CDL HOSPITALITY TRUSTS

CDL HOSPITALITY TRUSTS

ANNUAL REPORT 2017

CONTENTS

OVERVIEW AND FINANCIAL REVIEW

MARKET REVIEW

LEADERSHIP STRUCTURE

PROPERTY PORTFOLIO

REPORTS

7
COUNTRIES

18
PROPERTIES

5,002
ROOMS

CDL Hospitality Trusts ("**CDLHT**") is one of Asia's leading hospitality trusts with assets valued at S$2.7 billion as at 11 January 2018. It owns 15 hotels in Singapore, Australia, New Zealand, Japan, United Kingdom and Germany, two resorts in Maldives, as well as a retail mall in Singapore. The substantial value of its assets are situated in central locations within Singapore. All the hotels are well located within key cities while the two resorts are located in Maldives, a top-tier destination for luxury tourism.

The properties comprise a total of 5,002 rooms 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 2017.

OVERVIEW AND FINANCIAL REVIEW

Lobby, Grand Copthorne Waterfront Hotel

OVERVIEW OF CDL HOSPITALITY TRUSTS

ABOUT CDLHT

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

CDLHT owns 18 properties, valued at S$2.7 billion as at 11 January 2018, with a total of 5,002 hotel rooms, comprising six hotels 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 and two resorts in Maldives.

The properties in Singapore comprise Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Novotel Singapore Clarke Quay (collectively, the "**Singapore Hotels**" with an aggregate of 2,718 rooms) as well as a retail mall adjoining Orchard Hotel. The hotels in Australia comprise Novotel Brisbane, Mercure Perth and Ibis Perth (collectively, the "**Australia Hotels**" with an aggregate of 727 rooms). The hotel in New Zealand (the "**NZ Hotel**"), Grand Millennium Auckland, adds 452 rooms to CDLHT's portfolio. The two hotels in Japan comprise Hotel MyStays Asakusabashi and Hotel MyStays Kamata (collectively the "**Japan Hotels**" with an aggregate of 255 rooms). The two resorts in Maldives comprise Angsana Velavaru and Dhevanafushi Maldives Luxury Resort, managed by AccorHotels ("**Dhevanafushi Maldives Luxury Resort**" or "**DMLR**") (previously known as Jumeirah Dhevanafushi) (collectively the "**Maldives Resorts**" with an aggregate of 150 villas).

The two hotels in United Kingdom comprise Hilton Cambridge City Centre and The Lowry Hotel (collectively, the "**UK Hotels**" with an aggregate of 363 rooms).

CDLHT acquired The Lowry Hotel in May 2017, an iconic 5-star luxury hotel in Manchester with 165 rooms, which is located in proximity to the heart of Manchester city centre. In July 2017, CDLHT marked its maiden entry into continental Europe through the acquisition of Pullman Hotel Munich in Germany (the "**German Hotel**"). The recently refurbished upper upscale hotel has 337 rooms with a 4-star rating and is located in close proximity to a major business park.

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

All the properties, with the exception of Claymore Connect, Dhevanafushi Maldives Luxury Resort, 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. Dhevanafushi Maldives Luxury Resort, 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, yield-accretive or have potential for capital appreciation, and feasible in the light of regulatory, commercial, political and other relevant considerations.

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

ACQUISITION GROWTH STRATEGY

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

- H-REIT's relationship with Millennium & Copthorne Hotels plc ("**M&C**"), an international hotel owner and operator listed on the London Stock Exchange with a market capitalisation of approximately £1.7 billion as at 1 March 2018. H-REIT will be able to leverage on M&C's experience, market reach and network of contacts in the global hotel and hospitality sector for its acquisitions. In addition, H-REIT can seek partnership and co-operation opportunities with M&C as it expands globally.

- Opportunities arising from divestment of assets by hospitality service providers who are increasingly looking to free up capital for business expansion or investment funds that have a finite period to dispose acquired assets.

- Opportunities arising from divestment of assets by owners or developers.

- Opportunities to acquire under-performing assets with turnaround potential by implementing value-added strategies such as re-flagging, management change and asset enhancements.

CAPITAL AND RISK MANAGEMENT STRATEGY

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

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

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

- minimise the cost of debt financing;

- secure diversified funding sources from both financial institutions and capital markets as H-REIT grows in size and scale; and

- manage the exposure arising from adverse market movements in interest rates and foreign exchange through appropriate hedging strategies.

ACTIVE ASSET MANAGEMENT

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

HBT'S STRATEGY

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

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

- It is appointed by H-REIT, in the absence of any other master lessee(s) being appointed, as a master lessee of one of the hotel assets in H-REIT's portfolio at the expiry of the lease term. The intention is for HBT to appoint professional hotel managers to manage these hotels.

- H-REIT acquires hotels in the future, and, if there are no other suitable master lessees, H-REIT will lease these acquired hotels to HBT. HBT will then become a master lessee for these hotels and will appoint professional hotel managers to manage these hotels.

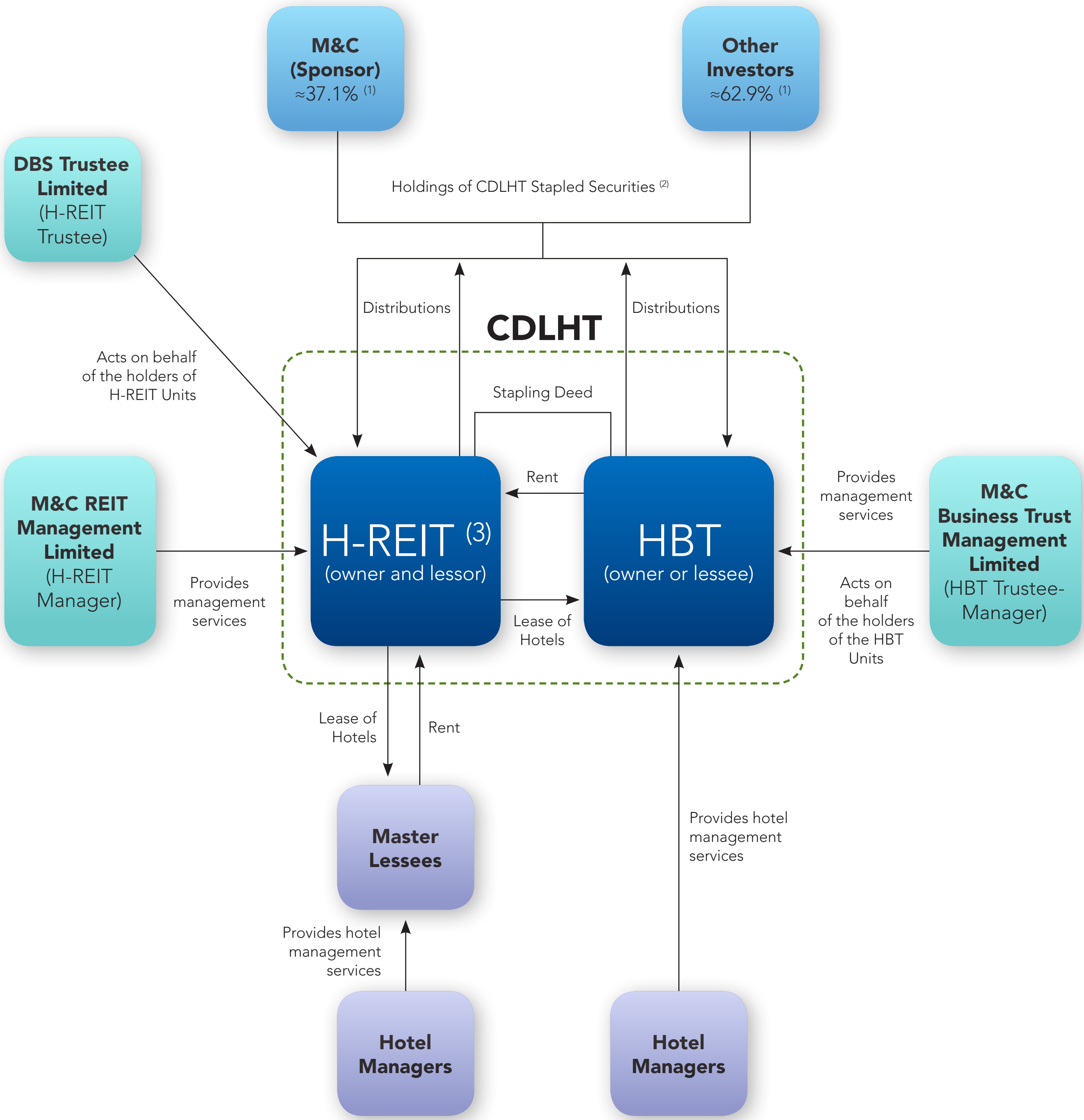
HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments, which may not be suitable for H-REIT.

The HBT Group currently acts as the master lessees for three of the properties in H-REIT's portfolio, namely Dhevanafushi Maldives Luxury Resort, 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 18 properties across seven countries.



(1) Holdings of Stapled Securities as at 1 March 2018
(2) CDLHT comprises stapled units of H-REIT and HBT ("**Stapled Securities**") with each Stapled Security consisting of a unit in H-REIT and a unit in HBT
(3) For simplicity, the diagram does not include the relationships in relation to Claymore Connect. The H-REIT Manager asset-manages Claymore Connect and the various tenants of the retail units at Claymore Connect make rental payments to H-REIT under the terms of their respective leases

GLOBAL REACH OF SPONSOR, M&C

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

MILLENNIUM
HOTELS AND RESORTS

NORTH AMERICA
Anchorage
Avon
Boston
Boulder
Buffalo
Chagrin Falls
Chicago
Cincinnati
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
Reading
Sheffield
Slough-Windsor

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

CHINA & TAIWAN
China
Beijing
Chengdu
Fuqing
Hangzhou
Shanghai
Wenjiang
Wuxi
Xiamen
Taiwan
Taichung
Taipei
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

CEO'S STATEMENT

> **"**FY 2017 was an eventful year where we successfully expanded our asset base and penetrated key new markets, through the acquisition of The Lowry Hotel in Manchester, United Kingdom, and the Pullman Hotel Munich in Germany. **"**

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 2017 ("**FY 2017**").

STRONG EXECUTION OF STRATEGY

FY 2017 was an eventful year where we successfully expanded our asset base and penetrated key new markets, through the acquisition of The Lowry Hotel in Manchester, United Kingdom, and the Pullman Hotel Munich in Germany. Our expansion in Europe has diversified our geographic exposure and supported our income growth, and also allowed us to further capitalise the low interest rate environment in Europe.

At the end of FY 2017, we announced CDLHT's first divestment: the disposal of our two Brisbane hotels, Mercure Brisbane and Ibis Brisbane, which was completed in January 2018. In disposing of these assets for an attractive exit yield and premium over the original purchase price, we have furthered our asset and capital management strategies of unlocking the value of our assets.

During the year, we successfully tapped the equity capital market through a rights issue which was oversubscribed by 2.2 times. This exercise enlarged our market capitalisation and improved the liquidity of CDLHT's Stapled Securities. The proceeds from the rights issue, together with the proceeds from the sale of the Brisbane assets, have significantly strengthened our balance sheet.

CDLHT has demonstrated consistent execution of its acquisition, asset and capital management strategies. As such, CDLHT has expanded its global footprint to seven countries and delivered commendable growth for Stapled Security Holders, generating approximately 39.9% [1] in total returns for 2017. Our portfolio value grew by 12.5% to S$2.74 billion as at 31 December 2017. After the divestment of our two Brisbane hotels, we have 15 hotels and two resorts, consisting of 5,002 rooms, with a portfolio value of S$2.67 billion.

With ample debt headroom, we will strive to continually create value and enhance returns for Stapled Security Holders through actively pursuing suitable acquisitions in markets with sound long term fundamentals and engaging in active asset enhancement to maximise the potential of our investments.

DELIVERING GROWTH

Notwithstanding the backdrop of economic and political uncertainty worldwide, the global economy saw a broad-based recovery in 2017, particularly from the US, Eurozone and China, and Singapore's domestic economic growth was also positive during the year [2].

Our portfolio performance was boosted by our recent acquisition of hotels in key cities which provided new streams of income and also the benefits of income diversification, while some of our key markets delivered organic growth. Net Property Income ("**NPI**") for FY 2017 recorded robust year-on-year ("**yoy**") growth of 10.3% to S$151.8 million, supported by inorganic contribution from The Lowry Hotel and Pullman Hotel Munich, as well as stellar performance from our NZ Hotel, which recorded an NPI growth of 46.3%. NPI of our Singapore Hotels remained stable while there was higher contribution from our only retail mall, Claymore Connect. This improvement helped to offset weaker contributions from our Japan Hotels and Maldives Resorts, as well as lower contribution from Hilton Cambridge City Centre.

(1) Total return comprises capital appreciation and assumes distributions paid out during the period from 1 January 2017 to 31 December 2017 are reinvested in the Stapled Securities of CDLHT

(2) Ministry of Trade and Industry Singapore, "MTI Expects GDP Growth in 2018 to Moderate but Remain Firm", 14 February 2018

Net finance costs for FY 2017 was lower by S$5.7 million, mainly due to savings in interest expense largely from the use of rights issue proceeds to repay existing borrowings, as well as lower exchange losses (which has no impact on the distributable income of CDLHT).

Consequently, we are pleased to report S$110.3 million in total distribution to Stapled Security Holders for FY 2017, an increase of 11.3%. Due to the enlarged stapled security base from the rights issue, total Distribution per Stapled Security ("**DPS**") for FY 2017 was 9.22 cents, lower compared to 9.63 cents (3) in FY 2016. Excluding the effect of the rights issue, DPS for FY 2017 would be 11.04 cents, an increase of 10.4% yoy.

MARKET REVIEW AND OUTLOOK

It is pleasing to see that our core market, Singapore, is showing stability amidst the 5.1% (4) increase in total hotel rooms supply in 2017. While room rates are likely to remain competitive in the near term as new hotels seek to build their base, supply growth tapers off from 2018 with an estimated 892 (5) net rooms or 1.3% of existing room stock opening in 2018. The pipeline of new hotels is expected to slow down to a CAGR of 1.3% over the next three years, as compared to a CAGR of 5.5% in the past three years.

On the demand front, visitor arrivals to Singapore grew 6.2% yoy to 17.4 million for 2017, mainly due to an increase in arrivals from China and India (4). The Singapore Tourism Board ("**STB**") continues to position Singapore as a leading MICE destination and secure new flagship events (6). In 2018, Singapore is also the ASEAN chairman, where Singapore will host several meetings and events involving foreign delegates across the year, including the 32nd and 33rd ASEAN Summit (7). We look forward to capitalising on a stronger event calendar in Singapore for 2018.

The pace of growth of the Singapore economy is projected to remain firm and global growth to pick up marginally (2) in 2018. The macro-economic backdrop together with STB's forecast of international visitor arrivals to grow between 1.0% to 4.0% for 2018 (8) are expected to be supportive demand drivers for the Singapore hospitality market (9).

Tourism demand in Japan continues to be healthy with visitor arrivals increasing 19.3% yoy to 28.7 million for the year 2017 (10). While price sensitivity of the economy accommodation market was heightened by rising supply, the long-term outlook for the hospitality sector in Japan is expected to be positive with the government's aim to welcome 40.0 million foreign visitors in 2020 (11) in conjunction with the Tokyo Olympics.

In New Zealand, international visitor arrivals increased 6.7% yoy to a record 3.7 million for 2017 (12), reflecting the steady growth momentum in the tourism market. This was also bolstered by increased flight capacity into the country and a strong line-up of sporting events such as the World Masters Games and British and Irish Lions Rugby Tour. Looking ahead, the construction of the New Zealand International Convention Centre, which is in close proximity to our NZ Hotel, is expected to complete in 2019 (13). This will further strengthen the infrastructure for MICE activities in Auckland, providing another positive demand driver for our NZ Hotel.

In the Maldives, tourist arrivals increased 8.0% yoy for 2017, however, demand growth was outstripped by the growth in new supply (14), which resulted in a very competitive trading environment. While there is increased flight capacity from destinations including Europe, Southeast Asia and the Middle East to help support demand growth, there is near-term uncertainty due to the political situation in Malé, the capital city of Maldives. In the medium term, there is also an expected increase in new resorts supply.

While the Perth and Brisbane hospitality markets continue to experience an increasing supply of new hotels, the defensive lease structure of our Australia Hotels will mitigate any downside risks in the hotels' performance.

In the UK, visitor arrivals increased 5.5% yoy to 33.3 million for YTD October 2017 (15). Total arrivals are forecast to grow 4.4% in 2018, although Brexit and GBP-related uncertainties may weigh on overall demand (16).

(3) For the year ended 31 December 2016, DPS has been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities
(4) STB
(5) Based on STB, Horwath data (January 2018) and CDLHT research
(6) STB Annual Report 2016-17
(7) ASEAN Singapore 2018
(8) STB, "Singapore tourism sector performance breaks record for the second year running in 2017", 12 February 2018
(9) Savills Hotels, Singapore Hotel Market Perspectives, December 2017
(10) Japan National Tourism Organization
(11) Nikkei Asian Review, "Japan prepares for mass influx of tourists", 11 January 2017
(12) Tourism – Statistics New Zealand
(13) NZ Herald, "$700m convention centre project and hotel emerges from ground", 10 August 2017
(14) Ministry of Tourism, Republic of Maldives, Tourism Monthly Updates
(15) International Passenger Survey, Office for National Statistics
(16) 2018 Inbound Tourism Forecast – VisitBritain

CEO'S STATEMENT

The Eurozone continues to record economic growth and the positive economic environment has led to strengthening business optimism in Germany [(17)]. Total international visitor arrivals to Munich increased 12.6% yoy for YTD November 2017 [(18)] and the pipeline of trade shows over the next two years [(19)] will provide support for the Munich hospitality market in the face of increasing new rooms supply in the city.

ACQUIRING SECOND HOTEL IN UK AND MAIDEN ENTRY INTO CONTINENTAL EUROPE VIA ACQUISITION OF HOTEL IN GERMANY

We recognise that hospitality markets go through cycles due to supply and demand factors. Hence, we have emphasised on achieving geographical diversification in the past few years.

On 4 May 2017, CDLHT expanded its presence in UK through the acquisition of The Lowry Hotel, an iconic 5-star luxury hotel with 165 rooms located in proximity to the heart of Manchester city centre. The property price was £52.5 million and was fully funded by GBP-denominated debt.

The acquisition in Manchester reinforces CDLHT's strategy to invest in markets with robust medium to long-term growth potential. Manchester is one of the most important cities outside of London with a buoyant economic outlook, being one of the key beneficiary cities of the Northern Powerhouse proposal [(20)] by the UK government to boost economic growth in the North of England. The hospitality market is further supported by a strong mix of corporate and leisure demand, particularly in football-related and entertainment demand, which features prominently for The Lowry Hotel.

On 14 July 2017, we marked our maiden entry into Germany through the acquisition of Pullman Hotel Munich, for a property price of €98.9 million [(21)]. Munich is a compelling destination for our first acquisition in continental Europe, allowing CDLHT to benefit from a potential economic recovery in the region through exposure to the largest economy in Europe. Besides being an important business hub and trade fair destination within Germany, Munich has diverse demand drivers through its famous cultural and sporting attractions.

Pullman Hotel Munich consists predominantly of a 4-star hotel with 337 rooms and a comprehensive suite of facilities, which underwent a full renovation between 2012 and 2016. It also has secondary spaces currently let out to a few retail and office tenants. In addition, it is strategically located adjacent to the commercial district of "Parkstadt Schwabing", which is home to a variety of national and international companies, including Amazon, GE Healthcare and the German headquarters of Fujitsu, Microsoft, IBM and Munich Re.

We are pleased that our two acquisitions in 2017 has augmented CDLHT's portfolio and also allowed us to capitalise on a low point of the currency cycle of the GBP as well as the low funding environment in Europe.

OPTIMISING AND CREATING VALUE THROUGH ACTIVE ASSET MANAGEMENT

The Managers constantly review CDLHT's portfolio and identify opportunities to optimise and create value. Asset enhancement initiatives and active lessee/hotel operator management are pursued to improve our assets' value and competitiveness, which allow CDLHT to capture the medium and long term growth potential of our properties.

To position CDLHT for the recovery in the Singapore hotel sector, we have embarked (or will embark) on a refurbishment exercise for Orchard Hotel and will continuously explore asset enhancement opportunities for our Singapore Hotels. The renovation of the restaurant in Orchard Hotel, Hua Ting, was completed and it has opened in December 2017. Refurbishment works for the guest rooms in the Orchard wing of the Orchard Hotel is scheduled for 2018, together with planned works for a significant portion of the public areas, including the lobby and F&B outlets. While the hotel will face some disruption in the short term, the completed refurbishment exercise will improve overall guest experience and augment the competitiveness of the asset.

For CDLHT's overseas assets, our Japan Hotels have completed a soft refurbishment of 134 rooms across both hotels in January 2018. Over in Australia, Mercure Perth completed a refurbishment of its 239 rooms in 2017.

In 2017, we transitioned one of the Maldives Resorts, the former Jumeirah Dhevanafushi, to a new operator, AccorHotels. The resort now operates under a temporary name, Dhevanafushi Maldives Luxury Resort. Extensive asset enhancement plans are being finalised for this resort, and will culminate in a full re-branding exercise into a Raffles resort in late 2018. This transition process will lead to sub-optimal revenue contribution until the exercise is

(17) IHS Markit Eurozone Composite PMI, "Eurozone economic growth highest since early-2011", 4 January 2018
(18) Muenchen.de
(19) Events Eyes
(20) Government of UK, "Chancellor on building a Northern Powerhouse", 14 May 2015
(21) Including its office and retail components. €98.9 million is the property price of H-REIT's effective interest of 94.5%

completed but is expected to augment the longer term prospects for the resort. Refurbishment of 28 land villas is also being planned for our other Maldives Resort, Angsana Velavaru, in the third quarter of 2018 to strengthen the resort's product offering and market positioning. The aforementioned refurbishments are to defend our market share in the face of rising competition from new supply.

At The Lowry Hotel, refurbishment of the Presidential Suite is being planned and there will be also be ongoing enhancements to its public areas to fortify its strong market position in Manchester.

On 22 December 2017, we announced the divestment of Mercure Brisbane and Ibis Brisbane for A$77.0 million, which was completed on 11 January 2018. The sale price translates to an attractive exit yield of 5.3% on the fixed rental, representing a 43.4% premium over the original purchase price of A$53.7 million and a 10.0% premium over the independent valuation of A$70.0 million. The divestment is in line with CDLHT's asset and capital management strategies where we evaluate divestment opportunities periodically to recycle capital for better returns, unlock underlying asset values and achieve greater financial flexibility. We intend to utilise the proceeds from the divestment mainly to repay existing borrowings and part of the gains will also be used to make distributions to Stapled Security Holders in FY 2018.

PRUDENT CAPITAL MANAGEMENT

As at 31 December 2017, CDLHT has a robust balance sheet with a gearing ratio of 32.6% and ample regulatory debt headroom of S$644.1 million. Following the intended use of proceeds from the divestment of our two Brisbane hotels, our gearing ratio will be lowered and this will further strengthen our balance sheet. CDLHT has maintained its rating of BBB- on the Fitch Issuer Default Rating and has a strong interest cover of 7.3 times for FY 2017.

During 2017, CDLHT launched a rights issue to raise gross proceeds of S$255.4 million in June 2017 (completed on 2 August 2017). The proceeds from the rights issue were used to repay existing borrowings. In end 2017, we fully refinanced the bridge loan for the acquisition of The Lowry Hotel and more than 50% of the bridge loan for the acquisition of Pullman Hotel Munich. Our weighted average cost of debt has been lowered to 2.1% while our floating rate risk continues to be well managed with 59.1% of our borrowings being fixed-rate loans.

SUSTAINABILITY REPORTING

Sustainability has always been embedded in our way of business. The Managers worked closely with its master lessees and hotel managers, who in turn, integrate elements of sustainability in their operations to add value for our stakeholders and to ensure that the growth of our business would incorporate sustainability efforts.

This year, in line with the newly implemented Sustainability Reporting requirements, we are pleased to present our Sustainability Report for FY 2017 on pages 104 to 112 of this Annual Report. As our business continues to grow, we are fully committed to maintaining our leadership and dedication to the best practices in governance and sustainability for continued long-term growth and enhancement of portfolio value for our stakeholders.

APPRECIATION

On behalf of the Boards, I would like to thank Mr Wong Hong Ren and Ms Jenny Lim, who have stepped down from the Boards during 2018 and 2017 respectively, and express our heartfelt appreciation for their invaluable contributions over the years. Mr Wong and Ms Lim have provided their experienced leadership since the listing of CDLHT. At the same time, I would like to extend a warm welcome to Ms Cheah Sui Ling, who joined the Boards on 27 July 2017. To my fellow members of the Boards, management and staff of the Managers and the H-REIT Trustee, I have my utmost gratitude for your tireless commitment to the business. I would also like take this opportunity to thank our lessees, hotel operators, business partners and service providers from around the world for your continued support to CDLHT. Finally, I want to thank our Stapled Security Holders for your trust and support.

I look forward to meeting you at our annual general meetings on 27 April 2018.

Vincent Yeo
Chief Executive Officer

FINANCIAL HIGHLIGHTS

STATEMENT OF TOTAL RETURN

	FY 2017 S$'000	FY 2016 S$'000	Variance
Net property income	151,760	137,560	+10.3%
Net income before fair value adjustment	88,155	80,049 (1)	+10.1%
Total distribution (before retention for working capital)	121,971	109,677	+11.2%
Total distribution (after retention for working capital)	110,346 (2)	99,124	+11.3%

BALANCE SHEET

Prudent capital management and successful equity fund raising through a rights issue has resulted in a strong and flexible balance sheet for CDLHT. As at 31 December 2017, CDLHT's exposure to derivatives (3) represents a negligible percentage of its net assets and market capitalisation.

	As at 31 Dec 2017 S$'000	As at 31 Dec 2016 S$'000	Variance
Investment properties (4)	2,331,433 (5)	2,175,008	+7.2%
Property, plant and equipment (6)	332,666	244,361	+36.1%
Non-current assets	2,671,252 (5)	2,426,186	+10.1%
Total assets	2,862,155	2,535,342	+12.9%
Borrowings (7)	933,730	932,627	+0.1%
Net assets	1,845,263	1,546,421	+19.3%

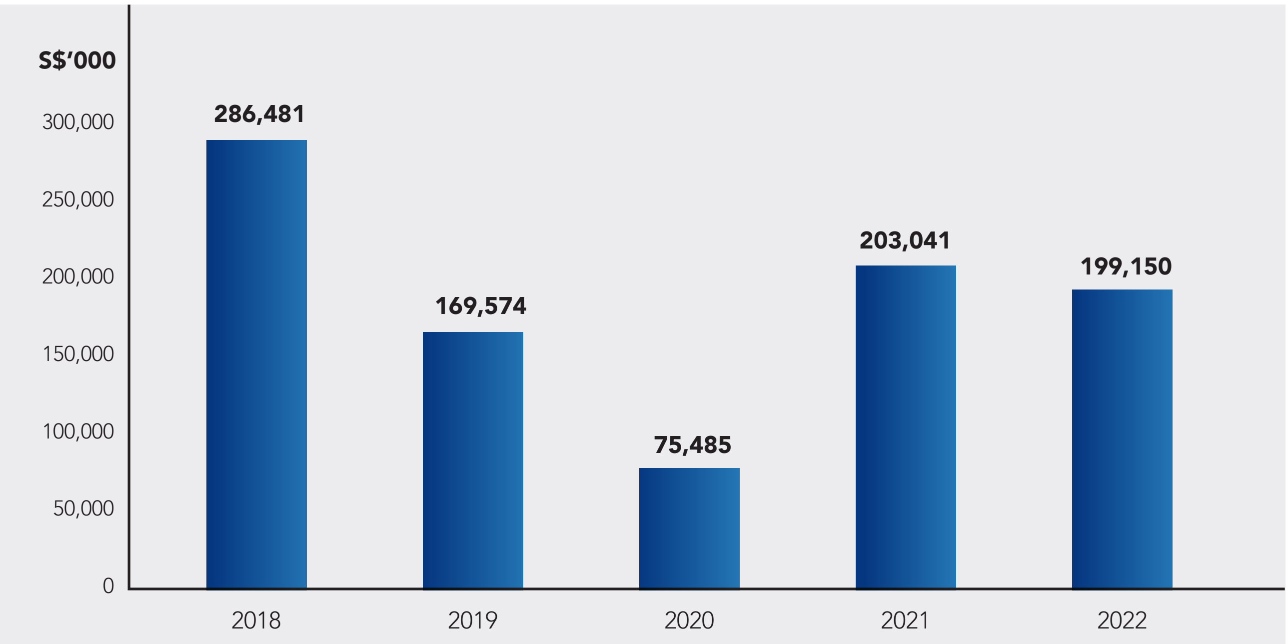
KEY FINANCIAL INDICATORS

	As at 31 Dec 2017	As at 31 Dec 2016	Variance
Gearing	32.6%	36.8%	-4.2pp
Weighted average cost of debt	2.1%	2.5%	-0.4pp
Weighted average debt to maturity (years)	2.6	3.0	-0.4
Interest coverage ratio	7.3x	6.2x	+1.1x
Net asset value per unit (8)	S$1.53	S$1.55	-1.4%

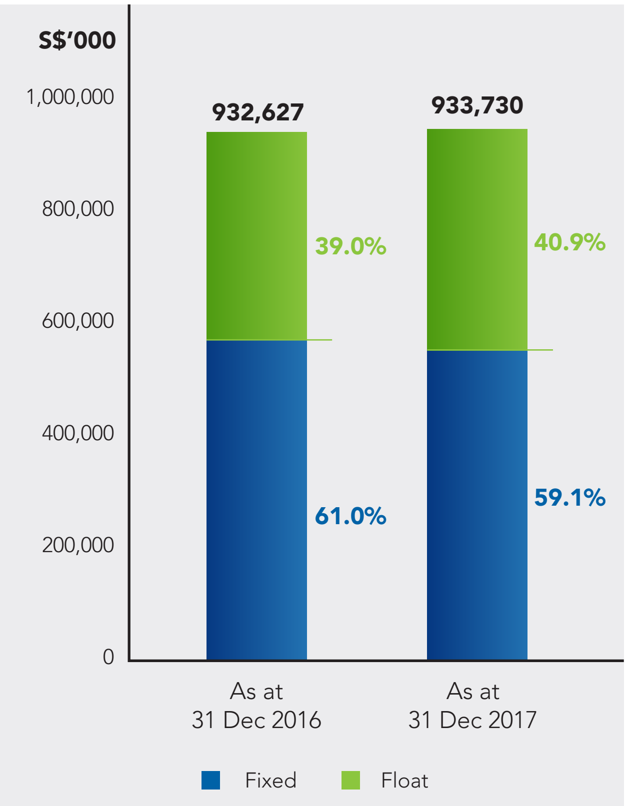
(1) S$8,080,000 of impairment loss on property, plant and equipment and prepaid land lease relating to Dhevanafushi Maldives Luxury Resort was reclassified out from net income before fair value adjustment for FY 2016. The reclassification does not have any impact on the distribution of CDLHT
(2) The undistributed income of S$11,625,000 retained for working capital comprised solely of tax exempt income
(3) The fair value of the derivatives as at 31 December 2017 is disclosed under Note 11 on page 177 of the Annual Report
(4) All properties, excluding Dhevanafushi Maldives Luxury Resort, the Japan Hotels and the UK Hotels, are accounted for as Investment Properties
(5) Mercure Brisbane and Ibis Brisbane were reclassified to assets held for sale as at 31 December 2017 in accordance to the divestment of these two properties, which was announced on 22 December 2017 and completed on 11 January 2018. Non-current assets include assets held for sale
(6) With effect from 1 January 2017, CDLHT changed its accounting policy with respect to the subsequent measurement of land and buildings included as part of property, plant and equipment from the cost model to the revaluation model
(7) The borrowings are presented before the deduction of unamortised transaction costs
(8) The number of Stapled Securities issued and to be issued as at 31 December 2017 was 1,202,951,118, as compared to 996,866,018 as at 31 December 2016, mainly due to the issuance of new Stapled Securities pursuant to the rights issue

DEBT PROFILE OF CDLHT [1]

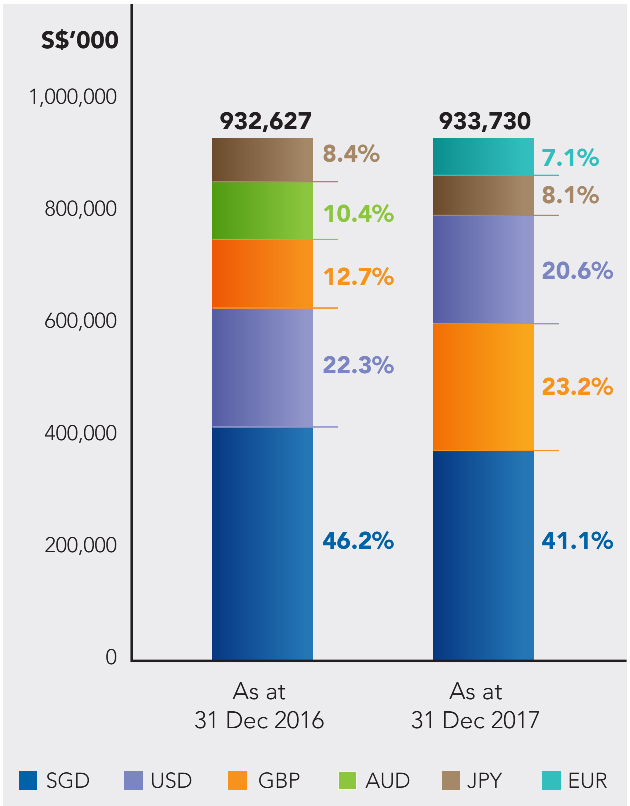
Debt Maturity Profile



Fixed-rate Versus Floating-rate Borrowings



Debt Currency Profile



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

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

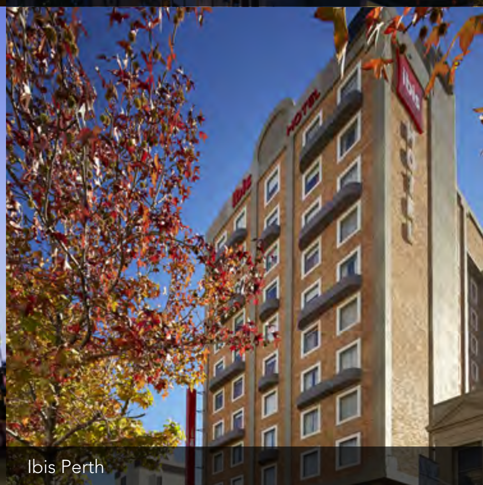

Orchard Hotel


Grand Copthorne Waterfront Hotel


M Hotel


Claymore Connect

Mercure Perth


Ibis Perth

Grand Millennium Auckland


Angsana Velavaru


Dhevanafushi Maldives Luxury Resort

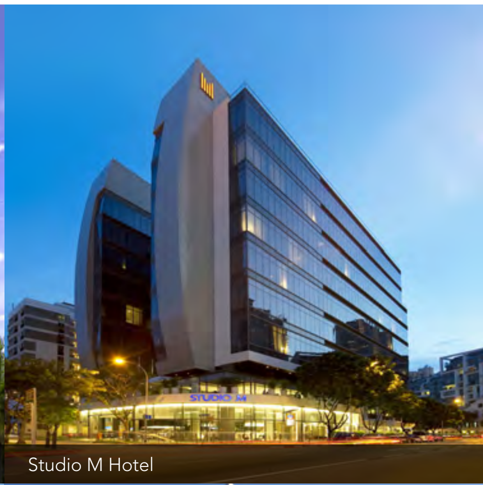
NUMBER OF PROPERTIES (1)

As at 11 January 2018

15 Hotels, 2 Resorts and 1 Retail Mall

(1) Excluding Mercure Brisbane and Ibis Brisbane (comprising 412 rooms collectively) which were divested on 11 January 2018


Copthorne King's Hotel


Studio M Hotel


Novotel Singapore Clarke Quay

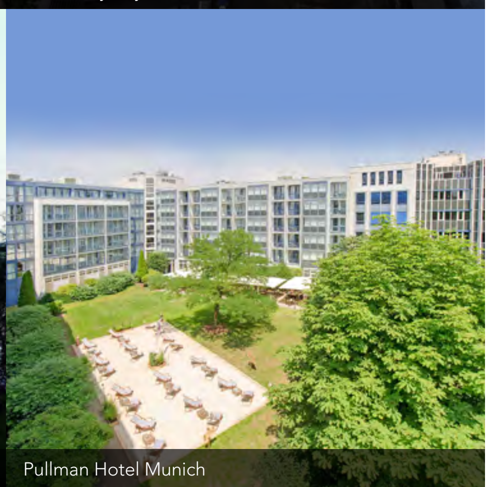

Novotel Brisbane


Hotel MyStays Asakusabashi


Hotel MyStays Kamata


Hilton Cambridge City Centre


The Lowry Hotel


Pullman Hotel Munich

NUMBER OF ROOMS (1)

As at 11 January 2018

5,002

ASSETS VALUED (1)

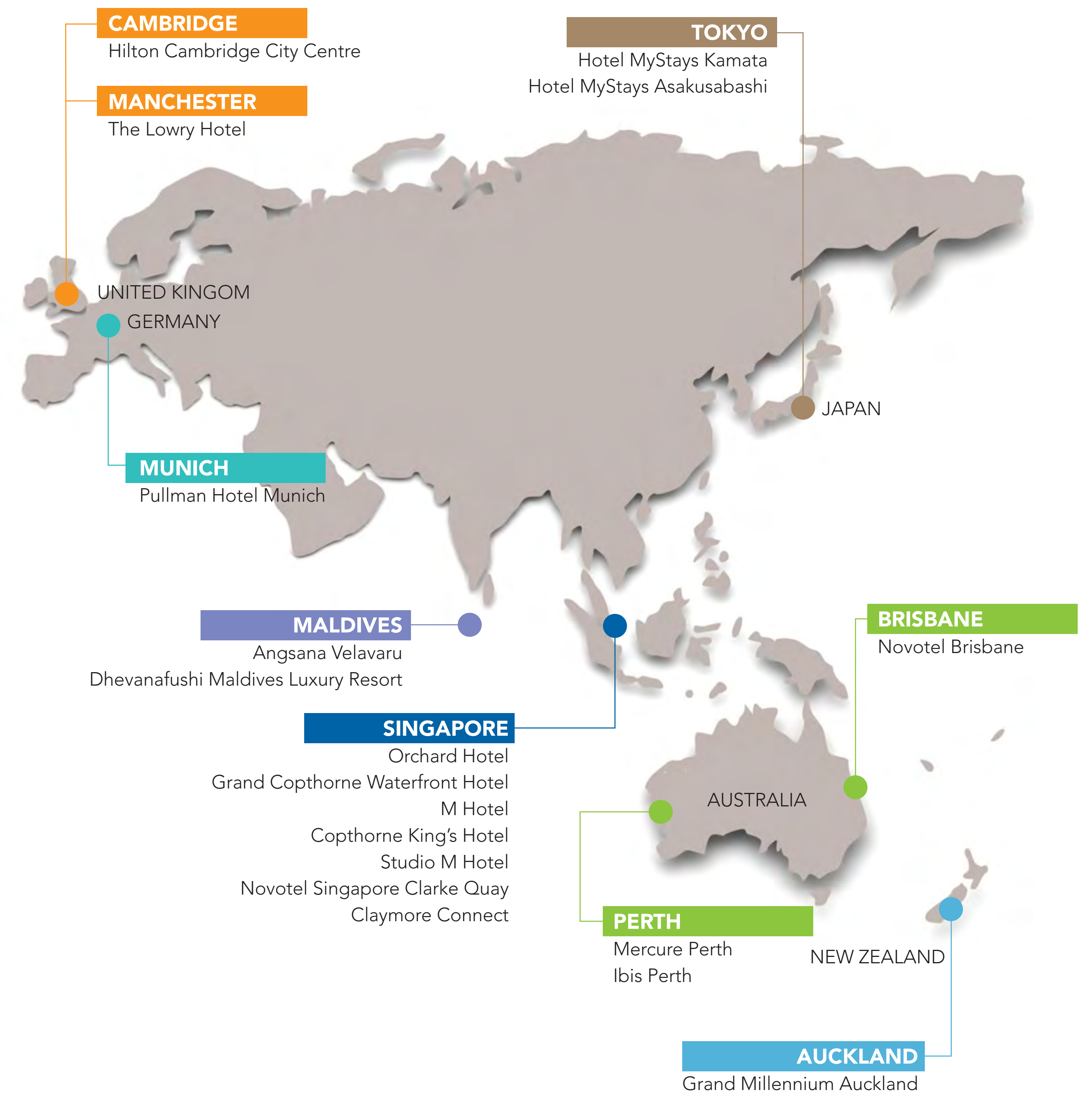
As at 11 January 2018

S$2.7 billion

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

As at 11 January 2018

COUNTRY EXPOSURE OF ASSETS UNDER MANAGEMENT



KEY PROPERTY DETAILS

Summary details of CDLHT's properties are as follows:

	No of Rooms	Title	Remaining Term of Land Lease	Date of Acquisition	Purchase Price in millions	Valuation in millions (1)
SINGAPORE						
Orchard Hotel	656	75-year leasehold interest commencing 19 Jul 2006	64 years	19 Jul 2006	S$330.1	S$430.0
Grand Copthorne Waterfront Hotel	574	75-year leasehold interest commencing 19 Jul 2006	64 years	19 Jul 2006	S$234.1	S$352.0
M Hotel	415	75-year leasehold interest commencing 19 Jul 2006	64 years	19 Jul 2006	S$161.5	S$234.0
Copthorne King's Hotel	310	99-year leasehold interest commencing 1 Feb 1968	49 years	19 Jul 2006	S$86.1	S$116.0
Studio M Hotel	360	99-year leasehold interest commencing 26 Feb 2007	88 years	3 May 2011	S$154.0	S$153.0
Novotel Singapore Clarke Quay	403	97 years and 30 days leasehold interest commencing 2 Apr 1980	59 years	7 Jun 2007	S$201.0	S$330.0
Claymore Connect	N.A.	75-year leasehold interest commencing 19 Jul 2006	64 years	19 Jul 2006	S$34.5	S$90.0
NEW ZEALAND						
Grand Millennium Auckland	452	Freehold	–	19 Dec 2006	NZ$113.0	NZ$230.0
AUSTRALIA (2)						
Novotel Brisbane	296	Strata Volumetric Freehold	–	18 Feb 2010	A$63.5	A$72.0
Mercure Perth	239	Strata Freehold	–	18 Feb 2010	A$36.2	A$48.0
Ibis Perth	192	Freehold	–	18 Feb 2010	A$21.6	A$33.0
MALDIVES						
Angsana Velavaru	113	50-year leasehold interest commencing 26 Aug 1997	30 years	31 Jan 2013	US$71.0	US$60.0
Dhevanafushi Maldives Luxury Resort	37	50-year leasehold interest commencing 15 Jun 2006	38 years	31 Dec 2013	US$59.6	US$41.0
JAPAN						
Hotel MyStays Asakusabashi	139	Freehold	–	19 Dec 2014	¥3,200	¥3,802
Hotel MyStays Kamata	116	Freehold	–	19 Dec 2014	¥2,600	¥2,741
UNITED KINGDOM						
Hilton Cambridge City Centre	198	125-year leasehold interest commencing 25 Dec 1990	98 years (3)	1 Oct 2015	£61.5	£62.3
The Lowry Hotel	165	150-year leasehold interest commencing 18 Mar 1997	129 years	4 May 2017	£52.5	£52.5
GERMANY						
Pullman Hotel Munich (4)	337	Freehold	–	14 Jul 2017	€104.7	€106.0

(1) All properties were valued as at 31 December 2017
(2) Mercure Bribane and Ibis Brisbane were divested on 11 January 2018
(3) 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)
(4) On the basis of a 100.0% interest. CDLHT owns an effective interest of 94.5% in Pullman Hotel Munich

OVERVIEW AND FINANCIAL REVIEW

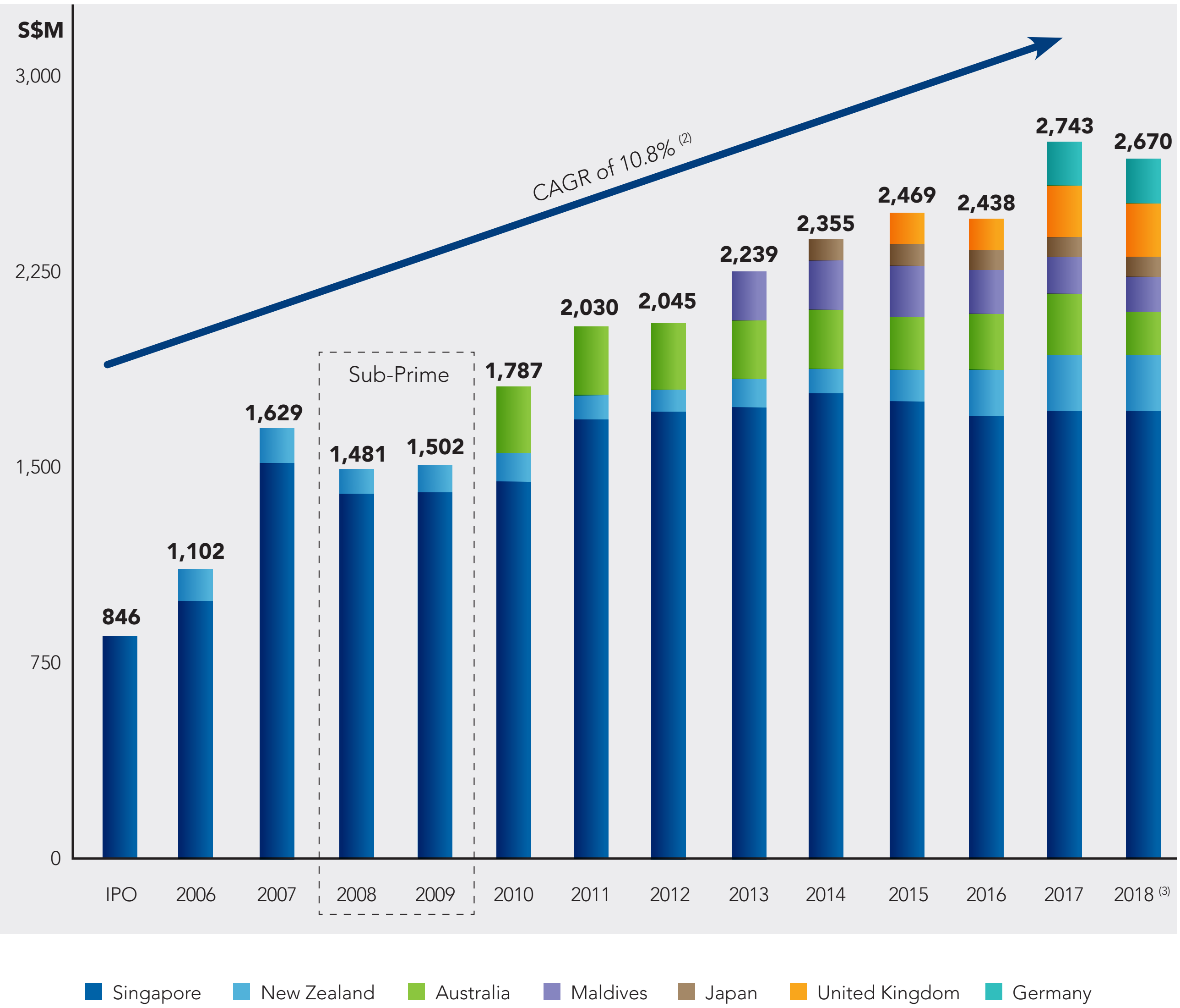
PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

PORTFOLIO VALUATION (1)

As at 31 December 2017, the valuation of CDLHT's portfolio value registered a 12.5% increase to S$2.74 billion. This was mainly due to the acquisition of The Lowry Hotel and Pullman Hotel Munich, as well as fair value gain on some of the Singapore Hotels, the Australia Hotels * and the NZ Hotel, which was partially offset by lower valuation of the Maldives Resorts as a result of the weaker trading environment and negative currency translation for the Japan Hotels.

Since IPO till 31 December 2017, the portfolio value of CDLHT has increased from S$0.85 billion to S$2.74 billion, representing a CAGR of 10.8%.

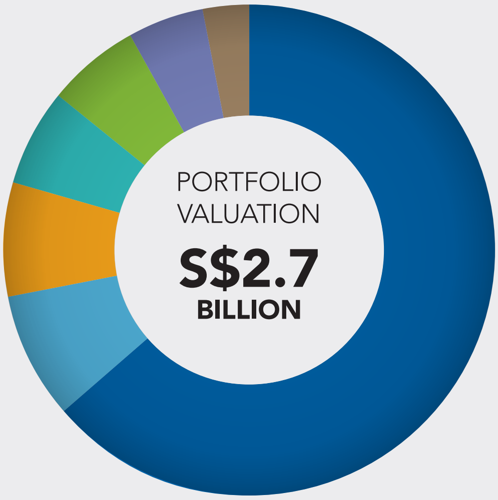
After the divestment of the two Brisbane hotels on 11 January 2018, CDLHT's portfolio consists of 15 hotels and two resorts, consisting of 5,002 rooms, as well as a retail mall, spread across seven countries with a portfolio value of S$2.67 billion.



* Australia Hotels in this instance includes Mercure Brisbane and Ibis Brisbane
(1) Numbers and percentages may not add up due to rounding
(2) CAGR from IPO to 31 December 2017
(3) Post divestment of Mercure Brisbane and Ibis Brisbane as at 11 January 2018

PORTFOLIO VALUATION BY GEOGRAPHY AND PROPERTIES*

As at 11 January 2018



SINGAPORE PORTFOLIO 63.9%

Singapore	**63.9%**
Orchard Hotel	16.1%
Grand Copthorne Waterfront Hotel	13.2%
Novotel Singapore Clarke Quay	12.4%
M Hotel	8.8%
Studio M Hotel	5.7%
Copthorne King's Hotel	4.3%
Claymore Connect	3.4%

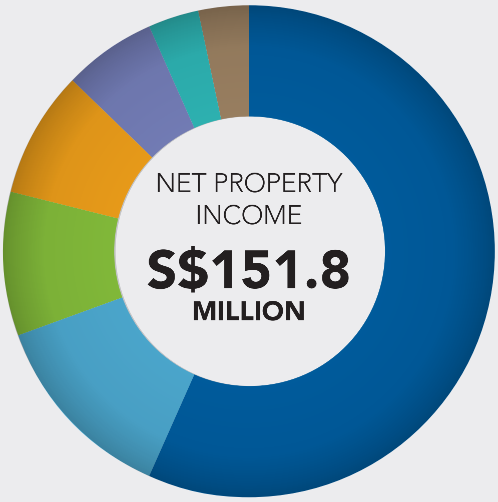
OVERSEAS PORTFOLIO 36.1%

New Zealand	**8.2%**
Grand Millennium Auckland	8.2%
United Kingdom	**7.7%**
Hilton Cambridge City Centre	4.2%
The Lowry Hotel (Manchester)	3.5%
Germany (1)	**6.3%**
Pullman Hotel Munich	6.3%
Australia (2)	**6.0%**
Novotel Brisbane	2.8%
Mercure Perth	1.9%
Ibis Perth	1.3%
Maldives	**5.1%**
Angsana Velavaru	3.0%
Dhevanafushi Maldives Luxury Resort	2.1%
Japan	**2.9%**
MyStays Asakusabashi	1.7%
MyStays Kamata	1.2%

* Numbers and percentages may not add up due to rounding
(1) On the basis of a 100% interest. CDLHT owns an effective interest of 94.5% in Pullman Hotel Munich
(2) Mercure Brisbane and Ibis Brisbane were divested on 11 January 2018

NET PROPERTY INCOME BY GEOGRAPHY AND PROPERTIES*

For FY 2017



SINGAPORE PORTFOLIO 56.8%

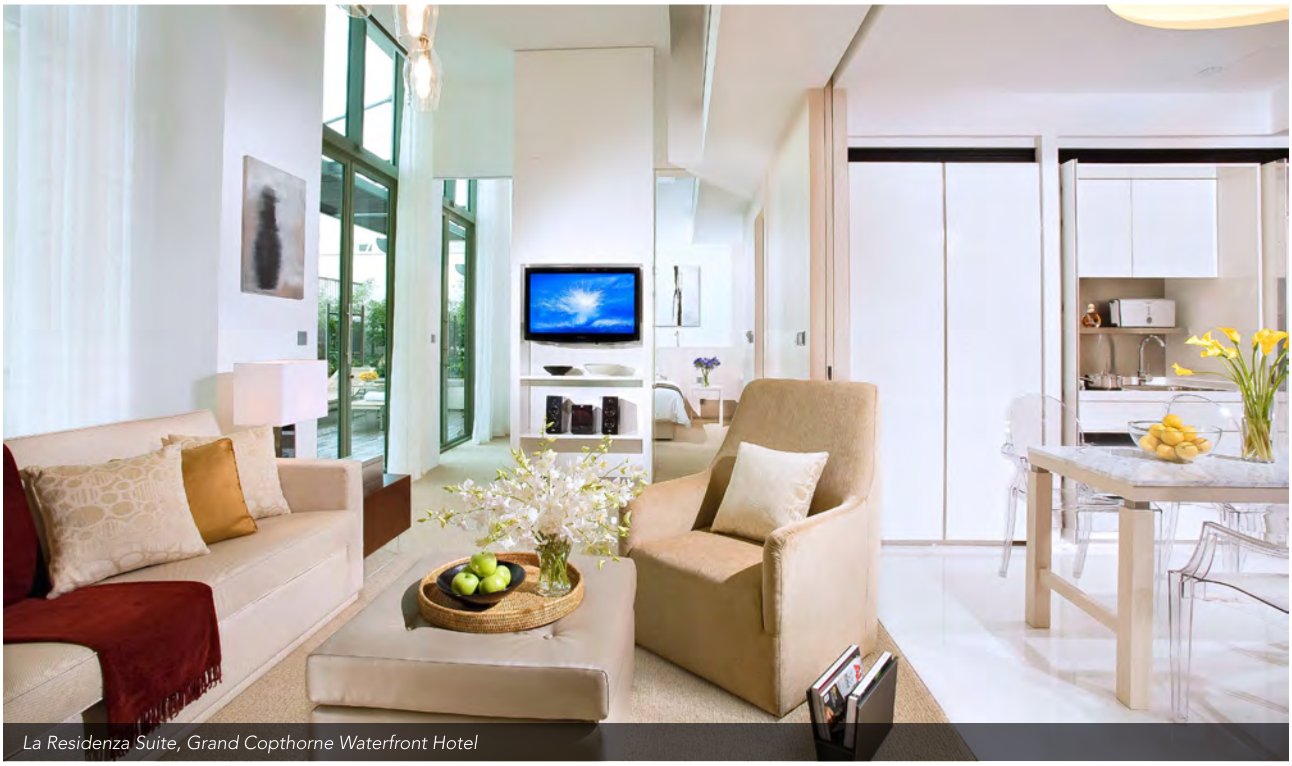
Singapore	**56.8%**
Novotel Singapore Clarke Quay	13.5%
Orchard Hotel	12.6%
Grand Copthorne Waterfront Hotel	11.6%
M Hotel	8.1%
Studio M Hotel	4.3%
Copthorne King's Hotel	3.8%
Claymore Connect	2.9%

OVERSEAS PORTFOLIO 43.2%

New Zealand	**12.8%**
Grand Millennium Auckland	12.8%
Australia	**9.5%**
Novotel Brisbane	3.4%
Mercure Brisbane (1)	1.7%
Ibis Brisbane (1)	1.1%
Mercure Perth	2.0%
Ibis Perth	1.3%
United Kingdom	**8.2%**
Hilton Cambridge City Centre	5.0%
The Lowry Hotel (Manchester) (2)	3.2%
Maldives	**6.3%**
Angsana Velavaru	4.8%
Dhevanafushi Maldives Luxury Resort	1.5%
Germany (3)	**3.3%**
Pullman Hotel Munich	3.3%
Japan	**3.1%**
MyStays Asakusabashi	1.8%
MyStays Kamata	1.3%

* Numbers and percentages may not add up due to rounding
(1) Mercure Brisbane and Ibis Brisbane were divested on 11 January 2018
(2) The Lowry Hotel was acquired on 4 May 2017, hence NPI contribution is for the period from 4 May 2017 to 31 December 2017
(3) Pullman Hotel Munich was acquired on 14 July 2017, hence NPI contribution is for the period from 14 July 2017 to 31 December 2017

PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS



La Residenza Suite, Grand Copthorne Waterfront Hotel

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

For FY 2017

CDLHT had 44 tenants in total for properties that were leased out in FY 2017: 10 for the hotel properties, 23 for Claymore Connect and 11 for the retail/office component of Pullman Hotel Munich. The top 10 tenants contributed to 94.8% of the total gross rental income for properties with leases.

		S$'000	% of Total Gross Rental Income*
1	Republic Hotels & Resorts Limited	26,185	18.2%
2	AAPC Clarke Quay Hotel Pte. Ltd.	21,693	15.1%
3	City Hotels Pte. Ltd.	20,712	14.4%
4	Hospitality Services Limited	19,419	13.5%
5	Harbour View Hotel Pte. Ltd.	13,572	9.5%
6	HI Operations Pty Ltd.	8,465	5.9%
7	Maldives Bay Pvt Ltd	8,289	5.8%
8	Republic Iconic Hotel Pte. Ltd.	6,875	4.8%
9	AAPC Properties Pty Ltd.	6,001	4.2%
10	UP Hotel Operations GmbH & Co. KG	4,882	3.4%

* Percentages may not add up due to rounding

(1) Does not include properties without leases, namely Dhevanafushi Maldives Luxury Resort, 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 2017

94.8% of CDLHT's gross rental income for FY 2017 [(1)] was attributed to hotel properties and the remaining 5.2% was attributed to CDLHT's only retail property, Claymore Connect, and also the small 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 Rental Income [(3)]
Singapore IPO Hotels	20 years from 19 Jul 2006 with an option to renew for another 20 years	2026	42.1%
Novotel Singapore Clarke Quay	Approximately 13.5 years from 7 Jun 2007 expiring 31 Dec 2020	2020	15.1%
Grand Millennium Auckland	Three years from 7 Sep 2016 with options to renew for two further 3-year terms each	2019	13.5%
Australia Hotels [(4)]	Approximately 11 years from 19 Feb 2010 expiring 30 Apr 2021	2021	10.1%
Angsana Velavaru	10 years from 1 Feb 2013 expiring 31 Jan 2023	2023	5.8%
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	4.8%
Claymore Connect	Range of lease terms - for details on lease expiry profile, refer to page 61		4.7%
Pullman Hotel Munich	Hotel: 20 years from 14 Jul 2017 expiring 13 Jul 2037	2037	3.4%
	Retail/office: Range of lease terms - for details on lease expiry profile, refer to page 79		0.4%

Weighted Average Lease Expiry	
Hotel Properties (All hotel leases)	6.7 years [(5)]
Pullman Hotel Munich (New hotel lease)	19.5 years
All retail/office leases	2.2 years [(6)]
New retail/office leases	3.5 years [(6)]

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 a separate disclosure is more meaningful.

In FY 2017, all the new leases entered into relating to Claymore Connect and the retail/office component of Pullman Hotel Munich represent only 0.9% [(7)] of total gross rental income for the year, while the new hotel lease for Pullman Hotel Munich represents 3.4% of total gross rental income for the year.

(1) Does not include properties without leases, namely Dhevanafushi Maldives Luxury Resort, 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) Percentages may not add up to 100% due to rounding
(4) Mercure Brisbane and Ibis Brisbane were divested on 11 January 2018
(5) Based on FY 2017 actual gross rental income and excludes Mercure Brisbane and Ibis Brisbane
(6) Based on the passing rental income in the month which the lease expires and excludes gross turnover rent. The weighted average lease expiry by NLA for all retail/office leases and the new leases are 2.5 years and 3.7 years respectively
(7) Computed based on gross rental income of new leases entered into at Claymore Connect and the retail/office component of Pullman Hotel Munich in FY 2017 as a percentage of gross rental income of all properties with leases for FY 2017

OVERVIEW AND FINANCIAL REVIEW

YEAR IN REVIEW

PERFORMANCE BY COUNTRY AND PROPERTY [1]

	FY 2017 S$'000	FY 2016 S$'000	Variance	FY 2017 S$'000	FY 2016 S$'000	Variance
PROPERTIES WITH LEASES	**Gross Rental Revenue**			**Net Property Income**		
Singapore	**95,844**	**95,370**	**0.5%**	**86,195**	**84,658**	**1.8%**
Singapore Hotels	***89,037***	***89,265***	***-0.3%***	***81,764***	***81,411***	***0.4%***
Orchard Hotel	20,712	21,707	-4.6%	19,083	19,816	-3.7%
Grand Copthorne Waterfront Hotel	18,948	18,117	4.6%	17,656	16,683	5.8%
M Hotel	13,572	13,741	-1.2%	12,315	12,510	-1.6%
Copthorne King's Hotel	7,237	7,733	-6.4%	5,806	6,313	-8.0%
Studio M Hotel	6,875	7,047	-2.4%	6,483	6,496	-0.2%
Novotel Singapore Clarke Quay	21,693	20,920	3.7%	20,421	19,593	4.2%
Singapore Retail	***6,807***	***6,105***	***11.5%***	***4,431***	***3,247***	***36.5%***
Claymore Connect	6,807	6,105	11.5%	4,431	3,247	36.5%
Australia	**14,466**	**14,438**	**0.2%**	**14,466**	**14,438**	**0.2%**
Mercure Brisbane	2,576	2,570	0.2%	2,576	2,570	0.2%
Ibis Brisbane	1,717	1,714	0.2%	1,717	1,714	0.2%
Novotel Brisbane	5,227	5,217	0.2%	5,227	5,217	0.2%
Ibis Perth	1,960	1,956	0.2%	1,960	1,956	0.2%
Mercure Perth	2,987	2,981	0.2%	2,987	2,981	0.2%
New Zealand	**19,419**	**13,274**	**46.3%**	**19,419**	**13,274**	**46.3%**
Grand Millennium Auckland	19,419	13,274	46.3%	19,419	13,274	46.3%
Maldives	**8,289**	**8,304**	**-0.2%**	**7,284**	**7,451**	**-2.2%**
Angsana Velavaru	8,289	8,304	-0.2%	7,284	7,451	-2.2%
Germany	**5,468**	**–**	**N.M.**	**5,081**	**–**	**N.M.**
Pullman Hotel Munich [2]	5,468	–	N.M.	5,081	–	N.M.
Sub-Total	**143,486**	**131,386**	**9.2%**	**132,445**	**119,821**	**10.5%**
MANAGED PROPERTIES [3]	**Gross Hotel Revenue**			**Net Property Income**		
Maldives	**14,587**	**17,481**	**-16.6%**	**2,265**	**3,855**	**-41.2%**
Dhevanafushi Maldives Luxury Resort [4]	14,587	17,481	-16.6%	2,265	3,855	-41.2%
Japan	**9,845**	**10,572**	**-6.9%**	**4,670**	**5,426**	**-13.9%**
Hotel MyStays Asakusabashi	5,701	5,994	-4.9%	2,723	3,115	-12.6%
Hotel MyStays Kamata	4,144	4,578	-9.5%	1,947	2,311	-15.8%
United Kingdom	**36,397**	**21,418**	**69.9%**	**12,380**	**8,458**	**46.4%**
Hilton Cambridge City Centre	20,344	21,418	-5.0%	7,569	8,458	-10.5%
The Lowry Hotel [5]	16,053	–	N.M.	4,811	–	N.M.
Sub-Total	**60,829**	**49,471**	**23.0%**	**19,315**	**17,740**	**8.9%**
Total Portfolio	**204,315**	**180,857**	**13.0%**	**151,760**	**137,560**	**10.3%**

(1) Numbers may not add up due to rounding
(2) As Pullman Hotel Munich was acquired on 14 July 2017, the gross revenue and NPI for FY 2017 include only contributions from 14 July 2017 to 31 December 2017
(3) These are properties with management contracts, with the exception of The Lowry Hotel which is self-managed
(4) Previously known as Jumeirah Dhevanafushi. AccorHotels is the new resort operator with effect from 1 September 2017
(5) As The Lowry Hotel was acquired on 4 May 2017, the gross revenue and NPI for FY 2017 include only contributions for from 4 May 2017 to 31 December 2017


Junior Ballroom, Novotel Singapore Clarke Quay

REVIEW OF FINANCIAL PERFORMANCE

CDLHT achieved a 13.0% increase in gross revenue to S$204.3 million in FY 2017, mainly due to additional revenue of S$21.5 million from The Lowry Hotel and Pullman Hotel Munich, which were acquired in May and July 2017 respectively. Grand Millennium Auckland posted a stellar performance and recorded a yoy increase in revenue contribution of S$6.1 million or 46.3%. There was also higher revenue contribution of S$0.7 million from Claymore Connect, and fixed rent from the Australia Hotels * increased due to the appreciation of the AUD against the SGD. These improvements more than offset the weaker trading performance from the Maldives Resorts and Japan Hotels, and lower contribution from Hilton Cambridge City Centre due to the weakened GBP during the year. These properties posted a collective yoy decline of S$4.7 million in revenue contribution.

Accordingly, total NPI for FY 2017 increased by 10.3% or S$14.2 million yoy to S$151.8 million. The inorganic contribution from the two new hotels, stable performance of the Singapore properties and strong underlying performance of Grand Millennium Auckland resulted in a combined NPI increase of S$17.6 million, outweighing the collective NPI decline of S$3.4 million from the Maldives Resorts, Japan Hotels and Hilton Cambridge City Centre.

During the year, the Managers repaid approximately S$250.0 million of borrowings in August 2017 with the proceeds of the rights issue, resulting in savings in interest expense. Together with lower exchange loss (which does not affect distributions to Stapled Security Holders), net finance cost decreased by S$5.7 million yoy.

With the healthy growth in overall NPI, total distribution to Stapled Security Holders (after retention for working capital) for FY 2017 increased 11.3% yoy to S$110.3 million. Due to the enlarged stapled security base from the rights issue, total DPS (after retention) for FY 2017 was 9.22 cents, lower compared to 9.63 cents [(1)] in FY 2016. Excluding the effect of the rights issue, total DPS (after retention) for FY 2017 would be 11.04 cents, an increase of 10.4% yoy.

* Australia Hotels in this instance includes Mercure Brisbane and Ibis Brisbane

(1) For the year ended 31 December 2016, DPS has been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities

YEAR IN REVIEW

CDLHT revalued its portfolio of properties as at 31 December 2017 and recorded a collective net gain of S$53.4 million mainly a result of net fair value gains on investment properties arising largely from the Singapore, New Zealand and Australia properties, which were partially offset by the diminution in value of its Maldives properties. This revaluation has no impact on CDLHT's distribution.

OPERATING EXPENSES	FY 2017	FY 2016
Total Operating Expenses # (S$'000)	116,160	100,808 (2)
Net Asset Value (S$'000)	1,840,273 (3)	1,546,421
Total Operating Expenses as a Percentage of Net Asset Value	**6.3%**	**6.5%**

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

HOTELS PERFORMANCE FOR FY 2017

Singapore

In 2017, the absence of biennial events, such as the Singapore Airshow and Food & Hotel Asia, coupled with the increase in Singapore hotel supply by 3,234 (4) rooms, representing a 5.1% increase, presented challenging trading conditions. In particular, seven new hotels opened in the last quarter of the year. Nonetheless, the Singapore Hotels managed to maintain a relatively stable performance compared to FY 2016, posting only a fractional 0.6% yoy decline in RevPAR to S$159. This was achieved through leveraging on the recovering corporate segment as well as strategically acquiring wholesale business to bridge the demand lull periods.

CDLHT'S SINGAPORE HOTELS PERFORMANCE	FY 2017	FY 2016	Variance
Average Occupancy Rate	86.7%	85.4%	1.3pp
Average Daily Rate	S$183	S$187	(2.2)%
RevPAR	S$159	S$160	(0.6)%

Overseas

In Maldives, the hospitality market remained challenging with the sustained weakness in travel demand from China and increased supply, despite the 8.0% growth in overall tourist arrivals in 2017 (5).The performance was also affected by the transition process of Dhevanafushi Maldives Luxury Resort. Accordingly, the Maldives Resorts posted a yoy RevPAR decline of 14.7% and total NPI contribution from the two resorts decreased 15.5% yoy to S$9.5 million in FY 2017.

Over in Japan, international visitor arrivals grew 19.3% yoy to 28.7 million for 2017 (6), leading to high occupancies in Tokyo and the Japan Hotels. However, the concurrent rapid expansion of local hotel chains, particularly in the economy accommodation sector, led to downward pressures on average room rates. Consequently, RevPAR for the Japan Hotels declined by 4.6% yoy and NPI contribution decreased by S$0.8 million to S$4.7 million for FY 2017, despite securing strong market share penetration.

NPI contribution from the Australia Hotels *, which are receiving fixed rent, increased by 0.2% yoy to S$14.5 million for FY 2017, due to the strengthening of the AUD against the SGD. As the divestment of Mercure Brisbane and Ibis Brisbane was only completed in January 2018, a full year's rental income was still recognised for FY 2017.

In New Zealand, the tourism sector enjoyed healthy growth with total visitor arrivals increasing 6.7% yoy to a record 3.7 million (7) for 2017. The NPI contribution from Grand Millennium Auckland was also strengthened by higher rated base business and the change in lease structure in September 2016, which provided a higher proportion of variable rent. As such, Grand Millennium Auckland achieved a substantial RevPAR and NPI growth of 25.9% and 46.3% yoy respectively.

* Australia Hotels in this instance includes Mercure Brisbane and Ibis Brisbane
(2) S$8,080,000 of impairment loss on property, plant and equipment and prepaid land lease relating to Dhevanafushi Maldives Luxury Resort was reclassified out from total operating expenses for FY 2016
(3) This excludes minority interests
(4) Based on STB, Horwath data (January 2018) and CDLHT research
(5) Ministry of Tourism, Republic of Maldives, Tourism Monthly Updates
(6) Japan National Tourism Organization
(7) Tourism – Statistics New Zealand

The UK enjoyed strong inbound tourism in 2017, with visitor arrivals increasing 5.5% yoy to 33.3 million for YTD October 2017 [8], driven mainly by the relatively weaker GBP. However, the increased room supply in Cambridge placed pressure on hotel occupancies which moderated the RevPAR growth of Hilton Cambridge City Centre to 1.9% yoy. While revenue from Hilton Cambridge City Centre was flat in GBP terms, NPI contribution in SGD terms was lower mainly due to a weakened GBP, higher property tax and operating expenses. In Manchester, the terror attacks in May 2017 resulted in softer demand from entertainment groups for the rest of 2017 due to the closing of Manchester Arena, which was subsequently reopened in September 2017. Despite this, The Lowry Hotel, which was acquired on 4 May 2017, achieved a respectable RevPAR growth of 1.8% [9] in 2H 2017 under CDLHT's ownership. On a combined basis, NPI from the UK market increased by 46.4% to S$12.4 million for FY 2017.

Pullman Hotel Munich in Germany, which was acquired on 14 July 2017, has achieved stable performance under CDLHT's ownership. RevPAR rose 0.6% [10] in 2H 2017 as a new airline crew contract helped mitigate the effects of supply growth in the city.

GROWTH FROM ACQUISITION

Expanding CDLHT's presence in UK

On 4 May 2017, CDLHT marked its second investment in UK and in the high growth region of Manchester through the acquisition of The Lowry Hotel, for a property price of £52.5 million which was fully funded by GBP-denominated debt. HBT is the owner and operator of The Lowry Hotel.

Superior Room, The Lowry Hotel

Façade of The Lowry Hotel

The Lowry Hotel is a 5-star luxury hotel offering 165 rooms and a comprehensive suite of facilities. The guest rooms, public areas, hotel spa and six luxurious suites were recently refurbished in 2015 and 2016. Located in proximity to the heart of Manchester city centre, and approximately 16.0 km from Manchester Airport, it is also within the vicinity of top office developments such as Spinningfields, prominent retail establishments such as Arndale Shopping Centre, one of the busiest retail malls in UK [11], and entertainment hubs such as Royal Theatre Exchange, the Manchester Opera House and the Manchester Arena.

The Lowry Hotel is one of three 5-star hotels in Manchester [12] and well known throughout the UK. Since its opening in 2001, it has hosted many notable celebrities, prominent foreign dignitaries, sports stars as well as prestigious football teams.

(8) International Passenger Survey, Office for National Statistics
(9) The yoy RevPAR comparison assumes CDLHT owned The Lowry Hotel in the six month period ended 31 December 2016
(10) The yoy RevPAR comparison assumes CDLHT owned Pullman Hotel Munich in the six month period ended 31 December 2016 and the first 13 days of July 2017
(11) Intu Group, Manchester Arndale
(12) Knight Frank Valuation Report dated 31 December 2017

OVERVIEW AND FINANCIAL REVIEW

YEAR IN REVIEW

Manchester is one of the key beneficiary cities of the Northern Powerhouse proposal [13] by the UK government to boost economic growth in the North of England, particularly in major northern cities such as Manchester. Accordingly, significant amount of investment is being ploughed into Manchester as it is in the process of regenerating key areas, creating new employment opportunities and bolstering the local economy [14]. Manchester's economy is also well-balanced across all sectors [15] and is less prominently exposed to the financial sector which is expected to be the industry most affected by Brexit.

Besides having strong corporate demand drivers in place, sporting demand – in particular, football-related demand – is well associated with The Lowry Hotel. Manchester is home to two world-famous football clubs – Manchester United and Manchester City. Fans from all over the world travel to Manchester to watch football matches and take part in stadium tours.

Additionally, with the Manchester Arena being one of the largest concert venues in Europe [16], high profile concerts are frequently held in Manchester which draws large crowds to stay in the city. Overall, the high tourism demand is evident from the 20.0% yoy growth in international visitor arrivals to 1.4 million [17] in 2016 and total passenger volume in Manchester charted a growth of 8.6% yoy in the full year of 2017 [18].

The acquisition of The Lowry Hotel is expected to benefit Stapled Security Holders through both the opportune entry at a low point of the GBP currency cycle as well as gaining exposure to the fast-growing Manchester hospitality market.

Maiden entry into the largest economy in Europe through Munich, Germany

Lobby, Pullman Hotel Munich


Executive Room, Pullman Hotel Munich

On 14 July 2017, CDLHT acquired Pullman Hotel Munich for a property price of €98.9 million [19], which was fully funded by debt. This acquisition marks CDLHT's first investment in Germany and in the Bavarian capital of Munich, further diversifying its portfolio.

Pullman Hotel Munich is a mixed-use complex consisting predominantly of a 337-room upper upscale hotel with a 4-star rating and a comprehensive suite of facilities, as well as secondary spaces let out to four retail and seven office tenants. Between 2012 and 2016, a total of €17.6 million was invested towards renovation and refurbishment of the hotel, including a full renovation of its 337 guest rooms, F&B outlets, spa and lobby areas. Pullman Hotel Munich is leased and operated by EVENT Hotels, the largest fully integrated hotel management platform in Germany which owns, operates and manages 59 hotels with approximately 11,000 keys throughout Europe, of which 30 hotels with approximately 8,000 keys are in Germany.

(13) Government of UK, "Chancellor on building a Northern Powerhouse", 14 May 2015
(14) The Telegraph, "How Manchester's revival is leading the Northern Powerhouse", 5 December 2016
(15) Savills, Manchester Office Market Report, March 2017
(16) Manchester Evening News, Manchester Arena
(17) VisitBritain, Statistics on Inbound Tourism to Britain by Area
(18) Manchester Airport Traffic Statistics
(19) Including its office and retail components. €98.9 million is the property price of H-REIT's effective interest of 94.5%

It is strategically located adjacent to the commercial district of "Parkstadt Schwabing", which is home to a variety of national and international companies. Pullman Hotel Munich also 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. It is also in proximity to many of Munich's popular tourist destinations including the English Garden, the BMW headquarters and Allianz Arena.

As an important business hub and trade fair destination within Germany, as well as a popular tourism destination renowned for its sporting and cultural appeal, Munich recorded about 7.1 million total arrivals and 14.3 million overnight stays in all accommodation facilities in 2017 [20]. Munich is home to high-tech industries, traditional production, information and communication technology, automotive engineering, medical engineering and finance, all of which are strong market drivers and the city is host to the headquarters of various companies listed on the Frankfurt Stock Exchange, including Siemens AG, Allianz, Linde, Munich RE and BMW. Alongside the balanced mix of industries, Munich is also a highly attractive MICE destination with more than 70 trade shows set to take place in Munich from 2017-2018 [21].

In terms of leisure demand, Munich is home to FC Bayern Munich, the dominant football team in Germany, with its homeground stadium being Allianz Arena. The city is a vibrant tourist destination with important cultural attractions and is host to the internationally renowned Oktoberfest, which is the world's largest beer festival and funfair held in September, attracting close to six million visitors annually [22].

The acquisition of Pullman Hotel Munich is expected to benefit Stapled Security Holders through increased geographical diversification while drawing on the resilience and potential growth of the German hospitality sector.

NURTURING FOR GROWTH

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

For the Singapore portfolio, Hua Ting Restaurant in Orchard Hotel opened in December 2017 after extensive rejuvenation works and the revamped restaurant offers guests a more enriching dining experience. In Studio M Hotel, kitchen works have been completed for breakfast operation in January 2018.

Entrance, Hua Ting Restaurant

Hua Ting Restaurant

(20) Muenchen.de
(21) Events Eye, Trade Shows in Munich 2017-2018
(22) Oktoberfest.de website

YEAR IN REVIEW

For CDLHT's overseas assets, 81 rooms in Hotel MyStays Asakusabashi and 53 rooms in Hotel MyStays Kamata underwent a soft refurbishment in January 2018 when demand was seasonally weaker. Three rooms at Hotel MyStays Asakusabashi are currently being converted into a traditional Japanese design. Over in Australia, Mercure Perth completed a refurbishment of its 239 rooms in 2017. In the UK, Hilton Cambridge City Centre opened its new Executive Lounge and a new restaurant concept, the Bull & Bass Restaurant, in January and July 2017 respectively. During the year, modernisation works to the lobby were completed and guest check-in capabilities were enhanced technologically.

On 1 September 2017, CDLHT appointed AccorHotels as the new operator for one of the Maldives Resort, the former Jumeirah Dhevanafushi and an extensive asset enhancement and full rebranding exercise is being planned in 2018. Upon completion, the resort will join the iconic collection of Raffles Hotels and Resorts in late 2018.

On 22 December 2017, CDLHT announced the divestment of Mercure Brisbane and Ibis Brisbane which was successfully completed in January 2018.

STRONG CAPITAL STRUCTURE AND PRUDENT RISK MANAGEMENT

As at 31 December 2017, CDLHT's total borrowings stood at S$933.7 million with a gearing ratio of 32.6%. CDLHT is rated BBB- on the Fitch Issuer Default Rating and has an interest cover of 7.3 times for FY 2017.

To optimise risk-adjusted returns to Stapled Security Holders, CDLHT endeavours to balance an appropriate mix of debt and equity in financing acquisitions and adopts proactive interest rate management strategies by maintaining a higher percentage of fixed rate borrowings and through the use of interest rate swaps, where appropriate.

During the year, CDLHT raised gross proceeds of S$255.4 million through the successful launch of a rights issue. The proceeds from the rights issue were used to repay A$93.2 million and US$75.0 million of term loan facilities as well as S$47.3 million of revolving credit facility. In end 2017, the Managers fully refinanced the bridge loan for the acquisition of The Lowry Hotel into a £54.0 million 5-year fixed-rate term loan; and more than 50% of the bridge loan for the acquisition of Pullman Hotel Munich into a US$76.2 million 5-year term loan which was fixed via a USD/EUR cross currency swap.

As a result of the realignment of CDLHT's capital structure and prudent management of debt profile, the average cost of debt was lowered to 2.1% and floating rate risk remains well managed with the proportion of borrowings on fixed interest rates at 59.1% as at 31 December 2017. Our weighted average debt to maturity is 2.6 years and 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$1.690 per Stapled Security as at 31 December 2017. Since IPO, the Stapled Security's price has appreciated by 103.6%. In year 2017, the Stapled Security's price increased by 31.1% from S$1.340, the closing price as at 31 December 2016.

Assuming a unitholder held the Stapled Securities from IPO till 31 December 2017 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 329.9%. On the same basis, the total return of the Stapled Securities would have been 39.9% in year 2017.

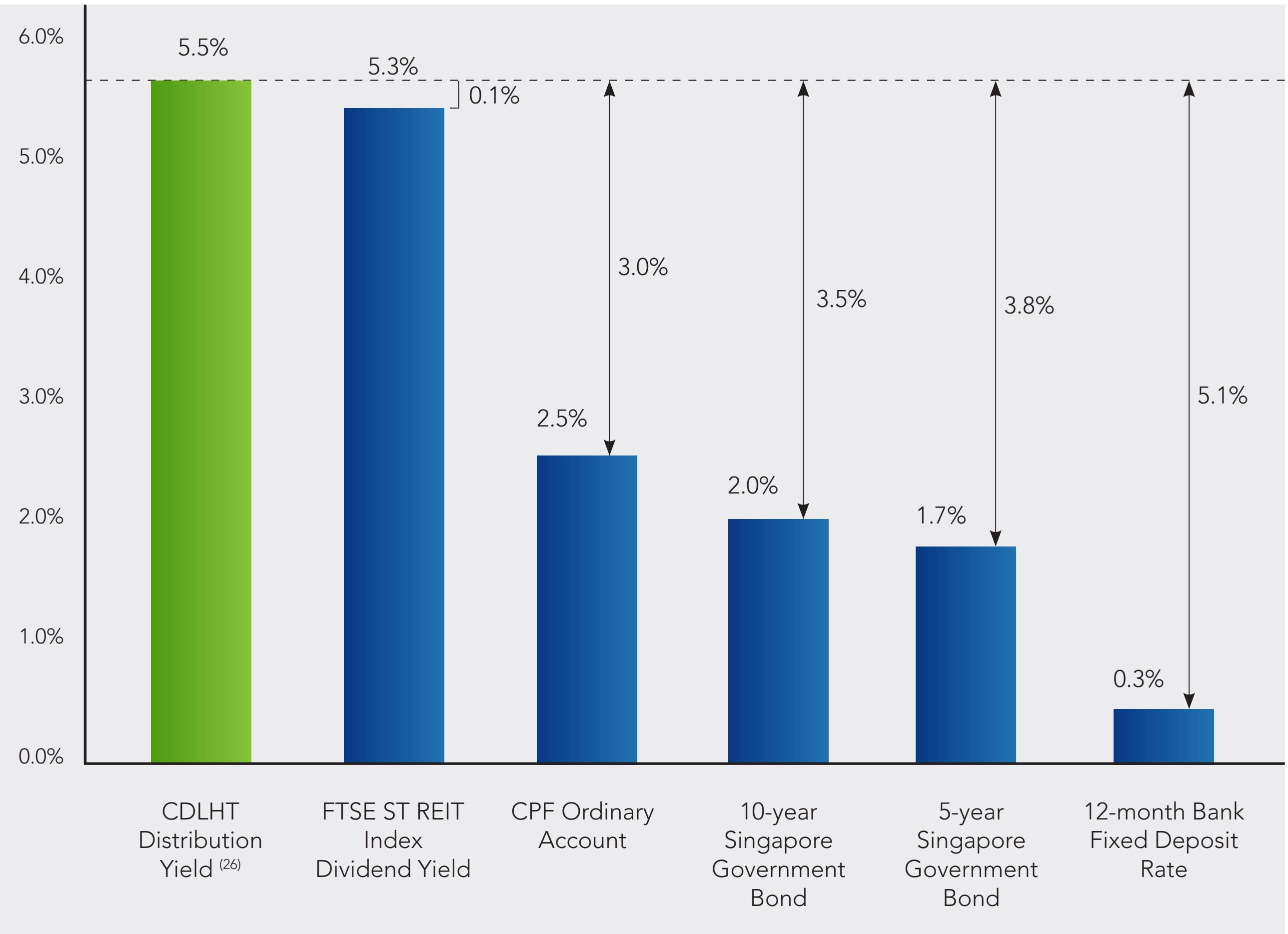
SUMMARY OF STAPLED SECURITY PRICE STATISTICS	
IPO as at 19 July 2006	S$0.830
Closing Price as at 31 December 2016	S$1.340
Closing Price as at 31 December 2017	S$1.690
Highest Price in FY 2017	S$1.690
Lowest Price in FY 2017	S$1.350
Weighted Average Price in FY 2017	S$1.563
Trading Volume in FY 2017 (Number of Stapled Securities)	387.1 million

Source: Bloomberg

RETURN ON INVESTMENT	From 1 Jan 2017 to 31 Dec 2017	Since Listing on 19 Jul 2006 to 31 Dec 2017
Price Change	26.1% (23)	103.6%
Total Return (24)	39.9%	329.9%

Source: Bloomberg

DISTRIBUTION YIELD VERSUS OTHER INVESTMENT INSTRUMENTS (25)



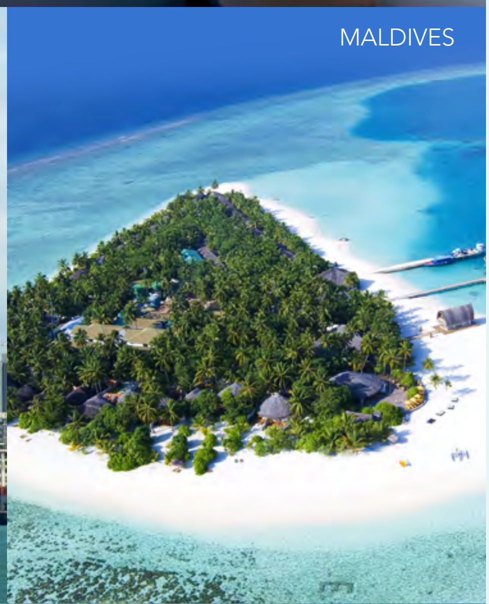
(23) Calculation of the price change is based on the closing price on 31 December 2017 compared with the closing price on 31 December 2016
(24) Total return comprises capital appreciation and assumes distributions paid out during the period from 1 January 2017 to 31 December 2017 are reinvested in the Stapled Securities of CDLHT
(25) All information as at 31 December 2017 and percentages may not add up due to rounding
(26) Based on CDLHT's DPU of 9.22 cents for FY 2017 and closing price of S$1.690 as at 31 December 2017

MARKET REVIEW


BRISBANE


PERTH


AUCKLAND


MALDIVES


MANCHESTER


MUNICH

MARKET REVIEW

SINGAPORE HOTEL PROPERTY SECTOR

As of 1 March 2018

CBRE

SINGAPORE TOURISM MARKET

Based on statistics from the STB released on 20 February 2018, Singapore welcomed 17.4 million visitors in 2017. This represents a 6.2% increase yoy fuelled by a surge in visitors from Singapore's top source markets like China and India. Similar to previous years' trends, Singapore's top five source markets are China (3.23 million, 18.5%), Indonesia (2.95 million, 17.0%), India (1.27 million, 7.3%), Malaysia (1.17 million, 6.7%) and Australia (1.08 million, 6.2%).

In 2017, visitor numbers from China reached 3.2 million, a 12.7% increase yoy, overtaking Indonesia as Singapore's top source market. The surge in Chinese travellers could be attributed to greater flight connectivity between China and Singapore, resulting from new flights from Guangzhou, Shijiazhuang and Yantai via the Spring, Hebei and China Eastern Airlines [(1)]. STB has been continually investing in growing tourism numbers form tier 2 and 3 cities in China. Some initiatives or partnerships include the S$4.5 million one-year partnership with Changi Airport Group, the launch of online training portal for Chinese trade agents and digital partnerships with companies such as Tencent.

Indonesia, the nation's second largest visitor market, only showed a growth of 2.1% in 2017, with visitor arrivals totalling at 3.0 million. Indian tourists especially, showed good growth rates during the same period. There were 1.3 million Indian tourists as at 2017, a 15.9% increase yoy. India is currently Singapore third largest feeder market to Singapore.

Nonetheless, whilst Singapore observed an increase in quantum of arrivals, the rate of growth has decelerated. The strong Singapore dollar vis-a-vis her regional countries has made consumption more expensive and less attractive. In addition, the competition for tourism dollar has intensified in recent years in Asia. Moving forward, STB needs to ensure the sustainability of visitor arrivals by tapping on different source markets and visitor profiles.

Terminal 4 opened in the last quarter of 2017 and has increased Changi Airport's capacity by another 16 million passengers annually, bringing the total to 82 million passengers. Terminal 4 will also have many shops and restaurants with new retail and lifestyle offerings to entice passengers. With Terminal 5 (opening mid 2030s) and an iconic lifestyle project Jewel Changi Airport currently in development, this will help strengthen Changi Airport's position as a world class airport and destination for all passengers and capture growth opportunities in the aviation industry. A number of major leisure and business events expected to drive demand in 2018 include the Food & Hotel Asia 2018, BroadcastAsia, Singapore International Water Week, World Cities Summit, Singapore Cocktail Festival, YPO Edge 2018, Industrial Transformation Asia Pacific and the 32nd ASEAN Summit, among others.

EXISTING SUPPLY

The hotel market has had a relatively stable supply for numerous years. According to STB, there was an increase of 3,234 rooms into the market, representing a 5.1% increase yoy. The hotel openings include 220-key Ascott Orchard, 610-key YOTEL Orchard, 343-key Andaz DUO, 225-key InterContinental Singapore Robertson Quay and 223-key Sofitel Singapore City Centre, among others. Hotel supply in Singapore is not expected to increase significantly in the next two years as most of the planned pipeline has been launched thus far.

FUTURE SUPPLY

Approximately 2,900 rooms are expected to be added between 2018 and 2019, with 2019 having the larger increase in room inventory. However, it is also likely that some projects will experience delays in construction, postponements or even cancellations. CBRE expects operational headwinds and increased competition to ease gradually as additional supply starts to taper off. Hotels opening in 2018 include Six Senses Duxton, Six Senses Maxwell, Holiday Inn Express Serangoon Singapore and Laguna Dusit Thani, among others whilst hotels opening in 2019 includes YOTELAIR Changi Airport, Capri by Fraser China Square, Edition Singapore and three properties by Far East Hospitality - Village Hotel Sentosa, The Outpost Sentosa and a 40-key upscale hotel in Sentosa. In addition, the Ascott Limited is expected to have 2 openings in 2020, including the 279-unit lyf Funan Singapore and the 320-room Citadines Rochor and 3 openings in 2021, including the 240-unit lyf Farrer Park Singapore, 166-unit Citadines Balestier and another serviced apartment at Raffles Place. Although the growth in inventory helps translates to greater hotel stock diversity and growth in demand may help to reblance hotel performance, we expect market occupancy to face some downward pressure in the short term as the market struggles to absorb the increased inventory.

The government previously put a moratorium on the development of hotels. Despite this, Singtel recently managed to obtain provisional permission to redevelop its Hill Street property into a hotel and the development site was recently sold to EL Development. The property currently comprises three buildings: Singtel's Central Exchange tower block and two lower-rise office buildings. In addition, the URA has released for public tender a commercial site at Beach Road under the Government Land Sales (GLS)

(1) STB Year-in-Review presentation

Programme. The two-hectare site, will be predominantly an office development with other uses like hotel and serviced apartments. These two sites highlight the possibility of new hotel developments entering the Singapore market, either via redevelopment or the GLS programme. The addition is expected to be well absorbed in the next 3-5 years due to limited supply from 2020 onwards.

HOTEL MARKET PERFORMANCE

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

Hotel performance has been improving steadily from 2009 and peaked in 2012. In 2012, ADR increased 5.7% to reach $261.3 with an occupancy level of 87.0% and a RevPAR of $226.0. Trading performance started declining thereafter in light of uncertain global economic outlook and increasing room supply.

For full year 2017, hotel performance dipped as ADR and RevPAR decreased 3.3% and 1.5% yoy to $215.6 and $182.5 respectively. The fall in market ADR could be a result of operators' pricing strategy to maintain occupancy via dropping rates amid the downward pressure from the large influx of supply in the hotel market.

HOTEL MARKET OUTLOOK

Going forward in the near term, the weaker economy sentiments and geopolitical tensions between USA and North Korea might affect leisure and corporate travel sentiments and hence travel demand. Moreover, whilst the growth in market inventory helps translates to greater hotel stock diversity and growth in demand, we expect market occupancy to face some downward pressure in the short term as the market struggles to absorb the increased inventory.

However, despite all these, CBRE expects the tourism industry and performance to hold steady after the oversupply gradually tapers off and growing quality tourist attractions and continual marketing efforts made by STB boost travel demand in the longer term.

Also, CBRE believes that Singapore's position as a financial hub will continue to attract business travellers while the existing capacity in conference and exhibition space enables Singapore to host larger business and MICE meetings, anchoring Singapore's position as a leading international meeting city and a strategic gateway for conducting business with Asia Pacific region and the rest of the world. Furthermore, leisure visitors will be drawn to attractions such as the National Gallery of Singapore, Gardens by the Bay, Marine Life Park and River Safari as well as events hosted.

CBRE forecasts visitor arrivals to to increase by 4.0% to reach 17.8 million visitor arrivals in 2018, in line with STB's forecast of 17.6 to 18.1 million.

Hotel supply will stagnate after year 2020, due to the government's earlier strategy of limiting new hotel addition to prevent oversaturation in the market. However, we see a renewed interest today to develop hotels, be it redevelopment or on new sites. Moving forward, this will help rebalance supply and demand in the market, and allow Singapore to continue as the frontrunner regionally in the tourism industry.

Amidst economic uncertainty globally, there could be a positive spin off for the Singapore market. Risk averse institutional investors may start rebalancing their portfolio back to Asia. With strong and stable fundamentals, Singapore's hotel market can be a potential beneficiary for injection of fresh capital inflows.

Singapore is expected to remain one of the top hospitality markets in the region due to its strong fundamentals. STB and CAG's continual marketing efforts are expected to drive greater demand from the regional market while the aggressive expansion in low cost carriers, growing affluence in emerging economies and depressed oil prices will help to increase air traffic volume, especially within Asia Pacific. Similarly, a strong pipeline of business events and deals with trade partners will help further anchor Singapore's position as a premier MICE event destination. In addition, a stable political and economic environment will be the key for the future development of the industry in Singapore.

BRISBANE, AUSTRALIA HOTEL PROPERTY SECTOR

As of 1 March 2018

JLL

TOURISM MARKET

Over the 2016/17 financial year, Brisbane reported 1,214,891 international visitors who spent 26,159,997 visitor nights in the region. This represents 3.9% growth in international visitors and a strong 8.9% growth in international visitor nights compared to the previous financial year. When compared to Queensland, Brisbane represented approximately 46.4% of total international visitors with an average length of stay in excess of 21 nights. Major source markets include China, other regions in Asia, Korea, Taiwan and the United Kingdom. Of these international visitors to Brisbane approximately 54.1% stayed in paid accommodation (hotel/motel/resort/guest house/serviced apartment or a rented house/apartment/unit/ villa).

In the same period, Brisbane attracted 6,416,480 domestic visitors equating to 18,976,662 visitor nights. This represents approximately 26.7% of total visitors to Queensland and an average length stay of 3 nights. Visiting Friends and Relatives accounted for 46.6% of all domestic visitor nights followed by Holiday/Leisure with 23.5% of all visitor nights.

HOTEL MARKET PERFORMANCE

According to information sourced from STR Global, the Brisbane hotel market peaked in 2012 as a result of minimal new room supply and strong demand growth underpinned by the buoyant corporate, government and mining sectors. According to the STR statistics, Brisbane hotel occupancies peaked in 2011 at 81% while market ADR peaked in 2012 at $190. As a result of the strong trading conditions experienced, Room Yield peaked at $151 in 2012.

However, for the five years ending 2017, occupancies declined year on year from approximately 80% in 2012 to 72% in 2016, recovering slightly to 74% in 2017. Market ADR also declined from the 2012 peak to $159 in 2017, resulting in an average decline in Room Yield by around 4.8% from 2012 to 2017.

EXISTING AND FUTURE SUPPLY

Brisbane is one of Australia's hotel development focus points with a strong pipeline of projects. Local and State Government has provided strong support for hotel development in recent years. This support has been driven from strong demand in the corporate and government sectors between 2009 and 2012 during which time there was relatively limited hotel development. In addition, a well-intended motivation to grow and position Brisbane as a global commercial centre encouraged interest in the sector. Significant incentives were included in the Brisbane City Council's infrastructure charges moratorium for new hotel development in place between July 2011 and June 2015.

With regards to anticipated future supply, JLL Hotels & Hospitality Group are aware of seven properties which are currently under construction in Brisbane City, which once complete, will result in a net increase of 1,527 rooms, or 13.1% on the existing stock.

We are also aware of a further six proposed and nine mooted accommodation projects comprising approximately 1,174 and 1,072 rooms respectively. We note that mooted projects include those where a Development Application (DA) for accommodation rooms has been approved. This differs to proposed projects where a DA has been approved and JLL has determined that construction is imminent. Given the prevailing levels of supply coming to market, it is our view that the likelihood of some mooted projects proceeding in the near terms is diminished.

HOTEL MARKET OUTLOOK

Brisbane's accommodation market has moderated since mid-2012 in line with softening government, corporate and convention related demand, which have all been impacted by the slowdown in the resource sector. Notwithstanding, trading performance showed some signs of improvement in 2014, boosted by the G20 summit in November. However, subsequent demand growth has been outpaced by the increases in hotel room supply. That said, the market saw a modest increase in occupancy levels in 2017.

Improved trading performance will be somewhat dependent on the extent of a recovery in the corporate and conference segment as well as growth in the leisure segment, as well as events. Ultimately, resource sector related corporate demand may also improve over the medium term with renewed investment in mining infrastructure. It is anticipated at this stage that demand growth will be progressive and spread over the medium to long term. Most challenging for the Brisbane market will be its ability to absorb the ongoing increases to supply.

Notwithstanding the supply challenges currently faced, recent investment in convention related infrastructure including the expansion of Brisbane Convention and Exhibition Centre and the opening of the Royal International Convention Centre (RICC) are expected to enhance the longer-term outlook in terms of both corporate and leisure demand. Other projects aimed at revitalising Brisbane's CBD and enhancing Brisbane as a leisure destination are also beneficial. Of particular note are major projects such as the Queens Wharf and the Howard Smith Wharves redevelopment. In terms of corporate demand, improved air access by virtue of a further runway and an established commercial property market are also considered medium/ long term drivers that enhance the strategic appeal of Brisbane as a commercial and logistics related capital.

PERTH, AUSTRALIA HOTEL PROPERTY SECTOR

As of 1 March 2018

JLL

TOURISM MARKET

Over the 2016/17 financial year, Perth reported 921,453 international visitors who spent 22,525,999 visitor nights in the region. This represents a strong 9.7% growth in international visitors with a 4.1% increase in international visitor nights compared to the financial year prior. When compared to Western Australia, Perth represented approximately 95.4% of total international visitors with an average length of stay in excess of 24 nights. Major source markets include China, the United Kingdom, Malaysia and Singapore. Of these international visitors to Perth approximately 46.9% stayed in paid accommodation (hotel/motel/resort/guest house/serviced apartment or a rented house/apartment/unit/ villa).

In the same period, Perth attracted 3,740,888 domestic visitors equating to 12,630,117 visitor nights. This represents approximately 35.9% of total visitors to Western Australia and an average length stay of over 3 nights. Visiting Friends and Relatives accounted for 42.0% of all domestic visitor nights followed by Holiday/Leisure with 27.6% of all visitor nights.

HOTEL MARKET PERFORMANCE

While extraordinary RevPAR growth was experienced between 2009 and 2012 off the back of the strongly performing resource sector, according to STR Global, Perth's accommodation market has recorded a RevPAR decline averaging 7.0% per annum between 2012 and 2017. Despite this, demand from the resources sector as well as some growth in the leisure segment has driven room night demand in Perth. With limited supply additions of 4.6% per annum throughout 2012 - 2017 (while noting a room supply increase of 17.8% within 2017), market wide occupancy according to STR Global has decreased from approximately 86% in 2012 to 77% in 2017. Additionally, ADR has declined by an average of 4.8% per annum over the same period from $224 in 2012 to $175 in 2017.

EXISTING AND FUTURE SUPPLY

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

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

With regards to anticipated future supply, we are aware of ten properties currently under construction in Perth City which once complete will result in a net increase of 2,171 rooms or 31.9% on the existing stock.

We are also aware of twelve 'mooted' accommodation projects comprising approximately 2,009 rooms. We note that 'mooted' projects include those where a Development Application (DA) for accommodation rooms has been approved. This differs to likely proposed projects where a DA has been approved and JLL has determined that construction is imminent but not certain. However, given the supply outlook and recent market trends, we consider the likelihood of these projects proceeding to be limited.

HOTEL MARKET OUTLOOK

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

Trading performance is anticipated to moderate over the short term as a number of short term accommodation developments currently under construction enter the market. Notwithstanding this, longer term performance will be dependent on the market's ability to absorb the new supply, the recovery in the corporate and conference segment as well as the continued growth in leisure demand. Investment in major infrastructure projects such as Elizabeth Quay and the Perth (Optus) Stadium and the growth in domestic and international visitation, supported by the lower Australian dollar, is expected to enhance the longer-term outlook.

MARKET REVIEW

AUCKLAND, NEW ZEALAND HOTEL PROPERTY SECTOR

As of 1 March 2018

Colliers INTERNATIONAL

AUCKLAND TOURISM MARKET

International visitation has continued to improve in 2017 with a record high of 3.7 million total visitor arrivals to New Zealand for the full year. This was an increase of 6.7% from the previous year, a lower growth rate compared to the previous year on year growth of 11.8% witnessed in 2016.

There was strong growth in 2017 across majority of the source markets, particularly from the U.S.A (a 13.3% increase to a total of 330,128 visitors) and the UK (a 12.8% increase to a total of 249,264 visitors) despite Brexit. Visitor growth from USA was attributed to increased air capacity and more direct airline routes while the increased demand from UK was in part due to the British and Irish Lions rugby tour which occurred in June and July 2017 and is estimated to have resulted in an additional 140,000 guest nights.

The Government has forecast New Zealand international visitor arrivals to grow at a moderate 4.8% per annum to approximately 4.9 million visitors by 2023, driven by continued growth from the Australian, American and Asian markets.

Auckland is New Zealand's tourism gateway hub with over 70% of all international visitors to the country entering via Auckland International Airport (AIA) each year. In the 2017 calendar year there were approximately 18.96 million passenger movements through AIA of which 10.02 million (circa. 53%) were international. The total passenger movements in 2017 represent a circa 7.2% increase on the 2016 performance.

AUCKLAND HOTEL MARKET PERFORMANCE

As a result of the strong increase in visitor arrivals and a relatively benign supply pipeline, the Auckland hotel market has continued to experience strong growth in ADR over the past 12 months while maintaining historically high occupancy levels.

The ADR for wider Auckland 3 to 5 star hotel sector achieved annual growth of 14.4% in 2017 resulting in a record high ADR of NZ$209.92. At the same time occupancy increased marginally to 86.6% in 2017. Overall this resulted in RevPAR increasing 14.6% year on year in 2017 to sit at a historic high of NZ$181.79.

EXISTING AND FUTURE SUPPLY

The Auckland 3 to 5 star hotel market has a total of 9,566 guest rooms contained within 75 hotels as at January 2018 with a further 1,144 rooms currently under construction, which represents circa 12.0% of current stock. An increasing number of proposed hotel projects are under consideration and in various stages of planning and consent.

We provide below a summary of some of the significant projects currently under construction or planned in the Auckland market.

- Four Points by Sheraton. A former office building located at 396 Queen Street and is currently being converted into a 255 room 4.5 star hotel to be operated as a Four Points by Sheraton. The hotel is projected to be open by May 2018.
- SO Sofitel Auckland. Situated within the former Reserve Bank Building, the SO Sofitel is to comprise a 130 room 5 star hotel and is projected to be open by August 2018.
- SkyCity Convention Centre Hotel. A 5 star, 300 guest room hotel is currently being constructed in conjunction with the New Zealand International Convention Centre. The hotel is being developed by SkyCity Entertainment with estimated completion in the final quarter of 2019.
- Park Hyatt Auckland. Located within the Wynyard Quarter on Auckland's Waterfront, Chinese developer Fu Wah is currently constructing a 195 room, 5 star hotel which is due to be completed in 2019.
- Holiday Inn Express / Even hotel. In mid-2017 it was announced that a development company from Australia had acquired a site within Auckland's CBD and are to develop a 37 level building providing 490 rooms under IHG's Holiday Inn Express and Even hotel brand with completion estimated in late 2020/21.
- Pullman Auckland Airport. In early 2017, Auckland International Airport announced that in conjunction with Tainui Group Holdings a 250 room, Pullman hotel would be developed on the airport adjacent to the international terminal and the existing Novotel. The announcement stated that the hotel would be open by the end of 2019 although this is likely to be deferred until late 2020/21.

HOTEL MARKET OUTLOOK

Despite the Government forecasting a continuation of strong inbound international guests to Auckland; the abovementioned increase in supply is likely to impact current record occupancy levels of circa 87%. On this basis we are forecasting occupancy levels to ease slightly over the next few years to stabilise at an occupancy in the 83% to 85% range as new hotel stock is absorbed into the market before increasing, albeit modestly, over the medium term. We note that despite a slight fall in occupancy in the short term, Auckland occupancy levels will remain at historically high levels into the foreseeable future.

In terms of ADR projections, we anticipate continued positive growth in room rates as high occupancy levels allow existing hotel operators to further increase room tariffs particularly during peak/constrained periods. Furthermore, the majority of rooms currently under construction are at a 4 star plus standard or above which will further increase the overall market weighted ADR.

MALDIVES HOTEL PROPERTY SECTOR

As of 1 March 2018

CBRE

MALDIVES TOURISM MARKET

Between 2006 and 2017, visitor arrivals to the Maldives grew at a CAGR of about 7.9% p.a.. With the exceptions of the 2004 Indian Ocean earthquake and tsunami and the global financial crisis in 2008 and 2009, the total number of international visitors to the Maldives has witnessed steady growth over the past decade. The tourism sector is the largest contributor to the country's GDP, accounting for approximately 22% over the past decade or so, and the Ministry of Tourism is committed to continue attracting international arrivals via various initiatives. For instance, some examples include the collaboration between Maldives Association of Tourism Industry (MATI) and the Bank of Maldives to launch the Experience Maldives campaign, the endorsment of Maldives Marine Expo 2017 by MATI and the launch of The Story of Maldives campaign by Maldives Marketing & Public Relations Corporation.

In 2017, tourist arrivals grew by 8.0% yoy to 1.39 million visitors, contributed by the increase in the number of visitors from European and India markets. The growth of the Asia Pacific region visitor market for the past few years has been driven largely by the Chinese market. Despite the significant strong growth of the Chinese market in 2013 at almost 45%, it slowed in 2014 and registered a decline of 1.1% in 2015, 9.8% in 2016 and a further 5.5% in 2017. This is due to the slow growth in the China's economy as it cope with challenges in its property and some heavy industry sectors.

In contrast, the Russian market showed a rebound in 2016 with a growth of 5.0% after two consecutive years of decline of 13.3% and 33.% in 2014 and 2015 respectively. In 2017, the number of Russian visitors registered a strong growth of 33.1% compared to 2016. Another emerging market for the Maldives is the Indian market which has seen strong growth in the past few years and achieved a growth rate of 24.0% yoy for 2017.

EXISTING SUPPLY

According to the Maldives Monetary Authority, the total number of operational beds in the Maldives increased by approximately 9.0% in CAGR over the last five years. The average number of beds amounted to 38,592 in 2017, which is about 14.2% more than 2016. Some openings in 2017 include Mercure Maldives Kooddoo, Grand Park Kohdhipparu, Dhigali Resort Maldives and Reethi Faru Resort.

FUTURE SUPPLY

In the next 3 years from 2018 to 2020, there will be approximately thirty new resorts opening across the Maldives, translating into at least 4,000 new rooms.

Two integrated developments will be entering Maldives in the near future. Thailand based developer Singha Estate will develop Emboodhoo Falhu Lagoon into nine artificial islands. Phase One which will see three resorts and a township development that will see a total of approximately 521 keys. It has also been announced that a 201-key Hard Rock Hotel planned for Phase One will be operational by 2018, while the remaining two is scheduled to be completed in 2019 and 2020. Phase Two is expected to feature another 6 resorts of approximately 775 keys at the minimum. Another integrated development is curently being developed in Rah Falhu Lagoon by Singapore based developer Pontiac Land Group. The integrated facility will consist of three luxury resorts, a yacht marina and a tourism academy.

In addition, the change in the rental structure for island development in the Maldives, from a rate per bed to a rate per square metre tends to encourage a more intensive level of development than previously.

HOTEL MARKET PERFORMANCE

While overall visitor numbers are at an all-time high, albeit with slower growth, the influx of beds and weak economic conditions has led to relatively poorer occupancy levels as compared to the strong years between 2011 to 2014. Trading conditions in the Maldives market have become challenging with ADRs and occupancy levels declining since 2015. This is due to an amalgamation of factors including global economic uncertainties which had resulted in the drastic decline of the Russian visitor arrivals (one of the top visitor markets to the Maldives), the gradual decline of the Chinese visitor arrivals and the current political situation in Maldives. Also, supply influx in the same period had led to steep competition in the Maldives resort market. Market occupancy consequently fell to 62.9% in 2016 and was at an all-time low of 61.2% in 2017.

The bulk of the existing Maldives resort properties are in the upper upscale or luxury segments. This has occurred for several reasons including the nature of the locations – pristine, remote, small, islands – which have been expensive to access, construct and service. In addition the fixed tax per bed meant that it was prefereable to develop fewer beds but of a high quality. In particular the market historcially catered for the top end European markets where smaller, exclusive resorts were in good demand.

However, with a gradual shift of demand for mid-tier properties due to the growing middle class in Asia taking advantage of cheaper travel options, the mismatch between demand and supply in Maldives has led to rates pressure in the upper upscale and luxury segments. On the other hand, while operating performance details on mid-tier properties are difficult to obtain, it appears that they have good occupancy levels due to few resorts competing in this space and they can attract more demand in the low season than the luxury resorts with the correct marketing.

HOTEL MARKET OUTLOOK

In order to maintain the competitiveness of Maldives, the government has introduced plans to diversify the market by developing new market segments. Today, Maldives is a world-renowned tourist destination and has become a romantic destination for honeymooners especially amongst Asian tourists. Besides attracting newlyweds, concentration has increasingly been given to attract visitors from other sources. For example, resorts have started to offer more family packages. Additionally, resorts have tapped into the senior market in recent years given that this group of people would normally have higher disposable incomes. Other segments like Health & Wellness, Meetings Incentives, Conferencing and Exhibitions (MICE) are being targeted as well.

Whilst most of the future supply is likely to be in the luxury segment, the focus is gradually changing to be more mid market. There are many sites that have been approved for development but few that will proceed. We note that several of the developments have already been postponed but considerable periods from the originally announced opening dates. As the global economy picks up, we expect more developments to occur. However, finance for development is still virtually non-existent and there is heavy reliance on equity to fund such works.

MARKET REVIEW

TOKYO, JAPAN HOTEL PROPERTY SECTOR

As of 1 March 2018

INTERNATIONAL APPRAISALS INCORPORATED

TOKYO TOURISM MARKET

The number of foreign visitors to Japan in 2017 was 28,690,932, an increase by 19% yoy. This figure exceeds the highest record of 24,039,000 in 2016 total by more than 4 million. The breakdown of visitors by country include: China, which increased by 15.4% to 7.36 million, South Korea, which increased by 40.3% to 7.14 million, and Taiwan, which increased by 9.5% to 4.56 million. All other nations in the top ten source markets marked yoy increases. Sightseeing makes up the majority of the purpose of visitors, representing 74.9% in 2017.

The main drivers of growth include: relaxation of visa requirements for Japan (including easing of multiple-entry visa requirements), a longer length of stay, and arrival of cruise ships from Asian countries. Recent relaxation of visa requirements was conducted for Russia, India, China, Central Asian 5 countries and The United Arab Emirates in 2017. Multiple-entry visa was also introduced, requirements were relaxed, and the application process was simplified. Visitors from Asian countries could better afford overseas trips due to economic growth and inbound Asian visitors to Japan increased in the full year of 2017 in spite of a stronger yen. The rate of increase in visitors was faster than expected, and it has already exceeded the government's original target of 20 million visitors.

In line with the 2020 Olympic and Paralympic Games to be hosted by Japan, the Japanese government has revised their target upwards to 40 million foreign tourists by 2020, and 60 million by 2030. They consider the promotion of a "sightseeing nation" to be an important engine of economic growth and have decided to expedite development of tourist-related infrastructure to improve accessibility of sightseeing locations, and also eased regulations on accommodations at private houses. This revision in the policy was made to support the growing number of foreign tourists which exceeded their estimation.

According to the survey on the number of tourists who had visited Tokyo by the Bureau of Industrial and Labour Affairs in Tokyo, the total number of visitors to Tokyo was approximately 527 million people in 2016. Among them, Japanese tourists declined slightly by 0.5% yoy to 514.3 million while foreign tourists increased by 10.2% yoy to 13.1 million. The total number of visitors to Tokyo increased to approximately 274 million people in YTD June 2017, which represents a 1.8% yoy increase. Japanese tourists increased by 1.8% to 266.8 million people and foreign tourists increased by 3.5% to 6.7 million.

The amount tourists had spent (tourism consumption) in Tokyo in 2016 decreased by 4.6% yoy, reaching approximately 5.7 trillion yen, out of which 1,088 billion yen (-2.4% yoy) was contributed by foreign tourists. The newsletter value for tourism consumption between April and June in 2017 was 1,479 billion yen, an increase by 4.3% yoy, of which 278 billion yen (+7.6% yoy) was contributed by foreign tourists. The decline in 2016's tourism consumption was assumed to be caused by the decrease in the aforementioned number of domestic tourist arrivals, weak consumer confidence, stronger yen rate and reduced consumption by tourists from China. Whilst data showed a decline in 2016, the growing GDP of Asian nations and a growing middle class has led to a growth of foreign Asian tourists and hence tourist consumption this year. Therefore, it is expected that tourism consumption may recover in the future due to increasing number of foreign tourists.

HOTEL MARKET PERFORMANCE

Based on the data by Japan Tourism Agency, the annual total number of guests who stayed in hotels in 2017 was 498.19 million, reflecting an increase of 1.2% yoy. Among them, foreigners constituted 15.7%, with an increase of 12.4% yoy.

According to the Japan Tourism Agency, in 2017, the top three nationalities for foreign guests are Taiwan, China and South Korea. These three collectively account for 55% of the total number of foreign guests who stayed in hotels. In terms of growth rates, South Korea (yoy growth of 142.0%), Hong Kong (yoy growth of 120.1%), Russia (yoy growth of 139.6%), Indonesia (yoy growth of 128.0%), and Vietnam (yoy growth of 121.3%) have shown significant growth. The order of the top ten countries is same as the previous year.

The majority of hotel guests in 2017 were domestic, which represented 84.4% of total guests. The increase in domestic travellers was contributed by more domestic LCC flights, economical bus trips, number of senior age travellers, and online accommodation reservation, which made travel arrangements easier. Both foreign and domestic travellers tend to have longer stays and foreign travellers tend to come in groups, bringing family.

The economy hotel occupancy rates across Japan and Tokyo in 2017 were 75.8% and 84.7% respectively, compared to 74.4% and 83.3% in 2016. Both showed improvement of occupancy rates yoy, which further illustrates the relatively steady trend of recent hotel occupancy rates in Tokyo and nationwide Japan, underpinned by the strong underlying growth of the Japanese tourism market.

EXISTING AND FUTURE SUPPLY

According to the Ministry of Health, Labour and Welfare, the total number of hotel rooms in Tokyo in 2016 stands at around 102,246 which represent a yoy growth of around 2.1%.

According to industry journals available, it was estimated that total stock of hotel rooms would reach approximately 119,417 in Tokyo by 2019. This represents an increase of 17% of current stock. Example of expected new hotels are, "APA Hotel Kokkai Gijidomae" with 500 rooms in Chiyoda-ku, Tokyo in September 2018, "APA Hotel & Resort Ryogoku Eki Tower" with 1,065 rooms in Sumida-ku, Tokyo in spring 2019, and "Mitsui Garden Hotel Gotanda" with 372 rooms in Shinagawa-ku, Tokyo in Summer in 2018 etc..

HOTEL MARKET OUTLOOK

As described above, the outlook for the hotel market in Japan is favourable. Occupancy rate of city hotel and business hotel is expected to moderately increase for mid-term toward the Tokyo Olympics in 2020, due to stable demand of domestic tourist influenced by gentle economic recovery and increasing number of inbound tourists by the effect of sightseeing policies of the government. On the other hand, sightseeing purpose and destination of inbound tourists have been changing from shopping many goods, so called "Bakugai" trip in big cities to activity related tourism in local cities. Previously, inbound tourist just stayed in Tokyo but they go to other cities with sightseeing resources such as Kyoto and Hiroshima searching for opportunities of visiting historical places and experiences of Japanese cultures. Therefore, hotel market is expanding to outside of big cities recently.

To support the anticipated growth of tourist arrivals and rapidly increasing demand, hotel development in Tokyo and Osaka is consequentially increasing. To cope with rapidly increasing demand, new styles of accommodation facilities are introduced as well e.g. Minpaku, private housing accommodation, hostels or dormitories, and compact hotels which are otherwise known as capsule hotels. These new categories of accommodation may be supplied in short-term via the use of existing stock or conversion of office building and apartment. As a result of this trend, the hotel market in Japan is diversified.

Accommodation demand after the Tokyo Olympics is unpredictable and new development of hotel is expected to slow down. However, the number of inbound tourist will continue increasing even after the Olympics due to growing GDP in neighbouring countries. Hence, the tourism market in Japan is expected to grow moderately in the future.

CAMBRIDGE, UNITED KINGDOM HOTEL PROPERTY SECTOR

As of 1 March 2018

Knight Frank

CAMBRIDGE TOURISM MARKET

Overseas residents made 33.3 million visits to the UK in YTD October 2017; an increase of 5.5% when compared to the same period in 2016. VisitBritain's revised forecast for inbound tourist visits for the full year 2017 is 39.9 million visits, an increase of 6.2% on 2016. The fall in the value of the pound and the continuation of major government initiatives (including VisitBritain's GREAT Britain campaign) are thought to have been contributing factors towards this growth. Tourist numbers are forecast by VisitBritain to continue to rise in 2018 to 41.7 million, an increase of 4.4% on 2017 largely due to the favourable exchange rate, which is likely to continue to offer good value for money.

Based on the Office for National Statistics International Passenger Survey, total spending by overseas visitors for 2016 and YTD October 2017 was at £22.5 billion and £20.9 billion respectively, an increase of 2.1% and 10.0% respectively. Also, while average spend per visit of £599 in 2016 was a 1.9% decrease from £611 in 2015, this rose back to £630 in YTD October 2017, a 4.3% increase from the same period last year. The increase in total and average spend for YTD October 2017 is largely due to the slump in the value of the pound, which has increased the visitor spend per head in Sterling terms whilst remaining largely unchanged in local currency terms. Additionally, psychology plays a part whereby visitors tend to spend more in a value for money environment. With inflation forecast to be 2.2% in 2018, spend per visit is forecast to be stable in real terms.

Renowned for its history, architecture and cultural appeal, the city of Cambridge is a popular destination for both domestic and overseas visitors. Described as one of the 'most beautiful cities in the world' by Forbes, tourism generated £350 million for the city's economy in 2015. The city of Cambridge witnessed 498,000 visitors in 2016 (the most recent full year data available), making it the 9th most visited city in the UK. This was a 15.8% increase on the previous year.

HOTEL MARKET PERFORMANCE

Cambridge is a strong performing hotel market relative to the UK as a whole. In the 2017 calendar year, occupancy fell 2.3% to 76.5%, ranking it 25th in the UK market. In the 2017 calendar year, Cambridge achieved an average room rate (ARR) of £95.15, a 3.7% rise on the previous year and is amongst the highest of any UK market outside of London. As a result of the increase in ARR, revenue per available room (RevPAR) within the city experienced continued growth to £72.82, an increase of 1.4% yoy, albeit a lower rate of growth than has been seen previously (Cambridge saw RevPAR grow by circa 9.2% yoy between 2014 and 2015 and by 3.1% yoy between 2015 and 2016). The strong performance achieved by Cambridge hotels is primarily underpinned by strong corporate and leisure-related demand, fuelled by the significant number of technology and science-related organisations in the Cambridgeshire area and the variety of heritage and cultural attractions.

EXISTING AND FUTURE SUPPLY

As at December 2017, there were 58 hotels within the city comprising 3,394 bedrooms. The number of hotel bedrooms within Cambridge has increase by circa 29% in the last five years, with 762 bedrooms being added over this period. Specifically, there has been a steady increase in branded budget hotel supply located on the outskirts of Cambridge city centre, with the most recent being the opening of the Hotel Ibis Cambridge Central Station which totals 231 bedrooms. The most recent new entrant to the full service market within Cambridge was the 155-bedroom O'Callaghan The Tamburlaine hotel, which opened in 2017.

The average size of hotels in the city is 59 bedrooms, which is larger than the average in England of 51 bedrooms. Travelodge, a budget hotel operator, occupies the largest proportion of supply with circa 16% of the bed stock within the city. Premier Inn, also a budget hotel operator, occupies 10% of the total hotel stock. The largest hotel in the city is the Hotel Ibis Cambridge Central Station which offers 231 bedrooms. Approximately 64% of the city's hotel stock is unbranded. There are eight 4-star hotels within the city, the largest of which is the Hilton Cambridge City Centre offering 198 bedrooms. There are currently no 5-star hotels within the city.

In terms of new supply within Cambridge city centre, we are aware that there are a total of 1,321 bedrooms in the hotel pipeline, distributed between 20 hotels. 1% of these bedrooms are due to be delivered in 2018 and 10% are due to be delivered in 2019. The remainder are unconfirmed or speculative. We are aware that the pipeline due for completion this year comprises the 16 bedroom extension to the 4-star DoubleTree by Hilton Hotel Cambridge. Otherwise, the opening date of the long awaited completion of the University Arms, which is being completely refurbished and extended by 73 bedrooms, is still awaited but anticipated to be early summer 2018.

Brookgate and its development partners Network Rail and DB Schneker are planning to create a new 36-acre business quarter with a 217-bedroom 4-star hotel around the new railway station at Cambridge North, which opened in May 2017. Pre-planning discussions have been held with Cambridge City Council regarding the CB4 scheme, which has been designed by Formation Architects and would include offices, residential apartments, restaurants and shops. Brookgate is currently developing the CB1 mixed-use scheme around the main railway station in central Cambridge, which includes the 231-bed Hotel Ibis Cambridge Central Station, which opened in September 2016.

HOTEL MARKET OUTLOOK

In light of the strong corporate and leisure-related demand, coupled with the weak pound, it is expected that occupancy levels and ARR will continue to remain robust within the city in the medium term. Cambridge's proximity to London and its pool of highly skilled labour continues to attract a large number of science and technology firms, which continues to bolster hotel performance in the city. Specifically, the completion of AstraZeneca's headquarters within the city (anticipated in 2018) is expected to further enhance corporate demand. Similarly, the city's hotel market is expected to benefit from the recently announced Greater Cambridge City Deal (signed in June 2014) by which the city is to receive circa £100 million of public investment for infrastructure projects between 2015 and 2020. As a further enhancement of Cambridge's reputation, in September 2017, the Times Higher Education supplement rated Cambridge University second only to Oxford in the world rankings of top universities, when previously it had occupied fourth place.

VisitBritain has continued to track consumer sentiment towards Britain since the referendum, with the latest survey conducted in September 2017. This reveals that for most potential European visitors, Brexit does not affect their decision to travel to Britain for leisure and agree that the exchange rate means that now is a good time to visit. However, likelihood to visit has fallen since the research in August 2016. As the date of Brexit, approaches, sentiment about Britain and concern about post-Brexit travel practicalities are downside risks for the forecast. Brexit related uncertainty is also a downside risk for business travel. Business visits to the UK from the EU were 3% down on 2016 in the first half of 2017. The ongoing value of the pound is a key uncertainty. The pound remains much lower than its pre-referendum level and is forecast to continue to be weak throughout the medium term, indicating that Britain will remain a good value for money destination. Assuming stable economies in Europe, the US and elsewhere, 2018 should see a growth rate of circa 4.4%.

MARKET REVIEW

MANCHESTER, UNITED KINGDOM HOTEL PROPERTY SECTOR

As of 1 March 2018

Knight Frank

MANCHESTER TOURISM MARKET

According to data from Marketing Manchester, Greater Manchester's tourism sector was worth £8.1 billion in 2016 and supports 94,000 jobs. The region attracts 119 million visitors per year, 11 million staying visitors and 108 million day visitors. The 2020 target for the total number of international and national staying visits hosted by Greater Manchester is 13.7m visits, representing a target of an additional 30% on 2015 visitation levels of 10.5m and a five year compounded aggregated growth rate of 5.5%.

The International Passenger Survey showed that the number of international visits to Greater Manchester in 2016 remained fairly steady at 1.38m visits. However, international visits to Manchester city centre grew by approximately 3.0% to 1.2 million visitors in 2016. This compares to a 4.1% increase to 37.6 million visits for the UK in 2016 and Manchester consistently receives the third most international visits in UK behind London and Edinburgh.

HOTEL MARKET PERFORMANCE

Manchester is a strong performing hotel market relative to the UK as a whole. In 2017, Manchester achieved an average room rate (ARR) of £96.46, a 2.6% rise on the previous year. This is amongst the highest of any regional UK market. Occupancy increased by 4.3% for the full year 2017 to 84%. As a result of these increases, revenue per available room (RevPAR) within the city experienced continued growth to £80.99 for the full year 2017, an increase of 7.1% year on year, and a higher rate of growth than was seen in 2016 (5.5%). The strong performance achieved by Manchester hotels is primarily underpinned by strong corporate and leisure-related demand, fuelled by significant financial, legal and business industries, global sports brands and media. The city is also a key location for many foreign owned companies and headquarters, and almost half of the Northwest's Top 500 businesses.

EXISTING AND FUTURE SUPPLY

The Manchester hotel market grew by approximately 3,265 bedrooms between 2013 and 2017. The majority of this additional room stock was within the economy sector (45.3%), followed by the upscale sector (25.2%). Most major international brands are now in Manchester, and supply is dominated by large branded hotels. The economy sector currently accounts for the largest share of room stock in the city with 30.9% of bed supply.

As at February 2018, there were 178 hotels within the city comprising 17,894 bedrooms. This makes Manchester the second largest hotel market in the UK after London. The number of hotel bedrooms within Manchester has increased by circa 38% in the last ten years, with over 5,000 bedrooms being added over this period. Recent new entrants to the market within Manchester city centre include the 302 bedroom Motel One Manchester Royal Exchange and the 150 bedroom Hilton Garden Inn @ Emirates Old Trafford Manchester.

The average size of hotels in the city is 101 bedrooms, which is significantly larger than the average in England of 48 bedrooms. Premier Inn, an economy hotel operator, occupies the largest proportion of supply with 2,500 bedrooms equating to circa 14% of the bed stock within the city. The largest hotel in the city centre is the Britannia Manchester, which offers 363 bedrooms. Approximately 18% of the city's hotel stock is unbranded. There are three five star hotels within the city, the largest of which is the Radisson Blu Edwardian Hotel Manchester offering 263 bedrooms.

In terms of new supply within Manchester, we are aware that there are a total of 9,274 bedrooms in the hotel pipeline, distributed between 71 hotels. Approximately 3,400 of these bedrooms are due to be delivered in the next three years. We are aware that the pipeline due for completion this year comprises five hotels, all of which are new constructions. The 212 bedroom Crowne Plaza Manchester Oxford Road is the largest scheme due to be completed this year.

HOTEL MARKET OUTLOOK

While we consider new supply to be the major hindrance to the city's growth going forward, we expect robust occupancy levels and ARR in the medium term in light of the strong corporate and leisure-related demand, coupled with the weak pound. The Manchester Arena bombing on 22 May resulted in four consecutive months of year on year rolling RevPAR decline, however this was stymied by the reopening of the Manchester Arena (the city's largest indoor arena) in September.

MUNICH, GERMANY HOTEL PROPERTY SECTOR

As of 1 March 2018

CBRE

MUNICH TOURISM MARKET

Munich is home to a diversified mix of industries including high-tech industries, traditional production, information and communication technology, automotive engineering, medical engineering, environmental technology and finance, all of which are strong business demand generators. It has also a very robust trade fair market, with established trade fair infrastructure including Messe Munich, the fifth largest trade fair center in Germany in terms of exhibition space. While 2017 figures have not yet been released, we note that 2016 was an exceptional year, with more than 210 events taking place and sales volumes exceeding €400 million. The most important trade fairs in Munich include 'BAU' (biennial / next on January 2019), 'Bauma' (every three years / next on April 2019), 'Expo Real' (annual / next on October 2018) and 'ispo' (annual / next on February 2018).

As an important business hub and trade fair destination within Germany, as well as a popular tourism destination renowned for its sporting and cultural appeal, Munich recorded just over 7.6 million arrivals and more than 15.3 million overnight stays in all accommodation facilities in 2017, representing a record yoy increase of 8.5% and 9.4% respectively. Additionally, 2017 is another record year for the Munich International Airport, with passenger arrivals showing a continued growth of 5.6% yoy to over 44.5 million passengers, higher than the ten-year passenger arrivals CAGR (2007 to 2017) of 2.8%. This ranks the airport as the second busiest airport in Germany after Frankfurt.

In 2017, arrivals to hotels and overnights reached 7.1 million and 14.2 million respectively. This translates into a healthy ten-year CAGR (2007 to 2017) of 5.3% and 5.2% respectively. As such, Munich ranks after Berlin as the German market with the second highest number of arrivals and overnights with an average length of stay of around two nights.

Without the reduction in air services by Air Berlin during summer following its bankruptcy in 2017, the visitor growth would have been even bigger. CBRE is of the view that 2017 has locked in outstanding traffic figures, especially amidst the flight cancelation and uncertainty from the disruptions caused by renewed strikes and Air Berlin's insolvency. The massive increase once again underscores Munich International Airport's importance as one of the leading air transportation hubs in Europe.

The major international source markets include the United States, Arab Gulf States, the United Kingdom and Italy.

EXISTING AND FUTURE SUPPLY

In 2017, Munich had 384 hotels with a total of 70,300 beds, which are located primarily in the city centre, around the fair grounds and in the northern part of Munich by Arabellapark (office location). From 2007 to 2017, growth in hotel and bed supply grew by 2.1% and 5.3% respectively. In 2017, at least 17 new hotels were opened, translating into a 4.4% increase in hotel supply. The new additions include the 174-room Ruby Lilly, the 434-bedroom Motel One Parkstadt Schwabing, the Roomers Hotel with 281 bedrooms and the Steigenberger Hotel Munich with 292 rooms. The dual-branded Holiday Inn and Holiday Inn Express Munich City East with a total of 306 rooms opened in January 2018.

There are currently 33 confirmed hotel developments in Munich's pipeline, of which 16 are scheduled to open in 2018. This translates into 8.5% growth in hotel supply. The biggest supply contributor in terms of rooms is the economy segment, while the rest are rather evenly distributed across all segments. The following branded hotels are new to the market and are currently under construction: Andaz Hotel and the NYX by Fattal Hotels.

HOTEL MARKET PERFORMANCE

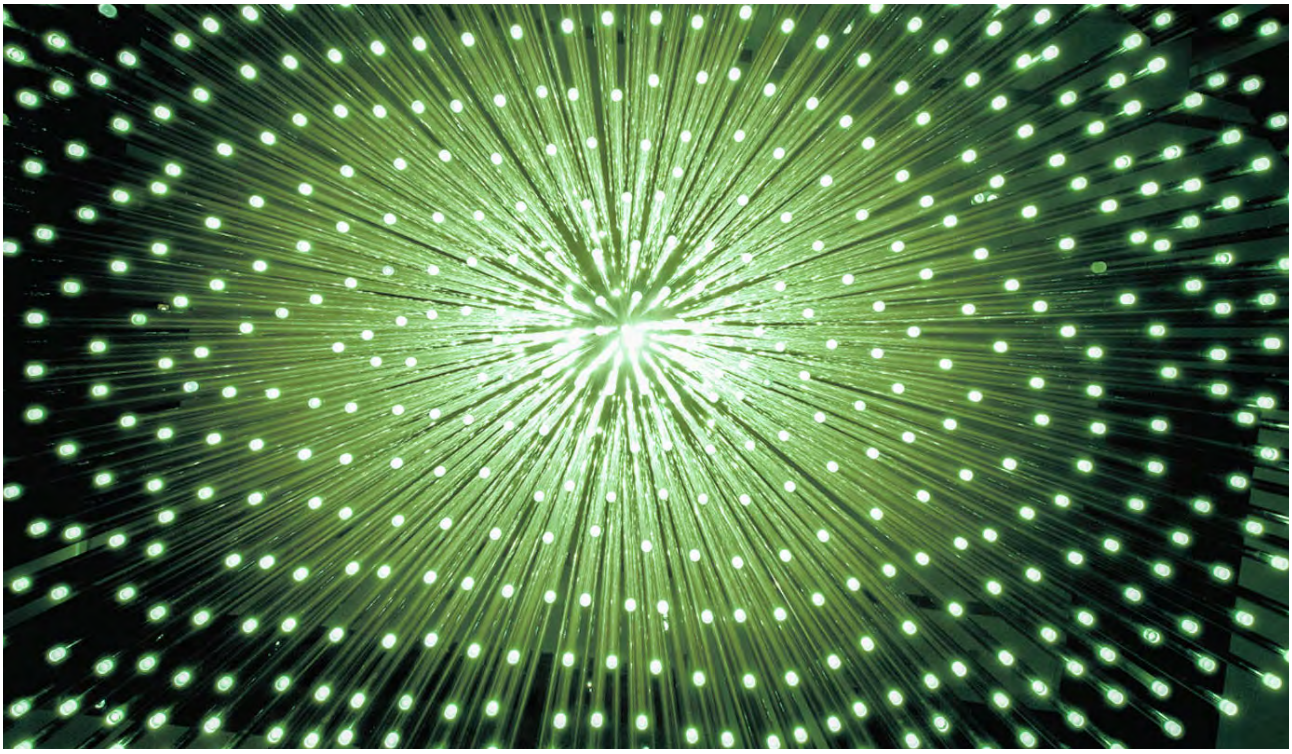
Munich is generally able to realize the highest ADR in Germany out of the top seven cities, reaching €123 in 2017, down 3.8% on 2016 levels. Occupancy also recorded a small decline of 0.4% to 75.6% in 2017, which resulted in a decrease in RevPAR of 4.2% to €93. The lower ADR and occupancy could be a result of 2017 being a weaker trade fair year for Munich. Moreover, the increase in supply has also put some pressure on hotel performance, which we expect will continue over the next two to three years, before the new openings can be absorbed by demand.

HOTEL MARKET OUTLOOK

Despite the significant increase in supply, we remain optimistic about the hotel market outlook for Munich due to the presence of strong demand drivers. There is a positive outlook on international arrivals, as the Munich International Airport undergoes two major expansion projects in the short term, namely the reconstruction of Terminal 1, addition of the new satellite Terminal 2 and the reorganisation of the north-western airport area, all of which will significantly increase the airport's capacity, attractiveness and functionality.

Coupled with the expansion of Messe Munich (additional two halls or 20,000 sq m of exhibition space) which is set to be completed by May 2018, this helps strengthen Munich's position as an important regional business hub and drive MICE demand. Leisure demand is not expected to ease either with the continuous efforts from the Munich Tourist Office to expand the city's positioning as top leisure destination.

LEADERSHIP STRUCTURE



BOARD OF DIRECTORS

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

VINCENT YEO WEE ENG, 49

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.

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).

RONALD SEAH LIM SIANG, 70

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, PGG Wrightson Limited and Telechoice International Limited. Mr Seah is also the chairman of Nucleus Connect Private Ltd.

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

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

FOO SAY MUI (BILL), 60

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 a director, chairman and adviser 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 as well as a Senior Adviser at Lazard Asia.

Dr Foo has over 30 years of experience in the financial services industry, having served as the CEO/General Manager of Australia & New Zealand Banking Group Ltd (ANZ) in Singapore for 12 years from 1999 to 2011 and thereafter as Vice Chairman, South and South East Asia for another 4 years, prior to his retirement from ANZ in 2015. Prior to that, he was the Regional Head of Investment Banking for Schroders Investment Bank and also served as the President Director of Schroders Indonesia for about 5 years. He had also served on the Council of the Association of Banks in Singapore for 9 years and was Deputy Chairman of the Singapore Investment Banking Association for about 3 years. Dr Foo was a Director on the Board of Academies Australasia Group Limited, an ASX-listed company until October 2016 and a Director of Unigestion Asia Pte. Ltd. until his resignation on 31 December 2017. Dr Foo also stepped down as a Director in I.C. Power Asia Development Ltd and IC Power Ltd, companies incorporated in Singapore, in January 2018 and February 2018 respectively.

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

BOARD OF DIRECTORS

KENNY KIM, 50

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 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, 46

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.

Executive Boardroom, Novotel Singapore Clarke Quay

MANAGEMENT TEAM REPORTING STRUCTURE

As at 1 March 2018

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

VINCENT YEO WEE ENG
Chief Executive Officer and Executive Director

FOO SAY MUI (BILL) (1) (2)
Lead Independent Director and Chairman of the Audit and Risk Committees

RONALD SEAH LIM SIANG (1) (2)
Independent Non-Executive Director and Chairman of the Nominating and Remuneration Committees

CHEAH SUI LING (1)
Independent Non-Executive Director

KENNY KIM (2)
Independent Non-Executive Director

MANAGEMENT TEAM

VINCENT YEO WEE ENG
Chief Executive Officer

- **LEE CHAU HWEI** – Vice President, Legal
- **ANNIE GAN** – Chief Financial Officer
- **PAUL KITAMURA** – Head, Asset Management
- **DAVID LING** – Head, Strategic Development
- **MANDY KOO** – Vice President, Investments & Investor Relations

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

MANAGEMENT TEAM

VINCENT YEO WEE ENG
Chief Executive Officer

Mr Yeo is also the Executive Director of the H-REIT Manager and the HBT Trustee-Manager and his profile can be found under the "Board of Directors" section on pages 40 and 41 of the Annual Report.

ANNIE GAN
Chief Financial Officer

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

Ms Gan has more than 29 years of diverse experience in financial management, treasury, mergers and acquisitions, taxation and corporate advisory as well as in-depth knowledge of the hospitality, property development and property investment industries. Prior to joining the H-REIT Manager and the HBT Trustee-Manager, Ms Gan was the Group Financial Controller of the public-listed company, Orchard Parade Holdings Limited ("OPHL"), a subsidiary of Far East Organisation Pte Ltd. She also served as a Director of all the subsidiaries of OPHL, primarily responsible for the stewardship of the subsidiaries' affairs and advising on new investment opportunities.

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

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

DAVID LING
Head, Strategic Development

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

Mr Ling has 28 years of diverse hospitality and real estate experience in markets across Asia Pacific and Europe, and established relationships with major institutional and private investment houses, brokerage firms and financial institutions. His passion and entrepreneurial spirit drove him to establish and manage four new offices of HVS Hospitality Services in Asia Pacific between 2004 and 2014 as its Chairman and Managing Director, as well as pioneered and chaired the largest and most influential hotel investment conference in mainland China - the annual China Hotel Investment Conference.

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

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

PAUL KITAMURA
Head, Asset Management

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

Mr Kitamura has 30 years of experience in hospitality and previously served as Senior Vice President of asset management for GIC Real Estate when 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 efforts in Japan as country head from 2002-2008, securing exclusivity with ANA Airlines to form a JV partnership for a 50-property chain in Japan. During this period, deal flow increased 200% including signing of the 600-room Crowne Plaza Kobe and successful extension of the group's presence in Tokyo, Yokohama, Kyoto and Nagasaki. Operationally, he led IHG's business in Japan through a brand portfolio covering 10 cities 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

Vice President, Investments & Investor Relations

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

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

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

LEE CHAU HWEI

Vice President, Legal

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

Mr Lee was previously a partner with Rodyk & Davidson LLP, and a Deputy Public Prosecutor with The Attorney-General's Chambers. He brings more than 15 years of legal experience, and has represented various real estate investment trusts, foreign and local investors, property fund managers, multinational corporations, statutory boards, developers and banks in direct and indirect acquisitions and divestments, joint ventures, en-bloc acquisitions and other forms of corporate real estate. He has also advised major landlords as well as anchor tenants in various commercial, industrial and residential leasing transactions.

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

PROPERTY PORTFOLIO

18

ASSETS AROUND THE WORLD & COUNTING

7
IN SINGAPORE

3
IN AUSTRALIA [1]

2
IN UNITED KINGDOM

2
IN JAPAN

2
IN MALDIVES

1
IN NEW ZEALAND

1
IN GERMANY

(1) Excludes Mercure Brisbane and Ibis Brisbane which were divested on 11 January 2018

PROPERTY PORTFOLIO

ORCHARD HOTEL

SINGAPORE

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

S$430M
IN VALUATION

8,588
SQ M LAND AREA

Signature Collection Room, Orchard Wing

Premier Club Meeting Room

PROPERTY DETAILS

Number of guest rooms: 656

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

Banquet/Conference/Meeting facilities:
A 1,245 sq m 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

Vendor: City Hotels Pte. Ltd.

Purchase price at 19 July 2006:
S$330.1 million

Valuation (1) as at 31 December 2017:
S$430.0 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 2017 KEY FINANCIALS

Rental income: S$20.7 million

Net property income: S$19.1 million

Average occupancy rate: 88.2%

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


Chairman's Room Hua Ting Restaurant

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 characteristically unique twin wings, Orchard Wing (325-room) and Claymore Wing (331-room).

Orchard Wing features vibrant Deluxe Rooms ideal for business and leisure travellers alike; distinctive Signature Rooms and Suites designed by world-renowned designer, Pierre Yves Rochon. The hotel's contemporary collection of Premier, Premier Club Rooms and Premier Suites at the Claymore Wing are fully equipped with modern amenities and conveniences.

Facilities available to guests include a half Olympic-size pool and outdoor jacuzzi, a fitness studio and banquet venues including a pillar-free grand ballroom that houses up to 1,500 guests (theatre-style seating). Adjoining the hotel is Claymore Connect, a destination mall catering to the discerning urban family with choice selections of lifestyle services and gastronomic treats.

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

To enhance overall guest experience, the guest rooms in Orchard Wing, together with a significant portion of public areas including meeting rooms and F&B outlets, will undergo refurbishment in 2018.

Notable accolades include:

- Singapore Tatler Singapore's Best Restaurants 2017/18 – Hua Ting
- One Star Rating Wine & Dine Singapore's Top Restaurants 2017/18 – Hua Ting
- BCA Green Mark Award (Gold) 2016 – 2018
- TripAdvisor Certificate of Excellence 2017
- Hotel Security Excellence Award 2017
- Recommended in Michelin Guide 2017 – Hua Ting
- SHA Excellent Service Award 2017
- Workplace Safety and Health Council BizSafe Level 4 2014 – 2017

GRAND COPTHORNE WATERFRONT HOTEL

SINGAPORE


Club Deluxe Bayview Room

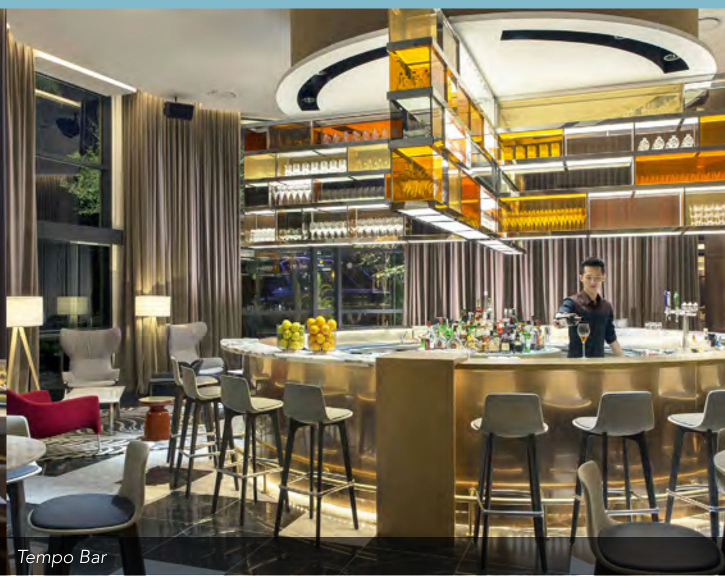
392 HAVELOCK ROAD, SINGAPORE 169663
One of Singapore's leading conference hotels along the historic Singapore River and in proximity to the Central Business District and the waterfront precincts of Robertson Quay and Clarke Quay.

574
GUEST ROOMS

S$352M
IN VALUATION

10,860
SQ M LAND AREA


Grissini


Tempo Bar

PROPERTY DETAILS

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

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

Banquet/Conference/Meeting facilities: 33 versatile meeting rooms covering 6,039 sq m, including a six-metre high column-free ballroom of 853 sq m and seating up to 600 guests banquet-style and 1,100 guests theatre-style

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

Car park facilities: 287 car park lots (1)

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

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

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

Vendor: City Developments Limited

Purchase price at 19 July 2006: S$234.1 million

Valuation (3) as at 31 December 2017: S$352.0 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 2017 KEY FINANCIALS

Rental income: S$18.9 million

Net property income: S$17.7 million

Average occupancy rate: 84.7%

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

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

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

Grand Ballroom

The 574-room premier deluxe conference hotel is situated on the banks of the historic Singapore River and close to the Central Business District, Clarke Quay, Robertson Quay, Boat Quay, Orchard Road, 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 offers the full range of secretarial and business support services with four service offices. A salon providing hair, beauty and wellness services, satisfies 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 new F&B outlets including Food Capital, an interactive buffet restaurant, Grissini, an Italian grill restaurant and Tempo, a dynamic bar.

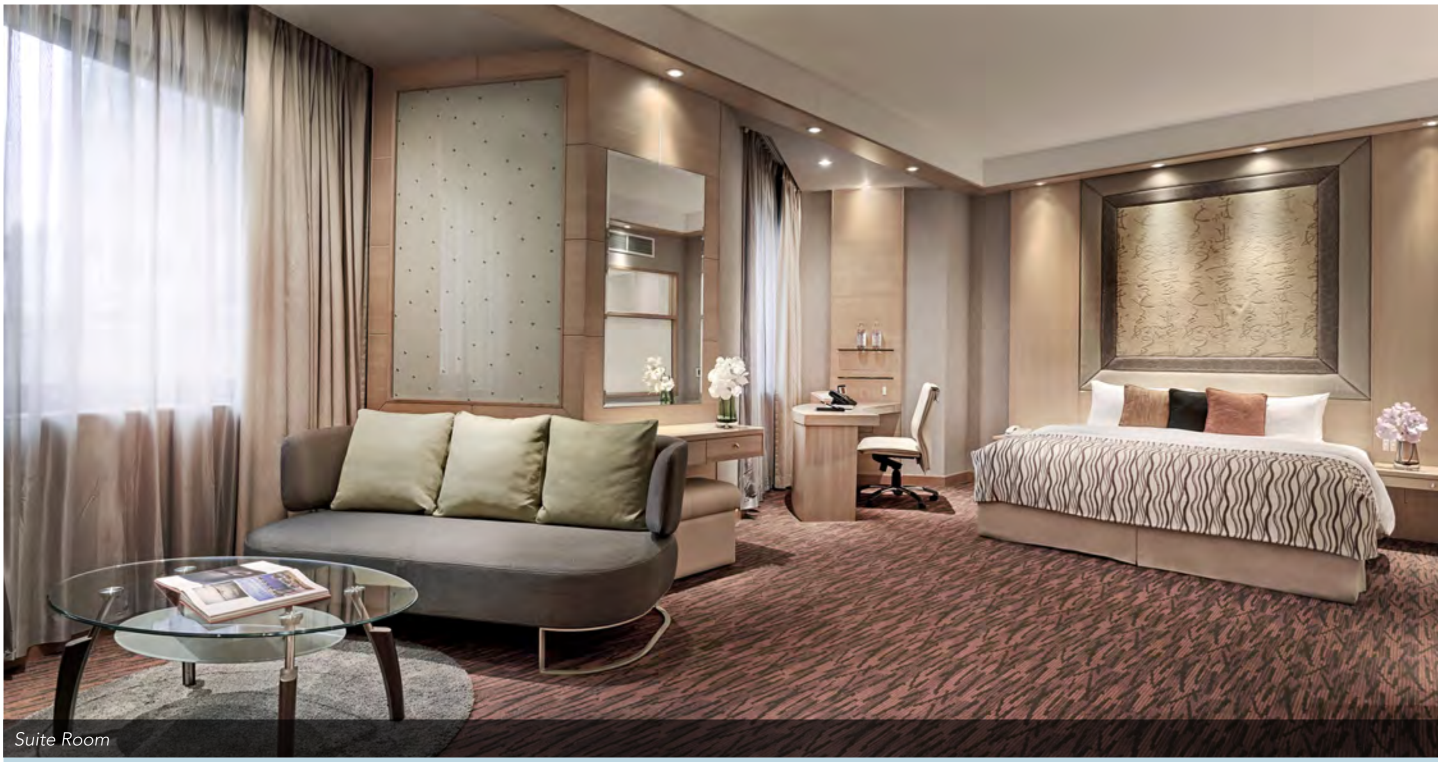
Notable accolades include:

- International 5 Star Hotel (2017 – 2018) by International Hotel Awards
- BCA Green Mark Platinum (2015 – 2018)
- SHA Excellent Service Award 2017 (14 Star, 3 Gold, 2 Silver)
- Grand Luxury Hotel of the Year 2017 by Luxury Travel Guide
- Singapore's Leading Conference Hotel 2015 (Winner) by World Travel Awards
- PUB Water Efficient Building Gold Award (2014 – 2017)
- Singapore Green Hotel Award (2015 – 2016)

PROPERTY PORTFOLIO

M HOTEL

SINGAPORE



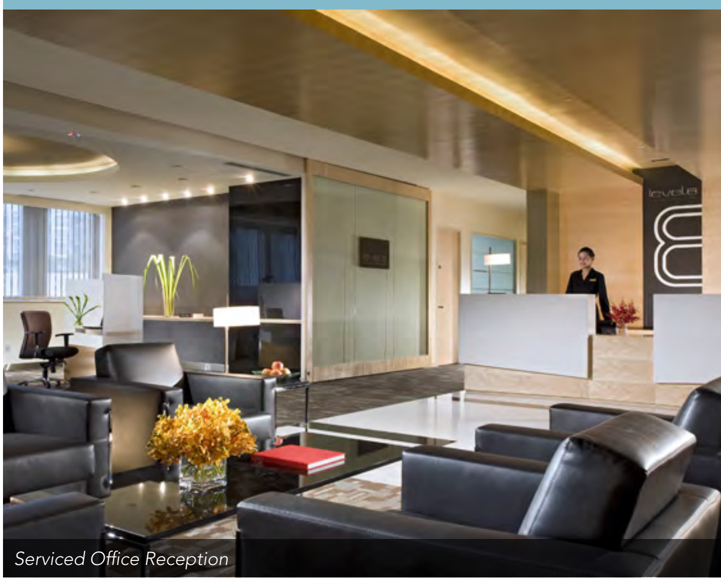
Suite Room

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.

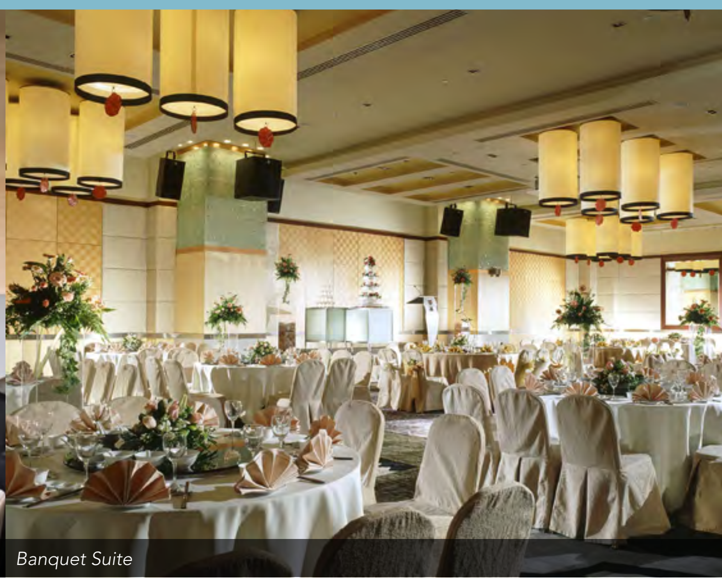
415
GUEST ROOMS

S$234M
IN VALUATION

2,134
SQ M LAND AREA



Serviced Office Reception



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

Vendor: Harbour View Hotel Pte. Ltd.

Purchase price at 19 July 2006:
S$161.5 million

Valuation (1) as at 31 December 2017:
S$234.0 million

MASTER LEASE DETAILS

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

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

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

FY 2017 KEY FINANCIALS

Rental income: S$13.6 million

Net property income: S$12.3 million

Average occupancy rate: 88.6%

(1) The property was valued by CBRE 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 recently-refurbished rooms designed for the 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. One of the hotel's largest function areas, the Anson Room, was recently refreshed after a soft refurbishment. 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 secretariat services for all business needs.

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

Notable accolades include:

- BCA Green Mark Gold Plus (2015 – 2018)
- PUB Water Efficient Building Silver Award (2013 – 2016)
- Green Hotel Award (2011, 2013, 2015 – 2016)
- Luxury Modern Hotel 2015 by Luxury Travel Guide Award
- ASEAN Green Hotel Award (2012 – 2014)
- Best Overseas Hotel 2014 by Ctrip

PROPERTY PORTFOLIO

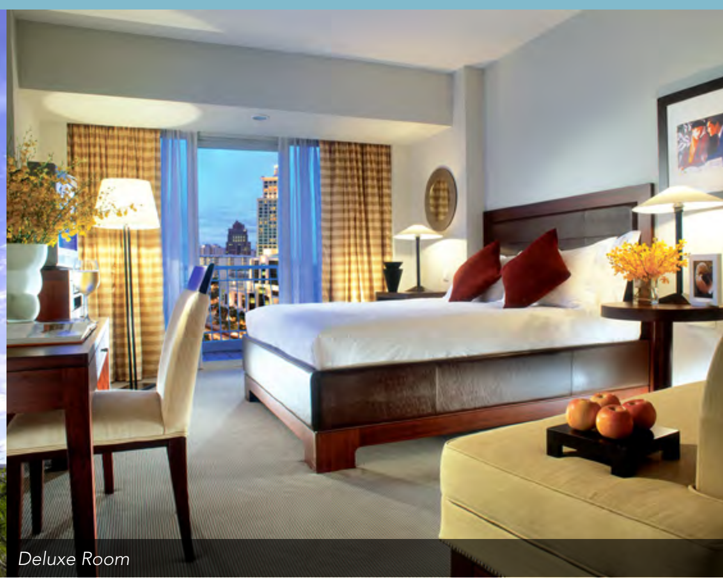
COPTHORNE KING'S HOTEL

SINGAPORE


Lobby

403 HAVELOCK ROAD, SINGAPORE 169632
A superior business hotel that is in proximity to the Central Business District.

310 GUEST ROOMS	**S$116M** IN VALUATION	**5,637** SQ M LAND AREA


Deluxe Room

PROPERTY DETAILS

Number of guest rooms: 310

Number of food & beverage outlets:
Four outlets comprising Tien Court Restaurant, Princess Terrace Café, Connections Lounge and Starscafé

Banquet/Conference/Meeting facilities:
Seven fully equipped function rooms that can be easily configured to various meeting arrangements

Car park facilities: 77 car park lots

Land area: 5,636.9 sq m

Gross floor area: 17,598.3 sq m

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

Vendor: Republic Hotels & Resorts Limited

Purchase price at 19 July 2006:
S$86.1 million

Valuation (1) as at 31 December 2017:
S$116.0 million

MASTER LEASE DETAILS

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

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

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

FY 2017 KEY FINANCIALS

Rental income: S$7.2 million

Net property income: S$5.8 million

Average occupancy rate: 83.0%

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


Princess Terrace Café

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

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

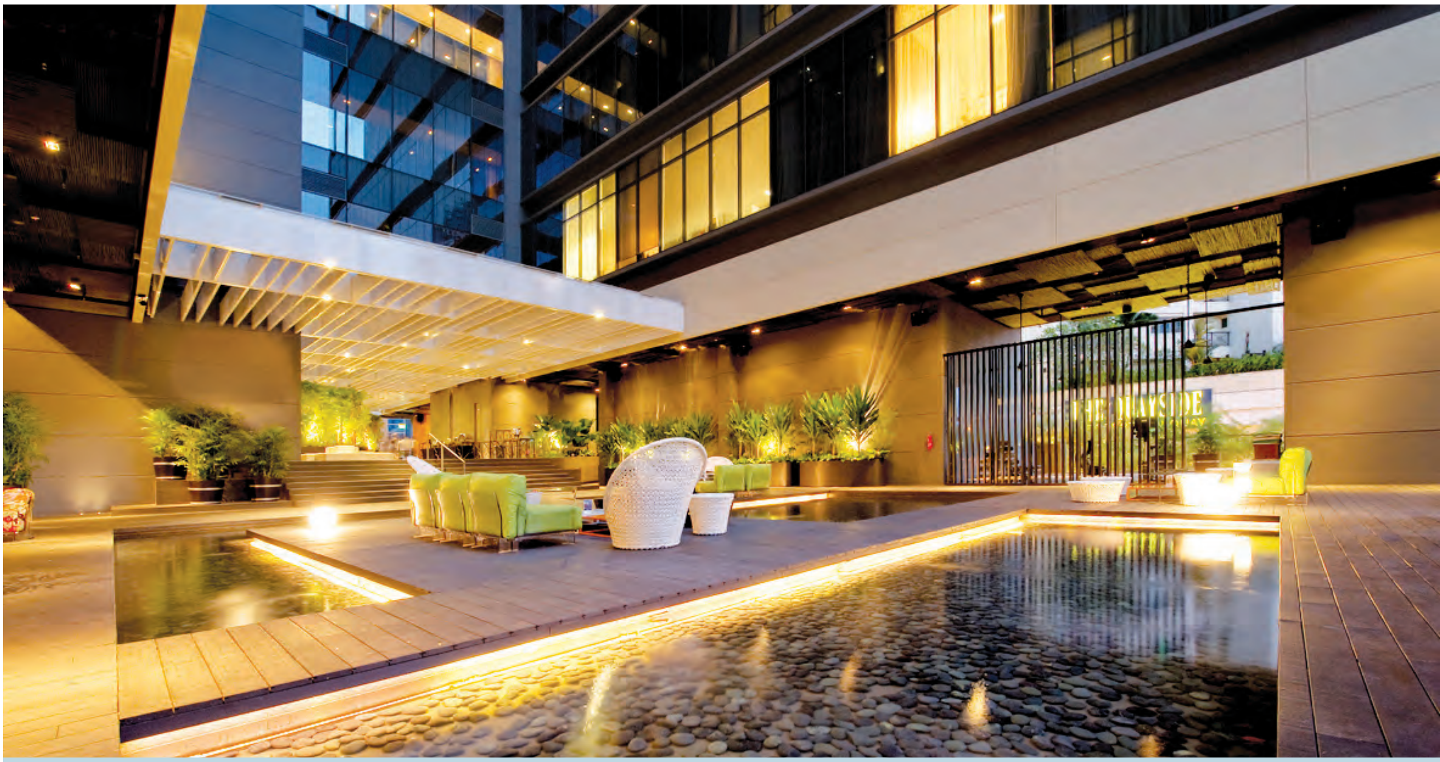
Its award-winning restaurants include Tien Court Restaurant which serves contemporary regional Chinese cuisine including Cantonese delicacies and Princess Terrace Café which is renowned in Singapore for serving the best authentic Penang cuisine. Both restaurants have been voted into Singapore Tatler's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

Notable accolades include:

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

STUDIO M HOTEL

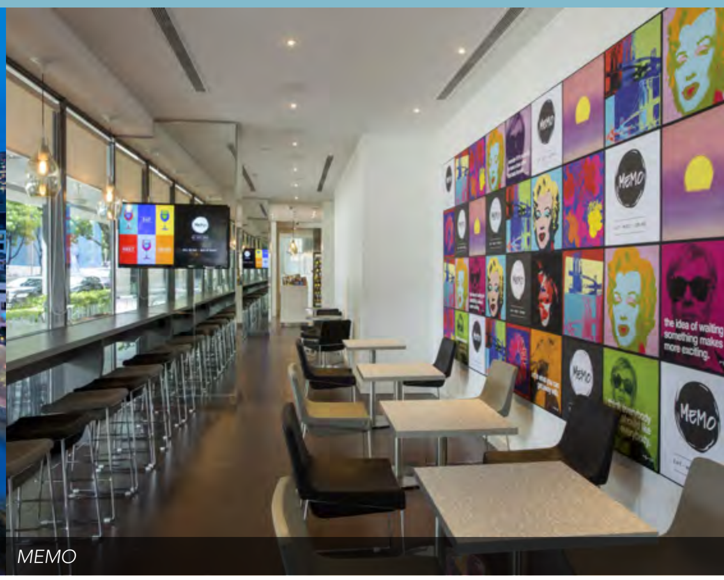
SINGAPORE



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	S$153M	2,932
GUEST ROOMS	IN VALUATION	SQ M LAND AREA


Executive Loft


MEMO

PROPERTY DETAILS

Number of guest rooms: 360

Number of food & beverage outlets:
One outlet – MEMO

Banquet/Conference/Meeting facilities:
Recreational facilities incorporating a 25-metre lap pool, a jet pool, an open-air gymnasium and three cabanas

Car park facilities: 30 car park lots

Land area: 2,932.1 sq m

Gross floor area: 8,209.9 sq m

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

Vendor: Republic Iconic Hotel Pte. Ltd.

Purchase price at 3 May 2011:
S$154.0 million

Valuation (1) as at 31 December 2017:
S$153.0 million

MASTER LEASE DETAILS

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

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

(i) an option to extend the lease for a first additional term of 20 years commencing immediately after the expiry of the initial term;

(ii) an option to extend the lease for a second additional term of 20 years commencing immediately after the expiry of the first additional term; and

(iii) an option to extend the lease for a third additional term of 10 years commencing immediately after the expiry of the second additional term.

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

FY 2017 KEY FINANCIALS

Rental income: S$6.9 million

Net property income: S$6.5 million

Average occupancy rate: 81.1%

(1) The property was valued by CBRE 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 guest rooms 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.

Notable accolades include:

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

PROPERTY PORTFOLIO

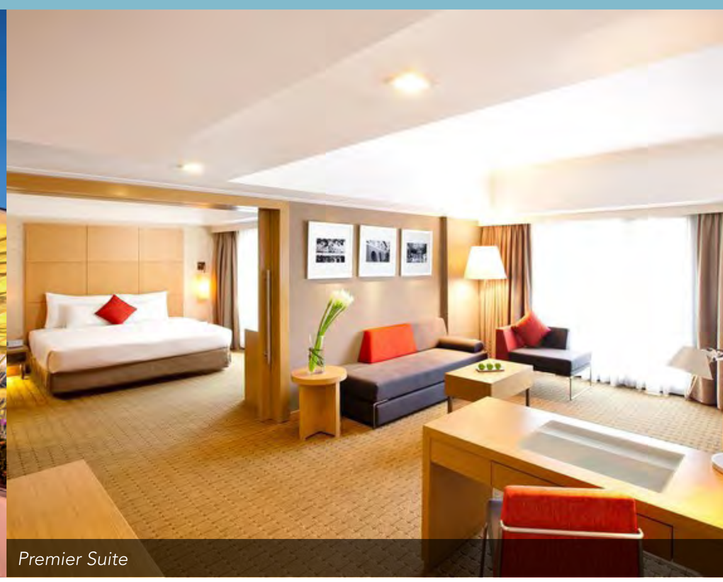
NOVOTEL SINGAPORE CLARKE QUAY

SINGAPORE

Ballroom Foyer

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	S$330M	12,925
GUEST ROOMS	IN VALUATION	SQ M LAND AREA



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 20 guests and hosts the latest AV technology

Car park facilities: 745 car park lots (1)

Land area: 12,925.4 sq m

Gross floor area: 40,508.0 sq m

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

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

Purchase price at 7 June 2007:
S$201.0 million

Valuation (2) as at 31 December 2017:
S$330.0 million

MASTER LEASE DETAILS

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

Term of lease:
Approximately 13.5 years from 7 June 2007 expiring 31 December 2020

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

FY 2017 KEY FINANCIALS

Rental income: S$21.7 million

Net property income: S$20.4 million

Average occupancy rate: 92.8%

(1) Shared with Liang Court Shopping Centre and Somerset Liang Court Service Apartment (all space owned by Management Corporation Strata Title Plan No. 3027)
(2) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation and Discounted Cash Flow approaches

Premier Lounge

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 new Fort Canning MRT Station right next to the hotel.

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

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

Notable accolades include:

- SEC-Kimberly-Clark Singapore Environmental Achievement Award (Services) – Winner
- PUB Water Efficient Building Gold Award (2015 – 2018)
- ASEAN Green Hotel Award (2017)
- BCA Green Mark Gold Plus (2013 – 2017)
- Singapore Green Hotel Award (2017)

PROPERTY PORTFOLIO

CLAYMORE CONNECT

SINGAPORE

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.

23
TENANTS

S$90M
IN VALUATION

~7,300
SQ M IN NLA

Mon Bijou

Interior

PROPERTY DETAILS

Net lettable area (including Galleria): Approximately 7,300 sq m

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

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

Vendor: City Hotels Pte. Ltd.

Purchase price at 19 July 2006: S$34.5 million

Valuation [(1)] **as at 31 December 2017:** S$90.0 million

FY 2017 KEY FINANCIALS

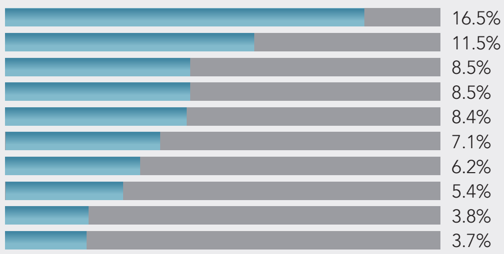
Rental income: S$6.8 million

Net property income: S$4.4 million

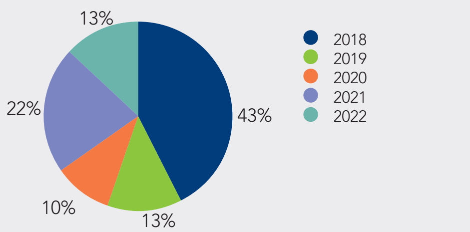
Total number of tenants as at 31 December 2017: 23

Committed occupancy rate as at 31 December 2017: 93.1%

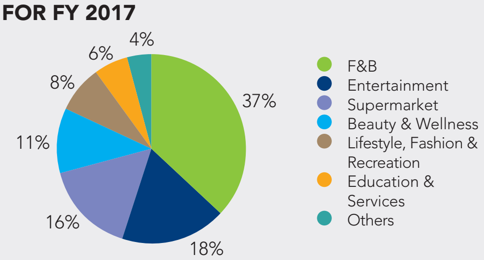
% CONTRIBUTION TO RENTAL INCOME OF TOP 10 TENANTS FOR FY 2017



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



TENANT MIX BY RENTAL INCOME FOR FY 2017



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

Claymore Connect is within a short walking distance of Orchard MRT station, situated at the junction of Scotts Road, Paterson Road and Orchard Road. Its main entrance is along Claymore Road, with direct access to Orchard Hotel from the mall's mezzanine floor and Level 2.

Positioned as a family-oriented and lifestyle mall on Orchard Road, the mall, which was officially opened in late 2015 after extensive renovation, has been actively enhancing its retail offerings to cater to the growing captive residential population in the nearby precincts of Tanglin, Orchard and Claymore, given the increasing number of residential developments in these areas. Orchard Hotel guests are also able to enjoy the convenience of the F&B outlets, beauty, wellness and lifestyle services at the mall.

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

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

- Mon Bijou, an artisanal bistro featuring all-day dining favourites, French pastries and desserts;
- Hua Ting Steamboat, a gourmet Cantonese hotpot offering by the renowned Hua Ting Restaurant;
- Jewel Coffee, a leading purveyor of third-wave coffee in Singapore;
- South-East Asia's leading chain of wine shops – Wine Connection;
- Muddy Murphy's, an Irish cottage themed pub which has a loyal following for its dining and drinks options as well as live televised sports and bands; and
- PIM PAM by FOC, a Gastro-bodega inspired by the Barcelonan tapas and wine culture, offering unique Catalan cuisine.

With active lease management, the mall also welcomed new tenants in 2017, including California Pizza Kitchen, a chain eatery serving up inventive pizzas, pastas and salads in a modern setting, which will open its doors by April 2018.

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

PROPERTY PORTFOLIO

NOVOTEL BRISBANE

AUSTRALIA

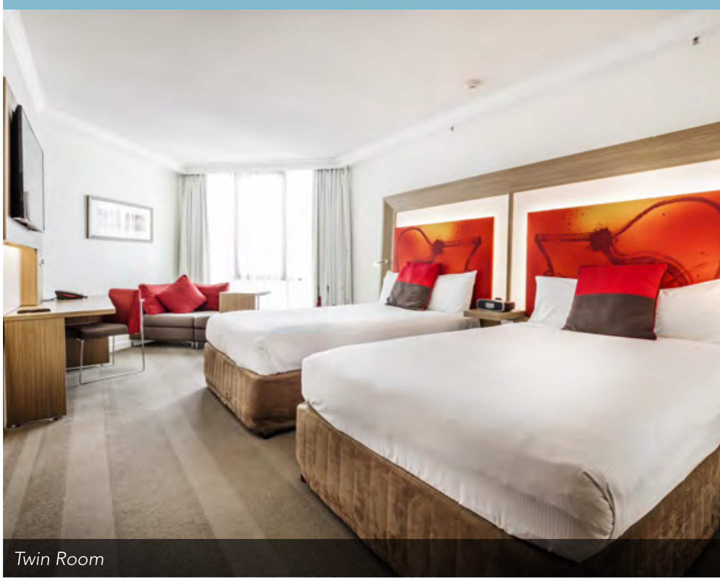

GourmetBar

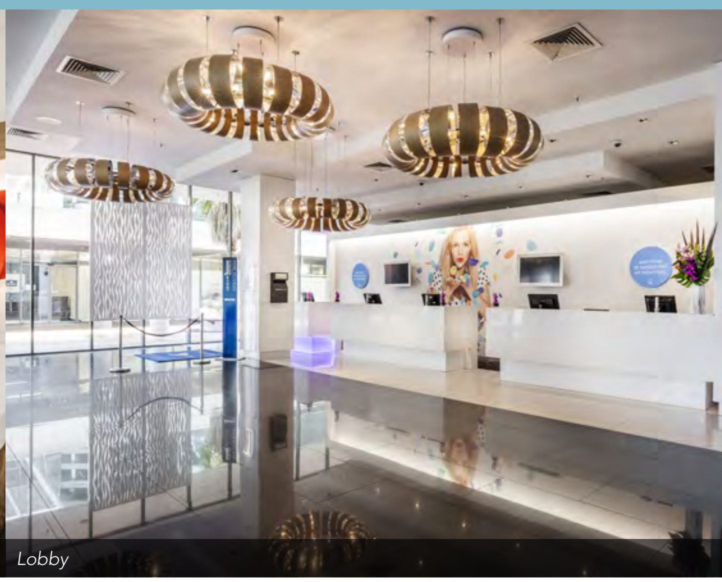
NOVOTEL BRISBANE 200 CREEK STREET
A contemporary and functional hotel in central Brisbane, the capital city of Queensland.

296
GUEST ROOMS

A$72M
IN VALUATION

6,235
SQ M LAND AREA


Twin Room


Lobby

PROPERTY DETAILS

Number of guest rooms: 296

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

Banquet/Conference/Meeting facilities:
11 versatile conference and function rooms for up to 350 delegates featuring pillarless ballroom, executive boardroom, conference cafe and a unique pool deck area

Car park facilities: 70 car park lots

Land area: 6,235 sq m

Gross floor area: 28,049 sq m

Title: Strata Volumetric Freehold

Vendor: Tourism Asset Holdings Limited

Purchase price at 18 February 2010:
A$63.5 million

Valuation (1) as at 31 December 2017:
A$72.0 million

MASTER LEASE DETAILS

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

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

Minimum rental income: A$4.9 million

FY 2017 KEY FINANCIALS

Rental income: S$5.2 million (2)
(A$4.9 million)

Net property income: S$5.2 million (2)
(A$4.9 million)

Average occupancy rate: 78.1%

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

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

(1) The properties were valued by Jones Lang Lasalle Property Consultants Pte. Ltd. using the Discounted Cash Flow approach
(2) Based on the average exchange rate of A$1.00 = S$1.0567

MERCURE & IBIS PERTH

AUSTRALIA

Beccaria Bar, Mercure 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

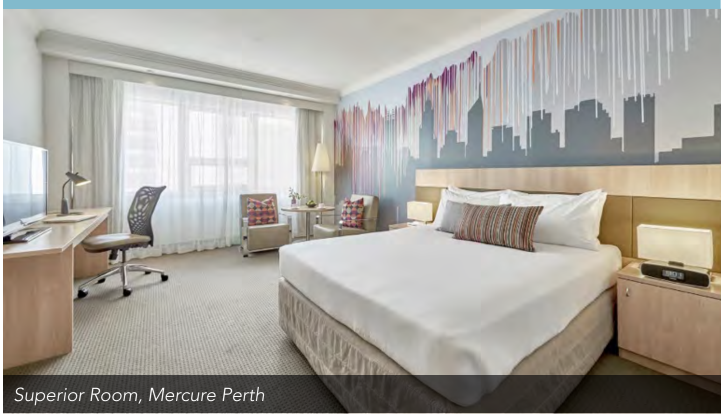
A$48M IN VALUATION

IBIS PERTH

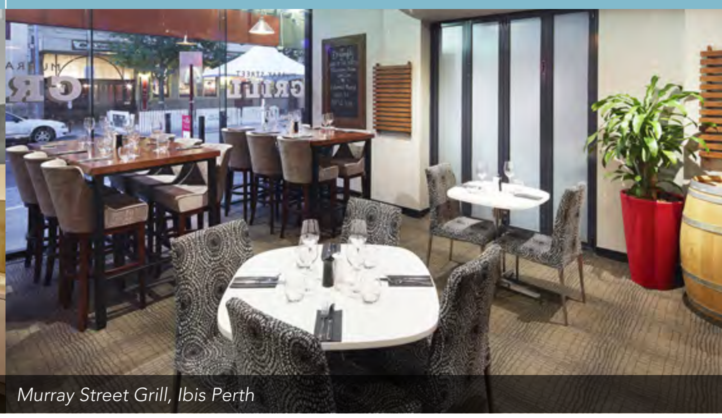
192 GUEST ROOMS

1,480 SQ M LAND AREA

A$33M IN VALUATION



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. Cucina on Hay was fully refurbished in 2017	Two outlets comprising the Rubix Bar and Cafe and Murray Street Grill
Banquet/Conference/Meeting facilities:	Dedicated conference floor on Level 1 providing facilities for up to 350 delegates with six function rooms, heated rooftop swimming pool, spa, and gym which was fully refurbished between 2016 and 2017 with addition of refurbished pool deck area	Three function rooms for up to 200 guests
Car park facilities:	32 car park lots	13 car park lots
Land area:	757 sq m	1,480 sq m
Gross floor area:	22,419 sq m	9,650 sq m
Title:	Strata Freehold	Freehold
Vendor:	Tourism Asset Holdings Limited	Tourism Asset Holdings Limited
Purchase price at 18 February 2010:	A$36.2 million	A$21.6 million
Valuation (1) as at 31 December 2017:	A$48.0 million	A$33.0 million

MASTER LEASE DETAILS

Master lessee:	HI Operations Pty Ltd, a subsidiary of Accor S.A.	
Term of lease:	Approximately 11 years from 19 February 2010, expiring on 30 April 2021	
Minimum rental income:	A$2.8 million	A$1.9 million

FY 2017 KEY FINANCIALS

Rental income:	S$3.0 million (2) (A$2.8 million)	S$2.0 million (2) (A$1.9 million)
Net property income:	S$3.0 million (2) (A$2.8 million)	S$2.0 million (2) (A$1.9 million)
Average occupancy rate:	81.5%	78.2%

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 guestroom 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. 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. Ibis Perth is the winner of the 2013 & 2014 Australian Hotels Association awards for best mid-range accommodation and winner of the Western Australia Tourism Gold Standard Accommodation Award for 2011 & 2013. The hotel was awarded the ISO 14001 environmental certification, Gold Planet 21 rating in 2015 and Bronze Planet 21 rating in 2017 for its sustainability efforts.

(1) The properties were valued by Jones Lang Lasalle Property Consultants Pte. Ltd. using the Discounted Cash Flow approach
(2) Based on the average exchange rate of A$1.00 = S$1.0567

PROPERTY PORTFOLIO

GRAND MILLENNIUM AUCKLAND

NEW ZEALAND

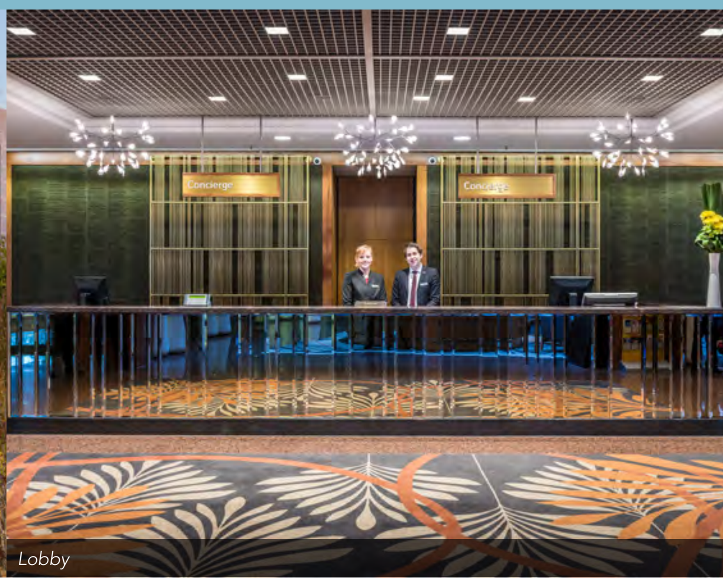
Lobby

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

NZ$230M
IN VALUATION

5,910
SQ M LAND AREA



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

Other 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

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

Purchase price at 19 December 2006:
NZ$113.0 million

Valuation (1) as at 31 December 2017:
NZ$230.0 million

MASTER LEASE DETAILS

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

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

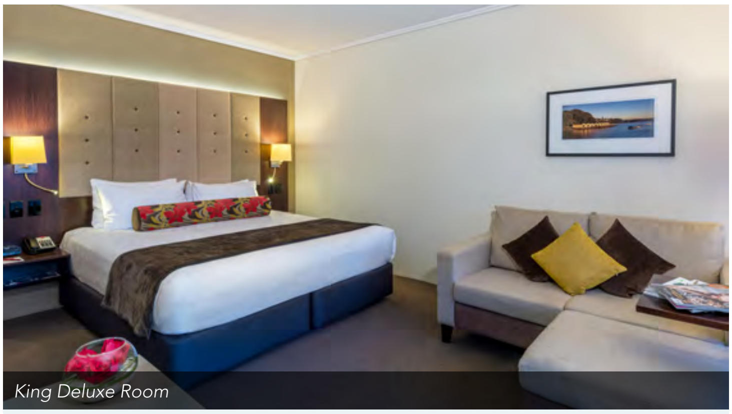
Minimum rental income: NZ$6.0 million

FY 2017 KEY FINANCIALS

Rental income: S$19.4 million (2)
(NZ$19.8 million)

Net property income: S$19.4 million (2)
(NZ$19.8 million)

Average occupancy rate: 89.5%


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 conveniently linked to Auckland Conventions by an exclusive underground pedestrian tunnel.

The hotel has complementary and extensive conference facilities with approximately 1,619 sq m of meeting space that can accommodate up to 1,000 delegates. It also provides a full-serviced business centre which offers additional boardrooms.

The hotel offers varied dining options from an extensive buffet breakfast, and a la carte dinner menu in Grand Millennium Brasserie to Japanese cuisine in Katsura and light lunch and dinner options in the Atrium Lounge.

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

(1) The property was valued by CIVAS Limited trading as Colliers International using a combination of the Capitalisation and Discounted Cash Flow approaches
(2) Based on the average exchange rate of NZ$1.00 = S$0.9825

PROPERTY PORTFOLIO

ANGSANA VELAVARU

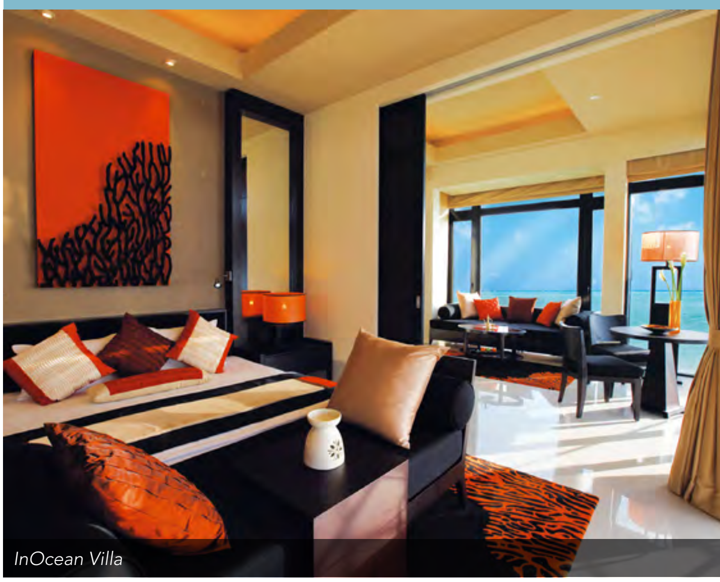
MALDIVES

VELAVARU ISLAND, SOUTH NILANDHE ATOLL, REPUBLIC OF MALDIVES
Located in a picturesque lagoon in Maldives, Angsana Velavaru offers two distinct experiences with its beachfront villas and its standalone water villas.

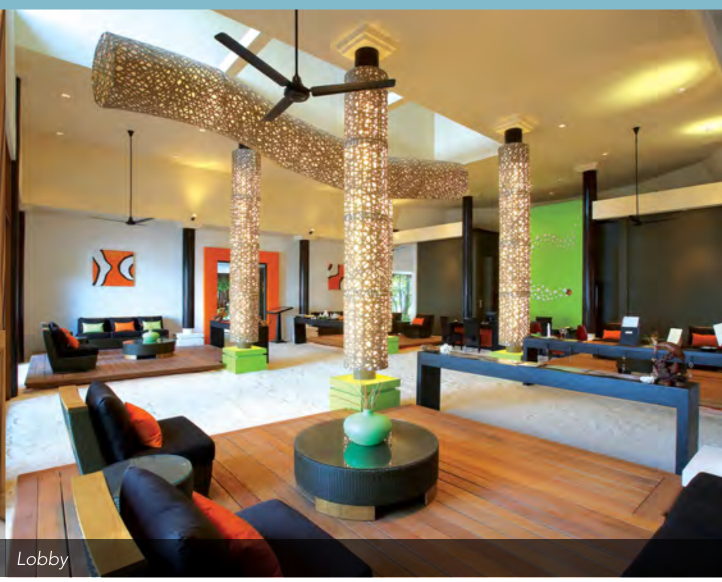
113
VILLAS

US$60M
IN VALUATION

67,717
SQ M LAND AREA



InOcean Villa



Lobby

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, extensive recreational activities, Marine Conservation Lab, PADI 5 Star Gold Palm Dive Centre, Kids Club, Beach Pavilion

Land area: 67,717 sq m

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

Vendor: Maldives Bay Pvt Ltd

Purchase price at 31 January 2013:
US$71.0 million

Valuation [(1)] as at 31 December 2017:
US$60.0 million

MASTER LEASE DETAILS

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

Term of lease:
10 years from 1 February 2013

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

FY 2017 KEY FINANCIALS

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

Net property income: S$7.3 million [(2)]
(US$5.3 million)

Average occupancy rate: 48.2%

(1) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation and Discounted Cash Flow approaches
(2) Based on the average exchange rate of US$1.00 = S$1.3816

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, 28 Beachfront villas will undergo refurbishment in 2018.

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

Notable accolades include:

- 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 Spa Awards

PROPERTY PORTFOLIO

DHEVANAFUSHI MALDIVES LUXURY RESORT

MALDIVES


Arrival Jetty

MERADHOO ISLAND, GAAFU ALIFU ATOLL, REPUBLIC OF MALDIVES
Tucked away at the southern edge of Maldives archipelago, Dhevanafushi Maldives Luxury Resort 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

US$41M
IN VALUATION

53,576
SQ M LAND AREA


Ocean Sanctuary


Ocean Revive

PROPERTY DETAILS

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

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

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

Land area: 53,576 sq m

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

Vendor: Xanadu Holdings Pvt Ltd

Purchase price at 31 December 2013:
US$59.6 million

Valuation [1] as at 31 December 2017:
US$41.0 million

HOTEL MANAGEMENT AGREEMENT DETAILS

Operator: AAPC (Maldives) Private Limited

Term of hotel management agreement:
20 years from 1 September 2017 with an option to renew for another five years

FY 2017 KEY FINANCIALS

Gross hotel revenue: S$14.6 million [2]
(US$10.6 million)

Net property income: S$2.3 million [2]
(US$1.6 million)

Average occupancy rate: 54.7%

(1) The property was valued by CBRE Pte. Ltd. using a combination of the Capitalisation and Discounted Cash Flow approaches
(2) Based on the average exchange rate of US$1.00 = S$1.3816


Johara Restaurant

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

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

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

Following enhancements in late 2018, the resort will be repositioned to join the iconic collection of Raffles Hotels and Resorts.

Notable accolades include:

- Luxury Hideaway Spa (Indian Ocean) – Continent Winner 2016 – World Luxury Spa Awards
- TripAdvisor Certificate of Excellence (2012 – 2016)
- Condé Nast Johansens Spa Awards – Best for Couples – Runner Up 2015
- Luxury Island Spa of The Year – Maldives Winner 2015 – Luxury Travel Guide
- Indian Ocean's Best Hotel Spa – Winner 2015 – World Spa Awards
- Maldives Best Hotel Spa – Winner 2015 – World Spa Awards
- Maldives' Leading Luxury Hotel Villa (Ocean Sanctuary Sunset) – Winner 2014 & 2015 – World Trade Awards
- Maldives' Leading Luxury Resort – Winner 2014 – World Travel Awards

PROPERTY PORTFOLIO

HOTEL MYSTAYS ASAKUSABASHI & MYSTAYS KAMATA

JAPAN

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

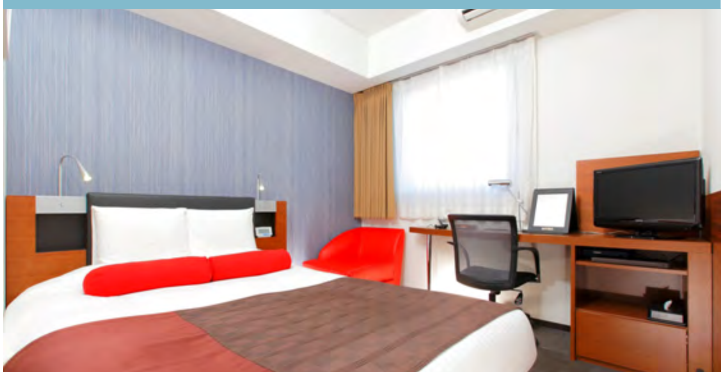
¥3.8B IN VALUATION

KAMATA

116 GUEST ROOMS

497 SQ M LAND AREA

¥2.7B IN VALUATION



Double Room, 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
Vendor:	AKH GK, an indirect wholly-owned subsidiary of Real Estate Capital Asia Partners III L.P.	
Purchase price at 19 December 2014:	¥3.20 billion	¥2.60 billion
Valuation (1) as at 31 December 2017:	¥3.80 billion	¥2.74 billion

HOTEL MANAGEMENT AGREEMENT DETAILS

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

FY 2017 KEY FINANCIALS

Gross hotel revenue:	S$5.7 million (2) (¥463.5 million)	S$4.1 million (2) (¥336.9 million)
Net property income:	S$2.7 million (2) (¥221.4 million)	S$1.9 million (2) (¥158.3 million)
Average occupancy rate:	94.5%	92.2%

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

Hotel MyStays Asakusabashi is a business (economy) hotel which is located in central Tokyo. It has easy access to Asakusa and Akihabara, and is only a few stations away from several popular sightseeing spots and attractions, such as the traditional cultural area of Asakusa. The hotel is also within walking distance to various subway and railway stations. The hotel's modern rooms feature a décor of elegant simplicity catering to travellers of either business or leisure. 24 rooms equipped with kitchenettes allow long-stay visitors to have the option of cooking their own meals. A convenience store is also located on the ground floor and a variety of dining options are available around the hotel. In first quarter of 2018, three rooms will be 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.

Notable accolades received by both properties include:

- TripAdvisor Certificate of Excellence (2014 – 2016)

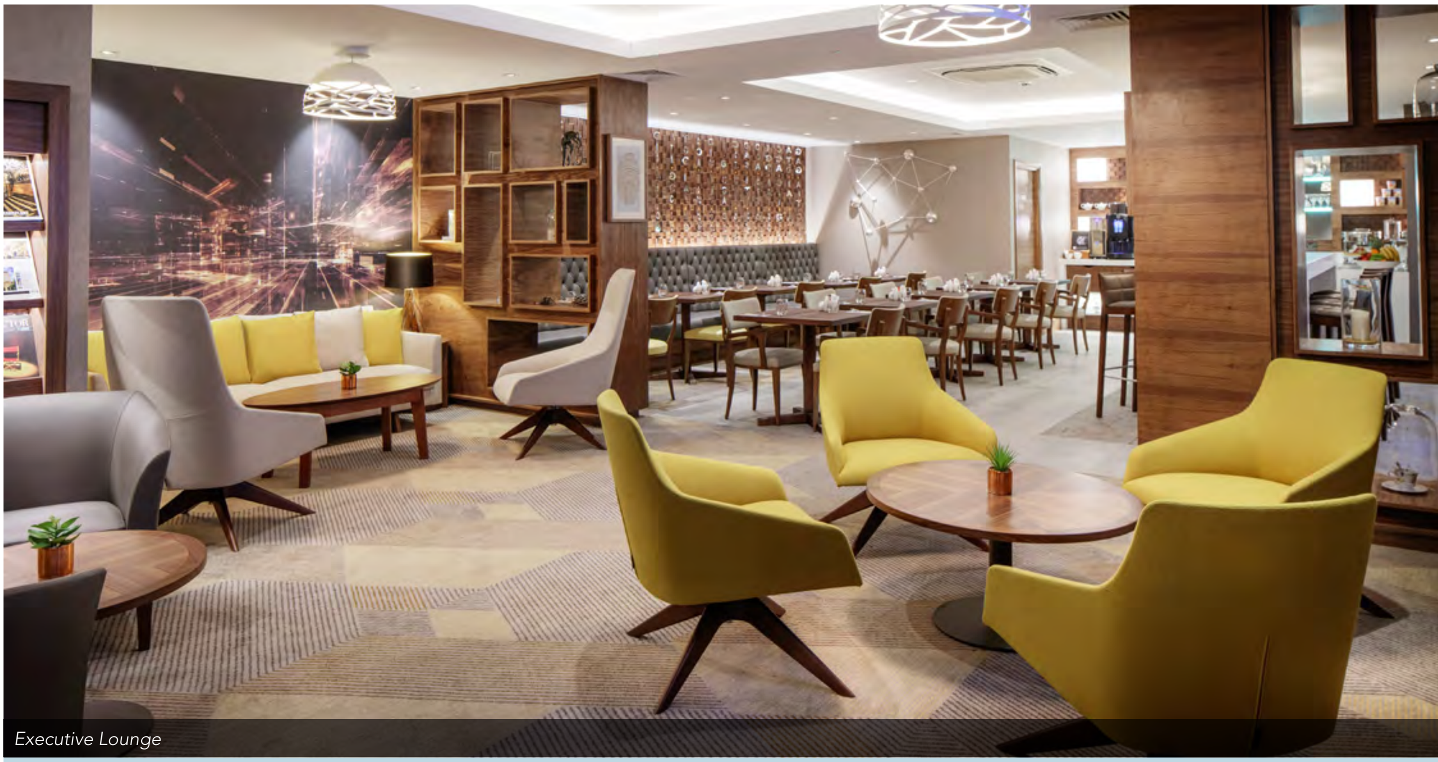
(1) The Japan Hotels were valued by International Appraisals Incorporated using a combination of the Capitalisation, Cost, Discounted Cash Flow and Sales Comparison approaches

(2) Based on the average exchange rate of S$1.00 = ¥81.30

PROPERTY PORTFOLIO

HILTON CAMBRIDGE CITY CENTRE

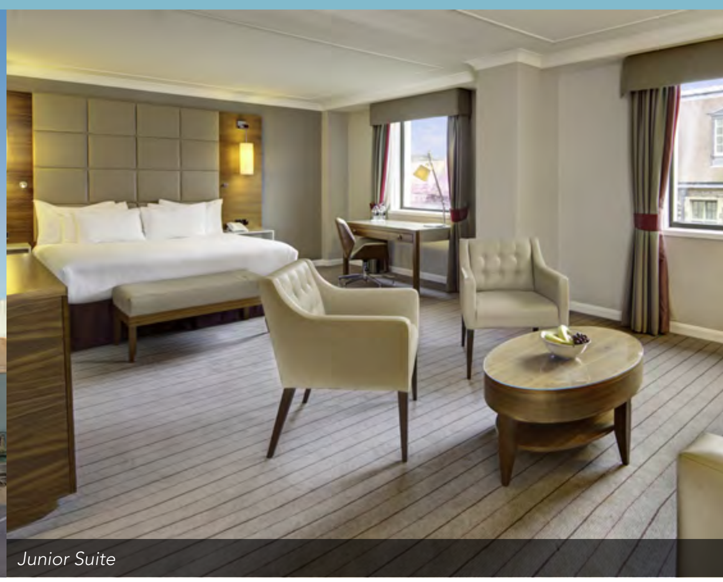
UNITED KINGDOM



Executive Lounge

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	£62M	~3,600
GUEST ROOMS	IN VALUATION	SQ M LAND AREA



Junior Suite

PROPERTY DETAILS

Number of guest rooms: 198 rooms

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

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

Other facilities:
Executive Lounge, LivingWell Fitness Gym and Rogue Barbers Cambridge

Land area: ~3,600.0 sq m

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

Vendor: London & Regional Group Trading No. 3 Limited

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

Valuation (3) as at 31 December 2017:
£62.3 million

HOTEL MANAGEMENT AGREEMENT DETAILS

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

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

FY 2017 KEY FINANCIALS

Gross hotel revenue: S$20.3 million (4) (£11.4 million)

Net property income: S$7.6 million (4) (£4.2 million)

Average occupancy rate: 74.3%

Isaac Newton Function Room

Hilton Cambridge City Centre is an upper upscale hotel with 198 rooms, and arguably the best located and largest hotel in Cambridge. It boasts a prime location in the heart of Cambridge City Centre, being 1.6 kilometres from Cambridge railway station and is situated beside the main shopping and attraction thoroughfare. It is also within the vicinity of popular tourist destinations such as King's College, The Fitzwilliam Museum, Cambridge University Botanic Gardens and Trinity College. The Grand Arcade Shopping Centre, the city's largest shopping mall, is also adjacent to the property. The hotel's extensive suite of facilities includes two food & beverage outlets, the 24-hour LivingWell Fitness Gym, an Executive Lounge and events space for up to 200 people.

In January 2017, the new Executive Lounge was opened and a new restaurant concept, the Bull & Bass Restaurant, which serves surf and turf dishes paired with exquisite wines opened in July 2017.

Notable accolades include:

- TripAdvisor Certificate of Excellence (2015 – 2017)
- Accreditation by the Meeting Industry Association 2017
- Hotels.com Certificate of Excellence 2017
- Bronze Accreditation for Overall Customer Experience in Cambridge BID Awards 2017
- Booking.com Certificate of Excellence 2016
- Laterooms.com Certificate of Excellence 2016
- Gold Accreditation for Overall Customer Experience in the Cambridge BID Awards 2016

(1) The lease term may be extended for a further term of 50 years pursuant to lessee's (CDLHT) option to renew under the lease granted by the head lessor (Cambridge City Council)
(2) The purchase price of £61.5 million refers to the price of the property and excludes the adjustment for net working capital of £1.6 million
(3) The property was valued by Knight Frank LLP using the Discounted Cash Flow approach
(4) Based on the average exchange rate of £1.00 = S$1.7820

PROPERTY PORTFOLIO

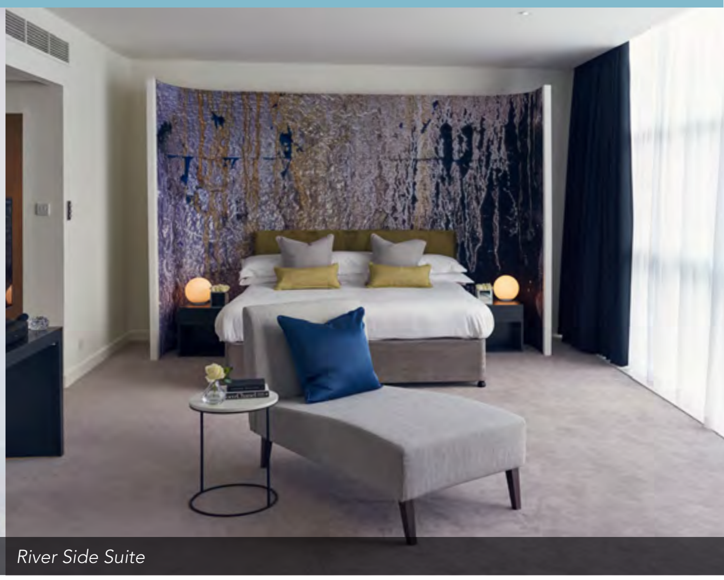
THE LOWRY HOTEL

UNITED KINGDOM

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	**£53M**	**~2,200**
GUEST ROOMS	IN VALUATION	SQ M LAND AREA

The Lowry Spa


River Side Suite

PROPERTY DETAILS

Number of guest rooms: 165 rooms

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

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 saunas and a spa, and a hair salon

Car park facilities: 103 car park lots

Land area: ~2,200.0 sq m

Title: 150-year leasehold interest commencing 18 March 1997

Vendor: North Low S.Á R.L.

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

Valuation [(2)] as at 31 December 2017:
£52.5 million

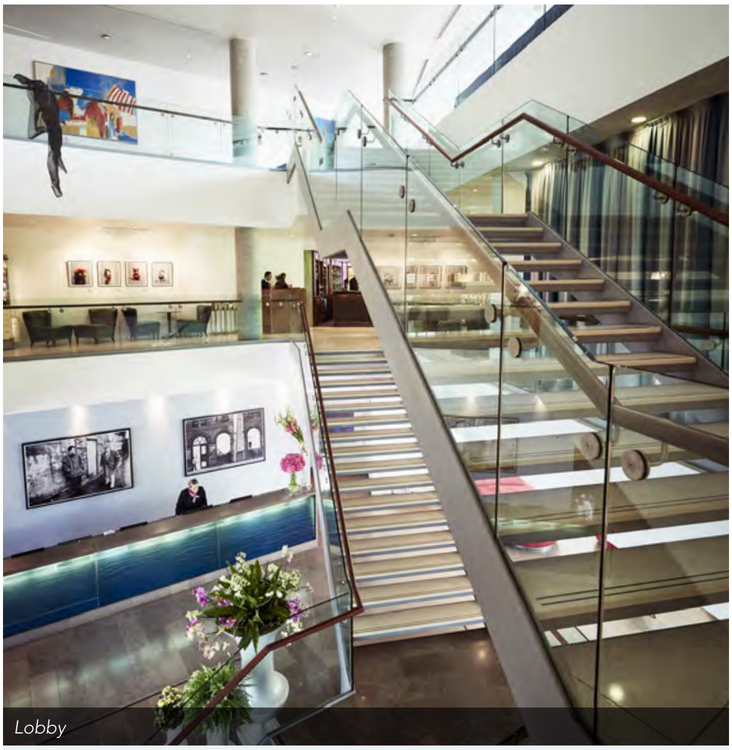
Vacant Possession: Owner-operated, free of operator or brand

FY 2017 KEY FINANCIALS

Gross hotel revenue: S$16.1 million (£9.0 million) [(3) (4)]

Net property income: S$4.8 million (£2.7 million) [(3) (4)]

Average occupancy rate: 84.0% [(5)]


Lobby

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 2015 and 2016, refurbishment was carried out on the guest rooms, public areas and hotel spa.

Notable accolades include:

- 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

(1) The purchase price of £52.5 million refers to the price of the property and excludes the adjustment for net working capital of £0.6 million
(2) The property was valued by Knight Frank LLP using the Discounted Cash Flow approach
(3) Based on the average exchange rate of £1.00 = S$1.7820
(4) As The Lowry Hotel was acquired on 4 May 2017, the numbers only include the contribution from 4 May 2017 to 31 December 2017
(5) This assumes CDLHT owned The Lowry Hotel for the full period of FY 2017

PROPERTY PORTFOLIO

PULLMAN HOTEL MUNICH

GERMANY

Lobby

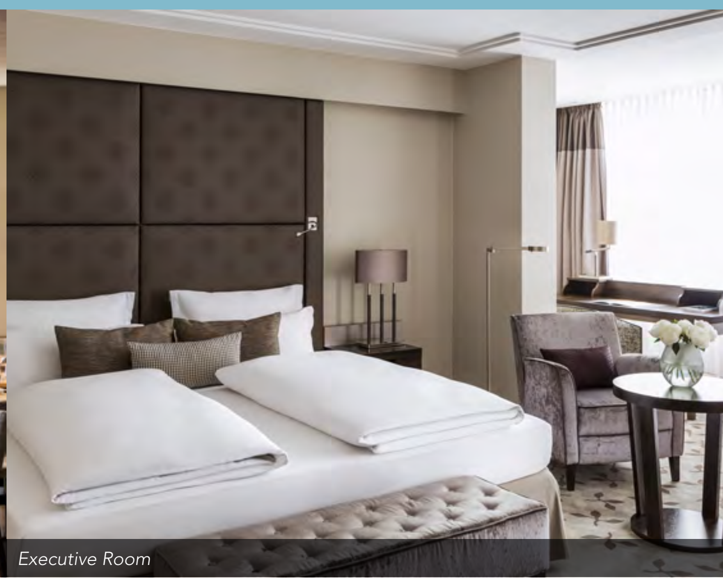
THEODOR-DOMBART-STRASSE 4, 80805 MUNICH, GERMANY
Strategically located adjacent to a commercial district which is home to a variety of national and international companies, the hotel also boasts convenient accessibility and is in proximity to many of Munich's popular tourist destinations.

337
GUEST ROOMS

€106M
IN VALUATION

~8,189
SQ M LAND AREA


Theo's Restaurant


Executive Room

PROPERTY DETAILS

Number of guest rooms: 337 rooms

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 2017: 100%)

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

Vendor: EVENT Hospitality Group B.V.

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

Valuation [(2)] as at 31 December 2017:
€106.0 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 2017 KEY FINANCIALS

Rental income: S$5.5 million (€3.5 million) [(3) (4)]

Net property income: S$5.1 million (€3.3 million) [(3) (4)]

Average occupancy rate: 75.7% [(5)]

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.

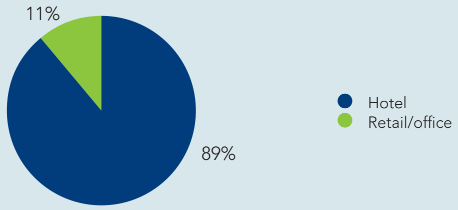
The hotel is also in proximity to many of Munich's popular tourist destinations including the English Garden, the BMW headquarters and Allianz Arena.

In 2012, the hotel underwent a full rebranding and renovation of its guest rooms, food and beverage outlets, spa and lobby areas.

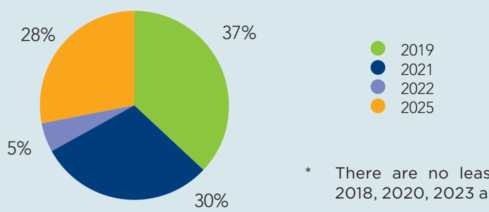
Notable accolades include:

- TripAdvisor Certificate of Excellence – 2017
- Booking.com Guest Review Awards – 2016

TENANT MIX BY RENTAL INCOME FOR FY 2017



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



* There are no leases expiring in 2018, 2020, 2023 and 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 an estimated net working capital of €1.7 million. On the basis of 100% interest, the purchase price is €104.7 million
(2) The property was valued by CBRE GmbH using the Discounted Cash Flow approach
(3) Based on the average exchange rate of €1.00 = S$1.5594
(4) As Pullman Hotel Munich was acquired on 14 July 2017, the numbers only include the contribution from 14 July 2017 to 31 December 2017
(5) This assumes CDLHT owned Pullman Hotel Munich for the full period of FY 2017

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 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 Dhevanafushi Maldives Luxury Resort (formerly known as Jumeirah Dhevanafushi), a resort in the Maldives, as well as the Japan Hotels 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 on 4 May 2017, acquired 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 guidelines of the Code of Corporate Governance 2012 ("**2012 Code**"). Where there are differences in practice from the principles and guidelines under the 2012 Code, the Managers' position in respect of the same is also explained in this report.

CORPORATE GOVERNANCE

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

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

The H-REIT Manager Board and the HBT Trustee-Manager Board have established a framework for the management of the Managers, H-REIT and HBT, including a system of internal controls and business risk management processes. The Managers' Boards meet quarterly or more often if necessary to (i) review respectively the financial performance of H-REIT and HBT against previously approved budgets, (ii) review the business risks of H-REIT and HBT respectively, (iii) examine liability management, (iv) oversee the sustainability policies and proposals of H-REIT and HBT, and (v) act upon any recommendations and/or comments from both the internal and external auditors of H-REIT and HBT respectively. In assessing business risks, the Managers' Boards also consider the economic environment and risks relevant to the property and hospitality industries. They also review management reports and feasibility studies on individual projects prior to approving major transactions.

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 voluntarily abstain from participating in the deliberation on the same. The Boards of the Managers have each established Nominating and Remuneration Committees ("**NRCs**") which recommend to the Boards of the H-REIT Manager and the HBT Trustee-Manager the appointments/re-appointments to the Board and Board Committees and assess the independence of Directors. When assessing the independence of Directors, the NRCs take into account the individual Director's objectivity, independent thinking and judgement.

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

The primary functions of the H-REIT Manager Board and the HBT Trustee-Manager Board are either carried out directly by the H-REIT Manager Board and the HBT Trustee-Manager Board or through committees established by the H-REIT Manager Board and the HBT Trustee-Manager Board, namely the Audit and Risk Committees ("**ARCs**") and NRCs (collectively, the "**Committees**").

Specific written terms of reference, duly approved by the H-REIT Manager Board and the HBT Trustee-Manager Board respectively, set out the authority and duties of the Committees. The H-REIT Manager Board and the HBT Trustee-Manager Board review such terms of reference periodically to ensure their continued relevance. The composition of the Committees can be found under the corporate directory section in this Annual Report 2017 ("**Annual Report**").

The delegation of authority by the H-REIT Manager Board and the HBT Trustee-Manager Board to the respective Committees enables the H-REIT Manager Board and the HBT Trustee-Manager Board to achieve operational efficiency by empowering these Committees to decide, review and make recommendations on matters within their respective written terms of reference and/or limits of delegated authority and yet without abdicating their respective overall responsibility.

CORPORATE GOVERNANCE

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

Further information on the activities of the ARCs and NRCs can be found in the sections on Principles 4, 5, 7, 8, 11, 12 and 13 in this report.

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

Meetings of the Board, ARC and NRC of the Managers were held regularly. Four Board Meetings, four ARC Meetings and three NRC Meetings were held by the Managers' Boards and Committees in 2017.

A meeting of the Independent Directors ("**IDs**") of the H-REIT Manager Board and the HBT Trustee-Manager Board, chaired by the lead independent Director ("**Lead ID**") was also held in 2017 to discuss matters without the presence of Management and the Board Chairman.

The attendance of the H-REIT Manager Directors and the HBT Trustee-Manager Directors at meetings of the Board and Committees of the Managers, as well as the frequency of such meetings during 2017, 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.

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.

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

Directors' Attendance at the AGMs and Meetings of the Board, the Committees and IDs in 2017

	AGMs	Board	ARC	NRC	ID
Number of meetings held in 2017	1	4	4	3	1
Name of Directors					
Wong Hong Ren	1/1	3/4	N. A.	3/3	N. A.
Vincent Yeo Wee Eng	1/1	4/4	N. A.	N. A.	N. A.
Jenny Lim Yin Nee	1/1	2/2 (1)	2/2 (1)	N. A.	1/1 (1)
Ronald Seah Lim Siang	1/1	4/4	4/4	3/3	1/1
Foo Say Mui (Bill)	1/1	4/4	4/4	3/3	1/1
Kenny Kim	1/1	4/4 (2)	1/2 (2)	N. A.	N. A.
Cheah Sui Ling	N. A.	1/1 (3)	N. A.	N. A.	N. A.

(1) Ms Jenny Lim Yin Nee, who ceased as a Director on 26 April 2017, had attended two Board Meetings and two ARC Meetings held prior to her cessation.
(2) Mr Kenny Kim, who was appointed a Director on 25 January 2017 and a member of the ARC on 26 April 2017, had attended four Board Meetings and one ARC Meeting held after his appointment.
(3) Ms Cheah Sui Ling, who was appointed a Director on 18 August 2017, had attended one Board Meeting held after her appointment.

CORPORATE GOVERNANCE

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

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

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 Board 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.

Mr Kenny Kim was appointed to the Managers' Boards in January 2017 and the Managers' ARCs in April 2017. Ms Cheah Sui Ling was appointed to the Managers' Boards in August 2017. Both Mr Kim and Ms Cheah were given detailed briefings by the CEO and the CFO in respect of CDLHT's business and operations, as well as its financial matters. The Chairman of the Managers' ARC also briefed Mr Kim on the role and responsibilities of the ARC as set out in its terms of reference. Separately, the Company Secretaries also briefed Mr Kim and Ms Cheah on the internal corporate governance practices and the directors' duties and responsibilities pursuant to relevant legislations.

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

The Directors are provided with regular updates and/or briefings from time to time by professional advisers, auditors, Management and the Company 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 and SID and the Directors are encouraged to attend such training at the Managers' expense.

Three in-house seminars were conducted by invited external speakers in 2017. The topics that were covered included innovation, cyber risks, data protection and sustainability. The Directors were also briefed on Anti-Money Laundering and Countering Financing of Terrorism, during the year. In addition to the training courses/programmes and briefing updates, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Managers' operations.

CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

Board Independence

The Boards of the H-REIT Manager and the HBT Trustee-Manager currently consist of five members each. All members of the Boards, except for the Chief Executive Officer ("**CEO**"), are independent [1] directors ("**4 IDs**"), thus providing for a strong and independent element on the Boards capable of exercising objective judgement on corporate affairs of H-REIT and HBT. No individual or small group of individuals dominates the Boards' decision-making.

When reviewing the independence of the 4 IDs, the Managers' NRCs had considered the guidelines for independence set out in Guideline 2.3 of the 2012 Code and the Business Trusts Regulations 2005. The 4 IDs are Dr Bill Foo, Mr Ronald Seah, Mr Kenny Kim and Ms Cheah Sui Ling. For purposes of determination of independence, the 4 IDs have also provided confirmation that they are not related to the substantial shareholders of the Managers or stapled security holders of CDLHT. The NRCs are satisfied that there is no other relationship which could affect their independence.

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

The NRCs review the size and composition of the H-REIT Manager Board and the HBT Trustee-Manager Board and also considered the core competencies of the Directors based on the skills and experience of each Director, and are of the view that the Boards have the critical skills and expertise needed in the strategic direction and planning of the business of H-REIT and HBT. In view of the changes in the board composition during year 2017 including the appointment of additional independent directors, 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, financial accounting and risk management. There is also gender diversity on the Boards. Most of the IDs have been recently appointed to the Boards, with the longest tenure being not more than five years. Hence, the NRCs, whilst continuing to review its board compositions annually, are of the view that there is no immediate need to refresh the Boards. Further information on the individual Directors' background, experience and skills can be found in the "Board of Directors" section in the Annual Report.

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

So long as the H-REIT Units remain stapled to HBT Units, in order to avoid any conflict between H-REIT and HBT and to act in the best interest of CDLHT, each of the Directors of the H-REIT Manager Board is also a Director of the HBT Trustee-Manager Board, and vice versa. Further, in line with MAS's Response to Feedback Received on its Consultation Paper on Enhancements to the Regulatory Regime Governing REITs and REIT Managers, under circumstances where unitholders of H-REIT are not given the right to appoint directors, at least half of the H-REIT Manager Board would have to be independent directors. Similarly, the HBT Trustee-Manager Board would also be required to comply with the provision under Regulation 12 of the Business Trust Regulations 2005 for at least a majority of the Directors of the board of the trustee-manager of a business trust to comprise Directors who are independent from management and business relationships with the trustee-manager. Majority of both the H-REIT Manager Board and the HBT Trustee-Manager Board comprise Independent Directors.

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 H-REIT Manager and the HBT Trustee-Manager held respective meetings of the Independent Directors, chaired by the Lead ID in January 2017 (without the presence of Management, the CEO and Board Chairman).

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

CORPORATE GOVERNANCE

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

The roles of the Chairman and CEO are separate. The Chairman, Mr Wong Hong Ren, is a non-independent and non-executive Director while the CEO, Mr Vincent Yeo, is an executive Director. This ensures an appropriate balance of power, increased accountability and greater capacity of the H-REIT Manager Board and the HBT Trustee-Manager Board for independent decision-making. The Chairman is not related to the CEO. Mr Wong Hong Ren resigned as Chairman of the H-REIT Manager and the HBT Trustee-Manager on 12 February 2018. The NRCs are reviewing the composition of the Boards and further announcements will be made in due course once a decision has been made on the appointment of a new board chairman.

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

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

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

Lead Independent Director

Dr Bill Foo, who was appointed as the Lead ID of the H-REIT Manager and the HBT Trustee-Manager in place of Ms Jenny Lim on 26 April 2017, serves as an intermediary between the independent NEDs and the Chairman. The role of each of the H-REIT Manager Board's Lead ID and the HBT Trustee Manager Board's Lead ID is set out under the written terms of reference of the Lead ID which have been approved by the Board of the H-REIT Manager and the Board of the HBT Trustee-Manager.

The Lead ID is available to the Stapled Security Holders of CDLHT should they have concerns and for which contact through the normal channels of the Chairman or the Management has failed to resolve or is inappropriate. No query or request on any matter which requires the Lead ID's attention was received from Stapled Security Holders in 2017. Under the chairmanship of the then Lead ID, Ms Jenny Lim, a meeting of the Independent Directors of the H-REIT Manager was convened on 25 January 2017 (without the presence of Management or the Chairman) and feedback was provided to the Chairman at the Board meetings held thereafter. Separate meetings of the Independent Directors of both the H-REIT Manager and the HBT Trustee-Manager were also convened in January 2018.

Principle 4: Board Membership

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

CORPORATE GOVERNANCE

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

The NRCs of the Managers have formalised guidelines for Board and Board Committee appointments which include taking into consideration (a) the current Board and Board Committee size, composition mix and core competencies, (b) the candidate's/Director's independence, in the case of an independent NED; (c) the composition requirements for the Board and Committees (if the candidate/Director is proposed to be appointed to any of the Committees); (d) the candidate's/ Director's age, gender, track record, experience and capabilities and such other relevant factors as may be determined by the H-REIT Manager Board and the 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.

In 2017, Mr Kenny Kim and Ms Cheah Sui Ling were appointed as IDs of the Managers. The NRCs considered the extensive experience of both Mr Kim and Ms Cheah would complement and strengthen the core competencies of the Boards.

Nominating and Remuneration Committee Composition and Role

The NRCs comprise three IDs. 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 Board, are to review all Board and Committees composition and membership, board succession plans, review appointments and resignations of Directors and relevant senior management staff, including the CEO and the CFO, review Directors' training and continuous professional development programmes as well as review the remuneration framework and policies of the Managers.

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

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

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

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

Key Information on Directors

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

CORPORATE GOVERNANCE

Board Development

The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the expense of the H-REIT Manager or the HBT Trustee-Manager (as the case may be). A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2017 are set out in the paragraph under the header "H-REIT Manager and the HBT Trustee-Manager Board Orientation and Training". The members of the Board are kept apprised twice yearly on a list of training programmes attended by the Directors during the year.

Principle 5: Board Performance

Board Evaluation Process

The H-REIT Manager Board and the 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.

Each of the H-REIT Manager Board and the 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.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

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

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

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 the Board and Committee meetings and ensures that all Board procedures are followed. 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.

CORPORATE GOVERNANCE

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 the HBT Trustee-Manager, in furtherance of their duties and in the event that circumstances warrant the same. The Managers have also put in place internal guidelines allowing for the Directors to seek independent professional advice.

REMUNERATION MATTERS

Principle 7: Procedures for developing Remuneration Policies

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

The H-REIT Manager and the HBT Trustee-Manager Boards have adopted a Remuneration Framework (which covers all aspects of remuneration) for Directors and key management personnel ("**KMP**") which serves as an overview of the Remuneration Policy.

Principle 8: Level and Mix of Remuneration

All Directors of the H-REIT Manager, including Executive Directors, will receive a fixed base director's fee and the Lead ID will receive an additional fee to reflect his expanded responsibility. The Board Chairman, chairman and members of the ARC and chairman and members of the NRCs also receive additional fees. Such fees are subject to shareholder's approval at the annual general meeting of the H-REIT Manager. The Directors of the HBT Trustee-Manager presently do not receive any Directors' fee.

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

(a) to ensure that the procedure for determining remuneration for Directors is formal and transparent;

(b) to ensure that the level of remuneration is sufficient to attract and retain Directors to exercise oversight responsibility over the Company; and

(c) to ensure that no Director is involved in deciding on his own remuneration.

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

(a) to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Managers' needs;

(b) to ensure that remuneration is commensurate with employees' duties, responsibilities and length of service;

(c) to build sustainable value-creation to align with longer term shareholder interest;

(d) to reward employees for achieving corporate and individual performance targets in an equitable way; and

(e) to enhance retention of key talents to build strong organisational capabilities.

Under the Managers' remuneration policy, the remuneration packages for employees, including the Executive Director, comprises a fixed base component (in the form of a base salary) and a variable component (which includes variable, year-end annual and special bonuses). The variable component is determined by the individual's performance, competitive market practices and information gathered from market surveys conducted by independent human resource consultants as well as the Managers' overall performance in each specific year. Employees are also provided with the standard benefits including insurance and medical benefits. In year 2017, an external human resource consultant, was engaged to provide benchmarking with regard to the CEO/ KMP remuneration.

CORPORATE GOVERNANCE

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

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

Principle 9: Disclosure on Remuneration

The Directors' fees take into account the Directors' level of contribution and their respective responsibilities, and include Board Committee fees in addition to their base fee. For FY 2017, the aggregate amount of Directors' fees receivable by each of the Directors of the H-REIT Manager Board was less than S$250,000. These fees will be subject to approval by the shareholder of the H-REIT Manager. No Director is involved in deciding his own remuneration. The Directors of the HBT Trustee-Manager Board did not receive any Directors' fees for FY 2017.

The NRCs had recommended and the Boards of the Managers had assessed and decided to disclose the fee structure for the different roles assumed by the Board and the Board Committees of the Managers as set out in the table below. NRCs and the Boards of the Managers believe that:

- there is no misalignment between the remuneration of the Directors and the interest of Stapled Security Holders, given that their remuneration is not linked to the gross revenue of H-REIT or HBT and are paid out of the own assets of the Managers; and

- there is full and frank disclosure of the total amount of fees paid to the H-REIT Manager and the HBT Trustee-Manager in Note 18 of the Notes to the Financial Statements on page 184 of the Annual Report.

- The structure of the fees payable to Directors of the H-REIT Manager for FY 2017 is as follows:

Appointment	Per Annum
Board of Directors	
- Chairman's Fee	$60,000*
- Base Fee	$50,000
Audit and Risk Committee	
- ARC Chairman's Fee	$70,000
- ARC Member's Fee	$40,000
Nominating and Remuneration Committee	
- NRC Chairman's Fee	$10,000
- NRC Member's Fee	$5,000
Lead Independent Director's Fee	$10,000

* Inclusive of Base Fee

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

- due to the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the area of real estate investment trusts and business trusts, disclosure of specific remuneration information may give rise to recruitment and talent retention issues;

- the negative impact to H-REIT and HBT if members of the experienced and qualified management team are poached, thereby affecting both the ability to nurture a sustainable talent pool and ensure the smooth continuity of leadership to achieve business and operations objectives of H-REIT and HBT;

- there is no misalignment between the remuneration of the executive officers and the interest of Stapled Security Holders, given that their remuneration is not linked to the gross revenue of the H-REIT or the 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 the H-REIT Manager and the HBT Trustee-Manager in Note 18 of the Notes to the Financial Statements on page 184 of the Annual Report.

CORPORATE GOVERNANCE

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

Pursuant to their terms of reference, the NRCs shall regularly review and recommend to the Boards, their assessment of the performance of KMPs. The NRC shall also take a holistic approach to the Managers' remuneration policy by considering the contribution and performance of KMPs in light of the performance of CDLHT and prevailing economic and industry conditions. The Managers believe that the establishment of the NRCs will help to ensure that the remuneration policies are more aligned with the interests of Stapled Security Holders.

Principle 10: Accountability

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

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

For the financial year under review, the CEO and the CFO provided assurance to the ARCs on the integrity of the quarterly unaudited financial statements of the H-REIT Group, the HBT Group and the Stapled Group and the Board in turn provided a negative assurance confirmation to the Stapled Securities Holders in respect of the unaudited financial statements for the first, second and third quarter in accordance with the regulatory requirements.

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

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

Principle 11: Risk Management and Internal Controls

Risk Management

The H-REIT Manager Board and the HBT Trustee-Manager Board recognise that they have overall responsibility to ensure proper financial reporting for the H-REIT Group, the HBT Group and the Stapled Group and effectiveness of H-REIT's and HBT's system of internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems. The H-REIT Manager and the HBT Trustee-Manager ARCs assist the H-REIT Manager Board and the HBT Trustee-Manager Board in providing oversight of risk management and maintaining an effective control environment that reflects both the established risk appetite and the business objectives.

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

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

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

- providing oversight of the risk management framework designed, established and implemented by the Management for the identification, assessment, management and monitoring of risks, and with the objective of embedding risk management into existing management processes;

CORPORATE GOVERNANCE

- 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.

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

Based on the internal controls framework established, the independent annual review and quarterly regulatory and compliance reviews conducted by KPMG Services Pte. Ltd. of H-REIT and HBT's governance and internal controls framework and the written assurance from the CEO and the CFO, the H-REIT Manager Board and the HBT Trustee-Manager Board confirm, with the assistance of the ARCs, that they have reviewed the adequacy and effectiveness of H-REIT and HBT's risk management system and internal controls that address the financial, operational, compliance and information technology controls and concur with the opinion of the ARCs that the risk management system and system of internal controls in place as at 31 December 2017 are adequate and effective to address in all material respects the financial, operational, compliance and information technology risks within the current scope of H-REIT and HBT's business operations and that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of H-REIT and HBT.

CORPORATE GOVERNANCE

Principle 12: Audit and Risk Committee ("**ARCs**")

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' terms of reference further provided 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 12 months 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.

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 Board are of the view that the ARCs have sufficient financial management expertise and experience amongst its members to discharge the functions of the ARCs within its written terms of reference approved and adopted by the respective Boards.

Powers and Duties of the ARCs

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

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

- to review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the H-REIT Group, the HBT Group and the Stapled Group 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;
- to review the effectiveness of the internal audit function;
- to review the scope and results of the external audit, and the independence and objectivity 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 the Stapled Group 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 FY 2017, 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 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 2017. Refer to page 121 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 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 auditor. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2017. Refer to page 121 of this Annual Report.

During the financial year under review, the ARCs of the H-REIT Manager and the 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 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 meet with the external auditors separately without the presence of Management annually.

In performing its duties, the H-REIT Manager ARC and the HBT Trustee-Manager ARC also took guidance from the 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

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

External Auditors

The ARCs had evaluated the performance of the external auditors for FY 2017. 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 2017, 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 2017. 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 2017 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 FY 2017, 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 2018, the ARCs had taken into consideration the Audit Quality Indicators Framework introduced by the 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, the HBT Group and the Stapled Group at the 2018 Annual General Meetings ("**2018 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.

CORPORATE GOVERNANCE

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

Principle 13: Internal Audit

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

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

The ARCs review the activities of the internal auditors on a quarterly basis and are satisfied that the IA function is independent of the activities which it audits; is adequately resourced; and has appropriate standing within the H-REIT Manager and the HBT Trustee-Manager to perform its role and responsibilities effectively. As the IA function is outsourced, the ARCs' 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 2018.

Principle 14: Rights of Stapled Securities Holders

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

All Stapled Securities Holders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. In accordance with the H-REIT Trust Deed (as amended) 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.

Principle 15: Communication with Stapled Securities Holders

The H-REIT Manager and the HBT Trustee-Manager ensure that Stapled Securities Holders are notified of all material information in an accurate and timely manner. The H-REIT Manager and the HBT Trustee-Manager notify their investors in advance of the date of release of the financial results of the H-REIT Group, the HBT Group and the Stapled Group via SGXNET. The quarterly and full year financial results of the H-REIT Group, the HBT Group and the Stapled Group are announced within the mandatory period. The financial statements of the H-REIT Group, the HBT Group and the Stapled Group and other presentation materials presented at general meetings, including material and price-sensitive information, are disseminated and publicly released via SGXNET on a timely basis.

All Stapled Securities Holders receive the annual report of CDLHT and the Notice of AGM of Stapled Securities Holders, which notice is also advertised in the press and released via SGXNET. Stapled Securities Holders and investors can access information on CDLHT at its website at www.cdlht.com which provides, *inter alia*, corporate announcements, press releases and the latest financial results as disclosed by CDLHT on SGXNET.

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

CORPORATE GOVERNANCE

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

Principle 16: Conduct of General Meetings of Stapled Securities Holders

At general meetings, Stapled Securities Holders are given the opportunity to communicate their views and are encouraged to ask the H-REIT Manager Board and the HBT Trustee-Manager Board and the Management questions regarding matters affecting H-REIT and HBT. The chairmen of the ARCs, NRCs and the external auditors were present at the last AGMs, and would endeavour to be present at the 2018 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 the HBT Trustee-Manager have decided, for the time being, not to implement voting in absentia by mail or electronic means.

Separate resolutions on each substantial issue are put to vote at the general meetings. Detailed information on each item in the agenda of the general meetings is in the explanatory notes to the Notice of the general meetings. The H-REIT Manager and the 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, the HBT Trustee-Manager Board, Management and/or the external auditors. The minutes of the general meetings would be made available to Stapled Securities Holders upon request.

Pursuant to Rule 730A(2) of the Listing Manual of SGX, all resolutions proposed at the 2018 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 2018 AGMs. The detailed procedures for electronic poll voting would be explained at the 2018 AGMs. An external firm wil be appointed as scrutineers for the 2018 AGMs voting process, which is independent of the firm appointed to undertake the electronic poll voting process.

Corporate Values and Conduct of Business

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

CORPORATE GOVERNANCE

Confidential Information

The H-REIT Manager and the 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 officers of both the Managers. These guidelines prohibit dealing in the stapled securities of CDLHT (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such stapled securities, and (c) during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first, second and third quarter of H-REIT's and HBT's financial year and one month before the date of announcement of the full-year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the H-REIT Manager are notified in advance of the commencement of each "closed period" relating to dealing in the stapled securities of CDL Hospitality Trusts.

STATEMENT OF POLICIES AND PRACTICES OF HBT

Apart from the corporate governance practices disclosed above, the HBT Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of HBT (as described in section 87(1) of the Business Trusts Act, Chapter 31A of Singapore) in respect of FY 2017, which is set out on pages 98 to 103 of 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 Dhevanafushi Maldives Luxury Resort ("formerly known as Jumeirah Dhevanafushi"), a property which was acquired by a wholly-owned subsidiary of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and which was leased to a wholly-owned subsidiary of HBT. Since then, HBT has proceeded to act as the master lessee of Hotel MyStays Asakusabashi and Hotel MyStays Kamata, Japan and on 1 October 2015, acquired Hilton Cambridge City Centre (formerly known as Cambridge City Hotel), United Kingdom, which is managed by Hilton Hotels and Resorts. 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 (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 Propert**y") 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.

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

In addition, the HBT Trustee-Manager will:

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

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

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

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

The HBT Trustee-Manager has also adopted a set of corporate governance practices as set out on pages 80 to 97 of this Annual Report.

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

HBT Trust Property Properly Accounted For

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

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

Adherence to Business Scope

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

(i) the investment in, development of, operation of and/or management of real estate and real estate related assets and all activities, concerns, functions and matters reasonably incidental thereto;

(ii) acquisition, disposition, ownership, management, operation, finance leasing and leasing of real estate and real estate related assets and all activities, concerns, functions and matters reasonably incidental thereto; and

(iii) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (i) and (ii),

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

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

Potential conflicts of interest

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

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

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

- The HBT Trustee-Manager Board comprises four independent directors who do not have management or business relationships with the HBT Trustee-Manager and are independent from the substantial shareholders of the HBT Trustee-Manager. The independent directors form the majority of the HBT Trustee-Manager Board. This allows the HBT Trustee-Manager Board to examine independently and objectively, any potential issue of conflicts of interest arising between the HBT Trustee-Manager in its own capacity and the HBT Unitholders as a whole.

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

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

Present and Ongoing Interested Person Transactions

(i) Exempted Agreements

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

(ii) Future Interested Person Transactions

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

The HBT Trustee-Manager may, in future, seek an annual general mandate from the HBT Unitholders for recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations with interested persons, and all transactions would then be conducted under such a general mandate for that relevant financial year. In seeking such an annual general mandate, the HBT Trustee-Manager may appoint an independent financial 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.

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

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

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

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

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

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

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

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

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

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

The trustee fee is payable to the HBT Trustee-Manager in arrears on a monthly basis in the form of cash.

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

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

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

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

The table below sets out the fees earned by the HBT Trustee-Manager for the financial year ended 31 December 2017.

Fee	Amount (S$'000)	% in Cash	% in Units
Management Fee	35	20%	80%
Acquisition Fee	94	100%	–
Trustee Fee	196	100%	–

For the financial year ended 31 December 2017, 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 2017 and any out-of-pocket expenses incurred were funded by HBT's working capital.

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

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

Compliance with the Business Trusts Act and Listing Manual

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

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

REPORTS

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

Sustainability has always been embedded in our way of business. This year, in line with the newly implemented Sustainability Reporting requirements, the H-REIT Manager and the HBT Trustee-Manager, as Manager and Trustee-Manager of H-REIT and HBT respectively (collectively the "**Managers**") took the opportunity to formalise its strategy and targets for CDLHT. In this report, the Managers will share the targets that were reviewed by both the H-REIT Manager Board and the HBT Trustee-Manager Board (together the "**Managers' Boards**") which serve to oversee management and monitor the Environmental, Social and Governance ("**ESG**") factors that are material to CDLHT.

Having determined the material ESG factors, the Managers' Boards have set out several key focus areas for CDLHT and our stakeholders. During this process, the H-REIT Manager worked closely with its master lessees and the operators of the Singapore Hotels, who in turn, integrated elements of sustainability in their operations to add value for our stakeholders and to ensure that the growth of our business would incorporate sustainability efforts. We have showcased a few examples of such endeavors in the subsequent sections of this report.

This is the fifth year CDLHT has provided an update on sustainability but this year marks a milestone because the Singapore Exchange Limited ("**SGX**") has made it mandatory for all listed companies to produce a formal report on their sustainability practices. CDLHT is taking a progressive approach regarding its sustainability reporting. Our first mandatory sustainability report for 2017 presents and discusses sustainability within our Singapore portfolio. The scope of our report is expected to expand gradually over the years to include our overseas portfolio.

CDLHT's material ESG factors are namely: *Economic Performance, Employment, Workplace Health & Safety, Corporate Governance and Energy*. For FY 2017, CDLHT has delivered on its financial performance. The Singapore Hotels have also delivered on their operating outcomes and are heading towards having their Greenmark programme re-certification by the Building & Construction Authority ("**BCA**") along with proactive energy savings initiatives such as L.E.D lighting conversions. As a result of the continued efforts of CDLHT's environmentally-conscious hotel operators, the Singapore Hotels have been awarded several noteworthy sustainability accolades in recent years, including the following:

Environmental Awards:

ASEAN Green Hotel Award	Novotel Singapore Clarke Quay (2016 - 2018) Grand Copthorne Waterfront Hotel (2012 - 2014)
ASEAN Energy Award	Copthorne King's Hotel (2013, Winner for Retrofitted Category)
Singapore Green Hotel Award	Novotel Singapore Clarke Quay (2015 - 2017) Grand Copthorne Waterfront Hotel (2015 - 2016) M Hotel Singapore (2013, 2015 - 2016)
BCA Green Mark Award	Orchard Hotel (2016 - 2018, Gold) M Hotel Singapore (2015 - 2018, Gold Plus) Grand Copthorne Waterfront Hotel (2015 - 2018, Platinum) Studio M Hotel (2015 - 2018, Gold) Copthorne King's Hotel (2014 - 2017, Platinum) Novotel Singapore Clarke Quay (2013 - 2017, Gold Plus)

Our sustainability approach is centred on the need to ensure that material ESG factors are managed across all our properties. While the Managers' Boards' role is to determine CDLHT's sustainability direction and strategies, the management team of CDLHT's Managers and the hotel operators of CDLHT's properties ensure that the sustainability strategies and initiatives are carried out as planned.

As the business continues to grow, the Managers' Boards are fully committed to supporting the Managers of CDLHT and the master lessees and hotel managers of CDLHT's properties in maintaining our leadership and dedication to the best practices in governance and sustainability for continued long-term business growth and enhancement of portfolio value for our stakeholders.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

CDLHT produced its first report in compliance with SGX Listing Rule 711A/B requirements. This report provides information on the ESG material factors relating to the sustainability performance of CDLHT. It is written for stakeholders who are interested in understanding and assessing CDLHT's ability to create a sustainable business over time.

SCOPE AND PERIOD

The report covers sustainability performance from 1 January 2017 to 31 December 2017. Taking a phased approach to sustainability reporting, the Singapore Hotels, being Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Novotel Singapore Clarke Quay, were scoped in for the first year. The scope of reporting was validated based on the materiality of its entities, feasibility of assessment and availability of data.

For specific enquiries on the sustainability report, please kindly contact CDLHT at (enquiries@cdlht.com) for further clarification.

REPORTING FRAMEWORK

CDLHT adopted the Global Reporting Initiative ("**GRI**") as its reporting framework. The content of this report was developed with reference to the GRI (2016) standards and includes the primary components set out in SGX listing rules 711B on a 'Comply or Explain' basis.

BOARD APPROVAL

The Managers' Boards are responsible for approving the Sustainability Report, which is aligned with the SGX Sustainability Reporting requirements [(1)]. Moving forward, the Managers of CDLHT will integrate the ESG factors into key strategic formulation, business operations and decision making processes of the Group. CDLHT's first sustainability report was approved by the Managers' Boards on the 5 March 2018.

MANAGING SUSTAINABILITY

CDLHT's commitment to sustainability has been shaped by the Group's core values of creating sustainable business growth together with its stakeholders.

- <u>Commitment to the Environment</u>

  CDLHT promotes a holistic approach to sustainability, focusing on effective resource utilisation, energy cost efficiency and asset enhancement to promote responsible resource consumption.

- <u>Commitment to the Community</u>

  CDLHT believes that people are the most precious assets and that continuous efforts should be taken to provide a better working environment for employees of its hotels (including that of its hotel operators), as well as reliable service to customers and support to the community.

SUSTAINABILITY GOVERNANCE STRUCTURE

The Managers' Boards are responsible for overseeing sustainability management and monitoring material factors. As a strategic advisor for sustainability strategy, the ARC convenes at least once a year to review and challenge the Group's ESG performance and initiatives.

To drive sustainability initiatives across all CDLHT, CDLHT has implemented a robust sustainability governance structure. Leading the sustainability strategy is the CEO of the Managers, Mr Vincent Yeo Wee Eng, who, in consultation with the Managers' Board, is responsible for key decisions. He also oversees the sustainability performance of the group through the newly created Sustainability Steering Committee ("**SSC**"). Its members meet on a regular basis to monitor CDLHT's sustainability performance.

(1) Please refer to SGX Listing rules 711 and & 711B

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

The sustainability strategy comes from the need to continually learn from stakeholders. Through regular dialogue and consideration of their expectations, CDLHT is better positioned to anticipate and react to the growing ESG challenges.

Regular engagement with key stakeholders by CDLHT is achieved through the following structure:

Table 1: CDLHT's approach to engage stakeholders

Stakeholders	How to Engage
Board of Directors	• Board meetings • Regular communication
Government and Regulators	• Briefings and consultations on social and environment related legislations • Participation in surveys and focus groups
Employees	• Staff trainings and transition assistance programs. • Annual employment survey • Performance and career development reviews • Staff meetings and talks • Staff bonding events (family day, department trip or team dinner) • Staff magazines and newsletters, intranet and social media
Hotel Guests	• Customer satisfaction surveys • Social media platform • Through the General Manager
Master Lessees and Hotel Managers	• Regular management meetings and communication • Bilateral communication, one-on-one meetings and site visits
Managers of CDLHT	• Annual General Meetings • Ongoing communication
Investors	• Annual and interim results briefings and analyst meetings • Investor relations website • Local and overseas investor conferences and road shows
Others (Media, Community, Suppliers and business partners)	• Media releases, press conferences and interviews • Trainings, donations and sponsorships, and staff volunteerism • Meetings with business partners • Assessment of suppliers and vendors

MATERIALITY ASSESSMENT

To identify its reporting focus and determine the strategic approach towards sustainability, CDLHT conducted a materiality assessment to identify ESG factors that most significantly influence its business and key stakeholders. The materiality of the ESG factors was assessed in the context of CDLHT's entire value chain. CDLHT has identified five key ESG factors that are believed to be material to the Group. They are:

- Economic Performance
- Energy
- Employment
- Work place Health & Safety
- Corporate Governance

CDLHT has committed to review the materiality and refine its materiality assessment practices on an annual basis.

SUSTAINABILITY REPORT

MATERIAL ASPECT - ECONOMIC

Business begins with value creation. CDLHT's objectives are to maximise the rate of return for Stapled Security Holders and to make regular distributions. The Managers of CDLHT plans to achieve these objectives through pursuing a three-pronged strategy of acquisition growth, proactive asset management and disciplined capital and risk management.

A comprehensive discussion of CDLHT's FY 2017 financial performance can be found on pages 20 to 27 of this Annual Report.

ECONOMIC PERFORMANCE

FY 2017, CDLHT recorded robust yoy NPI growth of 10.3% to S$151.8 million. This was supported by inorganic contribution from The Lowry Hotel and Pullman Hotel Munich, as well as stellar performance from the New Zealand Hotel, which recorded an NPI growth of 46.3%. NPI of the Singapore Hotels remained stable while there was higher contribution from Claymore Connect. This improvement helped to offset weaker contributions from the Japan Hotels and Maldives Resorts, as well as lower contribution from Hilton Cambridge City Centre.

Net finance costs for FY 2017 was lower by S$5.7 million, mainly due to savings in interest expense largely from the use of rights issue proceeds to repay existing borrowings, as well as lower exchange losses (which has no impact on the distributable income of CDLHT).

Overall, total distribution to Stapled Security holders (after retention for working capital) for FY 2017 (1) increased 11.3% yoy to S$110.3 million. Due to the enlarged stapled security base from the rights issue, DPS for FY 2017 was 9.22 cents, lower compared to 9.63 (2) cents in the same period last year. Excluding the effect of the rights issue, DPS for FY 2017 would be 11.04 cents, an increase of 10.4% yoy.

FY 2017 Financial Highlights:

	FY 2017 S$'000	FY 2016 S$'000	Increase/ (Decrease) (%)
Revenue	204,315	180,857	13.0
NPI	151,760	137,560	10.3
Total distribution to Stapled Security Holders (after retention and including capital distribution)	110,346	99,124	11.3
DPS (after retention and including capital distribution) (cents) (3)	9.22	9.63	(4.3)
For information only			
DPS excluding effect of rights issue (after retention and including capital distribution) (cents)	11.04	10.00	10.4

PERFORMANCE MEASUREMENT

Further details on our economic value can be found throughout the Annual Report. An overview can be found from Page 10, whilst the Group's financial statements can be found on pages 113 to 221.

(1) Includes income from the Japan Hotels. Distribution from the Japan Hotels occurs twice yearly, at six months intervals (contribution from 1 October to 31 March will be distributed in 2Q and that of 1 April to 30 September in 4Q).
(2) For the year ended 31 December 2016, DPS has been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities.
(3) On 2 August 2017, 199,545,741 new Stapled Securities were issued pursuant to the rights issue. DPS before and after retention for the quarter and year ended 31 December 2016 have been restated to reflect the effect of bonus element in the rights issue, arising from exercise price being lower than the market price of the Stapled Securities.

SUSTAINABILITY REPORT

MATERIAL ASPECT - ENVIRONMENTAL

ENERGY

The hotels' energy consumption is important to CDLHT's operations since it has a direct impact on its environmental and carbon footprint. CDLHT and its appointed master lessees and hotel managers are keen to monitor and manage energy consumption in order to reduce operational cost and minimise the negative impact on the environment. In this report, CDLHT's disclosure on energy focuses on electricity usage of the Singapore Hotels.

MANAGEMENT APPROACH

For the past several years, the Managers have placed emphasis on improving electricity and water efficiency. CDLHT has translated these ambitions into concrete initiatives where CDLHT's properties have been awarded several noteworthy sustainability accolades in the recent years, including ISO 9001 and ISO 14001 BCA Green Mark, ASEAN Green Hotel Award, and PUB Water Efficient Building Award.

Currently, all of the Singapore Hotels are BCA Green Mark certified. Specifically, Grand Copthorne Waterfront Hotel and Copthorne King's Hotel achieved the BCA Green Mark Platinum Award (the highest certification under the BCA Green Mark accreditation system).

Additionally, Novotel Singapore Clarke Quay has invested in energy efficient technologies, including using electricity-saving equipment such as LED lighting, implementing an SS577 water efficient management system, replacing chillers, Air Handling Units and Fan Coil Units and rolling out green initiatives by giving guests the option to have linen and/or towels changed once every two to three days, instead of on a daily basis. To raise awareness on environmental matters, Novotel Singapore Clarke Quay also appointed a Green Ambassador in each department to promote an energy saving culture and share information and costs on hotel energy usage.

PERFORMANCE MEASUREMENT

CDLHT measures the electricity consumption of the Singapore Hotels in kWh which allows a fair comparison of the efficiency of the Singapore Hotels over a period of time.

Table 2: CDLHT's Performance Measurement – Electricity consumption

Performance measurement	Average over 3 years	FY 2017
Electricity consumption across Singapore Hotels (in kWh)	7,899,917	7,585,560

SUSTAINABILITY REPORT

TARGET AND KEY INITIATIVES

CDLHT's future sustainability efforts will include having H-REIT's Singapore Hotels working towards re-certification of the BCA Green Mark within the next two years, keeping in mind the need to maintain or to attain higher certification by having continual planning and investment to improve energy efficiency across the Singapore Hotels.

When it comes to ways to reduce energy consumption and impact on the Earth, there are a number of changes that can be made to allow hotel guests participate in CDLHT's environmental efforts. For instance, control of lights through motion-sensors has been deployed across some of Singapore Hotels. In Grand Copthorne Waterfront Hotel, LED motion sensor light fittings have been installed in the common area toilets as well as in the escape staircases aid in energy conservation through dimming lights down to 30% when no movement is detected. Similar initiatives have been replicated in Studio M Hotel and Orchard Hotel.

CDLHT will continue to focus on adopting energy efficiency technologies. The Singapore Hotels are currently implementing more initiatives such as the replacement of conventional lighting to energy efficient LED lighting, the modernization of elevators to regenerative models and upgrading of hot water plants with a higher coefficient of performance.

CDLHT aims to reduce at least 2% of the electricity consumption of the Singapore Hotels (over the average of the last three years' consumption) in terms of kWh. Data is tracked monthly. CDLHT will alert the hotel operators of any spike in consumption to have them look into remedies to rectify the situation.

Copthorne King's Hotel was the first hotel amongst the Singapore Hotels to achieve a BCA Green Mark certification. The overall calculated return on investment on energy efficient equipment was less than four years and the hotel is currently operating at a much lower utility cost without sacrificing customer satisfaction.

SUSTAINABILITY REPORT

MATERIAL ASPECT – SOCIAL

EMPLOYMENT

The hospitality industry has one of the highest turnover rates in Singapore. A large proportion of the hospitality industry's workforce is made up of part-time, seasonal and casual employees, which has created challenges in terms of training, maintaining service standards and controlling labour costs. The commitment of the employees of the Singapore Hotels' operators will help drive the success of CDLHT. High turnover leads to:

- loss of invaluable experience and knowledge within the business; and
- loss of time, effort and investment made into the employees' learning and development, both informal and formal, to reach their full potential.

MANAGEMENT APPROACH

The emphasis on the importance of employee satisfaction and retention is essential to create a positive work environment through strengthening an employee's commitment to the organisation and as a result, both the individual contributes to company goals while achieving their personal objectives.

The operators of CDLHT's Singapore Hotels have developed strong policies and procedures to manage their employee recruitment process and maintain a low employee turnover rate, which can be found in their Employee Handbook. There are also a few initiatives rolled out by one of the hotel operators, M&C, to improve their employee satisfaction and loyalty, such as staff recognition awards, birthday vouchers, accommodation and F&B discounts and Chocolate Wednesday @ Hotels.

When dealing with sustainability, the challenge is to ensure that decisions cascade down the organisation and CDLHT recognises the importance of operationalising sustainability efforts. The hotel operators strongly encourage employee personal development and training to achieve a consistently high level of service. In 2017, AccorHotels, the operator of Novotel Singapore Clarke Quay, invested approximately 10% of annual payroll in employee education and training. In order to ensure that employees receive sufficient training, a minimum of 30 training hours is required of all levels of staff. In addition, all new staff undergo a new hire induction program over the duration of three days to help them integrate into Novotel Singapore Clarke Quay's work culture.

PERFORMANCE MEASUREMENT

The performance of the operators of the Singapore Hotels pertaining to employment is tracked through an attrition report, and an exit interview is conducted for voluntary resignations.

Table 3: CDLHT performance measurement – Singapore Hotels

- **Number of New Hires – Full Time Employment for FY 2017**

Gender	Age - 40 & Above	Age - below 40	Total (FY 2017)
Male	48	199	247
Female	33	188	221

- **Rate of Employee Turnover – Full Time Employment for FY 2017**

Gender	Age - 40 & Above	Age - below 40
Male	14%	35%
Female	11%	38%

TARGET AND INITIATIVES

With regards to new employee hires and employee turnover, one of the operators of the Singapore Hotels, M&C, aims to raise employee engagement levels and enhance and improve customer experience through OSE (Outstanding Service Experience) 2 training. The operator had conducted 8 sessions by the end of 2017. M&C intend to record a minimum attendance rate of 75% attendance rate for OSE2 training across the entire Singapore portfolio.

SUSTAINABILITY REPORT

MATERIAL ASPECT – WORKPLACE HEALTH & SAFETY

Much importance is placed on the safety and well-being of employees of the hotel operators. Together with the hotel operators, CDLHT takes pride in providing a safe and healthy working environment for the employees of the hotel operators, including that of its own managed hotels.

MANAGEMENT APPROACH

CDLHT recognises that the hotel operators have a responsibility as an employer to provide a safe workplace and a healthy work environment for their employees and contractors. The hotel operators undertake to comply with all regulatory health and safety requirements. They strive to adopt all practicable means to reduce hazards and reduce the risk of injury to their employees and contractors, and at the same time reduce the risk of damage to the properties.

M&C, one of the operators of the Singapore Hotels, has a Properties, Workplace Safety, Health and Security committee, of which its members hold monthly meetings. The meeting is chaired by a Director of Safety and Security in Singapore, with the general manager of the respective hotels acting as the advisor, and is attended by representatives from all departments. Orchard Hotel's 360 degree approach to health and safety is an illustration of values espoused by M&C. Orchard Hotel constantly looks into ways to improve and enhance efforts to provide a safe environment to stakeholders with regular health and safety trainings, formal communication, safety on work sites, security operations and audits. A number of measures and initiatives have been established to create a safe, healthy and comfortable work environment, and to train staff and build awareness:

- Each member of the organisation receives compulsory health and safety training as soon as they join the hotel;
- All new staff attend an orientation programme that covers health and safety topics on their first day of work including emergency response and evacuation procedures; and
- Monthly silent fire drills are conducted to ensure the CERT (Certified Emergency Response Team) is prepared for emergencies.

PERFORMANCE MEASUREMENT

Health and safety statistics were compiled for FY 2017. In alignment with the GRI standards requirements, CDLHT measured the Workplace, Health and Safety performance of the operators of the Singapore Hotels through the following indicators:

Table 4: CDLHT performance measurement – M&C

Performance measurement		FY 2017 Performance
1	Injury Rate ("**WIR**")	9,343
2	Occupational Disease Incidence Rate ("**ODIR**")	Nil
3	Accident Frequency Rate ("**AFR**")	11.98
4	Accident Severity Rate ("**ASR**")	9.89

Table 5: CDLHT performance measurement – AccorHotels

Performance measurement		FY 2017 Performance
1	WIR	500
2	ODIR	Nil
3	AFR	Nil
4	ASR	Nil

TARGET AND INITIATIVE

CDLHT targets for the operators of the Singapore Hotels to realise zero fatalities related to health and safety issues in FY 2018 and no incidents of non-compliance to workplace health and safety regulations.

SUSTAINABILITY REPORT

MATERIAL ASPECT – GOVERNANCE

CORPORATE GOVERNANCE

The Managers' Boards and Managers of CDLHT firmly believe that a genuine commitment to good corporate governance is essential to the sustainability of the Group's performance, and are pleased to confirm that the Group has complied with the principles and guidelines of the Code of Corporate Governance 2012, with differences in practices being set out in Corporate Governance report in the Annual Report. For further and more comprehensive details, please refer to Pages 80 to 97 of the Annual Report.

MANAGEMENT APPROACH

CDLHT considers the risks and opportunities related to its own activities, so as to create economic and financial value while meeting society's needs and challenges. The value generated by these various resources can be identified in terms of financial, human and social value creation.

CDLHT's governance structures and processes are consistent with the 16 principles of the Code of Corporate Governance 2012.

PERFORMANCE MEASUREMENT

Non-compliance with Singapore regulations may carry financial penalties. It is the responsibility of CDLHT's management to ensure that the organisation complies with applicable laws and regulations. CDLHT measures the effectiveness of its corporate governance by monitoring legal requirements ensuring that operating procedures are in place to prevent and detect non-compliance with key applicable laws and regulations.

TARGET AND INITIATIVES

CDLHT will make all reasonable efforts to prevent significant monetary fines due to non-compliance with key applicable regulations in FY 2018.

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 2017.

DIRECTORS

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

Vincent Yeo Wee Eng	(Chief Executive Officer)
Ronald Seah Lim Siang	
Foo Say Mui (Bill)	
Kenny Kim	(Appointed on 25 January 2017)
Cheah Sui Ling	(Appointed on 18 August 2017)

DIRECTORS' INTEREST IN UNITS OR DEBENTURES

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

	Holdings at beginning of the year	**Holdings at end of the year**
Wong Hong Ren (Resigned on 12 February 2018)	115,000	138,000
Vincent Yeo Wee Eng	115,000	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 of the financial year, or the date of appointment if later, or at the end of the financial year.

There were no changes in any of the abovementioned interests of HBT between the end of the financial year and 21 January 2018.

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:

- Jenny Lim Yin Nee (Resigned on 26 April 2017)
- 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 125 to 221 are drawn up so as to give a true and fair view of the state of affairs of HBT Group as at 31 December 2017 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; 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 year ended 31 December 2017:

- 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

Vincent Yeo Wee Eng
Director

Foo Say Mui (Bill)
Director

5 March 2018

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

5 March 2018

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 125 to 221, 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

5 March 2018

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 125 to 221, 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 2017 and the financial performance, movements in unitholders' funds and cash flows of the H-REIT Group and of the Stapled Group and the distributable income of the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of H-REIT's trust deed between DBS Trustee Limited (the "**H-REIT Trustee**") and the H-REIT Manager dated 8 June 2006 (as amended) and the stapling deed of CDL Hospitality Trusts between the H-REIT Trustee, the H-REIT Manager and M&C Business Trust Management Limited (the Trustee-Manager of HBT) dated 12 June 2006. At the date of this statement, there are reasonable grounds to believe that the H-REIT Group and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

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

Vincent Yeo Wee Eng
Director

5 March 2018

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 2017, 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 2017, 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 2017, 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 125 to 221. 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 ("**FRS**") so as to give a true and fair view of the state of affairs of the HBT Group as at 31 December 2017 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 2017 and the financial performance, movements in unitholders' funds and cash flows of the H-REIT Group and the financial performance, distributable income, movements in unitholders' funds and cash flows of the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice ("**RAP**") *7 Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants ("**ISCA**").

Basis for opinion

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

INDEPENDENT AUDITORS' REPORT

Key audit matters

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

Valuation of investment properties
(Refer to Note 4 to the financial statements)

The key audit matter

The Stapled Group has hotel properties in Singapore, New Zealand, Australia, Maldives and Germany which are classified as investment properties with a carrying value of $2.3 billion as at 31 December 2017. Investment properties represent the most significant asset item on the statement of financial position.

The Stapled Group's accounting policy is to state investment properties at fair value 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 and key assumptions used by the valuers were comparable to the methods and assumptions used for similar property types by other valuers and available industry data.

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

The key audit matter

The Stapled Group has hotels in Japan, Maldives and the United Kingdom classified as property, plant and equipment with a total carrying value of $332.7 million as at 31 December 2017. Property, plant and equipment represents a significant asset item on the statement of financial position.

The Stapled Group's accounting policy is to state freehold land, leasehold land and buildings included as part of property, plant and equipment 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 and key assumptions used by the valuers were comparable to the methods and assumptions used for similar property types by other valuers and available industry data.

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' report 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 FRS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

In preparing the financial statements, 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
5 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	HBT Group 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Non-current assets							
Investment properties	4	–	–	2,386,430	2,246,808	2,331,433	2,175,008
Property, plant and equipment	5	206,192	107,432	78,183	71,947	332,666	244,361
Prepaid land lease	6	–	–	–	–	6,707	6,817
Deferred tax asset	13	–	–	297	–	297	–
Other receivables	7	–	–	149	117,831	149	–
		206,192	107,432	2,465,059	2,436,586	2,671,252	2,426,186
Current assets							
Inventories		1,161	1,053	–	–	1,161	1,053
Trade and other receivables	7	8,297	5,820	20,909	26,530	20,758	25,704
Financial derivative assets	11	7	66	245	105	252	171
Cash and cash equivalents	8	17,278	14,301	78,591	67,927	95,869	82,228
		26,743	21,240	99,745	94,562	118,040	109,156
Assets held for sale	9	–	–	72,863	–	72,863	–
		26,743	21,240	172,608	94,562	190,903	109,156
Total assets		232,935	128,672	2,637,667	2,531,148	2,862,155	2,535,342
Non-current liabilities							
Loans and borrowings	10	96,264	–	547,719	928,849	643,983	928,849
Other payables	12	–	117,831	9,397	8,981	9,397	8,981
Deferred tax liabilities	13	13,481	6,213	17,771	8,902	31,252	15,115
		109,745	124,044	574,887	946,732	684,632	952,945
Current liabilities							
Loans and borrowings	10	–	–	286,227	–	286,227	–
Financial derivative liabilities	11	14	52	262	284	276	336
Trade and other payables	12	16,275	11,964	34,113	28,116	41,940	33,433
Provision for taxation		521	656	3,296	1,551	3,817	2,207
		16,810	12,672	323,898	29,951	332,260	35,976
Total liabilities		126,555	136,716	898,785	976,683	1,016,892	988,921
Net assets/(liabilities)		106,380	(8,044)	1,738,882	1,554,465	1,845,263	1,546,421
Represented by:							
Unitholders' funds		106,380	(8,044)	1,733,892	1,554,465	1,840,273	1,546,421
Non-controlling interests	14	–	–	4,990	–	4,990	–
		106,380	(8,044)	1,738,882	1,554,465	1,845,263	1,546,421
Units/Stapled Securities in issue ('000)	15	1,198,823	991,771	1,198,823	991,771	1,198,823	991,771
Net asset value per Unit/Stapled Security ($)	16	0.0884	(0.0081)	1.44	1.56	1.53	1.55

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

REPORTS

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 2017

	Note	HBT Group 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Revenue	17	60,829	49,471	152,535	141,868	204,315	180,857
Property expenses							
Operations and maintenance expenses		(12,836)	(9,583)	–	–	(12,836)	(9,583)
Employee benefit expense		(13,235)	(9,161)	–	–	(13,235)	(9,161)
Rental expenses		(9,608)	(10,917)	–	–	(559)	(435)
Property tax		(1,839)	(977)	(7,810)	(8,938)	(9,649)	(9,915)
Other property expenses		(11,571)	(10,048)	(4,705)	(4,155)	(16,276)	(14,203)
		(49,089)	(40,686)	(12,515)	(13,093)	(52,555)	(43,297)
Net property income		11,740	8,785	140,020	128,775	151,760	137,560
H-REIT Manager's base fee	18	–	–	(6,178)	(5,975)	(6,178)	(5,975)
H-REIT Manager's performance fee	18	–	–	(7,001)	(6,439)	(7,001)	(6,439)
H-REIT Trustee's fee		–	–	(278)	(272)	(278)	(272)
HBT Trustee-Manager's management fee	18	(35)	(438)	–	–	(35)	(438)
HBT Trustee-Manager's trustee fee		(196)	(134)	–	–	(196)	(134)
HBT Trustee-Manager's acquisition fee		(94)	–	–	–	(94)	–
Valuation fee		(73)	(28)	(200)	(157)	(273)	(185)
Depreciation, amortisation and impairment losses	20	(12,288)	(3,769)	(2,093)	(1,774)	(17,524)	(8,858)
Other trust expenses		(2,643)	(187)	(2,151)	(2,107)	(4,760)	(2,294)
Finance income		1	13	2,121	2,367	367	141
Finance costs		(2,928)	(2,663)	(29,040)	(32,633)	(27,633)	(33,057)
Net finance costs	19	(2,927)	(2,650)	(26,919)	(30,266)	(27,266)	(32,916)
Net (loss)/income before impairment loss and fair value adjustments on properties, and tax		(6,516)	1,579	95,200	81,785	88,155	80,049
Impairment loss on property, plant and equipment and prepaid land lease		–	–	(955)	–	(11,106)	(8,080)
Net fair value gain/(loss) on investment properties		–	–	51,174	(33,018)	64,435	(21,623)
Net (loss)/income/Total return before tax	20	(6,516)	1,579	145,419	48,767	141,484	50,346
Tax expense	21	(1,291)	(634)	(11,069)	(380)	(12,360)	(1,014)
Net (loss)/income/Total return for the year	22	(7,807)	945	134,350	48,387	129,124	49,332

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 2017

	Note	HBT Group 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Total return attributable to:							
Unitholders		(7,807)	945	134,244	48,387	129,018	49,332
Non-controlling interests		–	–	106	–	106	–
		(7,807)	945	134,350	48,387	129,124	49,332
Earnings per Stapled Security (cents)	23						
Basic						11.65	4.79 [1]
Diluted						11.59	4.76 [1]

(1) Restated to reflect the effect of bonus element in the rights issue.

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

STATEMENT OF COMPREHENSIVE INCOME OF THE HBT GROUP

Year ended 31 December 2017

	HBT Group 2017 $'000	HBT Group 2016 $'000
Net (loss)/income for the year	(7,807)	945
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation surplus of property, plant and equipment	7,691	–
Tax effect on revaluation surplus on property, plant and equipment	(705)	–
	6,986	–
Items that are or may be reclassified subsequently to profit or loss:		
Translation differences relating to financial statements of foreign operations	2,721	1,991
Exchange differences on monetary items forming part of net investment in foreign operations	1,235	–
Exchange differences on hedge of net investment in foreign operation	(868)	–
Other comprehensive income for the year, net of tax	10,074	1,991
Total comprehensive income for the year	2,267	2,936

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

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
Balance as at 1 January 2017	850	(121)	–	2,216	(10,989)	(8,044)
Operations						
- Decrease in net assets resulting from operations	–	–	–	–	(7,807)	(7,807)
Revaluation reserve						
- Revaluation surplus on property, plant and equipment	–	–	7,691	–	–	7,691
- Tax effect on revaluation of property, plant and equipment	–	–	(705)	–	–	(705)
Foreign currency translation reserve						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	2,721	–	2,721
- Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	1,235	–	1,235
- Exchange differences on hedge of net investments in foreign operations	–	–	–	(868)	–	(868)
Other comprehensive income	–	–	6,986	3,088	–	10,074
Total comprehensive income	–	–	6,986	3,088	(7,807)	2,267
Balance carried forward	850	(121)	6,986	5,304	(18,796)	(5,777)

REPORTS

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

HBT GROUP (CONT'D)

	Units in issue and to be issued $'000	Issue expenses $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
Balance brought forward	850	(121)	6,986	5,304	(18,796)	(5,777)
Transactions with owners						
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fees	28	–	–	–	–	28
- Units/stapled securities issued as part of rights issue	117,093	–	–	–	–	117,093
- Distributions to holders of Stapled Securities	–	–	–	–	(4,964)	(4,964)
Net increase/(decrease) in net assets resulting from transactions with owners	117,121	–	–	–	(4,964)	112,157
Balance as at 31 December 2017	117,971	(121)	6,986	5,304	(23,760)	106,380

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

H-REIT GROUP

	Units in issue and to be issued $'000	Issue expenses $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Attributable to Stapled Security-holders $'000	Non-controlling interests $'000	Total $'000
Balance as at 1 January 2017	1,166,980	(23,921)	–	(16,740)	428,146	1,554,465	–	1,554,465
Operations								
- Increase in net assets resulting from operations	–	–	–	–	134,244	134,244	106	134,350
Revaluation reserve								
- Revaluation surplus on property, plant and equipment	–	–	12,191	–	–	12,191	–	12,191
- Tax effect on revaluation of property, plant and equipment	–	–	(2,019)	–	–	(2,019)	–	(2,019)
Foreign currency translation reserve								
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	(22,868)	–	(22,868)	–	(22,868)
- Exchange differences on monetary items forming part of net investment in foreign operations	–	–	–	1,974	–	1,974	–	1,974
- Exchange differences on hedge of net investments in foreign operations	–	–	–	10,342	–	10,342	–	10,342
Other comprehensive income	–	–	10,172	(10,552)	–	(380)	–	(380)
Total comprehensive income	–	–	10,172	(10,552)	134,244	133,864	106	133,970
Balance carried forward	1,166,980	(23,921)	10,172	(27,292)	562,390	1,688,329	106	1,688,435

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

H-REIT GROUP (CONT'D)

	Units in issue and to be issued $'000	Issue expenses $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000	Accumu-lated profits $'000	Attribu-table to Stapled Security-holders $'000	Non-controlling interests $'000	Total $'000
Balance brought forward	1,166,980	(23,921)	10,172	(27,292)	562,390	1,688,329	106	1,688,435
Transactions with owners								
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fees	10,543	–	–	–	–	10,543	–	10,543
- Units/stapled securities issued as part of rights issue	138,325	–	–	–	–	138,325	–	138,325
- Issue expenses	–	(4,055)	–	–	–	(4,055)	–	(4,055)
- Distributions to holders of Stapled Securities	(5,532)	–	–	–	(93,718)	(99,250)	–	(99,250)
- Distribution to non-controlling interests	–	–	–	–	–	–	(143)	(143)
Net increase/ (decrease) in net assets resulting from transactions with owners	143,336	(4,055)	–	–	(93,718)	45,563	(143)	45,420
Changes in ownership interests in subsidiaries								
- Acquisition of subsidiaries with non-controlling interest (Note 29)	–	–	–	–	–	–	5,027	5,027
Balance as at 31 December 2017	1,310,316	(27,976)	10,172	(27,292)	468,672	1,733,892	4,990	1,738,882

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2017

STAPLED GROUP

	Note	Attributable to Stapled Security-holders $'000	Non-controlling interest $'000	Total $'000
Balance as at 1 January 2017		1,546,421	–	1,546,421
Operations				
- Increase in net assets resulting from operations		129,018	106	129,124
Revaluation reserve				
- Revaluation surplus on property, plant and equipment		19,882	–	19,882
- Tax effect on revaluation of property, plant and equipment		(2,724)	–	(2,724)
Foreign currency translation reserve				
- Translation differences relating to financial statements of foreign subsidiaries		(20,147)	–	(20,147)
- Exchange differences on monetary items forming part of net investment in foreign operations		3,209	–	3,209
- Exchange differences on hedge of net investments in foreign operations		6,894	–	6,894
Other comprehensive income		7,114	–	7,114
Total comprehensive income		136,132	106	136,238
Transactions with owners				
- Units/Stapled Securities issued and to be issued as payment of H-REIT Manager's management fees		10,543	–	10,543
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fees		28	–	28
- Units/Stapled Securities issued as part of rights issue		255,418	–	255,418
- Issue expenses		(4,055)	–	(4,055)
- Distributions to holders of Stapled Securities		(104,214)	–	(104,214)
- Distribution to non-controlling interests		–	(143)	(143)
Net increase/(decrease) in net assets resulting from transactions with owners		157,720	(143)	157,577
Changes in ownership interests in subsidiaries				
- Acquisition of subsidiaries with non-controlling interest	29	–	5,027	5,027
Balance as at 31 December 2017		1,840,273	4,990	1,845,263

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2016

HBT GROUP

	Units in issue and to be issued $'000	Issue expenses $'000	Foreign currency translation reserve $'000	Accumulated profits/ (losses) $'000	Total $'000
At 1 January 2016	500	(121)	225	(9,458)	(8,854)
Operations					
- Increase in net assets resulting from operations	–	–	–	945	945
Foreign currency translation reserve					
- Translation differences relating to financial statements of foreign subsidiaries	–	–	1,991	–	1,991
Other comprehensive income	–	–	1,991	–	1,991
Total comprehensive income	–	–	1,991	945	2,936
Unitholders' transactions					
- Units/Stapled Securities issued and to be issued as payment of HBT Trustee-Manager's management fees	350	–	–	–	350
- Distributions to holders of Stapled Securities	–	–	–	(2,476)	(2,476)
Net increase/(decrease) in net assets resulting from unitholders' transactions	350	–	–	(2,476)	(2,126)
At 31 December 2016	850	(121)	2,216	(10,989)	(8,044)

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2016

H-REIT GROUP

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

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2016

STAPLED GROUP

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

The 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.

DISTRIBUTION STATEMENT

Year ended 31 December 2017

	Note	Stapled Group 2017 $'000	2016 $'000
Amount available for distribution to holders of Stapled Securities at the beginning of the year		54,465	52,555
Total return of H-REIT	22	79,234	14,713
Total return of HBT	22	6,756	4,253
Net tax adjustments (Note A)		30,264	86,564
		116,254	105,530
Less: Amount retained for working capital		(11,625)	(10,553)
Add: Capital distribution		5,717	4,147
Amount available for distribution to holders of Stapled Securities		164,811	151,679
Distribution of 5.37 cents per Stapled Security for the period from 1/7/2015 to 31/12/2015		–	(53,118)
Distribution of 4.45 cents per Stapled Security for the period from 1/1/2016 to 30/6/2016		–	(44,096)
Distribution of 5.55 cents per Stapled Security for the period from 1/7/2016 to 31/12/2016		(55,095)	–
Distribution of 4.41 cents per Stapled Security for the period from 1/1/2017 to 30/6/2017		(49,119)	–
		(104,214)	(97,214)
Income available for distribution to holders of Stapled Securities at the end of the year		60,597	54,465
Distribution per Stapled Security (DPS) (cents) [(1)]		9.22	9.63[(2)]

Note A – Net tax adjustments comprise:

		2017 $'000	2016 $'000
Non-tax deductible/(chargeable) items:			
- Amortisation of debt-related transaction costs		1,480	999
- Fair value (gains)/losses on financial derivatives		(161)	178
- Financial expense arising from remeasuring non-current rental deposits at amortised cost		213	205
- Foreign exchange (gains)/losses		(5,083)	3,159
- H-REIT Manager's management fees paid/payable in Stapled Securities		10,543	9,931
- H-REIT Trustee's fees		278	272
- HBT Trustee-Manager's management fees paid/payable in Stapled Securities		28	350
- HBT Trustee-Manager's trustee fees		196	134
- Net fair value loss on investment properties		(10,035)	61,959
- Impairment loss on subsidiary		31,057	8,963
- Other items		1,748	414
Net tax adjustments		30,264	86,564

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.
(2) Restated to reflect the effect of bonus element in the rights issue. DPS as previously reported is 10.00 cents which represents the actual DPS paid.

PORTFOLIO STATEMENTS

As at 31 December 2017

H-REIT GROUP

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2017 $'000	Carrying value at 31/12/2016 $'000	Percentage of total net assets at 31/12/2017 %	Percentage of total net assets at 31/12/2016 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	64 years	442 Orchard Road	Hotel	430,000	424,000	24.7	27.3
Claymore Connect	Freehold *	75 years	64 years	442 Orchard Road	Retail	90,000	90,000	5.2	5.8
Grand Copthorne Waterfront Hotel	Freehold *	75 years	64 years	392 Havelock Road	Hotel	352,000	348,000	20.2	22.4
M Hotel	Freehold *	75 years	64 years	81 Anson Road	Hotel	234,000	234,000	13.5	15.0
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	49 years	403 Havelock Road	Hotel	116,000	116,000	6.7	7.5
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	59 years	177A River Valley Road	Hotel	330,000	319,000	19.0	20.5
Studio M Hotel	Leasehold	99 years from 26 February 2007	88 years	3 Nanson Road	Hotel	153,000	153,000	8.8	9.8
Germany									
Pullman Hotel Munich	Freehold	–	–	Theodor-Dombart-Strasse 4, Munich	Hotel	168,858	–	9.7	–
New Zealand									
Grand Millennium Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	217,833	177,832	12.5	11.4
Australia									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	– (1)	64,815	–	4.2
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	74,945	71,087	4.3	4.6
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	34,350	33,453	2.0	2.1
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	49,963	48,088	2.9	3.1
Balance carried forward						2,250,949	2,079,275	129.5	133.7

* H-REIT's interest in the freehold land is restricted to the remaining term of each respective lease.

(1) Classified as "Assets held for sale" as at 31 December 2017 (Note 9).

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

PORTFOLIO STATEMENTS

As at 31 December 2017

H-REIT GROUP (CONT'D)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2017 $'000	Carrying value at 31/12/2016 $'000	Percentage of total net assets at 31/12/2017 %	Percentage of total net assets at 31/12/2016 %
Balance brought forward						2,250,949	2,079,275	129.5	133.7
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	30 years	South Nilandhe Atoll	Resort	80,484	95,733	4.6	6.2
Dhevanafushi Maldives Luxury Resort (formerly known as Jumeirah Dhevanafushi)	Leasehold	50 years from 15 June 2006	38 years	Gaafu Alifu Atoll	Resort	54,997	71,800	3.1	4.6
Investment properties						2,386,430	2,246,808	137.2	144.5
<u>Property, plant and equipment</u>									
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	45,054	39,087	2.6	2.5
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	32,481	31,964	1.9	2.0
Other plant and equipment	–	–	–	–	–	648	896	–	0.1
Property, plant and equipment						78,183	71,947	4.5	4.6
<u>Assets held for sale</u>									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	72,863[1]	–	4.2	–
						2,537,476	2,318,755	145.9	149.1
Other assets and liabilities (net)						(798,594)	(764,290)	(45.9)	(49.1)
Net assets of the H-REIT Group						1,738,882	1,554,465	100.00	100.00

[1] Classified as "Assets held for sale" as at 31 December 2017 (Note 9).

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

REPORTS

PORTFOLIO STATEMENTS

As at 31 December 2017

STAPLED GROUP

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2017 $'000	Carrying value at 31/12/2016 $'000	Percentage of total net assets at 31/12/2017 %	Percentage of total net assets at 31/12/2016 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	64 years	442 Orchard Road	Hotel	430,000	424,000	23.3	27.4
Claymore Connect	Freehold *	75 years	64 years	442 Orchard Road	Retail	90,000	90,000	4.9	5.8
Grand Copthorne Waterfront Hotel	Freehold *	75 years	64 years	392 Havelock Road	Hotel	352,000	348,000	19.1	22.5
M Hotel	Freehold *	75 years	64 years	81 Anson Road	Hotel	234,000	234,000	12.6	15.1
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	49 years	403 Havelock Road	Hotel	116,000	116,000	6.3	7.5
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	59 years	177A River Valley Road	Hotel	330,000	319,000	17.9	20.6
Studio M Hotel	Leasehold	99 years from 26 February 2007	88 years	3 Nanson Road	Hotel	153,000	153,000	8.3	9.9
Germany									
Pullman Hotel Munich	Freehold	–	–	Theodor-Dombart-Strasse 4, Munich	Hotel	168,858	–	9.1	–
New Zealand									
Grand Millennium Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	217,833	177,832	11.8	11.5
Australia									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	– (1)	64,815	–	4.2
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	74,945	71,087	4.0	4.6
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	34,350	33,453	1.9	2.2
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	49,963	48,088	2.7	3.1
Maldives									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	30 years	South Nilandhe Atoll	Resort	80,484	95,733	4.4	6.2
Balance carried forward						2,331,433	2,175,008	126.3	140.6

* H-REIT's interest in the freehold land is restricted to the remaining term of each respective lease.

(1) Classified as "Assets held for sale" as at 31 December 2017 (Note 9).

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

PORTFOLIO STATEMENTS

As at 31 December 2017

STAPLED GROUP (CONT'D)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	Carrying value at 31/12/2017 $'000	Carrying value at 31/12/2016 $'000	Percentage of total net assets at 31/12/2017 %	Percentage of total net assets at 31/12/2016 %
Balance carried forward						2,331,433	2,175,008	126.3	140.6
<u>Property, plant and equipment and prepaid land lease</u>									
Maldives									
Dhevanafushi Maldives Luxury Resort (formerly known as Jumeirah Dhevanafushi)	Leasehold	50 years from 15 June 2006	38 years	Gaafu Alifu Atoll	Resort	54,997	71,800	3.0	4.7
Japan									
Hotel MyStays Asakusabashi	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	45,054	39,087	2.4	2.5
Hotel MyStays Kamata	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	32,481	31,964	1.8	2.1
United Kingdom									
Hilton Cambridge City Centre	Leasehold	125 years from 25 December 1990	98 years	Downing Street, Cambridge	Hotel	111,898	107,431	6.1	6.9
The Lowry Hotel	Leasehold	150 years from 18 March 1997	129 years	Manchester	Hotel	94,295	–	5.1	–
Other plant and equipment	–	–	–	–	–	648	896	–	–
Property plant and equipment and prepaid land lease						339,373	251,178	18.4	16.2
<u>Assets held for sale</u>									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	72,863 (1)	–	4.0	–
						2,743,669	2,426,186	148.7	156.8
Other assets and liabilities (net)						(898,406)	(879,765)	(48.7)	(56.8)
Net assets of the Stapled Group						1,845,263	1,546,421	100.0	100.0

(1) Classified as "Assets held for sale" as at 31 December 2017 (Note 9).

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

REPORTS

PORTFOLIO STATEMENTS

As at 31 December 2017

The valuations adopted for the investment properties were as follows:

	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Investment properties				
Orchard Hotel	430,000	424,000	430,000	424,000
Grand Copthorne Waterfront Hotel	352,000	348,000	352,000	348,000
M Hotel	234,000	234,000	234,000	234,000
Copthorne King's Hotel	116,000	116,000	116,000	116,000
Novotel Singapore Clarke Quay	330,000	319,000	330,000	319,000
Studio M Hotel	153,000	153,000	153,000	153,000
Claymore Connect	90,000	90,000	90,000	90,000
Grand Millennium Auckland	217,833	177,832	217,833	177,832
Mercure Brisbane and Ibis Brisbane	72,863 (1)	64,815	72,863 (1)	64,815
Novotel Brisbane	74,945	71,087	74,945	71,087
Ibis Perth	34,350	33,453	34,350	33,453
Mercure Perth	49,963	48,088	49,963	48,088
Angsana Velavaru	80,484	95,733	80,484	95,733
Dhevanafushi Maldives Luxury Resort	54,997	71,800	–	–
Pullman Hotel Munich	168,858	–	168,858	–
	2,459,293	2,246,808	2,404,296	2,175,008

(1) Classified as "Assets held for sale" as at 31 December 2017 (Note 9).

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

	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Property, plant and equipment and prepaid land lease				
Dhevanafushi Maldives Luxury Resort	–	–	54,997	71,800
Hotel MyStays Asakusabashi	45,054	39,087	45,054	39,087
Hotel MyStays Kamata	32,481	31,964	32,481	31,964
Hilton Cambridge City Centre	–	–	111,898	107,431
The Lowry Hotel	–	–	94,295	–
Other plant and equipments	648	896	648	896
	78,183	71,947	339,373	251,178

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

PORTFOLIO STATEMENTS

As at 31 December 2017

As at 31 December 2017 and 31 December 2016, 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. Dhevanafushi Maldives Luxury Resort is leased by the H-REIT Group to the HBT Group.

The terms of lease for the Stapled Group are as follows:

Singapore

The leases for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel contain an initial term of 20 years from 19 July 2006 with an option to renew for another 20 years. The lease for Studio M Hotel contains an initial term of 20 years from 3 May 2011 with an option to renew up to a total term of 70 years. The lease for Novotel Singapore Clarke Quay contains a term of approximately 13.5 years from 7 June 2007. The leases for Claymore Connect generally contain an initial term of one to three years.

New Zealand

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

Australia

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

Maldives

The lease for Angsana Velavaru contains a term of 10 years from 1 February 2013. 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.

Japan

The Japan properties are under master lease arrangements between a trust bank in Japan (in its capacity as the trust bank holding the legal title to the Japan Hotels) and AKO GK, an indirect subsidiary of HBT. The lease for the properties was renewed for a term of 3 years from 18 July 2016.

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.

Subsequent renewals are renegotiated with the lessees.

STATEMENTS OF CASH FLOWS

Year ended 31 December 2017

	Note	HBT Group 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Cash flows from operating activities							
Net (loss)/income/ Total return before tax		(6,516)	1,579	145,419	48,767	141,484	50,346
Adjustments for:							
H-REIT Manager's and HBT Trustee-Manager's fees paid/payable in Stapled Securities		28	350	10,543	9,931	10,571	10,281
Depreciation of property, plant and equipment	5	5,414	3,769	2,093	1,774	10,386	8,586
Amortisation of prepaid land lease	6	–	–	–	–	264	272
Impairment loss on:							
- goodwill		6,874	–	–	–	6,874	–
- property, plant and equipment and prepaid land lease		–	–	955	–	11,106	8,080
- trade receivables		46	223	130	153	176	376
Net fair value (gain)/loss on investment properties		–	–	(51,174)	33,018	(64,435)	21,623
Transaction costs for acquisition of a subsidiary		1,537	–	–	–	1,537	–
Net finance costs		2,927	2,650	26,919	30,266	27,266	32,916
Operating income before working capital changes		10,310	8,571	134,885	123,909	145,229	132,480
Changes in working capital:							
Inventories		81	246	–	–	81	246
Trade and other receivables		(378)	151	3,335	(2,012)	6,061	(6,357)
Trade and other payables		2,279	(242)	(7,598)	3,617	(8,291)	7,871
Cash generated from operating activities		12,292	8,726	130,622	125,514	143,080	134,240
Tax paid		(1,787)	(235)	(2,301)	(534)	(4,088)	(769)
Net cash generated from operating activities		10,505	8,491	128,321	124,980	138,992	133,471
Cash flows from investing activities							
Acquisition of subsidiaries, net of cash acquired	29	(94,232)	–	(157,394)	–	(251,626)	–
Additions to property, plant and equipment and prepaid land lease		(1,237)	(2,174)	(362)	(823)	(3,282)	(3,994)
Capital expenditure on investment properties		–	–	(15,630)	(15,201)	(14,113)	(14,204)
Movements in intra group balances		–	–	115,998	–	–	–
Interest received		–	–	2,729	1,417	221	148
Net cash used in investing activities		(95,469)	(2,174)	(54,659)	(14,607)	(268,800)	(18,050)

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2017

	Note	HBT Group 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Cash flows from financing activities							
Movements in intragroup balances		(115,998)	3,282	–	(3,282)	–	–
Proceeds from rights issue		117,093	–	138,325	–	255,418	–
Payment of transaction costs related to rights issue		–	–	(4,055)	–	(4,055)	–
Proceeds from bank loans		190,186	–	262,556	223,612	452,742	223,612
Repayment of bank loans		(94,446)	–	(343,612)	(207,422)	(438,058)	(207,422)
Payment of transaction costs related to bank loans		(745)	–	(823)	(1,214)	(1,568)	(1,214)
Finance costs paid		(3,123)	(1,269)	(15,190)	(22,368)	(15,805)	(22,368)
Distributions to holders of Stapled Securities		(4,964)	(2,476)	(99,250)	(94,738)	(104,214)	(97,214)
Movement in restricted cash		–	–	183	(11)	183	(11)
Net cash generated from/(used in) financing activities		88,003	(463)	(61,866)	(105,423)	144,643	(104,617)
Net increase in cash and cash equivalents		3,039	5,854	11,796	4,950	14,835	10,804
Cash and cash equivalents at beginning of the year		14,301	9,701	66,471	60,896	80,772	70,597
Effect of exchange rate changes on cash and cash equivalents		(62)	(1,254)	(897)	625	(959)	(629)
Cash and cash equivalents at end of the year	8	17,278	14,301	77,370	66,471	94,648	80,772

Significant non-cash transactions

There were the following non-cash transactions during the year:

(i) 6,519,235 (2016: 7,445,903) Stapled Securities amounting to $10.5 million (2016: $9.9 million) were or will be issued to the H-REIT Manager as satisfaction of the management fee payable in Stapled Securities.

(ii) 20,124 (2016: 266,125) Stapled Securities amounting to $0.03 million (2016: $0.4 million) were issued to the HBT Trustee-Manager as satisfaction of the management fee payable in Stapled Securities.

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 5 March 2018.

1 GENERAL

CDL Hospitality Trusts is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and its subsidiaries (the "**H-REIT Group**") and CDL Hospitality Business Trust ("**HBT**") and its subsidiaries (the "**HBT Group**") (collectively, the "**Stapled Group**"). H-REIT is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 8 June 2006 (as amended) (the "**H-REIT Trust Deed**") between M&C REIT Management Limited (the "**H-REIT Manager**") and DBS Trustee Limited (the "**H-REIT Trustee**"). The H-REIT Trust Deed is governed by the laws of the Republic of Singapore. The H-REIT Trustee is under a duty to take into custody and hold the assets of H-REIT held by it or through its subsidiaries in trust for the holders of units in H-REIT. HBT is a business trust constituted by a trust deed dated 12 June 2006 (as amended) (the "**HBT Trust Deed**") and is managed by M&C Business Trust Management Limited (the "**HBT Trustee-Manager**"). The securities in each of H-REIT and HBT are stapled together under the terms of a stapling deed dated 12 June 2006 entered into between the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager (the "**Stapling Deed**") and cannot be traded separately. Each stapled security in CDL Hospitality Trusts (the "**Stapled Security**") comprises a unit in H-REIT (the "**H-REIT Unit**") and a unit in HBT (the "**HBT Unit**").

CDL Hospitality Trusts was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 19 July 2006.

The principal activity of H-REIT and its subsidiaries is to invest in income producing real estate and real estate related assets, which are used or substantially used for hospitality and hospitality related purposes, with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth.

HBT functions as a master lessee and may also undertake certain hospitality and hospitality-related development projects, acquisition and investments which may not be suitable for H-REIT.

The consolidated financial statements of the H-REIT Group relate to H-REIT and its subsidiaries. The consolidated financial statements of the HBT Group relate to HBT and its subsidiaries. The consolidated financial statements of the Stapled Group relate to the HBT Group and the H-REIT Group.

Several service agreements are in place in relation to the management of HBT and H-REIT and its property operations. The fee structures of these services are as follows:

(i) *HBT Trustee-Manager's fees*

Pursuant to Clauses 12.1 and 12.2 of the HBT Trust Deed, the HBT Trustee-Manager is entitled to the following:

- Trustee fee of not exceeding 0.1% per annum of the value of HBT's Deposited Property (as defined in the HBT Trust Deed), subject to a minimum fee of $10,000 per month, if the value of HBT's Deposited Property is at least $50.0 million. The trustee fee is payable in arrears on a monthly basis in the form of cash.

- Management fee of 10% of HBT's profit before interest and tax in the relevant financial year (calculated before accounting for the management fee in that financial year).

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

  For the year ended 31 December 2017 and 31 December 2016, 80% of the HBT Trustee-Manager's fees was satisfied in the form of Stapled Securities and the remaining 20% was satisfied in cash.

  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)

- 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.

(ii) H-REIT Manager's fees

Pursuant to Clauses 14.1 and 14.2 of the H-REIT Trust Deed, the H-REIT Manager is entitled to the following:

- Management fees comprising a base fee of 0.25% per annum of the value of H-REIT's Deposited Property (as defined in the H-REIT Trust Deed) and a performance fee of 5.0% per annum of H-REIT's net property income (as defined in the H-REIT Trust Deed).

  The H-REIT Manager's management fees are payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect (such election to be irrevocable and made prior to the relevant calendar quarter), and in such proportion as may be determined by the H-REIT Manager, such determination to be irrevocable and made prior to be relevant calendar quarter. Where the management fees are payable in the form of Stapled Securities or (in the event that unstapling of the H-REIT units and HBT units has taken place) H-REIT units, such Stapled Securities or H-REIT units shall be issued at the market price (as defined in the H-REIT Trust Deed) prevailing at the date the management fees accrue.

  For the year ended 31 December 2017 and 31 December 2016, 80% of the H-REIT Manager's management fees were 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.

- Acquisition fee of 1% of the acquisition price and a divestment fee of 0.5% of the sale price on all future acquisitions or disposals of properties. Both the acquisition fee and divestment fee are payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect, and in such proportion as may be determined by the H-REIT Manager. In the event that the H-REIT Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of Stapled Securities issued at the market price.

(iii) H-REIT Trustee's fee

Pursuant to the H-REIT Trust Deed, the H-REIT Trustee's fee shall not exceed 0.1% per annum of the value of H-REIT's Deposited Property (subject to a minimum of $10,000 per month) or such higher percentage as may be fixed by an extraordinary resolution of a meeting of holders of the H-REIT units. The H-REIT Trustee's fee is payable out of H-REIT's Deposited Property on a monthly basis, in arrears. The H-REIT Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the H-REIT Trust Deed.

Based on the current agreement between the H-REIT Manager and the H-REIT Trustee, the H-REIT Trustee's fee is charged on a scaled basis of up to 0.02% per annum of the value of H-REIT's Deposited Property (subject to a minimum of $10,000 per month).

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The financial statements of the H-REIT Group and the Stapled Group are prepared in accordance with the Statement of Recommended Accounting Practice ("**RAP**") *7 Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") and the provisions of the H-REIT Trust Deed and the Stapling Deed. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of FRS.

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
- Note 29 – Acquisition of subsidiaries (determination of fair value of assets and liabilities and impairment of goodwill in business combinations)

Measurement of fair values

A number of the Stapled Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The H-REIT Manager and the HBT Trustee-Manager have an established control framework with respect to the measurement of fair values. This includes a team that regularly reviews significant unobservable inputs and reports directly to the Chief Financial Officer, who has overall responsibility for all significant fair value measurements.

The H-REIT Manager and the HBT Trustee-Manager regularly review significant unobservable inputs and valuation adjustments included in the fair value measurements. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the H-REIT Manager and the HBT Trustee-Manager assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

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
- Note 29 – Acquisition of subsidiaries (determination of fair value of assets acquired and liabilities assumed)

2.5 Changes in accounting policies

Measurement of property, plant and equipment

On 1 January 2017, the Stapled Group changed its accounting policy with respect to the subsequent measurement of freehold land, leasehold land and buildings included as part of property, plant and equipment from the cost model to the revaluation model. Under the revaluation model, any surplus arising on the revaluation is recognised in other comprehensive income ("**OCI**") or unitholders' funds (as the case may be). Any deficit in revaluation arising 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 on the same asset. The subsequent measurement of the above asset classes using the revaluation model aligns the policy for such assets with that for properties classified as investment properties, assists users to better understand the risks associated with these assets and provides users with information on the net asset value of the Stapled Group that incorporates the latest valuations of its properties classified as property, plant and equipment. This change in accounting policy has been applied prospectively in accordance with FRS 16 *Property, plant and equipment* and FRS 8 *Accounting policies, changes in estimates and errors*.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.5 Changes in accounting policies (cont'd)

Measurement of property, plant and equipment (cont'd)

The effects of this change in accounting policy are set out below:

	HBT Group $'000	H-REIT Group $'000	Stapled Group $'000
Impact of change in accounting policy			
Increase in property, plant and equipment	7,691	11,236	18,927
Increase in total assets	7,691	11,236	18,927
Increase in deferred tax liabilities	(705)	(2,019)	(2,724)
Increase in total liabilities	(705)	(2,019)	(2,724)
Impairment loss on property, plant and equipment recognised in statement of total return	–	(955)	(955)
Increase in revaluation reserve	6,986	10,172	17,158
Net increase in other comprehensive income/ unitholders' funds	6,986	9,217	16,203

Following the revaluation of the assets, depreciation is computed based on the revalued amounts. The additional annual depreciation arising from this change in accounting policy is not material to the Stapled Group. Accordingly, the impact of this change in accounting policy on the basic and diluted earnings per Stapled Security of the Stapled Group is not material.

Revised standards

The Stapled Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure initiative (Amendments to FRS 7)*
- *Recognition of deferred tax assets for unrealised losses (Amendments to FRS 12)*
- *Clarification of the scope of FRS 112 (Improvements to FRS 2016)*

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Stapled Group has provided additional disclosures in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

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 a change in accounting policy.

3.1 Consolidation

Stapling

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

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* 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.

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.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Stapled Group incurs in connection with a business combination are expensed as incurred.

Property acquisitions and business combinations

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

Subsidiaries

Subsidiaries are entities either controlled by the HBT Group or the H-REIT Group. The HBT Group and the H-REIT Group control an entity when they are exposed to or has rights to, variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies of the HBT Group, the H-REIT Group and the Stapled Group, where appropriate. 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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the HBT Group, the H-REIT Group and the Stapled Group.

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the HBT Group, the H-REIT Group and the Stapled Group at 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.

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 recognised in the statement of total return, except for differences arising on the translation of a financial liability designated as a hedge of the HBT Group's, the H-REIT Group's and the Stapled Group's net investment in a foreign operation that is effective (see below), which are recognised in unitholders' funds directly.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates 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 the foreign currency translation reserve in unitholders' funds. 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

Hedge of net investment in foreign operation

The HBT Group, the H-REIT Group and the Stapled Group apply hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the HBT Group, the 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 the statement of total return. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the statement of total return as part of the profit or loss on disposal.

3.3 Property, plant and equipment

Recognition and measurement

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

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 leased 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 lease of 31 - 130 years
• Buildings	31 - 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.

3.4 Prepaid land lease

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

3.5 Investment properties

Recognition and measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any changes therein recognised in the statement of total return.

The cost of a purchased property comprises its purchase price and any directly attributable expenditure including transaction costs. Fair value is determined in accordance with the H-REIT Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- at least once a year in accordance with the Property Funds Appendix of CIS Code issued by MAS; and
- where the H-REIT Manager proposes to issue new units for subscription or to redeem existing units unless the investment properties have been valued not more than 6 months ago.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Investment properties (cont'd)

Recognition and measurement (cont'd)

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 Financial instruments

Non-derivative financial assets

Loans and receivables and deposits are initially recognised on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Stapled Group becomes a party to the contractual provisions of the instrument.

The Stapled Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or they transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or they neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Stapled Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the HBT Group, the H-REIT Group and the Stapled Group have a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets are classified into loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables (excluding prepayments) and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits.

Non-derivative financial liabilities

Debt securities issued and subordinated liabilities are initially recognised on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the HBT Group, the H-REIT Group and the Stapled Group become a party to the contractual provisions of the instrument.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the HBT Group, the H-REIT Group and the Stapled Group have a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

Non-derivative financial liabilities (cont'd)

Non-derivative financial liabilities are classified into the other financial liabilities category. Such financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Derivative financial instruments, including hedge accounting

Derivative financial instruments are held to hedge foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss or the statement of total return (as the case may be).

On initial designation of the hedge, the relationship between the hedging instrument(s) and hedged item(s) is formally documented, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. An assessment is made, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% - 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

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

Cash flow hedges

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

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

Other derivative financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Leased assets

Leases in terms of which the Stapled Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Stapled Group's statement of financial position.

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.

3.9 Impairment

Non-derivative financial assets

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

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

Loans and receivables

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss or the statement of total return (as the case may be) and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Stapled Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss or the statement of total return (as the case may be).

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Impairment (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Revenue

Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Variable rentals are recognised as income in the accounting period in which they are earned and the amount can be measured reliably.

Hotel income and food and beverage revenue

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

3.13 Expenses

Lease payments

Payments made under operating leases are recognised in profit or loss or the statement of total return (as the case may be) on a straight-line basis over the term of the lease.

HBT Trustee-Manager's fees

HBT Trustee-Manager's fees are recognised on an accrual basis using the applicable formula, as described in Note 1(i).

H-REIT Manager's fees

H-REIT Manager's fees are recognised on an accrual basis using the applicable formula, as described in Note 1(ii).

H-REIT Trustee's fee

The H-REIT Trustee's fee is recognised on an accrual basis using the applicable formula, as described in Note 1(iii).

Employee benefits

- *Defined contribution plans*

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

- *Short-term employee benefits*

  Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Stapled Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Finance income and finance costs

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

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

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

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss or the statement of total return (as the case may be) except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflect uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Tax (cont'd)

H-REIT received a tax ruling from the Inland Revenue Authority of Singapore ("**IRAS**") and subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of H-REIT, H-REIT will not be taxed on the portion of taxable income of H-REIT that is distributed to holders of H-REIT units. Any portion of the taxable income that is not distributed to holders of H-REIT units will be taxed on H-REIT. In the event that there are subsequent adjustments to the taxable income when the actual taxable income of H-REIT is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the taxable income for the next distribution following the agreement with the IRAS.

Although H-REIT is not taxed on its taxable income distributed, the H-REIT Trustee and the H-REIT Manager are required to deduct income tax at the applicable corporate tax rate from distributions of such taxable income of H-REIT (i.e. which has not been taxed in the hands of the H-REIT Trustee) to certain holders of H-REIT units. The H-REIT Trustee and the H-REIT Manager will not deduct tax from distributions made out of H-REIT's taxable income to the extent that the beneficial holder of H-REIT units is:

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

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains which are considered as trading gains are assessable to tax on H-REIT. Where the gains are capital gains, H-REIT will not be assessed to tax and may distribute the capital gains without tax being deducted at source.

3.16 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.

3.17 Earnings per Stapled Security

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

3.18 Segment reporting

An operating segment is a component of the HBT Group, the H-REIT Group and the Stapled Group that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the HBT Group, the H-REIT Group and the Stapled Group. All operating segments' operating results are reviewed regularly by the HBT Board or the H-REIT Board ("**Boards**") to make decisions about resources to be allocated to the segment and assess its performance, and is a component for which discrete financial information is available.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Segment reporting (cont'd)

Segment results that are reported to the Boards include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income, finance costs and trust expenses.

Segment capital expenditure is the total cost incurred on investment properties and property, plant and equipment during the year.

4 INVESTMENT PROPERTIES

	HBT Group		H-REIT Group		Stapled Group	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	–	–	2,246,808	2,257,091	2,175,008	2,176,664
Acquisition of subsidiaries, including acquisition costs (Note 29)	–	–	169,323	–	169,323	–
Capital expenditure incurred	–	–	14,768	8,161	13,251	7,164
Fair value changes	–	–	51,174	(33,018)	64,435	(21,623)
Reclassification to assets held for sale (Note 9)	–	–	(72,863)	–	(72,863)	–
Translation differences	–	–	(22,780)	14,574	(17,721)	12,803
At 31 December	–	–	2,386,430	2,246,808	2,331,433	2,175,008

Measurement of fair value

Fair value hierarchy

The carrying amounts of the investment properties as at 31 December 2017 were based on independent valuations undertaken by CBRE Pte. Ltd. for the Singapore and Maldives properties, CIVAS Limited (trading as Colliers International) for the New Zealand property, Jones Lang LaSalle Property Consultants Pte. Ltd. for the Australia properties and CBRE GmbH for the Germany property. The carrying amounts of the investment properties as at 31 December 2016 were based on independent valuations undertaken by CBRE Pte. Ltd. for the Singapore properties, CBRE Limited for the New Zealand property and Jones Lang LaSalle Property Consultants Pte. Ltd. for the Australia and Maldives properties. The 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 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.

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 (Note 2.4).

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT PROPERTIES (CONT'D)

Valuation techniques and significant unobservable inputs

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

Type	Valuation techniques	Significant unobservable inputs	2017 Range	2016 Range
Singapore	Discounted cash flow and capitalisation methods	Hotel		
		Discount rate	7.00% - 7.75%	7.00% - 7.75%
		Terminal yield	5.00% - 5.75%	5.00% - 5.75%
		Capitalisation rate	4.50% - 5.25%	4.50% - 5.25%
	Discounted cash flow and capitalisation methods	Retail		
		Discount rate	7.50%	7.50%
		Terminal yield	5.50%	5.50%
		Capitalisation rate	5.25%	5.25%
New Zealand	Discounted cash flow and capitalisation methods	Discount rate	9.75%	10.75%
		Terminal yield	7.75%	7.75%
		Capitalisation rate	7.50%	7.50%
Germany	Discounted cash flow method	Hotel		
		Discount rate	5.90% - 8.00%	–
		Terminal yield	4.50% - 6.00%	–
	Discounted cash flow method	Retail and Office		
		Discount rate	5.75%	–
		Terminal yield	5.10%	–
Australia	Discounted cash flow method	Discount rate	7.50% - 9.00%	10.25% - 11.00%
		Terminal yield	5.50% - 6.75%	7.75% - 8.50%
Maldives	Discounted cash flow and capitalisation methods	Discount rate	10.00%	12.50% - 12.75%
		Terminal yield	8.00%	8.50% - 8.75%
		Capitalisation rate	7.50%	N/A

Inter-relationship between key unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair value measurement of investment properties are discount rate, terminal yield and capitalisation rate. 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	**Building $'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 2016	51,144	60,384	–	17,683	–	475	129,686
Additions	–	–	–	–	–	2,174	2,174
Translation differences	(7,829)	(9,244)	–	(2,708)	–	(186)	(19,967)
At 31 December 2016	43,315	51,140	–	14,975	–	2,463	111,893
At 1 January 2017	43,315	51,140	–	14,975	–	2,463	111,893
Acquisition of subsidiaries (Note 29)	35,073	49,531	3,866	5,761	182	14	94,427
Other additions	–	–	175	368	58	679	1,280
Disposal/Write-off	(29)	(5)	–	–	–	(9)	(43)
Transfers	–	–	106	80	46	(232)	–
Translation differences	332	388	(4)	124	1	24	865
Revaluation surplus	2,332	5,359	–	–	–	–	7,691
Elimination of accumulated depreciation on revaluation	(1,097)	(3,163)	–	–	–	–	(4,260)
At 31 December 2017	79,926	103,250	4,143	21,308	287	2,939	211,853
Accumulated depreciation							
At 1 January 2016	46	389	–	615	–	–	1,050
Depreciation	456	1,163	–	2,150	–	–	3,769
Translation differences	(31)	(120)	–	(207)	–	–	(358)
At 31 December 2016	471	1,432	–	2,558	–	–	4,461
At 1 January 2017	471	1,432	–	2,558	–	–	4,461
Depreciation	626	1,731	288	2,678	91	–	5,414
Translation differences	–	–	2	43	1	–	46
Elimination of accumulated depreciation on revaluation	(1,097)	(3,163)	–	–	–	–	(4,260)
At 31 December 2017	–	–	290	5,279	92	–	5,661
Carrying amounts							
At 1 January 2016	51,098	59,995	–	17,068	–	475	128,636
At 31 December 2016	42,844	49,708	–	12,417	–	2,463	107,432
At 31 December 2017	79,926	103,250	3,853	16,029	195	2,939	206,192

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 2016	36,036	27,947	6,072	624	85	70,764
Additions	–	213	19	527	64	823
Translation differences	1,907	1,472	323	42	1	3,745
At 31 December 2016	37,943	29,632	6,414	1,193	150	75,332
At 1 January 2017	37,943	29,632	6,414	1,193	150	75,332
Additions	–	53	139	49	121	362
Translation differences	(1,582)	(1,432)	(260)	(92)	(10)	(3,376)
Revaluation surplus	3,012	9,179	–	–	–	12,191
Impairment loss	(955)	–	–	–	–	(955)
Elimination of accumulated depreciation on revaluation	–	(2,934)	–	–	–	(2,934)
At 31 December 2017	38,418	34,498	6,293	1,150	261	80,620
Accumulated depreciation						
At 1 January 2016	–	850	618	93	5	1,566
Depreciation	–	898	650	193	33	1,774
Translation differences	–	20	14	11	*	45
At 31 December 2016	–	1,768	1,282	297	38	3,385
At 1 January 2017	–	1,768	1,282	297	38	3,385
Depreciation	–	1,166	635	234	58	2,093
Translation differences	–	–	(74)	(29)	(4)	(107)
Elimination of accumulated depreciation on revaluation	–	(2,934)	–	–	–	(2,934)
At 31 December 2017	–	–	1,843	502	92	2,437
Carrying amounts						
At 1 January 2016	36,036	27,097	5,454	531	80	69,198
At 31 December 2016	37,943	27,864	5,132	896	112	71,947
At 31 December 2017	38,418	34,498	4,450	648	169	78,183

* Amount less than $1,000

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 2016	36,036	51,144	160,576	9,819	20,884	827	1,224	474	280,984
Additions	–	–	363	19	102	555	43	2,653	3,735
Translation differences	1,907	(7,829)	(5,742)	428	(2,618)	49	36	(164)	(13,933)
At 31 December 2016	37,943	43,315	155,197	10,266	18,368	1,431	1,303	2,963	270,786
At 1 January 2017	37,943	43,315	155,197	10,266	18,368	1,431	1,303	2,963	270,786
Acquisition of subsidiaries (Note 29)	–	35,073	49,531	3,866	5,761	–	182	14	94,427
Additions	–	–	958	675	593	49	848	202	3,325
Disposal/Write-off	–	(29)	(13)	–	(86)	–	(72)	(9)	(209)
Transfers	–	–	–	106	80	–	46	(232)	–
Revaluation surplus	3,012	2,332	14,538	–	–	–	–	–	19,882
Impairment loss	(955)	–	(10,835)	–	–	–	–	–	(11,790)
Translation differences	(1,582)	332	(5,175)	(564)	(136)	(104)	(118)	1	(7,346)
Elimination of accumulated depreciation on revaluation	–	(1,097)	(22,803)	–	–	–	–	–	(23,900)
At 31 December 2017	38,418	79,926	181,398	14,349	24,580	1,376	2,189	2,939	345,175

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									
Accumulated depreciation and impairment losses									
At 1 January 2016	–	46	6,687	1,426	1,476	166	328	–	10,129
Depreciation	–	456	4,008	1,017	2,621	240	244	–	8,586
Impairment loss	–	–	7,051	279	–	–	–	–	7,330
Translation differences	–	(31)	467	69	(162)	16	21	–	380
At 31 December 2016	–	471	18,213	2,791	3,935	422	593	–	26,425
At 1 January 2017	–	471	18,213	2,791	3,935	422	593	–	26,425
Depreciation	–	626	4,592	1,275	3,174	281	438	–	10,386
Disposal/Write-off	–	–	(2)	–	(7)	–	(24)	–	(33)
Impairment loss reversed	–	–	–	(5)	–	–	–	–	(5)
Translation differences	–	–	–	(195)	(75)	(41)	(53)	–	(364)
Elimination of accumulated depreciation and impairment losses on revaluation	–	(1,097)	(22,803)	–	–	–	–	–	(23,900)
At 31 December 2017	–	–	–	3,866	7,027	662	954	–	12,509
Carrying amounts									
At 1 January 2016	36,036	51,098	153,889	8,393	19,408	661	896	474	270,855
At 31 December 2016	37,943	42,844	136,984	7,475	14,433	1,009	710	2,963	244,361
At 31 December 2017	38,418	79,926	181,398	10,483	17,553	714	1,235	2,939	332,666

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The depreciation expense is included in "depreciation, amortisation and impairment losses" 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 2017 $'000	H-REIT Group 2017 $'000	Stapled Group 2017 $'000
Freehold land:			
Cost and carrying value	–	36,436	36,436
Leasehold land:			
Cost	78,682	–	78,682
Accumulated depreciation	(1,089)	–	(1,089)
Carrying value	77,593	–	77,593
Buildings:			
Cost	101,037	28,506	199,242
Accumulated depreciation	(3,234)	(2,535)	(31,386)
Carrying value	97,803	25,971	167,856

For the financial year ended 31 December 2017

Measurement of fair value

Fair value hierarchy

The carrying amounts of the properties as at 31 December 2017 were based on independent valuations undertaken by International Appraisals Inc. for the Japan properties, Knight Frank LLP 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, capitalisation and direct 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 and the 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.

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 (Note 2.4).

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (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	31 December 2017 Range
Japan	Discounted cash flow, capitalisation and direct comparison methods	Discount rate Terminal yield Capitalisation rate Price per room	4.90% - 5.10% 5.10% - 5.30% 4.90% - 5.10% JPY23,629,300 - JPY27,352,500
United Kingdom	Discounted cash flow method	Discount rate Terminal yield	8.25% - 8.75% 6.25%
Maldives	Discounted cash flow and capitalisation methods	Discount rate Terminal yield Capitalisation rate	10.00% 8.00% 7.50%

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, 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.

For the financial year ended 31 December 2016

Impairment loss

Property, plant and equipment and prepaid land lease (Note 6) relate to hotel properties. Each property is considered a single cash generating unit. During the year, an impairment assessment was undertaken on Dhevanafushi Maldives Luxury Resort (formerly known as Jumeirah Dhevanafushi), a resort in Maldives, due to its weak performance in the challenging market in Maldives. The recoverable amount was estimated using the value in use approach. Based on the assessment, the recoverable amount of Dhevanafushi Maldives Luxury Resort was estimated to be $71.8 million and an impairment loss of $8.1 million was recognised. The impairment loss was recognised in "Depreciation, amortisation and impairment losses" in the statement of total return and is also disclosed under the Maldives segment (Note 24).

The impairment loss was allocated to the assets of Dhevanafushi Maldives Luxury Resort which included buildings and plant and machinery classified as property, plant and equipment, and prepaid land lease (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment loss (cont'd)

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

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

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

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

6 PREPAID LAND LEASE

	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Cost		
At 1 January	8,570	8,072
Additions	–	260
Translation differences	(645)	238
At 31 December	7,925	8,570
Accumulated amortisation and impairment losses		
At 1 January	1,753	666
Amortisation	264	272
(Reversal of impairment loss)/Impairment loss	(679)	750
Translation differences	(120)	65
At 31 December	1,218	1,753
Carrying amount		
At 31 December	6,707	6,817

Further information about the impairment loss is included in Note 5 - Property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

7 TRADE AND OTHER RECEIVABLES

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables:						
- related corporations	–	–	6,984	7,167	6,984	7,167
- related entities	–	–	4,836	3,786	–	–
- third parties	3,242	2,574	2,949	3,237	5,529	5,813
	3,242	2,574	14,769	14,190	12,513	12,980
Impairment loss	(356)	(332)	(109)	(250)	(465)	(582)
Net trade receivables	2,886	2,242	14,660	13,940	12,048	12,398
Other receivables:						
- related corporations	–	–	67	11	67	11
- related entities	3,597	2,071	15	791	–	–
- third parties	626	498	4,690	10,092	5,978	10,590
	4,223	2,569	4,772	10,894	6,045	10,601
Loan to a related entity	–	–	–	117,831	–	–
Rental deposits	3	–	149	149	152	149
	7,112	4,811	19,581	142,814	18,245	23,148
Prepayments	1,185	1,009	1,477	1,547	2,662	2,556
	8,297	5,820	21,058	144,361	20,907	25,704
Non-current	–	–	149	117,831	149	–
Current	8,297	5,820	20,909	26,530	20,758	25,704
	8,297	5,820	21,058	144,361	20,907	25,704

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).

The H-REIT Group's properties, except Claymore Connect, are leased to 11 (2016: 10) master lessees. The contribution to trade receivables from these master lessees as at 31 December 2017 is $14,292,000 (2016: $13,574,000), of which $2,472,000 (2016: $2,621,000) is from third parties, $6,984,000 (2016: $7,167,000) is from related corporations and $4,836,000 (2016: $3,786,000) is from the HBT Group. There is no impairment loss arising from these outstanding balances.

Other receivables from related corporations and related entities are unsecured, interest-free and repayable on demand. The loan to a related entity of H-REIT Group as at 31 December 2016 related to a loan extended by H-REIT to HBT to acquire a property in United Kingdom in 2015. This loan was unsecured, interest-bearing and was for a tenure of 6 years (Note 12). There is no impairment loss arising from these outstanding balances.

NOTES TO THE FINANCIAL STATEMENTS

7 TRADE AND OTHER RECEIVABLES (CONT'D)

The ageing of trade and other receivables at the end of the financial year is set out below:

	Gross 2017 $'000	Impairment loss 2017 $'000	Gross 2016 $'000	Impairment loss 2016 $'000
HBT Group				
Not past due	6,600	–	4,326	–
Past due 31 – 60 days	338	–	374	–
Past due 61 – 90 days	67	–	65	–
Past due over 90 days	460	356	378	332
	7,465	356	5,143	332
H-REIT Group				
Not past due	19,306	23	24,767	13
Past due 31 – 60 days	18	1	–	–
Past due 61 – 90 days	79	25	66	13
Past due over 90 days	138	60	251	224
	19,541	109	25,084	250
Stapled Group				
Not past due	17,458	23	22,447	13
Past due 31 – 60 days	356	1	374	–
Past due 61 – 90 days	146	25	131	13
Past due over 90 days	598	416	629	556
	18,558	465	23,581	582

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	332	164	250	539	582	703
Acquisition of a subsidiary	21	–	–	–	21	–
Impairment loss recognised	46	223	130	153	176	376
Amounts utilised	(19)	(65)	(271)	(442)	(290)	(507)
Translation differences	(24)	10	–	–	(24)	10
At 31 December	356	332	109	250	465	582

Based on historical default rates, the Stapled Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables not past due. These receivables related to tenants or customers that have a good credit record with the HBT Group, the H-REIT Group and the Stapled Group. The H-REIT Group also maintains sufficient security deposits as collateral.

NOTES TO THE FINANCIAL STATEMENTS

8 CASH AND CASH EQUIVALENTS

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at bank	17,278	14,301	41,723	24,262	59,001	38,563
Fixed deposits with financial institutions	–	–	36,868	43,665	36,868	43,665
Cash and cash equivalents in the statement of financial position	17,278	14,301	78,591	67,927	95,869	82,228
Restricted cash – cash reserved by a trust bank in Japan	–	–	(1,221)	(1,456)	(1,221)	(1,456)
Cash and cash equivalents in the statement of cash flows	17,278	14,301	77,370	66,471	94,648	80,772

9 ASSETS HELD FOR SALE

On 22 December 2017, the H-REIT Group had entered into a sale and purchase agreement to sell Mercure Brisbane and Ibis Brisbane. Accordingly, these investment properties with a total carrying value of $72.9 million have been classified as assets held for sale in the statement of financial position as at 31 December 2017. The sale of the properties were completed in January 2018 (Note 31).

10 LOANS AND BORROWINGS

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
At amortised cost:						
Non-current						
Secured TMK bond	–	–	36,362	37,727	36,362	37,727
Unsecured medium term notes	–	–	–	119,959	–	119,959
Unsecured bank loans	96,264	–	511,357	771,163	607,621	771,163
	96,264	–	547,719	928,849	643,983	928,849
Current						
Unsecured medium term notes	–	–	119,984	–	119,984	–
Unsecured bank loans	–	–	166,243	–	166,243	–
	–	–	286,227	–	286,227	–
	96,264	–	833,946	928,849	930,210	928,849

Secured TMK bond

The TMK bond included in the H-REIT Group relates to a 5-year Japanese Yen denominated bond of $36.7 million (JPY3.1 billion) (2016: $38.3 million (JPY3.1 billion)) issued by H-REIT's indirectly-owned subsidiary, CDLHT Hanei Tokutei Mokuteki Kaisha. CDLHT's interest in Japan Hotels is held via a Tokutei Mokuteki Kaisha ("**TMK**") structure, and such TMK structure is required to issue a bond to fund the acquisition of assets.

The bondholders have a statutory preferred right, under Article 128 of the Japan Asset Liquidation Law, to receive payment of all obligations under the bond prior to other creditors out of the assets of the TMK. Such right shall be junior to the priority of the general statutory lien under the Japan Civil Code. While the assets of TMK are subject to a statutory preferred right, it is not considered a mortgage under Japan laws.

NOTES TO THE FINANCIAL STATEMENTS

10 LOANS AND BORROWINGS (CONT'D)

Unsecured medium term notes

H-REIT's wholly-owned subsidiary, CDLHT MTN Pte. Ltd. has in place a $1.0 billion Multi-currency Medium Term Note Programme (the "**Programme**"). As at the end of the financial year, a $120.0 million (2016: $120.0 million) 5-year fixed rate medium term note has been issued by this subsidiary and $880.0 million (2016: $880.0 million) of the Programme remains unissued.

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 (2016: $250.0 million) committed bilateral multi-currency unsecured revolving credit facility from two banks (comprising $150.0 million for a 3-year term and another $100.0 million for a 3.25-year term). As at the end of the financial year, $112.4 million, comprising $109.7 million and $2.7 million (US$2.0 million) (2016: $161.5 million, comprising $157.0 million and $4.5 million (US$3.1 million)) has been drawn down under this facility and $137.6 million (2016: $88.5 million) of the facilities remained unutilised.

(ii) $500.0 million (2016: $300.0 million) uncommitted multi-currency unsecured bridge loan facility ("**Bridge Loan Facility**") with a bank, with a maximum repayment period of one year. At the end of the financial year, $66.5 million (EUR41.7 million) (2016: Nil) has been drawn down under this facility and $433.5 million (2016: $300.0 million) remained unutilised.

Facilities fully drawn down

(i) $70.0 million (2016: $70.0 million) fixed rate term loan facility;

(ii) $83.6 million (2016: $83.6 million) floating rate term loan facility;

(iii) $87.2 million (US$65.0 million) (2016: $94.3 million (US$65.0 million)) fixed rate term loan facility;

(iv) $102.2 million (US$76.2 million) (2016: Nil) floating rate term loan facility;

(v) $38.7 million (JPY3.3 billion) (2016: $40.4 million (JPY3.3 billion)) fixed rate term loan facility; and

(vi) $216.4 million (£120.5 million) (2016: $118.4 million (£66.5 million)) floating rate term loan facility.

In addition to the above, as at 31 December 2016, the Stapled Group had the following facilities which were fully drawn down:

(i) $97.4 million (A$93.2 million) fixed rate term loan facility; and

(ii) $108.8 million (US$75.0 million) fixed rate term loan facility.

The above two fixed rate term loans were fully repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

10 LOANS AND BORROWINGS (CONT'D)

Unsecured bank loans (cont'd)

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 2017				
HBT Group				
Unsecured bank loans				
GBP	2.74	2022	96,989	96,264
H-REIT Group				
Secured TMK bond				
JPY	0.66	2020	36,735	36,362
Unsecured bank loans				
SGD	2.06 to 2.99	2018 to 2021	263,299	262,502
USD	0.65 to 2.60	2019 to 2022	192,035	191,028
JPY	1.06	2020	38,750	38,635
GBP	1.77	2021	119,441	118,954
EUR	0.60	2018	66,481	66,481
Unsecured medium term notes				
SGD	2.5	2018	120,000	119,984
			836,741	833,946
			933,730	930,210
As at 31 December 2016				
H-REIT Group				
Secured TMK bond				
JPY	0.66	2020	38,254	37,727
Unsecured bank loans				
SGD	1.83 to 2.99	2018 to 2021	310,600	309,224
AUD	4.01	2020	97,431	96,831
USD	2.13 to 2.80	2018 to 2019	207,567	207,110
JPY	1.06	2020	40,352	40,195
GBP	1.65	2021	118,423	117,803
Unsecured medium term notes				
SGD	2.50	2018	120,000	119,959
			932,627	928,849

NOTES TO THE FINANCIAL STATEMENTS

10 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities					
	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 2017	–	117,831	928,849	1,925	928,849	1,925
Changes from financing cash flows						
Movements in related party balances	–	(115,998)	–	–	–	–
Proceeds from bank loans	190,186	–	262,556	–	452,742	–
Repayment of bank loans	(94,446)	–	(343,612)	–	(438,058)	–
Payment of transaction costs related to borrowings	(745)	–	(823)	–	(1,568)	–
Finance costs paid	–	(3,123)	–	(15,190)	–	(15,805)
Total changes from financing cash flows	94,995	(119,121)	(81,879)	(15,190)	13,116	(15,805)
Effect of changes in foreign exchange rates	1,250	(1,059)	(14,623)	(4,994)	(13,373)	(4,993)
Other changes						
Liability-related						
Amortisation of debt-related transaction costs	19	–	1,599	–	1,618	–
Interest expense	–	2,553	–	19,884	–	20,702
Total liability-related other changes	19	2,553	1,599	19,884	1,618	20,702
Balance as at 31 December 2017	96,264	204	833,946	1,625	930,210	1,829

NOTES TO THE FINANCIAL STATEMENTS

11 FINANCIAL DERIVATIVES

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets						
Forward exchange contracts	7	66	245	105	252	171
Current liabilities						
Forward exchange contracts	14	52	–	284	14	336
Cross-currency interest rate swap	–	–	262	–	262	–
	14	52	262	284	276	336

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 2017, the HBT Group, the H-REIT Group and the Stapled Group had forward foreign exchange contracts with a total notional amount of $2.8 million, $7.2 million and $10.0 million (2016: $3.3 million, $12.7 million and $16.0 million) respectively.

Cross-currency interest rate swap

The H-REIT Group uses cross-currency interest rate swap to manage its exposure to both foreign currency and interest rate risks. As at 31 December 2017, the H-REIT Group and the Stapled Group had a cross currency interest rate swap with a notional amount of $102.2 million (2016: Nil) to swap US$76.2 million at floating rate to EUR64.0 million at fixed rate.

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND OTHER PAYABLES

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables:						
- related corporations	–	–	533	543	533	543
- the H-REIT Manager	–	–	286	273	286	273
- related entities	4,836	3,786	–	–	–	–
- the HBT Trustee-Manager	–	22	–	–	–	22
- third parties	1,432	3,200	1,859	4,295	3,291	7,495
	6,268	7,008	2,678	5,111	4,110	8,333
Other payables:						
- related corporations	–	–	56	3	56	3
- the H-REIT Manager	7	–	124	130	131	130
- the HBT Trustee-Manager	292	48	–	–	292	48
- related entities	15	791	7,467	2,071	3,870	–
- third parties	2,347	199	11,699	129	14,046	329
	2,661	1,038	19,346	2,333	18,395	510
Loan from a related entity	–	117,831	–	–	–	–
Accruals	5,457	3,918	10,198	18,479	15,655	22,397
Rental deposits						
- related corporations	–	–	9,397	8,981	9,397	8,981
- third parties	–	–	254	268	254	268
Interest payable	204	–	1,625	1,925	1,829	1,925
Deferred income	1,685	–	12	–	1,697	–
	16,275	129,795	43,510	37,097	51,337	42,414
Non-current	–	117,831	9,397	8,981	9,397	8,981
Current	16,275	11,964	34,113	28,116	41,940	33,433
	16,275	129,795	43,510	37,097	51,337	42,414

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. Loan from a related entity as at 31 December 2016 related to a loan extended by H-REIT to HBT to acquire a property in United Kingdom in 2015. This loan was unsecured, interest-bearing and was for a tenure of 6 years (Note 10).

As at 31 December 2017, included in payables to third parties of the H-REIT Group, the HBT Group and the Stapled Group was an amount of $2.98 million relating to the remaining purchase consideration estimated to be payable for the acquisition of subsidiaries.

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

- amounts due to the H-REIT Trustee and the H-REIT Manager of $70,000 (2016: $69,000) and $1,511,000 (2016: $1,386,000) respectively; and

- amounts due to related corporations of $168,000 (2016: $513,000).

NOTES TO THE FINANCIAL STATEMENTS

13 DEFERRED TAX

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

	Balance as at 1/1/2016 $'000	Recognised in profit or loss (Note 21) $'000	Exchange differences $'000	Balance as at 31/12/2016 $'000	Acquisition of subsidiary (Note 29) $'000	Recognised in profit or loss (Note 21) $'000	Recognised in other comprehensive income $'000	Exchange differences $'000	Balance as at 31/12/2017 $'000
HBT Group									
Deferred tax assets									
Tax losses carried forward	–	–	–	–	(2,141)	–	–	2	(2,139)
Deferred tax liabilities									
Property, plant and equipment	7,545	(187)	(1,145)	6,213	9,016	(357)	705	43	15,620
	7,545	(187)	(1,145)	6,213	6,875	(357)	705	45	13,481

	Balance as at 1/1/2016 $'000	Recognised in statement of total return (Note 21) $'000	Exchange differences $'000	Balance as at 31/12/2016 $'000	Acquisition of subsidiaries (Note 29) $'000	Recognised in statement of total return (Note 21) $'000	Recognised in statement of unitholders' funds $'000	Exchange differences $'000	Balance as at 31/12/2017 $'000
H-REIT Group									
Deferred tax assets									
Tax losses carried forward	(4,895)	(260)	(93)	(5,248)	(633)	(392)	–	19	(6,254)
Deferred tax liabilities									
Investment properties	15,193	(1,237)	194	14,150	340	7,497	–	(166)	21,821
Property, plant and equipment	–	–	–	–	–	–	2,019	(112)	1,907
	15,193	(1,237)	194	14,150	340	7,497	2,019	(278)	23,728
	10,298	(1,497)	101	8,902	(293)	7,105	2,019	(259)	17,474

NOTES TO THE FINANCIAL STATEMENTS

13 DEFERRED TAX (CONT'D)

	Balance as at 1/1/2016 $'000	Recognised in statement of total return (Note 21) $'000	Exchange differences $'000	Balance as at 31/12/2016 $'000	Acquisition of subsidiaries (Note 29) $'000	Recognised in statement of total return (Note 21) $'000	Recognised in statement of unitholders' funds $'000	Exchange differences $'000	Balance as at 31/12/2017 $'000
Stapled Group									
Deferred tax assets									
Tax losses carried forward	(4,895)	(260)	(93)	(5,248)	(2,774)	(392)	–	21	(8,393)
Deferred tax liabilities									
Investment properties	15,193	(1,237)	194	14,150	340	7,497	–	(166)	21,821
Property, plant and equipment	7,545	(187)	(1,145)	6,213	9,016	(357)	2,724	(69)	17,527
	22,738	(1,424)	(951)	20,363	9,356	7,140	2,724	(235)	39,348
	17,843	(1,684)	(1,044)	15,115	6,582	6,748	2,724	(214)	30,955

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 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Deferred tax assets	–	–	297	–	297	–
Deferred tax liabilities	(13,481)	(6,213)	(17,771)	(8,902)	(31,252)	(15,115)
	(13,481)	(6,213)	(17,474)	(8,902)	(30,955)	(15,115)

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 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Tax losses	–	–	19,103	16,736	19,103	16,736

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

NOTES TO THE FINANCIAL STATEMENTS

14 NON-CONTROLLING INTERESTS

On 14 July 2017, the H-REIT Group acquired 94.9% of the shares and voting interests in NKS Hospitality I B.V. and Munich Furniture B.V. respectively. The entities became subsidiaries from that date (Note 29). Accordingly, the information relating to NKS Hospitality I B.V. and Munich Furniture B.V. is only for the period from 14 July to 31 December 2017.

The following subsidiaries have non-controlling interest:

Name	Principal places of business/Country of incorporation	Operating Segment	Ownership interests held by NCI 2017 %	2016 %
NKS Hospitality I B.V.	Netherlands	Germany	5.1	–
Munich Furniture B.V.	Netherlands	Germany	5.1	–

The following summarised financial information for the above subsidiaries are prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Stapled Group's accounting policies.

	NKS Hospitality I B.V. $'000	Munich Furniture B.V. $'000	Total $'000
2017			
Revenue	4,965	503	5,468
Profit and total comprehensive income	2,038	38	2,076
Attributable to NCI:			
- Profit and total comprehensive income	104	2	106
Non-current assets	159,480	7,658	167,138
Current assets	8,656	881	9,537
Non-current liabilities	(346)	–	(346)
Current liabilities	(78,084)	(411)	(78,495)
Net assets	89,706	8,128	97,834
Net assets attributable to NCI	4,575	415	4,990
Cash flows from operating activities	209	24	
Cash flows from investing activities	–	(3)	
Net increase in cash and cash equivalents	209	21	

No dividend was paid to NCI during the year.

NOTES TO THE FINANCIAL STATEMENTS

15 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	HBT Group		H-REIT Group		Stapled Group	
	2017 '000	2016 '000	2017 '000	2016 '000	2017 '000	2016 '000
Units/Stapled Securities in issue:						
At 1 January	991,771	987,137	991,771	987,137	991,771	987,137
Creation of Units/Stapled Securities:						
- H-REIT Manager's management fee paid in Stapled Securities	7,220	4,634	7,220	4,634	7,220	4,634
- HBT Manager's management fee paid in Stapled Securities	286	–	286	–	286	–
- Rights issue	199,546	–	199,546	–	199,546	–
At 31 December	1,198,823	991,771	1,198,823	991,771	1,198,823	991,771

	HBT Group		H-REIT Group		Stapled Group	
	2017 '000	2016 '000	2017 '000	2016 '000	2017 '000	2016 '000
Units/Stapled Securities to be issued:						
H-REIT Manager's management fees payable in Stapled Securities	4,128	4,829	4,128	4,829	4,128	4,829
HBT Trustee-Manager's management fees payable in Stapled Securities	–	266	–	266	–	266
At 31 December	4,128	5,095	4,128	5,095	4,128	5,095
Units/Stapled Securities, in issue and to be issued	1,202,951	996,866	1,202,951	996,866	1,202,951	996,866

Financial year ended 31 December 2017

(i) During the financial year, the following Stapled Securities were issued:

- 7,219,635 Stapled Securities at unit prices ranging from $1.3157 to $1.6019 per Stapled Security, amounting to $10,004,342 were issued as satisfaction of the H-REIT Manager's management fees payable in units;

- 286,250 Stapled Securities at unit prices ranging from $1.3157 to $1.4022 per Stapled Security, amounting to $378,361, were issued as satisfaction of the HBT Trustee-Manager's management fees payable in units; and

- 199,545,741 Stapled Securities were issued at $1.280 per Stapled Security, amounting to $255,418,548 for cash as part of the rights issue undertaken by the Stapled Group in July 2017 ("**Rights Issue**").

(ii) 4,128,433 Stapled Securities at unit price $1.6694 per Stapled Security, amounting to $6,892,007, will be issued subsequent to year end as satisfaction of the H-REIT Manager's base fee for the period from 1 October 2017 to 31 December 2017 and performance fee for the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

15 UNITS/STAPLED SECURITIES IN ISSUE (CONT'D)

Financial year ended 31 December 2016

(i) During the financial year, 4,634,171 Stapled Securities at unit prices ranging from $1.3034 to $1.4135 per Stapled Security, amounting to $6,217,043, were issued as satisfaction of the H-REIT Manager's management fees payable in units; and

(ii) 4,828,833 Stapled Securities at unit price $1.3157 per Stapled Security, amounting to $6,353,298, would be issued subsequent to year end as satisfaction of the H-REIT Manager's base fee for the period from 1 October 2016 to 31 December 2016 and performance fee for the financial year ended 31 December 2016.

(iii) 266,126 Stapled Securities at unit price $1.3157 per Stapled Security, amounting to $350,143, would be issued subsequent to year end as satisfaction of the HBT Trustee-Manager's management fees for the period from 1 October 2016 to 31 December 2016.

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- (2016: BBB-) from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2017 was 32.6% (2016: 36.8%) 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 2017 and 2016. 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 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Net asset value per Unit/ Stapled Security is based on:							
Net assets attributable to holders of Stapled Securities		106,380	(8,044)	1,733,892	1,554,465	1,840,273	1,546,421
		'000	'000	'000	'000	'000	'000
Total issued and to be issued Units/Stapled Securities at 31 December	15	1,202,951	996,866	1,202,951	996,866	1,202,951	996,866

17 REVENUE

	HBT Group 2017 $'000	HBT Group 2016 $'000	H-REIT Group 2017 $'000	H-REIT Group 2016 $'000	Stapled Group 2017 $'000	Stapled Group 2016 $'000
Rental revenue						
- Fixed rent	–	–	70,630	68,210	70,630	68,210
- Variable rent	–	–	81,905	73,658	72,856	63,176
Hotel revenue	60,829	49,471	–	–	60,829	49,471
	60,829	49,471	152,535	141,868	204,315	180,857

Rental revenue for the H-REIT Group includes rental income from the HBT Group and related corporations of the H-REIT Manager of $9,048,000 (2016: $10,482,000) and $87,240,000 (2016: $74,633,000), respectively.

Under the terms of the master lease agreements for the properties, the H-REIT Group is generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue and/or gross operating profit.

18 MANAGEMENT FEES

H-REIT Manager's fees

Included in the H-REIT Manager's fees is an aggregate of 6,519,235 (2016: 7,445,903) Stapled Securities, amounting to approximately $10,543,000 (2016: $9,931,000), 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 $1.4022 to $1.6694 (2016: $1.3034 to $1.4135) per Stapled Security.

HBT Trustee-Manager's fees

Included in the HBT Trustee-Manager's fees is an aggregate of 20,124 (2016: 266,125) Stapled Securities, amounting to approximately $28,000 (2016: $350,000), that have been issued to the HBT Trustee-Manager as satisfaction of the HBT Trustee-Manager's management fees payable in Stapled Securities, at a unit price of $1.4022 (2016: range of $1.3034 to $1.4135) per Stapled Security.

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCE INCOME AND FINANCE COSTS

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Finance income						
Interest income received/ receivable from banks	1	–	225	141	226	141
Interest income received/ receivable from HBT	–	–	1,735	2,226	–	–
Fair value gains on financial derivatives	–	13	161	–	141	–
	1	13	2,121	2,367	367	141
Finance costs						
Interest paid/payable to:						
- banks	(818)	–	(19,884)	(22,088)	(20,702)	(22,088)
- H-REIT	(1,735)	(2,226)	–	–	–	–
Amortisation of debt-related transaction costs	(19)	–	(1,599)	(1,149)	(1,618)	(1,149)
Financial expense arising from remeasuring non-current rental deposits at amortised cost	–	–	(213)	(205)	(213)	(205)
Net foreign exchange losses	(336)	(437)	(7,344)	(9,013)	(5,100)	(9,450)
Fair value losses on financial derivatives	(20)	–	–	(178)	–	(165)
	(2,928)	(2,663)	(29,040)	(32,633)	(27,633)	(33,057)
Net finance costs	(2,927)	(2,650)	(26,919)	(30,266)	(27,266)	(32,916)

NOTES TO THE FINANCIAL STATEMENTS

20 NET (LOSS)/INCOME/TOTAL RETURN BEFORE TAX

(i) An analysis of depreciation, amortisation, and impairment losses is set out below:

	HBT Group		H-REIT Group		Stapled Group	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Depreciation of property, plant and equipment	5,414	3,769	2,093	1,774	10,386	8,586
Amortisation of prepaid land lease	–	–	–	–	264	272
Impairment loss on goodwill (Note 29)	6,874	–	–	–	6,874	–
	12,288	3,769	2,093	1,774	17,524	8,858

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

	HBT Group		H-REIT Group		Stapled Group	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Audit fees paid to:						
- auditors of HBT/H-REIT	106	134	469	309	575	443
- other auditors	144	72	44	64	188	136
Non-audit fees paid to:						
- auditors of HBT/H-REIT	53	5	140	52	193	57
- other auditors	191	9	50	135	241	144
Employee benefits expense:						
- salaries, bonuses and other costs	13,104	9,029	–	–	13,104	9,029
- contributions to defined contribution plans	131	132	–	–	131	132
	13,235	9,161	–	–	13,235	9,161
Impairment losses/(Write-back of impairment losses) on:						
- trade receivables	46	223	130	153	176	376
- property, plant and equipment	–	–	955	–	11,785	7,330
- prepaid land lease	–	–	–	–	(679)	750
Operating expenses arising from rental of investment properties	–	–	12,193	12,763	11,040	11,565

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

In 2017, in addition to the amounts disclosed above, audit fees paid to auditors of HBT/H-REIT of $50,000 and $70,000 in relation to the acquisition of investment properties and the Rights Issue were included in "Investment properties" and "Issue expenses", respectively.

NOTES TO THE FINANCIAL STATEMENTS

21 TAX EXPENSE

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Income tax expense						
Current tax	899	594	3,865	1,731	4,764	2,325
Withholding tax	593	208	99	123	692	331
Under provision in prior years	156	19	–	23	156	42
	1,648	821	3,964	1,877	5,612	2,698
Deferred tax (credit)/expense						
Origination and reversal of temporary differences	(357)	(187)	7,105	(1,497)	6,748	(1,684)
Tax expense	1,291	634	11,069	380	12,360	1,014
Reconciliation of effective tax rate						
Net (loss)/income before tax	(6,516)	1,579	145,419	48,767	141,484	50,346
Tax calculated using Singapore tax rate of 17%	(1,108)	268	24,721	8,290	24,052	8,559
Effect of tax in a foreign jurisdiction	(94)	(292)	9,551	6,298	9,457	6,005
Non-tax deductible items	3,160	611	1,789	4,715	4,510	5,326
Non-taxable items	(1,194)	–	(8,392)	(4,349)	(9,586)	(4,349)
Tax exempt income	(36)	–	(6,458)	(5,026)	(6,494)	(5,026)
Tax transparency	–	–	(12,636)	(12,262)	(12,636)	(12,262)
Current year tax losses for which no deferred tax asset was recognised	28	99	2,395	2,568	2,423	2,667
Change in unrecognised temporary differences	(214)	(279)	–	–	(214)	(279)
Withholding tax expense	593	208	99	123	692	331
Under provision in prior years	156	19	–	23	156	42
	1,291	634	11,069	380	12,360	1,014

REPORTS

NOTES TO THE FINANCIAL STATEMENTS

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

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Comprises net (loss)/income/total return of:						
- H-REIT	–	–	79,234	14,713	79,234	14,713
- Other H-REIT Group entities*	–	–	55,116	33,674	55,116	33,674
- HBT	6,756	4,253	–	–	6,756	4,253
- Other HBT Group entities*	(14,563)	(3,308)	–	–	(14,563)	(3,308)
- Stapled Group's consolidation adjustments	–	–	–	–	2,581	–
	(7,807)	945	134,350	48,387	129,124	49,332

* including consolidation adjustments

23 EARNINGS PER STAPLED SECURITY

Earnings per Stapled Security is based on:

	Stapled Group	
	2017	2016
	$'000	$'000
Total return for the year attributable to holders of Stapled Securities	129,018	49,332

	Number of Stapled Securities		
	2017	2016	
		Restated	As previously reported
	'000	'000	'000
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:			
- outstanding during the year	1,107,920	1,029,014	990,484
- to be issued as payment of H-REIT Manager's and/or HBT Trustee-Manager's management fees payable in Stapled Securities	4	14	14
	1,107,924	1,029,028	990,498
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:			
- weighted average number of Stapled Securities (basic)	1,107,924	1,029,028	990,498
- to be issued as payment of H-REIT Manager's and/or HBT Trustee-Manager's management fees payable in Stapled Securities	5,314	6,616	6,368
	1,113,238	1,035,644	996,866
Earnings per Stapled Security ("EPS") (cents)			
Basic	11.65	4.79	4.98
Diluted	11.59	4.76	4.95

The 199,545,741 new Stapled Securities issued by the Stapled Group under the Rights Issue on 2 August 2017 have been included in arriving at the EPS presented above. The EPS for the year ended 31 December 2016 has been restated to reflect the bonus element in respect of the Rights Issue.

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS

In 2017, the HBT Group, the H-REIT Group and the Stapled Group have 3, 6 and 7 (2016: 3, 5 and 6) reportable segments, respectively, as described below. All the segments relate to properties operated as hotels and/or resorts. Each segment is managed separately because of the differences in operating and regulatory environment. The Board of Directors ("**BOD**") of the HBT Trustee-Manager and the H-REIT Manager review the internal management reports for the segments at least quarterly.

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

	Number of properties operated as hotels and/or resorts					
	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
Reportable segment						
Singapore	–	–	6	6	6	6
New Zealand	–	–	1	1	1	1
Australia	–	–	5	5	5	5
Germany	–	–	1	–	1	–
Maldives	1	1	2	2	2	2
Japan	2	2	2	2	2	2
United Kingdom	2	1	–	–	2	1

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net property income, as included in the internal management reports that are reviewed by the BODs of the HBT Trustee-Manager or the H-REIT Manager. Segment net property income is used to measure performance as the HBT Trustee-Manager or the H-REIT Manager believe that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within the same industry.

24 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Maldives $'000	Japan $'000	United Kingdom $'000	Total $'000
HBT Group				
2017				
Revenue – external	14,587	9,845	36,397	60,829
Reportable segment net property income	(728)	88	12,380	11,740
Depreciation of property, plant and equipment	–	–	(5,414)	(5,414)
Impairment of goodwill	–	–	(6,874)	(6,874)
HBT Trustee-Manager's acquisition fee	–	–	(94)	(94)
Unallocated items:				
- HBT Trustee-Manager's management fee				(35)
- HBT Trustee-Manager's trustee fee				(196)
- Valuation fees				(73)
- Other trust expenses				(2,643)
- Finance income				1
- Finance costs				(2,928)
- Tax expense				(1,291)
Net loss for the year				(7,807)
Other material non-cash items				
Impairment loss on trade receivables	–	–	(46)	(46)
Reportable segment assets				
Capital expenditure on property, plant and equipment	–	–	1,280	1,280
Non-current assets	–	–	206,192	206,192

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Maldives $'000	Japan $'000	United Kingdom $'000	Total $'000
HBT Group				
2016				
Revenue – external	17,481	10,572	21,418	49,471
Reportable segment net property income	269	58	8,458	8,785
Depreciation of property, plant and equipment	–	–	(3,769)	(3,769)
Unallocated items:				
- HBT Trustee-Manager's management fee				(438)
- HBT Trustee-Manager's trustee fee				(134)
- Valuation fees				(28)
- Other trust expenses				(187)
- Finance income				13
- Finance costs				(2,663)
- Tax expense				(634)
Net income for the year				945
Other material non-cash items				
Impairment loss on trade receivables	(148)	–	(75)	(223)
Reportable segment assets				
Capital expenditure on property, plant and equipment	–	–	2,174	2,174
Non-current assets	–	–	107,432	107,432

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	Total reportable segments $'000	Others $'000	Total $'000
H-REIT Group									
2017									
Revenue – external	89,037	19,419	14,466	5,468	12,434	4,904	145,728	6,807	152,535
Reportable segment net property income	81,764	19,419	14,466	5,081	10,277	4,582	135,589	4,431	140,020
Depreciation of property, plant and equipment	–	–	–	–	(234)	(1,859)	(2,093)	–	(2,093)
Net fair value gain/(loss) on investment properties	10,121	51,394	15,851	(2,987)	(23,119)	–	51,260	(86)	51,174
Impairment loss on property, plant and equipment	–	–	–	–	–	(955)	(955)	–	(955)
Unallocated items:									
- H-REIT Manager's base fee									(6,178)
- H-REIT Manager's performance fee									(7,001)
- H-REIT Trustee's fee									(278)
- Valuation fees									(200)
- Other trust expenses									(2,151)
- Finance income									2,121
- Finance costs									(29,040)
- Tax expense									(11,069)
Total return for the year									134,350
Other material non-cash items									
Impairment loss on trade receivables	–	–	–	–	–	–	–	(130)	(130)
Reportable segment assets									
Capital expenditure on investment properties and property, plant and equipment	10,879	679	–	39	3,134	313	15,044	86	15,130
Non-current assets^	1,615,000	217,833	159,258	168,858	136,130	77,534	2,374,613	90,000	2,464,613

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

^ Excluding deferred tax assets and other receivables

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore	New Zealand	Australia	Germany	Maldives	Japan	United Kingdom	Total reportable segments	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Stapled Group										
2017										
Revenue - external	89,037	19,419	14,466	5,468	22,876	9,845	36,397	197,508	6,807	204,315
Reportable segment net property income	81,764	19,419	14,466	5,081	9,549	4,670	12,380	147,329	4,431	151,760
Depreciation of property, plant and equipment	–	–	–	–	(3,113)	(1,859)	(5,414)	(10,386)	–	(10,386)
Amortisation of prepaid land lease	–	–	–	–	(264)	–	–	(264)	–	(264)
Impairment loss on property, plant and equipment and prepaid land lease	–	–	–	–	(10,151)	(955)	–	(11,106)	–	(11,106)
Impairment of goodwill	–	–	–	–	–	–	(6,874)	(6,874)	–	(6,874)
Net change in fair value gain/(loss) of investment properties	10,121	51,394	15,851	(2,987)	(9,858)	–	–	64,521	(86)	64,435
Unallocated items:										
- H-REIT Manager's base fee										(6,178)
- H-REIT Manager's performance fee										(7,001)
- H-REIT Trustee's fee										(278)
- HBT Trustee-Manager's management fee										(35)
- HBT Trustee-Manager's trustee fee										(196)
- HBT Trustee-Manager's acquisition fees										(94)
- Valuation fees										(273)
- Other trust expenses										(4,760)
- Finance income										367
- Finance costs										(27,633)
- Tax expense										(12,360)
Total return for the year										129,124
Other material non-cash items										
Impairment loss on trade receivables	–	–	–	–	–	–	(46)	(46)	(130)	(176)
Reportable segment assets										
Capital expenditure on investment properties and property, plant and equipment	10,879	679	–	39	3,300	313	1,280	16,490	86	16,576
Non-current assets^	1,615,000	217,833	159,258	168,858	136,131	77,534	206,192	2,580,806	90,000	2,670,806

^ Excluding deferred tax assets 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	United Kingdom $'000	Total reportable segments $'000	Others $'000	Total $'000
Stapled Group										
2016										
Revenue - external	89,265	13,274	14,438	–	25,785	10,572	21,418	174,752	6,105	180,857
Reportable segment net property income	81,411	13,274	14,438	–	11,306	5,426	8,458	134,313	3,247	137,560
Depreciation of property, plant and equipment	–	–	–	–	(3,263)	(1,554)	(3,769)	(8,586)	–	(8,586)
Amortisation of prepaid land lease	–	–	–	–	(272)	–	–	(272)	–	(272)
Impairment losses on property, plant and equipment and prepaid land lease	–	–	–	–	(8,080)	–	–	(8,080)	–	(8,080)
Net fair value gain/(loss) on investment properties	(45,551)	57,672	411	–	(17,746)	–	–	(5,214)	(16,409)	(21,623)
Unallocated items:										
- H-REIT Manager's base fee										(5,975)
- H-REIT Manager's performance fee										(6,439)
- H-REIT Trustee's fee										(272)
- HBT Trustee-Manager's management fees										(438)
- HBT Trustee-Manager's trustee fee										(134)
- Valuation fees										(185)
- Other trust expenses										(2,294)
- Finance income										141
- Finance costs										(33,057)
- Tax expense										(1,014)
Total return for the year										49,332
Other material non-cash items										
Impairment losses on trade receivables	–	–	–	–	(148)	–	(75)	(223)	(153)	(376)
Reportable segment assets										
Capital expenditure on investment properties and property, plant and equipment	5,551	96	–	–	2,373	296	2,174	10,490	409	10,899
Non-current assets	1,594,000	177,832	217,443	–	168,428	71,051	107,432	2,336,186	90,000	2,426,186

NOTES TO THE FINANCIAL STATEMENTS

24 OPERATING SEGMENTS (CONT'D)

Major customers

The H-REIT Group's properties, except Claymore Connect, are leased to 11 (2016: 10) master lessees. Such master lessees include subsidiaries of Millennium & Copthorne Hotels plc, a related corporation, which accounted for approximately $86,763,000 (2016: $74,157,000) or 56.9% (2016: 52.3%) of the revenue of the H-REIT Group and subsidiaries of a third party which accounted for approximately $36,160,000 (2016: $35,358,000) or 23.7% (2016: 24.9%) of the revenue of the H-REIT Group. The revenue is attributable to the Singapore, New Zealand and Australia segments.

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 the HBT Trustee-Manager assist the H-REIT Manager's and the 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 the HBT Trustee-Manager also assist the H-REIT Manager's and the HBT Trustee-Manager's Boards in discharging its duties with respect to maintaining an effective control environment that reflects both the established risk appetite and the business objectives of the Stapled Group. The Audit and Risk Management Committees oversee how management monitors compliance with the Stapled Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Stapled Group.

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer or counterparty to a financial instrument to settle its financial and contractual obligations to the Stapled Group, as and when they fall due.

The carrying value of financial assets in the statement of financial position represents maximum exposure of the Stapled Group of credit risk, before taking into account any collateral held.

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

Trade and other receivables

Credit evaluations are performed before lease agreements are entered into with tenants. Rental deposits are received, where appropriate, to reduce credit risk. In addition, the balances due from lessees and tenants are being monitored on an on-going basis.

The hotel/resort operators which manage the hotels under the HBT Group perform credit evaluations on customers before accepting customers and monitor their balances on an on-going basis.

The Stapled Group establishes an allowance for impairment, based on a specific loss component that relates to individually significant exposures, that represents its estimate of incurred losses in respect of trade and other receivables.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Stapled Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At 31 December 2017 and 31 December 2016, 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.

Derivatives

Derivatives are only entered into with banks and financial 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.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

Liquidity risk

Liquidity risk is the risk that the Stapled Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The HBT Trustee-Manager and H-REIT Manager monitor their liquidity risk and maintain a level of cash and cash equivalents deemed adequate to finance the HBT Group's and the H-REIT Group's operations and to mitigate the effects of fluctuations in cash flows. The H-REIT Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As at the end of the financial year, the H-REIT Group maintains several lines of credit (Note 10).

The Stapled Group has contractual commitments to incur capital expenditure (Note 26).

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

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

			Cash flows		
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Between 1 to 5 years $'000	More than 5 years $'000
HBT Group					
2017					
Non-derivative financial liabilities					
Unsecured bank loans	96,264	(110,088)	(2,658)	(107,430)	–
Trade and other payables^	14,590	(14,590)	(14,590)	–	–
	110,854	(124,678)	(17,248)	(107,430)	–
2016					
Non-derivative financial liabilities					
Trade and other payables	129,795	(141,004)	(14,378)	(126,626)	–
H-REIT Group					
2017					
Non-derivative financial liabilities					
Secured TMK bond	36,362	(37,391)	(241)	(37,150)	–
Unsecured medium term note	119,984	(121,299)	(121,299)	–	–
Unsecured bank loans	677,600	(867,479)	(299,778)	(567,701)	–
Trade and other payables^	43,498	(45,314)	(34,285)	(1,754)	(9,275)
	877,444	(1,071,483)	(455,603)	(606,605)	(9,275)
2016					
Non-derivative financial liabilities					
Secured TMK bond	37,727	(39,188)	(251)	(38,937)	–
Unsecured medium term note	119,959	(124,299)	(3,000)	(121,299)	–
Unsecured bank loans	771,163	(832,034)	(20,016)	(812,018)	–
Trade and other payables	37,097	(38,918)	(28,264)	(1,492)	(9,162)
	965,946	(1,034,439)	(51,531)	(973,746)	(9,162)

^ Excluding deferred income

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $'000	Contractual cash flows $'000	← Cash flows Within 1 year $'000	between 1 to 5 years $'000	More than 5 years $'000 →
Stapled Group					
2017					
Non-derivative financial liabilities					
Secured TMK bond	36,362	(37,391)	(241)	(37,150)	–
Unsecured medium term note	119,984	(121,299)	(121,299)	–	–
Unsecured bank loans	773,864	(977,567)	(302,436)	(675,131)	–
Trade and other payables^	49,640	(51,457)	(40,428)	(1,754)	(9,275)
	979,850	(1,187,714)	(464,404)	(714,035)	(9,275)
2016					
Non-derivative financial liabilities					
Secured TMK bond	37,727	(39,188)	(251)	(38,937)	–
Unsecured medium term note	119,959	(124,299)	(3,000)	(121,299)	–
Unsecured bank loans	771,163	(832,034)	(20,016)	(812,018)	–
Trade and other payables	42,414	(44,235)	(33,581)	(1,492)	(9,162)
	971,263	(1,039,756)	(56,848)	(973,746)	(9,162)

^ Excluding deferred income

The maturity analyses show the contractual undiscounted cash flows of the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity. The 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 disclosure shows net cash flow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts and cross-currency interest rate swap. Net settled derivative financial liabilities are included in the maturity analyses as they are held to hedge the cash flow variability of the H-REIT Group's and the Stapled Group's floating rate loans.

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.

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 the 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)

Interest rate risk (cont'd)

Exposure to interest risk

The Stapled Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the end of the financial year, the interest rate profile of the interest-bearing financial instruments based on their nominal amounts was as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fixed rate instruments						
Financial assets	892	59	45,624	53,560	46,516	53,619
Financial liabilities	(96,989)	–	(352,676)	(569,107)	(449,665)	(569,107)
Effect of cross-currency interest rate swap	–	–	(102,161)	–	(102,161)	–
	(96,097)	59	(409,213)	(515,547)	(505,310)	(515,488)
Variable rate instruments						
Financial assets	–	–	–	117,831	–	–
Financial liabilities	–	(117,831)	(484,065)	(363,520)	(484,065)	(363,520)
Effect of cross-currency interest rate swap	–	–	102,161	–	102,161	–
	–	(117,831)	(381,904)	(245,689)	(381,904)	(363,520)

Fair value sensitivity analysis for fixed rate instruments

The Stapled Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the financial year would not affect total return.

Cash flow sensitivity analysis for variable rate instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments (cont'd)

	Total return	
	100 bp increase $'000	**100 bp decrease $'000**
H-REIT Group		
2017		
Variable rate instruments		
Loans and borrowings	(4,841)	4,841
Cross-currency interest rate swap	1,022	(1,022)
Cash flow sensitivity (net)	(3,819)	3,819
2016		
Variable rate instruments		
Loan to HBT	1,178	(1,178)
Loans and borrowings	(3,635)	3,635
Cash flow sensitivity (net)	(2,457)	2,457
Stapled Group		
2017		
Variable rate instruments		
Loans and borrowings	(4,841)	4,841
Cross-currency interest rate swap	1,022	(1,022)
Cash flow sensitivity (net)	(3,819)	3,819
2016		
Variable rate instruments		
Loans and borrowings	(3,635)	3,635
Cash flow sensitivity (net)	(3,635)	3,635

Foreign currency risk

The Stapled Group has exposure to foreign currency risk as a result of its operations in several countries. The currencies giving rise to this risk are Singapore Dollar, Australian Dollar, New Zealand Dollar, 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, Maldives, Japan and United Kingdom. These borrowings are designated as net investment hedge.

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 a carrying amount of $276,612,000 (2016: $97,431,000) as net investment hedges, which mitigate the currency risk arising from certain subsidiaries' net assets.

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk (cont'd)

The exposure of the HBT Group, the H-REIT Group and the Stapled Group to foreign currencies is as follows based on notional amounts:

	Australian Dollar		New Zealand Dollar		Euro		United States Dollar		Japanese Yen		Sterling Pound	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
HBT Group												
Trade and other receivables	–	–	–	–	–	–	–	23	31	32	4,217	118,438
Cash and cash equivalents	–	–	–	–	–	–	–	–	–	–	1,197	3,160
Trade and other payables	–	–	–	–	–	–	–	–	–	–	–	(118,619)
Bank loans	–	–	–	–	–	–	–	–	–	–	(96,989)	–
Net statement of financial position exposure	–	–	–	–	–	–	–	23	31	32	(91,575)	2,979
Forward exchange contracts	–	–	–	–	–	–	–	–	–	–	(2,850)	(3,286)
Net exposure	–	–	–	–	–	–	–	23	31	32	(94,425)	(307)
H-REIT Group												
Trade and other receivables	13,402	11,151	4,572	3,829	4,014	–	1,799	1,758	829	–	–	118,619
Cash and cash equivalents	1,764	751	5,119	2,253	6,312	–	189	4,138	1,021	1,949	–	–
Trade and other payables	(1,220)	(1,180)	(326)	–	–	–	(1,495)	(601)	–	–	–	–
Bank loans	–	(97,431)	–	–	(66,481)	–	(192,035)	(207,567)	(38,750)	(40,352)	(119,441)	(118,423)
Net statement of financial position exposure	13,946	(86,709)	9,365	6,082	(56,155)	–	(191,542)	(202,272)	(36,900)	(38,403)	(119,441)	196
Forward exchange contracts	(1,344)	(2,479)	(3,819)	(5,669)	–	–	(645)	(2,510)	(1,389)	(2,086)	–	–
Cross-currency interest rate swap	–	–	–	–	(102,161)	–	102,161	–	–	–	–	–
Net exposure	12,602	(89,188)	5,546	413	(158,316)	–	(90,026)	(204,782)	(38,289)	(40,489)	(119,441)	196

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk (cont'd)

	Australian Dollar		New Zealand Dollar		Euro		United States Dollar		Japanese Yen		Sterling Pound	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Stapled Group												
Trade and other receivables	13,402	11,151	4,572	3,829	4,014	–	1,799	1,781	860	32	4,217	237,057
Cash and cash equivalents	1,764	751	5,119	2,253	6,312	–	189	4,138	1,021	1,949	1,197	3,160
Trade and other payables	(1,220)	(1,180)	(326)	–	–	–	(1,495)	(601)	–	–	–	(118,619)
Bank loans	–	(97,431)	–	–	(66,481)	–	(192,035)	(207,567)	(38,750)	(40,352)	(216,430)	(118,423)
Net statement of financial position exposure	13,946	(86,709)	9,365	6,082	(56,155)	–	(191,542)	(202,249)	(36,869)	(38,371)	(211,016)	3,175
Forward exchange contracts	(1,344)	(2,479)	(3,819)	(5,669)	–	–	(645)	(2,510)	(1,389)	(2,086)	(2,850)	(3,286)
Cross-currency interest rate swap	–	–	–	–	(102,161)	–	102,161	–	–	–	–	–
Net exposure	12,602	(89,188)	5,546	413	(158,316)	–	(90,026)	(204,759)	(38,258)	(40,457)	(213,866)	(111)

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
2017						
Australian Dollar	–	–	(1,260)	–	(1,260)	–
New Zealand Dollar	–	–	(555)	–	(555)	–
Euro	–	–	9,184	6,648	9,184	6,648
United States Dollar	–	–	3,637	5,366	3,637	5,366
Japanese Yen	(3)	–	392	3,437	389	3,437
Sterling Pound	(256)	9,699	11,944	–	911	20,476
2016						
Australian Dollar	–	–	(824)	9,743	(824)	9,743
New Zealand Dollar	–	–	(41)	–	(41)	–
United States Dollar	(2)	–	20,476	–	20,476	–
Japanese Yen	(3)	–	4,049	–	4,046	–
Sterling Pound	31	–	(20)	–	11	–

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)

Fair values

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are detailed below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	**Loans and receivables $'000**	**Fair value –hedging instruments $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
HBT Group									
2017									
Financial assets not measured at fair value									
Trade and other receivables[(1)]	7	7,112	–	–	7,112				
Cash and cash equivalents	8	17,278	–	–	17,278				
		24,390	–	–	24,390				
Financial assets measured at fair value									
Financial derivative assets	11	–	7	–	7	–	7	–	7
Financial liabilities not measured at fair value									
Trade and other payables[(2)]	12	–	–	(14,590)	(14,590)				
Unsecured bank loans	10	–	–	(96,264)	(96,264)	–	(96,391)	–	(96,391)
		–	–	(110,854)	(110,854)				
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(14)	–	(14)	–	(14)	–	(14)

(1) Excluding prepayments
(2) Excluding deferred income

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

	Note	Carrying amount: Loans and receivables $'000	Carrying amount: Fair value –hedging instruments $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Total $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
HBT Group									
2016									
Financial assets measured at fair value									
Financial derivative assets	11	–	66	–	66	–	66	–	66
Financial assets and liabilities not measured at fair value									
Trade and other receivables(1)	7	4,811	–	–	4,811				
Cash and cash equivalents	8	14,301	–	–	14,301				
		19,112	–	–	19,112				
Financial liabilities not measured at fair value									
Trade and other payables	12	–	–	(129,795)	(129,795)				
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(52)	–	(52)	–	(52)	–	(52)

	Note	Carrying amount: Loans and receivables $'000	Carrying amount: Fair value –hedging instruments $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Total $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
H-REIT Group									
2017									
Financial assets not measured at fair value									
Trade and other receivables(1)	7	19,581	–	–	19,581				
Cash and cash equivalents	8	78,591	–	–	78,591				
		98,172	–	–	98,172				
Financial assets measured at fair value									
Financial derivative assets	11	–	245	–	245	–	245	–	245

(1) Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value –hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
H-REIT Group									
2017									
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(262)	–	(262)	–	(262)	–	(262)
Financial liabilities not measured at fair value									
Secured TMK bond	10	–	–	(36,362)	(36,362)	–	(36,461)	–	(36,461)
Unsecured medium term notes	10	–	–	(119,984)	(119,984)	–	(120,669)	–	(120,669)
Unsecured bank loans	10	–	–	(677,600)	(677,600)	–	(675,988)	–	(675,988)
Trade and other payables	12	–	–	(34,101)	(34,101)				
Rental deposits	12	–	–	(9,397)	(9,397)	–	–	(9,616)	(9,616)
		–	–	(877,444)	(877,444)				

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value –hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
H-REIT Group									
2016									
Financial assets not measured at fair value									
Trade and other receivables[1]	7	142,814	–	–	142,814				
Cash and cash equivalents	8	67,927	–	–	67,927				
		210,741	–	–	210,741				
Financial assets measured at fair value									
Financial derivative assets	11	–	105	–	105	–	105	–	105

[1] Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

	Note	Carrying amount				Fair value			
		Loans and receivables $'000	Fair value –hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
H-REIT Group									
2016									
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(284)	–	(284)	–	(284)	–	(284)
Financial liabilities not measured at fair value									
Secured TMK bond	10	–	–	(37,727)	(37,727)	–	(37,868)	–	(37,868)
Unsecured medium term notes	10	–	–	(119,959)	(119,959)	–	(119,948)	–	(119,948)
Unsecured bank loans	10	–	–	(771,163)	(771,163)	–	(770,777)	–	(770,777)
Trade and other payables	12	–	–	(27,848)	(27,848)				
Rental deposits	12	–	–	(9,249)	(9,249)	–	–	(9,607)	(9,607)
		–	–	(965,946)	(965,946)				

	Note	Carrying amount				Fair value			
		Loans and receivables $'000	Fair value –hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Stapled Group									
2017									
Financial assets not measured at fair value									
Trade and other receivables[(1)]	7	18,245	–	–	18,245				
Cash and cash equivalents	8	95,869	–	–	95,869				
		114,114	–	–	114,114				
Financial assets measured at fair value									
Financial derivative assets	11	–	252	–	252	–	252	–	252
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(276)	–	(276)	–	(276)	–	(276)

(1) Excluding prepayments

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

		Carrying amount				Fair value			
	Note	**Loans and receivables $'000**	**Fair value –hedging instruments $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Stapled Group									
2017									
Financial liabilities not measured at fair value									
Secured TMK bond	10	–	–	(36,362)	(36,362)	–	(36,461)	–	(36,461)
Unsecured medium term notes	10	–	–	(119,984)	(119,984)	–	(120,669)	–	(120,669)
Unsecured bank loans	10	–	–	(773,864)	(773,864)	–	(772,379)	–	(772,379)
Trade and other payables[2]	12	–	–	(40,243)	(40,243)				
Rental deposits	12	–	–	(9,397)	(9,397)	–	–	(9,616)	(9,616)
		–	–	(979,850)	(979,850)				

		Carrying amount				Fair value			
	Note	**Loans and receivables $'000**	**Fair value –hedging instruments $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Stapled Group									
2016									
Financial assets not measured at fair value									
Trade and other receivables[1]	7	23,148	–	–	23,148				
Cash and cash equivalents	8	82,228	–	–	82,228				
		105,376	–	–	105,376				
Financial assets measured at fair value									
Financial derivative assets	11	–	171	–	171	–	171	–	171
Financial liabilities measured at fair value									
Financial derivative liabilities	11	–	(336)	–	(336)	–	(336)	–	(336)

(1) Excluding prepayments
(2) Excluding deferred income

NOTES TO THE FINANCIAL STATEMENTS

25 FINANCIAL INSTRUMENTS (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

		Carrying amount				Fair value			
	Note	Loans and receivables $'000	Fair value –hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Stapled Group									
2016									
Financial liabilities not measured at fair value									
Secured TMK bond	10	–	–	(37,727)	(37,727)	–	(37,868)	–	(37,868)
Unsecured medium term notes	10	–	–	(119,959)	(119,959)	–	(119,948)	–	(119,948)
Unsecured bank loans	10	–	–	(771,163)	(771,163)	–	(770,777)	–	(770,777)
Trade and other payables	12	–	–	(33,165)	(33,165)				
Rental deposits	12	–	–	(9,249)	(9,249)	–	–	(9,607)	(9,607)
		–	–	(971,263)	(971,263)				

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

Financial instruments not measured at fair value

Other non-derivative financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

26 COMMITMENTS

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
(a) Capital expenditure contracted but not provided for	913	–	6,124	610	7,037	610

(b) Under the terms of the lease agreements for Novotel Singapore Clarke Quay, Grand Millennium Auckland, Angsana Velavaru, Dhevanafushi Maldives Luxury Resort and Pullman Hotel Munich, 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 $2,831,000 (2016: $1,717,000) under the terms of the lease agreements.

(c) The HBT Group, the H-REIT Group and the Stapled Group lease out their properties. Non-cancellable operating lease rentals are receivable as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	114	118	73,300	71,630	69,390	67,397
After 1 year but within 5 years	455	474	248,496	243,710	232,854	226,778
After 5 years	203	330	233,617	188,069	229,796	178,608
	772	922	555,413	503,409	532,040	472,783

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.

(d) The HBT Group, the H-REIT Group and the Stapled Group have entered into operating lease agreements with a third party and a related party respectively. The HBT Group's, the H-REIT Group's and the Stapled Group's commitments for future minimum lease payments under the non-cancellable operating lease are as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Within 1 year	210	–	906	74	1,116	74
After 1 year but within 5 years	838	–	2,443	–	3,281	–
After 5 years	883	–	–	–	883	–
	1,931	–	3,349	74	5,280	74

The above operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

26 COMMITMENTS (CONT'D)

(e) HBT's subsidiary, CDL HBT Cambridge City Hotel (UK) Ltd, holds a leasehold land, with a 125-year lease granted by the Cambridge City Council (the "**Head Lessor**"), and the lease granted by the Head Lessor (the "**Head Lease**") commencing on 25 December 1990. The lease term may be extended for a further term of 50 years pursuant to the lessee's option to renew under the Head Lease. Lease payment under this lease is variable, being a percentage of gross revenue and subject to a minimum value that is itself a function of the aggregate rent paid over the previous 3 years. For the year ended 31 December 2017, the HBT Group and the Stapled Group recorded a lease payment of $402,000 (2016: $412,000).

(f) The CDL HBT Oceanic Maldives Pvt Ltd, an indirect wholly-owned subsidiary of HBT, has an operating lease agreement with CDLHT Oceanic Maldives Pvt Ltd, an indirect wholly-owned subsidiary of H-REIT, for the use of Dhevanafushi Maldives Luxury Resort. The HBT Group's commitments for future minimum lease payments under the non-cancellable lease are as follows:

	HBT Group	
	2017	**2016**
	$'000	**$'000**
Within 1 year	4,024	4,352
After 1 year but within 5 years	16,097	17,406
After 5 years	4,024	9,791
	24,145	31,549

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.

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 31 December 2017 and 31 December 2016, the H-REIT Manager and the master lessees of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Grand Millennium Auckland are indirect wholly-owned subsidiaries of a substantial holder of the Stapled Securities in the Stapled Group.

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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Related corporations of the H-REIT Manager and the HBT Trustee-Manager						
Rental income received/receivable	–	–	87,240	74,633	87,240	74,633
Rental expense paid/payable	–	–	892	855	892	855
Shared service expenses paid/payable	–	–	279	293	279	293
Corporate secretarial services fee paid/payable	49	44	150	94	199	138

NOTES TO THE FINANCIAL STATEMENTS

28 FINANCIAL RATIOS

	H-REIT Group 2017 %	H-REIT Group 2016 %	Stapled Group 2017 %	Stapled Group 2016 %
Expenses to weighted average net assets[1]				
- including performance component of H-REIT Manager's management fees[2]	0.98	0.96	1.06	1.01
- excluding performance component of H-REIT Manager's management fees[2]	0.55	0.55	0.63	0.57
Portfolio turnover rate[3]	–	–	–	–

(1) The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the H-REIT Group and the Stapled Group, excluding property expenses, interest expense and income tax expense of each entity, where applicable.

(2) Excluding acquisition fee and costs associated with the acquisition of a subsidiary.

(3) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the H-REIT Group and the Stapled Group expressed as a percentage of daily average net asset value.

29 ACQUISITIONS

HBT Group

Acquisition of subsidiary

On 4 May 2017, the HBT Group acquired 100% of the shares and voting interests in The Lowry Hotel Ltd ("**LHL**") (the "**UK Acquisition**") for a total consideration of $95.6 million. The HBT Group acquired LHL which owns The Lowry Hotel in Manchester (the "**UK Property**"). The UK Acquisition is expected to benefit the holders of Stapled Securities by broadening the Stapled Group's earning base and will also have the benefit of improving the geographical diversification of the Stapled Group's portfolio. The acquisition was accounted for as a business combination as the HBT Group had acquired various operational processes, together with the UK Property.

From the date of acquisition to 31 December 2017, LHL contributed revenue of $16,053,000 and net profit before tax of $2,276,000 to the HBT Group's results. If the acquisition had occurred on 1 January 2017, the HBT Trustee-Manager estimates that the HBT Group's revenue would have been $68,227,000 and the HBT Group's net loss before tax for the year would have been $6,702,000. In determining these amounts, HBT Trustee-Manager has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

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
Property, plant and equipment	94,427
Inventories	258
Trade and other receivables	2,480
Cash at bank	2,867
Trade and other payables	(4,458)
Shareholder's loan	(39,124)
Deferred tax liabilities	(6,875)
Total identifiable net assets	49,575

NOTES TO THE FINANCIAL STATEMENTS

29 ACQUISITIONS (CONT'D)

Acquisition of subsidiary (cont'd)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation techniques
Property, plant and equipment	*Comparative and discounted cash flow methods:* The comparative method involves the analysis of comparable sales of similar assets and adjusting the sale prices to that reflective of the UK Property. The discounted cash flow method involves forecasting the UK Property's income stream for 10 years and discounting the income stream at 8.25%.

Goodwill

Goodwill arising from the UK Acquisition has been recognised as follows:

	$'000
Total consideration transferred	95,573
Fair value of identifiable net assets	(49,575)
Shareholders' loan assumed	(39,124)
Goodwill	6,874
Impairment loss on goodwill	(6,874)
	–

The HBT Group has undertaken an impairment assessment of the goodwill arising from the UK Acquisition. The recoverable amount was estimated using the fair value less costs to sell approach, taking into consideration the fair value of the underlying property based on the valuation techniques and assumptions described in the table above (Level 3 fair value). Based on this assessment, the goodwill was fully impaired. The impairment loss was recognised in "Depreciation, amortisation and impairment losses" in the statement of profit or loss and is also disclosed under the UK segment (Note 24).

Consideration transferred

	$'000
Cash paid	95,573

Effect of the acquisition of LHL on cash flows

Total consideration for 100% equity interest acquired	95,573
Add: Acquisition-related costs	1,537
Less: Cash at bank of subsidiary acquired	(2,867)
Less: Acquisition-related costs not yet paid	(11)
Net cash outflow on acquisition	94,232

Acquisition-related costs

The HBT Group incurred a one-off transaction costs of $1,537,000 (£862,000) comprising acquisition fee payable to the HBT Trustee-Manager of $94,000 and legal and due diligence costs of $1,443,000, which have been included in "HBT Trustee-Manager's acquisition fee" and "other trust expenses", respectively in the statement of profit or loss or statement of total return (on the case may be).

NOTES TO THE FINANCIAL STATEMENTS

29 ACQUISITIONS (CONT'D)

H-REIT Group

Acquisition of subsidiaries

On 27 June 2017, the H-REIT Group acquired 94.9% of the shares and voting interests in NKS Hospitality I B.V. ("**NKS**") and Munich Furniture B.V. ("**FurnitureCo**") (collectively, the "**German Acquisition**") for a total consideration of $160.3 million. The H-REIT Group acquired NKS and FurnitureCo which own Pullman Hotel Munich in Munich (the "**German Hotel**") and its office and retail components (collectively, the "**German 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	165,258
Deferred tax assets	293
Trade and other receivables	585
Cash at bank	4,236
Trade and other payables	(1,253)
Borrowings	(70,535)
Total identifiable net assets	98,584
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	(5,027)
Identifiable net assets acquired	93,557

Consideration transferred

	$'000
Cash paid	160,304

Effect of the acquisition of NKS and FurnitureCo on cash flows

Total consideration for 94.9% equity interest acquired	93,367
Add: Borrowings assumed	66,937
Add: Acquisition-related costs	4,240
Less: Cash at bank of subsidiaries acquired	(4,236)
Less: Consideration not yet paid	(2,914)
Net cash outflow on acquisition	157,394

NOTES TO THE FINANCIAL STATEMENTS

30 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 2017 %	2016 %
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	100	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	–
(2) CDLHT Munich One Pte. Ltd.	Singapore	100	–
(2) CDLHT Munich Two Pte. Ltd.	Singapore	100	–
Subsidiaries of CDLHT Sunshine Limited			
(1) Sun One Investments Limited	British Virgin Islands	100	100
(1) Sun Two Investments Limited	British Virgin Islands	100	100
(1) Sun Three Investments Limited	British Virgin Islands	100	100
(1) Sun Four Investments Limited	British Virgin Islands	100	100
Subsidiary of Sun One Investments Limited			
(1) Sun Trust One	–	100	100
Subsidiary of Sun Two Investments Limited			
(1) Sun Trust Two	–	100	100
Subsidiary of Sun Three Investments Limited			
(1) Sun Trust Three	–	100	100
Subsidiary of Sun Four Investments Limited			
(1) Sun Trust Four	–	100	100
Subsidiary of CDLHT Sanctuary Limited			
(3) Sanctuary Sands Maldives Private Limited	Maldives	100	100
Subsidiary of CDLHT Oceanic Holdings Pte. Ltd.			
(1) CDLHT Oceanic Ltd	British Virgin Islands	100	100
Subsidiary of CDLHT Oceanic Ltd			
(1) CDLHT Oceanic Two Ltd	British Virgin Islands	100	100

NOTES TO THE FINANCIAL STATEMENTS

30 GROUP ENTITIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the H-REIT Group and the Stapled Group 2017 %	2016 %
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 Two Pte. Ltd.			
(1) NKS Hospitality I B.V.	Netherlands	94.9	–
(1) Munich Furniture B.V.	Netherlands	94.9	–
Subsidiaries of HBT			
(2) CDL HBT Oceanic Holdings Pte. Ltd.	Singapore	100	100
(2) CDL HBT Hanei Pte. Ltd.	Singapore	100	100
(2) CDL HBT Cambridge City Pte. Ltd.	Singapore	100	100
Subsidiary of CDL HBT Oceanic Holdings Pte. Ltd.			
(1) CDL HBT Oceanic Ltd	British Virgin Islands	100	100
Subsidiary of CDL HBT Oceanic Ltd			
(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	–
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	–

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 SUBSEQUENT EVENTS

On 22 December 2017, the Stapled Group entered into a sale and purchase agreement to sell Mercure Brisbane and Ibis Brisbane in Australia for a total consideration of AUD77.0 million ($80.1 million).

The sale was completed on 11 January 2018 and the Stapled Group expects to recognise an estimated gain of disposal of $5.0 million.

32 COMPARATIVE INFORMATION

In 2017, the Stapled Group revised the classification and presentation of certain expenses in the statement of profit or loss or statement of total return (as the case may be) so as to provide users with a more meaningful analysis of such expenses. Accordingly, certain comparatives in statement of total return have been reclassified to conform with the current year's presentation.

	Previously reported $'000	Re-classification $'000	As reported $'000
HBT Group			
Statement of profit or loss			
Operations and maintenance expenses	(15,025)	5,442	(9,583)
Hotel management fee	(2,568)	2,568	–
Property tax	(977)	–	(977)
Insurance	(161)	161	–
Administrative and general expenses	(6,826)	6,826	–
Sales and marketing expenses	(2,171)	2,171	–
Energy and utility expenses	(2,041)	2,041	–
Rental expenses	(10,917)	–	(10,917)
Other property expenses	–	(10,048)	(10,048)
Employee benefit expense	–	(9,161)	(9,161)
H-REIT Group			
Statement of total return			
Insurance	(794)	794	–
Other property expenses	(3,361)	(794)	(4,155)

NOTES TO THE FINANCIAL STATEMENTS

32 COMPARATIVE INFORMATION (CONT'D)

Stapled Group	Previously reported $'000	Re-classification $'000	As reported $'000
Statement of total return			
Operations and maintenance expenses	(15,025)	5,442	(9,583)
Hotel management fee	(2,568)	2,568	–
Property tax	(9,915)	–	(9,915)
Insurance	(955)	955	–
Administrative and general expenses	(6,826)	6,826	–
Sales and marketing expenses	(2,171)	2,171	–
Energy and utility expenses	(2,041)	2,041	–
Rental expenses	(435)	–	(435)
Other property expenses	(3,361)	(10,842)	(14,203)
Employee benefit expense	–	(9,161)	(9,161)
Depreciation, amortisation and impairment losses	(16,938)	8,080	(8,858)
Net income before fair value adjustment	71,969	8,080	80,049
Impairment loss on property, plant and equipment and prepaid land lease	–	(8,080)	(8,080)

33 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) ("SFRS(I)") AND ADOPTION OF NEW STANDARDS

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies and business trusts listed on the SGX-ST will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018. Other Singapore-incorporated companies may voluntarily apply SFRS(I) at the same time.

The HBT Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared by HBT Group under the current FRS. In adopting the new framework, the HBT Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

The H-REIT Group and the Stapled Group will continue to prepare their financial statements under Recommended Accounting Practice (RAP) 7 Reporting Framework for Unit Trusts. RAP 7 requires the accounting policies to generally comply with the recognition and measurement principles of FRS.

In addition to the adoption of SFRS(I) framework by the HBT Group as described above, a number of new FRS or SFRS(I)s, amendments to and interpretations of FRS or SFRS(I) are effective from the 1 January 2018. Those which are relevant to the HBT Group, H-REIT Group and the Stapled Group (collectively, "the Entities") are set out below:

- FRS 115 / SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to FRS 115 / SFRS(I) 15 *Clarifications to FRS 115 / SFRS(I) 15*
- FRS 109 / SFRS(I) 9 *Financial instruments*

The HBT Group does not expect its initial adoption of SFRS(I) framework to have a significant impact on its financial statements. The Entities also do not expect the application of the above new standards to have a significant impact on their financial statements. The Entities are currently finalising the transition adjustments.

NOTES TO THE FINANCIAL STATEMENTS

33 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) ("SFRS(I)") AND ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to 2018 financial statements (cont'd)

Details of SFRS(I) 1 and the new accounting standards relevant to the HBT Group, H-REIT Group and the Stapled Group are set out below.

SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*

When the HBT Group adopts SFRS(I) 1 in 2018, the HBT Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the HBT Group applies SFRS(I) 1 on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening statement of financial position and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. The HBT Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on its financial statements.

FRS 115 / SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to FRS 115 / SFRS(I) 15 *Clarifications to FRS 115 / SFRS(I) 15*

FRS 115 / SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Entities plan to adopt FRS 115 / SFRS(I) 15 in their financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Entities will apply all of the requirements of FRS 115 / SFRS(I) 15 retrospectively and the comparative period presented in the 2018 financial statements will be restated.

The Entities do not expect the application of this standard to have significant impact on the financial statements.

FRS 109 / SFRS(I) 9 *Financial instruments*

FRS 109 / SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of FRS 109 / SFRS(I) 9 will generally be applied by the Entities retrospectively. The Entities plan to take advantage of the exemption in SFRS(I) 1 and FRS 109 allowing them not to restate comparative information in the 2018 financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 and FRS 109 are recognised in accumulated losses/profit and reserves as at 1 January 2018.

- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018:
  - The determination of the business model within which a financial asset is held.
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (FVTPL).

- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 *Financial Instruments: Recognition and Measurement* at 31 December 2017 that meet the criteria for hedge accounting under FRS 109 / SFRS(I) 9 at 1 January 2018 will be regarded as continuing hedging relationships.

NOTES TO THE FINANCIAL STATEMENTS

33 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) ("SFRS(I)") AND ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to 2018 financial statements (cont'd)

The expected impact on adoption of FRS 109 / SFRS(I) 9 are described below. The information below reflects the Entities' expectation of the implications arising from changes in the accounting treatment.

(i) Classification and measurement

The Entities do not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109 / SFRS(I) 9.

For financial assets currently held at fair value, the Stapled Group expects to continue measuring these assets at FVTPL. Loans and receivables currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109 / SFRS(I) 9.

(ii) Impairment

FRS 109 / SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under FRS 109 / SFRS(I) 9, loss allowances of the Stapled Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Entities plan to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of FRS 115 / SFRS(I) 15. The Entities do not expect a significant increase in its impairment loss allowance as at 1 January 2018.

Applicable to 2019 financial statements and thereafter

A number of new FRS or SFRS(I)s, amendments to and interpretations of FRS or SFRS(I) are effective for annual periods beginning after 1 January 2018. The new standard relevant to the Entities is set out below.

Applicable to 2019 financial statements

- FRS 116 / SFRS(I) 16 *Leases*

FRS 116 / SFRS(I) 16

FRS 116 / SFRS(I) 16 replaces existing lease accounting guidance. FRS 116 / SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 / SFRS(I) 15 is also applied. FRS 116 / SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Entities plan to adopt the standard when it becomes effective in 2019 and expect to apply the standard using the modified retrospective approach. The Entities also expect the ROU assets recognised at date of initial application to be equal to their lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

33 FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) ("SFRS(I)") AND ADOPTION OF NEW STANDARDS (CONT'D)

Applicable to 2019 financial statements and thereafter (cont'd)

The Entities are likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under FRS 116 or SFRS(I) 16. The Entities have performed a preliminary assessment of the impact on their financial statements based on its existing operating lease arrangements (Note 26).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Entities will continue to assess their portfolio of leases to calculate the impending impact of transition to the new standard.

The Entities as lessee

The Entities expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 16 / SFRS(I) 16. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as FRS 116 / SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Entities as lessor

FRS 116 / SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Entities continue to classify their leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, FRS 116 / SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

STATISTICS OF STAPLED SECURITIES HOLDINGS

SUMMARY INFORMATION OF STAPLED SECURITIES

A Stapled Security means a security comprising one unit of H-REIT and one unit of HBT stapled together under the terms of the Stapling Deed dated 12 June 2006. Each holder of the Stapled Securities has one vote per Stapled Security.

RANGE OF STAPLED SECURITIES HOLDINGS

Issued and Fully Paid Stapled Securities : 1,199,596,162 Stapled Securities

Size of Stapled Securities Holdings	No. of Stapled Securities Holders	%	No. of Stapled Securities	%
1 - 99	17	0.20	312	0.00
100 - 1,000	626	7.36	461,850	0.04
1,001 - 10,000	5,034	59.15	25,525,492	2.13
10,001 - 1,000,000	2,808	33.00	113,606,816	9.47
1,000,001 and above	25	0.29	1,060,001,692	88.36
	8,510	100.00	1,199,596,162	100.00

TWENTY LARGEST STAPLED SECURITIES HOLDERS

No.	Name	No. of Stapled Securities	%*
1	HOSPITALITY HOLDINGS PTE. LTD.	313,950,000	26.17
2	CITIBANK NOMINEES SINGAPORE PTE LTD	190,833,439	15.91
3	DBS NOMINEES PTE LTD	151,211,139	12.61
4	HSBC (SINGAPORE) NOMINEES PTE LTD	91,327,772	7.61
5	M&C REIT MANAGEMENT LIMITED	67,977,856	5.67
6	REPUBLIC HOTELS & RESORTS LIMITED	62,790,000	5.23
7	RAFFLES NOMINEES (PTE) LTD	59,818,060	4.99
8	BPSS NOMINEES SINGAPORE (PTE.) LTD.	36,693,167	3.06
9	DBSN SERVICES PTE LTD	30,512,796	2.54
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	14,090,200	1.17
11	GUAN HONG PLANTATION PRIVATE LIMITED	6,900,000	0.58
12	MILLENNIUM SECURITIES PTE LTD	4,800,000	0.40
13	DB NOMINEES (SINGAPORE) PTE LTD	4,723,379	0.39
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,827,360	0.32
15	SOON LI HENG CIVIL ENGINEERING PTE LTD	3,360,000	0.28
16	MEREN PTE LTD	2,300,000	0.19
17	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	2,121,229	0.18
18	OCBC SECURITIES PRIVATE LTD	2,111,000	0.17
19	MAYBANK KIM ENG SECURITIES PTE LTD	2,046,247	0.17
20	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,654,677	0.14
	TOTAL	**1,053,048,321**	**87.78**

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 1 March 2018

SUBSCRIPTION OF STAPLED SECURITIES IN CDL HOSPITALITY TRUSTS

As at 31 December 2017, 1,198,822,685 Stapled Securities were issued. On 26 January 2018, 773,477 Stapled Securities were issued to the H-REIT Manager as payment of 80.0 per cent of management fees for the period from 1 October 2017 to 31 December 2017.

STATISTICS OF STAPLED SECURITIES HOLDINGS

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 1 March 2018

Name of Director	Holdings
Vincent Yeo Wee Eng	138,000
Ronald Seah Lim Siang	NIL
Foo Say Mui (Bill)	NIL
Kenny Kim (Appointed on 25 January 2017)	NIL
Cheah Sui Ling (Appointed on 18 August 2017)	NIL

SUBSTANTIAL STAPLED SECURITIES HOLDERS

as at 1 March 2018

Name	Direct Interest	Deemed Interest	Total Holdings	%*
Hospitality Holdings Pte. Ltd.	313,950,000	–	313,950,000	26.17
M&C REIT Management Limited	67,977,856	343,500 (1)	68,321,356	5.70
Republic Hotels & Resorts Limited	62,790,000	–	62,790,000	5.23
ATOS Holding GmbH (formerly known as ATOS Holding AG)	–	313,950,000 (2)	313,950,000	26.17
M&C Hotel Investments Pte. Ltd.	–	131,111,356 (3)	131,111,356	10.93
M&C Hospitality International Limited	–	131,111,356 (3)	131,111,356	10.93
M&C Singapore Holdings (UK) Limited	–	131,111,356 (3)	131,111,356	10.93
Millennium & Copthorne Hotels plc	–	445,061,356 (4)	445,061,356	37.10
City Developments Limited	–	445,061,356 (4)	445,061,356	37.10
Hong Leong Investment Holdings Pte. Ltd.	–	449,861,356 (5)	449,861,356	37.50
Davos Investment Holdings Private Limited	–	449,861,356 (5)	449,861,356	37.50
Kwek Holdings Pte Ltd	–	449,861,356 (5)	449,861,356	37.50

* The percentage of Stapled Securities is based on the total number of Stapled Securities as at 1 March 2018.

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 343,500 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 131,111,356 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 plc and City Developments Limited are deemed under Section 4 of the SFA, to have an interest in the 445,061,356 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 449,861,356 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 1 March 2018, no less than 62.41% 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**"), which were entered into during the financial year ended 31 December 2017 ("**FY 2017**") (excluding transactions less than S$100,000) are listed below.

Name of Interested Persons	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Stapled Security Holders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST)	Aggregate value of all Interested Person Transactions conducted under Stapled Security Holders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST (excluding transactions less than S$100,000)
M&C REIT Management Limited (as Manager of CDL Hospitality Real Estate Investment Trust)		
City Developments Limited - Rental expense in relation to Units at Waterfront Plaza (1)	$4,091,000	Not Applicable (4)
- Provision of Corporate Secretarial Services	$324,649	
Republic Hotels & Resorts Limited - Rental income in relation to Units at Waterfront Plaza (1)	$4,091,000 (2)	
M&C Business Trust Management Limited (as Trustee-Manager of CDL Hospitality Business Trust)		
Copthorne Hotels Limited - Entry into a Sales, Marketing and Hotel Management Support and Advisory Services Agreement for The Lowry Hotel Manchester	$66,750 (3)	Not Applicable (4)
Total:	**$8,573,399**	**–**

Notes:

(1) This relates to a lease agreement between H-REIT and City Developments Limited for the lease of units #01-01, #01-02, and #02-01/02/03/04/05/06C of Waterfront Plaza which H-REIT has sub-let to Republic Hotels & Resorts Limited. Rental income received from Republic Hotels & Resorts Limited is thereafter paid to City Developments Limited as rental expense.
(2) Not aggregated as no additional exposure due to back-to-back transaction relating to note (1) above.
(3) Equivalent to GBP 37,500, based on exchange rate of GBP1.00 = S$1.78.
(4) The H-REIT Manager and the HBT Trustee-Manager have not sought any unitholders' mandate for interested person/party transactions pursuant to Rule 920 of the Listing Manual of SGX-ST.

Except as disclosed above, there were no additional interested person/party transactions (excluding transactions of less than $100,000 each and/or transactions collectively described as "**Exempted Agreements**") entered into in FY 2017.

GLOSSARY PAGE

2012 Code	Code of Corporate Governance 2012
2018 AGMs	2018 Annual General Meetings
4 IDs	The four independent non-executive directors of the total six directors of the Board
ARC Self-Assessment Checklist	A self-assessment checklist which the ARC used to conduct an assessment of its effectiveness for the financial year under review, adapted from the self-assessment checklist for audit committees set out in the ACGC Guidebook
ACRA	Accounting and Corporate Regulatory Authority
ACRA Code	Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities
Act	The Business Trusts Act, Chapter 31A of Singapore
ADR	Average Daily Rate
AFR	Accident Frequency Rate
Aggregate Leverage	Total Borrowings and Deferred Payments of a Property Fund over its Deposited Property
Annual Report	Annual Report 2017
ARCs	Audit and Risk Committees
ARR	Average Room Rate
ASR	Accident Severity Rate
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
Brexit	Britain's withdrawal from the European Union
Bridge Loan Facility	S$500.0 million uncommitted multi-currency unsecured bridge loan facility
BTA	Business Trust Act
BTR	Business Trust Regulations
CAGR	Compound Annual Growth Rate
CBD	Central Business District
CDL	City Developments Limited
CDP	The Central Depository (Pte) 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
Dhevanafushi Maldives Luxury Resort or DMLR	Dhevanafushi Maldives Luxury Resort, managed by AccorHotels
EA	External Auditors
EPS	Earnings per Stapled Security
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

GLOSSARY PAGE

FurnitureCo	Munich Furniture B.V.
FY 2017	Financial Year Ended 31 December 2017
GDP	Gross Domestic Product
German Acquisition	Acquisition of 94.9% of the shares and voting interests in NKS and FurnitureCo
German Hotel	Pullman Hotel Munich
German Property	Pullman Hotel Munich and its office and retail components
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 Units	Units of HBT
Head Lease	125-year lease granted by Cambridge City Council commencing from 25 December 1990
Head Lessor	Cambridge City Council
H-REIT	CDL Hospitality Real Estate Investment Trust
H-REIT Group	CDL Hospitality Real Estate Investment Trust and its subsidiaries
H-REIT Manager	M&C REIT Management Limited as the manager of CDL Hospitality Real Estate Investment Trust
H-REIT 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 Units	Units of H-REIT
IDs	Independent Directors
IFRS	International Financial Reporting Standards
IA	Internal Audit
IPO	Initial Public Offering
IPO Hotels	Portfolio hotels at IPO consisting of Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel
IRAS	Inland Revenue Authority of Singapore
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
KPMG	KPMG LLP
LCD	Listed Company Director
Lead ID	Lead Independent Director
LHL	The Lowry Hotel Ltd
Listing Manual of SGX-ST	Listing rules issued by Singapore Exchange Securities Trading Limited
M&C	Millennium and Copthorne Hotels plc
Maldives Resorts	Porftfolio resorts located in the Maldives consisting of Angsana Velavaru and Dhevanafushi Maldives Luxury Resort

GLOSSARY PAGE

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
NEDs	Non-Executive Directors
NKS	NKS Hospitality I B.V.
NPI	Net Property Income
NZ Hotel	Portfolio hotel located in New Zealand namely Grand Millennium Auckland
NRCs	Nominating and Remuneration Committees
OCI	Other Comprehensive Income
ODIR	Occupational Disease Incidence Rate
Programme	S$1.0 Billion Multi-Currency Medium Term Note Programme
Property Funds Appendix	Appendix 6 of the Code on Collective Investment Schemes
RAP	Statement of Recommended Accounting Practice
Rent Revision Date	Tenth Anniversary Date of the commencement of Studio M Hotel's lease
Revised Fixed Rent	50% of the average annual aggregate fixed & variable rent for the five fiscal years preceding the Rent Revision Date
RevPAR	Revenue per Available Room
RHRL	Republic Hotels & Resorts Limited
Rights Issue	199,545,741 Stapled Securities were issued at S$1.280 per Stapled Security, amounting to S$255,418,548 for cash as part of the rights issue undertaken by the Stapled Group in July 2017
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 plc
SSAs	Singapore Standards on Auditing
SSC	Sustainability Steering Committee
Stapled Group	Stapled group comprising the H-REIT Group and the HBT Group
Stapled Securities	Stapled Units of H-REIT and HBT
Stapled Security(s) Holders	Holders of Stapled Securities of CDLHT
Stapling Deed	The stapling deed dated 12 June 2006
STB	Singapore Tourism Board
TMK	Tokutei Mokuteki Kaisha
UK Acquisition	Acquisition of 100% of the shares and voting interests in The Lowry Hotel Ltd
UK Hotels	Portfolio hotels located in the United Kingdom namely Hilton Cambridge City Centre and The Lowry Hotel (Manchester)
UK Property	The Lowry Hotel
WIR	Injury Rate
YOY or yoy	Year-on-Year

NOTICE OF ANNUAL GENERAL MEETING

CDL HOSPITALITY TRUSTS

A stapled group comprising:
CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST
(a real estate investment trust constituted on 8 June 2006
under the laws of the Republic of Singapore)

CDL HOSPITALITY BUSINESS TRUST
(a business trust constituted on 12 June 2006
under the laws of the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the Annual General Meetings ("**Annual General Meetings**") of the security holders of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and CDL Hospitality Business Trust ("**HBT**") will be held at Waterfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663 on Friday, 27 April 2018 at 9.30 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 2017 and the Auditors' Report thereon. **(Ordinary Resolution 1)**

2. To re-appoint Messrs KPMG LLP as the Independent Auditors of H-REIT and HBT and to hold office until the conclusion of the next Annual General Meetings of H-REIT and HBT, and to authorise the H-REIT Manager and the HBT Trustee-Manager to fix their remuneration. **(Ordinary Resolution 2)**

(B) AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without any modifications, the following resolutions:

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 MEETING

(b) issue Stapled Securities in pursuance of any Instrument made or granted by the H-REIT Manager and the HBT Trustee-Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

(1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a pro rata basis to 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

NOTICE OF ANNUAL GENERAL MEETING

(6) the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the H-REIT Manager, the H-REIT Trustee or, as the case may be, the HBT Trustee-Manager may consider expedient or necessary or in the interest of H-REIT and HBT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note below)

AS OTHER BUSINESS

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
29 March 2018

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 instrument appointing a proxy or proxies, the proportion of the Stapled Security holding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.

   (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 instrument appointing a proxy or proxies appoints more than two proxies, the number and class of Stapled Securities in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Stapled Security Holder.

3. The Instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the office of the Unit Registrar, 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the Annual General Meetings.

4. Completion and return of the instrument appointing a proxy or proxies 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 instrument appointing a proxy or proxies, to the Annual General Meetings.

NOTICE OF ANNUAL GENERAL MEETING

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.

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 its agents) for the purpose of the processing and administration by the H-REIT Manager and the HBT Trustee-Manager (or its agents) of proxies and representatives appointed for the Annual General Meetings (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meetings (including any adjournment thereof), and in order for the H-REIT Manager and the HBT Trustee-Manager (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), and (ii) warrants that where the Stapled Security Holder discloses the personal data of the Stapled Security Holder's proxy(ies) and/or representative(s) to the H-REIT Manager and the HBT Trustee-Manager (or its 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 its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

This page has been intentionally left blank

This page has been intentionally left blank

This page has been intentionally left blank

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 29 March 2018.

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	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meetings to be held at Waterfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663 on Friday, 27 April 2018 at 9.30 a.m. and at any adjournment thereof in the following manner as specified below. My/our proxy/proxies may vote or abstain from voting at his/their discretion on any of the resolutions where I/we have not specified any voting instruction, and on any other matter arising at the Annual General Meetings.

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

No.	Resolution	No. of votes For	No. of votes Against
ORDINARY BUSINESS			
1	Adoption of the HBT Trustee-Manager's Report, the Statement by the Chief Executive Officer of the HBT Trustee-Manager, the H-REIT Trustee's Report, the H-REIT Manager's Report and the Audited Financial Statements of HBT, H-REIT and CDL Hospitality Trusts for the year ended 31 December 2017 and the Auditors' Report thereon.		
2	Re-appointment of Independent Auditors and authorisation of the H-REIT Manager and the HBT Trustee-Manager to fix the Independent Auditors' remuneration.		
SPECIAL BUSINESS			
3	Authority to issue Stapled Securities and to make or grant convertible instruments.		

Dated this ______ day of ______________ 2018

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

1st fold here

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 instrument appointing a proxy or proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.

   (b) A 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 instrument appointing a proxy or proxies appoints more than two proxies, the number and class of Stapled Securities in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a 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 Instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the office of the Unit Registrar, 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the Annual General Meetings.
5. The Proxy Form must be signed by the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where a Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the H-REIT Manager and the HBT Trustee-Manager) be lodged with the Proxy Form; failing which the Proxy Form may be treated as invalid.
7. The H-REIT Manager and the HBT Trustee-Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Stapled Securities entered into the Depository Register, the H-REIT Manager and the HBT Trustee-Manager may reject a Proxy Form if the 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.

2nd fold here

Affix
Stamp Here

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

3rd fold here

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 [(1)]:
36 Robinson Road
#04-01 City House
Singapore 068877
Telephone: (65) 6877 8228
Facsimile: (65) 6225 4959

Office Address:
390 Havelock Road
#02-05 King's Centre
Singapore 169662
Telephone: (65) 6664 8888
Facsimile: (65) 6732 2868
Email: enquiries@cdlht.com
Website: www.cdlht.com

TRUSTEE-MANAGER OF HBT

M&C Business Trust Management Limited
(Co. Reg. No. 200607118H)

Registered Address [(1)]:
36 Robinson Road
#04-01 City House
Singapore 068877
Telephone: (65) 6877 8228
Facsimile: (65) 6225 4959

Office Address:
390 Havelock Road
#02-05 King's Centre
Singapore 169662
Telephone: (65) 6664 8888
Facsimile: (65) 6732 2868
Email: enquiries@cdlht.com
Website: www.cdlht.com

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

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

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

(1) Effective from 1 April 2018, the registered office of M&C REIT Management Limited and M&C Business Trust Management Limited will be at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619

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