentation of Financial Statements* and FRS 8 / SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*)
- Interest Rate Benchmark Reform (Amendments to FRS 109 / SFRS(I) 9 *Financial Instruments*, FRS 39 / SFRS(I) 1-39 *Financial Instruments: Recognition and Measurement* and FRS 107 / SFRS(I) 7 *Financial Instruments: Disclosures*)
- FRS 117 / SFRS(I) 17 *Insurance Contracts*
- Classification of Liabilities as Current or Non-Current (Amendments to FRS 1 / SFRS(I) 1-1)

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT PROPERTIES

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	–	–	2,497,456	2,386,430	2,428,921	2,331,433
Recognition of right-of-use assets on initial application of FRS 116 / SFRS(I) 16	–	–	19,917	–	10,847	–
Adjusted balance at 1 January	–	–	2,517,373	2,386,430	2,439,768	2,331,433
Acquisition of subsidiaries, including acquisition costs	–	–	–	66,670	–	66,670
Capital expenditure	–	–	34,599	32,775	21,858	14,282
Fair value changes (unrealised)	–	–	46,780	28,718	66,418	35,076
Reclassification to asset held for sale (Note 9)	–	–	(368,700)	–	(368,700)	–
Translation differences	–	–	(20,799)	(17,137)	(19,952)	(18,540)
At 31 December	–	–	2,209,253	2,497,456	2,139,392	2,428,921

Security

At 31 December 2019, an investment property of the H-REIT Group and the Stapled Group with a carrying amount of $173.9 million (2018: $180.4 million) is pledged as security to secure a bank loan (Note 10).

Measurement of fair value

The carrying amounts of the investment properties as at 31 December 2019 were based on independent valuations undertaken by Knight Frank Pte Ltd for the Singapore properties, CBRE Limited for the New Zealand property, CBRE Valuations Pty Limited for the Australian properties (except Ibis Perth), Jones Lang LaSalle Advisory Pty Limited for Ibis Perth, Jones Lang LaSalle Property Consultants Pte Ltd for the Maldives properties, Cushman & Wakefield (U.K.) LLP – German Branch for the German property, Cushman & Wakefield (U.K.) LLP (Italian Branch) for the Italian property, as at that date. The carrying amounts of the investment properties as at 31 December 2018 were based on independent valuations undertaken by Knight Frank Pte Ltd for the Singapore properties, CIVAS Limited (trading as Colliers International) for the New Zealand property, CBRE Valuations Pty Limited for the Australian properties, CBRE Pte. Ltd. for the Maldives properties, CBRE GmbH for the German property, as at that date. The carrying amount of the Italian investment property as at 31 December 2018 was based on an independent valuation undertaken by HVS – Global Hospitality Services as at 25 July 2018 for the purposes of acquiring the property. The H-REIT Manager was of the view that there was no significant change in the fair value of this property between the last valuation date and 31 December 2018. The independent valuers have appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

The valuations were based on the discounted cash flows, capitalisation and sales comparison methods, where appropriate. The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal yield, capitalisation rate and price per room. 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.

4 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

Fair value hierarchy

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.4).

	H-REIT Group 2019 $'000	Stapled Group 2019 $'000
Fair value of investment properties (based on valuation reports)	2,189,797	2,128,831
Add: Carrying amount of lease liabilities	19,456	10,561
Carrying amount of investment properties	2,209,253	2,139,392

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	Significant unobservable inputs	2019	2018
Singapore	Discounted cash flows and capitalisation methods	Hotel		
		Discount rate	7.00%	7.00%
		Terminal yield	4.50% - 5.35%	4.75% - 5.50%
		Capitalisation rate	4.25% - 5.10%	4.50% - 5.25%
		Retail		
		Discount rate	7.00%	7.00%
		Terminal yield	5.25%	5.25%
		Capitalisation rate	5.00%	5.00%
New Zealand	Discounted cash flows, capitalisation and sales comparison methods	Discount rate	9.00%	9.50%
		Terminal yield	7.00%	7.50%
		Capitalisation rate	6.75%	7.50%
		Price per room	N.A.	NZD500,000 – NZD550,000

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT PROPERTIES (CONT'D)

Valuation techniques and significant unobservable inputs (cont'd)

Type	Valuation techniques	Significant unobservable inputs	2019	2018
Germany	Discounted cash flows method	Discount rate	4.75%	5.50% - 7.75%
		Terminal yield	5.25%	4.25% - 5.75%
Australia	Discounted cash flows, capitalisation and sales comparison methods	Discount rate	6.00% - 8.50%	6.25% - 8.00%
		Terminal yield	5.00% - 6.50%	5.00% - 6.75%
		Capitalisation rate	5.00% - 6.00%	5.00% - 6.00%
		Price per room	AUD150,000 – AUD260,000	N.A.
Maldives	Discounted cash flows and capitalisation methods	Discount rate	12.00%	10.00%
		Terminal yield	9.00%	8.00%
		Capitalisation rate	N.A.	7.50%
Italy	Discounted cash flows	Discount rate	6.80%	7.40%
		Terminal yield	4.90%	5.00%

N.A. Not applicable

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, capitalisation rate and price per room. An increase in discount rate, terminal yield and capitalisation rate in isolation would result in a lower fair value. An increase in price per room in isolation would result in a higher fair value.

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT

	At valuation		At cost				
	Leasehold land $'000	Buildings $'000	Plant and machinery $'000	Furniture and fixtures $'000	Office equipment $'000	Capital work-in-progress $'000	Total $'000
HBT Group							
At valuation/cost							
At 1 January 2018	79,926	103,250	4,143	21,308	287	2,939	211,853
Additions	–	–	81	2,133	132	1,539	3,885
Transfers	71	–	197	3,577	481	(4,326)	–
Translation differences	(2,513)	(3,176)	(135)	(834)	(28)	(1)	(6,687)
Revaluation surplus recognised in OCI	2,706	2,550	–	–	–	–	5,256
Elimination of accumulated depreciation on revaluation	(727)	(2,118)	–	–	–	–	(2,845)
At 31 December 2018	79,463	100,506	4,286	26,184	872	151	211,462
At 1 January 2019	79,463	100,506	4,286	26,184	872	151	211,462
Recognition of right-of-use assets on initial application of SFRS(I) 16	50,157	1,889	–	–	–	–	52,046
Adjusted balance at 1 January 2019	129,620	102,395	4,286	26,184	872	151	263,508
Additions	–	5,749	–	4,747	131	473	11,100
Write-off	–	–	–	(772)	–	–	(772)
Translation differences	402	1,121	45	311	10	6	1,895
Revaluation deficit recognised in statement of total return	(137)	(951)	–	–	–	–	(1,088)
Revaluation (deficit)/ surplus recognised in OCI	(986)	2,771	–	–	–	–	1,785
Elimination of accumulated depreciation on revaluation	(3,679)	(2,192)	–	–	–	–	(5,871)
At 31 December 2019	125,220	108,893	4,331	30,470	1,013	630	270,557
Accumulated depreciation							
At 1 January 2018	–	–	290	5,279	92	–	5,661
Depreciation	727	2,118	449	3,172	158	–	6,624
Translation differences	–	–	(23)	(263)	(8)	–	(294)
Elimination of accumulated depreciation on revaluation	(727)	(2,118)	–	–	–	–	(2,845)
At 31 December 2018	–	–	716	8,188	242	–	9,146
At 1 January 2019	–	–	716	8,188	242	–	9,146
Depreciation	3,679	2,192	438	3,449	192	–	9,950
Write-off	–	–	–	(532)	–	–	(532)
Translation differences	–	–	12	113	4	–	129
Elimination of accumulated depreciation on revaluation	(3,679)	(2,192)	–	–	–	–	(5,871)
At 31 December 2019	–	–	1,166	11,218	438	–	12,822
Carrying amounts							
At 1 January 2018	79,926	103,250	3,853	16,029	195	2,939	206,192
At 31 December 2018	79,463	100,506	3,570	17,996	630	151	202,316
At 31 December 2019	125,220	108,893	3,165	19,252	575	630	257,735

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation		At cost			
	Freehold land $'000	Buildings $'000	Plant and machinery $'000	Motor vehicles and boats $'000	Furniture and fixtures $'000	Total $'000
H-REIT Group						
At valuation/cost						
At 1 January 2018	38,418	34,498	6,293	1,150	261	80,620
Additions	–	–	112	129	234	475
Write-off	–	–	–	(8)	–	(8)
Translation differences	2,036	1,457	300	28	16	3,837
Revaluation surplus/ (deficit) recognised in unitholders' funds	11,845	(8,613)	–	–	–	3,232
Reversal of revaluation deficit/ (Revaluation deficit) recognised in statement of total return	948	(238)	–	–	–	710
Elimination of accumulated depreciation on revaluation	–	(1,192)	–	–	–	(1,192)
At 31 December 2018	53,247	25,912	6,705	1,299	511	87,674
At 1 January 2019	53,247	25,912	6,705	1,299	511	87,674
Recognition of right-of-use assets on initial application of FRS 116	–	101	–	–	–	101
Adjusted balance at 1 January 2019	53,247	26,013	6,705	1,299	511	87,775
Additions	–	131	54	183	109	477
Translation differences	(216)	(70)	(22)	(9)	(3)	(320)
Revaluation surplus/ (deficit) recognised in unitholders' funds	4,301	(868)	–	–	–	3,433
Reversal of revaluation deficit recognised in statement of total return	–	243	–	–	–	243
Elimination of accumulated depreciation on revaluation	–	(908)	–	–	–	(908)
At 31 December 2019	57,332	24,541	6,737	1,473	617	90,700
Accumulated depreciation						
At 1 January 2018	–	–	1,843	502	92	2,437
Depreciation	–	1,192	645	241	48	2,126
Write-off	–	–	–	(1)	–	(1)
Translation differences	–	–	98	15	5	118
Elimination of accumulated depreciation on revaluation	–	(1,192)	–	–	–	(1,192)
At 31 December 2018	–	–	2,586	757	145	3,488
At 1 January 2019	–	–	2,586	757	145	3,488
Depreciation	–	908	667	275	56	1,906
Translation differences	–	–	(15)	(10)	(1)	(26)
Elimination of accumulated depreciation on revaluation	–	(908)	–	–	–	(908)
At 31 December 2019	–	–	3,238	1,022	200	4,460
Carrying amounts						
At 1 January 2018	38,418	34,498	4,450	648	169	78,183
At 31 December 2018	53,247	25,912	4,119	542	366	84,186
At 31 December 2019	57,332	24,541	3,499	451	417	86,240

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation			At cost					
	Freehold land $'000	Leasehold land $'000	Buildings $'000	Plant and machinery $'000	Furniture and fixtures $'000	Motor vehicles and boats $'000	Office equipment $'000	Capital work-in-progress $'000	Total $'000
Stapled Group									
At valuation/cost									
At 1 January 2018	38,418	79,926	181,398	14,349	24,580	1,376	2,189	2,939	345,175
Additions	–	–	–	230	2,368	140	150	19,980	22,868
Disposal/Write-off	–	–	(15)	–	–	(8)	–	–	(23)
Transfers	–	71	–	197	3,577	–	481	(4,326)	–
Revaluation surplus/(deficit) recognised in unitholders' funds	11,845	2,706	(6,063)	–	–	–	–	–	8,488
Reversal of revaluation deficit/ (Revaluation deficit) recognised in statement of total return	948	–	(3,971)	–	–	–	–	–	(3,023)
Translation differences	2,036	(2,513)	(851)	250	(754)	32	13	307	(1,480)
Elimination of accumulated depreciation on revaluation	–	(727)	(4,718)	–	–	–	–	–	(5,445)
At 31 December 2018	53,247	79,463	165,780	15,026	29,771	1,540	2,833	18,900	366,560
At 1 January 2019	53,247	79,463	165,780	15,026	29,771	1,540	2,833	18,900	366,560
Recognition of right-of-use assets on initial application of FRS 116	–	22,698	1,990	–	–	–	–	–	24,688
Adjusted balance at 1 January 2019	53,247	102,161	167,770	15,026	29,771	1,540	2,833	18,900	391,248
Additions	–	–	5,881	54	4,856	182	131	13,214	24,318
Write-off	–	–	–	–	(772)	–	–	–	(772)
Transfers	–	–	18,323	147	–	–	206	(18,676)	–
Revaluation surplus/(deficit) recognised in unitholders' funds	4,301	(1,093)	1,903	–	–	–	–	–	5,111
Revaluation deficit recognised in statement of total return	–	(921)	(16,404)	–	–	–	–	–	(17,325)
Translation differences	(216)	738	581	(25)	273	(10)	(15)	(167)	1,159
Elimination of accumulated depreciation on revaluation	–	(1,344)	(4,486)	–	–	–	–	–	(5,830)
At 31 December 2019	57,332	99,541	173,568	15,202	34,128	1,712	3,155	13,271	397,909
Accumulated depreciation									
At 1 January 2018	–	–	–	3,866	7,027	662	954	–	12,509
Depreciation	–	727	4,718	1,462	3,652	287	529	–	11,375
Disposal/Write-off	–	–	–	–	–	(1)	–	–	(1)
Translation differences	–	–	–	119	(215)	18	17	–	(61)
Elimination of accumulated depreciation on revaluation	–	(727)	(4,718)	–	–	–	–	–	(5,445)
At 31 December 2018	–	–	–	5,447	10,464	966	1,500	–	18,377
At 1 January 2019	–	–	–	5,447	10,464	966	1,500	–	18,377
Depreciation	–	1,344	4,486	1,484	3,942	289	482	–	12,027
Write-off	–	–	–	–	(532)	–	–	–	(532)
Translation differences	–	–	–	(35)	84	(13)	(12)	–	24
Elimination of accumulated depreciation on revaluation	–	(1,344)	(4,486)	–	–	–	–	–	(5,830)
At 31 December 2019	–	–	–	6,896	13,958	1,242	1,970	–	24,066
Carrying amounts									
At 1 January 2018	38,418	79,926	181,398	10,483	17,553	714	1,235	2,939	332,666
At 31 December 2018	53,247	79,463	165,780	9,579	19,307	574	1,333	18,900	348,183
At 31 December 2019	57,332	99,541	173,568	8,306	20,170	470	1,185	13,271	373,843

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense is included in "depreciation and amortisation" in profit or loss or the statement of total return (as the case may be).

For each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model is as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Freehold land						
Cost and carrying value	–	–	38,035	38,158	38,035	38,158
Leasehold land						
Cost	126,816	76,273	–	–	99,654	76,273
Accumulated depreciation and impairment losses	(5,549)	(1,383)	–	–	(4,094)	(1,383)
Carrying value	121,267	74,890	–	–	95,560	74,890
Buildings						
Cost	106,678	97,943	29,987	29,853	225,225	199,002
Accumulated depreciation	(4,123)	(669)	(4,434)	(3,533)	(56,114)	(35,473)
Carrying value	102,555	97,274	25,553	26,320	169,111	163,529

Measurement of fair value

The carrying amounts of the properties as at 31 December 2019 were based on independent valuations undertaken by Cushman & Wakefield K.K. for the Japan properties, Cushman & Wakefield Debenham Tie Leung Limited for the United Kingdom properties and Jones Lang LaSalle Property Consultants Pte Ltd for the Maldives property. The carrying amounts of the properties as at 31 December 2018 were based on independent valuations undertaken by Cushman & Wakefield K.K. for the Japan properties, Cushman & Wakefield Debenham Tie Leung Limited for the United Kingdom properties and CBRE Pte. Ltd. for the Maldives property. 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 and HBT Trustee-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.

Fair value hierarchy

The fair value measurement for property, plant and equipment has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.4).

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (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 property, plant and equipment, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	2019	2018
Japan	Discounted cash flows and capitalisation methods	Discount rate	4.10% - 4.40%	4.20% - 4.50%
		Terminal yield	4.40% - 4.70%	4.50% - 4.80%
		Capitalisation rate	4.30% - 4.60%	4.40% - 4.70%
United Kingdom	Discounted cash flows method	Discount rate	8.00%	8.00% - 8.25%
		Terminal yield	6.00%	6.00% - 6.25%
Maldives	Discounted cash flows and capitalisation methods	Discount rate	12.00%	10.00%
		Terminal yield	9.00%	8.00%
		Capitalisation rate	N.A.	7.50%

N.A. – Not applicable

Inter-relationship between key unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair value measurement of properties are discount rate, terminal yield and capitalisation rate. An increase in discount rate, terminal yield and capitalisation rate in isolation would result in a lower fair value.

6 FINANCE LEASE RECEIVABLES

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Finance lease receivables:						
- related corporation	–	–	5,723	–	5,723	–
Non-current	–	–	4,923	–	4,923	–
Current	–	–	800	–	800	–
	–	–	5,723	–	5,723	–

Finance lease receivables relate to sub-lease of a property to a related corporation. There is no impairment loss arising from the receivables as the ECL is negligible.

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7 TRADE AND OTHER RECEIVABLES

	HBT Group 2019 $'000	HBT Group 2018 $'000	H-REIT Group 2019 $'000	H-REIT Group 2018 $'000	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Trade receivables:						
- related corporations	–	–	7,617	7,146	7,617	7,146
- related entities	–	–	12,230	12,397	–	–
- third parties	2,732	3,329	4,194	3,579	6,926	6,908
	2,732	3,329	24,041	23,122	14,543	14,054
Impairment loss	(7)	(411)	(163)	–	(170)	(411)
Net trade receivables	2,725	2,918	23,878	23,122	14,373	13,643
Other receivables:						
- related corporations	–	–	5,948	10,221	5,948	10,221
- related entities	8,487	5,602	14,637	205	–	–
- third parties	1,684	1,788	4,819	5,418	6,503	7,206
	10,171	7,390	25,404	15,844	12,451	17,427
Rental deposits	4	4	149	149	153	153
	12,900	10,312	49,431	39,115	26,977	31,223
Prepayments	1,290	929	797	825	2,087	1,754
	14,190	11,241	50,228	39,940	29,064	32,977
Non-current	–	–	149	149	149	149
Current	14,190	11,241	50,079	39,791	28,915	32,828
	14,190	11,241	50,228	39,940	29,064	32,977

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

The H-REIT Group's properties, except Claymore Connect, are leased to 12 (2018: 12) master lessees. The exposure of the HBT Group, H-REIT Group and Stapled Group to credit risk and impairment losses for trade receivables is disclosed in Note 25.

Other receivables from related corporations and related entities are unsecured, interest-free and repayable on demand. There is no impairment loss arising from these outstanding balances as the ECL is negligible.

8 CASH AND CASH EQUIVALENTS

	HBT Group 2019 $'000	HBT Group 2018 $'000	H-REIT Group 2019 $'000	H-REIT Group 2018 $'000	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Cash at bank and in hand	7,802	12,506	44,092	46,715	51,894	59,221
Fixed deposits with financial institutions	–	–	84,060	80,362	84,060	80,362
Cash and cash equivalents in the statement of financial position	7,802	12,506	128,152	127,077	135,954	139,583
Restricted cash – cash reserved by a trust bank in Japan	–	–	(1,061)	(1,337)	(1,061)	(1,337)
Cash and cash equivalents in the statement of cash flows	7,802	12,506	127,091	125,740	134,893	138,246

9 ASSET HELD FOR SALE

In November 2019, the H-REIT Group entered into a put and call option agreement to sell Novotel Singapore Clarke Quay. Accordingly, the investment property, which is classified within the Singapore segment, with a carrying value of $368.7 million has been classified as asset held for sale in the statement of financial position as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

9 ASSET HELD FOR SALE (CONT'D)

The carrying amount of the investment property held for sale as at 31 December 2019 was based on an independent valuation undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd using the residual land valuation method. The independent valuer has appropriate professional qualifications and recent experience in the location and category of the property being valued. The valuation method used in determining fair value involves certain estimates including the land price per square foot. The specific risks inherent in the property are taken into consideration in arriving at the property valuation. In relying on the valuation report, the H-REIT Manager has exercised its judgement and is satisfied that the valuation method and estimates used are reflective of market conditions prevailing at the end of the financial year.

The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The significant unobservable input includes land price per square foot. An increase in the land price per square foot of the land would result in a higher fair value.

The sale of the property is expected to be completed in 2020 and the Stapled Group expects to recognise an estimated net gain on disposal of $3.6 million.

10 LOANS AND BORROWINGS

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
At amortised cost:						
Non-current						
Secured TMK bond	–	–	–	38,222	–	38,222
Secured bank loan	–	–	65,958	68,532	65,958	68,532
Unsecured bank loans	94,554	93,418	824,753	562,521	919,307	655,939
Lease liabilities	53,359	–	24,166	–	38,673	–
	147,913	93,418	914,877	669,275	1,023,938	762,693
Current						
Secured TMK bond	–	–	38,241	–	38,241	–
Unsecured bank loans	–	–	40,421	248,675	40,421	248,675
Lease liabilities	2,072	–	1,079	–	1,087	–
	2,072	–	79,741	248,675	79,749	248,675
	149,985	93,418	994,618	917,950	1,103,687	1,011,368

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) (2018: $38.5 million (JPY3.1 billion)) issued by H-REIT's indirectly-owned subsidiary, CDLHT Hanei Tokutei Mokuteki Kaisha. H-REIT's interest in its 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.

Secured bank loan

The secured bank loan relates to a 7-year fixed term loan of $66.1 million (EUR44.0 million) (2018: $68.7 million (EUR44.0 million)) drawn down by H-REIT's indirectly-owned subsidiary, NKS Hospitality I B.V. ("**NKS**").

As at the end of the financial year, an investment property, Pullman Hotel Munich, with a carrying value of $173.9 million (EUR115.7 million) (2018: $180.4 million (EUR115.5 million)), and certain bank accounts in NKS, together with the Stapled Group's shares in NKS, representing a 94.9% equity interest in NKS, are pledged as security for bank facilities granted to NKS.

NOTES TO THE FINANCIAL STATEMENTS

10 LOANS AND BORROWINGS (CONT'D)

Unsecured bank loans

As at the end of the financial year, the Stapled Group has the following facilities:

Facilities partially drawn down or available for utilisation

(i) $250.0 million (2018: $250.0 million) committed bilateral multi-currency unsecured revolving credit facility from two banks (comprising $100.0 million for a 3-year term and another $150.0 million for a 3-year term). As at the reporting date, $191.8 million (2018: $136.3 million) has been drawn down under this facility and $58.2 million (2018: $113.7 million) of the facilities remained unutilised.

(ii) $500.0 million (2018: $500.0 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, nil (2018: $53.4 million) has been drawn down under this facility and $500.0 million (2018: $446.6 million) remained unutilised.

Facilities fully drawn down

(i) $190.0 million (2018: $190.0 million) fixed rate term loan facility;

(ii) $83.6 million (2018: $83.6 million) floating rate term loan facility;

(iii) $88.1 million (US$65.0 million) (2018: $89.1 million (US$65.0 million)) floating rate term loan facility;

(iv) $157.4 million (US$116.2 million) (2018: $104.4 million (US$76.2 million)) floating rate term loan facility;

(v) $40.4 million (JPY3.3 billion) (2018: $40.6 million (JPY3.3 billion)) fixed rate term loan facility;

(vi) $117.0 million (£66.5 million) (2018: $115.8 million (£66.5 million)) floating rate term loan facility; and

(vii) $95.0 million (£54.0 million) (2018: $94.0 million (£54.0 million)) fixed rate term loan facility.

Lease liabilities

The lease liabilities recognised mainly relate to operating leases in respect of ground leases for investment properties and property, plant and equipment.

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 2019				
HBT Group				
Unsecured bank loans				
GBP	2.74	2022	95,002	94,554
Lease liabilities				
USD	5.05	2033	40,916	40,916
GBP	3.99 to 4.04	2115 to 2147	14,515	14,515
			150,433	149,985

10 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 2019 (cont'd)				
H-REIT Group				
Secured TMK bond				
JPY	0.66	2020	38,347	38,241
Secured bank loan				
EUR	1.72	2025	66,123	65,958
Unsecured bank loans				
SGD	2.14 to 3.16	2021 to 2024	417,600	415,876
USD	0.58 to 2.90	2022 to 2024	288,790	287,595
JPY	1.06	2020	40,450	40,421
GBP	2.05	2021	116,993	116,774
EUR	0.85	2021	4,508	4,508
Lease liabilities				
SGD	3.12	2026	5,723	5,723
USD	3.79 to 5.75	2021 to 2056	19,522	19,522
			998,056	994,618
Stapled Group				
Secured TMK bond				
JPY	0.66	2020	38,347	38,241
Secured bank loan				
EUR	1.72	2025	66,123	65,958
Unsecured bank loans				
SGD	2.14 to 3.16	2021 to 2024	417,600	415,876
USD	0.58 to 2.90	2022 to 2024	288,790	287,595
JPY	1.06	2020	40,450	40,421
GBP	2.05 to 2.74	2021 to 2022	211,995	211,328
EUR	0.85	2021	4,508	4,508
Lease liabilities				
GBP	3.99 to 4.04	2115 to 2147	14,515	14,515
SGD	3.12	2026	5,723	5,723
USD	3.79 to 5.75	2021 to 2056	19,522	19,522
			1,107,573	1,103,687

10 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 2018				
HBT Group				
Unsecured bank loans				
GBP	2.74	2022	94,019	93,418
H-REIT Group				
Secured TMK bond				
JPY	0.66	2020	38,471	38,222
Secured bank loan				
EUR	1.72	2025	68,737	68,532
Unsecured bank loans				
SGD	2.59 to 3.16	2019 to 2023	392,100	391,256
USD	0.65 to 3.77	2019 to 2022	211,307	210,585
JPY	1.06	2020	40,581	40,509
GBP	2.05	2021	115,784	115,431
EUR	0.60	2019	53,415	53,415
			920,395	917,950
Stapled Group			1,014,414	1,011,368

10 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	HBT Group			H-REIT Group			Stapled Group		
	Loans and borrowings $'000	Lease liabilities $'000	Other payables $'000	Loans and borrowings $'000	Lease liabilities $'000	Other payables $'000	Loans and borrowings $'000	Lease liabilities $'000	Other payables $'000
Balance at 1 January 2019	93,418	–	198	917,950	–	1,667	1,011,368	–	1,865
Recognition of lease liabilities on initial application of FRS 116 / SFRS(I) 16	–	52,046	–	–	26,496	–	–	35,160	–
Adjusted balance at 1 January 2019	93,418	52,046	198	917,950	26,496	1,667	1,011,368	35,160	1,865
Changes from financing cash flows									
Proceeds from bank loans	–	–	–	322,957	–	–	322,957	–	–
Repayment of bank loans	–	–	–	(264,340)	–	–	(264,340)	–	–
Payment of transaction costs related to borrowings	–	–	–	(2,304)	–	–	(2,304)	–	–
Payment of lease liabilities	–	(2,020)	–	–	(1,022)	–	–	(1,064)	–
Finance costs paid	–	(2,650)	(2,592)	–	(1,285)	(17,327)	–	(1,816)	(19,919)
Total changes from financing cash flows	–	(4,670)	(2,592)	56,313	(2,307)	(17,327)	56,313	(2,880)	(19,919)
Effect of changes in foreign exchange rates	983	(344)	–	(6,200)	(229)	(3,566)	(5,217)	(85)	(3,566)
Other changes									
Liability-related									
Remeasurement of lease liabilities	–	5,749	–	–	–	–	–	5,749	–
Amortisation of transaction costs	153	–	–	1,310	–	–	1,463	–	–
Interest expense	–	2,650	2,594	–	1,285	20,608	–	1,816	23,202
Total liability-related other changes	153	8,399	2,594	1,310	1,285	20,608	1,463	7,565	23,202
Balance as at 31 December 2019	94,554	55,431	200	969,373	25,245	1,382	1,063,927	39,760	1,582

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10 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

	HBT Group		H-REIT Group		Stapled Group	
	Loans and borrowings $'000	Other payables $'000	Loans and borrowings $'000	Other payables $'000	Loans and borrowings $'000	Other payables $'000
Balance at 1 January 2018	96,264	204	833,946	1,625	930,210	1,829
Changes from financing cash flows						
Proceeds from bank loans	–	–	268,646	–	268,646	–
Repayment of bank loans	–	–	(205,420)	–	(205,420)	–
Payment of transaction costs related to borrowings	(29)	–	(881)	–	(910)	–
Finance costs paid	–	(2,689)	–	(15,438)	–	(18,127)
Total changes from financing cash flows	(29)	(2,689)	62,345	(15,438)	62,316	(18,127)
Effect of changes in foreign exchange rates	(2,971)	(9)	3,310	(2,918)	339	(2,927)
Other changes						
Liability-related						
Acquisition of subsidiary	–	–	17,107	374	17,107	374
Amortisation of transaction costs	154	–	1,242	–	1,396	–
Interest expense	–	2,692	–	18,024	–	20,716
Total liability-related other changes	154	2,692	18,349	18,398	18,503	21,090
Balance as at 31 December 2018	93,418	198	917,950	1,667	1,011,368	1,865

11 FINANCIAL DERIVATIVES

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current assets						
Cross-currency interest rate swaps	–	–	5,968	3,960	5,968	3,960
Current assets						
Forward exchange contracts	–	70	79	124	79	195
Current liabilities						
Forward exchange contracts	23	–	164	37	187	37

11 FINANCIAL DERIVATIVES (CONT'D)

Forward exchange contracts

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

As at 31 December 2019, the HBT Group, the H-REIT Group and the Stapled Group had forward foreign exchange contracts with a total notional amount of $0.7 million, $7.0 million and $7.7 million (2018: $1.9 million, $8.5 million and $10.4 million) respectively.

Cross-currency interest rate swaps

The H-REIT Group uses cross-currency interest rate swaps to manage its exposure to both foreign currency and interest rate risks.

As at 31 December 2019, the H-REIT Group and the Stapled Group had cross-currency interest rate swaps with notional amounts of:

(i) $103.2 million (2018: $104.4 million) to swap US$76.2 million at floating rate to EUR 64.0 million at fixed rate; and

(ii) $54.2 million (2018: Nil) to swap US$40.0 million at floating rate to EUR 35.5 million at fixed rate.

12 TRADE AND OTHER PAYABLES

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables:						
- related corporations	–	–	851	9	851	9
- the H-REIT Manager	–	–	167	294	167	294
- related entities	12,230	12,397	–	–	–	–
- third parties	1,947	991	1,771	598	3,718	1,589
	14,177	13,388	2,789	901	4,736	1,892
Other payables:						
- related corporations	17	–	620	14	637	14
- the H-REIT Manager	–	7	19	809	19	816
- the HBT Trustee-Manager	144	186	–	–	144	186
- related entities	14,637	206	8,487	5,766	–	164
- third parties	3,888	3,456	8,036	8,676	11,924	12,132
	18,686	3,855	17,162	15,265	12,724	13,312
Accruals	5,539	4,033	16,438	17,468	21,977	21,501
Rental deposits						
- related corporations	–	–	9,761	9,530	9,761	9,530
- third parties	–	–	251	553	251	553
Interest payable	200	198	1,382	1,667	1,582	1,865
Deferred income	3,071	3,337	–	11	3,071	3,348
	41,673	24,811	47,783	45,395	54,102	52,001
Non-current	–	–	10,476	10,243	10,476	10,243
Current	41,673	24,811	37,307	35,152	43,626	41,758
	41,673	24,811	47,783	45,395	54,102	52,001

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12 TRADE AND OTHER PAYABLES (CONT'D)

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

Outstanding payables to the related corporations, related entities, the H-REIT Manager and the HBT Trustee-Manager are unsecured, interest-free and repayable on demand.

Included in accruals of the H-REIT Group and the Stapled Group are the following:
- amounts payable to the H-REIT Trustee and the H-REIT Manager of $62,000 (2018: $64,000) and $1,378,000 (2018: $1,384,000) respectively; and
- amounts payable to related corporations of $156,000 (2018: $112,000).

Deferred income relates primarily to advance consideration received from customers of the HBT Group's hotel business. Deferred income is a contract liability under SFRS(I) 15 *Revenue from Contracts with Customers*. Deferred income is recognised as revenue when the HBT Group fulfils its performance obligation under the contract with the customer. Significant changes in the deferred income during the year are as follows:

	HBT Group	
	2019 $'000	2018 $'000
Revenue recognised that was included in deferred income at the beginning of the year	(3,337)	(1,687)
Increase due to cash received, excluding amounts recognised as revenue during the year	3,071	3,337

13 DEFERRED TAX

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

	Balance as at 1/1/2018 $'000	Recognised in profit or loss (Note 21) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	Balance as at 31/12/2018 $'000	Recognised in profit or loss (Note 21) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	Balance as at 31/12/2019 $'000
HBT Group									
Deferred tax assets									
Tax losses carried forward	(2,139)	1,347	–	39	(753)	351	–	(4)	(406)
Deferred tax liabilities									
Property, plant and equipment	15,620	(444)	1,471	(527)	16,120	84	65	169	16,438
	13,481	903	1,471	(488)	15,367	435	65	165	16,032

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13 DEFERRED TAX (CONT'D)

	Balance as at 1/1/2018 $'000	Recognised in statement of total return (Note 21) $'000	Recognised in statement of unitholders' funds $'000	Exchange differences $'000	Balance as at 31/12/2018 $'000	Recognised in statement of total return (Note 21) $'000	Recognised in statement of unitholders' funds $'000	Exchange differences $'000	Balance as at 31/12/2019 $'000
H-REIT Group									
Deferred tax assets									
Tax losses carried forward	(6,254)	5,336	–	312	(606)	–	–	(29)	(635)
Deferred tax liabilities									
Investment properties	21,821	(7,271)	–	(948)	13,602	336	–	(280)	13,658
Property, plant and equipment	1,907	–	665	88	2,660	–	660	(53)	3,267
	23,728	(7,271)	665	(860)	16,262	336	660	(333)	16,925
	17,474	(1,935)	665	(548)	15,656	336	660	(362)	16,290
Stapled Group									
Deferred tax assets									
Tax losses carried forward	(8,393)	6,683	–	351	(1,359)	351	–	(33)	(1,041)
Deferred tax liabilities									
Investment properties	21,821	(7,271)	–	(948)	13,602	336	–	(280)	13,658
Property, plant and equipment	17,527	(444)	2,136	(439)	18,780	84	725	116	19,705
	39,348	(7,715)	2,136	(1,387)	32,382	420	725	(164)	33,363
	30,955	(1,032)	2,136	(1,036)	31,023	771	725	(197)	32,322

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13 DEFERRED TAX (CONT'D)

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax assets	–	–	635	606	635	606
Deferred tax liabilities	(16,032)	(15,367)	(16,925)	(16,262)	(32,957)	(31,629)
	(16,032)	(15,367)	(16,290)	(15,656)	(32,322)	(31,023)

Under FRS 12 / SFRS(I) 1-12 *Income Taxes*, deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss. In 2018, H-REIT Group's acquisition of subsidiaries was accounted for as an acquisition of assets and not a business combination, and neither affected accounting or taxable profit at the point of acquisition. Accordingly, the initial recognition exemption in FRS 12 / SFRS(I) 1-12 applies. As at 31 December 2019, the H-REIT Group and the Stapled Group have not recognised deferred tax liabilities of $9.4 million (2018: $9.8 million) relating to temporary differences on the initial recognition of assets and liabilities of the subsidiaries acquired.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Tax losses	–	–	28,811	34,403	28,811	34,403

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

14 NON-CONTROLLING INTERESTS

On 27 November 2018, the H-REIT Group acquired 95.0% of the shares and voting interests in Event Hospitality Group III B.V., which wholly-owns Event Hospitality Group III Italy SRL, the sole shareholder of NKS Hospitality III SRL. The entities became subsidiaries from that date (see Note 29). Accordingly, the comparative information relating to Event Hospitality Group III B.V. is only for the period from 27 November 2018 to 31 December 2018.

The following subsidiaries have non-controlling interest:

Name	Principal places of business/ Country of incorporation	Operating Segment	Ownership interests held by NCI 2019 %	Ownership interests held by NCI 2018 %
Event Hospitality Group III B.V.	Netherlands	Italy	5.0	5.0
NKS Hospitality I B.V.	Netherlands	Germany	5.1	5.1
Munich Furniture B.V.	Netherlands	Germany	5.1	5.1

NOTES TO THE FINANCIAL STATEMENTS

14 NON-CONTROLLING INTERESTS (CONT'D)

The following summarised financial information for the above subsidiaries is prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Stapled Group's accounting policies.

	H-REIT Group and Stapled Group			
	Event Hospitality Group III B.V. $'000	**NKS Hospitality I B.V. $'000**	**Munich Furniture B.V. $'000**	**Total $'000**
2019				
Revenue	3,000	10,032	1,060	14,092
Profit and total comprehensive income	1,500	23,431	1,098	26,029
Attributable to NCI:				
- Profit and total comprehensive income	75	1,195	56	1,326
Non-current assets	65,279	166,626	6,191	238,096
Current assets	3,358	5,375	1,530	10,263
Non-current liabilities	(14,224)	(65,958)	–	(80,182)
Current liabilities	(1,200)	(2,396)	(482)	(4,078)
Net assets	53,213	103,647	7,239	164,099
Net assets attributable to NCI	2,661	5,286	369	8,316
Cash flows from operating activities	193	430	11	
Cash flows from investing activities	(10)	–	(9)	
Cash flows from financing activities	(80)	(443)	–	
Net increase/(decrease) in cash and cash equivalents	103	(13)	2	

	H-REIT Group and Stapled Group			
	Event Hospitality Group III B.V. $'000	**NKS Hospitality I B.V. $'000**	**Munich Furniture B.V. $'000**	**Total $'000**
2018				
Revenue	207	9,791	1,116	11,114
(Loss)/Profit and total comprehensive income	(487)	4,759	(23)	4,249
Attributable to NCI:				
- (Loss)/Profit and total comprehensive income	(24)	242	(1)	217
Non-current assets	68,398	154,535	6,961	229,894
Current assets	1,683	5,378	1,258	8,319
Non-current liabilities	(14,263)	(68,532)	–	(82,795)
Current liabilities	(1,141)	(2,629)	(395)	(4,165)
Net assets	54,677	88,752	7,824	151,253
Net assets attributable to NCI	2,734	4,526	399	7,659
Cash flows from operating activities	174	392	32	
Cash flows from investing activities	(1)	–	(13)	
Cash flows from financing activities	(370)	(599)	–	
Net (decrease)/increase in cash and cash equivalent	(197)	(207)	19	

NOTES TO THE FINANCIAL STATEMENTS

15 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	HBT Group		H-REIT Group		Stapled Group	
	2019 '000	2018 '000	2019 '000	2018 '000	2019 '000	2018 '000
Units/Stapled Securities in issue:						
At 1 January	1,205,465	1,198,823	1,205,465	1,198,823	1,205,465	1,198,823
Creation of Units/Stapled Securities:						
- H-REIT Manager's management fee paid in Stapled Securities	6,800	6,540	6,800	6,540	6,800	6,540
- HBT Trustee-Manager's management fee paid in Stapled Securities	319	102	319	102	319	102
At 31 December	1,212,584	1,205,465	1,212,584	1,205,465	1,212,584	1,205,465
Units/Stapled Securities to be issued:						
H-REIT Manager's management fees payable in Stapled Securities	3,978	4,309	3,978	4,309	3,978	4,309
HBT Trustee-Manager's management fees payable in Stapled Securities	70	114	70	114	70	114
At 31 December	4,048	4,423	4,048	4,423	4,048	4,423
Units/Stapled Securities, in issue and to be issued	1,216,632	1,209,888	1,216,632	1,209,888	1,216,632	1,209,888

Financial year ended 31 December 2019

(i) During the financial year, the following Stapled Securities were issued:

- 6,799,933 Stapled Securities at unit prices ranging from $1.4866 to $1.6397 per Stapled Security, amounting to $10,471,000, were issued as satisfaction of the H-REIT Manager's management fees payable in units;

- 318,401 Stapled Securities at unit prices ranging from $1.4866 to $1.6397 per Stapled Security, amounting to $503,000, were issued as satisfaction of the HBT Trustee-Manager's management fees payable in units; and

(ii) 3,978,244 Stapled Securities at a unit price of $1.6160 per Stapled Security, amounting to $6,429,000, will be issued subsequent to year end as satisfaction of the H-REIT Manager's base fee for the period from 1 October 2019 to 31 December 2019 and performance fee for the financial year ended 31 December 2019.

(iii) 70,065 Stapled Securities at a unit price of $1.6160 per Stapled Security, amounting to $113,000, will be issued subsequent to year end as satisfaction of the HBT Trustee-Manager's base fee for the period from 1 October 2019 to 31 December 2019 and performance fee for the financial year ended 31 December 2019.

Financial year ended 31 December 2018

(i) During the financial year, the following Stapled Securities were issued:

- 6,540,031 Stapled Securities at unit prices ranging from $1.5682 to $1.6872 per Stapled Security, amounting to approximately $10,785,000, were issued as satisfaction of the H-REIT Manager's management fees payable in units;

- 102,663 Stapled Securities at unit prices ranging from $1.5682 to $1.5927 per Stapled Security, amounting to approximately $162,000, were issued as satisfaction of the HBT Trustee-Manager's management fees payable in units; and

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

Financial year ended 31 December 2018 (cont'd)

(ii) 4,309,084 Stapled Securities at a unit price of $1.4866 per Stapled Security, amounting to approximately $6,406,000, will be issued subsequent to year end as satisfaction of the H-REIT Manager's base fee for the period from 1 October 2018 to 31 December 2018 and performance fee for the financial year ended 31 December 2018.

(iii) 113,707 Stapled Securities at a unit price of $1.4866 per Stapled Security, amounting to approximately $169,000, will be issued subsequent to year end as satisfaction of the HBT Trustee-Manager's base fee for the period from 1 October 2018 to 31 December 2018 and performance fee for the financial year ended 31 December 2018.

Each H-REIT unit is stapled together with a HBT unit under the terms of a stapling deed dated 12 June 2006 entered into between the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in H-REIT and HBT.

A holder of the Stapled Security has no equitable or proprietary interest in the underlying assets of the Stapled Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of the Stapled Group.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each HBT unit and H-REIT unit carry the same voting rights.

Capital management

The Boards of the H-REIT Manager and the 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- (2018: BBB-) from Fitch Ratings. The Aggregate Leverage of H-REIT as at 31 December 2019 was 34.3% (2018: 34.2%) 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 for the financial year ended 31 December 2019 and 2018. There were no substantial changes in the HBT Group's, the H-REIT Group's and the Stapled Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS

16 NET ASSET VALUE PER UNIT/STAPLED SECURITY

	Note	HBT Group 2019 $'000	HBT Group 2018 $'000	H-REIT Group 2019 $'000	H-REIT Group 2018 $'000	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Net asset value per Unit/Stapled Security is based on:							
Net assets attributable to holders of Stapled Securities		72,959	92,853	1,780,289	1,754,809	1,854,171	1,847,663
Total issued and to be issued Units/ Stapled Securities at 31 December	15	1,216,632	1,209,888	1,216,632	1,209,888	1,216,632	1,209,888

17 REVENUE

	HBT Group 2019 $'000	HBT Group 2018 $'000	H-REIT Group 2019 $'000	H-REIT Group 2018 $'000	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Rental revenue						
- Fixed rent	–	–	70,024	70,687	70,024	70,687
- Variable rent	–	–	80,124	81,605	71,991	72,446
Hotel revenue	54,857	58,670	–	–	54,857	58,670
	54,857	58,670	150,148	152,292	196,872	201,803

Rental revenue

Rental revenue for the H-REIT Group includes rental income from the HBT Group and related corporations of the H-REIT Manager of $8,133,000 (2018: $9,158,000) and $82,757,000 (2018: $84,860,000), 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.

Hotel revenue

Hotel revenue is disaggregated by primary geographical markets in Maldives, Japan and UK, which are the reportable segments of the HBT Group. Hotel revenue is recognised at a point in time when the accommodation and related services are rendered.

18 MANAGEMENT FEES

	HBT Group		H-REIT Group		Stapled Group	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
H-REIT Manager's management fee						
- Base fee	–	–	6,741	6,529	6,741	6,529
- Performance fee	–	–	6,377	6,344	6,377	6,344
	–	–	13,118	12,873	13,118	12,873
HBT Trustee-Manager's management fee						
- Base fee	559	344	–	–	559	344
- Performance fee	–	69	–	–	–	69
	559	413	–	–	559	413

H-REIT Manager's management fees

Included in the H-REIT Manager's fees is an aggregate of 6,469,093 (2018: 6,720,682) Stapled Securities, amounting to approximately $10,494,000 (2018: $10,299,000), 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 $1.6160 to $1.6397 (2018: $1.4866 to $1.6872) per Stapled Security.

HBT Trustee-Manager's management fees

Included in the HBT Trustee-Manager's fees is an aggregate of 274,759 (2018: 216,370) Stapled Securities, amounting to approximately $447,000 (2018: $331,000), that have been or will be issued to the HBT Trustee-Manager as satisfaction of the HBT Trustee-Manager's management fees payable in Stapled Securities, at a unit prices ranging from $1.6160 to $1.6397 (2018: $1.4866 to $1.5927) per Stapled Security.

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19 FINANCE INCOME AND FINANCE COSTS

	HBT Group		H-REIT Group		Stapled Group	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Finance income						
Interest income under the effective interest method on:						
- cash and cash equivalents	–	1	995	1,374	995	1,375
- finance lease receivables	–	–	189	–	189	–
Fair value gains on financial derivatives designated at FVTPL	–	77	1,836	4,064	1,743	4,141
Net foreign exchange gain	–	329	–	–	–	–
	–	407	3,020	5,438	2,927	5,516
Finance costs						
Financial liabilities measured at amortised cost:						
- interest expense on:						
- loans and borrowings	(2,594)	(2,692)	(20,608)	(18,024)	(23,202)	(20,716)
- lease liabilities	(2,650)	–	(1,285)	–	(1,816)	–
- amortisation of transaction costs on loans and borrowings	(153)	(154)	(1,310)	(1,242)	(1,463)	(1,396)
- financial expense arising from accretion of non-current rental deposits	–	–	(231)	(222)	(231)	(222)
	(5,397)	(2,846)	(23,434)	(19,488)	(26,712)	(22,334)
Fair value losses on financial derivatives designated at FVTPL	(93)	–	–	–	–	–
Net foreign exchange losses	(125)	–	(5,705)	(7,264)	(4,739)	(10,235)
	(5,615)	(2,846)	(29,139)	(26,752)	(31,451)	(32,569)
Net finance costs	(5,615)	(2,439)	(26,119)	(21,314)	(28,524)	(27,053)

20 LOSS/TOTAL RETURN BEFORE TAX

(i) An analysis of depreciation and amortisation is set out below:

	HBT Group		H-REIT Group		Stapled Group	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation of property, plant and equipment	9,950	6,624	1,906	2,126	12,027	11,375
Amortisation of prepaid land lease	–	–	–	–	–	336
	9,950	6,624	1,906	2,126	12,027	11,711

NOTES TO THE FINANCIAL STATEMENTS

20 LOSS/TOTAL RETURN BEFORE TAX (CONT'D)

(ii) Loss/Total return before tax is arrived at after charging/(crediting) the following items:

	HBT Group		H-REIT Group		Stapled Group	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Audit fees paid to:						
- auditors of HBT/H-REIT	81	75	434	419	515	494
- other auditors	167	158	48	38	215	196
Non-audit fees paid to:						
- auditors of HBT/H-REIT	17	55	75	94	92	149
- other auditors	127	179	372	96	499	275
Employee benefit expense						
- salaries, bonuses and other costs	16,690	15,131	–	–	16,690	15,131
- contributions to defined contribution plans	386	617	–	–	386	617
	17,076	15,748	–	–	17,076	15,748
(Reversal of impairment loss)/Impairment loss on trade receivables	(9)	167	163	(86)	154	81
Revaluation deficit/ (Reversal of revaluation deficit) on:						
- property, plant and equipment	1,088	–	(243)	(710)	17,325	3,023
- prepaid land lease	–	–	–	–	–	(230)
Cost of inventories	8,199	6,063	–	–	8,199	6,063
Operating expenses arising from rental of investment properties	–	–	10,168	12,143	9,572	11,044

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

In 2018, in addition to the amounts disclosed above, audit fees paid to auditors of HBT/H-REIT of $45,000 in relation to the acquisition of investment properties were included in "Investment properties".

NOTES TO THE FINANCIAL STATEMENTS

21 TAX EXPENSE

	HBT Group		H-REIT Group		Stapled Group	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Current tax expense						
Current year	909	584	8,925	15,492	9,834	16,076
Under/(Over) provision in prior years	2	65	(339)	(676)	(337)	(611)
	911	649	8,586	14,816	9,497	15,465
Withholding tax	956	953	224	289	1,180	1,242
Deferred tax expense						
Origination and reversal of temporary differences	435	903	336	(1,935)	771	(1,032)
Tax expense	2,302	2,505	9,146	13,170	11,448	15,675
Reconciliation of effective tax rate						
Loss/Total return for the year before tax	(13,674)	(4,688)	137,078	134,306	125,505	126,212
Tax calculated using Singapore tax rate of 17%	(2,325)	(797)	23,303	22,832	21,336	21,456
Effect of tax in a foreign jurisdiction	442	(87)	1,228	5,700	1,670	5,613
Non-tax deductible items	2,849	1,040	10,098	19,638	12,589	21,257
Non-taxable items	(1,120)	(1,196)	(10,821)	(16,350)	(11,941)	(17,546)
Tax exempt income	(490)	(1,650)	(3,018)	(6,267)	(3,508)	(7,917)
Tax transparency	–	–	(12,332)	(12,642)	(12,332)	(12,642)
Current year tax losses for which no deferred tax asset was recognised	1,988	3,828	803	646	2,791	4,474
Change in unrecognised temporary differences	–	349	–	–	–	349
Withholding tax expense	956	953	224	289	1,180	1,242
Under/(Over) provision in prior years	2	65	(339)	(676)	(337)	(611)
	2,302	2,505	9,146	13,170	11,448	15,675

22 LOSS/TOTAL RETURN FOR THE YEAR

	HBT Group		H-REIT Group		Stapled Group	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Comprises loss/total return of:						
- H-REIT	–	–	135,401	105,296	135,401	105,296
- Other H-REIT Group entities*	–	–	(7,469)	15,840	(7,469)	15,840
- HBT	136	(15,577)	–	–	136	(15,577)
- Other HBT Group entities*	(16,112)	8,384	–	–	(16,112)	8,384
- Stapled Group's consolidation adjustments	–	–	–	–	2,101	(3,406)
	(15,976)	(7,193)	127,932	121,136	114,057	110,537

* including consolidation adjustments

23 EARNINGS PER STAPLED SECURITY

Earnings per Stapled Security is based on:

	Stapled Group 2019 $'000	Stapled Group 2018 $'000
Total return for the year attributable to holders of Stapled Securities	112,731	110,320
	Number of Stapled Securities 2019 '000	**Number of Stapled Securities 2018 '000**
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:		
- outstanding during the year	1,211,255	1,204,194
- to be issued as payment of H-REIT Manager's and/or HBT Trustee-Manager's management fees payable in Stapled Securities	5	5
	1,211,260	1,204,199
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:		
- weighted average number of Stapled Securities (basic)	1,211,260	1,204,199
- to be issued as payment of H-REIT Manager's and/or HBT Trustee-Manager's management fees payable in Stapled Securities	5,372	5,689
	1,216,632	1,209,888
Earnings per Stapled Security (cents)		
Basic	9.31	9.16
Diluted	9.27	9.12

24 OPERATING SEGMENTS

In 2019 and 2018, the HBT Group, the H-REIT Group and the Stapled Group have 3, 7 and 8 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.

24 OPERATING SEGMENTS (CONT'D)

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

	Number of properties operated as hotels and/or resorts					
	HBT Group		H-REIT Group		Stapled Group	
	2019	2018	2019	2018	2019	2018
Reportable segment						
Singapore	–	–	6	6	6	6
New Zealand	–	–	1	1	1	1
Australia	–	–	3	3	3	3
Germany	–	–	1	1	1	1
Italy	–	–	1	1	1	1
Maldives	1	1	2	2	2	2
Japan	2	2	2	2	2	2
UK	2	2	–	–	2	2

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.

Information about reportable segments

	Maldives $'000	Japan $'000	UK $'000	Total $'000
HBT Group				
2019				
Revenue – external	3,070	9,411	42,376	54,857
Reportable segment net property income	(7,141)	94	12,663	5,616
Depreciation of property, plant and equipment	–	–	(9,950)	(9,950)
Revaluation deficit on property, plant and equipment	–	–	(1,088)	(1,088)
Unallocated items:				
- HBT Trustee-Manager's management fee				(559)
- HBT Trustee-Manager's trustee fee				(224)
- Valuation fees				121
- Other expenses				(1,975)
- Finance costs				(5,615)
- Tax expense				(2,302)
Loss for the year				(15,976)
Other material non-cash items				
Reversal of impairment loss on trade receivables	–	–	9	9
Reportable segment assets				
Capital expenditure on property, plant and equipment	–	–	11,100	11,100
Non-current assets	40,021	–	217,714	257,735

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Maldives $'000	Japan $'000	UK $'000	Total $'000
HBT Group				
2018				
Revenue – external	4,724	9,708	44,238	58,670
Reportable segment net property income	(6,636)	56	12,804	6,224
Depreciation of property, plant and equipment	–	–	(6,624)	(6,624)
Unallocated items:				
- HBT Trustee-Manager's management fee				(413)
- HBT Trustee-Manager's trustee fee				(229)
- Valuation fees				(31)
- Other expenses				(1,176)
- Finance income				407
- Finance costs				(2,846)
- Tax expense				(2,505)
Loss for the year				(7,193)
Other material non-cash items				
Impairment loss on trade receivables	(113)	–	(54)	(167)
Reportable segment assets				
Capital expenditure on property, plant and equipment	–	–	3,885	3,885
Non-current assets	–	–	202,316	202,316

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore $'000	New Zealand $'000	Australia $'000	Germany $'000	Maldives $'000	Japan $'000	Italy $'000	Total reportable segments $'000	Others $'000	Total $'000
H-REIT Group 2019										
Revenue – external	88,298	16,320	9,139	11,092	10,756	4,037	3,000	142,642	7,506	150,148
Reportable segment net property income	82,860	16,320	9,139	9,862	9,925	3,698	2,818	134,622	5,020	139,642
Depreciation of property, plant and equipment	–	–	–	–	(311)	(1,595)	–	(1,906)	–	(1,906)
Net fair value gain/ (loss) on investment properties	83,312	(9,914)	(1,424)	131	(23,175)	–	(147)	48,783	(2,003)	46,780
Reversal of revaluation deficit on property, plant and equipment	–	–	–	–	–	243	–	243	–	243
Unallocated items:										
- H-REIT Manager's management fee										(13,118)
- H-REIT Trustee's fee										(389)
- Valuation fees										(174)
- Other expenses										(7,881)
- Finance income										3,020
- Finance costs										(29,139)
- Tax expense										(9,146)
Total return for the year										127,932
Other material non-cash items										
Impairment loss on trade receivables	–	–	–	–	–	–	–	–	(163)	(163)
Reportable segment assets										
Capital expenditure on investment properties and property, plant and equipment	16,388	892	–	177	17,118	294	205	35,074	2	35,076
Non-current assets ^	1,374,000	200,450	142,698	173,874	158,974	85,724	65,973	2,201,693	93,800	2,295,493

24 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore $'000	New Zealand $'000	Australia $'000	Germany $'000	Maldives $'000	Japan $'000	Italy $'000	Total reportable segments $'000	Others $'000	Total $'000
H-REIT Group 2018										
Revenue – external	88,706	17,831	9,832	10,908	12,134	5,114	207	144,732	7,560	152,292
Reportable segment net property income	82,121	17,831	9,832	9,747	10,061	4,796	118	134,506	5,324	139,830
Depreciation of property, plant and equipment	–	–	–	–	(241)	(1,885)	–	(2,126)	–	(2,126)
Net fair value gain/(loss) on investment properties	15,857	882	504	17,238	(11,090)	–	(701)	22,690	6,028	28,718
Reversal of revaluation deficit on property, plant and equipment	–	–	–	–	–	710	–	710	–	710
Gain on disposal of investment properties and related cessation of business of foreign operations	–	–	5,367	–	–	–	–	5,367	–	5,367
Unallocated items:										
- H-REIT Manager's management fee										(12,873)
- H-REIT Trustee's fee										(345)
- Valuation fees										(154)
- Other expenses										(3,507)
- Finance income										5,438
- Finance costs										(26,752)
- Tax expense										(13,170)
Total return for the year										121,136
Other material non-cash items										
Reversal of impairment loss on trade receivables	–	–	–	–	–	–	–	–	86	86
Reportable segment assets										
Capital expenditure on investment properties and property, plant and equipment	12,143	1,451	–	219	19,309	346	10	33,478	(228)	33,250
Non-current assets ^	1,643,000	214,714	148,419	180,434	147,208	83,643	68,424	2,485,842	95,800	2,581,642

^ Excluding deferred tax assets, financial derivative assets, finance lease receivables and other receivables

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore $'000	New Zealand $'000	Australia $'000	Germany $'000	Maldives $'000	Japan $'000	UK $'000	Italy $'000	Total reportable segments $'000	Others $'000	Total $'000
Stapled Group											
2019											
Revenue – external	88,298	16,320	9,139	11,092	9,730	9,411	42,376	3,000	189,366	7,506	196,872
Reportable segment net property income	82,860	16,320	9,139	9,862	(1,312)	3,792	12,663	2,818	136,142	5,020	141,162
Depreciation of property, plant and equipment	–	–	–	–	(482)	(1,595)	(9,950)	–	(12,027)	–	(12,027)
Reversal of revaluation deficit/(Revaluation deficit) on property, plant and equipment	–	–	–	–	(16,480)	243	(1,088)	–	(17,325)	–	(17,325)
Net fair value gain/(loss) of investment properties	83,312	(9,914)	(1,424)	131	(3,537)	–	–	(147)	68,421	(2,003)	66,418
Unallocated items:											
- H-REIT Manager's management fee											(13,118)
- H-REIT Trustee's fee											(389)
- HBT Trustee-Manager's management fee											(559)
- HBT Trustee-Manager's trustee fee											(224)
- Valuation fees											(53)
- Other expenses											(9,856)
- Finance income											2,927
- Finance costs											(31,451)
- Tax expense											(11,448)
Total return for the year											114,057
Other material non-cash items											
Reversal of impairment loss/(Impairment loss) on trade receivables	–	–	–	–	–	–	9	–	9	(163)	(154)
Reportable segment assets											
Capital expenditure on investment properties and property, plant and equipment	16,388	892	–	177	17,118	294	11,100	205	46,174	2	46,176
Non-current assets^	1,374,000	200,450	142,698	173,874	159,002	85,724	217,714	65,973	2,419,435	93,800	2,513,235

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore $'000	New Zealand $'000	Australia $'000	Germany $'000	Maldives $'000	Japan $'000	UK $'000	Italy $'000	Total reportable segments $'000	Others $'000	Total $'000
Stapled Group											
2018											
Revenue – external	88,706	17,831	9,832	10,908	12,813	9,708	44,238	207	194,243	7,560	201,803
Reportable segment net property income	82,121	17,831	9,832	9,747	3,425	4,852	12,804	118	140,730	5,324	146,054
Depreciation of property, plant and equipment	–	–	–	–	(2,866)	(1,885)	(6,624)	–	(11,375)	–	(11,375)
Amortisation of prepaid land lease	–	–	–	–	(336)	–	–	–	(336)	–	(336)
Reversal of revaluation deficit/(Revaluation deficit) on property, plant and equipment and prepaid land lease	–	–	–	–	(3,503)	710	–	–	(2,793)	–	(2,793)
Net fair value gain/(loss) of investment properties	15,857	882	504	17,238	(4,732)	–	–	(701)	29,048	6,028	35,076
Gain on disposal of investment properties and related cessation of business of foreign operations	–	–	5,367	–	–	–	–	–	5,367	–	5,367
Unallocated items:											
- H-REIT Manager's management fee											(12,873)
- H-REIT Trustee's fee											(345)
- HBT Trustee-Manager's management fee											(413)
- HBT Trustee-Manager's trustee fee											(229)
- Valuation fees											(185)
- Other expenses											(4,683)
- Finance income											5,516
- Finance costs											(32,569)
- Tax expense											(15,675)
Total return for the year											110,537
Other material non-cash items											
(Impairment loss)/Reversal of impairment loss on trade receivables	–	–	–	–	(113)	–	(54)	–	(167)	86	(81)
Reportable segment assets											
Capital expenditure on investment properties and property, plant and equipment	12,143	1,451	–	219	19,324	346	3,885	10	37,378	(228)	37,150
Non-current assets^	1,643,000	214,714	148,419	180,434	147,207	83,643	202,316	68,424	2,688,157	95,800	2,783,957

^ Excluding deferred tax assets, financial derivative assets, finance lease receivables and other receivables

24 OPERATING SEGMENTS (CONT'D)

Major customers

The H-REIT Group's properties, except Claymore Connect, are leased to 12 (2018: 12) master lessees. Such master lessees include subsidiaries of Millennium & Copthorne Hotels Limited, a related corporation, which accounted for $82,279,000 (2018: $84,382,000) or 54.8% (2018: 55.4%) of the revenue of the H-REIT Group, and subsidiaries of a third party which accounted for approximately $31,478,000 (2018: $31,987,000) or 21.0% (2018: 21.0%) of the revenue of the H-REIT Group. The revenue is attributable to the leases of the Singapore, New Zealand and Australia properties.

25 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.

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(i) 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. The Stapled Group limits its exposure to credit risk from trade receivables by collecting security deposits as collateral, where possible.

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.

At 31 December 2019 and 31 December 2018, 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 7). Except as disclosed, there was no significant concentration of credit risk.

Exposure to credit risk

Expected credit loss assessment for individual lessees and customers

The Stapled Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments (geographic region) based on actual credit loss experience over the past four years. These rates are adjusted by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Stapled Group's view of economic conditions over the expected lives of the receivables.

25 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

Trade and other receivables (cont'd)

Exposure to credit risk (cont'd)

Expected credit loss assessment for individual lessees and customers (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 31 December 2018:

	2019		2018	
	Gross carrying amount $'000	Impairment loss allowance $'000	Gross carrying amount $'000	Impairment loss allowance $'000
HBT Group				
Not past due	2,190	4	1,383	–
Past due 31 – 60 days	280	–	342	–
Past due 61 – 90 days	150	–	601	–
Past due over 90 days	112	3	1,003	411
	2,732	7	3,329	411
H-REIT Group				
Not past due	23,240	–	22,763	–
Past due 31 – 60 days	2	–	75	–
Past due 61 – 90 days	552	–	69	–
Past due over 90 days	247	163	215	–
	24,041	163	23,122	–
Stapled Group				
Not past due	13,200	4	11,750	–
Past due 31 – 60 days	282	–	416	–
Past due 61 – 90 days	702	–	669	–
Past due over 90 days	359	166	1,219	411
	14,543	170	14,054	411

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

Trade and other receivables (cont'd)

Exposure to credit risk (cont'd)

Movement in allowance for impairment in respect of trade receivables

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	411	356	–	109	411	465
(Reversal of impairment loss)/ Impairment loss recognised	(9)	167	163	(86)	154	81
Amounts utilised	(394)	(120)	–	(23)	(394)	(143)
Translation differences	(1)	8	–	–	(1)	8
At 31 December	7	411	163	–	170	411

The Stapled Group establishes allowances for impairment that represents its estimate of the expected credit loss and specific loss component 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.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. Investments and transactions are allowed only with counterparties who have sound credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Stapled Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Derivatives

Derivatives are only entered into with banks and financial institution counterparties with sound credit ratings. Details of the derivatives held by the HBT Group, the H-REIT Group and the Stapled Group are set out in Note 11.

(ii) 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 10).

The Stapled Group has contractual commitments to incur capital expenditure (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

The following are the material 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	Cash flows: Between 1 to 5 years $'000	Cash flows: More than 5 years $'000
HBT Group					
2019					
Non-derivative financial liabilities					
Unsecured bank loans	94,554	(102,626)	(2,603)	(100,023)	–
Lease liabilities	55,431	(123,012)	(4,653)	(18,612)	(99,747)
Trade and other payables^	38,602	(38,602)	(38,602)	–	–
	188,587	(264,240)	(45,858)	(118,635)	(99,747)
2018					
Non-derivative financial liabilities					
Unsecured bank loans	93,418	(104,140)	(2,576)	(101,564)	–
Trade and other payables^	21,474	(21,474)	(21,474)	–	–
	114,892	(125,614)	(24,050)	(101,564)	–
H-REIT Group					
2019					
Non-derivative financial liabilities					
Secured TMK bond	38,241	(38,528)	(38,528)	–	–
Secured bank loan	65,958	(72,109)	(1,137)	(4,549)	(66,423)
Unsecured bank loans	865,174	(921,797)	(58,836)	(862,961)	–
Lease liabilities	25,245	(47,887)	(2,316)	(9,149)	(36,422)
Trade and other payables^	47,783	(48,963)	(38,171)	(1,512)	(9,280)
	1,042,401	(1,129,284)	(138,988)	(878,171)	(112,125)
2018					
Non-derivative financial liabilities					
Secured TMK bond	38,222	(38,905)	(253)	(38,652)	–
Secured bank loan	68,532	(76,141)	(1,182)	(2,364)	(72,595)
Unsecured bank loans	811,196	(857,867)	(265,186)	(592,681)	–
Trade and other payables^	45,384	(46,890)	(35,948)	(1,661)	(9,281)
	963,334	(1,019,803)	(302,569)	(635,358)	(81,876)

25 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Cash flows Between 1 to 5 years $'000	Cash flows More than 5 years $'000
Stapled Group					
2019					
Non-derivative financial liabilities					
Secured TMK bond	38,241	(38,528)	(38,528)	–	–
Secured bank loan	65,958	(72,109)	(1,137)	(4,549)	(66,423)
Unsecured bank loans	959,728	(1,024,423)	(61,439)	(962,984)	–
Lease liabilities	39,760	(113,997)	(2,905)	(11,503)	(99,589)
Trade and other payables^	51,031	(52,211)	(41,419)	(1,512)	(9,280)
	1,154,718	(1,301,268)	(145,428)	(980,548)	(175,292)
2018					
Non-derivative financial liabilities					
Secured TMK bond	38,222	(38,905)	(253)	(38,652)	–
Secured bank loan	68,532	(76,141)	(1,182)	(2,364)	(72,595)
Unsecured bank loans	904,614	(962,007)	(267,762)	(694,245)	–
Trade and other payables^	48,653	(50,159)	(39,217)	(1,661)	(9,281)
	1,060,021	(1,127,212)	(308,414)	(736,922)	(81,876)

^ Excluding deferred income

The maturity analyses show the material contractual undiscounted cash flows of the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to these instruments held for risk management purposes and which are usually not closed out prior to 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.

(iii) 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

25 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Interest rate risk (cont'd)

Exposure to interest rate risk

The Stapled Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the end of the financial year, the interest rate profile of the interest-bearing financial instruments based on their nominal amounts was as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Fixed rate instruments						
Financial assets	459	1,737	112,774	92,404	113,233	94,141
Financial liabilities	(150,433)	(94,019)	(360,165)	(426,884)	(469,682)	(520,903)
Effect of cross-currency interest rate swaps	–	–	(157,374)	(104,393)	(157,374)	(104,393)
	(149,974)	(92,282)	(404,765)	(438,873)	(513,823)	(531,155)
Variable rate instruments						
Financial liabilities	–	–	(637,891)	(493,511)	(637,891)	(493,511)
Effect of cross-currency interest rate swaps	–	–	157,374	104,393	157,374	104,393
	–	–	(480,517)	(389,118)	(480,517)	(389,118)

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.

25 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Interest rate risk (cont'd)

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) 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		Profit or loss	
	100 bp increase 2019 $'000	100 bp decrease 2019 $'000	100 bp increase 2018 $'000	100 bp decrease 2018 $'000
H-REIT Group				
Variable rate instruments				
Loans and borrowings	(6,379)	6,379	(4,935)	4,935
Cross-currency interest rate swaps	1,574	(1,574)	1,044	(1,044)
Cash flow sensitivity (net)	(4,805)	4,805	(3,891)	3,891
Stapled Group				
Variable rate instruments				
Loans and borrowings	(6,379)	6,379	(4,935)	4,935
Cross-currency interest rate swaps	1,574	(1,574)	1,044	(1,044)
Cash flow sensitivity (net)	(4,805)	4,805	(3,891)	3,891

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 Australian Dollar, New Zealand Dollar, Euro, 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 forward exchange 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, Germany, Japan, Maldives and United Kingdom. These borrowings are designated as net investment hedges.

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Foreign currency risk (cont'd)

Hedge accounting – Net investment hedges

At the end of the financial year, the HBT Group, the H-REIT Group and the Stapled Group have designated certain of their bank loans, with carrying amounts of $79.2 million (2018: $78.3 million), $90.1 million (2018: $90.8 million) and $274.9 million (2018: $273.6 million) respectively as net investment hedges, which mitigate the currency risk arising from certain subsidiaries' net assets. The cumulative net foreign exchange differences in respect of the Australia, Germany, Japan, Maldives and United Kingdom net investment hedges which remained in the unitholders' funds are as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net foreign exchange gain	789	1,607	5,890	5,523	6,306	7,850

To assess hedge effectiveness, the HBT Group, the H-REIT Group and the Stapled Group determine the economic relationship between the hedge instrument and the hedge item by comparing changes in the carrying amount of debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movement in the spot rate (the offset method). The HBT Group, the H-REIT Group and the Stapled Group's policy is to hedge the net investment only to the extent of debt principal.

During the financial year, the HBT Group, the H-REIT Group and the Stapled Group have recognised net foreign exchange differences in OCI or unitholders' funds (as the case may be) in respect of bank loans which were used as hedges for net investments in Japan, Maldives and United Kingdom:

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net foreign exchange (loss)/gain	(818)	2,475	367	(2,796)	(1,544)	2,979

The exposure of the HBT Group, the H-REIT Group and the Stapled Group to foreign currencies is as follows based on notional amounts:

	United States Dollar		Japanese Yen		Sterling Pound	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
HBT Group						
Trade and other receivables	–	–	32	32	5,229	2,429
Cash and cash equivalents	–	–	–	–	68	570
Bank loans	–	–	–	–	(95,002)	(94,019)
Lease liabilities	(40,916)	–	–	–	(14,515)	–
Net statement of financial position exposure	(40,916)	–	32	32	(104,220)	(91,020)
Forward exchange contracts	–	–	–	–	(650)	(1,858)
Net exposure	(40,916)	–	32	32	(104,870)	(92,878)

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Foreign currency risk (cont'd)

	Australian Dollar		New Zealand Dollar		Euro		United States Dollar		Japanese Yen		Sterling Pound	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
H-REIT Group												
Trade and other receivables	12,093	10,230	2,867	4,304	1,007	1,125	49,055	18,331	1,298	174	–	–
Cash and cash equivalents	51,649	55,850	2,331	3,142	1,980	2,841	1,518	939	40	1,637	–	–
Trade and other payables	(1,101)	(1,134)	(310)	(317)	(95)	(98)	(1,510)	(1,528)	–	–	–	–
Bank loans	–	–	–	–	(4,508)	(53,415)	(288,790)	(211,307)	(40,450)	(40,581)	(116,993)	(115,784)
Lease liabilities	–	–	–	–	–	–	(19,522)	–	–	–	–	–
Net statement of financial position exposure	62,641	64,946	4,888	7,129	(1,616)	(49,547)	(259,249)	(193,565)	(39,112)	(38,770)	(116,993)	(115,784)
Forward exchange contracts	(1,878)	(1,978)	(3,201)	(3,499)	(775)	–	(290)	(577)	(894)	(802)	–	–
Cross-currency interest rate swaps	–	–	–	–	(157,374)	(104,393)	157,374	104,393	–	–	–	–
Net exposure	60,763	62,968	1,687	3,630	(159,765)	(153,940)	(102,165)	(89,749)	(40,006)	(39,572)	(116,993)	(115,784)
Stapled Group												
Trade and other receivables	12,093	10,230	2,867	4,304	1,007	1,125	49,055	18,331	1,330	206	5,229	2,429
Cash and cash equivalents	51,649	55,850	2,331	3,142	1,980	2,841	1,518	939	40	1,637	68	570
Trade and other payables	(1,101)	(1,134)	(310)	(317)	(95)	(98)	(1,510)	(1,528)	–	–	–	–
Bank loans	–	–	–	–	(4,508)	(53,415)	(288,790)	(211,307)	(40,450)	(40,581)	(211,995)	(209,803)
Lease liabilities	–	–	–	–	–	–	(19,522)	–	–	–	(14,515)	–
Net statement of financial position exposure	62,641	64,946	4,888	7,129	(1,616)	(49,547)	(259,249)	(193,565)	(39,080)	(38,738)	(221,213)	(206,804)
Forward exchange contracts	(1,878)	(1,978)	(3,201)	(3,499)	(775)	–	(290)	(577)	(894)	(802)	(650)	(1,858)
Cross-currency interest rate swaps	–	–	–	–	(157,374)	(104,393)	157,374	104,393	–	–	–	–
Net exposure	60,763	62,968	1,687	3,630	(159,765)	(153,940)	(102,165)	(89,749)	(39,974)	(39,540)	(221,863)	(208,662)

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (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		H-REIT Group		Stapled Group	
	Profit or loss $'000	Other comprehensive income $'000	Total return $'000	Unitholders' funds $'000	Total return $'000	Unitholders' funds $'000
2019						
Australian Dollar	–	–	(6,076)	–	(6,076)	–
New Zealand Dollar	–	–	(169)	–	(169)	–
Euro	–	–	15,977	–	15,977	–
United States Dollar	4,092	–	6,830	3,387	2,494	3,387
Japanese Yen	(3)	–	414	3,587	411	3,587
Sterling Pound	2,570	7,917	11,699	–	3,713	18,473
2018						
Australian Dollar	–	–	(6,297)	–	(6,297)	–
New Zealand Dollar	–	–	(363)	–	(363)	–
Euro	–	–	15,394	–	15,394	–
United States Dollar	–	–	3,492	5,483	3,492	5,483
Japanese Yen	(3)	–	358	3,599	355	3,599
Sterling Pound	1,453	7,835	11,578	–	2,584	18,282

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

25 FINANCIAL INSTRUMENTS (CONT'D)

(iv) 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. Further, for the current year, the fair value disclosure of lease liabilities is also not required.

		Carrying amount				Fair value			
	Note	Amortised cost $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
HBT Group									
2019									
Financial assets not measured at fair value									
Trade and other receivables(1)	7	12,900	–	–	12,900				
Cash and cash equivalents	8	7,802	–	–	7,802				
		20,702	–	–	20,702				
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(23)	–	(23)	–	(23)	–	(23)
Financial liabilities not measured at fair value									
Trade and other payables(2)	12	–	–	(38,602)	(38,602)				
Unsecured bank loans	10	–	–	(94,554)	(94,554)	–	(94,871)	–	(94,871)
Lease liabilities	10	–	–	(55,431)	(55,431)				
		–	–	(188,587)	(188,587)				

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25 FINANCIAL INSTRUMENTS (CONT'D)

(iv) Accounting classifications and fair values (cont'd)

		Carrying amount				Fair value			
	Note	Amortised cost $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
HBT Group									
2018									
Financial assets not measured at fair value									
Trade and other receivables[(1)]	7	10,312	–	–	10,312				
Cash and cash equivalents	8	12,506	–	–	12,506				
		22,818	–	–	22,818				
Financial assets measured at fair value									
Financial derivative assets	11	–	70	–	70	–	70	–	70
Financial liabilities not measured at fair value									
Trade and other payables[(2)]	12	–	–	(21,474)	(21,474)				
Unsecured bank loans	10	–	–	(93,418)	(93,418)	–	(92,738)	–	(92,738)
		–	–	(114,892)	(114,892)				

(1) Excluding prepayments
(2) Excluding deferred income

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(iv) Accounting classifications and fair values (cont'd)

	Note	Carrying amount: Amortised cost	Carrying amount: Fair value – hedging instruments	Carrying amount: Other financial liabilities	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
H-REIT Group									
2019									
Financial assets not measured at fair value									
Finance lease receivables	6	5,723	–	–	5,723				
Trade and other receivables[1]	7	49,431	–	–	49,431				
Cash and cash equivalents	8	128,152	–	–	128,152				
		183,306	–	–	183,306				
Financial assets measured at fair value									
Financial derivative assets	11	–	6,047	–	6,047	–	6,047	–	6,047
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(164)	–	(164)	–	(164)	–	(164)
Financial liabilities not measured at fair value									
Secured TMK bond	10	–	–	(38,241)	(38,241)	–	(38,131)	–	(38,131)
Secured bank loans	10	–	–	(65,958)	(65,958)	–	(66,401)	–	(66,401)
Unsecured bank loans	10	–	–	(865,174)	(865,174)	–	(870,546)	–	(870,546)
Lease liabilities	10	–	–	(25,245)	(25,245)				
Trade and other payables		–	–	(37,771)	(37,771)				
Rental deposits		–	–	(10,012)	(10,012)	–	–	(9,967)	(9,967)
		–	–	(1,042,401)	(1,042,401)				

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(iv) Accounting classifications and fair values (cont'd)

	Note	Carrying amount				Fair value			
		Amortised cost $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
H-REIT Group									
2018									
Financial assets not measured at fair value									
Trade and other receivables[1]	7	39,115	–	–	39,115				
Cash and cash equivalents	8	127,077	–	–	127,077				
		166,192	–	–	166,192				
Financial assets measured at fair value									
Financial derivative assets	11	–	4,084	–	4,084	–	4,084	–	4,084
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(37)	–	(37)	–	(37)	–	(37)
Financial liabilities not measured at fair value									
Secured TMK bond	10	–	–	(38,222)	(38,222)	–	(38,344)	–	(38,344)
Secured bank loans	10	–	–	(68,532)	(68,532)	–	(67,954)	–	(67,954)
Unsecured bank loans	10	–	–	(811,196)	(811,196)	–	(812,542)	–	(812,542)
Trade and other payables[2]		–	–	(35,301)	(35,301)				
Rental deposits		–	–	(10,083)	(10,083)	–	–	(10,034)	(10,034)
		–	–	(963,334)	(963,334)				

(1) Excluding prepayments
(2) Excluding deferred income

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(iv) Accounting classifications and fair values (cont'd)

	Note	Carrying amount				Fair value			
		Amortised cost $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Stapled Group									
2019									
Financial assets not measured at fair value									
Finance lease receivables	6	5,723	–	–	5,723				
Trade and other receivables[1]	7	26,977	–	–	26,977				
Cash and cash equivalents	8	135,954	–	–	135,954				
		168,654	–	–	168,654				
Financial assets measured at fair value									
Financial derivative assets	11	–	6,047	–	6,047	–	6,047	–	6,047
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(187)	–	(187)	–	(187)	–	(187)
Financial liabilities not measured at fair value									
Secured TMK bond	10	–	–	(38,241)	(38,241)	–	(38,131)	–	(38,131)
Secured bank loans	10	–	–	(65,958)	(65,958)	–	(66,401)	–	(66,401)
Unsecured bank loans	10	–	–	(959,728)	(959,728)	–	(965,580)	–	(965,580)
Lease liabilities	10	–	–	(39,760)	(39,760)				
Trade and other payables[2]		–	–	(41,019)	(41,019)				
Rental deposits		–	–	(10,012)	(10,012)	–	–	(9,967)	(9,967)
		–	–	(1,154,718)	(1,154,718)				

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

(iv) Accounting classifications and fair values (cont'd)

		Carrying amount				Fair value			
	Note	Amortised cost $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Stapled Group									
2018									
Financial assets not measured at fair value									
Trade and other receivables[1]	7	31,223	–	–	31,223				
Cash and cash equivalents	8	139,583	–	–	139,583				
		170,806	–	–	170,806				
Financial assets measured at fair value									
Financial derivative assets	11	–	4,155	–	4,155	–	4,155	–	4,155
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(37)	–	(37)	–	(37)	–	(37)
Financial liabilities not measured at fair value									
Secured TMK bond	10	–	–	(38,222)	(38,222)	–	(38,344)	–	(38,344)
Secured bank loans	10	–	–	(68,532)	(68,532)	–	(67,954)	–	(67,954)
Unsecured bank loans	10	–	–	(904,614)	(904,614)	–	(905,280)	–	(905,280)
Trade and other payables[2]		–	–	(38,570)	(38,570)				
Rental deposits		–	–	(10,083)	(10,083)	–	–	(10,034)	(10,034)
		–	–	(1,060,021)	(1,060,021)				

(1) Excluding prepayments
(2) Excluding deferred income

Measurement of fair values

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 and cross-currency interest rate swaps (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.

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25 FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments not measured at fair value

Other non-derivative financial assets and liabilities

The fair values of TMK bond, bank loans 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.

26 COMMITMENTS

	HBT Group		H-REIT Group		Stapled Group	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Capital expenditure contracted but not provided for	–	–	8,414	5,869	8,414	5,869

(b) Under the terms of the lease agreements for certain properties, 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 $2,460,000 (2018: $1,991,000) under the terms of the lease agreements.

(c) 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 commencing on 25 December 1990 (the "**Head Lease**"). The lease term may be extended for a further term of 50 years pursuant to the lessee's option to renew under the Head Lease. Lease payment under this lease is variable, being a percentage of gross revenue and subject to a minimum value that is itself a function of the aggregate rent paid over the previous 3 years.

On transition to FRS 116 / SFRS(I) 16, lease liabilities and a corresponding ROU asset were recognised in the financial statements based on present value of the minimum lease payments. The variable lease payments not included in the measurement of the lease liabilities are recognised in profit or loss or statement of total return (as the case may be). For the year ended 31 December 2019, the Stapled Group recorded variable lease payments of $96,000 (2018: $116,000).

(d) As of 31 December 2019, the Stapled Group has entered into several agreements which are subject to approval being obtained from the Stapled Securityholders, including:

- a put and a call option agreement to acquire a property from a related corporation for a fixed purchase price of $324.0 million. The transaction is expected to be completed in 2020.
- a business transfer agreement to acquire business and business assets of the hotel operated as W Singapore – Sentosa Cove ("**W Hotel**") from a related corporation for a consideration equal to net working capital of the business assets at acquisition date. The transaction is expected to be completed in 2020.
- a development and sale agreement to acquire a brand new lifestyle hotel from a related corporation for a purchase price equal to the lower of the fixed price of $475.0 million or 110% of the vendor's actual development cost. The transaction is expected to be completed in 2025.
- a sale and purchase agreement to acquire 100% of shares in a hotel operating company from a related corporation for a consideration equal to the acquiree's net asset value at acquisition date plus partial reimbursement of pre-opening costs incurred, subject to a maximum of $3.1 million. The transaction is expected to be completed in 2025.

The above transactions were approved by the Stapled Securityholders in an extraordinary general meeting held on 23 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

27 RELATED PARTY TRANSACTIONS

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.

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.

As at the reporting date, 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.

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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Related corporations of the H-REIT Manager and HBT Trustee-Manager						
Acquisition fee paid/payable	–	–	–	647	–	647
Divestment fee paid/payable	–	–	–	404	–	404
Rental income received/ receivable	–	–	83,702	84,848	83,702	84,848
Rental expense paid/payable	–	–	945	908	945	908
Shared service expenses paid/payable	–	–	437	231	437	231
Consultancy fee paid/payable	52	54	–	–	52	54
Corporate secretarial services fee paid/payable	83	52	182	132	265	184

28 FINANCIAL RATIOS

	H-REIT Group		Stapled Group	
	2019 %	2018 %	2019 %	2018 %
Expenses to weighted average net assets (1)				
- including performance component of H-REIT Manager's management fees (2)	1.23	0.98	1.33	1.03
- excluding performance component of H-REIT Manager's management fees (2)	0.87	0.61	0.98	0.67
Portfolio turnover rate (3)	–	2.82	–	2.82

(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

29 ACQUISITION OF SUBSIDIARIES

H-REIT Group

For the financial year ended 31 December 2019

The H-REIT Group made payments of $1.8 million for acquisition-related costs during the year in relation to its acquisition of subsidiaries in 2018.

For the financial year ended 31 December 2018

On 27 November 2018, the H-REIT Group acquired 95.0% of the shares and voting interest in Event Hospitality Group III B.V., which wholly-owns Event Hospitality Group III Italy SRL, the sole shareholder of NKS Hospitality III SRL (collectively, the "**Italy Acquisition**") for a total consideration of $51.6 million. NKS Hospitality III SRL is the legal owner of Hotel Cerretani Firenze - MGallery and the fixture, furniture and equipment therein (collectively, the "**Italy Property**"). The acquisition was accounted for as an acquisition of assets.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	$'000
Investment property	66,636
Trade and other receivables	996
Cash at bank	4,651
Trade and other payables	(748)
Provision for tax	(110)
Borrowings	(17,107)
Total identifiable net assets	54,318
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(2,716)
Share of identifiable net assets acquired	51,602

Effect of the acquisition on cash flows

Total consideration for 95.0% equity interest acquired	51,602
Add: Acquisition-related costs	2,649
Less: Cash at bank of subsidiaries acquired	(4,651)
Less: Acquisition-related costs not yet paid	(2,500)
Less: Amount to be paid	(164)
Net cash outflow on acquisition	46,936

In addition to the above, the H-REIT Group made an additional payment of $800,000 in relation to its German Acquisition which was completed in 2017. The H-REIT Group made a total payment of $47.7 million in relation to its acquisition of subsidiaries in 2018.

NOTES TO THE FINANCIAL STATEMENTS

30 LEASES

(i) Leases as lessee

The HBT Group, the H-REIT Group and the Stapled Group mainly lease land and buildings. The leases typically run for periods ranging from 2 to 50 years, some with options to renew after the lease expiry dates. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the HBT Group, the H-REIT Group and the Stapled Group are restricted from entering into any sub-lease arrangements.

Some of the leases of land and building were entered into many years ago. Previously, these leases were classified as operating leases under FRS 17 / SFRS(I) 1-17.

One of the leased properties has been sub-let by the H-REIT Group and the Stapled Group. The sub-lease is classified as a finance lease.

Information about leases for which the HBT Group, the H-REIT Group and the Stapled Group are lessees is presented below.

Right-of-use assets

ROU assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	HBT Group		H-REIT Group		Stapled Group	
	Leasehold Land $'000	Building $'000	Leasehold Land $'000	$'000	Leasehold Land $'000	Building $'000
2019						
Balance at 1 January	50,157	1,889	–	101	22,698	1,990
Depreciation charge for the year	(2,950)	(88)	–	(35)	(615)	(123)
Revaluation deficit recognised in statement of total return	–	–	–	–	(891)	–
Additions to ROU assets	–	5,749	–	–	–	5,749
Translation differences	(411)	73	–	(1)	(75)	72
Balance at 31 December	46,796	7,623	–	65	21,117	7,688

Amounts recognised in profit or loss or the statement of total return (as the case may be)

	HBT Group $'000	H-REIT Group $'000	Stapled Group $'000
2019 – Leases under FRS 116 / SFRS(I) 16			
Interest on lease liabilities	2,650	1,285	1,816
Expenses relating to short term leases	151	–	151
2018 – Operating leases under FRS 17 / SFRS(I) 1-17			
Rental expense	9,826	–	667

NOTES TO THE FINANCIAL STATEMENTS

30 LEASES

(i) Leases as lessee (cont'd)

Amounts recognised in statement of cash flows

	HBT Group $'000	H-REIT Group $'000	Stapled Group $'000
2019			
Payment of lease liabilities	(2,020)	(1,022)	(1,064)
Interest expense	(2,650)	(1,285)	(1,816)
Total cash outflow for leases	(4,670)	(2,307)	(2,880)

Extension options

Some property leases contain extension options exercisable by the HBT Group and the H-REIT Group before the end of the non-cancellable contract period. Where practicable, the HBT Group and the H-REIT Group seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the HBT Group and the H-REIT Group and not by the lessors. The HBT Group and the H-REIT Group assess at lease commencement date whether it is reasonably certain to exercise the extension options. The HBT Group and the H-REIT Group reassess whether it is reasonably certain to exercise the options if there is a significant event of significant changes in circumstances within their control.

The H-REIT Group have estimated the potential future lease payments that are not reflected in the measurement of lease liabilities, should they exercise the extension options, would result in an increase in future cash outflows of $53.1 million.

Variable lease payments

HBT's subsidiary, AKO GK leases the Japan hotel properties from CDLHT Hanei Tokutei Mokuteki Kaisha, subsidiary of H-REIT for 1-year periods, renewable on an annual basis. Monthly lease payments under these leases are variable, equal to the gross operating profit of the hotel properties in the preceding month, subject to certain adjustments. Lease liabilities are not recognised in respect of these leases as the variable monthly lease payments are not subject to a minimum value.

(ii) Leases as lessor

The H-REIT Group and the Stapled Group lease out their investment properties consisting of hotels, resorts, a retail property and a leased property. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease which has been classified as a finance sub-lease.

Finance lease

The H-REIT Group and the Stapled Group have sub-leased a building in which the ROU asset arising from the head lease has been presented as part of investment property. The sub-lease has been assessed to be a finance lease under FRS 116 / SFRS(I) 16. Consequently, the H-REIT Group and the Stapled Group derecognised the ROU asset relating to the head lease and recognised finance lease receivables. During the term of the sub-lease, the H-REIT Group and the Stapled Group recognise both interest income on the sub-lease and interest expense on the head lease.

During the financial year, the H-REIT Group and the Stapled Group recognised interest income on the finance lease receivables of $189,000 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

30 LEASES

(ii) Leases as lessor (cont'd)

Finance lease (cont'd)

The following table sets out a maturity analysis of finance lease receivables, showing the undiscounted lease payments to be received after the reporting date. Under FRS 17 / SFRS(I) 1-17, the HBT Group, the H-REIT Group and the Stapled Group did not have any finance leases as lessors.

	2019 $'000
H-REIT Group and Stapled Group	
Within 1 year	965
1 to 2 years	965
2 to 3 years	965
3 to 4 years	965
4 to 5 years	965
More than 5 years	1,494
Total undiscounted finance lease receivables	6,319
Unearned finance income	(596)
Net investment in the lease	5,723

Operating lease

The H-REIT Group and the Stapled Group lease out their investment properties. The H-REIT Group and the Stapled Group have classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The portfolio statement sets out information about the operating leases of investment properties.

Rental revenue from investment property recognised by the H-REIT Group and the Stapled Group is disclosed in Note 17.

In addition, the H-REIT Group also leases out its Japan properties which are classified as property, plant and equipment to the HBT Group for 1-year periods, renewable on an annual basis. Monthly lease payments receivable under these leases are variable, equal to the gross operating profit of the hotel properties in the preceding month, subject to certain adjustments. The variable monthly lease payments are not subject to a minimum value.

The rental revenue from property, plant and equipment recognised by the H-REIT Group in respect of these leases during the year was $4,037,000 (2018: $5,114,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

2019 – Operating leases under FRS 116 / SFRS(I) 16

	HBT Group $'000	H-REIT Group $'000	Stapled Group $'000
Within 1 year	119	73,534	69,589
1 to 2 years	119	65,080	61,135
2 to 3 years	119	57,445	53,500
3 to 4 years	119	45,201	41,256
4 to 5 years	93	40,182	40,275
More than 5 years	–	180,533	180,533
	569	461,975	446,288

NOTES TO THE FINANCIAL STATEMENTS

30 LEASES

(ii) Leases as lessor (cont'd)

Finance lease (cont'd)

2018 – Operating leases under FRS 17 / SFRS(I) 1-17

	HBT Group $'000	H-REIT Group $'000	Stapled Group $'000
Within 1 year	119	73,965	69,972
After 1 year but within 5 years	477	227,578	211,607
More than 5 years	93	245,519	245,612
	689	547,062	527,191

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.

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 2019 %	2018 %
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
(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	–(6)	100
(1) CDLHT Sanctuary Limited	British Virgin Islands	100	100
(2) CDLHT MTN Pte. Ltd.	Singapore	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
(2) CDLHT Two Pte. Ltd.	Singapore	100	100
(2) CDLHT Munich One Pte. Ltd.	Singapore	100	100
(2) CDLHT Munich Two Pte. Ltd.	Singapore	100	100
(2) CDLHT CFM One Pte. Ltd.	Singapore	100	100
(2) CDLHT CFM Two Pte. Ltd.	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 GROUP ENTITIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the H-REIT Group and the Stapled Group 2019 %	2018 %
Subsidiaries of CDLHT Sunshine Limited			
(1) Sun One Investments Limited	British Virgin Islands	100(5)	100(5)
(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(5)	100(5)
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
Subsidiary of CDLHT Munich One Pte. Ltd.			
(1) NKS Hospitality I B.V.	Netherlands	94.9	94.9
(1) Munich Furniture B.V.	Netherlands	94.9	94.9

NOTES TO THE FINANCIAL STATEMENTS

31 GROUP ENTITIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the H-REIT Group and the Stapled Group 2019 %	2018 %
Subsidiary of CDLHT CFM One Pte. Ltd.			
(1) Event Hospitality Group III B.V.	Netherlands	95.0	95.0
Subsidiary of Event Hospitality Group III B.V.			
(1) Event Hospitality Group III Italy SRL	Italy	95.0	95.0
Subsidiary of Event Hospitality Group III Italy SRL			
(1) NKS Hospitality III SRL	Italy	95.0	95.0

Name of subsidiaries	Place of incorporation	Effective equity interest held by the HBT Group and the Stapled Group 2019 %	2018 %
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
(2) Gemini Two Pte. Ltd.	Singapore	100 (7)	–
Subsidiary of CDL HBT Oceanic Holdings Pte. Ltd.			
(1) CDL HBT Oceanic Ltd	British Virgin Islands	100	100
Subsidiary of CDL HBT Oceanic Ltd			
(1) 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
(4) CDL HBT North Ltd	England and Wales	100	100

31 GROUP ENTITIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the HBT Group and the Stapled Group 2019 %	2018 %
Subsidiary of CDL HBT Cambridge City (UK) Ltd			
(3) CDL HBT Cambridge City Hotel (UK) Ltd	England and Wales	100	100
Subsidiary of CDL HBT North Ltd			
(4) The Lowry Hotel 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.
(4) Audited by BDO LLP, United Kingdom.
(5) Entity became dormant following the disposal of Mercure Brisbane and Ibis Brisbane hotels in 2018.
(6) Entity was dissolved in 2019.
(7) Entity was incorporated in 2019.

STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 2 March 2020

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 (as amended). Each holder of the Stapled Securities has one vote per Stapled Security.

RANGE OF STAPLED SECURITIES HOLDINGS

Issued and Fully Paid Stapled Securities: 1,213,475,493 Stapled Securities

Size of Stapled Securities Holdings	No. of Stapled Securities Holders	%	No. of Stapled Securities	%
1 - 99	20	0.21	353	0.00
100 - 1,000	740	7.75	555,351	0.05
1,001 - 10,000	5,721	59.94	29,367,937	2.42
10,001 - 1,000,000	3,032	31.77	127,795,197	10.53
1,000,001 and above	31	0.33	1,055,756,655	87.00
TOTAL	**9,544**	**100.00**	**1,213,475,493**	**100.00**

TWENTY LARGEST STAPLED SECURITIES HOLDERS

No.	Name	No. of Stapled Securities	%*
1	HOSPITALITY HOLDINGS PTE. LTD.	313,950,000	25.87
2	CITIBANK NOMINEES SINGAPORE PTE LTD	177,483,698	14.63
3	DBS NOMINEES PTE LTD	151,355,445	12.47
4	M&C REIT MANAGEMENT LIMITED	81,366,058	6.71
5	DBSN SERVICES PTE LTD	78,345,287	6.46
6	REPUBLIC HOTELS & RESORTS LIMITED	62,790,000	5.17
7	RAFFLES NOMINEES (PTE) LIMITED	59,524,087	4.90
8	HSBC (SINGAPORE) NOMINEES PTE LTD	53,277,143	4.39
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	18,607,372	1.53
10	GUAN HONG PLANTATION PRIVATE LIMITED	6,900,000	0.57
11	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,940,888	0.41
12	MILLENNIUM SECURITIES PTE LTD	4,800,000	0.40
13	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	4,340,516	0.36
14	DB NOMINEES (SINGAPORE) PTE LTD	3,961,013	0.32
15	SOON LI HENG CIVIL ENGINEERING PTE LTD	3,360,000	0.28
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,129,700	0.26
17	MAYBANK KIM ENG SECURITIES PTE.LTD	2,946,500	0.24
18	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,823,246	0.23
19	PHILLIP SECURITIES PTE LTD	2,594,965	0.21
20	OCBC NOMINEES SINGAPORE PTE LTD	2,174,727	0.18
	TOTAL	**1,038,670,645**	**85.59**

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 2 March 2020.

SUBSCRIPTION OF STAPLED SECURITIES IN CDL HOSPITALITY TRUSTS

As at 31 December 2019, 1,212,583,713 Stapled Securities were issued. On 30 January 2020, 821,715 Stapled Securities and 70,065 Stapled Securities were issued to the H-REIT Manager and HBT Trustee-Manager as payment of 80.0 per cent of base management fees for the period from 1 October 2019 to 31 December 2019 respectively.

STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 2 March 2020

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 2 March 2020, the interests of each Director in the Stapled Securities in CDLHT are as follows: -

Name of Director	Holdings
Chan Soon Hee, Eric	NIL
Vincent Yeo Wee Eng	138,000
Ronald Seah Lim Siang	NIL
Foo Say Mui (Bill)	NIL
Kenny Kim	NIL
Cheah Sui Ling	NIL

SUBSTANTIAL STAPLED SECURITIES HOLDERS

As at 2 March 2020

Name	Direct Interest	Deemed Interest	Total Holdings	%*
Hospitality Holdings Pte. Ltd.	313,950,000	–	313,950,000	25.87
M&C REIT Management Limited	81,366,058	834,629 (1)	82,200,687	6.77
Republic Hotels & Resorts Limited	62,790,000	–	62,790,000	5.17
ATOS Holding GmbH	–	313,950,000 (2)	313,950,000	25.87
M&C Hotel Investments Pte. Ltd.	–	144,990,687 (3)	144,990,687	11.95
M&C Hospitality International Limited	–	144,990,687 (3)	144,990,687	11.95
M&C Singapore Holdings (UK) Limited	–	144,990,687 (3)	144,990,687	11.95
Millennium & Copthorne Hotels Limited	–	458,940,687 (4)	458,940,687	37.82
City Developments Limited	–	458,940,687 (4)	458,940,687	37.82
Hong Leong Investment Holdings Pte. Ltd.	–	463,740,687 (5)	463,740,687	38.22
Davos Investment Holdings Private Limited	–	463,740,687 (5)	463,740,687	38.22
Kwek Holdings Pte Ltd	–	463,740,687 (5)	463,740,687	38.22

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 2 March 2020.

Notes:
(1) M&C REIT Management Limited is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), to have an interest in the 834,629 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) ATOS Holding GmbH is deemed under Section 4 of the 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.
(3) M&C Hotel Investments Pte. Ltd., M&C Hospitality International Limited and M&C Singapore Holdings (UK) Limited are deemed under Section 4 of the SFA, to have an interest in the 144,990,687 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.
(4) Millennium & Copthorne Hotels Limited and City Developments Limited are deemed under Section 4 of the SFA, to have an interest in the 458,940,687 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.
(5) 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 463,740,687 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 2 March 2020, no less than 61.69% of the Stapled Securities in CDL Hospitality Trusts is held by the public and accordingly, Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.

INTERESTED PERSON TRANSACTIONS

The aggregate value of all Interested Person Transactions, as defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Property Funds Appendix of the Code on Collective Investment Schemes, which were entered into during the financial year ended 31 December 2019 ("**FY2019**") (excluding transactions less than S$100,000) are listed below.

Name of Interested Persons	Nature of relationship	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S$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)
CDL Hospitality Real Estate Investment Trust ("H-REIT")			
Subsidiaries of City Developments Limited - Rental income in relation to Grand Millennium Auckland. - Provision of Corporate Secretarial Services	City Developments Limited is a controlling unitholder of H-REIT. Its subsidiaries are interested persons being associates of the controlling unitholder.	S$41,211,000 S$132,550	Not Applicable (1)
CDL Hospitality Business Trust ("HBT")			
Subsidiary of City Developments Limited - Provision of Corporate Secretarial Services	City Developments Limited is a controlling unitholder of HBT. Its subsidiary is an interested person being an associate of the controlling unitholder.	S$42,288 (2)	Not Applicable (1)
Total:		**S$41,385,838**	**–**

Note:
(1) 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.
(2) Notwithstanding the transaction value is below S$100,000, the HBT Trustee-Manager has taken a view to aggregate and disclose the transaction as one transaction with the same interested persons, being associates of the controlling unitholder.

Except as disclosed above, there were no additional interested person/party transactions (excluding transactions of less than $100,000 each and/or transactions collectively described as "**Exempted Agreements**") entered into in FY2019.

GLOSSARY PAGE

2020 AGMs	2020 Annual General Meetings
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
ADR	Average Daily Rate
Aggregate Leverage	Total Borrowings and Deferred Payments of a Property Fund over its Deposited Property
Annual Report	Annual Report 2019
ARC(s)	Audit and Risk Committee(s)
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
Australia Hotels	Portfolio hotels located in Australia consisting of Novotel Brisbane, Mercure Perth and Ibis Perth
BCA	Building & Construction Authority
Boards	HBT Board and the H-REIT Board
BOD	Board of Directors
Bridge Loan Facility	S$500.0 million uncommitted multi-currency unsecured bridge loan facility
BTA	Business Trusts Act
BTR	Business Trusts Regulations
CAGR	Compound Annual Growth Rate
CBD	Central Business District
CDL	City Developments Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CIS Code	Code on Collective Investment Schemes
CMS	Capital Markets Services
CPF	Central Provident Fund
DPS	Distribution per Stapled Security
EA	External Auditors
ESG	Environmental, Social and Governance
Exempted Agreements	Interested Person/Party Transactions of less than $100,000 each
F&B	Food and Beverage
FRS	Singapore Financial Reporting Standards
FY 2019	Financial Year Ended 31 December 2019
Germany or German Hotel	Pullman Hotel Munich
GRI	Global Reporting Initiative
Group or Stapled Group or CDLHT	CDL Hospitality Trusts
HBT	CDL Hospitality Business Trust
HBT Group	CDL Hospitality Business Trust and its subsidiaries
HBT Trust Deed	The trust deed constituting HBT dated 12 June 2006
HBT Trust Property	The trust property of HBT
HBT Trustee-Manager	M&C Business Trust Management Limited as trustee-manager of CDL Hospitality Business Trust
HBT Trustee-Manager Board	Board of Directors of the HBT Trustee-Manager
HBT Trustee-Manager Directors	Directors of the HBT Trustee-Manager
HBT Unitholders	Unitholders of HBT
HBT Unit(s)	Unit(s) of HBT
Hotel Cerretani Firenze or Italy Hotel	Hotel Cerretani Firenze – MGallery

GLOSSARY PAGE

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 Trust Deed	The trust deed constituting H-REIT dated 08 June 2006
H-REIT Trustee	DBS Trustee Limited as the trustee of CDL Hospitality Real Estate Investment Trust
H-REIT Unit(s)	Unit(s) of H-REIT
IDs	Independent Directors
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
ISCA	Institute of Singapore Chartered Accountants
Japan Hotels	Portfolio hotels located in Japan consisting of Hotel MyStays Asakusabashi and Hotel MyStays Kamata
KMP	Key Management Personnel
KPIs	Key Performance Indicators
KPMG	KPMG LLP
LED	Listed Entity 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 Limited
Maldives Resorts	Porftfolio resorts located in the Maldives consisting of Angsana Velavaru and Raffles Maldives Meradhoo
Managers	The H-REIT Manager and the HBT Trustee-Manager
Managers' Boards	Boards of the H-REIT Manager and the HBT Trustee-Manager
MAS	Monetary Authority of Singapore
MICE	Meetings, Incentives, Conventions and Exhibitions
NCI	Non-Controlling Interest
NCQ	Novotel Singapore Clarke Quay
NEDs	Non-Executive Directors
N.M.	Not Meaningful
NPI	Net Property Income
NRC(s)	Nominating and Remuneration Committee(s)
NZ Hotel	Portfolio hotel located in New Zealand namely Grand Millennium Auckland
OCI	Other Comprehensive Income
Property Funds Appendix	Appendix 6 of the Code on Collective Investment Schemes
RAP	Statement of Recommended Accounting Practice
RevPAR	Revenue per Available Room
RHRL	Republic Hotels & Resorts Limited
ROU	Right-Of-Use
SFA	Securities and Futures Act
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 Limited

GLOSSARY PAGE

sq m	square meters
SSAs	Singapore Standards on Auditing
Stapled Group	Stapled group comprising the H-REIT Group and the HBT Group
Stapled Security(ies)	Stapled Unit(s) of H-REIT and HBT
Stapled Security(ies) Holders	Holders of Stapled Security(ies) of CDLHT
Stapling Deed	The stapling deed dated 12 June 2006
STB	Singapore Tourism Board
TMK	Tokutei Mokuteki Kaisha
UK Hotels	Portfolio hotels located in the United Kingdom namely Hilton Cambridge City Centre and The Lowry Hotel (Manchester)
W Hotel	W Singapore – Sentosa Cove
YOY or yoy	Year-on-Year

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 Orchard Grand Ballroom 1 & 2, Orchard Hotel Singapore, 442 Orchard Road, Singapore 238879 on Thursday, 23 April 2020 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 2019 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 resolution:

3. That authority be and is hereby given to the H-REIT Manager and the HBT Trustee-Manager, to **(Ordinary Resolution 3)**

   (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 Instruments 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 Stapled 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 Stapled 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

(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)

NOTICE OF ANNUAL GENERAL MEETINGS

AS OTHER BUSINESS

To transact such other business as may be transacted at the Annual General Meetings.

BY ORDER OF THE BOARD
M&C REIT Management Limited
(as manager of CDL Hospitality Real Estate Investment Trust)

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Enid Ling Peek Fong
Company Secretary

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

Singapore
30 March 2020

Important Notice:

1. (a) A Stapled 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 Stapled Security Holder's form of proxy appoints more than one proxy, the proportion of the Stapled Security holding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A Stapled 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 Stapled Security Holder. Where such Stapled Security Holder's form of proxy 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 form of proxy.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Stapled Security Holder.

3. The form of proxy 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.

4. Completion and return of the form of proxy shall not preclude a Stapled 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 Stapled 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 form of proxy, 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, Stapled 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.

NOTICE OF 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 Stapled 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 Stapled 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 Stapled 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 Stapled Security Holder (i) consents to the collection, use and disclosure of the Stapled Security Holder's personal data by the H-REIT Manager and the HBT Trustee-Manager (or their agents) for the purpose of the processing and administration by the H-REIT Manager and the HBT Trustee-Manager (or their 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 their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively "**Purposes**"), and (ii) warrants that where the Stapled Security Holder discloses the personal data of the Stapled Security Holder's proxy(ies) and/or representative(s) to the H-REIT Manager or the HBT Trustee-Manager (or their agents), the Stapled 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 their 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 Stapled Security Holder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meetings dated 30 March 2020.

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	%

and/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Stapled Securities Holdings	
			Number	%

or, failing him/them, the Chairman of the Meetings as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meetings of CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust to be held at Orchard Grand Ballroom 1 & 2, Orchard Hotel Singapore, 442 Orchard Road, Singapore 238879 on Thursday, 23 April 2020 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 or to abstain from voting on a resolution in respect of all your votes, please indicate 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**" and/or "**Abstaining**" that resolution.

No.	Resolution	No. of votes For	No. of votes Against	No. of votes Abstaining
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 2019 and the Auditors' Report thereon.			
2	Re-appointment of KPMG LLP as the Independent Auditors and authorisation of the H-REIT Manager and the HBT Trustee-Manager to fix their remuneration.			
SPECIAL BUSINESS				
3	Authority to issue Stapled Securities and to make or grant convertible instruments.			

Dated this ______ day of ______________ 2020

Total number of Stapled Securities held

____
Signature(s) of Stapled Security Holder(s) or Common Seal of Corporate Stapled Security Holder(s)

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM OVERLEAF

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Notes To Proxy Form

1. (a) A Stapled 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 Stapled Security Holder's form of proxy appoints more than one proxy, the proportion of the Stapled Security Holding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A Stapled 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 Stapled Security Holder. Where such Stapled Security Holder's form of proxy 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 form of proxy.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Stapled Security Holder.

3. A Stapled Security Holder should insert the total number of Stapled Securities held. If the Stapled 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 Stapled Security Holder.

4. The form of proxy (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 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 Stapled 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 Stapled 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:
9 Raffles Place
#12-01 Republic Plaza
Singapore 048619
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:
9 Raffles Place
#12-01 Republic Plaza
Singapore 048619
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

Chan Soon Hee, Eric
Chairman and Non-Executive Director

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Foo Say Mui (Bill)
Lead Independent Director

Ronald Seah Lim Siang
Independent Non-Executive Director

Kenny Kim
Independent Non-Executive Director

Cheah Sui Ling
Independent Non-Executive Director

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

Foo Say Mui (Bill) (Chairman)
Ronald Seah Lim Siang
Kenny Kim

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

Ronald Seah Lim Siang (Chairman)
Foo Say Mui (Bill)
Cheah Sui Ling

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
Email: shareregistry@mncsingapore.com

LEGAL ADVISER

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989
Telephone: (65) 6890 7188
Facsimile: (65) 6327 3800

COMPANY SECRETARIES OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT

Enid Ling Peek Fong
Soo Lai Sun

CDL HOSPITALITY TRUSTS

M&C REIT MANAGEMENT LIMITED
(As Manager of CDL Hospitality Real Estate Investment Trust)
and
M&C BUSINESS TRUST MANAGEMENT LIMITED
(As Trustee-Manager of CDL Hospitality Business Trust)

390 Havelock Road
#02-05 King's Centre
Singapore 169662

Tel (65) 6664 8888
Fax (65) 6732 2868