



CDL HOSPITALITY TRUSTS

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Annual Report 2012



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CDL HOSPITALITY TRUSTS

CDLHT is one of Asia's leading hospitality trusts with a current asset size of \$2.1 billion. It owns 13 hotels in Singapore, Australia, New Zealand, the Maldives as well as a shopping centre in Singapore. The substantial value of its assets are sited in central locations within Singapore. Aside from the Maldivian asset, all other hotels are well located within key gateway cities.

The properties comprise a total of 4,420 rooms and are operated by master lessees (subsidiaries of Millennium & Copthorne Hotels plc, Accor S.A., Rendezvous Hotels International Private Limited and Banyan Tree Holdings Limited).

CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("**H-REIT**"), a real estate investment trust, and CDL Hospitality Business Trust ("**HBT**"), a business trust. CDLHT was listed on the Main Board of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 19 July 2006 and has a market capitalisation of approximately S\$1.8 billion as at 31 December 2012.



CDL HOSPITALITY TRUSTS

OVERVIEW OF CDL HOSPITALITY TRUSTS



Noodles Restaurant, Orchard Hotel



Signature Club Room, Orchard Hotel



Haach Spa, M Hotel



The Restaurant, Novotel Brisbane

ABOUT H-REIT

H-REIT is the first hotel real estate investment trust in Singapore established with the principal investment strategy of investing in a portfolio of hospitality and/or hospitality-related real estate assets.

H-REIT has a portfolio size of S\$2.0 billion as at 31 December 2012 with a total of 4,307 hotel rooms in the Asia Pacific, comprising six hotel properties and a retail property in Singapore, five hotel properties in Australia and one hotel property in New Zealand. The properties in Singapore comprise Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Novotel Singapore Clarke Quay (collectively, the “**Singapore Hotels**” with an aggregate of 2,716 rooms) as well as Orchard Hotel Shopping Arcade, a retail arcade adjoining Orchard Hotel. The hotel properties in Australia comprise Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth (collectively, the “**Australia Hotels**” with an aggregate of 1,139 rooms). The hotel property in New Zealand, Rendezvous Grand Hotel Auckland, adds 452 rooms to H-REIT's portfolio.

On 31 January 2013, H-REIT successfully completed the acquisition of the 113-villa Angsana Velavaru in the Maldives for a purchase consideration of US\$71.0 million ⁽¹⁾ (approximately S\$86.8 million) ⁽²⁾. This marks its first resort acquisition and maiden foray into the Maldives. With this addition, H-REIT's portfolio size has grown to S\$2.1 billion, with 4,420 hotel/resort rooms in the Asia Pacific region.

H-REIT's portfolio of quality hotel/resort and hotel-related assets in Singapore, Australia, New Zealand and Maldives are largely marketed as “superior” and/or 5-star hotels/resorts. The substantial value of its assets are sited in central locations within Singapore. Aside from the Maldivian asset, all other hotels are well located within key gateway cities.

All the properties, with the exception of Orchard Hotel Shopping Arcade, have been leased to master lessees on long-term leases. Orchard Hotel Shopping Arcade is leased directly to tenants by H-REIT.

H-REIT'S STRATEGY

The principal investment strategy of M&C REIT Management Limited, as manager of H-REIT (the “**H-REIT Manager**”), is to invest in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality related purposes. The investment strategy envisages investments globally, with emphasis in the Asia Pacific region. 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 or yield-accretive, and feasible in the light of regulatory, commercial, political and other relevant considerations.

The H-REIT Manager's objectives 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

The H-REIT Manager will continue to pursue opportunities for asset acquisitions that would be value-enhancing or yield-accretive. In evaluating new acquisition opportunities, the H-REIT Manager may 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 £1.8 billion as at 1 March 2013. H-REIT intends to leverage on M&C's experience, market reach and network of contacts in the global hotel and hospitality sector

(1) The total acquisition cost (including transaction expenses) is approximately US\$72.4 million.

(2) Based on an exchange rate of US\$1 = S\$1.2224 as at 27 December 2012.



Club Lounge, Novotel Singapore Clarke Quay

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 and investment funds that have a finite period to dispose acquired assets.
- Opportunities arising from divestment of assets by owners under financial stress in an environment where capital for hospitality investments remain relatively scarce.
- 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 Appendix 6 of the Code on Collective Investment Schemes, as applicable to property funds (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/hotel management companies, 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 optimise space utilisation through implementation of various asset enhancement initiatives.

ABOUT HBT

HBT is currently dormant.

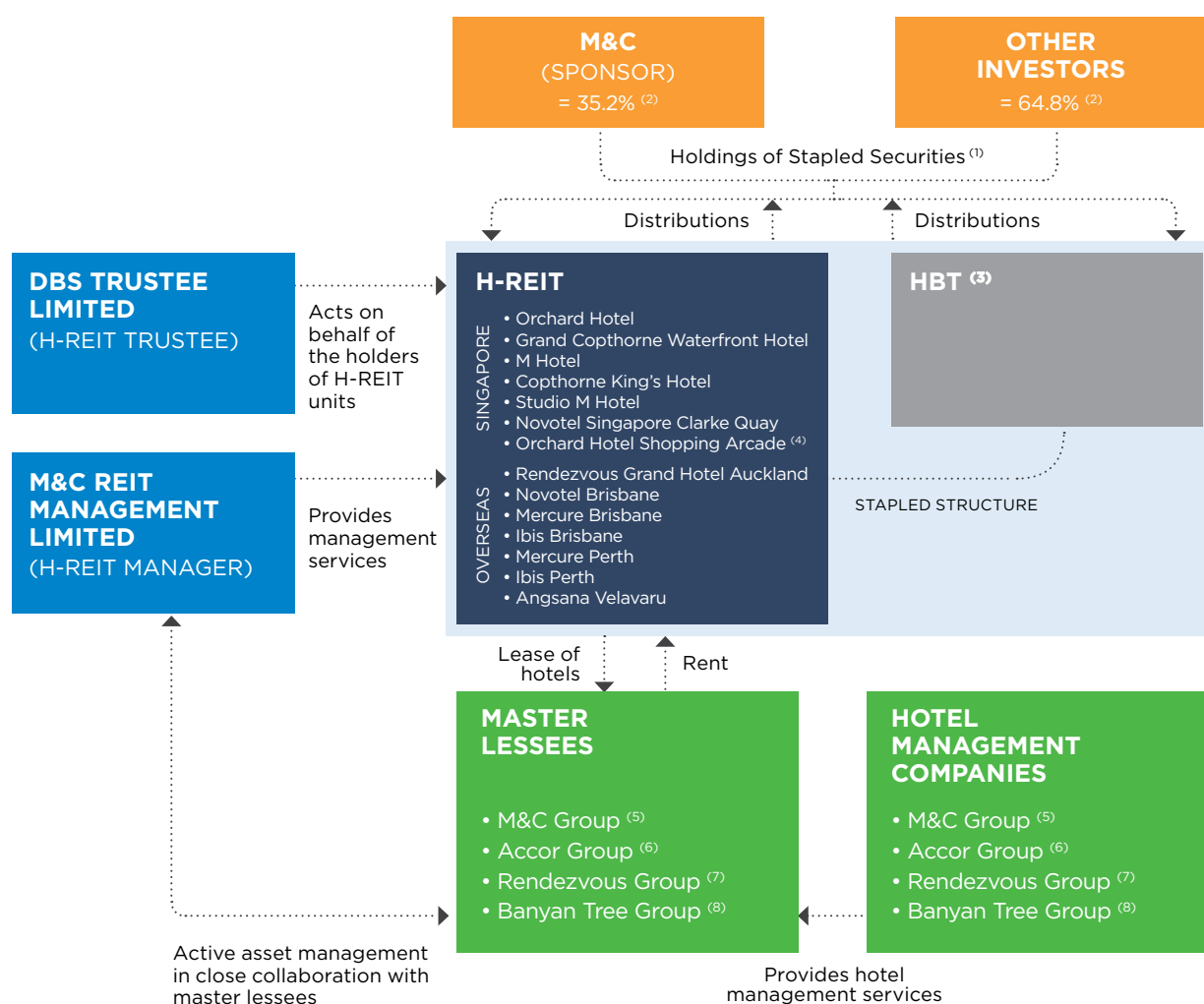
HBT’S STRATEGY

HBT will become active 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.
- It undertakes certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT.

STAPLED STRUCTURE

CDLHT is a stapled group comprising H-REIT, a real estate investment trust, and HBT, a business trust. H-REIT currently owns seven properties in Singapore, five properties in Australia, one property in New Zealand, and one property in Maldives. HBT is currently dormant.



- (1) 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.
- (2) Holdings of Stapled Securities as at 1 March 2013.
- (3) HBT is currently dormant. M&C Business Trust Management Limited is HBT's trustee-manager ("**HBT Trustee-Manager**"), and it will provide management services to HBT and act on behalf of the holders of the HBT units. Distributions (if any) to be made by HBT, when activated, will be determined at the sole discretion of the HBT Trustee-Manager's Board. For more details, please refer to page 5 of this annual report (the "**Annual Report**").
- (4) For simplicity, the diagram does not include the relationships in relation to Orchard Hotel Shopping Arcade. The H-REIT Manager manages Orchard Hotel Shopping Arcade directly, hence the various tenants of the retail units at Orchard Hotel Shopping Arcade make rental payments directly to H-REIT under the terms of their respective leases.
- (5) The master lessees and hotel management companies for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel (collectively, the "**IPO Hotels**") and Studio M Hotel are subsidiaries of M&C (the "**M&C Group**"). For more details, refer to pages 30-39 of the Annual Report.
- (6) The master lessees and hotel management companies for Novotel Singapore Clarke Quay, Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth are subsidiaries of Accor S.A. ("**Accor Group**"). For more details, refer to pages 40-41 and 46-49 of the Annual Report.
- (7) The master lessee and hotel management company for Rendezvous Grand Hotel Auckland is a subsidiary of Rendezvous Hotels International Private Limited ("**Rendezvous Group**"). For more details, refer to pages 44-45 of the Annual Report.
- (8) The master lessee and hotel management company for Angsana Velavaru is a subsidiary of Banyan Tree Holdings Limited ("**Banyan Tree Group**"). For more details, refer to pages 50-51 of the Annual Report.

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 operates a portfolio of over 100 hotels with more than 30,000 rooms worldwide.



THE UNITED STATES OF AMERICA

Anchorage
Boston
Boulder
Buffalo
Chicago
Cincinnati
Durham
Los Angeles
Minneapolis
Nashville
New York
Scottsdale
St. Louis

EUROPE

France
Paris
Germany
Hannover
United Kingdom
Aberdeen
Birmingham
Cardiff
Dudley
Gatwick
Glasgow
London
Manchester
Newcastle
Plymouth
Reading
Sheffield
Slough-Windsor

GULF REGION

United Arab Emirates (UAE)
Abu Dhabi
Dubai
Sharjah (2013)
Qatar
Doha
Kuwait
Al Jahra
Iraq
Sulaimania
Oman
Muscat
Jordan
Amman
Kingdom of Saudi Arabia
Madinah (2013)

ASIA

Indonesia
Jakarta
Singapore
Malaysia
Kuala Lumpur
Penang
Thailand
Bangkok
Phuket
China
Beijing
Chengdu
Fuqing (2013)
Hangzhou (2013)
Qingdao
Shanghai
Wuxi
Xiamen
South Korea
Seoul
Taiwan
Taichung
Philippines
Manila

NEW ZEALAND

Auckland
Bay of Islands
Christchurch
Dunedin
Greymouth
Hamilton
Hokianga
New Plymouth
Oamaru
Paihia
Palmerston North
Queenstown
Rotorua
Taupo
Te Anau
Wairarapa
Wanganui
Wellington
Whangarei

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors of the H-REIT Manager and the HBT Trustee-Manager, I am pleased to present a robust set of financial results for the financial year ended 2012 (“**FY 2012**”).

CONTINUED REVENUE GROWTH

Gross revenue recorded a 6% increase from the corresponding period in 2011 (“**FY 2011**”) to S\$149.5 million. This marks a continued trend of revenue growth in FY 2012 despite a weak global economic environment. Total net property income likewise increased year-on-year by 3% (or S\$4.1 million) to S\$139.3 million ⁽¹⁾.

The increase can be attributed to improved hospitality performance of the Singapore Hotels which registered a record high RevPAR of S\$211 in FY 2012 ⁽²⁾, the recognition of a full twelve months contribution from Studio M Hotel (acquired on 3 May 2011) as compared to only 243 days in FY 2011, and the receipt of a full year's variable income of S\$1.8 million (or A\$1.3 million) from the Australia Hotels, as compared to an 8-month variable income of S\$0.84 million (or A\$0.65 million) recognised in 2011. CDLHT's hotels in Brisbane and Perth also continued to show growth in 2012, underpinned by Australia's natural resource sector.

ACQUISITION OF THE ANGSANA VELAVARU RESORT IN THE MALDIVES

The successful acquisition of the Angsana Velavaru in January 2013 marks further growth and enhancement of CDLHT's revenue base. The transaction is a unique opportunity for CDLHT to acquire a 100% interest in

a branded resort in the buoyant hospitality market of the Maldives, which is one of the highest RevPAR markets globally.

The Maldives' tropical climate, white beaches, rich marine environment and “one-island-one-resort” concept, have firmly established the island paradise as a top-tier destination for luxury tourism. This acquisition allows CDLHT to capitalise on the trend of rising affluence of Asian travellers and the growing demand for premium resort experience.

The Angsana Velavaru is a 40-minute scenic seaplane ride away from Male International Airport. The resort features 79 beach villas and an exclusive cluster of 34 water villas, providing guests the opportunity to enjoy two distinct experiences at one resort.

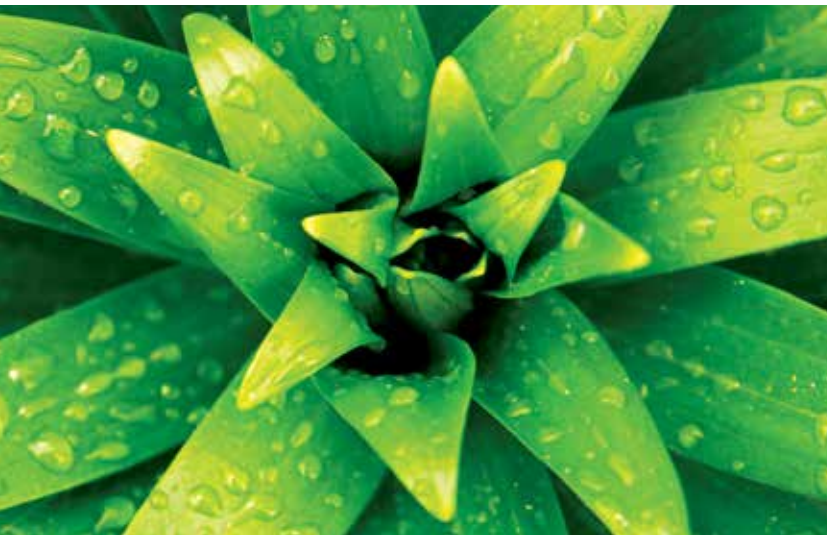
The acquisition was completed on 31 January 2013 and a lease-back of the property commenced on 1 February 2013. This is expected to augment CDLHT's long-term income stream. With this acquisition, CDLHT's portfolio has grown to 13 hotels with 4,420 rooms.

RECORD HIGH INCOME AVAILABLE FOR DISTRIBUTION

The income available for distribution (before deducting income retained for working capital) of S\$121.7 million in FY 2012 exceeded the corresponding year by S\$3.5 million, or 3.0%. The FY 2012 income available for distribution represents a record high. In tandem with the improved operating results, the income available for distribution per Stapled Security for FY 2012 (after deducting the income retained for working capital) grew 2.4% from 11.05 cents reported in the previous corresponding year to 11.32 cents, a record high.

(1) Included in FY 2011 net property income is a one-off property tax refund of S\$3.3 million, which did not recur in FY 2012. The year-on-year improvement in net property income would be higher at 5.7% (or S\$7.5 million) if the one-off property tax refund of S\$3.3 million is excluded from FY 2011.

(2) This figure excludes Studio M Hotel which was only acquired on 3 May 2011. RevPAR for the Singapore Hotels (including Studio M Hotel) increased by 3.1% to S\$205 in FY 2012.



“The Board believes that the strength of CDLHT’s balance sheet, financial discipline and diversified portfolio places it in a good position to weather economic uncertainties.”

2013: TOURISM OUTLOOK FOR SINGAPORE

An additional supply of approximately 4,000 rooms, or 8% of the existing room inventory is expected in 2013. Coupled with concerns relating to the global economic environment, the hospitality sector is expected to be more competitive in 2013.

Despite the above, the addition of new attractions and improved tourism infrastructure in 2012, namely The Marine Life Park in Resorts World Sentosa, Phase 1 (Bay South) of the 101-hectare Gardens by the Bay and the International Cruise Terminal, has enhanced the Singapore tourism landscape further. Notable upcoming attractions that will continue to broaden and enrich the experience of visitors to Singapore is the River Safari, featuring the Giant Pandas, slated to be opened in the first half of 2013. CDLHT will be a beneficiary of Singapore’s increasing attractiveness as a destination of choice.

GOING FORWARD

The Board believes that the strength of CDLHT’s balance sheet, financial discipline and diversified portfolio places it in a good position to weather economic uncertainties. At the same time, the Board will seek to maximise the operating performance of CDLHT’s existing assets and explore asset enhancement opportunities to optimise the value of its properties. With a healthy gearing of approximately 27.9% ⁽³⁾ and ample debt headroom, CDLHT will also continue to source for acquisition opportunities in the next 12 months.

I would like to thank the management, partners, staff, holders of the Stapled Securities (“**Security Holders**”) and the H-REIT Trustee for their steadfast support and efforts in 2012. I look forward to meeting you at our annual general meeting to be held on 26 April 2013.

Wong Hong Ren
Chairman

(3) Assuming the total acquisition cost (including transaction expenses) of US\$72.4 million is 100% US dollar debt-funded and converted at an exchange rate of US\$1 = S\$1.2224 as at 27 December 2012.

FINANCIAL HIGHLIGHTS

STATEMENT OF TOTAL RETURN

	FY 2012 S\$'000	FY 2011 S\$'000	Variance
Gross revenue	149,535	141,107	+6.0%
Net property income	139,293	135,191	+3.0%
Net income before revaluation	109,548	107,576	+1.8%
Income available for distribution	121,658 ⁽¹⁾	118,132	+3.0%
Income to be distributed	109,492 ⁽²⁾	106,319	+3.0%

BALANCE SHEET

Prudent capital management has resulted in a healthy balance sheet for CDLHT. As at 31 December 2012, H-REIT did not have any exposure to financial derivatives.

	As at 31 Dec 2012 S\$'000	As at 31 Dec 2011 S\$'000	Variance
Capital Employed			
Total assets	2,133,958	2,118,452	+0.7%
Investment properties	2,044,925 ⁽³⁾	2,029,847	+0.7%
Net assets	1,564,293	1,547,661	+1.1%
Financial Liabilities			
Borrowings	531,778	536,158	-0.8%
Provision for taxation	2	816	N.M.

N.M. denotes not meaningful

- (1) The income available for distribution of CDLHT represents the aggregate of income available for distribution by H-REIT and HBT. The income available for distribution of CDLHT for FY 2012 was contributed solely by H-REIT as HBT was dormant during the year.
- (2) The total income available for distribution for FY 2012 was S\$121,658,000, out of which S\$109,492,000 or 90.0% was distributed to Security Holders. The remaining undistributed income of S\$12,166,000, comprising solely of tax exempt income was retained for working capital needs.
- (3) The investment properties were valued as at 31 December 2012 by Jones Lang LaSalle Property Consultants Pte Ltd, Jones Lang LaSalle Hotels (NSW) Pty Limited and Bayleys Valuations Limited, independent registered valuers. The valuations gave rise to a net revaluation surplus of S\$14,982,000 which has been recognised in the Statement of Total Return. This revaluation surplus has no impact on the taxable income or income available for distribution to Security Holders. Included in investment properties as at 31 December 2012 is a net translation loss of S\$9,731,000 on its overseas properties.

KEY FINANCIAL RATIOS

CDLHT has maintained a healthy gearing ratio of 24.9%. Strong operating cash flow has resulted in a high service coverage ratio of 9.6 times.

	As at 31 Dec 2012	As at 31 Dec 2011	Variance
Net asset value per unit	S\$1.61	S\$1.60	+0.6%
Borrowings / total assets	24.9%	25.3%	-0.4pp

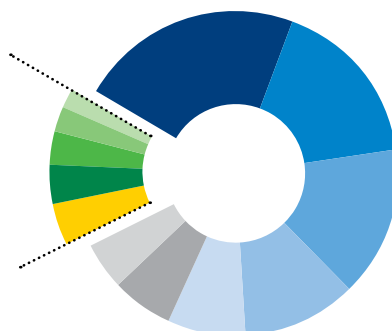
	FY 2012	FY 2011	Variance
Debt service coverage ratio ⁽⁴⁾	9.6 x	9.7 x	-1.0%

BREAKDOWN OF CDLHT'S PROPERTIES BY VALUATION

As at 31 December 2012

OVERSEAS PORTFOLIO 17.1%

Australia	12.8%
Novotel Brisbane	4.6%
Mercure & Ibis Brisbane	3.8%
Mercure Perth	2.7%
Ibis Perth	1.7%
New Zealand	4.3%
Rendezvous Grand Hotel Auckland	4.3%



SINGAPORE PORTFOLIO 82.9%

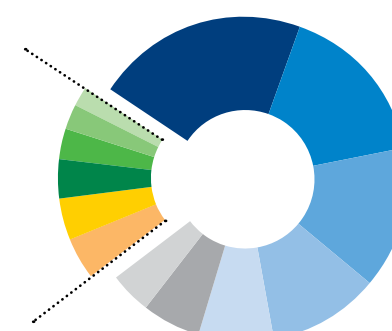
Singapore	82.9%
Orchard Hotel	22.2%
Grand Copthorne Waterfront Hotel	17.1%
Novotel Singapore Clarke Quay	14.9%
M Hotel	11.3%
Studio M Hotel	8.0%
Copthorne King's Hotel	6.1%
Orchard Hotel Shopping Arcade	3.3%

BREAKDOWN OF CDLHT'S PROPERTIES BY VALUATION ⁽⁵⁾

Post Angsana Velavaru Acquisition

OVERSEAS PORTFOLIO 20.5%

Australia	12.2%
Novotel Brisbane	4.2%
Mercure & Ibis Brisbane	3.7%
Mercure Perth	2.6%
Ibis Perth	1.7%
New Zealand	4.1%
Rendezvous Grand Hotel Auckland	4.1%
Maldives	4.2%
Angsana Velavaru	4.2%



SINGAPORE PORTFOLIO 79.5%

Singapore	79.5%
Orchard Hotel	21.4%
Grand Copthorne Waterfront Hotel	16.4%
Novotel Singapore Clarke Quay	14.2%
M Hotel	10.9%
Studio M Hotel	7.6%
Copthorne King's Hotel	5.8%
Orchard Hotel Shopping Arcade	3.2%

(4) Defined as net property income divided by interest paid / payable to banks.

(5) With the exception of Angsana Velavaru, whose valuation was as at 16 November 2012, the valuations of all CDLHT's properties were as at 31 December 2012.

PORTFOLIO SUMMARY OF H-REIT



KEY PROPERTY DETAILS

Summary details of H-REIT'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⁾	Vendor
Singapore							
Orchard Hotel	656	75-year leasehold interest commencing 19 July 2006	69 years	19 Jul 2006	S\$330.1	S\$454.0	City Hotels Pte. Ltd.
Grand Copthorne Waterfront Hotel	574			19 Jul 2006	S\$234.1	S\$350.0	City Developments Limited
M Hotel	413			19 Jul 2006	S\$161.5	S\$232.0	Harbour View Hotel Pte. Ltd.
Copthorne King's Hotel	310			19 Jul 2006	S\$86.1	S\$124.4	Republic Hotels & Resorts Limited
Studio M Hotel	360	99-year leasehold interest commencing 26 February 2007	93 years	3 May 2011	S\$154.0	S\$163.0	Republic Iconic Hotel Pte. Ltd.
Novotel Singapore Clarke Quay	403	97 years and 30 days leasehold interest commencing 2 April 1980	64 years	7 Jun 2007	S\$201.0	S\$304.0	Lehman Brothers Real Estate Partners II L.P. and affiliated partnerships
Orchard Hotel Shopping Arcade	N.A.	75-year leasehold interest commencing 19 July 2006	69 years	19 Jul 2006	S\$34.5	S\$68.0	City Hotels Pte. Ltd.
New Zealand							
Rendezvous Grand Hotel Auckland	452	Freehold	-	19 Dec 2006	NZ\$113.0	NZ\$88.0	Abacus Funds Management Limited as trustee of Abacus NZ Holdings Trust
Australia							
Novotel Brisbane	296	Strata Volumetric Freehold	-	18 Feb 2010	A\$63.5	A\$72.0	Tourism Asset Holdings Limited
Mercure Brisbane	194	Freehold	-	18 Feb 2010	A\$53.7	A\$62.0	
Ibis Brisbane	218	Freehold	-	18 Feb 2010			
Mercure Perth	239	Strata Freehold	-	18 Feb 2010	A\$36.2	A\$44.0	
Ibis Perth	192	Freehold	-	18 Feb 2010	A\$21.6	A\$28.0	
Maldives							
Angsana Velavaru	113	50-year leasehold interest commencing 26 August 1997	35 years	31 Jan 2013	US\$71.0	US\$72.5	Maldives Bay Pvt Ltd

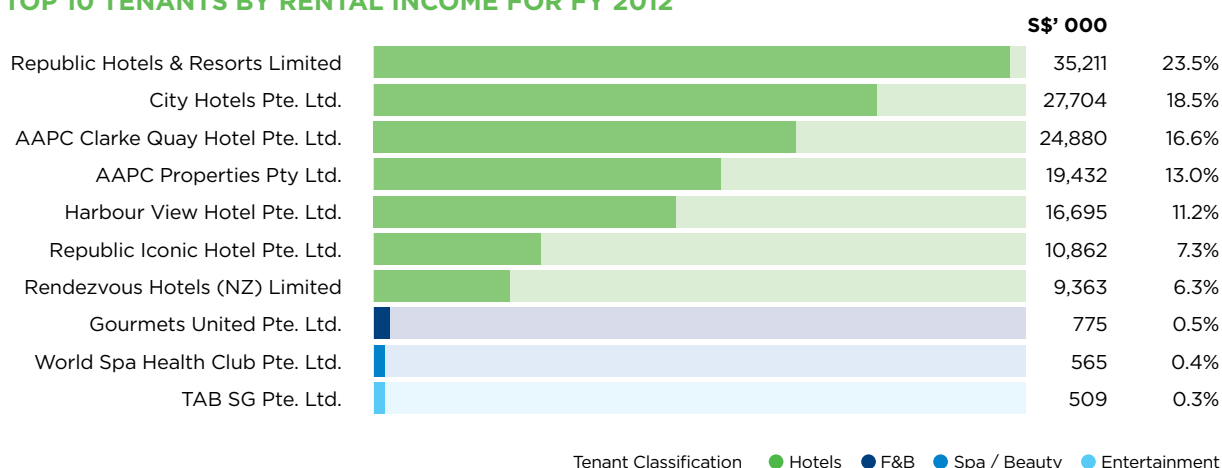
(1) All the properties were valued as at 31 December 2012, with the exception of Angsana Velavaru, which was valued as at 16 November 2012.

RENTAL INCOME BY PROPERTY

	FY 2012 S\$'000	FY 2011 S\$'000	Variance
Singapore	120,740	113,414	6.5%
Orchard Hotel	27,704	27,249	1.7%
Grand Copthorne Waterfront Hotel	24,986	24,180	3.3%
M Hotel	16,695	16,410	1.7%
Copthorne King's Hotel	10,225	10,241	-0.2%
Studio M Hotel	10,862	7,271 ⁽¹⁾	N.M.
Novotel Singapore Clarke Quay	24,880	22,818	9.0%
Orchard Hotel Shopping Arcade	5,388	5,245	2.7%
New Zealand	9,363	8,992	4.1%
Rendezvous Grand Hotel Auckland	9,363	8,992	4.1%
Australia ⁽²⁾	19,432	18,701 ⁽³⁾	3.9%
Novotel Brisbane ⁽²⁾	7,022	6,757 ⁽³⁾	3.9%
Mercure Brisbane ⁽²⁾	3,460	3,330 ⁽³⁾	3.9%
Ibis Brisbane ⁽²⁾	2,307	2,221 ⁽³⁾	3.9%
Mercure Perth ⁽²⁾	4,011	3,860 ⁽³⁾	3.9%
Ibis Perth ⁽²⁾	2,632	2,533 ⁽³⁾	3.9%

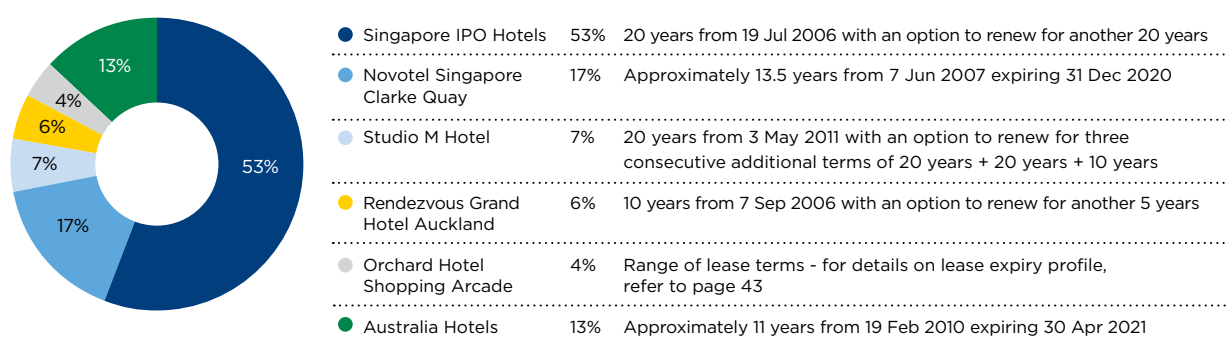
N.M. denotes not meaningful

TOP 10 TENANTS BY RENTAL INCOME FOR FY 2012



OPERATING/TENANCY LEASE EXPIRY PROFILE AND TENANT MIX BY RENTAL INCOME FOR FY 2012

96% of CDLHT's rental income for FY 2012 comes from the hotel properties and the remaining 4% is from Orchard Hotel Shopping Arcade, the only retail property owned by CDLHT.



(1) Studio M Hotel's rental income for FY 2011 was for the period from 3 May 2011 (date of acquisition) to 31 December 2011.

(2) Includes variable rent of S\$1.8 million (A\$1.3 million) for FY 2012 (FY 2011: S\$0.84 million (A\$0.65 million)), which was recognised upon receipt.

(3) There has been a change in the allocation of total variable rent amongst the Australia Hotels. As a result, the balances amongst the individual Australia Hotels in the previous corresponding period have been reclassified for consistency.

YEAR IN REVIEW

\$S\$149.5M

Record High Gross Revenue in FY 2012

\$S\$121.7M

Record High Income Available for
Distribution in FY 2012

11.32 cents

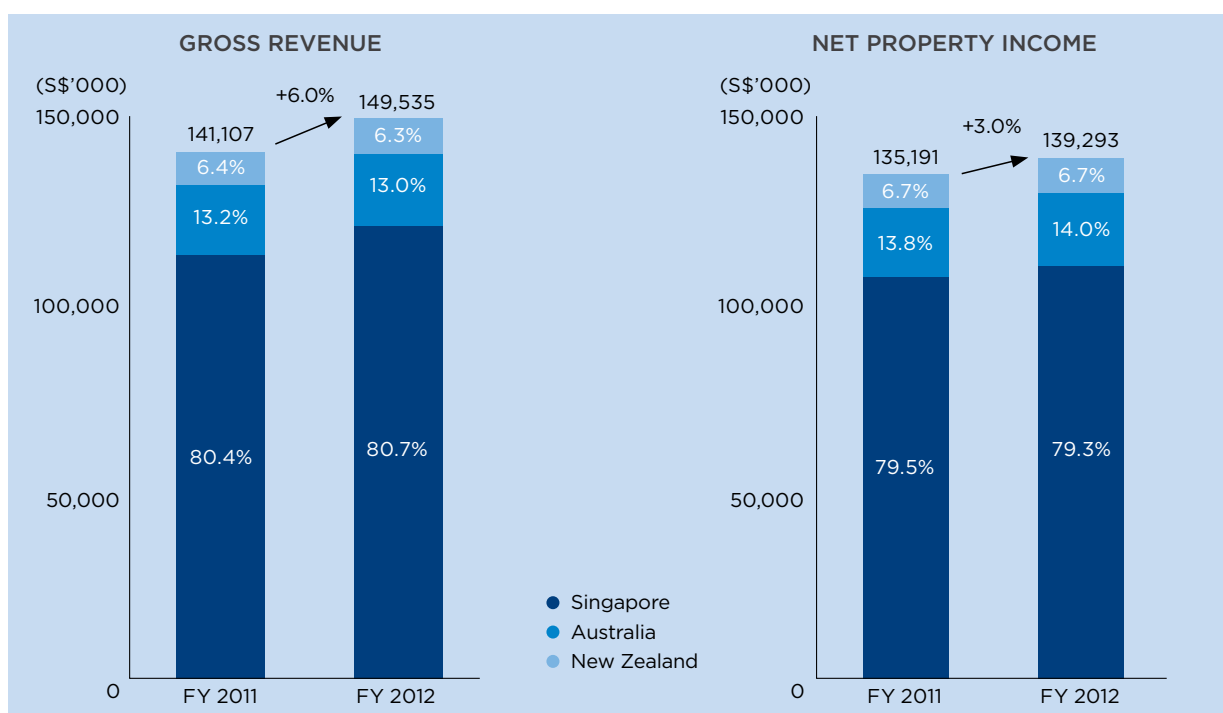
Record High Income to be Distributed
per Stapled Security in FY 2012

REVIEW OF FINANCIAL PERFORMANCE

CDLHT achieved record gross revenue of S\$149.5 million for the year ended 31 December 2012, exceeding the previous year by 6.0%. The strong operating performance was due to both organic growth across the Singapore and overseas portfolio, full year contribution from Studio M Hotel ⁽¹⁾ and receipt of a full year's variable income of S\$1.8 million (or A\$1.3 million) from the Australia Hotels, as compared to an 8-month variable income of S\$0.84 million (or A\$0.65 million) recognised in 2011. CDLHT's hotels in Brisbane and Perth continued to show growth in 2012, underpinned by Australia's natural resource sector.

The net property income grew to S\$139.3 million in FY 2012, an increase of 3.0% (or S\$4.1 million) over FY 2011. There was an inclusion of a one-off property tax refund of S\$3.3 million in FY 2011 net property income, which did not recur this year. The year-on-year improvement in net property income would be higher at 5.7% (or S\$7.5 million) if the one-off property tax refund of S\$3.3 million is excluded from FY 2011.

The income available for distribution (before deducting income retained for working capital) of S\$121.7 million in FY 2012 grew by 3.0% over the same period last year. The income distributed per Stapled Security for FY 2012 was 11.32 Singapore cents, marking a 2.4% growth year-on-year. Both the income available for distribution and income distributed per Stapled Security for FY 2012 are at record highs.



(1) As the acquisition of Studio M Hotel was only completed on 3 May 2011, the recognition of the rental contribution was only 243 days in FY 2011 as compared to the recognition of full 12 months contribution in FY 2012.

ASSETS UNDER MANAGEMENT LOCATION OF CDLHT'S PROPERTIES



- ① Orchard Hotel and Orchard Hotel Shopping Arcade
- ② Grand Copthorne Waterfront Hotel
- ③ M Hotel
- ④ Copthorne King's Hotel
- ⑤ Studio M Hotel
- ⑥ Novotel Singapore Clarke Quay
- ⑦ Mercure Perth

- ⑧ Ibis Perth
- ⑨ Novotel Brisbane
- ⑩ Mercure Brisbane
- ⑪ Ibis Brisbane
- ⑫ Rendezvous Grand Hotel Auckland
- ⑬ Angsana Velavaru
(completed 31 January 2013)

SINGAPORE HOTELS PERFORMANCE FOR FY 2012

For the full year of 2012, visitor arrivals to Singapore recorded 9.1% year-on-year growth. In tandem with the moderation in visitor arrivals growth in the second half, CDLHT's Singapore Hotels has experienced a slower second half. Despite this, the Singapore Hotels continued to register healthy occupancy levels. With active revenue and yield management collaboration by the H-REIT Manager with the master lessees, the Singapore Hotels (excluding Studio M Hotel) achieved an average daily rate of S\$237 in FY 2012, which exceeded the previous year's average daily rate by 2.2%. As a result, revenue per available room ("RevPAR") for the Singapore Hotels (excluding Studio M Hotel) rose to a full year record high of S\$211, a 3.3% increase over the previous year's RevPAR.

CDLHT's Singapore Hotels Performance (excluding Studio M Hotel)	FY 2012	FY 2011	Variance
Average Occupancy Rate	89.0%	87.9%	+1.1pp
Average Daily Rate	S\$237	S\$232	+2.2%
RevPAR	S\$211	S\$204	+3.3%



InOcean Pool Villas, Angsana Velavaru, The Maldives

GROWTH FROM ACQUISITIONS

DELIVERING GROWTH

On 4 January 2013, CDLHT announced the acquisition of Angsana Velavaru resort in the Maldives (the “**Angsana Velavaru**”) for a purchase consideration of US\$71.0 million ⁽¹⁾ (approximately S\$86.8 million) ⁽²⁾ from the Banyan Tree Group. The acquisition was successfully completed on 31 January 2013, marking CDLHT’s entry into the attractive Maldives market.

The Angsana Velavaru, valued at US\$72.5 million, is located in the South Nilandhe Atoll and is easily accessible by seaplane from the Male International Airport. The 113-villa property, which consists of 79 beachfront villas and 34 water villas, provides guests with the opportunity to enjoy two distinct experiences at one resort.

The transaction is a unique opportunity for CDLHT to participate in the buoyant hospitality sector of the exclusive Maldives market, which RevPAR is one of the highest in the world ⁽³⁾. In line with management’s strategy, this acquisition allows CDLHT to capitalise on the trend of rising affluence of Asian travellers and the growing demand for premium resort experience.

RevPAR (US\$) of Top 3 Markets Globally

Market	2012	2011
Maldives	393	383
Paris	260	261
New York	211	199

Source : STR Global

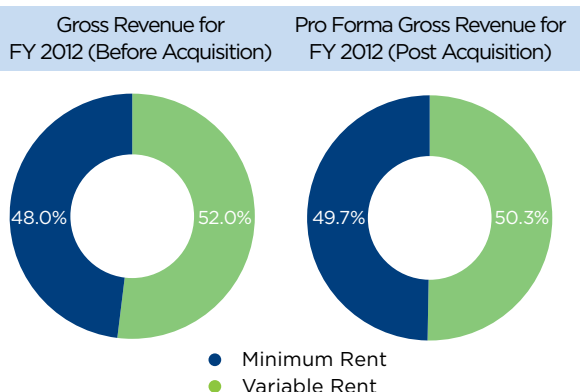
As part of the transaction, CDLHT also entered into a lease arrangement with the vendor, Banyan Tree Group, where the latter will continue to operate the property under the Angsana brand for a 10-year period.

The pro forma net property income yield of the property for the year 2012 is 9.7% ⁽⁴⁾, which compares favourably to CDLHT’s implied property yield of 6.1% ⁽⁵⁾ based on closing price of S\$1.880 as at 31 December 2012.

LEASE TERMS PROVIDE RENTAL PROTECTION WITH A SUBSTANTIAL SHARE OF THE UPSIDE

The 10-year lease arrangement with the Banyan Tree Group provides CDLHT with a defensive long term stream of income. It is structured with a rental protection mechanism which provides CDLHT with a minimum rent of US\$6.0 million (subject to a reserve of US\$6.0 million) ⁽⁶⁾. The minimum rent will provide a minimum net property income yield of approximately 7.0% ⁽⁷⁾, based on the purchase consideration of US\$71.0 million.

After the acquisition, the proportion of CDLHT’s minimum rental revenue ⁽⁸⁾ will increase from 48.0% to 49.7%, adding to the robustness of CDLHT’s revenue base.



In addition, the lease arrangement has a tiered hotel management fee which provides further downside protection to CDLHT, and incentivises the lessee to drive growth in gross operating profit while allowing CDLHT to enjoy a substantial share of the upside.

The resort is expected to benefit from the trend of more affluent Asians travelling abroad underpinned by the growth in Chinese outbound travel, as well as the eventual recovery of the traditionally strong European markets. Moreover, subject to further study, there are potential upside opportunities from asset enhancements and also to develop additional villas for the Angsana Velavaru as the recent regulatory change allows for the percentage of built up area for tourist facilities to be increased from 20% to 30% of total land area.

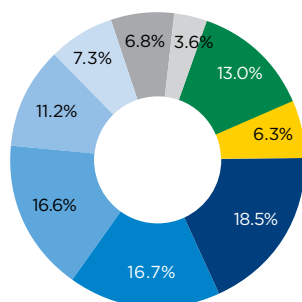
BROADENING EARNINGS BASE AND STRENGTHENING THE PORTFOLIO

The Angsana Velavaru would contribute approximately 6.1% ⁽⁹⁾ and 5.7% ⁽¹⁰⁾ to the total gross rental revenue and net property income respectively on a pro forma basis for the FY 2012, thereby broadening CDLHT's earnings base.

The 10-year lease arrangement also marks the beginning of a new lessee relationship with Banyan Tree Group, expanding H-REIT's existing pool of lessees from three hotel management groups currently, to four.

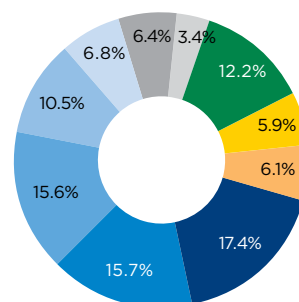
The acquisition further strengthens the portfolio of CDLHT as it reduces CDLHT's reliance on any single property. On a pro forma basis, the maximum revenue contribution from any single property will be reduced from 18.5% to 17.4%, assuming CDLHT owns the Angsana Velavaru from 1 January 2012.

Gross Revenue Breakdown for FY 2012
(Before Acquisition)



- Orchard Hotel
- Grand Copthorne Waterfront Hotel
- Novotel Singapore Clarke Quay
- M Hotel
- Studio M Hotel

Pro Forma Gross Revenue Breakdown for FY 2012
(Post Acquisition)



- Copthorne King's Hotel
- Orchard Hotel Shopping Arcade
- Australia Hotels
- Rendezvous Grand Hotel Auckland
- Angsana Velavaru

- (1) The total acquisition cost (including transaction expenses) is approximately US\$72.4 million.
- (2) Based on exchange rate of US\$1 = S\$1.2224 as at 27 December 2012.
- (3) Based on STR Global.
- (4) Based on the pro forma net property income of the Angsana Velavaru for the 12 months ended 31 December 2012 of US\$6.9 million (after deducting outgoings of US\$1.0 million) before the provision of FF&E, as a percentage of the purchase price of US\$71.0 million, assuming that CDLHT owns the property from 1 January 2012. As a percentage of total acquisition cost of US\$72.4 million, the pro forma net property income yield will be 9.6%.
- (5) The implied property yield is computed based on the net property income for H-REIT Group's existing portfolio for the 12 months ended 31 December 2012 (based on H-REIT Group's audited financial statements for the period from 1 January 2012 to 31 December 2012) divided by the sum of market capitalisation as at 31 December 2012 and total debt less cash and cash equivalents as at 31 December 2012.
- (6) The lessee will pay a minimum rent subject to the total minimum rent top-up cap of US\$6.0 million applicable to the aggregate sum of all minimum rent top up amounts paid and payable over the entire lease term.
- (7) Based on the net property income of US\$5.0 million, assuming minimum rent of US\$6.0 million and deducting the outgoings of US\$1.0 million.
- (8) For the purpose of computing minimum rent for FY 2012 for the properties, we have included the (i) fixed rent from Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel; (ii) prorated first 12-month guarantee rent and annual fixed rent from Studio M Hotel; (iii) S\$5.4 million retail rent from Orchard Hotel Shopping Arcade; (iv) rent reserve provided by Accor S.A. for Novotel Singapore Clarke Quay; (v) base rent from the 6 Australia and New Zealand hotels; and (vi) minimum rent for Angsana Velavaru.
- (9) Based on the pro forma gross rental revenue of Angsana Velavaru and H-REIT Group's enlarged portfolio for the 12 months ended 31 December 2012.
- (10) Based on the pro forma net property income of Angsana Velavaru and H-REIT Group's enlarged portfolio for the 12 months ended 31 December 2012.



New Function Room, Copthorne King's Hotel



Renovated Room, Rendezvous Grand Hotel Auckland



Refurbished Pre-Function Area, Novotel Singapore Clarke Quay

NURTURING FOR GROWTH

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

At Novotel Singapore Clarke Quay, the upgrade of bathrooms and minor room touch ups for all 401 rooms and the addition of two newly converted rooms to the room count were fully completed in 2012. All level 5 meeting rooms were also refurbished to provide better quality conference experience. At Copthorne King's Hotel, existing retail space on level 2 was converted into more than 300 square meters of pre-function and function/meeting space, coupled with refurbishment which uplifted the appearances of the staircase and toilets. These asset enhancement initiatives are expected to enhance CDLHT's product offering as well as the long-term revenue-generating ability of its properties.

As for the overseas portfolio, Rendezvous Grand Hotel Auckland completed the soft refurbishment of all its 452 guest rooms, meeting room, club lounge and lobby in 2012. The restaurants and bars have also been renovated.

Mercure Brisbane is currently undergoing soft refurbishment of its guest rooms and bathrooms. Work commenced in November 2012 and is scheduled to be completed in mid-2013.

HEALTHY CAPITAL STRUCTURE

CDLHT is rated BBB- on the Fitch Issuer Default Rating and has an interest cover of 9.6 times for FY 2012. Total borrowings stood at S\$531.8 million, with a debt-to-assets ratio of 24.9% as at 31 December 2012. Post the Angsana Velavaru acquisition, CDLHT's debt-to-asset ratio has changed to 27.9% ⁽¹⁾⁽²⁾.

Underpinned by its relatively low gearing ratio, unsecured assets and diversified access to alternative funding sources, CDLHT is well equipped with financial capacity for future acquisitions.

STAPLED SECURITY PRICE STATISTICS

CDLHT closed at a price of S\$1.88 per Stapled Security as at 31 December 2012. Since IPO, the Stapled Security's price of CDLHT has appreciated by 126.5%. In the year 2012, the Stapled Security's price grew 21.7% from S\$1.545, the closing price as at 31 December 2011.

The Stapled Security's price continued to grow in 2013, recording an increase of 9.0% year-to-date based on the closing price of S\$2.05 as at 1 March 2013.

SUMMARY OF STAPLED SECURITY PRICE STATISTICS

IPO as at 19 July 2006	S\$0.830
Closing Price as at 31 December 2011	S\$1.545
Closing Price as at 31 December 2012	S\$1.880
Highest price in FY 2012	S\$2.100
Lowest price in FY 2012	S\$1.580
Weighted Average Price in FY 2012	S\$1.881
Trading Volume in FY 2012 (Number of Stapled Securities)	447.4 million

(1) Assuming CDLHT owns the Angsana Velavaru as at 31 December 2012.

(2) Assuming the total acquisition cost (including transaction expenses) of US\$72.4 million is 100% US dollar debt-funded and converted at an exchange rate of US\$1 = S\$1.2224 as at 27 December 2012.



MARKET REVIEW

Market Review of Hotel Property Sector as of 1 March 2013

SINGAPORE TOURISM MARKET

Singapore continued to perform well during 2012 despite the appreciation in the Singapore Dollar and concerns in some global economies. The latest statistics from the Singapore Tourism Board (“**STB**”) point to a year-on-year increase of 9.1% recording a total of 14.4 million international visitor arrivals in 2012. These figures demonstrate a continued upward trend in visitor arrivals to Singapore since 2009. The STB has set a target of 17 million visitors by 2015.

Major reasons for the strong growth in visitor arrivals since the global financial crisis are the introduction of the integrated resorts, a rebound in corporate and Meetings, Incentives, Conventions and Exhibitions (“**MICE**”) demand and the proliferation of low cost carriers and regional flights. Based on latest statistics (June 2012) from the STB, Indonesia continues to be Singapore’s top source market, with visitor arrivals registering a significant year-on-year increase of 11.5% as at year to date June 2012. Indonesia has traditionally been, and is expected to remain as, Singapore’s top source market (19.3% market share) in the short to medium term, given its close proximity and strong economic ties. The second largest source market, China (PRC), captured a 13.8% market share and has been the second largest visitor source market to Singapore since 2003. Other major source markets to Singapore by market share include Malaysia (8.3%), India (6.8%) and Australia (6.7%).

EXISTING SUPPLY

As at the end of 2012, Jones Lang LaSalle estimates that Singapore’s accommodation market comprised a total of 51,077 gazetted and non-gazetted rooms.

After a substantial increase in hotel supply in both 2010 (5,963 rooms) and 2011 (3,045 rooms), the Singapore market experienced slower supply growth in 2012 with an addition of 1,358 rooms after taking into account the closure of the former Paramount Hotel based on Jones Lang LaSalle’s research. Most of the new hotels that opened in 2012 are in the midscale and upscale segment with approximately 31% of the new room stock located at Sentosa. These

include hotels such as the W Singapore Sentosa Cove and the Equarius Hotel at Resorts World Sentosa. The remaining hotels are in non-traditional locations, such as Changi Business Park and Buona Vista and include the Capri by Frasers and Park Avenue Rochester. At the end of 2012, Singapore also saw the addition of the 405-room Days Inn located at Zhongshan Park, which will be part of the greater development that includes the 384-room Ramada Inn (due to open in March 2013).

FUTURE SUPPLY

Based on Jones Lang LaSalle’s research, close to 8,500 rooms are anticipated to enter Singapore’s hotel market between January 2013 and December 2015, excluding the proposed Government Land Sales sites for hotels. Of these 8,500 rooms, approximately 4,300 rooms are expected to open in 2013 representing an increase of approximately 8.3% to the hotel inventory as at 31 December 2012.

Assuming all the proposed projects materialise from 2013 to 2015, Singapore’s hotel room inventory will grow by approximately 16.6% from 51,077 rooms in January 2013 to 59,572 rooms by December 2015, equivalent to a compound annual growth rate of 5.3%.

HOTEL MARKET PERFORMANCE

According to the STB, Singapore marketwide hotel RevPAR improved by 5.7% in 2012 compared to 29.5% and 15.0% in 2010 and 2011, respectively.

Market wide occupancy stayed largely flat in 2012 and was recorded at 86.4% whilst average daily rate (“**ADR**”) grew at 5.7% over the same period last year to achieve S\$261. Consequently, RevPAR increased by 5.7% over 2011 to reach S\$226.

HOTEL MARKET OUTLOOK

Whilst we anticipate hotel trading performance in Singapore to continue on a growth trajectory in the medium to long term, improvements in hotel trading



Investor appetite for hotel investment opportunities in Singapore remains one of the highest in the region, given the country's open economy, transparent legal system and solid demand fundamentals.

performance are likely to moderate to some extent due to the increases in supply and the significant growth in RevPAR achieved between 2010 and 2011.

Growth in the Singapore hotel market will be influenced by the following:

- Further growth in visitor arrivals from Singapore's main source markets in Asia Pacific such as Indonesia, China (PRC) and Australia.
- Singapore's ability to maintain its title as one of the top MICE destinations in the short to medium term. The city state's excellent infrastructure, well-established venue spaces and extensive air connectivity allows it to cater to both regional and global markets.
- New leisure demand generators, such as Gardens by the Bay, the River Safari and the proposed Kallang Sports Hub, which will continue to drive visitor arrivals.
- Growth in key industries in Singapore, such as electronics, oil & gas, shipping, banking and finance, will lead to more flexibility with regards to increases in room rates given Singapore hotel's reliance on corporate demand.

Encouragingly, Singapore continues to experience the positive impact of induced demand, both from a leisure and MICE perspective, from the integrated resorts which to date have generated demand primarily from markets in close proximity to Singapore such as Indonesia, Malaysia and China (PRC). This trend is expected to continue going forward especially as economic growth of regional markets such as Indonesia and Malaysia outpace long haul markets such as the USA.

HOTEL PROPERTY MARKET OUTLOOK

In 2013, we expect global hotel transaction volume of approximately US\$ 33 billion. In Asia, Japan is expected to see the most investment activity followed by other pockets of activity in the region. We expect hotel transaction volume in Asia to grow from US\$ 1.9 billion in 2012 to US\$ 2.4 billion in 2013.

Investor appetite for hotel investment opportunities in Singapore remains one of the highest in the region, given the country's open economy, transparent legal system and solid demand fundamentals. However, hotels in Singapore are tightly held by family companies and publicly listed entities, with opportunities to acquire established product somewhat scarce as a consequence. Much of 2012 was characterised by such a shortage of available established stock leading to a dearth of major transactions, although a lingering gap between buyer and seller expectations on certain properties may have stalled some potential transactions. That said, the robust domestic and regional demand in hotel-zoned government land sales, with sites attracting a high number of bids and record prices, is reflective of investor appetite for the hotel sector in Singapore. Furthermore, the final quarter of the year saw two major direct hotel transactions notably those of the Hotel Grand Pacific (closed in October 2012 at a price of S\$210 million) and the Hotel Windsor (reported as agreed in October 2012 at a price of S\$163 million).

We expect investor sentiment towards Singapore moving forward will continue to be solid. We expect hotel assets that do come to the market to be met with healthy levels of interest, particularly from buyers in Singapore, Malaysia, Thailand and Indonesia, together with some interest from North Asia as well.

BOARD OF DIRECTORS

WONG HONG REN, 61

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

Mr Wong is an Executive Director and the Chief Executive Officer of M&C. He is also the Executive Chairman of Grand Plaza Hotel Corporation and the non-executive Chairman of Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited.

Mr Wong joined Hong Leong Management Services Pte. Ltd., a wholly-owned subsidiary of Hong Leong Investment Holdings Pte. Ltd., in 1988 as Group Investment Manager and was redesignated to Executive Vice President (Group Investment) in 2006. He is widely experienced in hospitality and industrial businesses overseas, investment analysis, international capital markets and merger and acquisition transactions as well as post-acquisition management re-organisation matters.

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

VINCENT YEO WEE ENG, 44

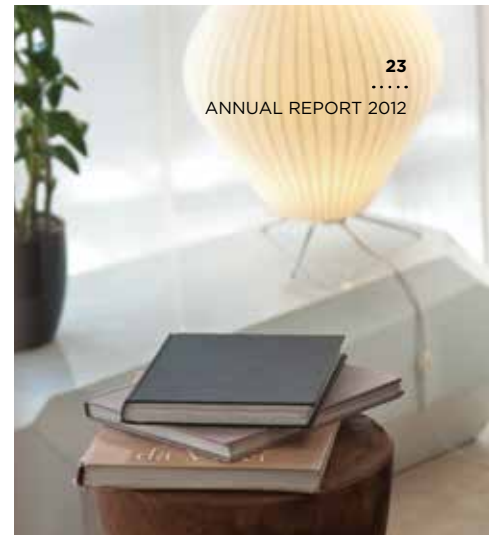
Mr Vincent Yeo Wee Eng was appointed an Executive Director on 17 May 2006 as well as the Chief Executive Officer on 19 July 2006 of the H-REIT Manager and the HBT Trustee-Manager. He also sits on the Risk Management Committee of the H-REIT Manager.

Mr Yeo is responsible for working within the H-REIT Manager Board to determine the overall business, investment and operational strategies for H-REIT. He also works with other members of the H-REIT Manager's management team and the master lessees of H-REIT's hotel properties to ensure that the business, investment and operational strategies of H-REIT are carried out as planned. In addition, Mr Yeo is responsible for the overall management and planning of the strategic direction of H-REIT, including overseeing the acquisition of hospitality and hospitality-related assets and asset and property management strategies for H-REIT.

Prior to his appointment as the Chief Executive Officer of the H-REIT Manager, he was the President of Millennium & Copthorne International Limited ("MCIL") – Asia Pacific from 2003 to July 2006, responsible for overseeing the hotel operations in Asia Pacific and the corporate office in Singapore. He was previously its 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 also a non-executive Director of CDL Investments New Zealand Limited and Millennium & Copthorne Hotels 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.

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



JENNY LIM YIN NEE, 59

Ms Jenny Lim Yin Nee was appointed an independent non-executive Director of the H-REIT Manager and the HBT Trustee-Manager on 22 May 2006. She is also the Chairman of the H-REIT Manager's Audit Committee, a member of the HBT Trustee-Manager's Audit Committee, a member of the H-REIT Manager's Risk Management Committee, and the Lead Independent Director of the H-REIT Manager.

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

Ms Lim started her career in audit and subsequently, specialised in taxation. Her experience included corporate reorganisations, mergers and acquisitions and international tax planning assignments.

Ms Lim is a retired fellow member of the Association of Chartered Certified Accountants, United Kingdom. She was previously an adjunct professor with the Singapore Management University. Presently, Ms Lim is the President of Viriya Community Services, a charitable organisation, and a board member of Raffles Institution.

JIMMY CHAN CHUN MING, 55

Mr Jimmy Chan Chun Ming was appointed an independent non-executive Director of the H-REIT Manager and the HBT Trustee-Manager on 22 May 2006. He also sits on the Audit Committees of both the H-REIT Manager and the HBT Trustee-Manager.

Mr Chan is currently a Director of Maxsen International Limited. He has over twenty years of experience in the financial and hospitality industries in Asia Pacific and has held senior positions with HSBC NF China Real Estate Fund, Aareal Bank Group, Starwood Hotels & Resorts Worldwide Inc., City e-Solutions Limited, Société Générale Group and The Chase Manhattan Bank, N.A., being involved in various corporate finance, capital market, syndication, advisory and investment transactions for major real estate and hotel companies in the region.

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

RICHARD ANTHONY JOHNSON, 48

Mr Richard Anthony Johnson was appointed a non-executive Director of the H-REIT Manager and the HBT Trustee-Manager on 3 January 2007 and was subsequently considered an independent non-executive Director of the H-REIT Manager and the HBT Trustee-Manager. Mr Johnson is also the Chairman of the H-REIT Manager's Risk Management Committee and a member of the Audit Committees of both the H-REIT Manager and the HBT Trustee-Manager.

Mr Johnson is currently the Managing Director, Global Head of Business Development, Global Real Estate, UBS Global Asset Management (Hong Kong) Ltd. He was previously the Chief Executive Officer of Standard Chartered-Istithmar Real Estate Fund Management (Singapore) Pte. Limited and the Managing Director, Real Estate of Istithmar, focusing on private equity, real estate and strategic investments. He has more than 26 years of experience in real estate investment, financing and structuring projects around the world and was an International Director of Jones Lang LaSalle based in London, Singapore, Hong Kong and Beijing from 1997 to 2006.

Mr Johnson holds a Masters Degree in Law from Oxford University, United Kingdom and a Masters Degree in Science in Property Investment and Finance from City University, London, United Kingdom. He is also an Associate of the Royal Institution of Chartered Surveyors.

DANIEL MARIE GHISLAIN DESBAILLETS, 63

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

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

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

MANAGEMENT REPORTING STRUCTURE

As At 1 March 2013

BOARD OF THE H-REIT MANAGER ("H-REIT MANAGER BOARD")

WONG HONG REN

Chairman and Non-Executive Director

JIMMY CHAN CHUN MING ⁽²⁾

Non-Executive Independent Director

VINCENT YEO WEE ENG ⁽¹⁾

Chief Executive Officer and
Executive Director

RICHARD ANTHONY JOHNSON ^{(1) (2)}

Non-Executive Independent Director
and Chairman of the Risk Management
Committee

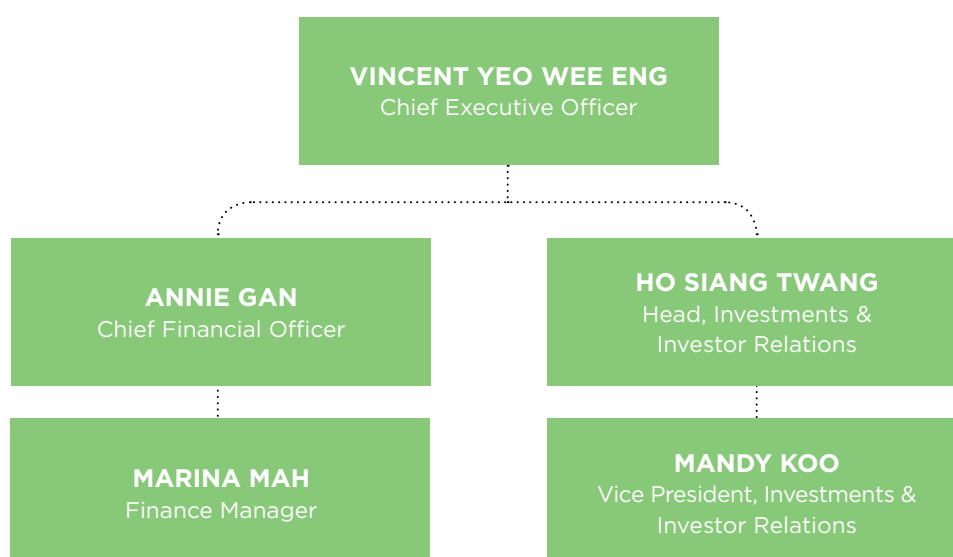
JENNY LIM YIN NEE ^{(1) (2)}

Lead Independent Director
and Chairman of the Audit Committee

DANIEL MARIE GHISLAIN DESBAILLETS

Non-Executive Independent Director

MANAGEMENT TEAM OF THE H-REIT MANAGER ("MANAGEMENT")



(1) Member of the Risk Management Committee of the H-REIT Manager.

(2) Member of the Audit Committee of the H-REIT Manager.

MANAGEMENT TEAM

M&C REIT MANAGEMENT LIMITED

VINCENT YEO WEE ENG CHIEF EXECUTIVE OFFICER

Mr Yeo is also the Executive Director of the H-REIT Manager and his profile can be found under the “Board of Directors” section on page 22 of the Annual Report.

ANNIE GAN CHIEF FINANCIAL OFFICER

Ms Annie Gan is responsible for the financial management and accounting functions of H-REIT including statutory reporting and compliance, corporate finance, treasury, taxation and corporate governance.

Prior to joining the H-REIT 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. She has varied experience in financial management, treasury, taxation and corporate advisory as well as in-depth knowledge of the hospitality, property development and property investment industries. She 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 multi-national corporations. Ms Gan is a Certified Public Accountant of the Institute of Certified Public Accountants of Singapore and a Fellow of Certified Public Accountants of Australia and holds a Bachelor of Commerce from The Australian National University.

HO SIANG TWANG HEAD, INVESTMENTS & INVESTOR RELATIONS

Mr Ho Siang Twang is responsible for sourcing, evaluating and executing potential acquisitions with a view to enhancing CDLHT’s investment portfolio. He is also responsible for maintaining relations with the investment and research community, and assists the Finance Team in corporate finance and treasury activities.

Prior to joining the H-REIT Manager, Mr Ho was the Director of Business Development of MCIL and was primarily responsible for evaluating hotel acquisition and development opportunities for MCIL. Mr Ho was, prior to that, the Strategic Planning and Fund Management Manager of ARA Trust Management (Suntec) Limited, the manager of Suntec Real Estate Investment Trust where he was responsible for overseeing the fund management/investor relations activities, acquisition financial analysis and due diligence, and debt/financing arrangements. Mr Ho was also previously with the Government of Singapore Investment Corporation where he worked in the private equity team that was responsible for the stewardship of investments across Asia as well as the evaluation of new investment opportunities in a broad range of private equity investments globally.

Mr Ho holds the Chartered Financial Analyst designation and is a Certified Public Accountant of the Institute of Certified Public Accountants of Singapore. He obtained his Bachelor of Accountancy degree from the Nanyang Technological University of Singapore and a postgraduate diploma in Systems Analysis from the Institute of Systems Science, National University of Singapore.

MANDY KOO
**VICE PRESIDENT, INVESTMENTS &
INVESTOR RELATIONS**

Ms Mandy Koo rejoined the H-REIT Manager in 2011. She is responsible for sourcing, conducting financial analysis, due diligence and execution of potential acquisitions. Ms Koo is also responsible for maintaining relations with the investment and research community, as well as providing support in corporate finance activities.

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

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.

MARINA MAH
FINANCE MANAGER

Ms Marina Mah is responsible for the financial management and accounting functions of H-REIT including assisting the Chief Financial Officer in statutory reporting and compliance, corporate finance, treasury, taxation and corporate governance.

Ms Mah has numerous years of auditing, finance and accounting experience in multi-national and listed companies. Prior to joining the H-REIT Manager, Ms Mah spent several years with Singapore and Hong Kong listed companies, and was responsible for group consolidation covering Asia Pacific, China, US and Europe. Ms Mah is a Certified Practising Accountant of Certified Public Accountants of Australia and holds a Bachelor of Business (Accountancy) from Queensland University of Technology, Australia.

PROPERTIES

As at 31 December 2012, CDLHT owns seven assets in Singapore, five assets in Australia and one asset in New Zealand. On 31 January 2013, CDLHT completed the acquisition of Angsana Velavaru, adding one asset in the Maldives. All the properties, with the exception of Orchard Hotel Shopping Arcade, have been leased to various operators as master lessees on long-term leases. Orchard Hotel Shopping Arcade is leased directly to tenants by H-REIT.



Refurbished Junior Ballroom, Novotel Singapore Clarke Quay





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.

PROPERTY DETAILS

Number of guest rooms:	656
Number of food & beverage outlets:	Six outlets comprising Orchard Café, Hua Ting Restaurant, Noodles, Intermezzo Bar, Beer Garden and Poolside Snack Bar
Banquet/Conference/Meeting facilities:	A 1,234 sq m pillarless Orchard Grand Ballroom and 343 sq m of pre-function space with a maximum capacity of 1,500 guests theatre-style, and convertible into three separate smaller ballrooms A Conference Centre with one boardroom and five multi-function rooms equipped with state-of-the-art facilities
Car park facilities:	454 car park lots The car park facilities are shared with Orchard Hotel Shopping Arcade
Land area:	8,588.0 sq m (including Orchard Hotel Shopping Arcade)
Gross floor area:	49,940.9 sq m (including Orchard Hotel Shopping Arcade)
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 2012:	S\$454.0 million

MASTER LEASE DETAILS

Master lessee:	City Hotels Pte. Ltd., a subsidiary of M&C
Term of lease with master lessee:	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

KEY FINANCIALS

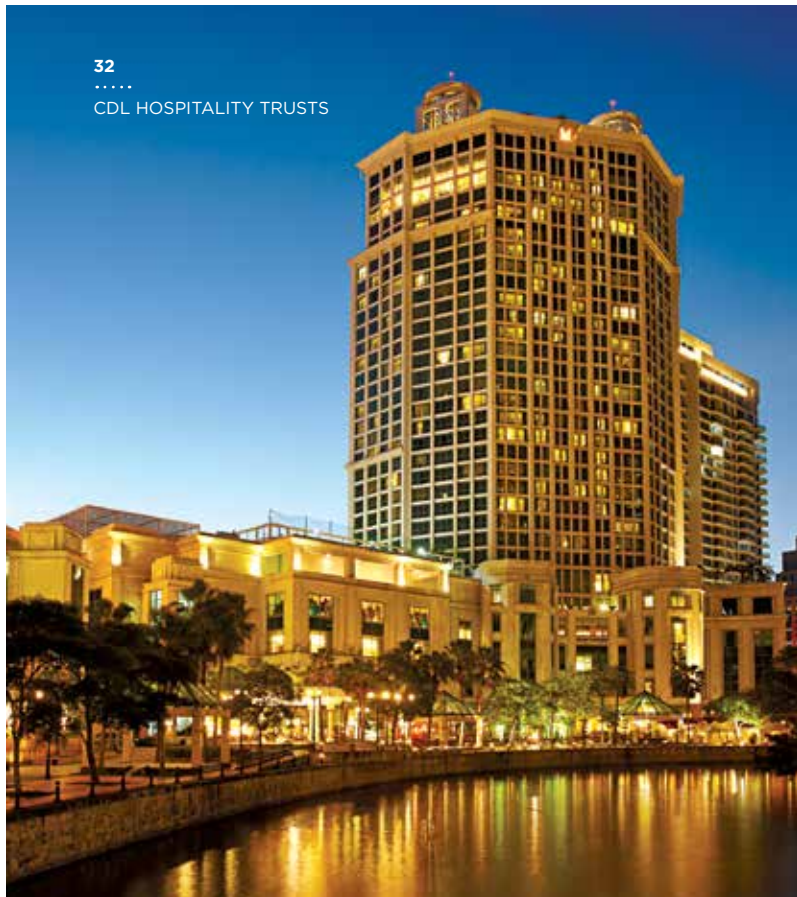
Rental income from the property for FY 2012:	S\$27.7 million
Net property income from the property for FY 2012:	S\$25.4 million

Orchard Hotel has 656 rooms to suit business and leisure needs, offering cosmopolitan elegance and comfort in the heart of Orchard Road, Singapore's premier shopping and tourist belt. The hotel is located at the junction of Orange Grove Road and Orchard Road. It is within short walking distance from the Orchard MRT station, which is situated at the junction of Scotts Road, Paterson Road and Orchard Road.

The hotel comprises an 18-storey block with four basement levels known as Orchard Wing and a 17-storey block with four basement levels known as Claymore Wing. The 331-room Claymore Wing was refurbished in 2011, offering guests comfort with a whole new refreshing look. Facilities and amenities available to the guests include a half-olympic sized pool with sun deck, seminar and banquet facilities featuring a pillarless ballroom which can house up to 1,500 people (theatre-style seating), fitness club and business centre. Adjoining the hotel is Orchard Hotel Shopping Arcade which offers guests a variety of retail services including spa and grooming services.

Orchard Hotel is also known for its food & beverage offerings from local and international cuisine in its restaurants and cafés to Cantonese fine-dining in Hua Ting Restaurant, which was listed in the "Regional Best Restaurant Guide" and the "Singapore Best Restaurant Guide" by Tatler 2013, and voted one of Asia's finest restaurants in The Miele Guide 2013. Hua Ting, Orchard Café and Noodles are listed in the 2013 "Singapore's Top Restaurants" list by Wine & Dine, and Hua Ting's Masterchef Lap Fai was also crowned Asian Cuisine Chef of the Year at the World Gourmet Series Awards of Excellence 2012.

(1) The property was valued by Jones Lang LaSalle Property Consultants Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.



GRAND COPTHORNE WATERFRONT HOTEL, SINGAPORE

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.

PROPERTY DETAILS

Number of guest rooms:	550 rooms and La Residenza's 24 serviced suites
Number of food & beverage outlets:	Four outlets comprising Café Brio's, Pontini, The Piano Bar and The Pool Bar
Banquet/Conference/Meeting facilities:	34 versatile meeting rooms covering 6,039 sq m, including a six-metre high column-free ballroom of 853 sq m and seating up to 900 guests theatre-style
Others:	A fully equipped Business Centre, hair, beauty and wellness services and four units of fully furnished Serviced Offices offering a range of secretarial and business support services including on-site IT support, video conferencing facilities and high-speed internet connection
Car park facilities:	287 car park lots ⁽¹⁾
Land area:	9,626 sq m (including adjoining Waterfront Plaza ⁽²⁾)
Gross floor area:	51,726 sq m
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 2012:	S\$350.0 million

MASTER LEASE DETAILS

Master lessee:	Republic Hotels & Resorts Limited, a subsidiary of M&C
Term of lease with master lessee:	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

KEY FINANCIALS

Rental income from the property for FY 2012:	S\$25.0 million
Net property income from the property for FY 2012:	S\$23.2 million

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

The adjoining refurbished Waterfront Conference Centre has 34 versatile meeting rooms that covers an area of 6,039 sq m, including a six-metre high column-free ballroom covering 853 sq m and seating up to 900 guests theatre-style. As one of the best designed conference venues in the region offering unparalleled cutting edge meeting facilities, it is a choice venue for many multi-national organisations.

A full service business centre, hair, beauty and wellness services and four units of serviced offices are also available at level three of the hotel. With 24-hour access, one can utilise the full range of secretarial and business support services. In addition, the hotel offers much to satisfy all palates. Award-winning Pontini is a fine-dining Italian restaurant that serves authentic Italian cuisine with a modern twist. Diners at Café Brio's can indulge in local favourites or international cuisines while dining indoor or alfresco.

- (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 Jones Lang LaSalle Property Consultants Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.



M HOTEL, SINGAPORE

81 Anson Road, Singapore 079908

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

PROPERTY DETAILS

Number of guest rooms:	413
Number of food & beverage outlets:	Five outlets comprising Café 2000, The Buffet, Hokkaido Sushi Restaurant, J Bar and Tea Bar
Banquet/Conference/Meeting facilities:	A banquet suite with a maximum capacity of 350 guests theatre-style (with stage), and nine multi-function rooms equipped with state-of-the-art facilities
Others:	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 Haach Spa, an outdoor Swimming Pool and a 24-hour gymnasium for rejuvenation and recreation
Car park facilities:	237 car park lots
Land area:	2,133.9 sq m
Gross floor area:	32,379.3 sq m
Title:	75-year leasehold interest commencing from 19 July 2006
Vendor:	Harbour View Hotel Pte. Ltd.
Purchase price at 19 July 2006:	S\$161.5 million
Valuation ⁽¹⁾ as at 31 December 2012:	S\$232.0 million

MASTER LEASE DETAILS

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

KEY FINANCIALS

Rental income from the property for FY 2012:	S\$16.7 million
Net property income from the property for FY 2012:	S\$15.3 million

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, Chinatown and Marina Bay, home of the annual Formula One™ night racing circuit. It has 413 rooms designed to combine a home and office by offering a comfortable rest area and practical workstation complete with modern technological amenities.

M Hotel was recognised as the Best Deluxe Hotel by Hospitality Asia Platinum Awards 2009-2011 Singapore Series, awarded the inaugural National Safety and Security Watch Group Award, Singapore Green Hotel Award 2011, BCA Green Mark Gold Award 2011, ASEAN Green Hotel Award 2012, SHA Hotel Security Excellence Award 2012 and Fire Safety Award 2011 by National Fire & Civil Emergency Preparedness Council and was one of the top five finalists for Asia's Best Business Hotel in 2009-2011. Its level.8 Office Suites & Business Centre offers 32 fully furnished designer office suites with comprehensive secretarial support, modern meeting facilities and 24-hour security and services for all business needs. M Hotel's central location in the financial district, as well as its variety of meeting areas, well-equipped with the state-of-the-art audio and visual facilities (including wireless broadband connectivity), make it a favoured venue for corporate meetings and social events.

The food & beverage outlets at M Hotel offer a generous variety ranging from the delectable all-day dining spread at Café 2000 and specialty Hotpot Buffet at The Buffet to fresh authentic Japanese delicacies at Hokkaido Sushi Restaurant. Tea Bar serves a wide selection of premium teas and freshly baked cakes and M Hotel's signature chicken pies. The stylish J Bar offers live entertainment and complements the dining options. For rejuvenation and recreation, the Waterfloor at M Hotel showcases Haach Spa, an outdoor swimming pool and a 24-hour gymnasium.

(1) The property was valued by Jones Lang LaSalle Property Consultants Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.



COPTHORNE KING'S HOTEL, SINGAPORE

403 Havelock Road, Singapore 169632

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

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 2012:	S\$124.4 million

MASTER LEASE DETAILS

Master lessee:	Republic Hotels & Resorts Limited, a subsidiary of M&C
Term of lease with master lessee:	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

KEY FINANCIALS

Rental income from the property for FY 2012:	S\$10.2 million
Net property income from the property for FY 2012:	S\$8.7 million

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 regional Chinese cuisine including Cantonese delicacies and Princess Terrace which is renowned in Singapore for serving the best authentic Penang cuisine. Both restaurants have been voted into Singapore Tatler's "Best Restaurants" list for six years consecutively from 2007 to 2012.

Delivering higher value to its guests, the hotel has converted retail space on level 2 to two new function rooms and a pre-function area. Refurbishment work has also uplifted the appearances of the staircase and toilets.

(1) The property was valued by Jones Lang LaSalle Property Consultants Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.



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.

PROPERTY DETAILS

Number of guest rooms:	360
Number of food & beverage outlets:	Espressamente Illy (café and bar) is located on the 1st storey; and ta.ké, an alfresco cocktail and tapas bar at Level 2
Others:	Recreational facilities incorporating a 25-metre lap pool, a jet pool, an open-air gymnasium and three cabanas
Car park facilities:	30 covered 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 2012:	S\$154.0 million
Valuation ⁽¹⁾ as at 31 December 2012:	S\$163.0 million

MASTER LEASE DETAILS

Master lessee:	Republic Iconic Hotel Pte. Ltd., a subsidiary of M&C
Term of lease with master lessee:	20 years from 3 May 2011 with: <ul style="list-style-type: none"> (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 first twelve months of the lease (ie. from 3 May 2011 through 2 May 2012), the lessee guarantees a minimum aggregate rent of S\$9.24 million to the lessor. For the following nine years after the first year of the lease, a fixed rent of S\$5 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.

KEY FINANCIALS

Rental income from the property for FY 2012 ⁽²⁾ :	S\$10.9 million
Net property income from the property for FY 2012 ⁽²⁾ :	S\$10.2 million

Studio M Hotel exudes avant-garde style and class in its offer of a great business stay or leisure getaway in the iconic entertainment precinct of Robertson Quay. Designed by Italian style maestro and architect, Piero Lissoni, it is the first fully loft-inspired Singapore hotel that also occupies a prime location in the city, within easy reach of both the Central Business District and the world famous Orchard Road.

Featuring unique loft style living spaces, Studio M Hotel has 360 guest rooms offering a stylish urban escape, each coming with essential contemporary conveniences such as wifi connectivity. Guests can relax in style at the open-air tropical deck and enjoy recreational highlights such as a 25-metre lap pool, jet pool and open-air gymnasium.

Unsurprisingly, Studio M Hotel has within the short time since commencement of business won both the Asiaone's "People's Choice Awards 2010: Top 3 Boutique Hotels in Singapore" and TripAdvisor's "Travellers' Choice 2012: Top 20 Trendiest Hotels in Singapore" award.

(1) The property was valued by Jones Lang LaSalle Property Consultants Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.

(2) The full year rental income was recognised for FY 2012 (FY 2011: From 3 May 2011, the acquisition date, to 31 December 2011).



NOVOTEL SINGAPORE CLARKE QUAY

177A River Valley Road, Singapore 179031

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

PROPERTY DETAILS

Number of guest rooms:	403
Number of food & beverage outlets:	Four outlets comprising The SQUARE Restaurant, Dragon Phoenix Restaurant, Moghul Mahal Restaurant and Le Bar Rouge
Banquet/Conference/Meeting facilities:	A pillarless ballroom with a maximum capacity of 600 guests, six multifunction rooms with spacious pre-function areas and an executive boardroom which can seat up to 20 guests and hosts the latest AV technology
Car park facilities:	745 car park lots ⁽¹⁾
Land area:	12,925.4 sq m
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 2012:	S\$304.0 million

MASTER LEASE DETAILS

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

KEY FINANCIALS

Rental income from the property for FY 2012:	S\$24.9 million
Net property income from the property for FY 2012:	S\$23.5 million

The 403-room hotel is situated within the vibrant and dynamic Clarke Quay area, one of Singapore's leading lifestyle and entertainment destinations. Novotel Singapore Clarke Quay is also close to the financial district and major cultural and tourists attractions such as Chinatown, the Esplanade and the Integrated Resorts. Its rooms provide a spacious and contemporary feel with versatile pivoting workstations developed with the travelling executive in mind, each with magnificent and unobstructed views of the meandering Singapore River, the spectacular city skyline or the lush greenery of Fort Canning Park.

Novotel Singapore Clarke Quay has continued its commitment to the environment by moving forward with its Green Globe achievement in 2009, by being certified and assessed now to meet the certification requirements of the EarthCheck company standards. It was the first hotel in Singapore to achieve the Green Globe Certification for its commitment to environment and sustainable development in January 2009, and was also awarded the Singapore Green Hotel Award 2011 in recognition of its green practices.

The 25-storey superior-class hotel sits on top of the 6-storey Liang Court Shopping Podium. Its proximity to Clarke Quay gives it an advantage in playing host to gala dinners and weddings in its pillarless ballroom, which is capable of seating up to 600 guests. Novotel Singapore Clarke Quay is also well-equipped to host corporate meetings and social events in its six meeting/function rooms which have spacious pre-function areas.

In addition, the hotel has three restaurants offering an array of international cuisine. Whether it is dining at The SQUARE restaurant, or sipping a signature cocktail at Le Bar Rouge, Novotel Singapore Clarke Quay offers something to satisfy all tastes.

The renovation of all bathrooms and minor room touch ups were completed in early 2012. All Level 5 meeting rooms were also refurbished in 2012 to provide guests with quality conference experience.

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

(2) The property was valued by Jones Lang LaSalle Property Consultants Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.



ORCHARD HOTEL SHOPPING ARCADE, SINGAPORE

442 Orchard Road, Singapore 238879

Orchard Hotel Shopping Arcade is a four-storey retail podium block incorporated in Orchard Hotel's Claymore Wing, located at a prime spot at the junction of Claymore Road and the Orchard Road shopping and tourist belt.

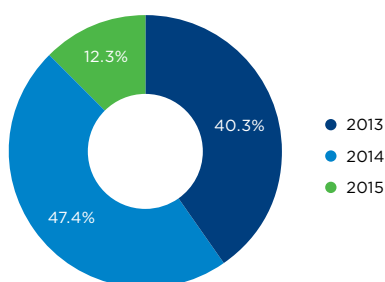
PROPERTY DETAILS

Net lettable area:	5,933 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 2012:	S\$68.0 million

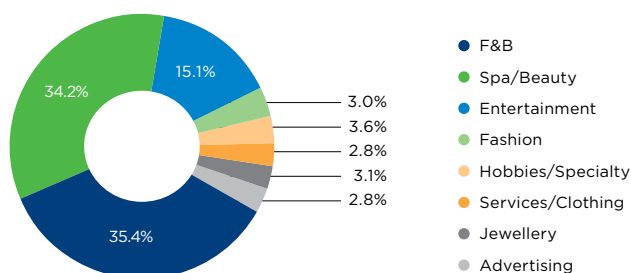
KEY FINANCIALS

Rental income from the property for FY 2012:	S\$5.4 million
Net property income from the property for FY 2012:	S\$4.2 million
Total number of tenants as at 31 December 2012:	40
Average occupancy rate for FY 2012:	95.3%
Average rent for FY 2012:	S\$7.36 per sq ft per month

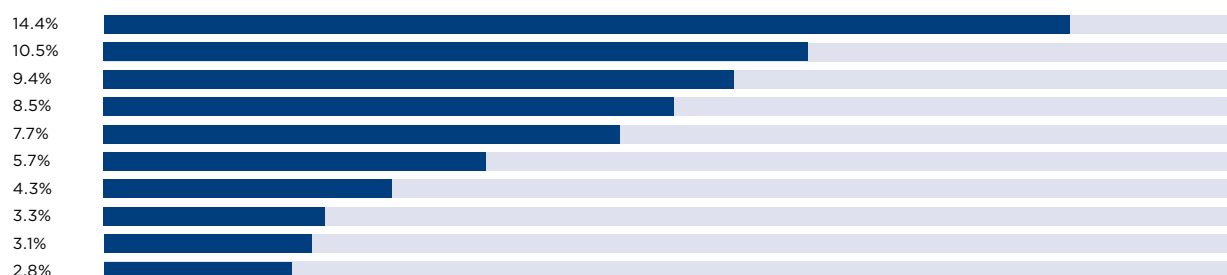
LEASE EXPIRY ANALYSIS BY RENTAL INCOME



TENANT MIX BY RENTAL INCOME



% CONTRIBUTION TO RENTAL INCOME OF TOP 10 TENANTS



Orchard Hotel Shopping Arcade is within short walking distance of the Orchard MRT station which is situated at the junction of Scotts Road, Paterson Road and Orchard Road. Its main entrance is along Claymore Road and there is access to Orchard Hotel on the first and second levels.

The total lettable floor area of the shopping arcade is approximately 8,002 sq m of which 5,933 sq m represents retail rental area and the balance is used by Orchard Hotel at no charge.

The shopping arcade houses numerous specialty tenants ranging from well-known food and beverage concepts, lifestyle services and fashion boutiques. The majority of retail tenancies are occupied under a standard form of lease, with lease terms ranging from one to three years. All leases provide for the payment of base rental and service charge with a limited number of leases incorporating structured increases of base rent during the lease term. Retail leases typically do not incorporate mid-term reviews, with rentals generally being reviewed to market on lease renewal.

By rental income, the top 10 tenants of Orchard Hotel Shopping Arcade made up 69.7% of the total rental income received. The top tenant at the Orchard Hotel Shopping Arcade makes up 14.4% of total rental income with the tenth largest comprising 2.8%.

(1) The property was valued by Jones Lang LaSalle Property Consultants Pte Ltd using a combination of the Direct Capitalisation Method and Discounted Cash Flow approaches.



RENDEZVOUS GRAND HOTEL AUCKLAND, NEW ZEALAND

71 - 87, Mayoral Drive, Auckland

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

PROPERTY DETAILS

Number of guest rooms:	452
Number of food & beverage outlets:	Three outlets comprising Straits Café, Katsura Japanese Restaurant, and the Atrium Lounge
Banquet/Conference/Meeting facilities:	Approximately 4,336 sq m of meeting space offering a variety of flexible multifunction rooms that can be used for intimate board meetings through to large exhibitions 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 2012:	NZ\$88.0 million

MASTER LEASE DETAILS

Master lessee:	Rendezvous Hotels (NZ) Limited, a subsidiary of Rendezvous Hotels International Private Limited
Term of lease with master lessee:	10 years commencing from 7 September 2006 and the master lessee has an option to renew for another 5 years
Minimum rental income:	Base rent of approximately NZ\$9.2 million in FY 2012 which further escalates at a rate of 2.75% per annum

KEY FINANCIALS

Rental income from the property for FY 2012:	S\$9.4 million ⁽²⁾ (NZ\$9.2 million)
Net property income from the property for FY 2012:	S\$9.4 million ⁽²⁾ (NZ\$9.2 million)

The 452-room Rendezvous Grand Hotel Auckland is a prime 12-storey atrium-styled Qualmark Rate 4.5-star hotel located in New Zealand's main gateway city. It is 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 The Edge, 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 The Edge by an exclusive underground pedestrian tunnel.

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

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

Rendezvous Grand Hotel Auckland has retained its Bronze benchmarked accreditation with EarthCheck. EarthCheck complies with the Intergovernmental Panel for Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories, the World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol, and the International Organisation for Standardisation (ISO) 14064 range of standards for greenhouse gas accounting.

In addition, major asset enhancement work has been completed in the year 2012. To further deliver exceptional experience to its guests, refurbishment was carried out to the guest rooms, the meeting room, the lobby, various restaurants and the lounge in the hotel.

(1) The property was valued by Bayleys Valuations Limited using the Initial Year Capitalisation, Discounted Cash Flow and Rate Per Room approaches.

(2) Based on the average exchange rate of NZ\$1.00 = S\$1.0131.



NOVOTEL, MERCURE & IBIS BRISBANE, AUSTRALIA

Novotel Brisbane 200 Creek Street | Mercure Brisbane 85-87 North Quay | Ibis Brisbane 27-35 Turbot Street

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

PROPERTY DETAILS

Hotel	Novotel Brisbane	Mercure Brisbane ⁽¹⁾	Ibis Brisbane ⁽¹⁾
Number of guest rooms:	296	194	218
Number of food & beverage outlets:	Three outlets comprising Restaurant & Terrace, Plan B Café and Lobby Bar	One outlet comprising Quays Restaurant & Bar	Two outlets comprising iBar and iBistro
Banquet/Conference/Meeting facilities:	11 versatile conference and function rooms for up to 350 delegates featuring pillarless ballroom, executive boardroom, conference Café and a unique pool deck area	Three floors of function facilities and 11 conference rooms with ample pre-function areas with natural light for up to 900 delegates	One function room for up to 70 guests
Car park facilities:	70 car park lots		109 car park lots
Land area:	6,235 sq m		3,845 sq m
Gross floor area:	25,443 sq m		38,972 sq m
Title:	Strata Volumetric Freehold		Freehold
Vendor:	Tourism Asset Holdings Limited		Tourism Asset Holdings Limited
Purchase price at 18 February 2010:	A\$63.5 million		A\$53.7 million
Valuation ⁽²⁾ as at 31 December 2012:	A\$72.0 million		A\$62.0 million

MASTER LEASE DETAILS

Hotel	Novotel Brisbane	Mercure Brisbane	Ibis Brisbane
Master lessee:	AAPC Properties Pty Ltd, a subsidiary of Accor S.A.		
Term of lease with master lessee:	Approximately 11 years from 19 February 2010, expiring on 30 April 2021		
Minimum rental income:	A\$4.9 million	A\$4.1 million	

KEY FINANCIALS

Rental income from the property for FY 2012:	S\$7.0 million ⁽³⁾ (A\$5.4 million)	S\$5.8 million ⁽³⁾ (A\$4.5 million)
Net property income from the property for FY 2012:	S\$7.0 million ⁽³⁾ (A\$5.4 million)	S\$5.8 million ⁽³⁾ (A\$4.5 million)

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 multi-national 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 refurbished rooms, lobby and bar, an iMac station for guests, a large outdoor swimming pool, gymnasium, Restaurant & Terrace, Plan B Café and Lobby Bar. Novotel Brisbane is EarthCheck certified.

Mercure and Ibis Brisbane are interconnected at the ground level and located adjacent to the government and legal precinct. The hotels are walking distance to the South Bank cultural centre including the Queensland Gallery of Modern Art, Queensland Performing Arts Centre, the Museum, Library, internationally acclaimed Brisbane Convention and Exhibition Centre and 16 hectares of Cafés, restaurants, cycle paths, gardens, swimming lagoon and vibrant weekend markets.

Mercure Brisbane's 194 spacious and comfortable rooms offer spectacular views over the Brisbane River and the city. Three floors of function facilities and 11 conference rooms feature ample pre-function areas and natural light. Quays Restaurant & Bar offers relaxed dining in a stylish atmosphere, with views of the river and Southbank Parklands. Refurbishment to the hotel guest rooms has started in 2012 and will be completed by mid 2013.

Ibis Brisbane features 218 inviting rooms with a contemporary colour palette. iBistro, the hotel's a la carte grillstyle restaurant offers affordable dining for breakfast and dinner while other features include 24-hour reception, internet and business services and on-site conference facilities.

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

(2) The properties were valued by Jones Lang LaSalle Hotels (NSW) Pty Limited using the Discounted Cash Flow approach.

(3) Based on the average exchange rate of A\$1.00 = S\$1.2935.



MERCURE & IBIS PERTH, AUSTRALIA

Mercure Perth 10 Irwin Street | Ibis Perth 334 Murray Street

Strategically located in the heart of Perth, the gateway to Western Australia.

PROPERTY DETAILS

Hotel	Mercure Perth	Ibis Perth
Number of guest rooms:	239	192
Number of food & beverage outlets:	Three outlets comprising Tonic Bar, TEN a la carte Restaurant and Hydrant café and bar	Two outlets comprising the Rubix Bar and iBistro Restaurant
Banquet/Conference/Meeting facilities:	Dedicated conference floor on Level 1 providing facilities for up to 350 delegates with six function rooms, heated rooftop swimming pool, spa, sauna and gym	Three function rooms for up to 200 guests
Car park facilities:	32 car park lots	13 car park lots
Land area:	757 sq m	1,480 sq m
Gross floor area:	22,419 sq m	9,650 sq m
Title:	Strata Freehold	Freehold
Vendor:	Tourism Asset Holdings Limited	Tourism Asset Holdings Limited
Purchase price at 18 February 2010:	A\$36.2 million	A\$21.6 million
Valuation ⁽¹⁾ as at 31 December 2012:	A\$44.0 million	A\$28.0 million

MASTER LEASE DETAILS

Hotel	Mercure Perth	Ibis Perth
Master lessee:	AAPC Properties Pty Ltd, a subsidiary of Accor S.A.	
H-REIT's term of lease with master lessee:	Approximately 11 years from 19 February 2010, expiring on 30 April 2021	
Minimum rental income:	A\$2.8 million	A\$1.9 million

KEY FINANCIALS

Rental income from the property for FY 2012:	S\$4.0 million ⁽²⁾ (A\$3.1 million)	S\$2.6 million ⁽²⁾ (A\$2.0 million)
Net property income from the property for FY 2012:	S\$4.0 million ⁽²⁾ (A\$3.1 million)	S\$2.6 million ⁽²⁾ (A\$2.0 million)

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 several dining options, a heated rooftop swimming pool, spa, sauna and gym. Business guests are well catered for at this hotel with a number of modern meeting rooms available, accommodating up to 350 delegates.

At Mercure Perth, TEN a la carte Restaurant boasts an extensive contemporary European style menu with an Australian flavour. Being in proximity to the shopping and entertainment strip, TEN a la carte Restaurant is perfectly situated for an elegant evening or a quick meal before a show. Tonic Bar offers a comfortable surrounding to enjoy a cocktail amidst sophisticated contemporary style. Hydrant café and bar is popular with guests and the business crowd as a place to unwind in the evenings.

Winner of the 2010 AHA awards for best mid range accommodation, Ibis Perth offers 192 newly refurbished modern and cosy rooms, just 300 metres from the Murray and Hay Street shopping malls. At this hotel, iBistro Restaurant serves a delicious variety of local cuisine daily with the charm of the bistro tradition, whilst Rubix Bar offers a friendly place for get togethers throughout the day and bursts into life on weekends with a real party atmosphere.

Ibis Perth also offers three meeting rooms catering for up to 200 people, indoor parking and a self-service business centre, making it an ideal location for intimate corporate and personal functions.

(1) The properties were valued by Jones Lang LaSalle Hotels (NSW) Pty Limited using the Discounted Cash Flow approach.

(2) Based on the average exchange rate of A\$1.00 = S\$1.2935.



ANGSANA VELAVARU, MALDIVES

South Nilandhe Atoll, Republic of Maldives

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

PROPERTY DETAILS

Number of guest rooms:	79 Beach Front Villas 34 Water Villas
Number of food & beverage outlets:	4 outlets comprising Kaani Restaurant, Funa Restaurant, Azzuro and Kuredhi Bar Castaway Island dining and a cooking school
Other facilities:	Angsana Spa & Gallery Extensive recreational activities Marine Conservation Lab Kids Club Beach Pavillion
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 16 November 2012:	US\$72.5 million

MASTER LEASE DETAILS

Master lessee:	Maldives Bay Pvt Ltd, a subsidiary of Banyan Tree Holdings Limited
Term of lease with master lessee:	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

The 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 and "one-island-one-resort" concept, have firmly established the island paradise as a top-tier destination for luxury tourism.

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

Angsana Velavaru is the first resort to introduce the concept of standalone water villas, which are exclusively positioned at the edge of the reef about one kilometre away from the main island. The upmarket resort offers a wide range of dining, leisure and spa options and facilities within the property including three restaurants and one bar, a cooking school, gallery, beach pavilion, marine conservation lab and a kids club. The design style is intended to blend tropical lifestyle, the Maldivian experience and the comforts of modern living. The resort is designed in the Maldivian style with coconut leaf thatched roofs for the villas and sandy floors at the restaurants, bars and the lobby. Guests are also able to indulge in a wide array of culinary options ranging from European to Asian cuisines at the Resort's restaurants or within the private setting of a nearby picnic island.

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

CORPORATE GOVERNANCE

M&C REIT Management Limited, as manager of H-REIT (the “**H-REIT Manager**”), has general powers of management over the assets of H-REIT. The H-REIT Manager’s main responsibility is to manage H-REIT’s assets and liabilities for the benefit of the holders of H-REIT Units.

The H-REIT Manager is responsible for formulating the business plans in relation to H-REIT’s properties. The H-REIT Manager will work closely with the master lessees to implement H-REIT’s strategies. In addition, the H-REIT Manager will set the strategic direction of H-REIT and give recommendations to DBS Trustee Limited, as trustee of H-REIT (the “**H-REIT Trustee**”), on the acquisition, divestment or enhancement of H-REIT’s assets in accordance with its stated investment strategy.

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

- Managing Orchard Hotel Shopping Arcade with a view to maintaining the physical condition of the property for the benefit of the tenants and the shoppers/patrons alike, including engaging real estate consultants to provide leasing services in respect of the vacant shop spaces in the property with a view to maintaining high occupancy levels at a good yield.
- Using its best endeavours to ensure that the business of H-REIT is carried on in a proper and efficient manner and to conduct all transactions with or for H-REIT at arm’s length and on normal commercial terms.
- Ensuring that H-REIT complies with the relevant applicable laws and regulations, including the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore, the Listing Rules issued by Singapore Exchange Securities Trading Limited (“**Listing Manual**”), the Code on Collective Investment Schemes (including the Property Funds Appendix), the conditions set out in the Capital Markets Services 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 (the “**Security Holders**”) and all relevant contracts.

H-REIT, constituted as a trust, is externally managed by the H-REIT Manager and accordingly, has no personnel of its own. The H-REIT Manager appoints experienced and well-qualified management to run its day-to-day operations. The H-REIT Manager, not H-REIT, remunerates all Directors and employees of the H-REIT Manager.

The H-REIT Manager holds a Capital Markets Services (“**CMS**”) Licence issued by the 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.

As HBT was dormant during the year ended 31 December 2012 (“**FY 2012**”), M&C Business Trust Management Limited, as the trustee-manager of HBT (the “**HBT Trustee-Manager**”) was similarly dormant for the year under review. Accordingly, no compensation was paid to the Directors of the HBT Trustee-Manager and no executive officers were employed by the HBT Trustee-Manager during the year under review.

CORPORATE GOVERNANCE

The H-REIT Manager is committed to maintaining good corporate governance and has adopted a set of internal guidelines on corporate governance (“**Internal CG Guidelines**”) based on the provisions of the Code of Corporate Governance 2005 (“**2005 Code**”). Whilst the revised Code of Corporate Governance 2012 (“**2012 Code**”) will only be applicable to the H-REIT Manager in respect of its financial year commencing 1 January 2013, the H-REIT Manager has commenced compliance with a number of the key revised guidelines under the 2012 Code and will further review its corporate governance practices to bring the same in line with the recommendations under the 2012 Code.

This report thus sets out the H-REIT Manager’s main corporate governance practices with reference to the 2005 Code and additionally, where applicable, the 2012 Code.

BOARD MATTERS

Principle 1: The Board’s conduct of affairs

Primary Functions of the H-REIT Manager Board

The H-REIT Manager Board is responsible for the overall corporate governance of the H-REIT Manager, including establishing goals for management and monitoring the achievement of these goals. The H-REIT Manager is also responsible for the strategic business direction and risk management of H-REIT. All H-REIT Manager Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of performance of Directors.

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

Independent Judgement

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

Delegation by the H-REIT Manager Board

The primary functions of the H-REIT Manager Board are either carried out directly by the H-REIT Manager Board or through committees established by the H-REIT Manager Board, namely, the Audit Committee (“**AC**”) and the Risk Management Committee (“**RMC**”), all collectively referred to hereafter as the “**Committees**”. Clear written terms of reference for each of the Committees set out the authority and duties of the Committees. All terms of reference for the Committees are approved by the H-REIT Manager Board and reviewed periodically to ensure their continued relevance. The composition of each Committee can be found under the corporate directory section in this annual report (the “**Annual Report**”).

The delegation of authority by the H-REIT Manager Board to the Committees enables the H-REIT Manager Board to achieve operational efficiency by empowering these Committees to decide on matters within their respective written terms of reference and/or limits of delegated authority and yet without abdicating its responsibility. Please refer to the section on Principle 11 in this report for further information on the activities of the AC and RMC.

CORPORATE GOVERNANCE

Board Processes of the H-REIT Manager

Board and Committee meetings of the H-REIT Manager are held regularly, no less than four times a year. The proposed meetings for the Board and all Committees of the H-REIT Manager for each new calendar year are set out in a schedule of meetings and notified to all the H-REIT Manager Board members before the start of each calendar year with a view to facilitate attendance by Board Members. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary. The H-REIT Manager's Articles of Association allow for the meetings of its Board and the Committees to be held via teleconferencing. The H-REIT Manager Board and Committees may also make decisions by way of circulating resolutions.

The attendance of the H-REIT Manager Directors at meetings of the Board and Committees of the H-REIT Manager, as well as the frequency of such meetings during 2012, is disclosed below. Notwithstanding such disclosure, the H-REIT Manager Board is also of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or the Committees. A Director's contribution may also extend beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of H-REIT.

Directors' Attendance at Board and Committee Meetings in 2012

	Board	Audit Committee	Risk Management Committee
No. of Meetings Held in 2012	5	4	1
Name of Directors	Number of Meetings Attended in 2012		
Wong Hong Ren	4	N. A.	N. A.
Vincent Yeo Wee Eng	5	N. A.	1
Jenny Lim Yin Nee	4	4	1
Jimmy Chan Chun Ming	5	4	N. A.
Richard Anthony Johnson	5	4	1
Daniel Marie Ghislain Desbaillets	4	N.A.	N.A.

H-REIT Manager Board Approval

The H-REIT Manager Board has also adopted an internal guide wherein key matters are specifically reserved for approval by the H-REIT Manager Board, such as decisions on material acquisition and disposal of assets or undertakings of H-REIT, 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 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 approval as prescribed under the relevant legislations and regulations as well as the provisions of the H-REIT Trust Deed.

H-REIT Manager Board Orientation and Training

Every newly appointed Director of the H-REIT Manager receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the role and responsibilities of a director, the principal businesses of H-REIT and its subsidiaries (collectively the "**H-REIT Group**"), the H-REIT Manager Board processes, the H-REIT Manager's corporate governance practices and 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 H-REIT Manager also conducts an induction programme for newly appointed Directors and in respect of appointments of existing Directors to Committees, which seeks to familiarise Directors with CDL Hospitality Trusts' business, the H-REIT Manager's board processes, internal controls and governance practices. The induction programme includes briefings by the chairmen of the relevant Committees to which the Director is newly appointed to on the roles and responsibilities of the Committees, by the Management on key areas of the H-REIT's operations and by the Company Secretary on board processes and corporate governance practices.

CORPORATE GOVERNANCE

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, risk management issues and changes in financial reporting standards and tax laws and practices. The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those conducted by the Singapore Institute of Directors, and the Directors are encouraged to attend such training at the H-REIT Manager's expense. Two in-house seminars were conducted by invited speakers in 2012, one on key changes introduced by the 2012 Code and highlights on the Risk Governance Guidance for Listed Boards released in May 2012, and the other, on the changing tax landscape and developments in financial reporting standards. In addition to the training courses/programs, Directors are also at liberty to approach Management should they require any further information or clarification concerning the H-REIT Manager's operations.

Corporate Values and Conduct of Business

The H-REIT 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 H-REIT Manager has an internal code of business and ethical conduct crystallising the H-REIT Manager's 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 H-REIT Manager to observe the H-REIT Manager's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the H-REIT Manager's business in their relationships with suppliers and amongst employees of the H-REIT Manager, including situations where there are potential conflicts of interests.

Internal Code on Dealings in Securities

The H-REIT Manager has adopted 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 CDL Hospitality Trusts by the Directors and officers of the H-REIT Manager and the Directors of HBT Trustee-Manager. These guidelines prohibit dealing in the stapled securities of CDL Hospitality Trusts on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of results for 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.

Principle 2: Board Composition and Guidance

Board Independence

The H-REIT Manager Board currently consists of six members. All members of the Board except for the Chief Executive Officer, are non-executive Directors ("NED"). Of the five NEDs, four of them, being more than half of the Board, are independent ⁽¹⁾ directors, thus providing for a strong and independent element on the Board capable of exercising objective judgement on corporate affairs of the H-REIT Group. No individual or small group of individuals dominates the Board's decision-making. In addition to the annual review by the Board of the Directors' independence, each independent NED also submits an annual declaration regarding his independence.

The independent NEDs are Ms Jenny Lim Yin Nee, Mr Jimmy Chan Chun Ming, Mr Richard Anthony Johnson and Mr Daniel Desbaillets.

All of the independent NEDs are also independent from the substantial shareholders of the H-REIT Manager and the substantial stapled security holders of CDL Hospitality Trusts, not being substantial shareholders themselves nor directly associated with any substantial shareholder.

⁽¹⁾ The independence of the Directors in this context refers to their independence from management and business relationships with the H-REIT Manager.

CORPORATE GOVERNANCE

H-REIT Manager Board Composition

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

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

Taking into account the scope and nature of the operations of the H-REIT Group, the H-REIT Manager Board is satisfied that the current composition and size of the Board provide for sufficient diversity and allows for effective decision-making.

Independent NEDs' Participation

Independent NEDs of the H-REIT Manager are encouraged to participate actively in Board meetings in the development of H-REIT'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 Board to provide constructive input and the necessary review and monitoring of performance of H-REIT and the Management.

Principle 3: Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate. The Chairman, Mr Wong Hong Ren, is a non-executive Director while the Chief Executive Officer, 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 for independent decision-making.

The Chairman bears primary responsibility for the workings of the H-REIT Manager Board, by ensuring effectiveness on all aspects of its role including setting agenda for the H-REIT Manager Board meetings with input from Management, ensuring that sufficient time is allocated for discussion of agenda items at Board meetings, promoting an open environment within the Board room for constructive debate, encouraging the independent NEDs to speak freely, and exercising control over the quality, quantity and timeliness of information flow between the H-REIT Manager Board and Management. At annual general meetings and other general meetings of the Security Holders, he plays a pivotal role in fostering constructive dialogue between Security Holders, the H-REIT Manager Board and Management.

The Chief Executive Officer of the H-REIT Manager is responsible for working with the H-REIT Manager Board to determine the overall business, investment and operational strategies for H-REIT. The Chief Executive Officer will also work with the other members of the H-REIT Manager's management team and the master lessees to ensure that the business, investment and operational strategies of H-REIT are carried out as planned. In addition, the Chief Executive Officer is responsible for the overall management and planning of the strategic direction of H-REIT, including overseeing the acquisition of hospitality and hospitality-related assets and the asset and property management strategies for H-REIT.

CORPORATE GOVERNANCE

Lead Independent Director

The H-REIT Manager Board has in the spirit of good corporate governance, appointed Ms Jenny Lim Yin Nee as Lead Independent Director (“**Lead ID**”) in November 2012 to serve as an intermediary between the independent NEDs and the Chairman. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. Under the chairmanship of the Lead ID, a meeting of the independent NEDs was convened in January 2013 without the presence of Management or the Chairman.

Principle 4: Board Membership

The composition of the H-REIT Manager Board is reviewed annually to ensure that it has the appropriate mix of expertise and experience and to further ensure that at least a majority of the H-REIT Manager Board comprises independent Directors.

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

In reviewing and recommending the appointment of new Directors, the H-REIT Manager Board takes into consideration the current Board size and its mix, and considers (a) the candidate’s independence, in the case of the appointment of an independent NED; (b) the composition requirements for the Board and Committees (if the candidate is proposed to be appointed to any of the Committees); (c) the candidate’s age, track record, experience and capabilities and such other relevant factors as may be determined by the H-REIT Manager Board which would contribute to the H-REIT Manager Board’s collective skills; and (d) any competing time commitments if the candidate has multiple board representations.

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. Currently, no alternate Directors have been appointed in respect of any of the H-REIT Manager Directors.

Principle 5: Board Performance

The H-REIT Manager Board has in place a formal process to assess the effectiveness of the Board through feedback from individual Directors on areas relating to the Board’s competencies and effectiveness.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

Prior to each meeting, the respective members of the H-REIT Manager Board and 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 H-REIT Manager’s 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 H-REIT Manager Directors have separate and independent access to Management.

Draft agendas for the H-REIT Manager Board and Committees are circulated to the Chairman of the H-REIT Manager Board and the chairmen of the H-REIT Manager Committees in advance, for them to review and suggest items for the agenda. The H-REIT Manager Board and Committees are also furnished routine reports where applicable, from the Management. Each of the chairmen of Committees provides an annual report of the respective Committees’ activities during the year under review to the Board. The minutes of meetings of the Committees are circulated to all Board members.

CORPORATE GOVERNANCE

Company Secretary

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

On an ongoing basis, the Directors of the H-REIT Manager have separate and independent access to the Company Secretaries, whose duties and responsibilities are clearly defined.

Independent Professional Advice

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

REMUNERATION MATTERS

Principle 7: Procedures for developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

All Directors and employees of the H-REIT Manager are remunerated by the H-REIT Manager, and not H-REIT.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Accountability of the H-REIT Manager Board and Management

The H-REIT Manager Board provides the Security Holders with quarterly and full year financial results of the H-REIT Group and CDL Hospitality Trusts (the “**Stapled Group**”, comprising the H-REIT Group and HBT). Unaudited results of the H-REIT Group and the Stapled Group for the first, second and third quarter are released to the Security Holders within 45 days of the end of each quarter whilst unaudited full year results of the H-REIT 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 and the Stapled Group, the H-REIT Manager Board aims to provide the Security Holders with a balanced and understandable assessment of the performance and financial position of the H-REIT Group and the Stapled Group, with a commentary at the date of the announcement of the results of the significant trends and competitive conditions of the industry in which it operates. For the financial year under review, the Chief Executive Officer and Chief Financial Officer provided assurance to the AC on the correctness and completeness of the quarterly unaudited financial statements of the H-REIT Group and the Stapled Group and the Board in turn provided a negative assurance confirmation to the Security Holders in respect of the unaudited financial statements for the first, second and third quarter in accordance with the regulatory requirements.

The Management is responsible to provide the members of the H-REIT Manager Board with management accounts which present a balance and understandable assessment of H-REIT's performance, position and prospects.

Monthly reports covering H-REIT's financial performance are also provided by the Management to the Chief Executive Officer and all Directors.

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

CORPORATE GOVERNANCE

Principle 11: Audit Committee

Composition of the AC

The AC is appointed by the H-REIT Manager Board from among the Directors of the H-REIT Manager and is composed of three NEDs, a majority of whom (including the chairman of the AC) are required to be Directors independent from management and business relationships with the H-REIT Manager.

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

Powers and Duties of the AC

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

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

- to review with Management and, where appropriate, with the external auditors the quarterly and full year financial statements to be issued by the H-REIT Group and the Stapled Group before their submission to the H-REIT Manager Board to ensure that they are drawn up to give a true and fair view of the state of affairs of the H-REIT Group and the Stapled Group;
- to review activities of the internal auditors on factors such as independence, adequate resources and appropriate standing to perform an effective role;
- to review a summary of the internal audit reports and review Management's responsiveness to the internal audit findings and recommendations;
- to review annually with the RMC, Management, and any competent third parties engaged on the results of their review and evaluation of the H-REIT Manager's material internal controls, including financial, operational and compliance controls and risk management policies and systems and report to the H-REIT Manager Board annually the adequacy and effectiveness of such internal controls;
- to review the correctness, completeness and consistency of information prepared for inclusion in financial reports;
- to make recommendations to the H-REIT Manager Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to review, on an annual basis, the scope and results of the external audit;
- to assess, on an annual basis, the independence and objectivity of the external auditors, and also to review on a periodic basis, the nature and extent of any non-audit services provided by the external auditors to H-REIT;
- to review the H-REIT Manager's whistle-blowing policy and arrangements put in place for raising concerns about possible improprieties in matters of financial reporting or any other matters; and
- to monitor the procedures established to regulate Related Party Transactions and/or Interested Party Transactions, including reviewing any Related Party Transactions and/or Interested Party Transactions entered into from time to time and ensuring compliance with the relevant provisions of the Listing Manual and the Property Funds Appendix.

CORPORATE GOVERNANCE

The AC has established an internal controls system to ensure that all Related Party Transactions and/or Interested Party Transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of H-REIT and the holders of H-REIT units.

The AC held four meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all AC meetings including records of discussions on key deliberations and decisions taken. The AC meets with the internal and external auditors, each separately without the presence of Management, annually.

In performing its duties, the AC also took guidance from the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee in October 2008 (“**ACGC Guidebook**”). For the financial year under review, the AC conducted a self-assessment of its effectiveness in the discharge of its duties and responsibilities. The assessment was facilitated through the use of a self-assessment checklist (“**AC Self-Assessment Checklist**”) adapted from the self-assessment checklist for audit committees set out in the ACGC Guidebook.

The AC Self-Assessment Checklist covered the AC terms of reference, composition, meetings, training and resources, financial reporting, internal controls, internal and external audit processes, whistle-blowing, relationships with the Board and communication with Security Holders.

Based on the self-assessment, the AC agreed that continuing development and improvement of the AC effectiveness is an ongoing process and that the AC has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

External Auditors

The AC evaluated the quality of work performed by external auditors in FY 2012 based on the “Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors” issued by The Accounting and Corporate Regulatory Authority (“**ACRA**”) and Singapore Exchange Limited on 15 July 2010.

Taking cognizance that the external auditors should be free from any business or other relationships with the H-REIT Group and the Stapled Group that could materially interfere with their ability to act with integrity and objectivity, the AC undertook a review of the independence of KPMG LLP (“**KPMG**”) and gave careful consideration to the H-REIT Group’s and the Stapled Group’s relationships with them during 2012. In determining the independence of KPMG, the AC considered the nature of the provision of the non-audit services in 2012 and the corresponding fees and was of the opinion that such non-audit services and fees did not impair or threaten the audit independence. Based on the review, the AC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the H-REIT Group’s and the Stapled Group’s statutory audit.

For details of the fees paid and/or payable by the H-REIT Group and the Stapled Group in respect of audit and non-audit services for FY 2012, please refer to note 16 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2013, the AC had considered the following:

- (i) the adequacy and experience of the supervisory and professional staff of KPMG assigned to the audit of the H-REIT 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 and the Stapled Group.

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

On the basis of the above, the AC has recommended to the Board the nomination of KPMG for re-appointment as external auditors of the H-REIT Group and the Stapled Group at the 2013 annual general meetings.

CORPORATE GOVERNANCE

Whistle-Blowing Policy

The H-REIT Manager has in place a whistle-blowing procedure where staff of the H-REIT Manager 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 AC has the responsibility of overseeing this policy which is administered with the assistance of Management. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action to be taken.

In January 2013, the AC revised the whistle-blowing policy to allow other persons (apart from staff of the H-REIT Manager) to make reports under the whistle-blowing policy, in alignment with the guidelines of the 2012 Code. In order to facilitate and encourage the reporting of such matters, the whistle-blowing policy, including the dedicated whistle-blowing email address at acchairman@cdlht.com and postal correspondence channel were made available on CDLHT's website in 2013.

The H-REIT Manager is 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.

As HBT was dormant during FY 2012, the audit committee of the HBT Trustee-Manager was similarly dormant during this period.

Principle 12: Internal Controls

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

Risk Management

The H-REIT Manager Board has established a RMC which comprises three members, with the majority of the RMC members being independent, which includes the chairman of the RMC and another member who should also be a member of the Audit Committee.

The objective of the RMC is to assist the H-REIT Manager Board in the discharge of its duties to maintain an effective control environment that reflects both the established risk appetite and the business objectives.

The RMC reports to the Board at least once a year on the nature and extent of the functions performed by it and shall make recommendations to the Board on any matters within its scope of duties as it may think fit. The RMC's other duties within its written terms of reference include:

- approving and overseeing the risk management framework designed, established and implemented by the Management for the identification, assessment, management and monitoring of risks, and with the objective of embedding risk management into existing management processes;
- reviewing and endorsing the risk appetite and tolerance as determined using the risk limits and/or parameters established by the Management;
- ensuring the adequacy and appropriateness of the risk assessment and management processes;
- reviewing key strategic risks (and gaps) identified by the Management team; and
- ensuring that the key strategic risks (and gaps) identified have been adequately covered/mitigated by the H-REIT Manager.

The RMC is entitled to the full co-operation and from time to time the assistance of Management and may require the provision of such information, and access to such personnel, as it deems necessary, and to seek external professional advice on such matters within its scope of duties as may be appropriate. The RMC may also invite any other Director, other senior executives and/or external professional advisers to attend its meetings.

CORPORATE GOVERNANCE

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's internal controls structure has 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 correct and complete financial and other information, and in compliance with applicable laws and regulations. Nevertheless, 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's internal controls structure includes:

- an external audit program;
- an internal audit program;
- 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 and compliance controls; and
- a whistle-blowing program.

Based on the internal controls framework established, the independent reviews conducted by KPMG Services Pte. Ltd. of H-REIT's governance and internal controls framework and the assurance from Management, the H-REIT Manager Board confirms, with the assistance of the AC and the RMC, that it has reviewed the adequacy and effectiveness of H-REIT's internal controls system that address H-REIT's financial, operational and compliance controls and concurs with the opinion of the AC and the RMC that the system of internal controls in place as at 31 December 2012 is adequate and effective to address in all material respects the financial, operational and compliance risks within the current scope of H-REIT's business operations in order for H-REIT to achieve its objectives.

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 are extended to the AC, the Chief Executive Officer and the Chief Financial Officer of the H-REIT Manager. The AC meets the internal auditors at least once annually without the presence of Management. 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 AC reviews the IA plan. Processes are in place such that material control weaknesses raised in the IA reports are dealt with in a timely manner, with outstanding exceptions or recommendations being closely monitored and reported back to the AC on a quarterly basis.

The AC reviews the activities of the internal auditors on a quarterly basis and is satisfied that the IA function is independent of the activities which it audits; is adequately resourced; and has appropriate standing within the H-REIT Manager to perform its role and responsibilities effectively.

CORPORATE GOVERNANCE

COMMUNICATION WITH SECURITY HOLDERS

Principle 14: Communication with Security Holders

The H-REIT Manager announces the quarterly and full year financial results of the H-REIT Group and the Stapled Group within the mandatory period. The financial statements of the H-REIT 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 Security Holders receive the annual report of CDL Hospitality Trusts and the Notice of annual general meetings of Security Holders, which notice is also advertised in the press and released via SGXNET. Security Holders and investors can access information on CDL Hospitality Trusts at its website at www.cdlht.com which provides, *inter alia*, corporate announcements, press releases and the latest financial results as disclosed by CDL Hospitality Trusts on SGXNET.

From time to time, the Management of the H-REIT Manager holds briefings with analysts and the media to coincide with the release of CDL Hospitality Trusts' quarterly and full year financial results. Media presentation slides are also released on SGXNET and available on the CDL Hospitality Trusts' 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.

Principle 15: Greater Participation of Security Holders

At annual general meetings, Security Holders are given the opportunity to communicate their views and encouraged to ask the H-REIT Manager Board and the Management questions regarding matters affecting H-REIT. The chairmen of the AC and RMC and the external auditors were present at the last annual general meetings, and would, together with the Lead ID, endeavour as far as reasonably practicable to be present at the 2013 annual general meetings to address, and assist the H-REIT Manager Board in addressing queries raised by the Security Holders.

In accordance with the H-REIT Trust Deed, Security Holders may appoint one or two proxies to attend and vote at the general meetings in their absence. All Security Holders are allowed to vote in person or by proxy. As the authentication of a Security Holder's identity information and other related integrity issues still remain a concern, the H-REIT Manager has decided, for the time being, not to implement voting by the Security Holders 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 also maintains minutes of the general meetings, which includes the key comments and queries raised by Security Holders and the responses from the H-REIT Manager Board, Management, and/or the external auditors.

Proxy votes received in connection with the resolutions set out in the notice of general meetings are also released in an announcement after the said meetings.

STATEMENT OF POLICIES AND PRACTICES

As HBT has been dormant, the HBT Trustee-Manager has not 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), but will do so upon HBT becoming active.

SUSTAINABILITY REPORTING

CDLHT and Sustainability

Having a sizeable investment portfolio of hotel properties, CDLHT is aware of the impact of its business on the environment and society and recognises that investors these days do not regard financial success as the sole indicator of performance. In addition to financial performance, CDLHT recognises that a credible record in sustainability would boost its reputation in the hospitality industry and further improve its relations with various stakeholders. As such, CDLHT will continue to monitor its sustainability efforts in order to achieve an optimum balance and enhance Security Holders' interests. To add value to stakeholders including not only Security Holders but also the societies and environments in which H-REIT operates (noting that HBT is currently dormant), the H-REIT Manager adopts a balanced approach to sustainability, keeping in mind CDLHT's objectives, the available resources and CDLHT's operating framework.

Ongoing Sustainability and Capital Expenditure Efforts at CDLHT's Hotels

H-REIT leases its hotel properties to master lessees, which operate the respective hotels or maintain management agreements with hotel operators. The H-REIT Manager therefore works with professional hotel operators and lessees and accordingly adopts a co-operative rather than prescriptive approach to sustainability in its hotels as it depends largely on the external hotel operators and lessees to steer the hotel operations in a sustainable manner.

H-REIT is cognizant and appreciative of the efforts made by its hotel operators in the field of sustainability. Its hotels proactively take steps to reduce water and energy consumption, minimise waste and carbon emissions and endeavour to adopt internationally-recognised best practices in environmental management. In particular, some of its hotels have been working on enhanced chiller energy efficiency and/or LED lighting in selected areas of the hotel where replacement of the LED lighting is underway or are deemed appropriate.

The H-REIT Manager complements such ongoing sustainability efforts by promoting sustainability through the management of capital expenditure, particularly where there are cost-savings benefits, such as through the reduction of energy consumption.

Chiller

Both Novotel Singapore Clarke Quay and Copthorne King's Hotel have replaced their chillers in FY 2012. Novotel Singapore Clarke Quay commissioned two of its chillers and cooling towers in 4Q 2012 whilst Copthorne King's Hotel's new, energy-saving chiller became fully operational in December 2012. Both hotels are working towards achieving a Green Mark "Gold" certification from the Building and Construction Authority of Singapore and are expected to reap the full benefits of the energy consumption savings in FY 2013.

At the Grand Copthorne Waterfront Hotel, the hotel is studying the feasibility of replacing three of its chillers for long term energy savings, with possible replacements in FY 2013/2014.

As for the other Singapore hotels in H-REIT's portfolio, chiller plant room preventive and predictive maintenance works are carried out based on the original equipment manufacturers recommendation. This includes regular servicing, an annual overhaul of the hotel chillers and a major chiller optimization overhaul to be carried out typically every five years or so.

SUSTAINABILITY REPORTING

LED Lighting

In 4Q 2012, Studio M Hotel completed the replacement of halogen lightings in all its guestrooms with LED lighting. Between March to December 2012, M Hotel also installed LED lighting in its guestrooms as well as guest floor corridors, and there are also plans to install LED light bulbs in all common areas of the hotel this year.

At Orchard Hotel, the operating team also replaced the existing lighting at the Level 3 lobby with LED lighting, installed escalators with motion sensor detectors to save on energy and installed LED lighting for all 331 of its Claymore Wing rooms.

Both the hotel operator and the H-REIT Manager look forward to seeing positive results from these efforts and will continue to monitor the impact of such sustainability initiatives.

Sustainability Awards and Achievements

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

Environmental:

ASEAN Green Hotel Award	: Grand Copthorne Waterfront Hotel (2012) M Hotel (2010-2012)
Green Globe ⁽¹⁾ , now known as EarthCheck :	Novotel Brisbane (2010-2012, Silver) Novotel Singapore Clarke Quay (2012, Silver), (2010-2011, Standard) Rendezvous Hotel Auckland (2010- 2012,Bronze)
ISO 14001 certification ⁽²⁾	: Mercure/Ibis Brisbane (2012)
Australia Water Corporation Water Efficiency Award	: Ibis Perth (2012, Silver)
BCA Green Mark ⁽³⁾	: Grand Copthorne Waterfront Hotel (2011, Gold) M Hotel (2011, Gold) Orchard Hotel (2011, Gold) Copthorne King's Hotel (2012, Gold)
Singapore Green Hotel Award	: Grand Copthorne Waterfront Hotel (2011) Orchard Hotel (2011) M Hotel (2010-2011) Novotel Singapore Clarke Quay (2010-2011)
PUB Water Efficiency Award	: Grand Copthorne Waterfront Hotel (2010) Orchard Hotel (2010)

(1) The Green Globe Certification Standard is a structured assessment of the sustainability performance of travel and tourism businesses. It comprises 337 compliance indicators applied to 41 individual sustainability criteria and is based on a number of international standards and agreements. A third-party independent auditor is appointed to work with clients on-site. The international standard ISO 19011 provides guidance on the management of audit programs, the conduct of internal and external management systems as well as the competence and evaluation of auditors.

(2) ISO 14001 sets out the criteria for an environmental management system. It does not state requirements for environmental performance, but maps out a framework that a company or organization can follow to set up an effective environmental management system. It can be used by any organization that wants to improve resource efficiency, reduce waste and drive down costs. Using ISO 14001 can provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved. ISO 14001 can also be integrated with other management functions and assists companies in meeting their environmental and economic goals.

(3) The Green Mark Scheme was launched in January 2005 by the Building and Construction Authority of Singapore to steer the construction industry in Singapore in the direction of environment-friendly buildings. It is essentially a benchmarking scheme that incorporates globally recognised best practices in environmental design and performance.

SUSTAINABILITY REPORTING

Hotel Safety and Security:

Hotel Security Award	:	Novotel Singapore Clarke Quay (2012) Copthorne King's Hotel (2011) Grand Copthorne Waterfront Hotel (2011) M Hotel (2011)
Hotel Security Excellence Award	:	M Hotel (2012) Grand Copthorne Waterfront Hotel (2012) Orchard Hotel (2011)
SHA Vigilance Ward - Special Award	:	M Hotel (2012)
Workplace Safety & Health Biz safe certification	:	Studio M Hotel (2012, Level 3 certified)
Fire Safety Award	:	Orchard Hotel (2011)
Fire Safety Excellence Award	:	Copthorne King's Hotel (2011) Grand Copthorne Waterfront Hotel (2011) M Hotel (2011)

Sustainability Beyond Hotel Operations and Capital Expenditure Initiatives

Corporate governance and risk management are aspects of sustainability emphasised at the level of CDLHT itself and are fully explored in the corporate governance section of the Annual Report. To maintain the integrity of its corporate governance structure, CDLHT adheres to its governing documents and complies with applicable laws and regulations of Singapore on both governance and business activities.

The H-REIT Manager also expects employees and officers to conduct themselves ethically and anti-competitive practices, bribery, fraud and other forms of corruption are not condoned. With this in mind, the H-REIT Manager selects employees and officers not only based on sufficiency of experience and skills but also with the requisite integrity for the role.

FINANCIAL STATEMENTS

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REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

The directors of M&C Business Trust Management Limited, the Trustee-Manager of CDL Hospitality Business Trust ("HBT"), are pleased to submit this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2012.

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

Wong Hong Ren (Chairman)
Vincent Yeo Wee Eng (Chief Executive Officer)
Jenny Lim Yin Nee
Jimmy Chan Chun Ming
Richard Anthony Johnson
Daniel Marie Ghislain Desbaillets

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 infant children) in units in HBT are as follows:

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

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

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.

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.

There were no changes in any of the abovementioned interests in HBT between the end of the financial year and 21 January 2013.

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.

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

REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

In our opinion:

- (a) the financial statements of HBT set out on pages 75 to 135 are drawn up so as to give a true and fair view of the state of affairs of HBT as at 31 December 2012 and of the results, changes in unitholders' funds and cash flows of HBT 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 will be able to pay its debts as and when they fall due.

With respect to the income statement of HBT for the year ended 31 December 2012:

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

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

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

Wong Hong Ren
Director

Vincent Yeo Wee Eng
Director

Singapore
12 March 2013

STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

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

Vincent Yeo Wee Eng
Chief Executive Officer

Singapore
12 March 2013

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 and the Listing Manual (collectively referred to as the “laws and regulations”), the H-REIT Trustee shall monitor the activities of M&C REIT Management Limited (the “H-REIT Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 8 June 2006 as amended by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010 and the Third Supplemental Deed dated 20 July 2010 (collectively, the “H-REIT Trust Deed”) between the H-REIT Manager and the H-REIT Trustee in each annual accounting period; and report thereon to unitholders in an annual report which shall contain the matters prescribed by the laws and regulations as well as the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of the Certified Public Accountants of Singapore and the provisions of the H-REIT Trust Deed.

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 75 to 135, comprising the H-REIT Group’s Statement of Financial Position, Statement of Total Return, Statement of Movements in Unitholders’ Funds, Distribution Statement, Portfolio Statement, Statement of Cash Flows and Notes to the Financial Statements, in accordance with the limitations imposed on the investment and borrowing powers set out in the H-REIT Trust Deed, laws and regulations and otherwise in accordance with the provisions of the H-REIT Trust Deed.

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

Jane Lim Puay Yuen
Director

Singapore
12 March 2013

REPORT OF THE MANAGER OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

In the opinion of the directors of M&C REIT Management Limited (the “H-REIT Manager”), the Manager of CDL Hospitality Real Estate Investment Trust (“H-REIT”), the accompanying consolidated financial statements of H-REIT and its subsidiaries (collectively, the “H-REIT Group”) and CDL Hospitality Trusts (the “Stapled Group”, comprising the H-REIT Group and CDL Hospitality Business Trust (“HBT”)) set out on pages 75 to 135 comprising their Statements of Financial Position, Statements of Total Return, Statements of Movements in Unitholders’ Funds, Distribution Statements, Portfolio Statements, Statements of Cash Flows and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial positions of the H-REIT Group and the Stapled Group as at 31 December 2012, the total return, movements in unitholders’ funds, distributable income and cash flows of the H-REIT Group and the Stapled Group for the year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore and the provisions of H-REIT’s trust deed between DBS Trustee Limited (the “H-REIT Trustee”) and the H-REIT Manager dated 8 June 2006 as amended by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010 and the Third Supplemental Deed dated 20 July 2010 (collectively, the “H-REIT Trust Deed”) and the stapling deed of CDL Hospitality Trusts between the H-REIT Trustee, the H-REIT Manager and M&C Business Trust Management Limited (the Trustee-Manager of HBT) dated 12 June 2006. At the date of this statement, there are reasonable grounds to believe that the H-REIT Group and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

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

Vincent Yeo Wee Eng

Director

Singapore

12 March 2013

INDEPENDENT AUDITORS' REPORT

Unitholders

CDL Hospitality Business Trust

CDL Hospitality Real Estate Investment Trust

Report on the financial statements

We have audited:

- (i) the financial statements of CDL Hospitality Business Trust ("HBT") (constituted in the Republic of Singapore pursuant to a trust deed dated 12 June 2006) for the financial year ended 31 December 2012;
- (ii) the consolidated financial statements of CDL Hospitality Real Estate Investment Trust (constituted in the Republic of Singapore pursuant to a trust deed dated 8 June 2006 as amended by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010 and the Third Supplemental Deed dated 20 July 2010 (collectively, the "H-REIT Trust Deed")) and its subsidiaries (the "H-REIT Group") for the financial year ended 31 December 2012; and
- (iii) the consolidated financial statements of CDL Hospitality Trusts (constituted in the Republic of Singapore pursuant to a stapling deed dated 12 June 2006 (the "Stapling Deed")) for the financial year ended 31 December 2012,

as set out on pages 75 to 135. CDL Hospitality Trusts, which comprises HBT and the H-REIT Group, is hereinafter referred to as the "Stapled Group".

The accompanying financial statements comprise the statements of financial position of HBT, the H-REIT Group and the Stapled Group as at 31 December 2012; the statement of comprehensive income of HBT, statements of total return of the H-REIT Group and the Stapled Group, statements of movements in unitholders' funds of HBT, the H-REIT Group and the Stapled Group, distribution statements of the H-REIT Group and the Stapled Group and statements of cash flows of HBT, the H-REIT Group and the Stapled Group, all for the year ended 31 December 2012; portfolio statements of the H-REIT Group and the Stapled Group as at 31 December 2012; and a summary of significant accounting policies and other explanatory information, as set out on pages 75 to 135.

HBT Trustee-Manager's responsibilities for the financial statements

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

H-REIT Manager's responsibilities for the financial statements

M&C REIT Management Limited, the Manager of H-REIT (the "H-REIT Manager"), is responsible for the preparation and fair presentation of the consolidated financial statements of the H-REIT Group and the Stapled Group in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore, and for such internal control as the Manager of the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the HBT Trustee-Manager and the H-REIT Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

- (a) the financial statements of HBT are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of HBT as at 31 December 2012 and the results, movements in unitholders' funds and cash flows of HBT for the year then ended; and
- (b) the financial statements of the H-REIT Group and the Stapled Group present fairly, in all material respects, the consolidated financial positions of the H-REIT Group and the Stapled Group as at 31 December 2012 and the consolidated total return, movements in unitholders' funds, distributable income and cash flows of the H-REIT Group and of the Stapled Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the provisions of the H-REIT Trust Deed and the Stapling Deed.

Report on other legal and regulatory requirements

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

KPMG LLP

Public Accountants and
Certified Public Accountants

Singapore

12 March 2013

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

		HBT		H-REIT Group		Stapled Group	
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Non-current assets							
Investment properties	4	–	–	2,044,925	2,029,847	2,044,925	2,029,847
Subsidiaries	5	–	–	–	–	–	–
Rental deposits		–	–	76	76	76	76
		–	–	2,045,001	2,029,923	2,045,001	2,029,923
Current assets							
Trade and other receivables	6	–	–	13,583	18,036	13,583	18,036
Cash and cash equivalents	7	380	381	74,994	70,112	75,374	70,493
		380	381	88,577	88,148	88,957	88,529
Total assets		380	381	2,133,578	2,118,071	2,133,958	2,118,452
Non-current liabilities							
Loans and borrowings	9	–	–	270,018	534,765	270,018	534,765
Rental deposits		–	–	6,645	6,472	6,645	6,472
Deferred tax liabilities	10	–	–	8,096	6,001	8,096	6,001
		–	–	284,759	547,238	284,759	547,238
Current liabilities							
Loans and borrowings	9	–	–	259,773	–	259,773	–
Trade and other payables	11	1	1	25,130	22,736	25,131	22,737
Provision for taxation		–	–	2	816	2	816
		1	1	284,905	23,552	284,906	23,553
Total liabilities		1	1	569,664	570,790	569,665	570,791
Net assets		379	380	1,563,914	1,547,281	1,564,293	1,547,661
Represented by:							
Unitholders' funds							
Unitholders' funds of H-REIT Group		–	–	1,563,914	1,547,281	1,563,914	1,547,281
Unitholders' funds of HBT		379	380	–	–	379	380
		379	380	1,563,914	1,547,281	1,564,293	1,547,661
Units/Stapled Securities in issue ('000)							
	8	968,739	963,254	968,739	963,254	968,739	963,254
Net asset value per Unit/Stapled Security (\$)							
	12	0.0004	0.0004	1.61	1.60	1.61	1.60

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

STATEMENT OF COMPREHENSIVE INCOME OF HBT STATEMENTS OF TOTAL RETURN OF THE H-REIT GROUP AND THE STAPLED GROUP

Year ended 31 December 2012

		HBT		H-REIT Group		Stapled Group	
	Note	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Gross revenue	13	–	–	149,535	141,107	149,535	141,107
Property expenses	14	–	–	(10,242)	(5,916)	(10,242)	(5,916)
Net property income		–	–	139,293	135,191	139,293	135,191
H-REIT Manager's fees	15	–	–	(12,221)	(11,693)	(12,221)	(11,693)
H-REIT Trustee's fee		–	–	(246)	(235)	(246)	(235)
Other charges	16	(2)	(3)	(1,568)	(2,517)	(1,570)	(2,520)
Finance income		1	–	671	1,405	672	1,405
Finance expense		–	–	(16,380)	(14,572)	(16,380)	(14,572)
Net finance income/ (expense)	17	1	–	(15,709)	(13,167)	(15,708)	(13,167)
Net (expense)/ income before revaluation		(1)	(3)	109,549	107,579	109,548	107,576
Net surplus on revaluation of investment properties		–	–	14,982	73,213	14,982	73,213
Net (loss)/income	18	(1)	(3)	124,531	180,792	124,530	180,789
Income tax expense	19	–	–	(2,363)	(4,500)	(2,363)	(4,500)
Total return for the year		(1)	(3)	122,168	176,292	122,167	176,289
Other comprehensive income for the year, net of income tax		–	–				
Total comprehensive income for the year		(1)	(3)				
Earnings per Stapled Security (cents)	20						
Basic						12.64	18.34
Diluted						12.64	18.34

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2012

	— Unitholders' funds of HBT —			Unitholders' funds of H-REIT Group					Stapled Group
	Units in	Accumulated		Units	Issue	Foreign	Accumulated		
	Issue	profits	Total	in issue	expenses	currency	profits	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	translation	\$'000	\$'000	\$'000
At 1 January 2012	379	1	380	1,118,103	(23,921)	(325)	453,424	1,547,281	1,547,661
Operations									
Increase in net assets resulting from operations	—	(1)	(1)	—	—	—	122,168	122,168	122,167
Movements in foreign currency translation reserve:									
- Translation differences relating to financial statements of foreign operations	—	—	—	—	—	(3,058)	—	(3,058)	(3,058)
- Exchange differences on a monetary item forming part of net investment in a foreign operation	—	—	—	—	—	(6,392)	—	(6,392)	(6,392)
- Exchange differences arising from hedge of net investment in a foreign operation	—	—	—	—	—	4,380	—	4,380	4,380
Net income recognised directly in unitholders' funds	—	—	—	—	—	(5,070)	—	(5,070)	(5,070)
Total recognised income and expense	—	(1)	(1)	—	—	(5,070)	122,168	117,098	117,097
Unitholders' transactions									
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	—	—	—	9,776	—	—	—	9,776	9,776
Distributions to holders of Stapled Securities	—	—	—	—	—	—	(110,241)	(110,241)	(110,241)
Net decrease in net assets resulting from unitholders' transactions	—	—	—	9,776	—	—	(110,241)	(100,465)	(100,465)
At 31 December 2012	379	—	379	1,127,879	(23,921)	(5,395)	465,351	1,563,914	1,564,293

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2011

	— Unitholders' funds of HBT —			—— Unitholders' funds of H-REIT Group ——			Stapled Group		
	Units in	Accumulated		Units	Issue	Foreign	Accumulated		
	Issue	profits	Total	in issue	expenses	currency	profits	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	translation	\$'000	\$'000	\$'000
						reserve			
						\$'000			
At 1 January 2011	379	4	383	1,107,209	(24,695)	(2,061)	379,402	1,459,855	1,460,238
Operations									
Increase in net assets resulting from operations	—	(3)	(3)	—	—	—	176,292	176,292	176,289
Movements in foreign currency translation reserve:									
- Translation differences relating to financial statements of foreign operations	—	—	—	—	—	(867)	—	(867)	(867)
- Exchange differences on a monetary item forming part of net investment in a foreign operation	—	—	—	—	—	2,510	—	2,510	2,510
- Exchange differences arising from hedge of net investment in a foreign operation	—	—	—	—	—	93	—	93	93
Net income recognised directly in unitholders' funds	—	—	—	—	—	1,736	—	1,736	1,736
Total recognised income and expense	—	(3)	(3)	—	—	1,736	176,292	178,028	178,025
Balance carried forward	379	1	380	1,107,209	(24,695)	(325)	555,694	1,637,883	1,638,263

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2011

	— Unitholders' funds of HBT —			Unitholders' funds of H-REIT Group —				Stapled Group	
	Units in	Accumulated		Units	Issue	Foreign	Accumulated		
	Issue	profits	Total	in issue	expenses	currency	profits	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	translation	\$'000	\$'000	\$'000
Balance brought forward	379	1	380	1,107,209	(24,695)	(325)	555,694	1,637,883	1,638,263
Unitholders' transactions									
Units/Stapled Securities to be issued as payment of H-REIT Manager's acquisition fees	—	—	—	1,540	—	—	—	1,540	1,540
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	—	—	—	9,354	—	—	—	9,354	9,354
Issue expenses	—	—	—	—	774	—	—	774	774
Distributions to holders of Stapled Securities	—	—	—	—	—	—	(102,270)	(102,270)	(102,270)
Net decrease in net assets resulting from unitholders' transactions	—	—	—	10,894	774	—	(102,270)	(90,602)	(90,602)
At 31 December 2011	379	1	380	1,118,103	(23,921)	(325)	453,424	1,547,281	1,547,661

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of H-REIT, exchange differences on a monetary item which forms part of the H-REIT Group's net investment in a foreign operation and exchange differences arising from hedge of net investment in a foreign operation.

DISTRIBUTION STATEMENTS

Year ended 31 December 2012

	H-REIT Group and Stapled Group	
	2012	2011
	\$'000	\$'000
Income available for distribution to holders of Stapled Securities at the beginning of the year	55,212	51,163
Net income of H-REIT (Note 18)	118,254	182,715
Net tax adjustments (Note A)	3,404	(64,583)
Income available for distribution for the current year	121,658	118,132
Income available for distribution to holders of Stapled Securities	176,870	169,295
Distribution to holders of Stapled Securities:		
Distribution of 5.71 cents per Stapled Security for the period from 1/7/2011 to 31/12/2011	(55,092)	–
Distribution of 5.70 cents per Stapled Security for the period from 1/1/2012 to 30/6/2012	(55,149)	–
Distribution of 5.31 cents per Stapled Security for the period from 1/7/2010 to 31/12/2010	–	(50,911)
Distribution of 5.34 cents per Stapled Security for the period from 1/1/2011 to 30/6/2011	–	(51,359)
	(110,241)	(102,270)
Income available for distribution to holders of Stapled Securities at end of the year	66,629	67,025
Amount retained for working capital	(12,166)	(11,813)
Income to be distributed to holders of Stapled Securities at the end of the year	54,463	55,212
Note A – Net tax adjustments comprise:		
Non-tax deductible/(chargeable) items:		
- Amortisation of transaction costs	782	442
- Financial expense arising from remeasuring non-current rental deposits at amortised cost	173	169
- Foreign exchange loss/(gain)	2,584	(3,358)
- H-REIT Manager's management fees paid/payable in Stapled Securities	9,776	9,354
- H-REIT Trustee's fee	246	235
- Net surplus on revaluation of investment properties	(10,799)	(71,738)
- Other items	642	313
Net tax adjustments	3,404	(64,583)

Distributions of the Stapled Group represents the aggregate of distributions by H-REIT and HBT. The distribution of the Stapled Group for the year is contributed solely by H-REIT as HBT was dormant during the year. Accordingly, only the income available for distribution of H-REIT has been presented.

PORTFOLIO STATEMENTS

As at 31 December 2012

The H-REIT Group

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying value at 31/12/2012 \$'000	Carrying value at 31/12/2011 \$'000	Percentage of Total Net Assets at 31/12/2012 %	Percentage of Total Net Assets at 31/12/2011 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	69 years	442 Orchard Road	Hotel	454,000	450,000	29.0	29.1
Orchard Hotel Shopping Arcade	Freehold *	75 years	69 years	442 Orchard Road	Retail	68,000	54,800	4.4	3.5
Grand Copthorne Waterfront Hotel	Freehold *	75 years	69 years	392 Havelock Road	Hotel	350,000	350,000	22.4	22.6
M Hotel	Freehold *	75 years	69 years	81 Anson Road	Hotel	232,000	232,000	14.8	15.0
Copthorne King's Hotel	Leasehold	99 years from 1 Feb 1968	54 years	403 Havelock Road	Hotel	124,400	129,000	8.0	8.4
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 Apr 1980	64 years	177A River Valley Road	Hotel	304,000	296,000	19.4	19.1
Studio M Hotel	Leasehold	99 years from 26 Feb 2007	93 years	3 Nanson Road	Hotel	163,000	163,000	10.4	10.5
Balance carried forward						1,695,400	1,674,800	108.4	108.2

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

PORTFOLIO STATEMENTS

As at 31 December 2012

The H-REIT Group

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying value at 31/12/2012 \$'000	Carrying value at 31/12/2011 \$'000	Percentage of Total Net Assets at 31/12/2012 %	Percentage of Total Net Assets at 31/12/2011 %
Balance brought forward						1,695,400	1,674,800	108.4	108.2
New Zealand									
Rendezvous Grand Hotel Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	88,317	90,495	5.7	5.8
Australia									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	78,616	80,188	5.0	5.2
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	91,296	94,286	5.8	6.1
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	35,504	33,533	2.3	2.2
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	55,792	56,545	3.6	3.7
Investment properties, at valuation						2,044,925	2,029,847	130.8	131.2
Other assets and liabilities (net)						(481,011)	(482,566)	(30.8)	(31.2)
Net assets of H-REIT Group						1,563,914	1,547,281	100.0	100.0

PORTFOLIO STATEMENTS

As at 31 December 2012

The Stapled Group

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying value at 31/12/2012 \$'000	Carrying value at 31/12/2011 \$'000	Percentage of Total Net Assets at 31/12/2012 %	Percentage of Total Net Assets at 31/12/2011 %
Investment properties									
Singapore									
Orchard Hotel	Freehold *	75 years	69 years	442 Orchard Road	Hotel	454,000	450,000	29.0	29.1
Orchard Hotel Shopping Arcade	Freehold *	75 years	69 years	442 Orchard Road	Retail	68,000	54,800	4.4	3.5
Grand Copthorne Waterfront Hotel	Freehold *	75 years	69 years	392 Havelock Road	Hotel	350,000	350,000	22.4	22.6
M Hotel	Freehold *	75 years	69 years	81 Anson Road	Hotel	232,000	232,000	14.8	15.0
Copthorne King's Hotel	Leasehold	99 years from 1 Feb 1968	54 years	403 Havelock Road	Hotel	124,400	129,000	8.0	8.4
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 Apr 1980	64 years	177A River Valley Road	Hotel	304,000	296,000	19.4	19.1
Studio M Hotel	Leasehold	99 years from 26 Feb 2007	93 years	3 Nanson Road	Hotel	163,000	163,000	10.4	10.5
Balance carried forward						1,695,400	1,674,800	108.4	108.2

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

PORTFOLIO STATEMENTS

As at 31 December 2012

The Stapled Group

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying value at 31/12/2012 \$'000	Carrying value at 31/12/2011 \$'000	Percentage of Total Net Assets at 31/12/2012 %	Percentage of Total Net Assets at 31/12/2011 %
Balance brought forward						1,695,400	1,674,800	108.4	108.2
New Zealand									
Rendezvous Grand Hotel Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	88,317	90,495	5.6	5.8
Australia									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	78,616	80,188	5.0	5.2
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	91,296	94,286	5.8	6.1
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	35,504	33,533	2.3	2.2
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	55,792	56,545	3.6	3.7
Investment properties, at valuation						2,044,925	2,029,847	130.7	131.2
Other assets and liabilities (net)						(480,632)	(482,186)	(30.7)	(31.2)
Net assets of Stapled Group						1,564,293	1,547,661	100.0	100.0

PORTFOLIO STATEMENTS

As at 31 December 2012

In prior year, the H-REIT Group acquired Studio M Hotel for a cash consideration of \$154,000,000 from a related corporation of the H-REIT Manager. The total acquisition costs of \$2,083,000 included an acquisition fee payable to H-REIT Manager of \$1,540,000.

The carrying amounts of the investment properties located in Singapore, Australia and New Zealand as at 31 December 2012 were based on independent valuations undertaken by Jones Lang LaSalle Property Consultants Pte Ltd for the Singapore investment properties, Jones Lang LaSalle Hotels (NSW) Pty Limited for the Australia investment properties and Bayleys Valuations Limited for the New Zealand investment 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 capitalisation and discounted cash flow methods for the Singapore investment properties; the discounted cash flow approach for the Australian investment properties; and capitalisation, discounted cashflow and rate per room methods for the New Zealand investment property.

The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuation. The valuation methods used in determining the fair value involve certain estimates including those relating to capitalisation rate, discount rate and terminal yield.

The valuations adopted for the properties were as follows:

	2012	2011
	\$'000	\$'000
Properties		
Orchard Hotel	454,000	450,000
Orchard Hotel Shopping Arcade	68,000	54,800
Grand Copthorne Waterfront Hotel	350,000	350,000
M Hotel	232,000	232,000
Copthorne King's Hotel	124,400	129,000
Novotel Singapore Clarke Quay	304,000	296,000
Studio M Hotel	163,000	163,000
Rendezvous Grand Hotel Auckland	88,317	90,495
Mercure Brisbane and Ibis Brisbane	78,616	80,188
Novotel Brisbane	91,296	94,286
Ibis Perth	35,504	33,533
Mercure Perth	55,792	56,545
	<u>2,044,925</u>	<u>2,029,847</u>

The net change in fair value of the investment properties has been recognised in the Statement of Total Return.

Investment properties are leased to external customers. The leases for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel contain an initial term of 20 years from 19 July 2006 with an option to renew for a further 20 years. The lease for Studio M Hotel contains an initial term of 20 years from 3 May 2011 with an option to renew up to a total term of 70 years. The leases for Orchard Hotel Shopping Arcade generally contain an initial term of one to three years. Subsequent renewals are renegotiated with the lessees. The lease for Rendezvous Grand Hotel Auckland contains an initial term of 10 years from 7 September 2006 with an option to renew for a further 5 years. The lease for Novotel Singapore Clarke Quay contains a term of approximately 13.5 years from 7 June 2007. The leases for the Australia investment properties contain a term of approximately 11 years from 19 February 2010.

STATEMENTS OF CASH FLOWS

Year ended 31 December 2012

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities						
Net (loss)/income	(1)	(3)	124,531	180,792	124,530	180,789
Adjustments for:						
H-REIT Manager's acquisition fee	–	–	–	1,540	–	1,540
H-REIT Manager's management fees paid/payable in						
Stapled Securities	–	–	9,776	9,354	9,776	9,354
Net finance (income)/ expense	(1)	–	15,709	13,167	15,708	13,167
Net surplus on revaluation of investment properties	–	–	(14,982)	(73,213)	(14,982)	(73,213)
Operating (loss)/income before working capital changes	(2)	(3)	135,034	131,640	135,032	131,637
Changes in working capital:						
Trade and other receivables	–	–	3,111	(2,875)	3,111	(2,875)
Trade and other payables	–	–	(1,914)	3,081	(1,914)	3,081
Cash generated from operating activities	(2)	(3)	136,231	131,846	136,229	131,843
Income tax paid	–	–	–	(727)	–	(727)
Net cash (used in)/from operating activities	(2)	(3)	136,231	131,119	136,229	131,116
Cash flows from investing activities						
Acquisition of investment properties	–	–	–	(156,083)	–	(156,083)
Capital expenditure on investment properties	–	–	(6,148)	(12,356)	(6,148)	(12,356)
Interest received	1	–	659	639	660	639
Security deposit from acquisition of investment property	–	–	–	1,600	–	1,600
Net cash from/(used in) investing activities	1	–	(5,489)	(166,200)	(5,488)	(166,200)
Balance carried forward	(1)	(3)	130,742	(35,081)	130,741	(35,084)

STATEMENTS OF CASH FLOWS

Year ended 31 December 2012

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance brought forward	(1)	(3)	130,742	(35,081)	130,741	(35,084)
Cash flows from financing activities						
Distribution to holders of Stapled Securities	–	–	(110,241)	(102,270)	(110,241)	(102,270)
Finance expense paid	–	–	(14,190)	(13,063)	(14,190)	(13,063)
Fixed deposits pledged	–	–	–	15	–	15
Payment of transaction costs related to borrowings	–	–	(1,429)	(450)	(1,429)	(450)
Proceeds from bank loans	–	–	118,178	153,200	118,178	153,200
Proceeds from issuance of notes	–	–	–	153,600	–	153,600
Repayment of bank loans	–	–	(118,178)	(153,200)	(118,178)	(153,200)
Net cash (used in)/ from financing activities	–	–	(125,860)	37,832	(125,860)	37,832
Net (decrease)/increase in cash and cash equivalents	(1)	(3)	4,882	2,751	4,881	2,748
Cash and cash equivalents at beginning of the year	381	384	70,112	67,361	70,493	67,745
Cash and cash equivalents at end of the year (Note 7)	380	381	74,994	70,112	75,374	70,493

Significant Non-Cash Transactions

H-REIT Group and Stapled Group

A total of 5,204,588 (2011: 5,308,975) Stapled Securities were issued or will be issued to the H-REIT Manager at various unit prices as satisfaction of management fees payable to the H-REIT Manager in Stapled Securities, amounting to \$9,776,000 (2011: \$9,354,000) in respect of the year ended 31 December 2012.

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 12 March 2013.

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") (collectively, the "Stapled Group"). H-REIT is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 8 June 2006 as amended by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010 and the Third Supplemental Deed dated 20 July 2010 (collectively, the "H-REIT Trust Deed") between M&C REIT Management Limited (the "H-REIT Manager") and DBS Trustee Limited (the "H-REIT Trustee"). The H-REIT Trust Deed is governed by the laws of the Republic of Singapore. The H-REIT Trustee is under a duty to take into custody and hold the assets of H-REIT held by it or through its subsidiaries in trust for the holders of units in H-REIT. HBT is a business trust constituted by a trust deed dated 12 June 2006 ("HBT Trust Deed") and is managed by M&C Business Trust Management Limited (the "HBT Trustee-Manager"). The securities in each of H-REIT and HBT are stapled together under the terms of a stapling deed dated 12 June 2006 entered into between the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager (the "Stapling Deed") and cannot be traded separately. Each stapled security in CDL Hospitality Trusts (the "Stapled Security") comprises a unit in H-REIT (the "H-REIT Unit") and a unit in HBT (the "HBT Unit").

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

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

As at the reporting date, HBT is dormant.

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

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

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

Pursuant to the HBT Trust Deed, the HBT Trustee-Manager is entitled to the following:

- a 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.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

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

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

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

Any increase in the maximum permitted rate or any change in the structure of the HBT Trustee-Manager's management fees must be approved by an extraordinary resolution at a meeting of holders of the HBT units duly convened and held in accordance with the provisions of the HBT Trust Deed.

Any portion of the management fee payable in the form of Stapled Securities is payable quarterly in arrears and any portion of the management fee payable in cash is payable monthly in arrears.

- an acquisition fee 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.

No trustee fee or management fee is payable while HBT remains dormant.

(ii) H-REIT Manager's fees

Pursuant to the H-REIT Trust Deed, the H-REIT Manager's management fees comprise 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).

For a period of five years commencing from the listing of the Stapled Securities on the SGX-ST, 80% of the management fees payable to the H-REIT Manager was paid 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 issued at the market price (as defined in the H-REIT Trust Deed) prevailing at the date the management fees accrue and 20% of the management fees was paid in the form of cash. Thereafter, the management fees shall be payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect, and in such proportion as may be determined by the H-REIT Manager on a year to year basis. For the financial year ended 31 December 2012, the management fees were satisfied in the form of 80% Stapled Securities and 20% cash.

Any increase in the maximum permitted rate or any change in the structure of the H-REIT Manager's management fees must be approved by an extraordinary resolution at a meeting of holders of the H-REIT units duly convened and held in accordance with the provisions of the H-REIT Trust Deed.

The portion of the management fees payable in the form of Stapled Securities is paid on a quarterly basis, in arrears. The portion of the management fees payable in the form of cash is paid on a monthly basis, in arrears.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (CONT'D)

(ii) *H-REIT Manager's fees (cont'd)*

The H-REIT Manager is also entitled to receive an 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. The acquisition fee is payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect, and 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).

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of HBT are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the functional currency of HBT and H-REIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, 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.

In particular, information about critical judgments 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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by HBT, the H-REIT Group and the Stapled Group consistently to all periods presented in these financial statements.

3.1 Consolidation

Stapling

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

Subsidiaries

Subsidiaries are entities controlled by the H-REIT Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies of the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the H-REIT Group and the Stapled Group.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the H-REIT Group and the Stapled Group at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of total return, except for differences arising on the retranslation of a financial liability designated as a hedge of the H-REIT Group's and the Stapled Group's net investment in a foreign operation that is effective (see below), which are recognised in unitholders' funds directly.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognised directly in the foreign currency translation reserve in unitholders' funds. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to the statement of total return as part of the gain or loss on disposal. When only part of the interest in a subsidiary that includes a foreign operation is disposed of while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised directly in the foreign currency translation reserve in unitholders' funds.

Hedge of net investment in foreign operation

The H-REIT Group and the Stapled Group apply hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the H-REIT's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

Hedge of net investment in foreign operation (cont'd)

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in foreign currency translation reserve in unitholders' funds to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the statement of total return. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the statement of total return as part of the profit or loss on disposal.

3.3 Investment properties

Investment properties accounted for as non-current assets are stated at fair value. Valuation 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 the 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.

Any increase or decrease on revaluation is credited or charged to the statement of total return as a net change in fair value of the investment properties.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above. For taxation purposes, the H-REIT Group may claim capital allowances on assets that qualify as plant and machinery under the income tax laws of the countries in which the investment properties are located.

3.4 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 H-REIT Group or the Stapled Group becomes a party to the contractual provisions of the instrument.

The H-REIT Group and the Stapled Group derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or they transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the H-REIT Group or the Stapled Group is recognised as a separate asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the H-REIT Group or the Stapled Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets are classified into loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, cash and cash equivalents and rental deposits.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits.

Non-derivative financial liabilities

Debt securities issued and subordinated liabilities are initially recognised on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the H-REIT Group or the Stapled Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the H-REIT Group or the Stapled Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are classified into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, trade and other payables and rental deposits.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Derivative financial instruments, including hedge accounting

Derivative financial instruments are held to hedge foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the statement of total return.

On initial designation of the hedge, the relationship between the hedging instrument(s) and hedged item(s) is formally documented, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. An assessment is made, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of total return when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of total return. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in unitholders' funds to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of total return.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in unitholders' funds remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in unitholders' funds is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in unitholders' funds is transferred to the statement of total return in the same period that the hedged item affects the total return.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the statement of total return.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of total return.

Non-financial assets

The carrying amounts of the H-REIT Group's assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of total return.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Unitholders' funds

Unitholders' funds of the Stapled Group comprise unitholders' funds of HBT and the H-REIT Group. Unitholders' funds are classified as equity.

Issue expenses relate to expenses incurred in connection with the issue of Stapled Securities. The expenses are deducted directly against the unitholders' funds.

3.7 Revenue

Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Variable rentals are recognised as income in the accounting period in which they are earned and the amount can be measured reliably. Contingent rentals are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

3.8 Expenses

Property expenses

Property expenses consist of insurance, property tax and other property outgoings in relation to investment properties where such expenses are the responsibility of the H-REIT Group.

Property expenses are recognised on an accrual basis.

H-REIT Manager's management fees

H-REIT Manager's management fees are recognised on an accrual basis using the applicable formula, as described in Note 1(ii).

H-REIT Trustee's fee

The H-REIT Trustee's fee is recognised on an accrual basis using the applicable formula, as described in Note 1(iii).

3.9 Finance income and finance costs

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Finance income and finance costs (cont'd)

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

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

3.10 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to items directly related to unitholders' funds, in which case it is recognised in unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits and temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Income tax (cont'd)

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the H-REIT Group and the Stapled Group recognise tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the H-REIT Group and the Stapled Group believe that certain positions may not be fully sustained upon review by tax authorities, despite the H-REIT Group and the Stapled Group's belief that its tax return positions are supportable. The H-REIT Group and the Stapled Group believe that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgments about future events. New information may become available that causes the H-REIT Group and the Stapled Group to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

H-REIT received a tax ruling from the Inland Revenue Authority of Singapore ("IRAS") and subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of the taxable income of H-REIT, H-REIT will not be taxed on the portion of taxable income of H-REIT that is distributed to holders of H-REIT units. Any portion of the taxable income that is not distributed to holders of H-REIT units will be taxed on H-REIT. In the event that there are subsequent adjustments to the taxable income when the actual taxable income of H-REIT is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the taxable income for the next distribution following the agreement with the IRAS.

Although H-REIT is not taxed on its taxable income distributed, the H-REIT Trustee and the H-REIT Manager are required to deduct income tax at the applicable corporate tax rate from distributions of such taxable income of H-REIT (i.e. which has not been taxed in the hands of the H-REIT Trustee) to certain holders of H-REIT units. The H-REIT Trustee and the H-REIT Manager will not deduct tax from distributions made out of H-REIT's taxable income to the extent that the beneficial holder of H-REIT units is:

- An individual (excluding a partnership in Singapore);
- A tax resident Singapore-incorporated company;
- A body of persons registered or constituted in Singapore (e.g. town council, statutory board, registered charity, registered co-operative society, registered trade union, management corporation, club or trade or industry association); and
- A Singapore branch of a foreign company which has presented a letter of approval from the IRAS granting waiver from tax deduction at source in respect of distributions from H-REIT.

The above tax transparency ruling does not apply to gains from sale of real properties. Such gains which are considered as trading gains are assessable to tax on H-REIT. Where the gains are capital gains, H-REIT will not be assessed to tax and may distribute the capital gains without tax being deducted at source.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Segment reporting

An operating segment is a component of 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 H-REIT Group and the Stapled Group. All operating segments' operating results are reviewed regularly by the board of directors of the H-REIT Manager ("BOD") to make decisions about resources to be allocated to the segment and assess its performance, and is a component for which discrete financial information is available.

Segment results that are reported to the BOD 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 expense and trust expenses.

Segment capital expenditure is the total cost incurred on investment properties during the year.

3.12 New standards, interpretations not yet adopted and revised recommended accounting practice

On 29 June 2012, ICPAS issued a revised version of RAP 7. RAP 7 (2012) will become effective for the financial statements of the H-REIT Group and the Stapled Group for the year ending 31 December 2013, and has not been applied in preparing these financial statements. The Manager does not expect the application of RAP 7 (2012) to have significant impact on the financial statements of the H-REIT Group and the Stapled Group.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the H-REIT Group and the Stapled Group, except for FRS 113 Fair Value Measurement, which replaces the existing guidance on fair value measurement in different FRSs with a single definition of fair value. The Standard also establishes a framework for measuring fair values and sets out the disclosure requirements for fair value measurements. The adoption of this standard will require the H-REIT Group and the Stapled Group to re-assess the bases used for determining the fair values computed for both measurement and disclosure purposes and would result in more extensive disclosure purposes on fair value measurements. On the initial application of the Standard, the H-REIT Group and the Stapled Group do not expect substantial changes to the bases used for determining fair values. In accordance with the transitional provisions, the Group will apply FRS 113 prospectively as of 1 January 2013. As a result, prior periods in the 2013 financial statements of the H-REIT Group and the Stapled Group will not be restated for any adjustments arising from the changes in valuation bases as set out above; any such adjustments will be recorded in the income statement in 2013. The H-REIT Group and the Stapled Group do not plan to adopt these amendments early.

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT PROPERTIES

	Note	HBT		H-REIT Group		Stapled Group	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At 1 January		–	–	2,029,847	1,787,098	2,029,847	1,787,098
Acquisition	(i)	–	–	–	156,083	–	156,083
Capital expenditure capitalised		–	–	9,827	11,652	9,827	11,652
Translation differences		–	–	(9,731)	1,801	(9,731)	1,801
Revaluation differences	(ii)	–	–	14,982	73,213	14,982	73,213
At 31 December		–	–	2,044,925	2,029,847	2,044,925	2,029,847

(i) This relates to the acquisition of the Studio M Hotel in May 2011, which is explained under the Portfolio Statements. Included in acquisition costs are non-audit fees paid to auditors of the H-REIT Group of \$66,500.

(ii) The investment properties are stated at fair value based on valuations performed by independent professional valuers (see Portfolio Statements). The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuation. The valuation methods used in determining the fair value involve certain estimates including those relating to capitalisation rate, discount rate and terminal yield. In relying on the valuation reports, the H-REIT Manager has exercised its judgment and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

NOTES TO THE FINANCIAL STATEMENTS

5 SUBSIDIARIES

H-REIT has 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		Effective equity interest held by the Stapled Group	
		2012 %	2011 %	2012 %	2011 %
⁽¹⁾ CDLHT (BVI) One Ltd	British Virgin Islands	100	100	100	100
^{(1), (2)} CDLHT (BVI) Trust One	–	100	100	100	100
⁽⁵⁾ Sunshine Hotels Australia Pty Ltd	Australia	100	100	100	100
⁽³⁾ CDLHT MTN Pte. Ltd.	Singapore	100	100	100	100
⁽¹⁾ CDLHT Sunshine Limited	British Virgin Islands	100	100	100	100
⁽¹⁾ CDLHT Sunrise Limited	British Virgin Islands	100	100	100	100
⁽¹⁾ CDLHT Two Limited	British Virgin Islands	100	–	100	–
⁽¹⁾ CDLHT Sanctuary Limited	British Virgin Islands	100	–	100	–
Subsidiaries of CDLHT Sunshine Limited					
⁽¹⁾ Sun One Investments Limited	British Virgin Islands	100	100	100	100
⁽¹⁾ Sun Two Investments Limited	British Virgin Islands	100	100	100	100
⁽¹⁾ Sun Three Investments Limited	British Virgin Islands	100	100	100	100
⁽¹⁾ Sun Four Investments Limited	British Virgin Islands	100	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

5 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the H-REIT Group		Effective equity interest held by the Stapled Group	
		2012 %	2011 %	2012 %	2011 %
Subsidiary of Sun One Investments Limited					
(1), (4) Sun Trust One	—	100	100	100	100
Subsidiary of Sun Two Investments Limited					
(1), (4) Sun Trust Two	—	100	100	100	100
Subsidiary of Sun Three Investments Limited					
(1), (4) Sun Trust Three	—	100	100	100	100
Subsidiary of Sun Four Investments Limited					
(1), (4) Sun Trust Four	—	100	100	100	100
Subsidiary of CDLHT Sanctuary Limited					
(6) Sanctuary Sands Maldives Private Limited	Maldives	100	—	100	—

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

(2) Constituted by CDLHT (BVI) One Ltd under a Trust Deed on 23 November 2006.

(3) Audited by KPMG LLP.

(4) Constituted by Sunshine Hotels Australia Pty Ltd under a Trust Deed on 26 January 2010.

(5) Audited by other member firm of KPMG International.

(6) Auditor is to be appointed.

NOTES TO THE FINANCIAL STATEMENTS

6 TRADE AND OTHER RECEIVABLES

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables from:						
- related corporations of the H-REIT Manager	–	–	7,530	7,562	7,530	7,562
- third parties	–	–	5,011	9,764	5,011	9,764
	–	–	12,541	17,326	12,541	17,326
Impairment losses	–	–	(367)	(382)	(367)	(382)
Net trade receivables	–	–	12,174	16,944	12,174	16,944
Deposits	–	–	43	250	43	250
Other receivables	–	–	1,200	568	1,200	568
Loans and receivables	–	–	13,417	17,762	13,417	17,762
Prepayments	–	–	166	274	166	274
	–	–	13,583	18,036	13,583	18,036

H-REIT Group's investment properties, except Orchard Hotel Shopping Arcade, are leased to seven (2011: seven) master lessees. The contribution to trade and other receivables from these master lessees as at 31 December 2012 is \$11,562,000 (2011: \$16,256,000), of which \$4,049,000 (2011: \$8,705,000) is from third parties and \$7,513,000 (2011: \$7,551,000) is from related corporations of the H-REIT Manager.

Outstanding balances with related parties are unsecured. There is no impairment losses arising from these outstanding balances.

Concentration of credit risk relating to trade receivables of Orchard Hotel Shopping Arcade is limited due to the many varied tenants. The H-REIT Group's historical experience in the collection of accounts receivables falls within the recorded impairment losses. Due to these factors, the H-REIT Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the trade receivables of the H-REIT Group and the Stapled Group.

The ageing of trade receivables at the reporting date is:

	H-REIT Group and Stapled Group		Impairment	
	Gross	Impairment	Gross	Impairment
	2012	2012	2011	2011
	\$'000	\$'000	\$'000	\$'000
Not past due	10,930	–	12,451	–
Past due 31 – 60 days	1,085	–	2,680	–
Past due 61 – 90 days	16	–	1,760	–
More than 90 days	510	367	435	382
	12,541	367	17,326	382

NOTES TO THE FINANCIAL STATEMENTS

6 TRADE AND OTHER RECEIVABLES (CONT'D)

The change in impairment losses in respect of trade receivables during the year is as follows:

The H-REIT Group and Stapled Group

	2012 \$'000	2011 \$'000
At 1 January	382	171
Impairment loss (reversed)/recognised	(15)	211
At 31 December	367	382

Based on historical default rates, the H-REIT Group and Stapled Group believe that no additional impairment losses is necessary in respect of trade receivables as these receivables mainly arose from tenants that have a good track record with the H-REIT Group and Stapled Group and there are sufficient security deposits as collateral.

7 CASH AND CASH EQUIVALENTS

	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank	14	11	14,331	33,284	14,345	33,295
Fixed deposits with financial institutions	366	370	60,663	36,828	61,029	37,198
	380	381	74,994	70,112	75,374	70,493

8 UNITS/STAPLED SECURITIES IN ISSUE

	HBT		H-REIT Group		Stapled Group	
	2012 '000	2011 '000	2012 '000	2011 '000	2012 '000	2011 '000

Units/Stapled Securities in issue:

At 1 January	963,254	957,719	963,254	957,719	963,254	957,719
Creation of Units/ Stapled Securities:						
- H-REIT Manager's management fee paid in Stapled Securities	5,485	4,774	5,485	4,774	5,485	4,774
- H-REIT Manager's acquisition fees	–	761	–	761	–	761
At 31 December	968,739	963,254	968,739	963,254	968,739	963,254

NOTES TO THE FINANCIAL STATEMENTS

8 UNITS/STAPLED SECURITIES IN ISSUE (CONT'D)

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	'000	'000	'000	'000	'000	'000
Issued and issuable Units/Stapled Securities:						
Units/Stapled Securities in issue	968,739	963,254	968,739	963,254	968,739	963,254
H-REIT Manager's fees payable in Stapled Securities:						
- management fee	1,304	1,584	1,304	1,584	1,304	1,584
Units/Stapled Securities to be issued	1,304	1,584	1,304	1,584	1,304	1,584
	970,043	964,838	970,043	964,838	970,043	964,838

During the year, the following Stapled Securities were issued:

- 5,484,935 (2011: 4,774,127) Stapled Securities were issued at unit prices ranging from \$1.5507 to \$1.9854 (2011: \$1.6154 to \$2.0805) per Stapled Security, amounting to \$9,749,902 (2011: \$9,080,679) as satisfaction of management fees paid in Stapled Securities.

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 Board of the H-REIT Manager has 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. The Board monitors the yield, which is defined as net property income from the property divided by the latest valuation for the property, on the properties acquired. The Board also monitors the level of distributions made to holders of Stapled Securities.

The Board seeks 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.

NOTES TO THE FINANCIAL STATEMENTS

8 UNITS/STAPLED SECURITIES IN ISSUE (CONT'D)

Capital management (cont'd)

H-REIT is subject to the aggregate leverage limit as defined in the Property Fund 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 35.0% of its Deposited Property except that the Aggregate Leverage of a property fund may exceed 35.0% of its Deposited Property (up to a maximum of 60.0%) if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of its Deposited Property.

For this financial year, H-REIT has a credit rating of BBB- from Fitch Inc. The Aggregate Leverage of H-REIT as at 31 December 2012 was 24.9% (2011: 25.3%) of H-REIT's Deposited Property. This complied with the Aggregate Leverage limit as described above.

There were no substantial changes in the H-REIT Group's and the Stapled Group's approach to capital management during the year.

9 LOANS AND BORROWINGS

Note	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At amortised cost:						
Non-current liabilities						
Unsecured bank loans (i)	–	–	116,713	122,053	116,713	122,053
Unsecured medium term notes (ii)	–	–	153,305	412,712	153,305	412,712
	–	–	270,018	534,765	270,018	534,765
Current liabilities						
Unsecured medium term notes (ii)	–	–	259,773	–	259,773	–
	–	–	529,791	534,765	529,791	534,765

(i) Unsecured bank loans

- (a) H-REIT has in place a \$100.0 million (2011: \$100.0 million) committed bilateral multi-currency revolving credit facility each from two banks (collectively \$200.0 million) for a 3-year term (the "RCF Facility").

During the year, H-REIT fully repaid the \$118.2 million (A\$93.2 million) borrowings through a newly secured term loan facility. H-REIT also extended the maturity date of the RCF Facility for another 3-year term, expiring in December 2015.

As at reporting date, no amount was drawn down under the RCF Facility.

NOTES TO THE FINANCIAL STATEMENTS

9 LOANS AND BORROWINGS (CONT'D)

(i) **Unsecured bank loans (cont'd)**

- (b) During the year, H-REIT secured a new \$118.2 million (A\$93.2 million) term loan facility (the "TL Facility") for a 3-year term.

As at reporting date, the TL Facility was fully drawn down to re-finance the outstanding borrowings under the RCF Facility.

(ii) **Unsecured medium term notes**

H-REIT's wholly-owned subsidiary, CDLHT MTN Pte. Ltd. (the "Issuer") has in place a \$1.0 billion Multi-currency Medium Term Note Programme (the "Programme"). As at reporting date, \$413.6 million medium term notes have been issued. These comprise:

- (a) \$260.0 million medium term notes comprising \$150.0 million 3-year fixed rate note and \$110.0 million 3-year variable rate notes, which are re-priced every six or twelve months. The holders of the variable rate notes have the option to put the notes back to the Issuer at each interest re-pricing date. The Issuer has a 3-year committed arrangement with the banks to purchase any variable rate notes which are put back to the Issuer. Proceeds from the notes issuance were on-lent to H-REIT to mainly repay outstanding borrowings.

At reporting date, the above notes were reclassified to current liabilities as the maturity date of these notes is less than one year.

- (b) \$153.6 million medium term notes comprising \$70.0 million 3-year fixed rate note and \$83.6 million 5-year floating rate note, which are re-priced every six months. These medium term notes were issued in August 2011 and proceeds from the notes issuance were on-lent to H-REIT to re-finance the outstanding borrowings which was drawn to finance the acquisition of Studio M Hotel in May 2011.

The notes and coupons of all services of the MTN Programme shall at all times rank pari passu without any preference or priority among themselves, and pari passu with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

(iii) **Unsecured multi-currency bridge loan facility**

H-REIT has in place an uncommitted \$300.0 million (2011: \$300.0 million) multi-currency unsecured bridge loan facility with a bank (the "Bridge Loan Facility").

The Bridge Loan Facility can be drawn in multiple tranches and is to be repaid within a maximum period of one year from each drawn down date or one year from the first drawn down date (where the amount is drawn in multiple tranches).

As at reporting date, no amount has been drawn down under this facility.

NOTES TO THE FINANCIAL STATEMENTS

9 LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

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

	Currency	Nominal interest rate %	Year of maturity	Face value \$'000	Carrying amount \$'000
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The H-REIT Group and Stapled Group

2012

Fixed rate medium term notes	SGD	1.700 to 2.355	2013 - 2014	220,000	219,725
Floating rate medium term note	SGD	1.536	2016	83,600	83,452
Variable rate medium term notes	SGD	1.255 to 1.537	2013	110,000	109,901
Variable rate bank loan	AUD	5.110	2015	118,178	116,713
				<u>531,778</u>	<u>529,791</u>

2011

Fixed rate medium term notes	SGD	1.700 to 2.355	2013 - 2014	220,000	219,483
Floating rate medium term note	SGD	1.070	2016	83,600	83,412
Variable rate medium term notes	SGD	0.952 to 1.282	2013	110,000	109,817
Variable rate bank loans	AUD	5.710 to 6.280	2013	122,558	122,053
				<u>536,158</u>	<u>534,765</u>

10 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	—	—	11,716	8,769	11,716	8,769
Tax losses	—	—	(3,620)	(2,768)	(3,620)	(2,768)
	<u>—</u>	<u>—</u>	<u>8,096</u>	<u>6,001</u>	<u>8,096</u>	<u>6,001</u>

NOTES TO THE FINANCIAL STATEMENTS

10 DEFERRED TAX LIABILITIES (CONT'D)

Movement in temporary differences during the year:

	Recognised in			Recognised in			
	Balance as at 1/1/2011 \$'000	Statement of Total Return \$'000	Exchange differences \$'000	Balance as at 31/12/2011 \$'000	Statement of Total Return \$'000	Exchange differences \$'000	Balance as at 31/12/2012 \$'000

H-REIT Group and Stapled Group

Deferred tax assets

Tax losses carried forward	(1,334)	(1,424)	(10)	(2,768)	(970)	118	(3,620)
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Deferred tax liabilities

Investment properties	3,376	5,343	50	8,769	3,311	(364)	11,716
	2,042	3,919	40	6,001	2,341	(246)	8,096

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Tax losses	–	–	15,452	15,411	15,452	15,411

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.

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER PAYABLES

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables relating to:						
- related corporations of the H-REIT Manager	–	–	89	352	89	352
- the H-REIT Manager	–	–	658	350	658	350
- third parties	–	–	5,073	3,402	5,073	3,402
Other payables relating to:						
- the H-REIT Manager	–	–	33	33	33	33
- third parties	–	–	8,190	9,058	8,190	9,058
Accrued operating expenses	1	1	6,634	5,298	6,635	5,299
Rental deposits	–	–	1,520	1,459	1,520	1,459
Interest payable	–	–	2,933	2,784	2,933	2,784
	1	1	25,130	22,736	25,131	22,737

Outstanding balances with the related parties are unsecured, interest-free and repayable on demand.

Other payables mainly relate to the remaining purchase consideration payable for the acquisition of a subsidiary in prior years of \$7,374,000 (2011: \$7,374,000).

Included in accrued operating expenses of both the H-REIT Group and the Stapled Group are the following:

- amounts due to the H-REIT Trustee and H-REIT Manager of \$62,000 (2011: \$40,000) and \$201,000 (2011: \$200,700) respectively; and
- amounts due to related corporations of the H-REIT Manager of \$1,163,000 (2011: \$2,020,000).

NOTES TO THE FINANCIAL STATEMENTS

12 NET ASSET VALUE PER UNIT/STAPLED SECURITY

		HBT		H-REIT Group		Stapled Group	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Net asset value per Unit/ Stapled Security is based on net assets		379	380	1,563,914	1,547,281	1,564,293	1,547,661
	Note	'000	'000	'000	'000	'000	'000
Total issued and issuable Units/ Stapled Securities at 31 December	8	970,043	964,838	970,043	964,838	970,043	964,838

13 GROSS REVENUE

	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Fixed rent	—	—	65,284	65,767	65,284	65,767
Variable rent	—	—	84,251	75,340	84,251	75,340
Rental income	—	—	149,535	141,107	149,535	141,107

Under the terms of lease agreements for the properties, the H-REIT Group is generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue and/or gross operating profit. The initial period of the leases ranges from 10 years to 20 years, with options for renewal for a period ranging from 5 years to 50 years.

14 PROPERTY EXPENSES

	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property tax	—	—	7,594	3,400	7,594	3,400
Insurance	—	—	989	767	989	767
Rental expense	—	—	755	589	755	589
Others	—	—	904	1,160	904	1,160
	—	—	10,242	5,916	10,242	5,916

Property expenses represent the direct operating expenses arising from rental of investment properties.

NOTES TO THE FINANCIAL STATEMENTS

15 H-REIT MANAGER'S FEES

Included in the H-REIT Manager's fees is an aggregate of 5,204,588 (2011: 5,308,975) Stapled Securities, amounting to approximately \$9,776,000 (2011: \$9,354,000), 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 \$1.7627 to \$1.9854 (2011: \$1.5507 to \$1.9818) per Stapled Security.

16 OTHER CHARGES

Included in other charges are the following items:

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Audit fees	–	–	278	262	278	262
Non-audit fees paid to:						
- auditors of the H-REIT Group	1	3	95	95	96	98
- other auditors	–	–	294	65	294	65

17 FINANCE INCOME AND EXPENSE

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Exchange gain	–	–	–	735	–	735
Interest income received/ receivable from banks	1	–	671	670	672	670
Finance income	1	–	671	1,405	672	1,405
Exchange loss	–	–	(935)	–	(935)	–
Amortisation of transaction costs capitalised	–	–	(782)	(442)	(782)	(442)
Financial expense arising from remeasuring non-current rental deposits at amortised cost	–	–	(173)	(169)	(173)	(169)
Interest paid/ payable to banks	–	–	(14,490)	(13,961)	(14,490)	(13,961)
Finance expense	–	–	(16,380)	(14,572)	(16,380)	(14,572)
Net finance income/ (expense)	1	–	(15,709)	(13,167)	(15,708)	(13,167)

The amortisation for 2012 and 2011 relate to the amortisation of transaction costs arising from the medium term notes issuance and revolving credit facility.

NOTES TO THE FINANCIAL STATEMENTS

18 NET INCOME

	H-REIT Group		Stapled Group	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Comprises net income of:				
- H-REIT	118,254	182,715	118,254	182,715
- Other H-REIT Group entities (including consolidation adjustments)	6,277	(1,923)	6,277	(1,923)
- HBT	–	–	(1)	(3)
	124,531	180,792	124,530	180,789

19 INCOME TAX EXPENSE

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income tax expense						
Current tax	–	–	–	569	–	569
Overprovision in respect of prior year	–	–	–	(17)	–	(17)
	–	–	–	552	–	552
Deferred tax expense						
Origination and reversal of temporary differences	–	–	2,341	3,919	2,341	3,919
Others	–	–	22	29	22	29
	–	–	2,363	3,948	2,363	3,948
Income tax expenses	–	–	2,363	4,500	2,363	4,500

NOTES TO THE FINANCIAL STATEMENTS

19 INCOME TAX EXPENSE (CONT'D)

Reconciliation of effective tax rate

	HBT		H-REIT Group		Stapled Group	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net (loss)/income	(1)	(3)	124,531	180,792	124,530	180,789
Tax calculated using						
Singapore tax rate of 17%	–	(1)	21,170	30,735	21,170	30,734
Effect of tax in a foreign jurisdiction	–	–	514	720	514	720
Non-tax deductible items	–	1	2,974	5,363	2,974	5,364
Non-taxable item	–	–	(1,297)	(11,894)	(1,297)	(11,894)
Utilisation of previously unrecognised tax losses	–	–	(316)	(322)	(316)	(322)
Tax exempt income	–	–	(3,579)	(3,243)	(3,579)	(3,243)
Tax transparency (Note 3.10)	–	–	(17,103)	(16,842)	(17,103)	(16,842)
Overprovision in respect of prior year	–	–	–	(17)	–	(17)
	–	–	2,363	4,500	2,363	4,500

20 EARNINGS PER STAPLED SECURITY

Basic earnings per Stapled Security is based on:

	Stapled Group	
	2012	2011
	\$'000	\$'000
Total return for the year	122,167	176,289
	Number of Stapled Securities	
	2012	2011
	'000	'000
Weighted average number of Stapled Securities:		
- outstanding during the year	966,857	961,058
- to be issued as payment of H-REIT Manager's management fees payable in Stapled Securities	4	4
	966,861	961,062

Diluted earnings per Stapled Security is the same as the basic earnings per Stapled Security as there are no dilutive instruments in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

21 OPERATING SEGMENTS

The H-REIT Group and the Stapled Group have three reportable segments, as described below. The reporting segments operate in different countries and are managed separately because of the differences in operating and regulatory environment. For each of the reporting segments, the BOD of the H-REIT Manager reviews internal management reports on a monthly basis. The following summary describes the operations in each of the reportable segments:

- Singapore Hotels - the 6 Singapore investment properties (except for Orchard Hotel Shopping Arcade) that are being leased and operated as hotels
- New Zealand Hotel - the New Zealand investment property that is being leased and operated as a hotel
- Australia Hotels - the 5 Australia investment properties that are being leased and operated as hotels

Other operations include Orchard Hotel Shopping Arcade which is being leased to individual tenants and operated as retail space. Orchard Hotel Shopping Arcade does not meet any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

No segment information is presented for HBT as it is dormant.

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 BOD of the H-REIT Manager. Segment net property income is used to measure performance as management believes that such information is the most relevant in evaluating the results of its segments relative to other entities that operate within the same industry.

NOTES TO THE FINANCIAL STATEMENTS

21 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Singapore Hotels \$'000	New Zealand Hotel \$'000	Australia Hotels \$'000	Others \$'000	Total \$'000
2012					
H-REIT Group					
Gross revenue - external	115,352	9,363	19,432	5,388	149,535
Reportable segment net property income	106,251	9,363	19,432	4,247	139,293
Unallocated items:					
- H-REIT Manager's fees					(12,221)
- H-REIT Trustee's fees					(246)
- Other charges					(1,568)
- Finance income					671
- Finance expense					(16,380)
Net income before revaluation					109,549
Net surplus/(deficit) on revaluation of investment properties	(2,401)	(2,026)	6,209	13,200	14,982
Net income					124,531
Capital expenditure on investment properties	9,827	—	—	—	9,827
Non-current assets	1,627,400	88,317	261,208	68,000	2,044,925

NOTES TO THE FINANCIAL STATEMENTS

21 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore Hotels \$'000	New Zealand Hotel \$'000	Australia Hotels \$'000	Others \$'000	Total \$'000
2011					
H-REIT Group					
Gross revenue - external	108,169	8,992	18,701	5,245	141,107
Reportable segment net property income	103,635	8,992	18,701	3,863	135,191
Unallocated items:					
- H-REIT Manager's fees					(11,693)
- H-REIT Trustee's fees					(235)
- Other charges					(2,517)
- Finance income					1,405
- Finance expense					(14,572)
Net income before revaluation					107,579
Net surplus/(deficit) on revaluation of investment properties	71,323	(10,396)	11,871	415	73,213
Net income					180,792
Capital expenditure on investment properties	11,567	—	—	85	11,652
Non-current assets	1,620,000	90,495	264,552	54,800	2,029,847

NOTES TO THE FINANCIAL STATEMENTS

21 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore Hotels \$'000	New Zealand Hotel \$'000	Australia Hotels \$'000	Others \$'000	Total \$'000
2012					
Stapled Group					
Gross revenue - external	115,352	9,363	19,432	5,388	149,535
Reportable segment net property income	106,251	9,363	19,432	4,247	139,293
Unallocated items:					
- H-REIT Manager's fees					(12,221)
- H-REIT Trustee's fees					(246)
- Other charges					(1,570)
- Finance income					672
- Finance expense					(16,380)
Net income before revaluation					109,548
Net surplus/(deficit) on revaluation of investment properties	(2,401)	(2,026)	6,209	13,200	14,982
Net income					124,530
Capital expenditure on investment properties	9,827	–	–	–	9,827
Non-current assets	1,627,400	88,317	261,208	68,000	2,044,925

NOTES TO THE FINANCIAL STATEMENTS

21 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Singapore Hotels \$'000	New Zealand Hotel \$'000	Australia Hotels \$'000	Others \$'000	Total \$'000
2011					
Stapled Group					
Gross revenue - external	108,169	8,992	18,701	5,245	141,107
Reportable segment net property income	103,635	8,992	18,701	3,863	135,191
Unallocated items:					
- H-REIT Manager's fees					(11,693)
- H-REIT Trustee's fees					(235)
- Other charges					(2,520)
- Finance income					1,405
- Finance expense					(14,572)
Net income before revaluation					107,576
Net surplus/(deficit) on revaluation of investment properties	71,323	(10,396)	11,871	415	73,213
Net income					180,789
Capital expenditure on investment properties	11,567	–	–	85	11,652
Non-current assets	1,620,000	90,495	264,552	54,800	2,029,847

Major customers

H-REIT Group's investment properties, except Orchard Hotel Shopping Arcade, are leased to seven (2011: seven) master lessees. The contribution of these master lessees to the gross revenue of the H-REIT Group and the Stapled Group was \$144,147,000 (2011: \$135,862,000). Such revenue is attributable to the Singapore Hotels segment, New Zealand Hotel segment and Australia Hotels segment.

22 FINANCIAL RISK MANAGEMENT

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.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

The Audit Committee of the H-REIT Manager assists the H-REIT Manager's Board in reviewing the effectiveness of the Stapled Group's material internal controls, including those relating to financial, operational and compliance.

In addition, the Risk Management Committee of the H-REIT Manager also assists the H-REIT Manager's Board 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 Risk Management Committee oversees 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 potential financial loss resulting from the failure of a lessee to settle its financial and contractual obligations to the Stapled Group, as and when they fall due.

Credit evaluations are performed by the H-REIT Manager before lease agreements are entered into with tenants. Rental deposits are received, where appropriate, to reduce credit risk. In addition, the H-REIT Manager monitors the balances due from its lessees and tenants on an ongoing 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.

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.

At 31 December 2012 and 31 December 2011, except as described in Note 6 to the financial statements, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

Liquidity risk is the risk that the H-REIT Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The H-REIT Manager monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the H-REIT Group's operations and to mitigate the effects of fluctuations in cash flows. The H-REIT Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

In addition, the H-REIT Group maintains the following lines of credit:

- A \$100.0 million (2011: \$100.0 million) committed bilateral multi-currency unsecured revolving credit facility each from two banks (collectively \$200.0 million) for a 3-year term. At the reporting date, no amount (2011: \$77.4 million) has been drawn down under this facility;
- A \$300.0 million (2011: \$300.0 million) uncommitted multi-currency unsecured bridge loan facility with a bank. At the reporting date, no amount has been drawn down under this facility;
- A \$1.0 billion Multi-Currency Medium Term Note Programme. At the reporting date, \$586.4 million (2011: \$586.4 million) of the Programme remains unissued; and
- A \$118.2 million (A\$93.2 million) unsecured term loan facility for a 3-year term. At the reporting date, this facility was fully drawn down.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

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

	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Cash flows Within 1-5 years \$'000	More than 5 years \$'000
H-REIT Group					
2012					
Non-derivative financial liabilities					
Fixed rate medium term notes	219,725	(224,156)	(153,426)	(70,730)	–
Floating rate medium term note	83,452	(88,242)	(1,284)	(86,958)	–
Variable rate medium term notes	109,901	(110,963)	(110,963)	–	–
Variable rate bank loan	116,713	(136,245)	(6,039)	(130,206)	–
Trade and other payables *	23,610	(23,610)	(23,610)	–	–
Rental deposits	8,165	(11,395)	(1,520)	(75)	(9,800)
	561,566	(594,611)	(296,842)	(287,969)	(9,800)

2011

Non-derivative financial liabilities

Fixed rate medium term notes	219,483	(228,891)	(4,735)	(224,156)	–
Floating rate medium term note	83,412	(89,082)	(1,160)	(87,922)	–
Variable rate medium term notes	109,817	(112,197)	(1,339)	(110,858)	–
Variable rate bank loans	122,053	(137,081)	(7,367)	(129,714)	–
Trade and other payables *	21,277	(21,277)	(21,277)	–	–
Rental deposits	7,931	(11,334)	(1,459)	(75)	(9,800)
	563,973	(599,862)	(37,337)	(552,725)	(9,800)

* Excluding rental deposits

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows Within 1 year \$'000	Within 1-5 years \$'000	More than 5 years \$'000
Stapled Group					
2012					
Non-derivative financial liabilities					
Fixed rate medium term notes	219,725	(224,156)	(153,426)	(70,730)	—
Floating rate medium term note	83,452	(88,242)	(1,284)	(86,958)	—
Variable rate medium term notes	109,901	(110,963)	(110,963)	—	—
Variable rate bank loan	116,713	(136,245)	(6,039)	(130,206)	—
Trade and other payables *	23,611	(23,611)	(23,611)	—	—
Rental deposits	8,165	(11,395)	(1,520)	(75)	(9,800)
	561,567	(594,612)	(296,843)	(287,969)	(9,800)

2011

Non-derivative financial liabilities

Fixed rate medium term notes	219,483	(228,891)	(4,735)	(224,156)	—
Floating rate medium term note	83,412	(89,082)	(1,160)	(87,922)	—
Variable rate medium term notes	109,817	(112,197)	(1,339)	(110,858)	—
Variable rate bank loans	122,053	(137,081)	(7,367)	(129,714)	—
Trade and other payables *	21,278	(21,278)	(21,278)	—	—
Rental deposits	7,931	(11,334)	(1,459)	(75)	(9,800)
	563,974	(599,863)	(37,338)	(552,725)	(9,800)

* Excluding rental deposits

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the H-REIT 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 Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	H-REIT Group		Stapled Group	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Financial assets	68,089	51,060	68,455	51,430
Financial liabilities	(220,000)	(220,000)	(220,000)	(220,000)
	(151,911)	(168,940)	(151,545)	(168,570)
Variable rate instruments				
Financial liabilities	(311,778)	(316,158)	(311,778)	(316,158)

The H-REIT Manager's strategy to manage the risk of potential interest rate volatility may be through the use of interest rate hedging instruments and/or fixed rate borrowings. The H-REIT Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

Derivative financial instruments are used to manage exposures to interest rate risks arising from financing and investment activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Fair value sensitivity analysis for fixed rate instruments

The H-REIT Group and the Stapled Group do not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Sensitivity analysis for variable instruments

For the floating rate loans, a change of 100 basis points (bp) in interest rate at the reporting date would increase/(decrease) total return (before any tax effects) by the amounts shown below. There is no impact on unitholders' funds. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	H-REIT Group and Stapled Group Total return	
	100 bp increase \$'000	100 bp decrease \$'000
2012		
Variable rate instruments	(3,118)	3,118
2011		
Variable rate instruments	(3,162)	3,162

Foreign currency risk

The H-REIT Manager's investment strategy includes investing, directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real estate-related assets. In order to manage the currency risk involved in investing in assets outside of Singapore, the H-REIT Manager may adopt currency risk management strategies that may include the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge.

The exposure of the H-REIT Group and the Stapled Group to foreign currencies is as follows based on notional amounts:

	Australian dollar		New Zealand dollar	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
H-REIT Group and Stapled Group				
Trade and other receivables	2	3,760	1,812	1,766
Cash and cash equivalents	12,565	15,828	5,203	4,217
Trade and other payables	(777)	(727)	(375)	(411)
Bank loans	(118,178)	(122,558)	—	—
	(106,388)	(103,697)	6,640	5,572

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase/(decrease) unitholders' funds and total return (before any tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	H-REIT Group and Stapled Group	
	Total return	Unitholders'
	\$'000	funds
		\$'000
2012		
New Zealand dollar	(664)	—
Australian dollar	(1,179)	11,818
2011		
New Zealand dollar	(557)	—
Australian dollar	(1,886)	12,256

A 10% weakening of the Singapore dollar against the above currencies at the reporting date 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.

Business risk

With the exception of Orchard Hotel Shopping Arcade, each of the properties is leased by H-REIT to a single related party or third party ("lessees"). In return, H-REIT is paid a rent by the lessees comprising either a fixed rent component and/or a variable rent component. The latter is pegged to the underlying performance of the properties. As a result, a variation in the underlying performance of the hotels may have an impact on the revenue of H-REIT and consequently, the distributable income of H-REIT.

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Business risk (cont'd)

Sensitivity analysis

A change of 10% in rental income, attributable to the variable rent component of the rental income, at the reporting date would increase/(decrease) total return (before any tax effects) by the amounts shown below. There is no impact on unitholders' funds. For the purposes of this analysis, property expenses are assumed to remain unchanged.

	H-REIT Group and Stapled Group Total return	
	10% increase \$'000	10% decrease \$'000
2012		
Gross revenue	7,824	(7,824)
2011		
Gross revenue	7,077	(7,077)

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Loans and receivables \$'000	Other financial assets/ (liabilities) \$'000	Total carrying amount \$'000	Fair value \$'000
H-REIT Group					
2012					
Loans and receivables	6	13,417	–	13,417	13,417
Cash and cash equivalents	7	74,994	–	74,994	74,994
Rental deposits		76	–	76	71
		88,487	–	88,487	88,482
Unsecured bank loan	9	–	(116,713)	(116,713)	(116,713)
Unsecured medium term notes	9	–	(413,078)	(413,078)	(412,053)
Trade and other payables	11	–	(25,130)	(25,130)	(25,130)
Rental deposits		–	(6,645)	(6,645)	(7,643)
		–	(561,566)	(561,566)	(561,539)
2011					
Loans and receivables	6	17,762	–	17,762	17,762
Cash and cash equivalents	7	70,112	–	70,112	70,112
Rental deposits		76	–	76	70
		87,950	–	87,950	87,944
Unsecured bank loans	9	–	(122,053)	(122,053)	(122,053)
Unsecured medium term notes	9	–	(412,712)	(412,712)	(404,684)
Trade and other payables	11	–	(22,736)	(22,736)	(22,736)
Rental deposits		–	(6,472)	(6,472)	(7,698)
		–	(563,973)	(563,973)	(557,171)

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (cont'd)

Accounting classifications and fair values (cont'd)

	Note	Loans and receivables \$'000	Other financial assets/ (liabilities) \$'000	Total carrying amount \$'000	Fair value \$'000
Stapled Group					
2012					
Loans and receivables	6	13,417	–	13,417	13,417
Cash and cash equivalents	7	75,374	–	75,374	75,374
Rental deposits		76	–	76	71
		88,867	–	88,867	88,862
Unsecured bank loan	9	–	(116,713)	(116,713)	(116,713)
Unsecured medium term notes	9	–	(413,078)	(413,078)	(412,053)
Trade and other payables	11	–	(25,131)	(25,131)	(25,131)
Rental deposits		–	(6,645)	(6,645)	(7,643)
		–	(561,567)	(561,567)	(561,540)
2011					
Loans and receivables	6	17,762	–	17,762	17,762
Cash and cash equivalents	7	70,493	–	70,493	70,493
Rental deposits		76	–	76	70
		88,331	–	88,331	88,325
Unsecured bank loans	9	–	(122,053)	(122,053)	(122,053)
Unsecured medium term notes	9	–	(412,712)	(412,712)	(404,684)
Trade and other payables	11	–	(22,737)	(22,737)	(22,737)
Rental deposits		–	(6,472)	(6,472)	(7,698)
		–	(563,974)	(563,974)	(557,172)

NOTES TO THE FINANCIAL STATEMENTS

22 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair values (cont'd)

Interest rates used in determining fair values

The interest rate used to discount estimated cash flows is set out below:

	2012 %	2011 %
Fixed rate medium term notes	1.71	2.17
Rental deposits	1.82	1.65

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the H-REIT Group and the Stapled Group.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) and borrowings which reprice within 12 months and with a maturity of less than one year, approximate their fair values because of the short period to maturity or repricing. All other financial assets and liabilities are discounted to determine their fair values.

NOTES TO THE FINANCIAL STATEMENTS

23 COMMITMENTS

	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) Capital expenditure contracted but not provided for	–	–	6,170	1,581	6,170	1,581

- (b) The H-REIT Group and the Stapled Group lease out their investment properties. Non-cancellable operating lease rentals are receivable as follows:

	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within 1 year	–	–	61,912	62,512	61,912	62,512
After 1 year but within 5 years	–	–	225,641	238,837	225,641	238,837
After 5 years	–	–	350,186	401,103	350,186	401,103
	–	–	637,739	702,452	637,739	702,452

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.

- (c) The H-REIT Group and the Stapled Group have entered into an operating lease for a conference centre with a related party. The lease runs for an initial period of 5 years, with an option to renew the lease on expiry of the initial period. The H-REIT Group's and the Stapled Group's commitments for future minimum lease payments under the non-cancellable operating lease are as follows:

	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Within 1 year	–	–	755	755	755	755
After 1 year but within 5 years	–	–	1,925	2,680	1,925	2,680
	–	–	2,680	3,435	2,680	3,435

- (d) Under the terms of the lease agreement for Novotel Singapore Clarke Quay, the H-REIT Group is required to incur expenditure equivalent to 3% of the annual gross revenue of the hotel to maintain and improve the hotel's furniture and fixtures, equipment and its environment. As at the reporting date, the H-REIT Group and the Stapled Group is committed to incur capital expenditure of \$140,000 (2011: \$140,000) under the terms of the lease agreement.

NOTES TO THE FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to HBT or H-REIT if HBT or H-REIT has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where HBT or H-REIT and the party are subject to common significant influence. Related parties may be individuals or other entities.

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

In the normal course of the operations of H-REIT, the H-REIT Manager's management fee and H-REIT Trustee's fee have been paid or are payable to the H-REIT Manager and H-REIT Trustee respectively.

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

Transaction Value	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Shared service expenses paid/payable to a related corporation of the H-REIT Manager	—	—	133	126	133	126
Provision of accounting services by a related corporation of the H-REIT Manager	—	—	96	54	96	54
Rental expense paid/payable to a related corporation of the H-REIT Manager	—	—	755	589	755	589
Rental income received/receivable from related corporations of the H-REIT Manager	—	—	90,472	85,351	90,472	85,351
Cleaning fees paid/payable to a related corporation of the H-REIT Manager	—	—	143	142	143	142

NOTES TO THE FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS (CONT'D)

Balance outstanding	HBT		H-REIT Group		Stapled Group	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Shared service expenses paid/ payable to a related corporation of the H-REIT Manager	–	–	22	11	22	11
Provision of accounting services by a related corporation of the H-REIT Manager	–	–	18	5	18	5
Rental income received/ receivable from related corporations of the H-REIT Manager	–	–	7,008	7,052	7,008	7,052
Cleaning fees paid/ payable to a related corporation of the H-REIT Manager	–	–	25	13	25	13

As at 31 December 2012, 22,023 (2011: 22,023) square feet of the lettable area of Orchard Hotel Shopping Arcade was occupied by the master lessee of Orchard Hotel, which is a related corporation of the H-REIT Manager, for no charge.

25 FINANCIAL RATIOS

	H-REIT Group		Stapled Group	
	2012 %	2011 %	2012 %	2011 %
Expenses to weighted average net assets ¹				
- including performance component of H-REIT Manager's management fees	0.91	0.99	0.91	0.99
- excluding performance component of H-REIT Manager's management fees	0.46	0.53	0.46	0.53
Portfolio turnover rate ²	–	–	–	–

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 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the H-REIT Group and the Stapled Group expressed as a percentage of daily average net asset value.

NOTES TO THE FINANCIAL STATEMENTS

26 SUBSEQUENT EVENT

On 4 January 2013, Sanctuary Sands Maldives Private Limited, a subsidiary of DBS Trustee Limited, as trustee of H-REIT, entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with Maldives Bay Pvt Ltd (the "Vendor"), a subsidiary of Banyan Tree Holdings Limited, to acquire Angsana Velavaru (a "Property") which is located in the island of Velavaru in South Nilandhe Atoll, Republic of Maldives at purchase price of US\$71.0 million (or approximately S\$86.8 million) (the "Acquisition").

The Acquisition was completed on 31 January 2013, after the satisfaction of all the conditions precedent under the Sale and Purchase Agreement, including the grant of the relevant approvals from the Government of the Republic of Maldives, represented by the Ministry of Tourism, Arts and Culture. Sanctuary Sands Maldives Private Limited has also entered into a lease agreement with the Vendor, as lessee after the Acquisition, to operate and manage the Property under the "Angsana" brand.

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.

Issued and Fully Paid Stapled Securities as at 1 March 2013: 970,042,434 Stapled Securities

Size of Stapled Securities Holdings	No. of Stapled Securities Holders	%	No. of Stapled Securities	%
1 - 999	28	0.43	4,497	0.00
1,000 - 10,000	5,036	78.14	22,859,361	2.36
10,001 - 1,000,000	1,359	21.09	59,224,922	6.10
1,000,001 and above	22	0.34	887,953,654	91.54
Total as at 1 March 2013	6,445	100.00	970,042,434	100.00

Twenty Largest Stapled Securities Holders as at 1 March 2013

No.	Name	No. of Stapled Securities Held	% *
1	Hospitality Holdings Pte. Ltd.	313,950,000	32.36
2	Citibank Nominees Singapore Pte Ltd	144,275,062	14.87
3	HSBC (Singapore) Nominees Pte Ltd	105,821,801	10.91
4	DBSN Services Pte Ltd	84,645,462	8.73
5	DBS Nominees Pte Ltd	74,580,505	7.69
6	BNP Paribas Securities Services	46,841,800	4.83
7	M&C REIT Management Limited	27,863,429	2.87
8	United Overseas Bank Nominees Pte Ltd	27,023,252	2.79
9	Raffles Nominees (Pte) Ltd	16,187,905	1.67
10	DB Nominees (Singapore) Pte Ltd	10,832,381	1.12
11	Bank of Singapore Nominees Pte Ltd	7,718,236	0.80
12	Guan Hong Plantation Private Limited	5,750,000	0.59
13	Millennium Securities Pte Ltd	4,000,000	0.41
14	Morgan Stanley Asia (Singapore) Pte Ltd	3,806,000	0.39
15	Merrill Lynch (Singapore) Pte Ltd	3,407,171	0.35
16	Koo Boon Hooi (Qiu Wenhui)	3,000,000	0.31
17	BNP Paribas Nominees Singapore Pte Ltd	2,240,000	0.23
18	OCBC Securities Private Ltd	1,348,650	0.14
19	NTUC Fairprice Co-operative Ltd	1,307,000	0.13
20	Kwek Leng Joo	1,150,000	0.12
		885,748,654	91.31

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 1 March 2013

Subscription of Stapled Securities in CDL Hospitality Trusts

As at 31 December 2012, 968,738,653 Stapled Securities were issued. On 29 January 2013, 1,303,781 Stapled Securities were issued to the H-REIT Manager as payment of 80% of management fees for the period from 1 October 2012 to 31 December 2012.

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 21 January 2013

Name of Director	Holdings
Wong Hong Ren	115,000
Vincent Yeo Wee Eng	115,000
Jenny Lim Yin Nee	NIL
Jimmy Chan Chun Ming	NIL
Richard Anthony Johnson	NIL
Daniel Marie Ghislain Desbaillets	NIL

Substantial Stapled Securities Holders

as at 1 March 2013

Name	Direct Interest	Deemed Interest	Total Holdings	%*
Hospitality Holdings Pte. Ltd.	313,950,000	-	313,950,000	32.365
ATOS Holding AG	-	341,813,429 ⁽¹⁾	341,813,429	35.237
Millennium & Copthorne (Austrian Holdings) Limited	-	341,813,429 ⁽¹⁾	341,813,429	35.237
Millennium & Copthorne Hotels plc	-	341,813,429 ⁽¹⁾	341,813,429	35.237
City Developments Limited	-	341,813,429 ⁽¹⁾	341,813,429	35.237
Hong Leong Investment Holdings Pte. Ltd.	-	345,813,429 ⁽²⁾	345,813,429	35.649
Davos Investment Holdings Private Limited	-	345,813,429 ⁽²⁾	345,813,429	35.649
Kwek Holdings Pte Ltd	-	345,813,429 ⁽²⁾	345,813,429	35.649
Aberdeen Asset Management Asia Limited	-	57,771,000 ⁽³⁾	57,771,000	5.956
Aberdeen Asset Management PLC	-	57,771,000 ⁽³⁾	57,771,000	5.956

* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 1 March 2013

Notes:

⁽¹⁾ ATOS Holding AG, Millennium & Copthorne (Austrian Holdings) Limited, Millennium & Copthorne Hotels plc and City Developments Limited are deemed under Section 7 of the Companies Act, Chapter 50, to have an interest in the 341,813,429 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.

⁽²⁾ Hong Leong Investment Holdings Pte. Ltd., Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 7 of the Companies Act, Chapter 50, to have an interest in the 345,813,429 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.

⁽³⁾ The deemed interest of Aberdeen Asset Management Asia Limited and Aberdeen Asset Management PLC are based on their respective last notification to the H-REIT Manager and the HBT Trustee Manager on 28 December 2012.

Free Float

Based on information made available to the H-REIT Manager and the HBT Trustee-Manager as at 1 March 2013, not less than 64% 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.

RELATED PARTY TRANSACTIONS

Related Party Transactions pursuant to the Listing Manual of Singapore Exchange Securities Trading Limited and Property Funds Appendix respectively are listed below:

Name of Related Parties	Aggregate value of all Related Party Transactions for the financial year under review (excluding transactions less than \$100,000)
Republic Hotels & Resorts Limited	
- Rental income in relation to Copthorne King's Hotel and Grand Copthorne Waterfront Hotel	\$34,455,608
- Rental income in relation to Waterfront Conference Centre ⁽¹⁾	\$755,244
City Hotels Pte. Ltd.	
- Rental income in relation to Orchard Hotel	\$27,703,963
- Shared services ⁽²⁾ expense in relation to Orchard Hotel Shopping Arcade	\$132,546
Harbour View Hotel Pte. Ltd.	
- Rental income in relation to M Hotel	\$16,695,397
City Developments Limited	
- Rental expense in relation to Waterfront Conference Centre ⁽¹⁾	\$755,244
Republic Iconic Hotel Pte. Ltd.	
- Rental income in relation to Studio M Hotel	\$10,861,672
CBM Pte. Ltd.	
- Cleaning services in relation to Orchard Hotel Shopping Arcade	\$142,800

Notes:

⁽¹⁾ This relates to a lease agreement with City Developments Limited ("CDL") for the lease of the second level of Waterfront Plaza which comprises the Waterfront Conference Centre which H-REIT has sub-let to Republic Hotels & Resorts Limited ("RHRL"). Rental income received from RHRL is thereafter paid to CDL as rental expense.

⁽²⁾ This relates to a shared services agreement with City Hotels Pte. Ltd. which provides for shared services relating to the inspection of electrical installations, pest control, waste disposal and manpower resources for managing Orchard Hotel Shopping Arcade.

Except as disclosed above, there were no additional related party transactions (excluding transactions of less than \$100,000 each and/or transactions collectively described as Exempted Agreements*) entered into during the financial year under review.

* As defined in the Prospectus of CDLHT dated 10 July 2006.

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 M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Friday, 26 April 2013 at 10.00 a.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of M&C Business Trust Management Limited, as trustee-manager of HBT (the "**HBT Trustee-Manager**"), the Statement by the Chief Executive Officer of the HBT Trustee-Manager, the Report of DBS Trustee Limited, as trustee of H-REIT (the "**H-REIT Trustee**"), the Report of M&C REIT Management Limited, as manager of H-REIT (the "**H-REIT Manager**") and the Audited Financial Statements of HBT, H-REIT and CDL Hospitality Trusts for the year ended 31 December 2012 and the Auditors' Report thereon. (Ordinary Resolution 1)
2. To re-appoint KPMG LLP as the Independent Auditors of H-REIT and HBT and to hold office until the conclusion of the next Annual General Meetings of H-REIT and HBT, and to authorise the H-REIT Manager and the HBT Trustee-Manager to fix their remuneration. (Ordinary Resolution 2)

(B) AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolution as Ordinary Resolution:

3. That authority be and is hereby given to the H-REIT Manager and the HBT Trustee-Manager, to (Ordinary Resolution 3)
 - (a) (i) issue new units in H-REIT ("**H-REIT Units**") and new units in HBT ("**HBT Units**", together with H-REIT Units, the "**Stapled Securities**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities,

NOTICE OF ANNUAL GENERAL MEETINGS

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

- (b) issue Stapled Securities in pursuance of any Instrument made or granted by the H-REIT Manager and the HBT Trustee-Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution), shall not exceed fifty per cent (50%) of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to Security Holders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of Stapled Securities that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) shall be based on the number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) at the time this Resolution is passed, after adjusting for:
 - (a) any new Stapled Security arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;
- (3) in exercising the authority conferred by this Resolution, the H-REIT Manager and the HBT Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, Chapter 31A of Singapore for the time being in force, the trust deed constituting H-REIT (as amended) (the "**H-REIT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore) and the trust deed constituting HBT (the "**HBT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);

NOTICE OF ANNUAL GENERAL MEETINGS

- (4) (unless revoked or varied by the Security Holders in a general meeting) the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meetings of H-REIT and HBT or (ii) the date by which the next Annual General Meetings of H-REIT and HBT are required by law to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the H-REIT Manager and the HBT Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and
- (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 Notes)

(C) AS OTHER BUSINESS

4. To transact such other business as may be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD
M&C REIT Management Limited
(as manager of CDL Hospitality Real Estate
Investment Trust)

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Enid Ling Peek Fong
Company Secretary

Singapore
28 March 2013

BY ORDER OF THE BOARD
M&C Business Trust Management Limited
(as trustee-manager of CDL Hospitality
Business Trust)

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

Enid Ling Peek Fong
Company Secretary

Important Notice:

1. A Security Holder entitled to attend and vote at the Annual General Meetings is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a Security Holder.
2. The instrument appointing a proxy or proxies (as the case may be) must be deposited at the registered office of the H-REIT Manager and the HBT Trustee-Manager at 36 Robinson Road, #04-01 City House, Singapore 068877 not less than 48 hours before the time appointed for the Annual General Meetings.

NOTICE OF ANNUAL GENERAL MEETINGS

Explanatory notes:

1. Ordinary Resolution 3

The Ordinary Resolution 3 above, if passed, will empower the H-REIT Manager and the HBT Trustee-Manager from the date of these Annual General Meetings until the date of the next Annual General Meetings of H-REIT and HBT, to issue Stapled Securities and to make or grant Instruments (such as securities, warrants or debentures) convertible into Stapled Securities and issue Stapled Securities pursuant to such instruments, up to a number not exceeding 50% of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) of which up to 20% of the total number of issued Stapled Securities (excluding treasury H-REIT Units and treasury HBT Units, if any) may be issued other than on a *pro rata* basis to Security Holders.

The Ordinary Resolution 3 above, if passed, will also empower the H-REIT Manager and the HBT Trustee-Manager from the date of these Annual General Meetings until the date of the next Annual General Meetings of H-REIT and HBT, to issue Stapled Securities as either full or partial payment of fees which the H-REIT Manager and the HBT Trustee-Manager are entitled to receive for their own accounts pursuant to the H-REIT Trust Deed and the HBT Trust Deed respectively.

For determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the issued Stapled Securities at the time the Ordinary Resolution 3 above is passed, after adjusting for new Stapled Securities arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Security Holders is required under the Listing Manual of SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the H-REIT Manager and the HBT Trustee-Manager will then obtain the approval of Security Holders accordingly.

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)

PROXY FORM ANNUAL GENERAL MEETINGS

I/We _____ (Name(s)), and NRIC/Passport/Company Registration No. _____
of _____ (Address)

being a holder/s of units in CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust (collectively, "Stapled Securities"), hereby appoint:

Name	Address	NRIC / Passport Number	Proportion of Stapled Securities Holdings	
			Number of Stapled Securities	%

and/or (delete as appropriate)

Name	Address	NRIC / Passport Number	Proportion of Stapled Securities Holdings	
			Number of Stapled Securities	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the Annual General Meetings to be held at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Friday, 26 April 2013 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meetings as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Annual General Meetings.

No.	Ordinary Resolution	To be used on a show of hands		To be used in the event of a poll	
		For*	Against*	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 2012 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.				
	OTHER BUSINESS				
4.	Transaction of such other business as may be transacted at an Annual General Meeting.				

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2013

Signature(s) of Security Holder(s) or Common Seal of Corporate Security Holder(s)

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM OVERLEAF

Total number of Stapled Securities held

Cut along dotted line



Notes To Proxy Form

1. A Security Holder entitled to attend and vote at the Annual General Meetings is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a Security Holder appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a Security Holder.
4. A Security Holder should insert the total number of Stapled Securities held. If the Security Holder has Stapled Securities entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"), he should insert that number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Security Holder.
5. The instrument appointing a proxy or proxies (the "Proxy Form") must be deposited at the registered office of the H-REIT Manager and the HBT Trustee-Manager at 36 Robinson Road, #04-01 City House, Singapore 068877, not less than 48 hours before the time set for the Annual General Meetings.
6. 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.
7. 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.
8. 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 in the Depository Register, the H-REIT Manager and the HBT Trustee-Manager may reject a Proxy Form if the Security Holder, being the appointor, is not shown to have Stapled Securities entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meetings, as certified by CDP to the H-REIT Manager and the HBT Trustee-Manager.
9. All Security Holders will be bound by the outcome of the Annual General Meetings regardless of whether they have attended or voted at the Annual General Meetings.
10. At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman of the meeting or by five or more Security Holders present in person or by proxy, or holding or representing one-tenth in value of the Stapled Securities represented at the meeting. Unless a poll is so demanded, a declaration by the Chairman of the meeting that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
11. On a show of hands, every Security Holder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Security Holder who is present in person or by proxy shall have one vote for every Stapled Security of which he is the Security Holder. A person entitled to more than one vote need not use all his votes or cast them the same way.

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Affix
Stamp Here

The Company Secretary
M&C REIT Management Limited
and M&C Business Trust Management Limited
(as manager of CDL Hospitality Real Estate Investment Trust
and trustee-manager of CDL Hospitality Business Trust respectively)

36 Robinson Road
#04-01 City House
Singapore 068877

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CDL HOSPITALITY TRUSTS

M&C REIT MANAGEMENT LIMITED

(As Manager of CDL Hospitality Real Estate Investment Trust)