



CDL HOSPITALITY TRUSTS



CDL HOSPITALITY TRUSTS

ANNUAL REPORT 2014

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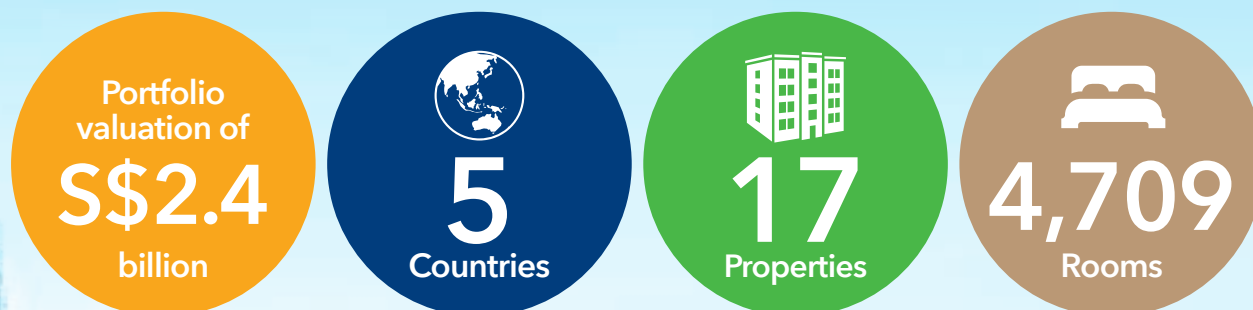


## CDL HOSPITALITY TRUSTS

CDL Hospitality Trusts ("**CDLHT**") is one of Asia's leading hospitality trusts with assets valued at S\$2.4 billion. It owns 14 hotels in Singapore, Australia, New Zealand and Japan, two resorts in Maldives, as well as a retail mall in Singapore. The substantial value of its assets are situated in central locations within Singapore. All the hotels are well located within key gateway cities while the two resorts are located in Maldives, the top-tier destination for luxury tourism.

The properties comprise a total of 4,709 rooms and are operated by master lessees and hotel managers, which include subsidiaries of Millennium & Copthorne Hotels plc, Accor S.A., Rendezvous Hotels International Private Limited, Banyan Tree Holdings Limited, Jumeirah International LLC and MyStays Hotel Management Co., Ltd.

CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("**H-REIT**"), the first hotel real estate investment trust in Singapore, and CDL Hospitality Business Trust ("**HBT**"), a business trust. CDLHT was listed on the Main Board of Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 19 July 2006 ("**Listing Date**") and has a market capitalisation of approximately S\$1.7 billion as at 31 December 2014.





# OVERVIEW OF CDL HOSPITALITY TRUSTS

## ABOUT CDLHT

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

CDLHT has a portfolio valued at S\$2.4 billion as at 31 December 2014 with a total of 4,709 hotel rooms in the Asia Pacific, comprising six hotels and a retail mall in Singapore, five hotels in Australia, one hotel in New Zealand, two resorts in Maldives and two hotels in Japan.

The properties in Singapore comprise Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, Studio M Hotel and Novotel Singapore Clarke Quay (collectively, the "**Singapore Hotels**" with an aggregate of 2,716 rooms) as well as a retail mall adjoining Orchard Hotel. The hotel properties in Australia comprise Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth (collectively, the "**Australia Hotels**" with an aggregate of 1,139 rooms). The hotel property in New Zealand, Rendezvous Grand Hotel Auckland, adds 452 rooms to CDLHT's portfolio. The two resorts in Maldives comprise Angsana Velavaru and Jumeirah Dhevanafushi (collectively the "**Maldives Resorts**" with an aggregate of 148 rooms).

CDLHT's portfolio of quality hotel and hotel-related assets in Singapore, Australia and New Zealand are strategically located in or near the central business districts in key gateway cities and largely marketed as "superior" or 5-star hotels. CDLHT's luxurious resorts in the Maldives, a top-tier premium destination with the exclusive "one-island-one-resort" concept, offers guests with two distinct experiences with the beachfront and water villas within one resort.

In 2014, CDLHT marked its foray into Japan with an acquisition of two business (economy) hotels in Tokyo. The acquisition of Hotel MyStays Asakusabashi and Hotel MyStays Kamata (collectively, the "**Japan Hotels**" with an aggregate of 254 rooms) was completed on 19 December 2014 for a purchase consideration of ¥5.8 billion (approximately S\$63.7 million) <sup>(1) (2)</sup>. The Japan Hotels are located within close proximity to major transportation networks and tourist attractions in Tokyo.

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

## H-REIT'S STRATEGY

The principal investment strategy of H-REIT is to invest in a diversified portfolio of income-producing real estate, which is primarily used for hospitality and/or hospitality-related purposes. 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, yield-accretive or have potential for capital appreciation, and feasible in the light of regulatory, commercial, political and other relevant considerations.

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

### Acquisition Growth Strategy

The H-REIT Manager will continue to pursue opportunities for asset acquisitions that would be value-enhancing, yield-accretive or have potential for capital appreciation. 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 £1.9 billion as at 3 March 2015. H-REIT will be able to leverage on M&C's experience, market reach and network of contacts in the global hotel and hospitality sector for its acquisitions. In addition, H-REIT can seek partnership and co-operation opportunities with M&C as it expands globally.
- Opportunities arising from divestment of assets by hospitality service providers who are increasingly looking to free up capital for business expansion and investment funds that have a finite period to dispose acquired assets.

(1) The total acquisition cost (including transaction expenses) was approximately ¥6.0 billion (approximately S\$65.7 million).

(2) Based on an assumed exchange rate of S\$1.00 = ¥90.99.



Studio M Hotel

- Opportunities arising from divestment of assets by owners or developers.
- Opportunities to acquire under-performing assets with turnaround potential by implementing value-added strategies such as re-flagging, management change and asset enhancements.

### Capital And Risk Management Strategy

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

### HBT'S STRATEGY

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

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

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

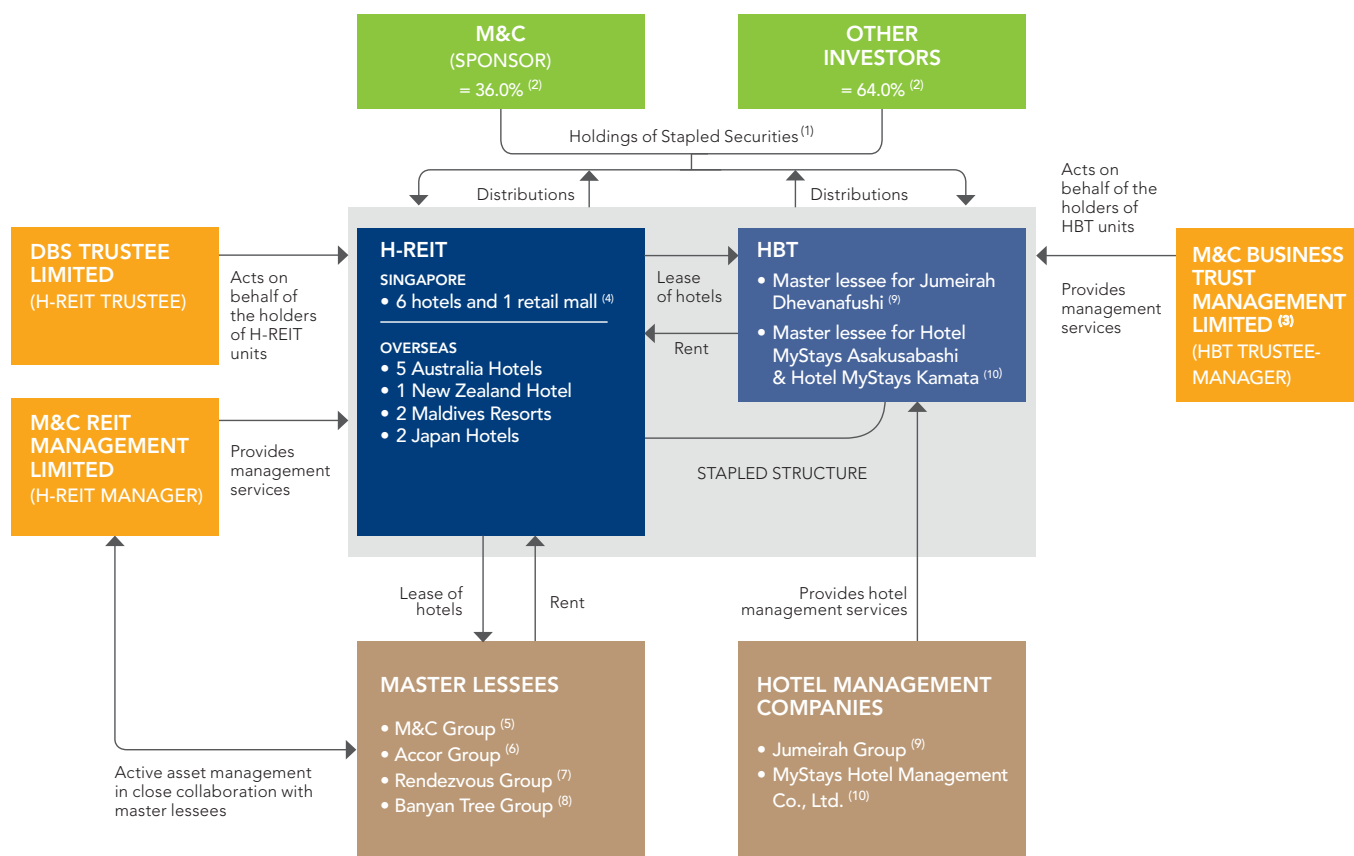
HBT can also undertake certain hospitality and hospitality-related development projects, acquisitions and investments, which may not be suitable for H-REIT.

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

# OVERVIEW OF CDL HOSPITALITY TRUSTS

## STAPLED STRUCTURE

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



(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 3 March 2015.

(3) HBT Trustee-Manager provides management services to HBT and acts on behalf of the holders of the HBT units. Distributions (if any) to be made by HBT will be determined at the sole discretion of the HBT Trustee-Manager's Board.

(4) For simplicity, the diagram does not include the relationships in relation to Claymore Connect (previously Orchard Hotel Shopping Arcade). The H-REIT Manager manages Claymore Connect directly, hence the various tenants of the retail units at Claymore Connect 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 ("**M&C Group**"). For more details, refer to pages 34-43 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 44-45 and 48-51 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 52-53 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 54-55 of the Annual Report.

(9) The master lessee for Jumeirah Dhevanafushi is a subsidiary of HBT and the hotel management company is a subsidiary of Jumeirah International LLC ("**Jumeirah Group**"). For more details, refer to pages 56-57 of the Annual Report.

(10) The master lessee for Hotel MyStays Asakusabashi and Hotel MyStays Kamata is a subsidiary of HBT and the hotel management company is MyStays Hotel Management Co., Ltd. For more details, refer to pages 58-59 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/or operates a portfolio of over 100 hotels with more than 30,000 rooms worldwide.



<b>NORTH AMERICA</b>	<b>EUROPE</b>	<b>MIDDLE EAST</b>	<b>CHINA &amp; TAIWAN</b>	<b>ASIA</b>	<b>NEW ZEALAND</b>
Anchorage Boston Boulder Buffalo Chicago Cincinnati Durham Los Angeles Minneapolis Nashville New York Scottsdale	<b>France</b> Paris  <b>Italy</b> Rome  <b>United Kingdom</b> Aberdeen Birmingham Cardiff Dudley Gatwick Glasgow London Manchester Newcastle Plymouth Reading Sheffield Slough-Windsor	<b>United Arab Emirates (UAE)</b> Abu Dhabi Dubai Sharjah  <b>Qatar</b> Doha  <b>Kuwait</b> Al Jahra  <b>Iraq</b> Baranan Sulaymaniyah  <b>Oman</b> Muscat Mussanah  <b>Jordan</b> Amman  <b>Saudi Arabia</b> Madinah	<b>China</b> Beijing Chengdu Fuqing Hangzhou Qingdao Shanghai Wuxi Xiamen  <b>Taiwan</b> Taichung  <b>Hong Kong</b>	<b>Indonesia</b> Jakarta  <b>Singapore</b> <b>Malaysia</b> Cameron Highlands Kuala Lumpur Penang  <b>Thailand</b> Bangkok Phuket  <b>Philippines</b> Manila  <b>Japan</b> Tokyo	Auckland Bay of Islands Dunedin Greymouth Hamilton Hokianga New Plymouth 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 our financial results for the financial year ended 2014 ("FY 2014").

## PORTFOLIO PERFORMANCE DRIVEN BY ACQUISITIVE GROWTH

Our Singapore Hotels contributed S\$96.1 million in net property income in FY 2014, a comparable performance against FY 2013, despite the more challenging market conditions in the Singapore tourism market.

In 2014, Singapore experienced a 3.1% <sup>(1)</sup> decrease in tourism arrivals – the first decline since 2009. This was mainly due to a sharp drop in the Chinese visitors, Singapore's second biggest inbound market. The drop in Chinese arrivals could be attributable to the disappearance of Malaysia Airlines flight MH370 and the political instability in Thailand. In spite of this, the Singapore Hotels managed to achieve record high annual occupancy of 89.1% in FY 2014. Revenue per Available Room ("RevPAR") decreased marginally by 1.6% year-on-year ("yoy") to S\$188 as average room rates were also affected by increased competition from the supply of new hotel rooms and a cautious corporate spending environment.

In addition, due to asset enhancement works at Claymore Connect (previously known as Orchard Hotel Shopping Arcade), there was no income contribution from this asset (apart from Galleria) <sup>(2)</sup> for the last twelve months. There was also lower fixed rent contribution from its Australia Hotels due to the weak Australian dollar in FY 2014.

On a portfolio basis, performance has improved mainly due to contribution from the Maldives Resorts – Angsana Velavaru and Jumeirah Dhevanafushi. In FY 2014, acquisitive growth of Angsana Velavaru (acquired in January 2013) together with the addition of Jumeirah Dhevanafushi (acquired in December 2013) contributed S\$16.6 million in net property income, an increase of S\$7.6 million from a year ago. This has bolstered the overall performance of the stapled group by providing the benefits of diversification when other markets are going through less favourable cycles.

(1) Singapore Tourism Board, International Visitor Arrivals, 11 February 2015

(2) Currently, three tenants still occupy the adjoining Galleria which is not part of the asset enhancement exercise.

(3) Excluding acquisition costs and based on an assumed exchange rate of S\$1.00 = ¥90.99.

(4) Japan Today, "Gov't eyes 20 million foreign tourists by 2020", 19 January 2014

As a result, net property income of CDLHT increased 2.3% yoy to S\$140.5 million for FY 2014. Income distributed (after deducting income retained for working capital) for FY 2014 increased 0.8% yoy to S\$107.6 million. Income distributed per Stapled Security for FY 2014 was 10.98 cents, compared to 10.97 cents the year before.

## MAIDEN ENTRY INTO JAPAN WITH ACQUISITION OF TWO TOKYO HOTELS

On 19 December 2014, CDLHT secured a strategic foothold in Japan with the acquisition of two Tokyo hotels for a purchase consideration of ¥5.8 billion (S\$63.7 million) <sup>(3)</sup>. The entire acquisition was fully funded with Yen-denominated debt.

Tokyo is currently one of the leading hospitality markets in the world and exhibits strong growth potential. The last couple of years have seen remarkable growth in terms of visitor arrivals and this trajectory will be further supported by the various government initiatives to increase inbound visitors to 20 million <sup>(4)</sup> by the 2020 Tokyo Olympics.

The two hotels, commonly known as business hotels in Japan, are situated in close proximity to major transport hubs and tourist attractions. In FY 2014, occupancy levels of the two hotels were above 90.0%. Since the acquisition, both hotels have been trading very strongly.

With the successful completion of our maiden acquisition in Japan, CDLHT now enjoys greater income diversification though an enlarged portfolio of 14 hotels and two resorts in five markets with a total room count of 4,709.

## ASSET OPTIMISATION

In 2014, several asset enhancement initiatives were undertaken to optimise the assets for future growth: Lobby refurbishment at Mercure Brisbane and Mercure Perth, conference room and restaurant refurbishment at Ibis Perth, and refurbishment of J Bar at M Hotel Singapore.





Orchard Hotel Shopping Arcade was closed for asset enhancement works in December 2013. It received its Temporary Occupation Permit ("**TOP**") in March 2015 and is slated for opening in second quarter of 2015. The mall will be rebranded as Claymore Connect and repositioned as a family-friendly mall with enhanced retail offerings.

Anchor tenants include supermarket retail giant Cold Storage and early educational centre, MapleBear Singapore. In addition, the mall also offers a good selection of F&B outlets as well as numerous specialty and services shops. With the new tenant mix, the revamped mall is expected to cater to the needs of residents living in the nearby districts of Orchard, Tanglin and Claymore.

For Maldives, the two additional beach villas for Jumeirah Dhevanafushi are expected to be completed and operational by second quarter of 2015.

We will continue to optimise the value of our existing assets by implementing proactive asset enhancements. In 2015, M Hotel will be going through a refurbishment exercise of its rooms.

#### **TOURISM OUTLOOK FOR KEY MARKETS IN 2015**

2015 is likely to be an eventful year for Singapore tourism as more visitors from surrounding countries are expected to visit Singapore to join in the SG50 activities as part of the Golden Jubilee celebrations. Complementary to this will be the growing list of attractions such as the opening of the National Gallery Singapore and Pinacothèque de Paris. In addition, the hosting of the Southeast Asian Games in June coupled with the addition of marquee sporting events such as the Rugby Sevens World Series on top of the ongoing Formula 1 and Women's Tennis Association Finals, are also expected to draw more tourists in Singapore and enhance Singapore's attractiveness as a meetings, incentives, conventions and exhibitions ("**MICE**") destination. Supporting the growth in tourism is an estimated increase of 3,000 rooms in 2015.

The tourism sector is an important component of Singapore's economy, contributing close to 4% of Singapore's gross domestic product ("**GDP**")<sup>(5)</sup>. To support Singapore's appeal as a leading international tourist destination, numerous development plans are in the pipeline and these include the development of Jewel - an iconic mixed-used complex at Changi Airport, the construction of Changi Airport's Terminal 4 and 5 to cope with higher passenger traffic as well as the redevelopment of Mandai area into a world-class wildlife reserve. The MICE industry will continue to be a key pillar of Singapore tourism strategy given Singapore Tourism Board ("**STB**") continued efforts to attract higher yielding visitors to Singapore. As such, we remain optimistic on the long-term potential of the Singapore hospitality industry and believe that CDLHT is positioned to benefit from Singapore's status as a destination of choice among leisure and corporate travellers.

For Australia, economic outlook is expected to remain cautious in 2015. The lack of new investments in the mining sector due to the low commodity prices may continue to



affect hotel demand. However, the defensive lease structure which provides CDLHT with largely fixed rent will help to mitigate any weakness in the market. For Maldives, the slowing growth in China and the continued strength of the US dollar, exacerbated by the sustained weakness in the euro and Russian rouble, will weigh on the performance of Maldives tourism sector.

For Japan, tourism growth is likely to maintain its upwards trajectory as it benefits from the various government initiatives to bring in more tourists into Japan. The visa relaxation schemes, increase in passenger capacity at Haneda Airport as well as the expansion of duty-free shopping will support the favourable tourism outlook and this is likely to benefit the two Tokyo hotels that CDLHT acquired in December 2014.

#### **FUTURE GROWTH SUPPORTED BY DISCIPLINED CAPITAL MANAGEMENT**

As at 31 December 2014, our gearing ratio stood at 31.7% and interest coverage ratio remained healthy at 8.6 times.

In FY 2014, the H-REIT Manager successfully refinanced a US\$60.6 million (S\$76.8 million) bridge loan for the acquisition of Jumeirah Dhevanafushi and a S\$70.0 million medium term note into two 5-year floating term loans. In January 2015, the H-REIT Manager exercised its option to convert the US dollar floating rate term loan into a 5-year fixed rate term loan. With a strong balance sheet and ample debt headroom, CDLHT is well placed to capitalise on any acquisition opportunities in the hospitality sector.

#### **APPRECIATION**

On behalf of the board, I would like to extend a warm welcome to Ronald Issen, who joined the board on 7 April 2014. I would also like to take this opportunity to express my heartfelt gratitude to my fellow board members for their advice throughout as well as the management, partners, staff and the H-REIT Trustee for their immeasurable contribution and dedication to CDLHT.

Finally, I want to thank our Stapled Security holders for their steadfast support during the year. I look forward to meeting you at our annual general meeting on 29 April 2015.

**Wong Hong Ren**  
Chairman

(5) Singapore Tourism Board

# FINANCIAL HIGHLIGHTS

## STATEMENT OF TOTAL RETURN

	FY 2014 S\$'000	FY 2013 S\$'000	Variance
Net property income	140,526	137,389	+2.3%
Net income before revaluation	106,242	106,401	-0.1%
Income available for distribution	119,515	118,554	+0.8%
Income distributed	107,563 <sup>(1)</sup>	106,699	+0.8%

## BALANCE SHEET

Prudent capital management has resulted in a healthy balance sheet for CDLHT. As at 31 December 2014, CDLHT's exposure to derivatives <sup>(2)</sup> represents a negligible percentage of its net asset and market capitalisation.

	As at 31 Dec 2014 S\$'000	As at 31 Dec 2013 S\$'000	Variance
Investment properties	2,206,423 <sup>(3)</sup>	2,161,693	+2.1%
Property, plant and equipment	138,260 <sup>(4)</sup>	71,490	+93.4%
Non-current assets	2,352,334	2,238,846	+5.1%
Total assets	2,450,186	2,323,068	+5.5%
Borrowings	776,748 <sup>(5)</sup>	690,093 <sup>(5)</sup>	+12.6%
Net assets	1,616,127	1,595,382	+1.3%

## KEY FINANCIAL INDICATORS

	As at 31 Dec 2014	As at 31 Dec 2013	Variance
Gearing	31.7%	29.7%	+2.0pp
Weighted average cost of debt	2.3% <sup>(6)</sup>	2.4%	-0.1pp
Weighted average debt to maturity (years)	2.5	2.6	-0.1
Interest coverage ratio	8.6x	8.8x	-0.2x
Net asset value per unit	S\$1.65	S\$1.63	+1.2%

(1) 90.0% of income available for distribution was distributed to Security holders. The remaining undistributed income of S\$11,952,000 comprising solely of tax exempt income was retained for working capital needs.

(2) The fair value of the derivatives as at 31 December 2014 is disclosed under Note 13 on page 137 of the Annual Report.

(3) The net revaluation surplus of S\$17,639,000 has been recognised in the Statement of Total Return. The 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 2014 is a net translation loss of S\$4,238,000 relating to its overseas properties. All properties, excluding Jumeirah Dhevanafushi and the Japan Hotels, are accounted for as Investment Properties.

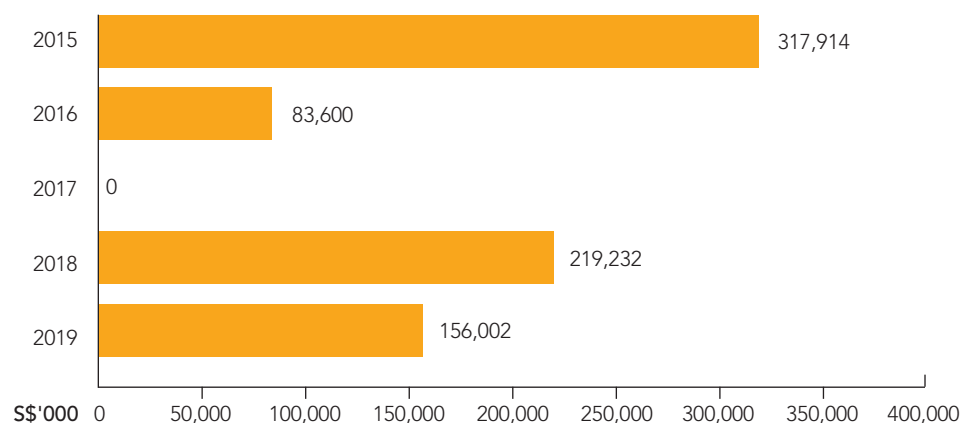
(4) In CDLHT's consolidated financial statements as at 31 December 2014, Jumeirah Dhevanafushi is accounted for at cost as Property, Plant and Equipment and Prepaid Land Lease while the Japan Hotels are accounted for at cost as Property, Plant and Equipment.

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

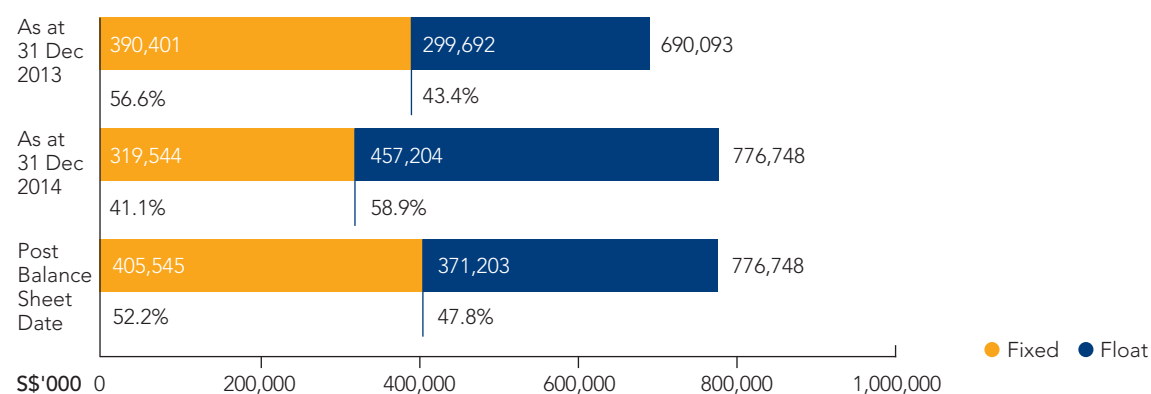
(6) Subsequent to the financial year end, H-REIT exercised its option to convert a 5-year US\$65.0 million (S\$86.0 million) floating rate term loan into a 5-year fixed rate term loan, as allowed under the terms of the loan facility. The weighted average cost of debt, after this conversion, is about 2.4%.

## DEBT PROFILE OF CDLHT

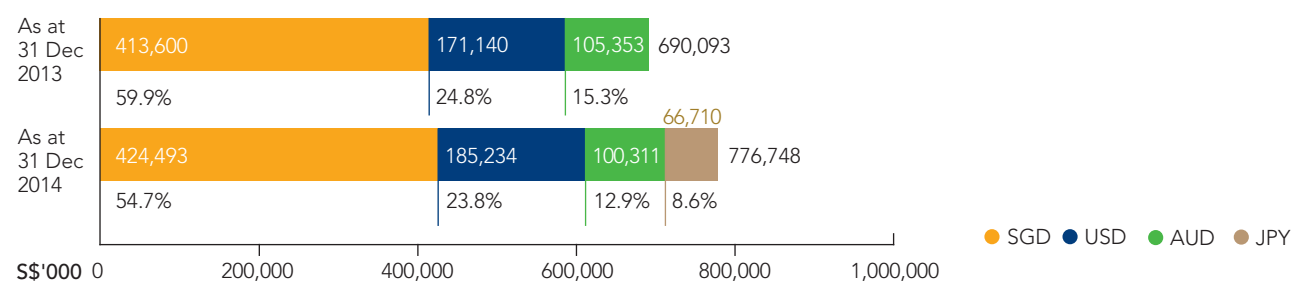
### Debt Maturity Profile



### Fixed Versus Floating Rate Profile <sup>(1)</sup>



### Debt Currency Profile



(1) Subsequent to the financial year end, H-REIT exercised its option to convert a 5-year US\$65.0 million (S\$86.0 million) floating rate term loan into a 5-year fixed rate term loan, as allowed under the terms of the loan term facility. The percentage of fixed borrowings, after this conversion, is about 52.2%.



# PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

## ASSETS UNDER MANAGEMENT Location of CDLHT's Properties



## KEY PROPERTY DETAILS

Summary details of CDLHT's properties are as follows:

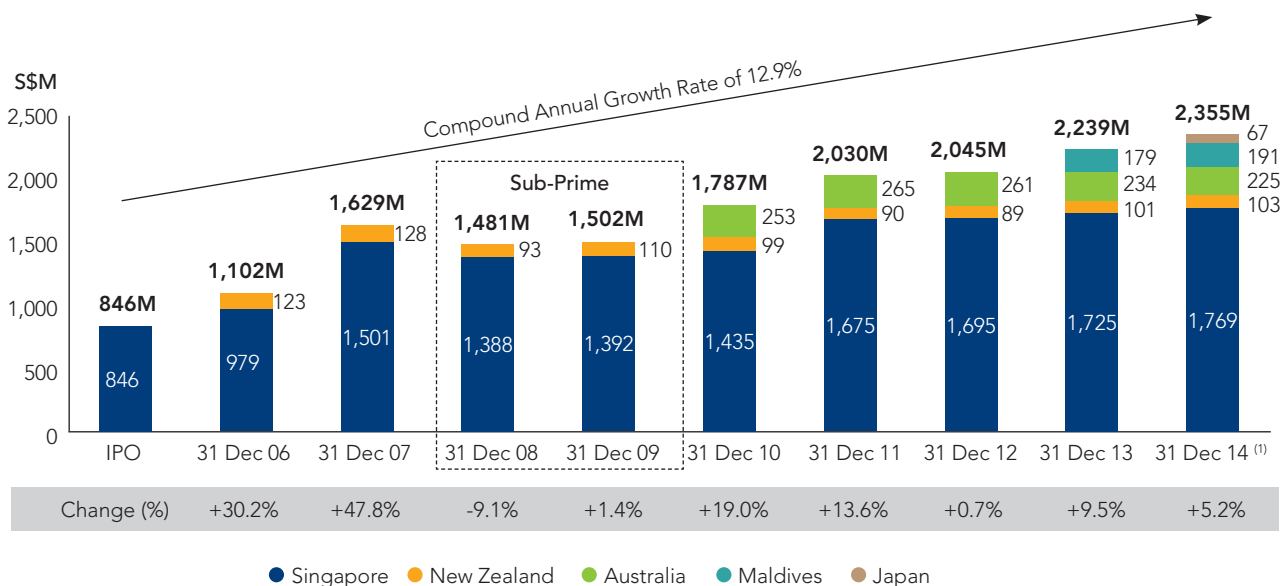
	No. of Rooms	Title	Remaining Term of Land Lease	Date of Acquisition	Purchase Price in millions	Valuation in millions <sup>(1)</sup>	Vendor
Singapore							
Orchard Hotel	656	75-year leasehold interest commencing 19 Jul 2006	67 years	19 Jul 2006	S\$330.1	S\$460.0	City Hotels Pte. Ltd.
Grand Copthorne Waterfront Hotel	574			19 Jul 2006	S\$234.1	S\$363.0	City Developments Limited
M Hotel	413			19 Jul 2006	S\$161.5	S\$235.0	Harbour View Hotel Pte. Ltd.
Copthorne King's Hotel	310			19 Jul 2006	S\$86.1	S\$122.0	Republic Hotels & Resorts Limited
Studio M Hotel	360	99-year leasehold interest commencing 26 Feb 2007	91 years	3 May 2011	S\$154.0	S\$164.0	Republic Iconic Hotel Pte. Ltd.
Novotel Singapore Clarke Quay	403	97 years and 30 days leasehold interest commencing 2 Apr 1980	62 years	7 Jun 2007	S\$201.0	S\$319.0	Lehman Brothers Real Estate Partners II L.P. and affiliated partnerships
Claymore Connect (previously Orchard Hotel Shopping Arcade)	N.A.	75-year leasehold interest commencing 19 Jul 2006	67 years	19 Jul 2006	S\$34.5	S\$106.0	City Hotels Pte. Ltd.
New Zealand							
Rendezvous Grand Hotel Auckland	452	Freehold	–	19 Dec 2006	NZ\$113.0	NZ\$100.0	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\$71.3	Tourism Asset Holdings Limited
Mercure Brisbane	194	Freehold	–	18 Feb 2010	A\$53.7	A\$62.5	
Ibis Brisbane	218	Freehold	–	18 Feb 2010			
Mercure Perth	239	Strata Freehold	–	18 Feb 2010	A\$36.2	A\$45.6	
Ibis Perth	192	Freehold	–	18 Feb 2010	A\$21.6	A\$30.0	
Maldives							
Angsana Velavaru	113	50-year leasehold interest commencing 26 Aug 1997	33 years	31 Jan 2013	US\$71.0	US\$82.5	Maldives Bay Pvt Ltd
Jumeirah Dhevanafushi	35	50-year leasehold interest commencing 15 Jun 2006	41 years	31 Dec 2013	US\$59.6	US\$62.0	Xanadu Holdings Pvt Ltd
Japan							
Hotel MyStays Asakusabashi	138	Freehold	–	19 Dec 2014	¥3,200	¥3,400	AKH GK (Subsidiary of Real Estate Capital Asia Partners III L.P.)
Hotel MyStays Kamata	116	Freehold	–	19 Dec 2014	¥2,600	¥2,660	

(1) All properties, excluding the Japan Hotels, were valued as at 31 December 2014. The Japan Hotels which were acquired on 19 December 2014, were valued (average of two valuations done by DTZ Debenham Tie Leung Kodo Kaisha and International Appraisals Incorporated) as at 30 October 2014.

# PORTFOLIO SUMMARY OF CDL HOSPITALITY TRUSTS

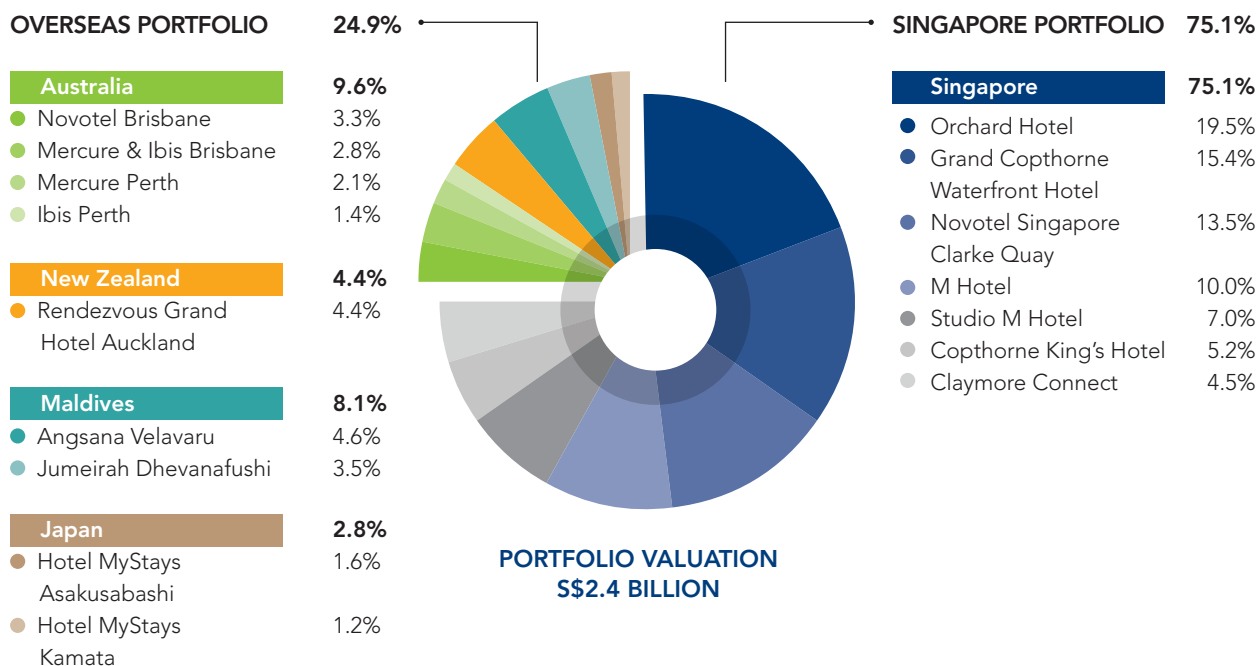
## PORTFOLIO VALUATION

As at 31 December 2014, portfolio of CDLHT registered a yoy increase of 5.2%.



## BREAKDOWN OF PORTFOLIO VALUATION BY GEOGRAPHY AND PROPERTIES <sup>(1)</sup>

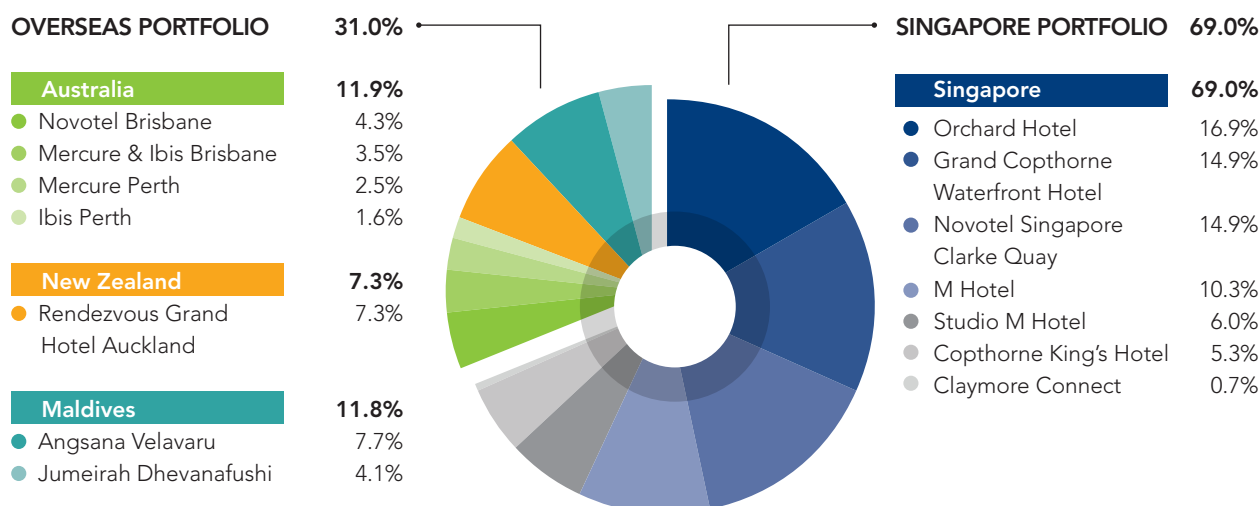
As at 31 December 2014



(1) All properties, excluding the Japan Hotels were valued as at 31 December 2014. The Japan Hotels which were acquired on 19 December 2014, were valued (average of two valuations done by DTZ Debenham Tie Leung Kodo Kaisha and International Appraisals Incorporated) as at 30 October 2014.



## BREAKDOWN OF NET PROPERTY INCOME BY GEOGRAPHY AND PROPERTIES For FY 2014



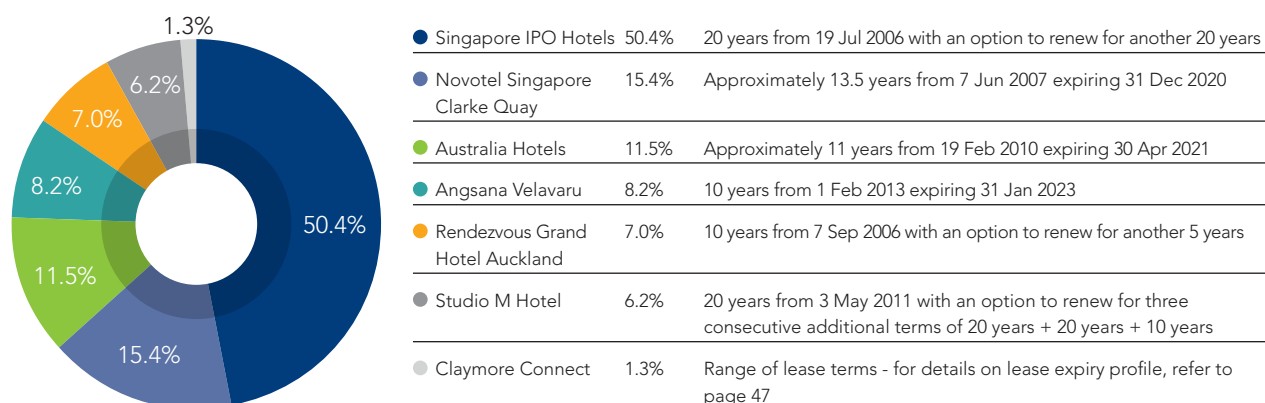
## TOP 10 TENANTS BY GROSS RENTAL INCOME FOR ASSETS WITH LEASES <sup>(1)</sup> For FY 2014

		S\$' 000	
Republic Hotels & Resorts Limited		31,543	21.7%
City Hotels Pte. Ltd.		25,919	17.8%
AAPC Clarke Quay Hotel Pte. Ltd.		22,298	15.4%
AAPC Properties Pty Ltd.		16,747	11.5%
Harbour View Hotel Pte. Ltd.		15,784	10.9%
Maldives Bay Pvt Ltd		11,905	8.2%
Rendezvous Hotels (NZ) Limited		10,234	7.0%
Republic Iconic Hotel Pte. Ltd.		9,008	6.2%
Gourmets United Pte. Ltd.		697	0.5%
TAB SG Pte. Ltd.		574	0.4%

Tenant Classification: ● Hotels ● F&B ● Entertainment

## LEASE EXPIRY PROFILE AND TENANT MIX BY GROSS RENTAL INCOME FOR ASSETS WITH LEASES <sup>(1)</sup> For FY 2014

98.7% of CDLHT's rental income for FY 2014 came from hotel properties and the remaining 1.3% was from Claymore Connect, the only retail mall owned by CDLHT. CDLHT has a strong tenant mix of diversified hotel operators on master leases as well as a healthy lease expiry profile.



(1) Does not include properties which are on management contracts, namely Jumeirah Dhevanafushi, and Hotel MyStays Asakusabashi and Hotel MyStays Kamata. For information on the hotel management agreements of Jumeirah Dhevanafushi and the Japan Hotels, please refer to page 57 and 59 respectively.

# YEAR IN REVIEW

## REVIEW OF FINANCIAL PERFORMANCE

CDLHT achieved a 12.1% increase in gross revenue of S\$166.8 million for the year ended 31 December 2014, primarily due to recognition of full hotel revenue contribution of S\$21.6 million from Jumeirah Dhevanafushi (acquired in December 2013 under a management contract). For the remaining properties which are under master leases, gross revenue showed a marginal decline of 2.4% to S\$145.3 million in FY 2014.

Net property income for FY 2014 (after deducting Jumeirah Dhevanafushi's hotel operating expenses, and the portfolio's property tax and insurance expenses) increased 2.3% yoy to S\$140.5 million. The increase was driven mainly by the acquisitive growth of Angsana Velavaru (acquired in January 2013) and the addition of Jumeirah Dhevanafushi which collectively contributed to a yoy increase of S\$7.6 million in net property income. Contribution from the New Zealand hotel also grew 5.3% yoy to S\$10.2 million. However, this was offset by reduced contributions from Singapore Hotels of S\$0.5 million, loss of rental income from Claymore Connect of S\$2.7 million as well as lower contribution from Australia Hotels of S\$1.7 million.

Correspondingly, income distributed (after deducting income retained for working capital) for FY 2014 increased 0.8% yoy to S\$107.6 million. Income distributed per Stapled Security for FY 2014 was 10.98 cents, compared to 10.97 cents the year before.

CDLHT revalued its investment properties as at 31 December 2014 and recorded a net revaluation surplus of S\$17.6 million.

## PERFORMANCE BY COUNTRY AND PROPERTY <sup>(1)</sup>

	Gross Revenue			Net Property Income		
	FY 2014 S\$'000	FY 2013 S\$'000	Variance	FY 2014 S\$'000	FY 2013 S\$'000	Variance
<b>Master Leases</b>	<b>145,259</b>	<b>148,782</b>	<b>-2.4%</b>	<b>134,838</b>	<b>137,389</b>	<b>-1.9%</b>
Singapore	106,373	110,618	-3.8%	96,994	100,191	-3.2%
Singapore Hotels	104,552	105,745	-1.1%	96,082	96,553	-0.5%
Orchard Hotel	25,919	25,461	+1.8%	23,780	23,183	+2.6%
Grand Copthorne Waterfront Hotel	22,636	23,620	-4.2%	20,929	21,773	-3.9%
M Hotel	15,784	15,604	+1.2%	14,478	14,157	+2.3%
Copthorne King's Hotel	8,907	8,911	N.M.	7,488	7,388	+1.4%
Studio M Hotel	9,008	9,273	-2.9%	8,459	8,601	-1.7%
Novotel Singapore Clarke Quay	22,298	22,876	-2.5%	20,948	21,451	-2.3%
Claymore Connect	1,821	4,873	-62.6%	912	3,638	-74.9%
<b>Australia</b>	<b>16,747</b>	<b>18,480</b>	<b>-9.4%</b>	<b>16,747</b>	<b>18,480</b>	<b>-9.4%</b>
Mercure Brisbane	2,982	3,291	-9.4%	2,982	3,291	-9.4%
Ibis Brisbane	1,988	2,194	-9.4%	1,988	2,194	-9.4%
Novotel Brisbane	6,051	6,678	-9.4%	6,051	6,678	-9.4%
Ibis Perth	2,268	2,503	-9.4%	2,268	2,503	-9.4%
Mercure Perth	3,458	3,814	-9.3%	3,458	3,814	-9.3%
<b>New Zealand</b>	<b>10,234</b>	<b>9,723</b>	<b>+5.3%</b>	<b>10,234</b>	<b>9,723</b>	<b>+5.3%</b>
Rendezvous Grand Hotel Auckland	10,234	9,723	+5.3%	10,234	9,723	+5.3%
<b>Maldives</b>	<b>11,905</b>	<b>9,961</b>	<b>+19.5%</b>	<b>10,863</b>	<b>8,995</b>	<b>+20.8%</b>
Angsana Velavaru	11,905	9,961	+19.5%	10,863	8,995	+20.8%
<b>Management Contract</b>	<b>21,553</b>	<b>-</b>	<b>N.M.</b>	<b>5,688</b>	<b>-</b>	<b>N.M.</b>
Jumeirah Dhevanafushi <sup>(2)</sup>	21,553	-	N.M.	5,688	-	N.M.
<b>Total</b>	<b>166,812</b>	<b>148,782</b>	<b>+12.1%</b>	<b>140,526</b>	<b>137,389</b>	<b>+2.3%</b>

N.M. Denotes Not Meaningful

- (1) Contribution from the Japan Hotels, which were acquired on 19 December 2014, will only be recognised from 1Q 2015 onwards.
- (2) No prior period comparatives are presented as Jumeirah Dhevanafushi was acquired on 31 December 2013. As the property is on a management contract, the gross revenue comprises the entire hotel revenue derived from the resort operations of the resort, and the net property income is derived after deducting the resort's operating expenses, insurance and property tax.

## HOTELS PERFORMANCE FOR FY 2014

### Singapore

Visitor arrivals to Singapore recorded a 3.1% yoy decline to 15.1 million in 2014<sup>(3)</sup>. The decline was mainly due to a drop in visitor arrivals from China, the second largest inbound market for Singapore. The drop in Chinese arrivals could be attributable to the disappearance of Malaysia Airlines flight MH370 and the political instability in Thailand. A ban on "forced shopping" tours by China in October 2013<sup>(4)</sup> also impacted the Chinese arrivals to a certain extent. Despite the drop in tourist arrivals, CDLHT's Singapore Hotels managed to achieve a record-high annual occupancy of 89.1% in FY 2014. However, average room rates declined due to rate competition from increased new supply of hotel rooms and a cautious corporate spending environment. As such, RevPAR dipped marginally by 1.6% to S\$188 for the year.

CDLHT's Singapore Hotels Performance	FY 2014	FY 2013	Variance
Average Occupancy Rate	89.1%	87.4%	+1.7pp
Average Daily Rate	S\$210	S\$218	-3.7%
RevPAR	S\$188	S\$191	-1.6%

### Overseas

CDLHT's Australia Hotels in Brisbane and Perth experienced weaker performance in the year due to the slower pace of the Australian economy and lower activity levels in its mining sector, but the effect was mitigated by the defensive lease structure which provides CDLHT with a high proportion of fixed rent. Contribution from the Australia Hotels was down 9.4% yoy to S\$16.7 million in FY 2014, attributable to the weakening of the Australian dollar.

For New Zealand, Rendezvous Grand Hotel Auckland contributed S\$10.2 million in FY 2014, up S\$0.5 million from FY 2013 due to the annual escalation of base rent and the stronger New Zealand dollar.

The Maldives Resorts registered yoy RevPAR growth of 3.1%<sup>(5)</sup> for 2014. The Maldives market, in which hotel rates are priced in US dollar, has been feeling the negative impact of the progressive strength of the US dollar in the second half of the year which has been compounded by the sharp depreciation of the Russian rouble. Despite this, the resorts contributed to an increase in net property income of S\$7.6 million in FY 2014, mitigating the decline from the Singapore and Australia Hotels.

The Japan Hotels have continued to perform well, registering a yoy RevPAR growth of 25.6%<sup>(6)</sup> for the last 13 days of 2014 in which CDLHT owns the hotels. As the hotels were acquired on 19 December 2014, the contribution will only be recorded in 2015 as the financial impact of the contribution over the last 13 days in December 2014 was immaterial to CDLHT.

## GROWTH FROM ACQUISITIONS

### Expanding our geographical presence



On 19 December 2014, CDLHT secured a strategic foothold in Japan with the acquisition of two Tokyo business hotels for a purchase consideration of ¥5.8 billion (S\$63.7 million)<sup>(7)</sup> which was fully funded by way of Yen-denominated debt.

(3) Singapore Tourism Board, International Visitor Arrivals, 11 February 2015

(4) BBC, "China moves to ban 'forced' shopping tours", 4 October 2013

(5) The yoy comparison assumes H-REIT, through its indirect wholly-owned subsidiaries, owns the Maldives Resorts for the year ended 31 December 2013.

(6) The yoy comparison assumes H-REIT, through its Japan trust, owns the Japan Hotels for the last 13 days of December 2013.

(7) Excluding acquisition costs and based on an assumed exchange rate of S\$1.00 = ¥90.99.



# YEAR IN REVIEW

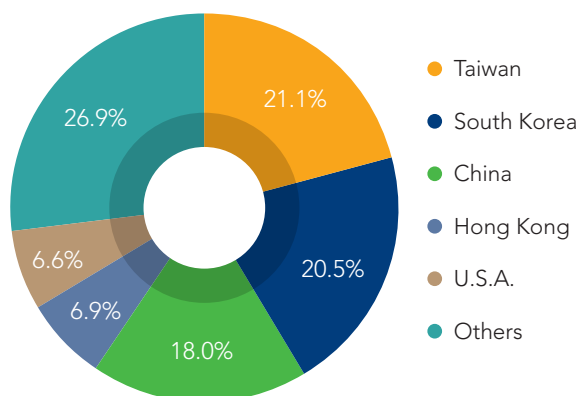
Valued at ¥6.06 billion <sup>(8)</sup>, the two hotels are located in Japan's key gateway city of Tokyo and are situated in close proximity to major transport hubs and tourist attractions. With this acquisition, CDLHT is presented with the unique opportunity to gain exposure to the established and fast-growing Japanese hospitality market.

The wholly-owned subsidiary of HBT is the master lessee of the hotels and it has a hotel management agreement with MyStays Hotel Management Co., Ltd. which manages the two hotels.

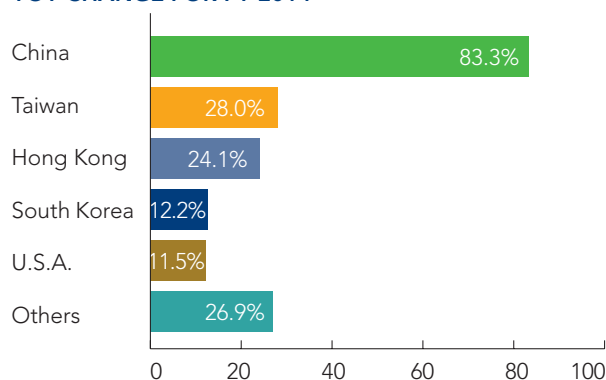
## Exposure to a Growing Japanese Hospitality Market

Tokyo, being the largest hospitality market in Japan, is expected to be a key beneficiary of the improving tourism outlook. As the financial and cultural capital, Tokyo will continue to be a popular destination for both business and leisure travellers coming into Japan. The Tokyo hospitality market has also been performing well in recent years. Japan's tourism industry has been witnessing tremendous growth with international tourist arrivals setting record numbers in 2013 and 2014, aided by monetary easing, fiscal stimulus and structural reforms via "Abenomics". The weakening yen has also encouraged inbound travel. In 2013, Japan registered a 24.0% yoy increase in international visitors to 10.4 million. For 2014, international visitor arrivals grew 29.4% yoy to 13.4 million <sup>(9)</sup>. According to STR, the Tokyo hotel market registered RevPAR growth of 9.9% yoy in 2014 driven largely by rate increases. Hotel occupancy levels remain high at 86.8% <sup>(10)</sup>.

### TOP 5 INBOUND MARKETS TO JAPAN



### TOP 5 INBOUND MARKETS TO JAPAN YOY CHANGE FOR FY 2014



Looking ahead to the 2020 Tokyo Olympics, the Japanese government has set an ambitious target of 20.0 million international visitors from the 13.4 million recorded in 2014. Ongoing initiatives such as the relaxation of visa requirements for visitors from Southeast Asian countries, expansion of flight capacity of Haneda Airport, and the relaxation of duty-free rules are all likely to further drive tourist arrivals into Japan.

Hotel MyStays Asakusabashi is located in central Tokyo, a few stations away from several sightseeing spots such as Asakusa, Tokyo Sky Tower and Akihabara area. Hotel MyStays Kamata is located near to Keikyu-Kamata Station which is a 10-minute train ride away from Haneda Airport. It is also within close proximity to JR Kamata station where there is direct access to JR Tokyo Station as well as nearby major core cities such as Shinagawa, Kawasaki and Yokohama. In FY 2014, occupancy levels of the two hotels were above 90.0%. Both hotels are expected to benefit from the positive demand drivers and this acquisition presents an attractive opportunity for CDLHT to ride on the growth trajectory in the Japanese hospitality market.

## NURTURING FOR GROWTH

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

In December 2013, CDLHT embarked on a major asset enhancement initiative for Orchard Hotel Shopping Arcade, the retail mall adjoining Orchard Hotel, Singapore. It has been rebranded as Claymore Connect and will be repositioned as a family-friendly mall with enhanced retail offerings for the captive residential population in the precincts of Tanglin, Orchard, and Claymore. Apart from the anchor tenant Cold Storage, Claymore Connect will feature tenants such as MapleBear Singapore – an early education centre offering Canadian education philosophies and practices combined with Singapore's bilingual literacy

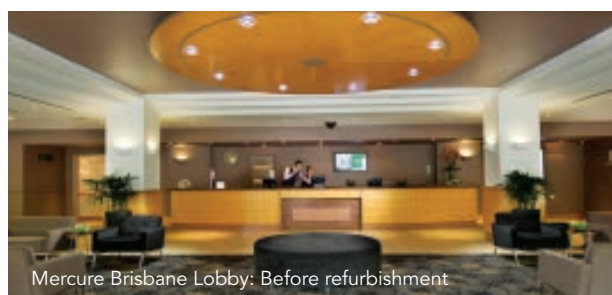
(8) The Japan Hotels which were acquired on 19 December 2014, were valued (average of two valuations done by DTZ Debenham Tie Leung Kodo Kaisha and International Appraisals Incorporated) as at 30 October 2014.

(9) Japan National Tourism Organization

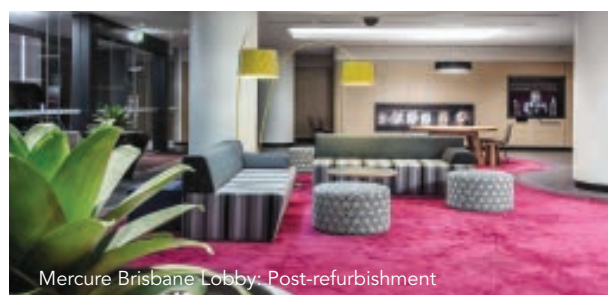
(10) STR Global Asia Pacific Review, 2014

curriculum; Ch'i Life Studio – Singapore's Premier International Martial Arts Studio for children and adults of all ages; as well as a range of food & beverages options, suitable for families and for all patrons. The mall has received its TOP in March 2015 and is expected to commence operations in second quarter of 2015.

For the Singapore portfolio, M Hotel completed a refurbishment of J Bar in FY 2014. For its overseas portfolio, Mercure Brisbane underwent lobby renovation in 2014 and their restaurant refurbishment was completed in February 2015. At Mercure Perth, the hotel completed its lobby refurbishment in 2014 and its restaurant and bar refurbishment is expected to be finished in early part of 2015. Similarly, Ibis Perth has completed its conference room refurbishment as well as the rebranding of its hotel restaurant in 2014. At Jumeirah Dhevanafushi, two new beach villas are expected to be completed and operational by second quarter of 2015.



Mercure Brisbane Lobby: Before refurbishment



Mercure Brisbane Lobby: Post-refurbishment

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

## HEALTHY CAPITAL STRUCTURE AND RISK MANAGEMENT

As at 31 December 2014, CDLHT's total borrowings stood at S\$776.7 million with a gearing ratio of 31.7%. CDLHT is rated BBB- on the Fitch Issuer Default Rating and has an interest cover of 8.6 times for FY 2014.

To optimise risk-adjusted returns to Stapled Security holders, CDLHT endeavours to balance an appropriate mix of debt and equity in financing acquisitions and adopts proactive interest rate management strategies by maintaining a higher percentage of fixed rate borrowings and through the use of interest rate swaps, where appropriate. In 2014, the H-REIT Manager successfully refinanced a S\$70.0 million medium term note and a US\$60.6 million (S\$76.8 million) bridge loan drawn for the acquisition of Jumeirah Dhevanafushi into two 5-year floating rate term loans. To manage its interest rate exposure, CDLHT exercised its option in January 2015 to convert the US\$65.0 million (S\$86.0 million) floating rate term loan into a fixed rate loan. As a result of this, CDLHT currently has 52.2% of its borrowings on fixed interest rates.

In terms of available lines of credit, the H-REIT Group has in place a S\$1.0 billion multi-currency medium term note programme, of which S\$796.4 million remains unissued and another S\$49.1 million unutilised from its multi-currency unsecured revolving credit facility as at 31 December 2014. CDLHT also has a S\$300.0 million uncommitted multi-currency bridge loan facility which is currently unutilised. With a strong balance sheet, underpinned by its relatively low gearing ratio, and diversified access to funding sources, CDLHT is well equipped with the financial capacity for future acquisitions.

## STAPLED SECURITY PRICE STATISTICS

CDLHT closed at a price of S\$1.74 per Stapled Security as at 31 December 2014. Since IPO, the Stapled Security's price has appreciated by 109.6%. In the year 2014, the Stapled Security's price increased 6.1% from S\$1.64, the closing price as at 31 December 2013.

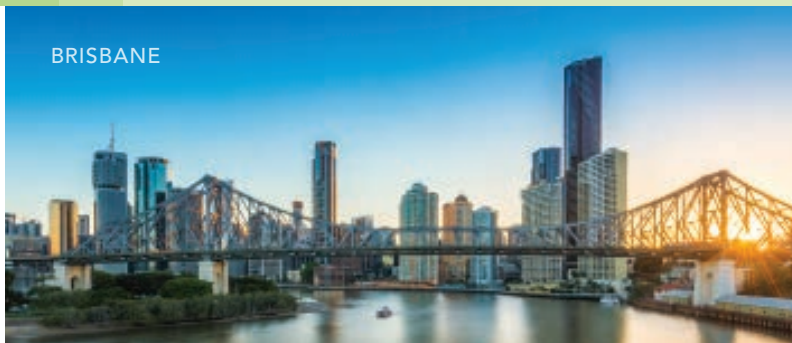
### SUMMARY OF STAPLED SECURITY PRICE STATISTICS

IPO as at 19 July 2006	S\$0.830
Closing Price as at 31 December 2013	S\$1.640
Closing Price as at 31 December 2014	S\$1.740
Highest Price in FY 2014	S\$1.830
Lowest Price in FY 2014	S\$1.540
Weighted Average Price in FY 2014	S\$1.695
Trading Volume in FY 2014 (Number of Stapled Securities)	296.6 million

SINGAPORE



BRISBANE



PERTH



## MARKET REVIEW

SINGAPORE • BRISBANE • PERTH • AUCKLAND • MALDIVES • TOKYO

AUCKLAND



MALDIVES



TOKYO





# MARKET REVIEW

Singapore Hotel Property Sector as of 1 March 2015



## SINGAPORE TOURISM MARKET

According to STB, international visitors arrivals to Singapore in 2014 declined by 3.1% yoy to 15.1 million due to the sharp drop in China visitors over the period from January to September 2014. STB attributed the decrease in numbers to events relating to the disappearance of flight MH370, abduction of Chinese visitors in Sabah, political unrest in Thailand and the tightening of tourism law in China which took effect in October 2013. These factors all had a dampening effect on Chinese travel to the region. Based on month on month numbers from STB, the decline in visitor arrivals seemed to be levelling off as visitors from China returned to positive yoy growth in the last quarter of 2014.

Based on STB statistics on the geographical breakdown of annual international visitor arrivals, Indonesians (20.0%) formed the biggest share followed by the Chinese (11.4%), the Malaysians (8.2%) and the Australians (7.1%). These four market segments constitute 46.7% of total market share but had seen yoy decline in arrival numbers. The drop is most significant for the Chinese where arrival numbers declined by 24.2% yoy while the rest of the market segment had seen decline of not more than 5% yoy. In contrast, visitor arrivals from Hong Kong, South Korea and Vietnam saw strong double digit yoy growth rates of 16.8%, 13.7% and 11.5% respectively but the increase from these markets was not able to make up for the decrease in the top four market segments.

Singapore received S\$23.5 billion in tourism receipts from 15.6 million visitors in 2013. STB's preliminary estimate indicated that tourist spending in 2014 could be maintained at S\$23.5 billion notwithstanding visitor arrivals having fall short of the earlier projection of 16.3 to 16.8 million. STB had further indicated that the 2015 target of 17 million visitors and S\$30 billion in tourism receipts will not be met.

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

The growth momentum is attributed in part to the following reasons. Firstly, the proliferation of low cost airlines in Asia,

resulting in affordable air travel to a wider population. Secondly, the region growing Asian middle class with higher disposable income, leading to higher propensity to travel. Thirdly, the addition of major tourism projects like the two Integrated Resorts and the hosting of major events of world-wide appeal such as the Formula One Singapore Grand Prix and Women Tennis Association Championship ("WTA"). Singapore's appeal has been validated by international sources. Lonely Planet has named Singapore as top destination among countries in Best in Travel 2015. Singapore is also ranked top in Asia and 10th overall in the World Economic Forum ("WEF") Travel and Tourism Competitiveness ranking for 2013.

Singapore's tourism landscape will continue to be enhanced through new additions and soft programmings such as the Singapore Sports Hub which opened in June 2014 and the WTA Championship which was held in October 2014. The WTA event had attracted more than 100,000 attendees to the event and is expected to net S\$15 million from each of the five instalments.

Apart from leisure and holiday makers, business travellers for MICE are also drawn to the many state-of-the-art venues that the city state offers. Singapore has retained its position as the leading meeting city and country in the world according to the Union of International Associations ("UIA") 2013 Global Rankings. Named Top International Meeting Country for the third year running and Top International Meeting City for the seventh consecutive year, Singapore has once again been recognised as a choice international meeting destination. MICE visitors will continue to contribute strongly to the international visitor arrivals number given the sustained strong interest on the growing Asia market and Singapore is poised to capture a slice of this positive trend.

## HOTEL MARKET PERFORMANCE

Despite the operating environment becoming more challenging from declining visitor arrivals and increased competition, Singapore hotels still saw considerably healthy demand in 2014. According to STB, the average occupancy rate ("AOR") in 2014 stood at 85.5%, marginally lower than the 86.3% from a year ago. Average room rates dipped marginally by 0.2% from a year ago while RevPAR, declined by 1.1% yoy. Revenue performance is affected by increased competition due to additional supply of hotel rooms in the market, uncertain geopolitical tensions, disappearance of MH370 and strong Singapore Dollar in 2014.

Performances of the ARR for hotels were mixed in 2014. Luxury and Economy Tier hotels saw higher average ARR while Upscale and Mid-Tier hotels achieved lower ARR compared to a year ago. Luxury hotel current occupancy rates stood at

# MARKET REVIEW

Singapore Hotel Property Sector as of 1 March 2015

87.4% in 2014 as compared to its five year average of 83.3%. Current occupancy rates for Upscale, Mid-Tier and Economy hotels are at a healthy 87.3%, 84.9% and 79.9% respectively. Notably, the gap of the RevPAR between luxury and other hotel tiers widened significantly since 4Q 2012, a strong sign of uptick for the hospitality sector.

## EXISTING SUPPLY

Based on STB data, the hotel stock is estimated at 57,172 in 2014 where some 2,154 hotel rooms were completed during the year. Major completions in 2014 included the 442-room Holiday Inn Express Singapore Clark Quay, 502-room Hotel Jen at 277 Orchard Road, 134-room Sofitel So at 35 Robinson Road and 244-room One Farrer Hotel and Spa at 1 Farrer Park Station Road.

## FUTURE SUPPLY

Moving forward, an estimated 8,703 new hotel rooms are expected to complete from 2015 to 2017 cumulating to a future hotel stock of about 65,875 rooms in 2017. This represents a 3-year Compound Annual Growth Rate ("CAGR") of approximately 4.9%, within STB's expected tourist arrivals growth rate. In 2015, an estimated 3,481 new luxury, upscale and mid-tier hotel rooms are expected to be completed. Selected major completions in 2015 are expected from the 654-room The South Beach, 550-room Genting Singapore Hotel at Jurong Gateway, 450-room Park Hotel Alexandra and 400-room Midlink Hotel at Middle Road. In 2016, another 3,660 new hotel rooms will be completed including 451-room Holiday Inn Express Katong, 300-room Park Hotel Farrer Park and 300-room Premier Inn Singapore at Beach Road.

## HOTEL MARKET OUTLOOK

Whilst the government expects a slowdown in visitor arrivals growth rates, investment in the tourism industry are not likely to decrease. In addition to the Gardens by the Bay – Bay South, Marina Bay Cruise Centre Singapore, the River Safari, Marine Life Park and the Singapore Sports Hub, others significant tourism infrastructures are also coming on-stream. These include the Pinacothèque, National Gallery Singapore and KidZania on Sentosa. The year in 2015 also marks an important anniversary – the country's 50th – as an independent nation. Many celebratory events are expected to be carried out to commemorate the nation's birthday. These projects and events are expected to boost visitors flow into Singapore.

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

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

Tourism programmes will also be enhanced, especially in business and leisure events to differentiate itself from regional competition. The STB established a new Kickstart Fund with an initial funding of S\$5 million, to support lifestyle concepts with strong tourism potential and scalability, such as pop-up entertainment, dining, retail or arts events. The scheme will also provide entrepreneurs access to business advice from experienced mentors from the industry.

Positive results are expected from government initiatives on the tourism industry. However, in the short term, manpower issues are expected to remain as a bugbear for the service-intensive sector, exacerbated by higher foreign worker levies and lower Dependency Ratio Ceiling. Higher salaries and flexible working hours will have to be introduced to attract and retain service staff, which will add to the cost factor, particularly for upscale and luxury hotels which demand high quality staff.

For the year 2015, we expect the occupancy rates to be healthy, trending above the long-term average of 85% mark. The expected better performance arises from new tourism offerings and the series of planned celebrations for the nation's 50th birthday. Operating environment is nonetheless expected to be competitive arising from the expected completion of 3,258 new rooms in 2015. The performance of the hospitality industry should be bolstered by continued growth of the MICE industry. Overall, given Singapore's enhanced offerings in the tourism industry, the outlook for the hospitality sector is still positive, albeit intensifying competition from the region and higher cost of operations arising from higher foreign labour levy and government continual push for productivity.

# MARKET REVIEW

Brisbane, Australia Hotel Property Sector as of 1 March 2015



## BRISBANE TOURISM MARKET

In the 2013/14 financial year there were 967,368 international visitors to Brisbane, equating to approximately 47% of total international visitors to Queensland, who spent 20,106,328 visitor nights in the region. Major source markets include New Zealand, Europe, China, the United Kingdom and United States. The average length of stay by international visitors remains in excess of 20 nights. A major contributor to this growth came from working holiday visitors.

In the same period, Brisbane attracted 26% of the domestic visitors to Queensland, equating to 967,368 Annual Visits and 16,541,000 visitor nights. Visiting friends and relatives (VFR), holiday and business are all major reasons for travel to the region.

## HOTEL MARKET PERFORMANCE

Comparing the 10-year period from 2002/03 to 2012/13, room nights available in the Brisbane Tourism Region have grown by 36.5% and room nights occupied have increased by 47.0% or an average of 3.9% per annum. The result has been an increase in occupancy from 69.0% to 74.3% and an average increase in RevPAR of 6.0% per annum.

The Brisbane market is dependent to a large extent upon both intra and interstate corporate travellers. Corporate travel increased over recent years due to continued population growth and economic activity, including the contributions made by the infrastructure and mining development cycles. Corporate demand eased in 2009 but strengthened again in 2010 and 2011 as business confidence improved. Demand slowed during 2012 and has contracted over the past 18 months.

## EXISTING AND FUTURE SUPPLY

Room supply was relatively stable in the Brisbane market over the five years to 2004, however, grew by 32% (3,170 rooms) from 2005 to 2010, before stabilising over the past three years. Renewed interest in short term accommodation projects, however, was stimulated by strong RevPAR growth occurring from 2010. The Brisbane City Council also announced a moratorium on infrastructure charges for new four and five star hotel developments approved before 30 June 2014, in a bid to incentivise new hotel supply.

There are currently a number of projects under construction with a significant number approved and mooted. Next Hotel, The Four Points by Sheraton, the Gambaro Hotel, Mosaic

and Trype Hotels in Fortitude Valley have all opened in 2014, introducing an additional 580 new hotel rooms into the Brisbane City market. Overall, the total mooted projects for Brisbane to 2022 equates to some 4,369 rooms. However, it is unlikely that all of these projects will proceed. Increased supply, together with recent softening in RevPAR may deter or postpone the commencement of a number of developments and constrain feasibility.

Demand since September 2012 has declined with reduced corporate demand from the mining sector and government. Looking forward, however, we expect continued growth in demand supported by key fundamentals including a government focus on all levels to drive tourism demand, ongoing population growth, economic growth, increased visitor numbers, development of new entertainment and dining precincts together with new accommodation product.

It is difficult to accurately forecast future supply, however, it is anticipated that supply will exceed demand during the medium term resulting in lower occupancy levels. The AEC Group estimates that Brisbane can sustainably absorb between 216 to 330 rooms annually to 2022, allowing the city to increase its capacity and capture more leisure and international visitors arising from markets such as China.

## HOTEL MARKET OUTLOOK

Based on forecast supply and historic trends it is expected that occupancy levels will continue to decline over the medium term to 2017 and reach a low in the mid 70% range, after which demand is expected to exceed supply and occupancy is forecast to again increase. We expect room rates to decline in 2015 with minimal growth until 2019 due to the extent of new supply and declining occupancy levels. Strong growth is expected in RevPAR from 2019 to 2021. In 2022 hotel development proposed as part of the Queens Wharf project is likely to open. The impact on the market will be dependent upon the successful tenderer for this project and the number of hotel and serviced apartments included in this development.

# MARKET REVIEW

Perth, Australia Hotel Property Sector as of 1 March 2015



## PERTH TOURISM MARKET

In the 2013/14 financial year there were 749,307 international visitors to Perth, equating to approximately 94% of total international visitors to Western Australia, who spent 21,087,743 visitor nights in the region. Major source markets include United Kingdom, Singapore and New Zealand. The average length of stay by international visitors remains in excess of 28 nights.

In the same period, Perth attracted 81% of the domestic visitors to Western Australia, equating to 2,188,638 annual visits and 11,670,436 visitor nights. The length of stay would be considered lower than other states due to the fly-in fly-out nature of the mining sector associated with Western Australia.

## HOTEL MARKET PERFORMANCE

The Perth market has, for the past decade, enjoyed very strong business orientated demand which has seen most of the city running at 90% plus occupancy levels mid-week; however weekend demand which is typically leisure based produces substantially reduced occupancy. The limited new room supply and consistently strong demand levels have produced both high occupancy levels and average room rates.

The results from the Australian Bureau of Statistics survey data reflects a slowing rate of growth, largely due to the stalling of the market in the second quarter. Nevertheless, the average annual rate of RevPAR growth over the past five years is a strong 6.1%. Discussions with market participants suggest that Perth's accommodation market has a direct link with resource exploration and mineral exports. Direct comparison with trading results in the Perth CBD does correlate in respect of declining average room rates, however room demand as measured by occupancy levels does not reflect this downward sentiment. Market information suggests that Room Demand has grown slightly within Perth, however the ability for hotels to benefit from late call high yielding opportunities has diminished resulting in decreased Average Daily Rate ("ADR") levels by some 5.0% per annum on a rolling twelve month basis.

## EXISTING AND FUTURE SUPPLY

The Perth hotel market has enjoyed a relatively stable supply for a number of years. Within the CBD there are limited projects currently under construction but a large

number mooted to be undertaken over the coming five year window. Recently completed developments in the Perth CBD (east and west core) include the Fraser Suites (236 apartments) and the Terrace Hotel (15 rooms).

There are a number of developments still known to be under consideration or in progress. If all these projects were to come to fruition it would represent a 60% increase on current room stock. Inevitably not all these mooted projects will progress to completion. In terms of within our market outlook for Perth, we anticipate an increase in supply of some 2,350 over the coming five years.

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

## HOTEL MARKET OUTLOOK

Our forecasts suggest that RevPAR will decrease slightly over each of the next two years being driven by a lower average market occupancy falling from the low 80%'s to mid to high 70%'s matched by room rate growth which is expected to fall short of Perth CPI. Our longer-term forecasts for the Perth City Market are based on an assessment that approximately half the mooted developments will proceed effectively delivering some 2,300+ new guest rooms over a period of five years.

Perhaps the biggest question market in respect of the Perth Market is the level of demand which currently cannot be serviced by room availability. Perth is typically not a drive-to market and is therefore somewhat constrained by air seats capacity. In our view additional room supply will be met with stronger demand levels particularly from the Leisure market which is a more price sensitive segment of the market and the MICE segment. The growth factors applied on the demand side of the equation indicates occupancy levels should remain in the high 70%'s coupled with ADR growth at or just below 2.5% per annum.



# MARKET REVIEW

Auckland, New Zealand Hotel Property Sector as of 1 March 2015



## AUCKLAND TOURISM MARKET

Auckland is the gateway to New Zealand and is the country's most visited destination. Auckland International Airport has in recent years welcomed around 71% of all visitors to the country. In 2014, the city reached a landmark of 2 million visitor arrivals in a calendar year, up 5.0% from 2013.

Auckland has in recent years become a well-regarded international tourist destination, as demonstrated by a consistent growth in annual guest nights with international guest nights in 2014 topping 3 million for the first time. Visitor arrivals to Auckland since 2010 have been driven primarily by growth in the Chinese market, with annual arrivals increasing at an average rate of 21% per annum to reach circa 240,000 in 2014. ATEED, Auckland's economic growth agency, has forecast the Auckland tourism sector to grow at an average rate of 4.6% per annum from an annual value of NZ\$4.83 billion in 2012 to NZ\$7.23 billion by 2021 on the back of strong growth in visitor arrivals.

## HOTEL MARKET PERFORMANCE

The Auckland hotel market is predominantly characterised by contribution from FIT (45%), Corporate (23%), and the Tours business (14%). ADR for 2014 increased to NZ\$147.46, a 5.1% increase from 2013, primarily driven by strong improvements in core business segments such as FIT and Tours which recorded gains of 6.4% and 6.5% respectively.

Occupancy rates in the 3-5 star Auckland hotel market have witnessed continual improvements since 2009 with a spike due to the Rugby World Cup occurring in 2011. Occupancy rates for Auckland have improved to 82.2% for 2014, a historic high. ADR also recorded similar growth over this period, increasing to NZ\$147.46 for 2014. As a result of improvements in both occupancy and ADR, the RevPAR for the 3-5 star Auckland hotel market recorded increases of 7.3% and 9.7% in 2013 and 2014 respectively, culminating in a RevPAR of NZ\$121.21 for 2014.

## EXISTING AND FUTURE HOTEL SUPPLY

As at 2014, the Auckland hotel market (hotels over 50 rooms of three to five star standard) comprised 60 hotels providing an inventory of approximately 9,700 guest rooms.

The majority of Auckland's hotel stock is located within the CBD area with the remainder distributed primarily around the city fringe and the Auckland Airport Precinct. In terms of quality, Auckland has a large number of three to four star hotel rooms (59% of total stock), which is consistent with the core business segments serviced.

Looking ahead, the Auckland hotel market has been witnessing renewed interest in hotel development due to factors such as improving economic and tourism conditions, revitalisation of the Auckland waterfront, the announcement of the proposed National Convention Centre, limited quality investment opportunities, and demand from operators looking to enter into or consolidate existing market share within Auckland. However we note generally the replacement cost of hotels remains above their market values.

Current notable proposed and mooted projects include:

- Conversion of old Reserve Bank building to 130 room Sofitel So on Customs Street (opening delayed to 2016);
- Proposed development of 200 room Park Hyatt at Wynyard Quarter (forecast to open in 2017);
- Refurbishment of the 188 room Copthorne Hotel Auckland Harbour City to a new Millennium Hotel (forecast to re-open in 2016);
- Mooted 302 room Ritz-Carlton to be constructed as part of a mixed-use complex on the corner of Victoria Street West and Albert Street (forecast to be completed in 2020); and
- Mooted 300 room hotel to be built in conjunction with the proposed National Convention Centre (opening date has not been announced).

Most of these projects are currently in early planning stages and are not anticipated to add to market inventory in the short term.

## HOTEL MARKET OUTLOOK

The Auckland hotel market is currently performing at historically high trading levels primarily due to improving economic and tourism fundamentals, Auckland receiving recognition as an international tourist destination, and an improving annual events calendar.

These factors, in conjunction with limited forecast new supply in the short to medium term, are expected to culminate in a positive outlook for the short to medium term demonstrated by further improvements in hotel occupancy and room rates.



# MARKET REVIEW

Maldives Hotel Property Sector as of 1 March 2015



## MALDIVES TOURISM MARKET

The tourism sector is the largest contributor to the country's GDP, accounting for approximately 30% over the past decade or so. In 2014, visitor arrivals to Maldives grew 7.1% to 1.2 million.

Tourist arrivals have been rising strongly, especially in the past few years. According to MMA, the increase in tourist arrivals was mainly driven by higher demand from Chinese tourists. China has been the top source market by country to Maldives since 2010. It has grown from about 119,000 arrivals in 2010 to reach about 363,626 arrivals in 2014. However, the continuance of economic issues in Europe was the main factor for the slowdown in visitor arrivals growth. For 2014, European tourists account for approximately 529,291 arrivals (an increment of 0.4% from 2013) while Asia Pacific tourists account for approximately 588,845 arrivals (12% increment), with the remaining travellers coming from the Americas and Middle East regions.

## EXISTING SUPPLY

According to the Maldives Monetary Authority, the total number of beds in the Maldives increased by an average of 3.9% per year over the period of 2000 to 2014. An increase in the number of beds was an outcome of improved economic situation which resulted in many projects being completed. In 2014, the number of beds amounted to 26,891 which is about 2.8% more than 2013.

## HOTEL MARKET PERFORMANCE

In tandem with higher visitor numbers and changes in the length of stay, the numbers of bed nights sold increased in all years except for 2005 and 2009. However demand weakened in 2012 and the number of bed nights sold declined by 1.2% as compared to 2011. Nevertheless, the market saw a recovery in 2013, with number of bed nights sold increasing by 9.1% over 2012. This was mainly due to strong visitor arrivals recorded during the year. Signs of recovery still exist as the number of beds sold for 2014 increased by 3.6% over the same period in 2013.

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

There has been a gradual change in the demand segments. Travel has become cheaper and accessibility has improved. There is a growing middle class in Asia (in particular in China) while the European demand has suffered since the global financial crisis.

There has been a change in the rental structure from a rate per bed to a rate per square metre of the island. The latter point will tend to encourage a more intensive level of development than previously.

The result of the above is that there has been an increased demand for mid tier properties and we expect this to be maintained. There are few resorts competing in this market, most are locally owned and operated. Obtaining operating performance details on these is difficult but it appears that they have good occupancy levels if correctly marketed as they attract more demand in the low season than the luxury resorts.

According to STR Global, occupancy rates for luxury properties rebounded from 2010 onwards after a fall in 2009. The negative sentiment towards luxury, or discretionary spending, during the economic crisis has ended enabling rooms to increase strongly.

From 2010 onwards, the market performance based on STR's data has shown a steady improvement in terms of RevPAR. RevPAR in 2014 reached US\$524.2, an increment of 9.2% from 2013. This was supported by the ADR at US\$743.4 while occupancy reached 69.2% in 2014. The CAGR rate for RevPAR for the period from 2010 to 2014 was a solid 12%.

## FUTURE SUPPLY

The hotel industry is expected to see at least another 8 new resorts and over 1,000 rooms expected to enter the market by 2016. Some selected additions to the supply in 2015 include the Amilla Fushi Resort, Radisson Maldives Hulhumale, The Ocean Flower, Finolhu, Outrigger Konotta while The Chedi Dhapparu, Amari Havodda is expected in 2016. In addition there are also a number of previously announced projects that have been put on hold until further notice.

## HOTEL MARKET OUTLOOK

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

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

# MARKET REVIEW

Tokyo, Japan Hotel Property Sector as of 1 March 2015



## TOKYO TOURISM MARKET

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

Reviewing the numbers by nationality and area, visitors from Taiwan (ranked 1st) increased by 28.0% to 2.83 million, visitors from South Korea (ranked 2nd) increased by 12.2% to 2.76 million, and visitors from China (ranked 3rd) increased by 83.3% to 2.41 million, where all 3 countries had shown an increase on a yoy basis.

The Japanese government has set a new target of 20 million foreign visitors in 2020, expecting the effect of the 2020 Tokyo Olympic Games/ Paralympics Games to benefit the country.

According to the survey on the number of tourists who had visited Tokyo by the Bureau of Industrial and Labour Affairs in Tokyo, the total number of tourists who had visited Tokyo exceeded 512 million people in 2013, among which Japanese tourists were 505.8 million people and foreign tourists were 6.81 million people, showing an upward trend for both categories.

The amount the tourists had spent (tourism consumption) in Tokyo in 2013 increased by 11.9% on a yoy comparison, reaching approximately ¥5.2 trillion. It is expected that due to the full-scale underlying recovery of the domestic economy and due to the city of Tokyo hosting the 2020 Olympic Games, this upward trend would further increase.

## HOTEL MARKET PERFORMANCE

Domestic trends of the annual total number of guests based on the latest data by Japan Tourism Agency are as follows: The total number of guests in 2013 was 467.21 million with an increase of 6.3% yoy. Among them, foreigners occupied 7.2% with an increase of 1.2% yoy.

Top 3 in the total number of guests by nationality are Taiwan, China, and South Korea. These top 3 as a whole accounts for more than 45% of the total number. Reviewing the trends by nationality, Thailand (yoy growth of 76.1%), Taiwan (yoy growth of 62.8%), Hong Kong (yoy growth of 57.8%), and Malaysia (yoy growth of 54.4%) have shown a significant growth. Taiwan has marked the largest number in 2013, overtaking China, which was top-ranked by number in the previous year.

The economy hotel occupancy rates in the whole of Japan and Tokyo as of September 2014 are 74.5% and 83.7% respectively, which have risen back from the drop due to the effect of the Great East Japan Earthquake in 2011, showing a steady trend in the recent hotel occupancy rate.

The accommodation unit price index which had once reached its peak in 2007 had turned to a downward trend, but then has turned to an upward once again since 2011. Accommodation service price index has also maintained an upward trend since 2011. With the underlying support of the recovery in the domestic economy and the demand for accommodation facilities due to the bump of foreign visitors, the environment for hotel industry is showing a significant improvement, and such trend is expected to further continue in the future.

## EXISTING AND FUTURE HOTEL SUPPLY

Based on the latest data by Ministry of Health, Labour and Welfare, the number of hotel rooms in Tokyo as of March 2014 stands at around 97,900 which represent a yoy growth of around 2.1% and a 5-year CAGR of around 0.9%.

On the other hand, based on the industrial journal available, it is announced that over approximately 10,500 hotel and Ryokan rooms are planned to open in Tokyo until 2018. For example, "Hotel Gracery Shinjuku" with 970 rooms in Shinjuku-ku, Tokyo and "Hoshinoya Tokyo" with 84 rooms in Chuo-ku, Tokyo are scheduled to open in April 2015 and 2016 respectively.

## HOTEL MARKET OUTLOOK

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

A certain level of hotel development plans including under construction and new opening hotels in a few years are scheduled in Tokyo, while the corporate service price index (accommodation service price index) has shown a significant increase for the period up to November 2014 mentioned in Hotel Market Performance.

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

Based on such favourable trend, the trading market is also showing active movements, expanding such enthusiasm in central Tokyo area not only to other major cities but also to the local cities where a certain level of yield can be expected, and such trend is expected to continue in the future.

# BOARD OF DIRECTORS

M&C REIT Management Limited and  
M&C Business Trust Management Limited

## WONG HONG REN, 63

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 currently the Non-Executive Chairman of Grand Plaza Hotel Corporation, First Sponsor Group Limited, Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited. He has been appointed the Chief Executive Officer of City e-Solutions Limited with effect from 2 March 2015.

Mr Wong joined Hong Leong Management Services Pte. Ltd., a wholly-owned subsidiary of Hong Leong Investment Holdings Pte. Ltd. in 1988 as Group Investment Manager and was redesignated to Executive Vice President (Group Investment) in 2006. He was the Chief Executive Officer of M&C from June 2011 to February 2015, having first joined M&C in 1996 as a Non-Executive Director and subsequently took on the role of Chief Financial Officer and Executive Director in 2001 before his redesignation in 2011. Mr Wong is widely experienced in hospitality and industrial businesses overseas, investment analysis, international capital markets and merger and acquisition transactions as well as post-acquisition management re-organisation matters.

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

## VINCENT YEO WEE ENG, 46

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

Mr Yeo is responsible for working within the H-REIT Manager Board and the HBT Trustee-Manager Board to determine

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

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



Premier Club Meeting Room, Orchard Hotel





#### **JENNY LIM YIN NEE, 61**

Ms Jenny Lim Yin Nee was appointed an Independent Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 22 May 2006. She is the Chairman of the Audit Committees, the Lead Independent Director and a member of the Risk Management Committees of the H-REIT Manager and the HBT Trustee-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 tax experience involved corporate reorganisations, mergers and acquisitions and international tax planning assignments which require a good knowledge and depth of experience in accounting, corporate and commercial law as well as local and international taxation.

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

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

#### **JIMMY CHAN CHUN MING, 57**

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.

#### **DANIEL MARIE GHISLAIN DESBAILLETS, 65**

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 held senior positions in Intercontinental Hotel Group, Fullerton Hotels and Resorts and TCC Hotel Group. He also served as Special Advisor to MCIL in 2003, and was subsequently appointed Chief Operating Officer, Asia Pacific, MCIL, where he was responsible for hotel operations and the development of new properties in the region.

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



# BOARD OF DIRECTORS

M&C REIT Management Limited and  
M&C Business Trust Management Limited



Executive Boardroom, Novotel Singapore Clarke Quay

## RONALD SEAH LIM SIANG, 67

Mr Ronald Seah Lim Siang was appointed an Independent Non-Executive Director of the H-REIT Manager and HBT Trustee-Manager on 21 October 2013. He is also the Chairman of the Risk Management Committees of the H-REIT Manager and the HBT Trustee-Manager, and a member of the Audit Committees of the H-REIT Manager and the HBT Trustee-Manager.

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

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

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

## RONALD NATHANIEL ISSEN, 53

Mr Ronald Nathaniel Issen was appointed a Non-Independent and Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager on 7 April 2014.

Mr Issen is currently a Non-Executive Director and Deputy Chairman of City e-Solutions Limited and during the past three years, was also a past Non-Executive and Non-Independent Director of Food Junction Holdings Limited (until December 2013). He is the Non-Executive Chairman, Asia, for Hailo Network Holdings Limited, a Non-Executive Director of Capella Hotel Group Asia Pte. Ltd. and the Managing Director of Issen & Company.

Mr Issen has served in the past as a Senior Advisor based in Hong Kong with private equity group Apollo Global Management LLC, and had also served on the Executive Management Committee of eSun Holdings Limited. He began his career with Smith Barney and the Boston Consulting Group and later worked for then-Credit Agricole Indosuez.

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





# MANAGEMENT REPORTING STRUCTURE

As at 1 March 2015

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

### WONG HONG REN

Chairman and Non-Executive Director

### JIMMY CHAN CHUN MING <sup>(2)</sup>

Non-Executive Independent Director

### VINCENT YEO WEE ENG <sup>(1)</sup>

Chief Executive Officer and Executive Director

### DANIEL MARIE GHISLAIN DESBAILLETS

Non-Executive Independent Director

### JENNY LIM YIN NEE <sup>(1) (2)</sup>

Lead Independent Director and Chairman of the Audit Committees

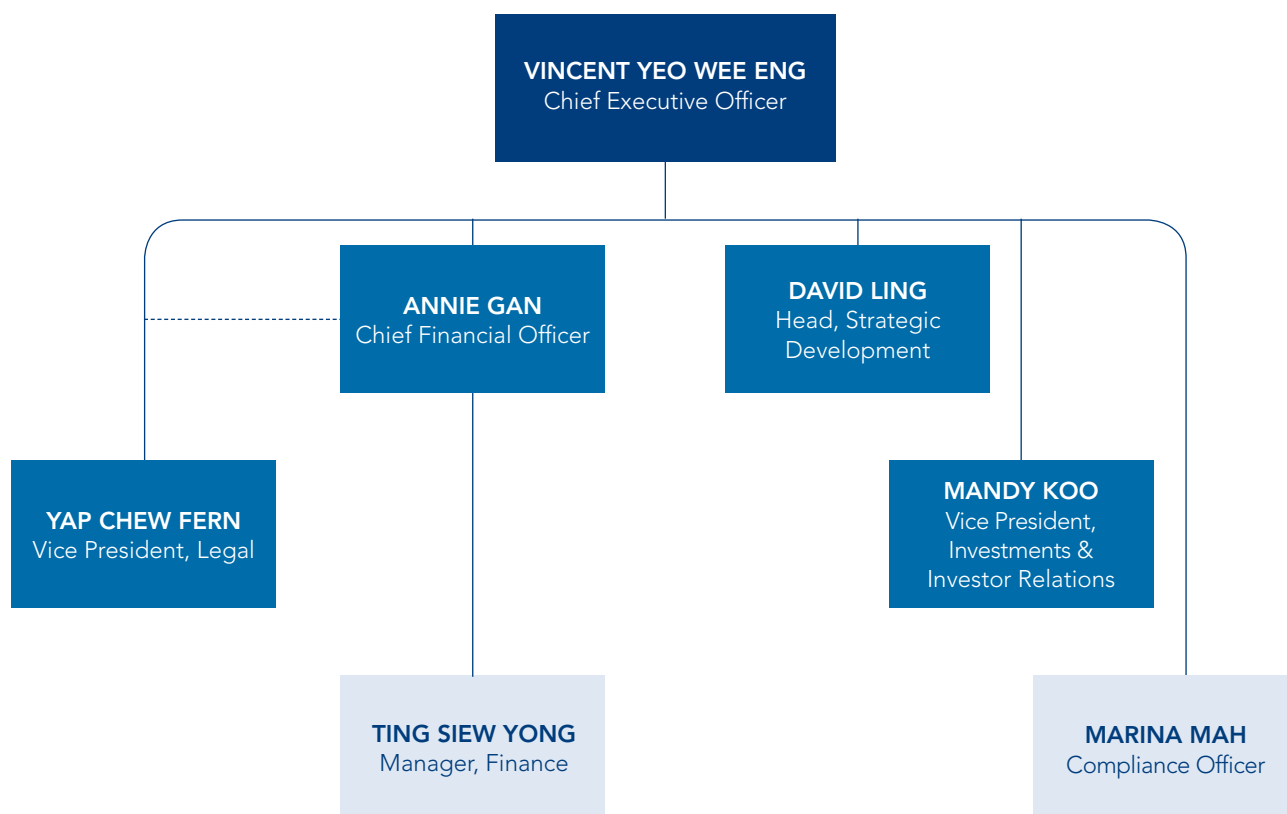
### RONALD SEAH LIM SIANG <sup>(1) (2)</sup>

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

### RONALD NATHANIEL ISSEN

Non-Executive Non-Independent Director

## MANAGEMENT TEAM OF THE H-REIT MANAGER AND HBT TRUSTEE-MANAGER



(1) Member of the Risk Management Committees of the H-REIT Manager and the HBT Trustee-Manager.

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

# MANAGEMENT TEAM

M&C REIT Management Limited and  
M&C Business Trust Management Limited

## VINCENT YEO WEE ENG

### Chief Executive Officer

Mr Yeo is also the Executive Director of the H-REIT Manager and the HBT Trustee-Manager and his profile can be found under the "Board of Directors" section on page 26 of the Annual Report.

## ANNIE GAN

### Chief Financial Officer

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

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

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

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

## DAVID LING

### Head, Strategic Development

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

Mr Ling has 25 years of diverse hospitality and real estate experience in markets across Asia Pacific and Europe, and established relationships with major institutional and private investment houses, brokerage firms and financial institutions. His passion and entrepreneurial spirit drove him to establish and manage four new offices of HVS Hospitality Services in Asia Pacific between 2004 and 2014 as its Chairman and Managing Director, as well as pioneered and chaired the largest and most influential hotel investment conference in mainland China – the annual China Hotel Investment Conference.

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

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

## MANDY KOO

### Vice President, Investments & Investor Relations

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

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

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



**YAP CHEW FERN**  
**Vice President, Legal**

Ms Yap is responsible for providing general legal support and advising, managing and overseeing all legal matters relating to investments of CDLHT (including cross border real estate transactional work) and other legal, commercial and corporate work.

Ms Yap was previously a partner with Rajah & Tann LLP. She has more than 20 years of legal experience in representing and advising various major real estate developers, corporations, institutions, fund managers, investors, companies, registered societies and local authorities in the acquisitions, developments and dispositions of land and buildings. Ms Yap has also advised local statutory boards, authorities and major real estate developers on projects in Singapore that involved the integration of infrastructures such as the light rail transport, bus interchange and the mass rapid transit stations with residential and commercial components in the developments.

Ms Yap graduated from the National University of Singapore and was called to the Singapore Bar in 1990. Ms Yap is a member of the Singapore Academy of Law.

**TING SIEW YONG**  
**Manager, Finance**

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

Ms Ting has more than 15 years of experience in management, accounting and finance functions in various industries. Prior to joining the H-REIT Manager and the HBT Trustee-Manager,

Ms Ting was the Group Financial Controller of the public-listed company, Top Global Limited, overseeing the Group's finance function. She was also previously with Deloitte & Touche LLP, Singapore as Senior Audit Manager.

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

**MARINA MAH**  
**Compliance Officer**

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

Ms Mah has more than 15 years of auditing, financial management and accounting experience in multi-national and listed companies, including 5 years of experience in regulatory compliance of H-REIT and H-REIT Manager. Prior to joining the H-REIT Manager, Ms Mah spent several years with Singapore and Hong Kong listed companies, and was responsible for group consolidation covering Asia Pacific, China, US and Europe.

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





Noodles, Orchard Hotel

## PROPERTIES

As at 31 December 2014, CDLHT owns 14 hotels, two resorts, and one retail mall spanning across Singapore, Australia, New Zealand, Maldives and Japan. All the properties (with the exception of Claymore Connect, Jumeirah Dhevanafushi, Hotel MyStays Asakusabashi and Hotel MyStays Kamata) are leased to external master lessees on long-term leases by H-REIT. Claymore Connect is leased directly to retail tenants by H-REIT while HBT is the master lessee for Jumeirah Dhevanafushi and the Japan Hotels. HBT in turn appoints professional hotel management companies to manage these three resort/hotels.



Club Deluxe Room, Grand Copthorne Waterfront





Signature Suite, Orchard Hotel

# 17

7 in  
Singapore

5 in  
Australia

1 in  
New  
Zealand

2 in  
Maldives

2 in  
Japan

ASSETS AROUND THE WORLD & COUNTING



Ocean Sanctuary, Jumeirah Dhevanafushi





Hua Ting Restaurant

# ORCHARD HOTEL, SINGAPORE

442 Orchard Road, Singapore 238879

656  
guest  
rooms

8,588  
sq m  
land area

S\$460  
million in  
valuation

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



Premier Suite Bedroom



## PROPERTY DETAILS

**Number of guest rooms:** 656

**Number of food & beverage outlets:**

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

**Banquet/Conference/Meeting facilities:**

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

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

**Car park facilities:** 434 car park lots

The car park facilities are shared with Claymore Connect (previously Orchard Hotel Shopping Arcade)

**Land area:** 8,588.0 sq m

(including Claymore Connect)

**Gross floor area:** 49,940.9 sq m

(including Claymore Connect)

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

**Vendor:** City Hotels Pte. Ltd.

**Purchase price at 19 July 2006:**

S\$330.1 million

**Valuation <sup>(1)</sup> as at 31 December 2014:**

S\$460.0 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 2014:** S\$25.9 million

**Net property income from the property for FY 2014:** S\$23.8 million



Located right in the heart of the city's premier shopping and entertainment district, Orchard Hotel Singapore is home to 656 rooms and suites tastefully yet functionally appointed in characteristically unique twin buildings – Orchard Wing (325-room) and Claymore Wing (331-room).

Orchard Wing features vibrant Deluxe Rooms ideal for business and leisure travellers alike; distinctive Signature Club Rooms, Signature Club Deluxe and Signature Suites designed by world-renowned designer Pierre Yves Rochon. The hotel's classy collection of Premier Rooms, Clubs and Suites at the Claymore Wing boasts contemporary interiors, fully equipped with modern amenities and services. Facilities available to guests include a half Olympic-sized pool with sun deck and outdoor jacuzzi, a Fitness Studio and banquet venues coupled with a pillarless grand ballroom which can house up to 1,500 guests (theatre-style seating). Adjoining the hotel is Claymore Connect (previously known as Orchard Hotel Shopping Arcade), which had undergone redevelopment and recently received its TOP. The repositioned mall is expected to commence operations in the second quarter of 2015.

The hotel is complemented by some of the city's finest restaurants from local and international cuisine in its restaurants and cafés to Cantonese fine dining in Hua Ting Restaurant. Award-winning Hua Ting Restaurant is listed in both the 2015 "Singapore Best Restaurants Guide" and 2015 "Regional Best Restaurants" by Singapore Tatler, and was also awarded a top "Three Star Rating" in the 2014 "Singapore's Top Restaurants Guide" by Wine & Dine. International buffet restaurant Orchard Café and cosy eatery Noodles have also both made it to the 2015 "Singapore's Top Restaurants Guide" by Wine & Dine. The lobby's Intermezzo Bar provides the perfect ambience for wind-down sessions with friends and associates.

Orchard Hotel has garnered many awards over the years including TripAdvisor Certificate of Excellence 2014, and the Singapore Green Hotel Award (2013-2014) jointly awarded by Singapore Hotel Association (SHA), Public Utilities Board (PUB), Building & Construction Authority (BCA) and STB. In addition, the hotel received the BCA Green Mark (Gold) certification for four years running (2011-2014), the Hotel Security Award 2014 Excellence Rating jointly awarded by SHA and Singapore Police Force (SPF), and the People Developer (PD) and Service Class (S-Class) Certification 2014-17 by SPRING Singapore.

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





Café Brio's



## GRAND COPTHORNE WATERFRONT HOTEL, SINGAPORE

392 Havelock Road, Singapore 169663

574  
guest  
rooms

10,860  
sq m  
land area

S\$363  
million in  
valuation

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.



La Residenza Serviced Suites



## 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

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

**Car park facilities:** 287 car park lots <sup>(1)</sup>

**Land area:** 10,860.2 sq m (including adjoining Waterfront Plaza) <sup>(2)</sup>

**Gross floor area:** 51,726.0 sq m (including adjoining Waterfront Plaza) <sup>(2)</sup>

**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 <sup>(3)</sup> as at 31 December 2014:** S\$363.0 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 2014:** S\$22.6 million

**Net property income from the property for FY 2014:** S\$20.9 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 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. Grand Copthorne Waterfront Hotel is the third largest conference hotel in Singapore. With one of the best designed conference venues in the region, offering unparalleled cutting edge meeting facilities, it is a choice venue for many multi-national organisations.

Equipped with a full service business centre and four serviced offices, the hotel offers the full range of secretarial and business support services. A salon providing hair, beauty and wellness services satisfies the needs of the leisure guests. In terms of dining options, award-winning Pontini is a fine-dining restaurant that serves authentic Italian cuisine. Diners at Café Brio's can indulge in local favourites or international cuisines while dining indoor or alfresco.

Recent accolades garnered by the hotel include TripAdvisor Certificate of Excellence 2013, Excellence Service Award 2014 (7 Gold, 1 Silver awards), BizSAFE Level 4 Certification, Hotel Security Excellence Award 2014, Fire Safety Excellence Award 2014, the SHA Singapore Green Hotel Award 2013, PUB Water Efficient Building Gold Award 2014-2017, STB ASEAN Green Hotel Award 2012-2013 and BCA Green Mark (Gold) certification 2011-2013.

- (1) The basement level car park facility was not acquired by H-REIT from City Developments Limited ("CDL"). However, the hotel enjoys a right of easement to use the basement level car park facility.
- (2) H-REIT leases from CDL the second level of Waterfront Plaza which comprises the Waterfront Conference Centre which H-REIT in turn sub-lets to Republic Hotels & Resorts Limited ("RHRL"). Rental income received from RHRL is thereafter paid to CDL as rental expense.
- (3) The property was valued by Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.





## M HOTEL, SINGAPORE

81 Anson Road, Singapore 079908

413  
guest  
rooms

2,134  
sq m  
land area

S\$235  
million in  
valuation

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



Deluxe Room

## 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

**Other facilities:** 32 fully furnished designer office suites complete with a selection of modern business and IT facilities at level.8 Office Suites & Business Centre

The Waterfloor features 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 <sup>(1)</sup> as at 31 December 2014:**  
S\$235.0 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 2014:** S\$15.8 million

**Net property income from the property for FY 2014:** S\$14.5 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. It has 413 rooms designed for the business travellers with modern technological amenities. In keeping up with efforts to enhance guests' stay experience, M Hotel will undergo a refurbishment of its rooms in 2015.

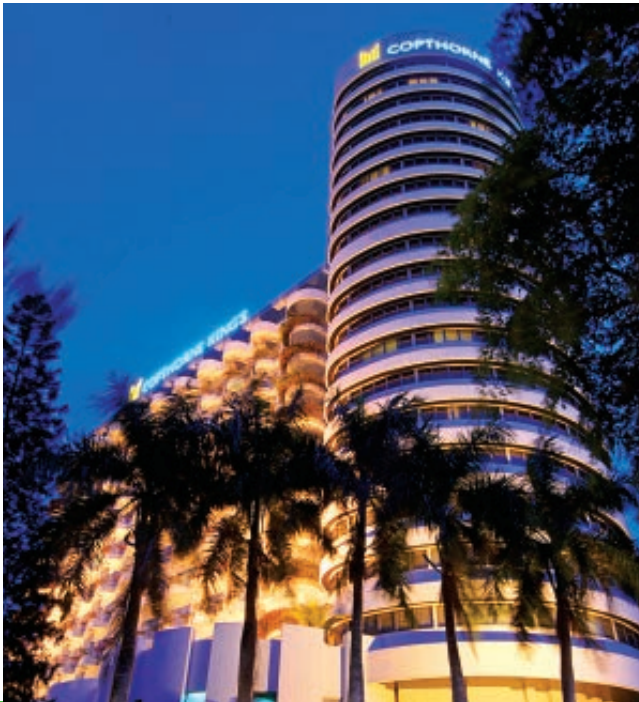
The hotel's financial district location, as well as its variety of meeting areas, well-equipped with the state-of-the-art audio and visual facilities, make it a favoured venue for corporate meetings and social events. Its level.8 Office Suites & Business Centre offers 32 fully furnished designer office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

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 as well as M Hotel's signature chicken pies. The recently refurbished 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.

Accolades of M Hotel include the BCA Green Mark Gold Awards 2011-2014, ASEAN Green Hotel Awards 2012-2014 by SHA, SHA Hotel Security Awards 2011-2014, Fire Safety Award 2014 by the National Fire and Civil Emergency Preparedness Council (NFEC), the PUB Water Efficiency Building Silver Award 2013-2016 and the National Environment Agency (NEA)-SHA 3R (Reduce, Reuse, Recycle) Awards 2014.

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





Princess Terrace Café

# COPTHORNE KING'S HOTEL, SINGAPORE

403 Havelock Road, Singapore 169632

310  
guest  
rooms

5,637  
sq m  
land area

S\$122  
million in  
valuation

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



Deluxe Room



## PROPERTY DETAILS

**Number of guest rooms:** 310

**Number of food & beverage outlets:**

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

**Banquet/Conference/Meeting facilities:**

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

**Car park facilities:** 77 car park lots

**Land area:** 5,636.9 sq m

**Gross floor area:** 17,598.3 sq m

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

**Vendor:** Republic Hotels & Resorts Limited

**Purchase price at 19 July 2006:**

S\$86.1 million

**Valuation <sup>(1)</sup> as at 31 December 2014:**

S\$122.0 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\$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 2014:** S\$8.9 million

**Net property income from the**

**property for FY 2014:** S\$7.5 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 contemporary regional Chinese cuisine including Cantonese delicacies and Princess Terrace which is renowned in Singapore for serving the best authentic Penang cuisine. Both restaurants have been voted into Singapore Tatler's "Best Restaurants" list for seven years consecutively from 2007 to 2013 as well as for 2015.

The hotel, apart from being awarded a BizSAFE Level 3 Certification, it was also recognised from 2011 to 2014 for its performance in security and safety with the award of the Hotel Security Award 2014 Certificate of Excellence by the Singapore Police Force (SPF) the National Crime Prevention Council (NCPC) and the SHA, and the Fire Safety Excellence Award 2014 by the NFEC in conjunction with the Singapore Civil Defences Forces for maintaining high standard of Fire Safety and was also awarded the ASEAN Energy Awards 2013 — Retrofitted Building category. In addition, the hotel also received the BCA Green Mark (Gold) certification 2012-2013 and BCA Green Mark (Platinum) certification 2014 for its sustainability efforts.

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





# STUDIO M HOTEL, SINGAPORE

3 Nanson Road, Singapore 238910

360  
guest  
rooms

2,932  
sq m  
land area

S\$164  
million in  
valuation

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:**

One outlet — MEMO

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

**Car park facilities:** 30 car park lots

**Land area:** 2,932.1 sq m

**Gross floor area:** 8,209.9 sq m

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

**Vendor:** Republic Iconic Hotel Pte. Ltd.

**Purchase price at 3 May 2011:**

S\$154.0 million

**Valuation <sup>(1)</sup> as at 31 December 2014:**

S\$164.0 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:

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

**Minimum rental income:** For the nine years after the first year of the lease, a fixed rent of S\$5 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 2014:** S\$9.0 million

**Net property income from the property for FY 2014:** S\$8.5 million



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

The hotel has within the short time since commencement of business won the AsiaOne's People's Choice Awards 2010: Top 3 Boutique Hotels in Singapore, Travellers' Choice 2012: Top 20 Trendiest Hotels in Singapore awarded by TripAdvisor, Rakuten Travel Rising Star Award 2012 and Booking.com's Outstanding Hotel Partner Award 2012. Other accolades include the BCA Green Mark (Gold) for 2015, PUB Water Efficiency Building Award (Basic) for 2014 and the BizSAFE Level 3 Certification (2012).

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





Premier Lounge

# NOVOTEL SINGAPORE CLARKE QUAY

177A River Valley Road, Singapore 179031

403  
guest  
rooms

12,925  
sq m  
land area

S\$319  
million in  
valuation

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



Phoenix Grand Ballroom



## 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 <sup>(1)</sup>

**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 <sup>(2)</sup> as at 31 December 2014:**

S\$319.0 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 2014:** S\$22.3 million

**Net property income from the**

**property for FY 2014:** S\$20.9 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 tourist attractions such as Chinatown, the Esplanade and the Integrated Resorts. Its rooms provide a spacious and contemporary feel, each with magnificent and unobstructed views of the 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 being awarded ISO 14001 certification in 2014 and was awarded Platinum status for the Planet 21 rating in 2013 and 2014. For its green practices, the hotel was one of the Top 10 Commercial (Hotel Category) Buildings under the BCA Building Energy Benchmarking Report and was the winner of the SEC-Kimberly-Clark Singapore Environmental Achievement Award (Services). The hotel also received the Singapore Green Hotel Award 2011 and 2013 as well as the BCA Green Mark (Gold Plus) Certification in 2013. Other accolades include the Hotel Security Award 2012 and 2014 and BizSAFE Level 3 Certification 2013 for workplace safety and health.

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 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 four food and beverage outlets 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.

(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 Knight Frank Pte Ltd using a combination of the Capitalisation and Discounted Cash Flow approaches.





Artist's impression

## CLAYMORE CONNECT, SINGAPORE (PREVIOUSLY ORCHARD HOTEL SHOPPING ARCADE)

442 Orchard Road, Singapore 238879

~7,000  
sq m in  
NLA<sup>(1)</sup>

S\$106  
million in  
valuation

Occupying a prime spot at the junction of Claymore Road and the Orchard Road shopping and tourist belt, Claymore Connect is repositioned as a family-friendly mall with enhanced retail offerings.



Artist's impression



## PROPERTY DETAILS

**Net lettable area:** Approximately 7,000 sq m <sup>(1)</sup>

**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 <sup>(2)</sup> as at 31 December 2014:** S\$106.0 million

## KEY FINANCIALS

The key financials and statistics below only relate to Galleria, which is the section of the mall that is not part of the redevelopment that commenced in December 2013.

**Rental income from the property for FY 2014:** S\$1.8 million

**Net property income from the property for FY 2014:** S\$0.9 million

**Total number of tenants as at 31 December 2014:** 3 <sup>(3)</sup>

**Average occupancy rate for FY 2014:** 100%

**Average rent for FY 2014:** S\$7.08 per sq ft per month

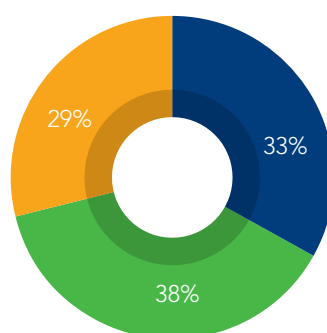
Claymore Connect is within short walking distance of Orchard MRT station, which is situated at the junction of Scotts Road, Paterson Road and Orchard Road. Its main entrance is along Claymore Road, with access to Orchard Hotel. The redeveloped mall has received its TOP in March 2015 and is expected to commence operations in second quarter of 2015.

The newly refurbished mall with enhanced retail offerings will cater to the growing captive residential population in the precincts of Tanglin, Orchard, and Claymore. Apart from the anchor tenant Cold Storage, Claymore Connect will feature tenants such as MapleBear Singapore – an early education centre offering Canadian education philosophies and practices combined with Singapore's bilingual literacy curriculum; Ch'i Life Studio – Singapore's Premier International Martial Arts Studio for children and adults of all ages; as well as a range of food & beverages options, suitable for families and for all patrons.

Claymore Connect is well-poised to fill a gap in family-oriented malls, given the increasing number of residential developments in and along the fringes of Orchard Road. The tenant mix post-asset enhancement is expected cater to the needs of the residents living in the nearby precincts.

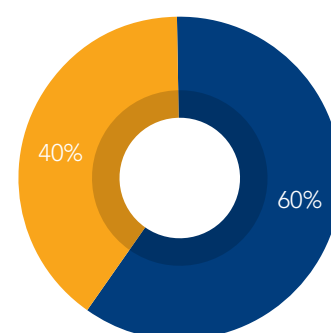
## RENT PROFILE RELATING TO GALLERIA <sup>(3)</sup>

### Lease Expiry Analysis By Passing Rent As At 31 Dec 2014



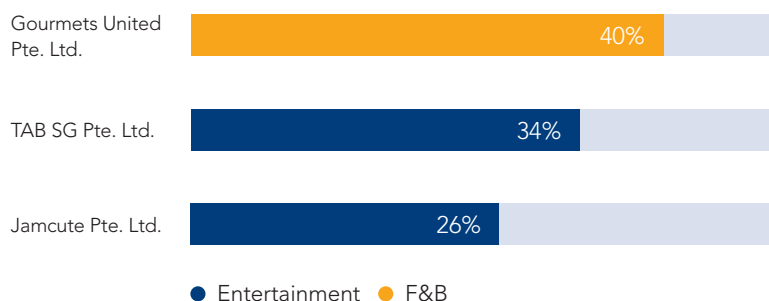
● 2015  
● 2016  
● 2017

### Tenant Mix By Rental Income For FY 2014



● Entertainment  
● F&B

### % Contribution Of Rental Income For The 3 Tenants In Galleria For FY 2014



● Entertainment ● F&B

- (1) Subject to change and resurvey post AEI.
- (2) The property was valued by Knight Frank Pte Ltd using a combination of Capitalisation and Discounted Cash Flow approaches.
- (3) All tenants have moved out of the mall in FY 2014 for the AEI, which commenced in December 2013 (except for three tenants occupying the Galleria, which is not part of the AEI).





Lobby, Ibis Brisbane

## NOVOTEL, MERCURE & IBIS BRISBANE, AUSTRALIA

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

296  
Novotel  
guest rooms

6,235  
sq m  
land area

A\$71  
million in  
valuation

194  
Mercure  
guest rooms

218  
Ibis  
guest rooms

3,847  
sq m  
land area

A\$63  
million in  
valuation

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



Premier Balcony Room, Novotel Brisbane



Restaurant, Mercure Brisbane



## PROPERTY DETAILS

<b>Hotel:</b>	Novotel Brisbane	Mercure Brisbane <sup>(1)</sup>	Ibis Brisbane <sup>(1)</sup>
<b>Number of guest rooms:</b>	296	194	218
<b>Number of food &amp; beverage outlets:</b>	Three outlets comprising Restaurant & Terrace, Plan B Café and Lobby Bar	One outlet comprising Mercure Restaurant & Bar	Two outlets comprising iBar and iBistro
<b>Banquet/Conference/Meeting facilities:</b>	11 versatile conference and function rooms for up to 350 delegates featuring pillarless ballroom, executive boardroom, conference cafe and a unique pool deck area	Three floors of function facilities and 11 conference rooms with ample pre-function areas with natural light for up to 900 delegates	One function room for up to 70 guests
<b>Car park facilities:</b>	70 car park lots		109 car park lots
<b>Land area:</b>	6,235 sq m		3,847 sq m
<b>Gross floor area:</b>	28,049 sq m		38,972 sq m
<b>Title:</b>	Strata Volumetric Freehold		Freehold
<b>Vendor:</b>	Tourism Asset Holdings Limited		Tourism Asset Holdings Limited
<b>Purchase price at 18 February 2010:</b>	A\$63.5 million		A\$53.7 million
<b>Valuation <sup>(2)</sup> as at 31 December 2014:</b>	A\$71.3 million		A\$62.5 million

## MASTER LEASE DETAILS

<b>Hotel:</b>	Novotel Brisbane	Mercure Brisbane <sup>(1)</sup>	Ibis Brisbane <sup>(1)</sup>
<b>Master lessee:</b>	AAPC Properties Pty Ltd, a subsidiary of Accor S.A.		
<b>Term of lease with master lessee:</b>	Approximately 11 years from 19 February 2010, expiring on 30 April 2021		
<b>Minimum rental income:</b>	A\$4.9 million		A\$4.1 million

## FINANCIAL DETAILS

<b>Rental income from the property for FY 2014:</b>	S\$6.1 million <sup>(3)</sup> (A\$5.3 million)		S\$5.0 million (A\$4.4 million) <sup>(3)</sup>
<b>Net property income from the property for FY 2014:</b>	S\$6.1 million <sup>(3)</sup> (A\$5.3 million)		S\$5.0 million (A\$4.4 million) <sup>(3)</sup>

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

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

Mercure Brisbane's 194 spacious and comfortable rooms offer spectacular views over the Brisbane River and the city. The hotel offers a newly refurbished lobby and restaurant, and a bar, as well as three floors of function facilities and 11 conference rooms featuring ample pre-function areas and natural light. The hotel was awarded the Gold Planet 21 rating in 2013 and 2014 for its sustainability efforts. It also received the ISO 14001 environmental certification in 2014.

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

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

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

(3) Based on the average exchange rate of A\$1.00 = S\$1.1393.





iBistro Restaurant, Ibis Perth



Rubix Bar, Ibis Perth

## MERCURE & IBIS PERTH, AUSTRALIA

Mercure Perth 10 Irwin Street

Ibis Perth 334 Murray Street

239  
Mercure  
guest rooms

757  
sq m  
land area

A\$46  
million in  
valuation

192  
Ibis guest  
rooms

1,480  
sq m  
land area

A\$30  
million in  
valuation

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



Standard Room, Mercure Perth



## PROPERTY DETAILS

<b>Hotel:</b>	Mercure Perth	Ibis Perth
<b>Number of guest rooms:</b>	239	192
<b>Number of food &amp; beverage outlets:</b>	Three outlets comprising Tonic Bar, Restaurant Ten and Hydrant Bar and Café	Two outlets comprising the Rubix Bar and iBistro Restaurant
<b>Banquet/Conference/Meeting facilities:</b>	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
<b>Car park facilities:</b>	32 car park lots	13 car park lots
<b>Land area:</b>	757 sq m	1,480 sq m
<b>Gross floor area:</b>	22,419 sq m	9,650 sq m
<b>Title:</b>	Strata Freehold	Freehold
<b>Vendor:</b>	Tourism Asset Holdings Limited	
<b>Purchase price at 18 February 2010:</b>	A\$36.2 million	A\$21.6 million
<b>Valuation <sup>(1)</sup> as at 31 December 2014:</b>	A\$45.6 million	A\$30.0 million

## MASTER LEASE DETAILS

<b>Hotel:</b>	Mercure Perth	Ibis Perth
<b>Master lessee:</b>	AAPC Properties Pty Ltd, a subsidiary of Accor S.A.	
<b>Term of lease with master lessee:</b>	Approximately 11 years from 19 February 2010, expiring on 30 April 2021	
<b>Minimum rental income:</b>	A\$2.8 million	A\$1.9 million

## KEY FINANCIALS

<b>Rental income from the property for FY 2014:</b>	S\$3.5 million <sup>(2)</sup> (A\$3.0 million)	S\$2.3 million <sup>(2)</sup> (A\$2.0 million)
<b>Net property income from the property for FY 2014:</b>	S\$3.5 million <sup>(2)</sup> (A\$3.0 million)	S\$2.3 million <sup>(2)</sup> (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 bar, a heated rooftop swimming pool, spa, sauna and gym. Business guests are well catered for at this hotel with a number of modern meeting rooms available, accommodating up to 350 delegates. The hotel was awarded Silver Planet 21 rating in 2014 for its sustainability efforts.

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

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

(2) Based on the average exchange rate of A\$1.00 = S\$1.1393.





# RENDEZVOUS GRAND HOTEL AUCKLAND, NEW ZEALAND

71 - 87, Mayoral Drive, Auckland

452  
guest  
rooms

5,910  
sq m  
land area

NZ\$100  
million in  
valuation

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.



Straits Café



Executive King Suite Bedroom



## PROPERTY DETAILS

**Number of guest rooms:** 452

**Number of food & beverage outlets:**

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

**Banquet/Conference/Meeting facilities:**

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

**Car park facilities:** 258 car park lots

**Land area:** 5,910.0 sq m

**Title:** Freehold

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

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

**Valuation <sup>(1)</sup> as at 31 December 2014:** NZ\$100.0 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\$9.8 million in FY 2014 which further escalates at a rate of 2.75% per annum

## KEY FINANCIALS

**Rental income from the property for FY 2014:** S\$10.2 million <sup>(2)</sup> (NZ\$9.8 million)

**Net property income from the property for FY 2014:** S\$10.2 million <sup>(2)</sup> (NZ\$9.8 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 Cafe to Japanese cuisine in Katsura, room service and light lunch and dinner options in Atrium Lounge.

Rendezvous Grand Hotel Auckland holds the Qualmark Ranking 4 Star Plus 2012-2014 and TripAdvisor Certificate of Excellence 2012-2014. The hotel also won the New Zealand Hotel of the Year for the NCC Group Series in 2014.

(1) The property was valued by Colliers International New Zealand Limited using the Initial Year Capitalisation and Discounted Cash Flow approaches.

(2) Based on the average exchange rate of NZ\$1.00 = S\$1.0489.





# ANGSANA VELAVARU, MALDIVES

Velavaru Island, South Nilandhe Atoll,  
Republic of Maldives

113  
villas

67,717  
sq m  
land area

US\$83  
million in  
valuation

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



## PROPERTY DETAILS

**Number of guest rooms:** 79 Beachfront Villas, 34 InOcean Villas

**Number of food & beverage outlets:** Three restaurants and two bars comprising Kaani Restaurant, Funa Restaurant, Azzuro and Kuredhi Bar, Castaway Island dining and a cooking school

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

**Land area:** 67,717 sq m

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

**Vendor:** Maldives Bay Pvt Ltd

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

**Valuation <sup>(1)</sup> as at 31 December 2014:** US\$82.5 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

## KEY FINANCIALS

**Rental income from the property for FY 2014:** S\$11.9 million (US\$9.4 million) <sup>(2)</sup>

**Net property income from the property for FY 2014:** S\$10.9 million (US\$8.6 million) <sup>(2)</sup>



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

Angsana Velavaru is the first resort to introduce the concept of standalone water villas, which are exclusively positioned at the edge of the reef about one kilometre away from the main island. Facilities within the resort include three restaurants, two bars, a private picnic island, an award winning spa, a cooking school, a lifestyle gallery, a marine conservation lab and a kids' club. Winner of Agoda.com's Gold Circle Awards 2012 and its spa, the recipient of World Luxury Spa Awards' Best Luxury Beauty Spa 2013, the design style of the resort blends a tropical lifestyle, the Maldivian experience and the comforts of modern living.

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

(2) Based on the average exchange rate of US\$1 = S\$1.2688.





Arrival Jetty

# JUMEIRAH DHEVANAFUSHI, MALDIVES

Meradhoo Island, Gaafu Alifu Atoll, Republic  
of Maldives

35  
villas

53,576  
sq m  
land area

US\$62  
million in  
valuation

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





## PROPERTY DETAILS

**Number of guest rooms:** 19 Beachfront Villas, 16 Over-Water Villas

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

**Other facilities:** PADI 5 Star Dive & Water Sports Centres, Talise SPA, Over-water fitness and yoga studios, Two infinity edge pools, 24-hour Butler Services, Library and resort shop

**Land area:** 53,576 sq m

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

**Vendor:** Xanadu Holdings Pvt Ltd

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

**Valuation <sup>(1)</sup> as at 31 December 2014:** US\$62.0 million

## HOTEL MANAGEMENT AGREEMENT DETAILS

**Operator:** Jumeirah Management Services (Maldives) Private Limited

**Term of Hotel Management Agreement:** 1 November 2011 to 31 October 2046

## KEY FINANCIALS

**Net property income from the property for FY 2014:** S\$5.7 million (US\$4.5 million) <sup>(2)</sup>



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

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

Opened in November 2011, the 35-villa Jumeirah Dhevanafushi features 16 over-water villas and 19 beachfront villas each with its own private pool, with two additional beachfront villas expected to be completed and operational by second quarter of 2015. The resort competes at the top end of Maldives luxury market and its extremely spacious villas are among the largest in Maldives, with one- to two-bedroom options ranging from approximately 200 to 340 sq m. The luxurious beachfront villas occupy the main island of Meradhoo and located some 800 metres away are the over-water villas, which boast high 6.3-metre ceilings and full length floor-to-ceiling windows that provide panoramic views of the Indian Ocean from the bedroom, bathroom and living room.

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

Since its opening, the resort has received numerous accolades, including Conde Nast Hot List: World's Most Amazing Swimming Pools 2013, Hot List: "Extraordinary Honeymoon Hotel Award" 2014 Winner, Conde Nast Johansens Talise Spa Award: Best for Couples - Runner Up 2014, TripAdvisor Certificate of Excellence Recipient 2012-2014 as well as TripAdvisor "Traveller's Choice" Winner 2013. Its spa was also named Best Luxury Emerging Spa (Indian Ocean) Continent Winner 2013 by World Luxury Spa Awards.

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

(2) Based on the average exchange rate of US\$1 = S\$1.2688.



Hotel MyStays Asakusabashi



Single Room, Hotel MyStays Asakusabashi

## HOTEL MYSTAYS ASAKUSABASHI & MYSTAYS KAMATA, JAPAN

1-5-5 Asakusabashi, Taito-Ku, Tokyo

5-46-5 Kamata, Ota-Ku, Tokyo

138  
Asakusabashi  
guest rooms

567  
sq m land  
area

¥3.4  
billion in  
valuation

116  
Kamata  
guest rooms

497  
sq m  
land area

¥2.7  
billion in  
valuation

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



Hotel MyStays Kamata



Twin Room, Hotel MyStays Kamata



#### PROPERTY DETAILS

<b>Hotel:</b>	Hotel MyStays Asakusabashi	Hotel MyStays Kamata
<b>Number of guest rooms:</b>	138	116
<b>Other facilities:</b>	1 convenience store	N.A.
<b>Car park facilities:</b>	6 car park lots	6 car park lots
<b>Land area:</b>	567 sq m	497 sq m
<b>Title:</b>	Freehold	Freehold
<b>Vendor:</b>	AKH GK (indirect wholly-owned subsidiary of Real Estate Capital Asia Partners III L.P.)	
<b>Purchase price at 19 December 2014:</b>	¥3.20 billion	¥2.60 billion
<b>Valuation <sup>(1)</sup> as at 30 October 2014:</b>	¥3.40 billion	¥2.66 billion

#### HOTEL MANAGEMENT AGREEMENT DETAILS

<b>Operator:</b>	MyStays Hotel Management Co., Ltd.
<b>Term of Hotel Management Agreement:</b>	Expires on 18 July 2016 (automatically renewed for 3-year term unless notice of termination given by either party)

CDLHT made its foray into the Japanese market with the acquisition of two freehold Tokyo hotels (Hotel MyStays Asakusabashi and Hotel MyStays Kamata) in December 2014. Opened in late 2009, both hotels are within close proximity to major transportation networks and tourist attractions.

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

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

Both properties were also awarded the TripAdvisor's Certificate of Excellence in 2014.

(1) The two Japan hotels were valued (average of two valuations done by DTZ Debenham Tie Leung Kodo Kaisha and International Appraisals Incorporated) as at 30 October 2014 using the Discounted Cash Flow, Cost, Direct Capitalisation and Sales Comparison approaches.



# CORPORATE GOVERNANCE

## Note:

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

M&C REIT Management Limited (the "H-REIT Manager") was appointed manager of CDL Hospitality Real Estate Investment Trust ("H-REIT") in accordance with the terms of the Trust Deed dated 8 June 2006 (as amended or restated) between the H-REIT Manager and the H-REIT Trustee, DBS Trustee Limited. M&C Business Trust Management Limited (the "HBT Trustee-Manager") was appointed the trustee-manager of CDL Hospitality Business Trust ("HBT") in accordance with the terms of the Trust Deed constituting HBT dated 12 June 2006.

The H-REIT Manager and the HBT Trustee-Manager (collectively "the Managers") executed a Stapling Deed dated 12 June 2006 (the "Stapling Deed") to form CDL Hospitality Trusts, a stapled group comprising H-REIT and HBT and each Stapled Security consists of one H-REIT Unit and one HBT Unit and is treated as a single instrument.

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

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

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

## General

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

**The differences in practices are set out within the report.**

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

HBT was dormant until 31 December 2013. It was activated by HBT Trustee-Manager to be the master lessee of Jumeirah Dhevanafushi, a property which was acquired by a wholly-owned subsidiary of H-REIT and thereafter leased to a wholly-owned subsidiary of HBT. In addition to its function as a master lessee, HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments which may not be suitable for H-REIT.



# CORPORATE GOVERNANCE

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

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

The HBT Trustee-Manager has the dual responsibility of safeguarding the interests of the HBT Unitholders, and managing the business conducted by HBT. The HBT Trustee-Manager has general powers of management over the assets of HBT and its main responsibility is to manage HBT's assets and liabilities for the benefit of the HBT Unitholders. The HBT Trustee-Manager also sets the strategic direction of HBT.

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

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

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

## BOARD MATTERS

### Principle 1: The Board's conduct of affairs

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

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

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

## **Independent Judgement**

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

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

The primary functions of the H-REIT Manager Board and the HBT Trustee-Manager Board are either carried out directly by the H-REIT Manager Board and the HBT Trustee-Manager Board or through committees established by the H-REIT Manager Board and the HBT Trustee-Manager Board, 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 the HBT Trustee-Manager Board respectively 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 2014 ("Annual Report").

The delegation of authority by the H-REIT Manager Board and the HBT Trustee-Manager Board to the respective Committees enables the H-REIT Manager Board and the HBT Trustee-Manager Board to achieve operational efficiency by empowering these Committees to decide on matters within their respective written terms of reference and/or limits of delegated authority and yet without abdicating their respective responsibility. Please refer to the section on Principle 11 and Principle 12 in this report for further information on the activities of the AC and RMC.

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

Board, AC and RMC meetings of the Managers are held regularly. For the H-REIT Manager, six Board Meetings, four AC Meetings and two RMC Meetings were held in 2014. A meeting of the Independent Directors ("IDs") of the H-REIT Manager, chaired by the lead independent Director ("Lead ID") was also held in 2014 without the presence of Management and Chairman.

For the HBT Trustee-Manager, four Board Meetings, four AC Meetings and one RMC Meeting were held in 2014. Pursuant to the increased activity in HBT, a meeting of the IDs of the HBT Trustee-Manager, chaired by the Lead ID was held in 2015 for the IDs to discuss matters without the presence of Management.

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

The attendance of the H-REIT Manager Directors and the HBT Trustee-Manager Directors at meetings of the Board and Committees of the H-REIT Manager and HBT Trustee-Manager, as well as the frequency of such meetings during 2014, are disclosed below. Notwithstanding such disclosure, the H-REIT Manager Board and the HBT Trustee-Manager Board are also of the view that the contribution of each Director should not be focused only on his/her attendance at meetings of the Board and/or the Committees.





# CORPORATE GOVERNANCE

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 and HBT.

## Directors' Attendance at Board and Committee Meetings of the H-REIT Manager in 2014

	Board	AC	RMC
<b>No. of Meetings held in 2014</b>	<b>6</b>	<b>4</b>	<b>2</b>
<b>Name of Directors</b>	<b>Number of meetings attended in 2014</b>		
Wong Hong Ren	5	N. A.	N. A.
Vincent Yeo Wee Eng	6	N. A.	2
Jenny Lim Yin Nee	6	4	2
Jimmy Chan Chun Ming	6	4	N. A.
Daniel Marie Ghislain Desbaillets	5	N. A.	N. A.
Ronald Seah Lim Siang	5	4	2
Ronald Nathaniel Issen <sup>#</sup>	5	N. A.	N. A.

<sup>#</sup> Mr Ronald Nathaniel Issen, who was appointed a Director on 7 April 2014, had attended all 5 Board Meetings held following his appointment.

## Directors' Attendance at Board and Committee Meetings of the HBT Trustee-Manager in 2014

	Board	AC	RMC
<b>No. of Meetings held in 2014</b>	<b>4</b>	<b>4</b>	<b>1</b>
<b>Name of Directors</b>	<b>Number of meetings attended in 2014</b>		
Wong Hong Ren	4	N. A.	N. A.
Vincent Yeo Wee Eng	4	N. A.	1
Jenny Lim Yin Nee	4	4	1
Jimmy Chan Chun Ming	4	4	N. A.
Daniel Marie Ghislain Desbaillets	4	N. A.	N. A.
Ronald Seah Lim Siang	4	4	1
Ronald Nathaniel Issen <sup>#</sup>	3	N. A.	N. A.

<sup>#</sup> Mr Ronald Nathaniel Issen, who was appointed a Director on 7 April 2014, had attended all 3 Board Meetings held following his appointment.

### Guideline 1.5

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

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

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

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

# CORPORATE GOVERNANCE

## **Guideline 1.6**

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

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

## **Guideline 1.6**

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

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

## **Guideline 2.1**

Does the Company comply with the guideline on the proportion of independent directors on the Board?

If not, please state the reasons for the deviation and the remedial action taken by the Company.

**Yes. Please refer to the paragraph with under the heading "Board Independence".**

## **Guideline 2.3**

(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent?

If so, please identify the director and specify the nature of such relationship.

**None.**

## **Guideline 2.3**

(b) What are the Board's reasons for considering him independent?

Please provide a detailed explanation.  
**Not applicable.**

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

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

The Managers also conduct an induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Committees, which seeks to familiarise Directors with CDLHT's business, the Managers' board processes, internal controls and governance practices. The induction programme includes meetings with various key executives of the Management to allow the new Directors to be acquainted with the Management team and to facilitate their independent access in future to the Management team. The programme also includes briefings by the Management team on key areas of the Managers' operations and by each Chairman of the relevant Committees to which the Director is newly appointed to on the roles and responsibilities of the Committees. Mr Ronald Issen, who was appointed in April 2014, was briefed by the Chief Executive Officer and Chief Financial Officer with regard to the business and operations of H-REIT, HBT, the H-REIT Manager and the HBT Trustee-Manager, including an overview of the organisational structure. The Company Secretary also took him through the documents contained in the induction pack.

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

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

In 2014, the Directors attended three in-house courses entitled (i) Directors' Continual Training covering Taxation, (ii) Future-Proofing Business with Tomorrow's Bottom Line and Integrated Reporting: Creating Value over the Short, Medium and Long Term, and (iii) Accounting and Regulatory Updates including key highlights on the Guidebook for Audit Committees in Singapore (2nd Edition). These courses were conducted by invited speakers. The AC members also received updates on changes to accounting standards and issues which have an impact on financial statements from the External Auditors at AC meetings. In addition to the training courses/programmes, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Managers' operations.



# CORPORATE GOVERNANCE

## Principle 2: Board Composition and Guidance

### Guideline 2.4

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

**None as at the date of this Annual Report.**

### Board Independence

The Boards of the H-REIT Manager and the HBT Trustee-Manager currently consist of seven members each. All members of the Boards, except for the Chief Executive Officer, are non-executive Directors ("NEDs"). Of the six NEDs, four of them, being more than half of the Boards, are independent<sup>(1)</sup> directors, thus providing for a strong and independent element on the Boards capable of exercising objective judgement on corporate affairs of the H-REIT Group and the HBT Group. No individual or small group of individuals dominates the Boards' decision-making. For purposes of determination of independence, the independent directors provided declarations regarding their independence.

The independent NEDs are Ms Jenny Lim, Mr Jimmy Chan, Mr Daniel Desbaillets and Mr Ronald Seah.

The independence of the Board members is assessed in accordance with Guideline 2.3 of the 2012 Code and the Business Trusts Regulations 2005.

### Guideline 2.6

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

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

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

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

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

### Guideline 2.6

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

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

The H-REIT Manager Board and the HBT Trustee-Manager Board have also considered the core competencies of the Boards based on the skills and experience of each Director, and are of the view that the Boards have the critical skills and expertise needed in the strategic direction and planning of the business of H-REIT and HBT. The current composition of the Boards comprises directors who have experience in real estate and hotel related businesses, the food and beverage industry, business management, strategic planning, investment analysis, corporate finance, investment portfolio management, audit and taxation, corporate reorganizations and mergers and acquisitions. There is also gender diversity on the Boards. In April 2014, Mr Ronald Issen was brought onto the Boards to further complement the Boards' skills, with his extensive experience in advisory and consultancy services, including the identification and evaluation of potential investments and strategic partnerships. Further information on the Directors' background, experience and skills can be found on the "Board of Directors" section in the Annual Report.

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



**Guideline 2.6**

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

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

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

## **NEDs' Participation**

NEDs of the H-REIT Manager and the HBT Trustee-Manager are encouraged to participate actively in Board meetings in the development of H-REIT's and HBT's strategic direction and plans, in the review and monitoring of Management's performance through periodic reports from the Management, and have unrestricted access to the Management. They also sit on various Committees established by the Boards of the H-REIT Manager and the HBT Trustee-Manager to provide constructive input and the necessary review and monitoring of performance of H-REIT, HBT and the Management. The H-REIT Manager held a meeting of the independent NEDs chaired by the Lead ID in January 2014 (without the presence of Management and Chairman). In addition, the independent NEDs of the H-REIT Manager and the HBT Trustee-Manager respectively held a meeting of the independent NEDs in January 2015.

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

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 and the HBT Trustee-Manager Board for independent decision-making. The Chairman is not related to the Chief Executive Officer.

The Chairman bears primary responsibility for the workings of the H-REIT Manager Board and the HBT Trustee-Manager Board, by ensuring effectiveness on all aspects of its role including setting agenda for the H-REIT Manager Board meetings and the HBT Trustee-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 NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the H-REIT Manager/HBT Trustee-Manager Board and Management. At annual general meetings and other general meetings of the holders of stapled securities of CDLHT (the "Stapled Securities Holders"), he plays a pivotal role in fostering constructive dialogue between Stapled Securities Holders, the Boards of the H-REIT Manager and the HBT Trustee-Manager and Management.

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

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



# CORPORATE GOVERNANCE

## Lead Independent Director

Ms Jenny Lim, the Lead ID of the H-REIT Manager and HBT Trustee-Manager, serves as an intermediary between the independent NEDs and the Chairman. The role of each of the H-REIT Manager Board's Lead ID and the HBT Trustee Manager Board's Lead ID is set out under the written terms of reference of the Lead ID which have been approved by the Board of the H-REIT Manager and the Board of the HBT Trustee-Manager. Under the chairmanship of the Lead ID, a meeting of the independent NEDs of the H-REIT Manager was convened in January 2014 (without the presence of Management or the Chairman) and separate meetings of the independent NEDs of both the H-REIT Manager and HBT Trustee-Manager were also convened in January 2015.

### Guideline 4.6

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

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

## Principle 4: Board Membership

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

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

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

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

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

However, after due consideration, the Boards are of the view that the assessment of each individual Director should not be restricted to the number of their respective board representations but should include contributions by the Directors at Board and Committee Meetings. The Boards do not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Boards.

## Key Information on Directors

Please refer to the "Board of Directors" section in the Annual Report for key information on the H-REIT Manager Directors and the HBT Trustee-Manager Directors. Currently, no alternate Directors have been appointed in respect of any of the H-REIT Manager Directors and the HBT Trustee-Manager Directors.

### Guideline 4.4

(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? **There is no maximum number prescribed.**

### Guideline 4.4

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

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

# CORPORATE GOVERNANCE

## **Guideline 4.4**

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

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

## **Guideline 5.1**

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

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

## **Guideline 5.1**

(b) Has the Board met its performance objectives?

*The Boards have reviewed their performance. Please refer to the paragraph under the heading "Board Performance".*

## **Guideline 6.1**

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

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

## **Board Development**

The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2014 are set out in the paragraph above under the subject heading "H-REIT Manager and HBT Trustee-Manager Board Orientation and Training".

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

## **Principle 5: Board Performance**

The H-REIT Manager Board and HBT Trustee-Manager Board have in place formal processes to assess the effectiveness of each Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The performance of each Board was assessed through feedback from individual Directors on areas relating to the Board's competencies and effectiveness for the financial year ended 31 December 2014.

## **Principle 6: Access to Information**

### **Complete, Adequate and Timely Information and Access to Management**

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

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

### **Company Secretary**

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

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





# CORPORATE GOVERNANCE

## Independent Professional Advice

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

## REMUNERATION MATTERS

Guidelines 9.2, 9.3, 9.4, and 9.6

Please refer to the section under the heading "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 Managers are remunerated by the H-REIT Manager and HBT Trustee-Manager, not H-REIT nor HBT respectively.

#### Guideline 9.2

Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

#### Guideline 9.3

(a) Has the Company disclosed each key management personnel's remuneration, in bands of \$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).

#### Guideline 9.4

Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds \$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.

#### Guideline 9.6

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

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

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

***Disclosure on remuneration matters have not been provided as the Directors and employees of the Managers are remunerated by the H-REIT Manager and HBT Trustee-Manager, and not H-REIT or HBT respectively.***

### Principle 10: Accountability

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

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

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

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

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

## **Principle 11: Risk Management and Internal Controls**

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

### **Risk Management**

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

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

The RMC reports to the Boards at least once a year on the nature and extent of the functions performed by it and makes recommendations to the Boards 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:

- providing oversight of the risk management framework designed, established and implemented by the Management for the identification, assessment, management and monitoring of risks, and with the objective of embedding risk management into existing management processes;
- reviewing the overall risk appetite and tolerance as determined using the risk limits and/or parameters established by the Management and approved by the RMC, which limits and/or parameters are to be reviewed from time to time;
- keeping under review the key strategic risks (and gaps) identified by the Management and discuss with Management the risk acceptance and/or risk mitigation strategies taken in respect of such risks;
- reviewing H-REIT's and HBT's risk profile periodically and assist the Board in the review of H-REIT's and HBT's risk strategy and key risk policies.
- ensuring that Management puts in place procedures for accurate and timely monitoring of large exposures and critical risks so that H-REIT and HBT is capable of responding to current and prospective changes within both H-REIT's and HBT's business and industry and the macroeconomic and financial environment.

#### **Guideline 11.3(a)**

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

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



# CORPORATE GOVERNANCE

- reviewing reports on material breaches of risk limits and the adequacy of the proposed actions taken to rectify such breaches; and
- reviewing, assessing and reporting to the Boards annually on the adequacy and effectiveness of the established risk management framework, especially to address H-REIT's and HBT's financial, operational, compliance and information technology risks (which review may be carried out internally or with the assistance of competent third parties).

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

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

## **Guideline 11.3**

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

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

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

## **Internal Controls**

Having regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of mitigating such risks, H-REIT and HBT's internal controls structure 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 financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities. H-REIT and HBT's internal controls structure includes:

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

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

## **Guideline 11.3**

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

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



Based on the internal controls framework established, the independent annual review conducted by KPMG Services Pte. Ltd. of H-REIT and HBT's governance and internal controls framework and the assurance from Management, the H-REIT Manager Board and HBT Trustee-Manager Board confirm, with the assistance of the AC and the RMC, that they have reviewed the adequacy and effectiveness of H-REIT and HBT's risk management system and internal controls that address the financial, operational, compliance and information technology controls and concur with the opinion of the AC and the RMC that the risk management system and system of internal controls in place as at 31 December 2014 are adequate and effective to address in all material respects the financial, operational, compliance and information technology risks within the current scope of H-REIT and HBT's business operations.

## **Principle 12: Audit Committee**

### **Composition of the AC**

The AC of both the H-REIT Manager and the HBT Trustee-Manager comprises three NEDs, all of whom (including the chairman of the Audit Committee) are independent.

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 and the HBT Trustee-Manager are 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 respective Boards.

### **Powers and Duties of the AC**

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

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

- to review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of H-REIT Group, HBT Group and CDLHT to be reported to the Stapled Securities Holders, and any other formal announcements relating to the financial performance of the H-REIT Group, HBT Group and the Stapled Group.
- to review and report to the Board annually on the adequacy and effectiveness of the H-REIT's and HBT's internal controls, including financial, operational, compliance and information technology controls (which review may be carried out internally or with the assistance of competent third parties).
- to coordinate with the RMC to monitor in particular the identification, evaluation, management and monitoring of the risks related to financial reporting;



# CORPORATE GOVERNANCE

- to review reports from the Management, external auditors and internal auditors on the systems for internal controls, including financial, operational, compliance and information technology controls and review reports issued by any external professional adviser who may be engaged to carry out an independent review of H-REIT's and HBT's internal controls framework;
- to review activities of the internal auditors on factors such as independence, adequate resources and appropriate standing to perform an effective role;
- to review a summary of the internal audit reports and review Management's responses to the internal audit findings and recommendations;
- to review and make recommendations to the Boards for approval by the Stapled Securities Holders on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to review, on an annual basis, the scope and results of the external audit;
- to assess the independence of the external auditors on an annual basis;
- to ensure that the external auditors' independence and objectivity are not impaired by keeping the nature and extent of non-audit services provided by the external auditors under review (including the fees thereof);
- to review the whistle-blowing policy and the arrangements put in place by the Company for staff and any other persons to raise, in confidence, concerns about possible improprieties in matters of financial reporting or any other matters.; and
- to monitor the procedures established to regulate Related Party Transactions and/or Interested Party Transactions, including reviewing any Related Party Transactions and/or Interested Party Transactions entered into from time to time and ensuring compliance with the relevant provisions of the Listing Manual of SGX-ST and the Property Funds Appendix.

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

The H-REIT Manager AC held five meetings and the HBT Trustee-Manager AC held four meetings during the year respectively and carried out their duties as set out within the 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 external auditors separately without the presence of Management annually.

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

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

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

**Guideline 12.6**

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

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

**External Auditors**

The AC had evaluated the performance of the external auditors for FY 2014. The AC also reviewed the responses furnished by KPMG LLP, based on the sample questionnaire set out in the "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" issued by The Accounting and Corporate Regulatory Authority ("ACRA") and Singapore Exchange Limited on 15 July 2010.

Taking cognisance that the external auditors should be free from any business or other relationships with the H-REIT Group, HBT Group and the Stapled Group that could materially interfere with their ability to act with integrity and objectivity, the AC 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 2014. In determining the independence of KPMG, the AC reviewed all aspects of their relationships with them including the processes, policies and safeguards adopted by the H-REIT Group, the HBT Group and the Stapled Group and KPMG relating to audit independence. The AC also considered the nature of the provision of the non-audit services in 2014 and the corresponding fees and is of the opinion that such non-audit fees did not impair or threaten the audit independence. Based on the review, the AC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the H-REIT Group's, HBT Group's and the Stapled Group's statutory audit.

**Guideline 12.6**

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

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

For details of the fees paid and/or payable by the H-REIT Group, HBT Group and the Stapled Group in respect of audit and non-audit services for FY 2014, please refer to Note 20 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2015, 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, HBT Group and the Stapled Group;
- (ii) the audit engagement partner assigned to the audit;
- (iii) KPMG's past experience in auditing clients in the REIT sector; and
- (iv) the size and complexity of the audit exercise for the H-REIT Group, HBT Group and the Stapled Group.

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

On the basis of the above, the AC has recommended to the Board the nomination of KPMG for re-appointment as external auditors of the H-REIT Group, HBT Group and the Stapled Group at the 2015 Annual General Meetings ("2015 AGMs").





# CORPORATE GOVERNANCE

## Whistle Blowing Policy

The H-REIT Manager and the HBT Trustee-Manager have in place a whistle blowing procedure where staff of the H-REIT Manager and the HBT Trustee-Manager and other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters, without fear of reprisals in any form. The 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.

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

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

### Guideline 13.1

Does the Company have an internal audit function? If not, please explain why.  
**The H-REIT Manager outsourced the internal audit function for H-REIT's operations to Millennium & Copthorne International Limited, a related corporation. Please refer to the explanation under "Principle 13: Internal Audit."**

## Principle 13: Internal Audit

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

The 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 and HBT Trustee-Manager to perform its role and responsibilities effectively. The AC met with the internal auditors separately without the presence of Management in January 2015. The HBT Trustee-Manager did not have an IA function in year 2014 as it was only activated during the year.

### Guideline 15.4

(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?  
**Please refer to the explanation under "Principle 15: Communication with Stapled Securities Holders."**

## Principle 14: Rights of Stapled Securities Holders

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

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

As it is logistically challenging to allow corporations providing nominee or custodial services to appoint more than 2 proxies, the H-REIT Manager and the HBT Trustee-Manager have decided not to implement the same for the time being.

#### **Guideline 15.4**

(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?

**Yes, the H-REIT Manager and HBT Trustee-Manager have management who are responsible for providing investor relations support. Please refer to the Management Team on page 30 of the Annual Report 2014.**

#### **Principle 15: Communication with Stapled Securities Holders**

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

#### **Guideline 15.4**

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

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

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

H-REIT's current distribution policy is to distribute at least 90.0% of its taxable income and its tax exempt income (if any), with the actual level of distribution to be determined at the H-REIT Manager's discretion. H-REIT makes distributions to unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. Distributions, when paid, will be in Singapore Dollars. HBT has not made any distribution and the determination to distribute and the quantum of distributions will be made by the HBT Trustee-Manager Board at its sole discretion.

#### **Guideline 15.5**

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

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

#### **Principle 16: Conduct of General Meetings of Stapled Securities Holders**

At general meetings, Stapled Securities Holders are given the opportunity to communicate their views and encouraged to ask the H-REIT Manager Board and the HBT Trustee-Manager Board and the Management questions regarding matters affecting H-REIT and HBT. The chairmen of the AC and RMC and the external auditors were present at the last AGMs, and would, together with the Lead ID, endeavour to be present at the 2015 AGMs to assist the H-REIT Manager Board and the HBT Trustee-Manager Board in addressing queries raised by the Stapled Securities Holders.



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

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

In support of greater transparency and to allow for a more efficient voting system, the H-REIT Manager and the HBT Trustee-Manager have introduced electronic poll voting instead of voting by show of hands at the 2014 AGMs. Similarly, the Chairman will be exercising his rights under the Trust Deeds constituting H-REIT and HBT for all resolutions proposed at the 2015 AGMs and at any adjournment thereof to be put to vote by way of poll. With electronic poll voting, Stapled Securities Holders present in person or represented by proxy at the meeting are entitled to vote on a "one-stapled security, one-vote" basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed at the meeting and announced via SGXNET after the 2015 AGMs.

## **Corporate Values and Conduct of Business**

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

## **Internal Code on Dealings in Securities**

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

## **STATEMENT OF POLICIES AND PRACTICES OF HBT**

HBT was dormant until 31 December 2013, when it was activated to act as master lessee of Jumeirah Dhevanafushi under a lease agreement entered into between an indirect wholly-owned subsidiary of HBT (as lessee) with an indirect wholly-owned subsidiary of H-REIT (as lessor). Apart from the corporate governance practices disclosed above, the HBT Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of HBT (as described in section 87(1) of the Business Trusts Act, Chapter 31A of Singapore) in respect of FY 2014, which is appended as a separate section in this Annual Report.



# STATEMENT OF POLICIES AND PRACTICES OF HBT

CDL Hospitality Business Trust ("HBT") was dormant since the listing of CDL Hospitality Trusts on the main board of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 19 July 2006, until it was activated on 31 December 2013 by M&C Business Trust Management Limited, as the trustee-manager of HBT (the "HBT Trustee-Manager") to be the master lessee of Jumeirah Dhevanafushi, a property which was acquired by a wholly-owned subsidiary of CDL Hospitality Real Estate Investment Trust ("H-REIT") and which was leased to a wholly-owned subsidiary of HBT.

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

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

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

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

In addition, the HBT Trustee-Manager will:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as the trustee-manager of the HBT in accordance with the BTA, the HBT Trust Deed and the Stapling Deed;
- act in the best interests of all the HBT Unitholders as a whole and give priority to the interests of all HBT Unitholders as a whole over its own interests in the event of a conflict between the interests of all HBT Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as the HBT Trustee-Manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the HBT Unitholders;

# STATEMENT OF POLICIES AND PRACTICES OF HBT

- hold the HBT Trust Property on trust for all HBT Unitholders as a whole in accordance with the terms of the HBT Trust Deed;
- adhere with the business scope of HBT as set out in the HBT Trust Deed;
- review interested person transactions in relation to HBT;
- review expense and cost allocations payable to the HBT Trustee-Manager in its capacity as trustee-manager of HBT out of the HBT Trust Property and ensure that fees and expenses charged to HBT are appropriate and in accordance with the HBT Trust Deed; and
- comply with the BTA and the Listing Manual.

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

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

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

The HBT Trustee-Manager has also adopted a set of corporate governance practices as set out from pages 60 to 77 of this report.

## **HBT Trust Property Properly Accounted For**

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

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

# STATEMENT OF POLICIES AND PRACTICES OF HBT

## Adherence to Business Scope

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

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

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

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

## Potential conflicts of interest

The HBT Trustee-Manager is not involved in any other businesses other than managing HBT. All potential conflicts, if arising, will be identified by the HBT Trustee-Manager Board and management and will be reviewed.

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

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

- the HBT Trustee-Manager Board comprises four independent directors who do not have management or business relationships with the HBT Trustee-Manager and are independent from any substantial shareholder of the HBT Trustee-Manager. The independent directors form the majority of the HBT Trustee-Manager Board and are therefore able to examine independently and objectively, any potential conflicts of interests between the interest of the HBT Trustee-Manager in its own capacity and the interests of all HBT Unitholders;
- All executive officers are directly employed by the HBT Trustee-Manager;
- All resolutions in writing of the directors in relation to matters concerning HBT must be approved by all the directors;
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the HBT Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum must comprise a majority of the independent directors and must exclude nominee directors of the Sponsor and/ or its subsidiaries;



# STATEMENT OF POLICIES AND PRACTICES OF HBT

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

## Present and Ongoing Interested Person Transactions

### (i) Exempted Agreements

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

### (ii) Future Interested Person Transactions

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

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

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

# STATEMENT OF POLICIES AND PRACTICES OF HBT

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

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

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

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

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

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

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

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

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



# STATEMENT OF POLICIES AND PRACTICES OF HBT

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

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

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

The table below sets out the fees earned by the HBT Trustee-Manager for the financial year ended 31 December 2014.

Fee	Amount (\$\$'000)	% in Cash	% in Units
Management Fee	24	100%	-
Acquisition Fee	-	-	-
Trustee Fee	-	-	-

During the financial year ended 31 December 2014, the HBT Trustee-Manager has received 100% of the management fee in cash. No fees were payable during the period that HBT was dormant and any out of pocket expenses incurred when HBT was dormant (such as auditing and legal expenses) were funded by HBT's working capital. Fees payable to the HBT Trustee-Manager by HBT will be put up to the HBT Trustee-Manager Board for approval every quarter.

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

For the financial year ended 31 December 2014, no expenses were paid to the HBT Trustee-Manager from the HBT Trust Property.

## Compliance with the Business Trusts Act and Listing Manual

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

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

# SUSTAINABILITY REPORTING

## CDLHT and Sustainability

CDLHT recognises that, in addition to the financial performance of its investment portfolio, continued efforts in sustainability would support its reputation in the hospitality industry and enhance further its relations with various stakeholders. As such, CDLHT will continue to monitor its sustainability efforts to achieve an optimum balance and enhance Security Holders' interests. To add value to stakeholders, including the environment in which its hotels operate and the parties which CDLHT work with, CDLHT espouses a balanced approach to sustainability with its objectives, available resources and operating framework in mind.

## Sustainability at CDLHT's Hotels

CDLHT leases its hotel properties to lessees, which operate the respective hotels or maintain management agreements with hotel operators. It works with professional hotel operators and lessees and accordingly adopts a co-operative rather than prescriptive approach to sustainability in its hotels as it depends largely on the external hotel operators and lessees to drive hotel revenue and at the same time steer hotel operations in a sustainable manner.

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

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

## Awards and Achievements

As a result of the efforts of its environmentally-conscious lessees and hotel operators, 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 (2012-2013) M Hotel (2011-2014)
ASEAN Energy Award	Copthorne King's Hotel (2013, Winner for Retrofitted category)
Green Globe <sup>1</sup> , now known as EarthCheck	Novotel Brisbane (2011-2012, Silver) Novotel Singapore Clarke Quay (2011, Standard), (2012-2013, Silver) Rendezvous Grand Hotel Auckland (2012-2013, Bronze)
ISO 9001 <sup>2</sup>	Ibis Perth (2013)
ISO 14001 certification <sup>3</sup>	Ibis Perth (2013) Novotel Brisbane (2013-2014) Mercure/Ibis Brisbane (2012-2014) Novotel Singapore Clarke Quay (2014)

<sup>1</sup> 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.

<sup>2</sup> ISO 9001 certification functions as an assessment and indicator of a quality management system within an organisation across all industry sectors. An ISO 9001 certified organisation would have implemented quality management system requirements for all areas of the business including facilities, people, training, services and equipment.

<sup>3</sup> ISO 14001 sets out the criteria for an environmental management system. It does not state requirements for environmental performance, but maps out a framework that a company or organization can follow to set up an effective environmental management system. It can be used by any organization that wants to improve resource efficiency, reduce waste and drive down costs. Using ISO14001 can provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved. ISO 14001 can also be integrated with other management functions and assists companies in meeting their environmental and economic goals.



# SUSTAINABILITY REPORTING

## Awards and Achievements (cont'd)

### Environmental: (cont'd)

Australia Water Corporation Water Efficiency Award

Ibis Perth (2012, Silver)

BCA Green Mark<sup>4</sup>

Grand Copthorne Waterfront Hotel (2011-2013, Gold)

M Hotel (2011-2014, Gold)

Orchard Hotel (2011-2013, Gold)

Copthorne King's Hotel (2012-2013, Gold; 2014, Platinum)

Novotel Singapore Clarke Quay (2013, Gold Plus)

Singapore Green Hotel Award

Grand Copthorne Waterfront Hotel (2012-2013)

Orchard Hotel (2013-2014)

M Hotel (2009, 2011, 2013-2014)

Novotel Singapore Clarke Quay (2011, 2013)

PUB Water Efficiency Building Award

Grand Copthorne Waterfront Hotel (2014 Gold)

M Hotel (2013, 2014, Silver)

SPRING Singapore Service Class Certificate for business excellence in service standards

Grand Copthorne Waterfront Hotel (2014)

Orchard Hotel (2014)

NEA-SHA 3R Awards<sup>5</sup>

M Hotel (2014)

### Hotel Safety and Security:

Hotel Security Award

Novotel Singapore Clarke Quay (2012, 2014)

Grand Copthorne Waterfront Hotel (2014)

M Hotel (2011, 2014)

Hotel Security Excellence Award

M Hotel (2012, 2013)

Grand Copthorne Waterfront Hotel (2012, 2013)

Orchard Hotel (2014)

Copthorne King's Hotel (2013, 2014)

SHA Vigilance Ward – Special Award

M Hotel (2012)

Studio M Hotel (2012, Level 3 certified)

Grand Copthorne Waterfront Hotel (2014, Level 4 certified)

Copthorne King's Hotel (2014, Level 3 certified)

Workplace Safety & Health BizSAFE certification

Grand Copthorne Waterfront Hotel (2014, Gold)

M Hotel (2013, 2014, Silver)

Grand Copthorne Waterfront Hotel (2014)

Orchard Hotel (2014)

Fire Safety Award

Orchard Hotel (2011)

M Hotel (2014)

Fire Safety Excellence Award

Copthorne King's Hotel (2011, 2014)

Grand Copthorne Waterfront Hotel (2011, 2014)

M Hotel (2011)

<sup>4</sup> The Green Mark Scheme was launched in January 2005 by the Building and Construction Authority of Singapore to steer the construction industry in Singapore in the direction of environment-friendly buildings. It is essentially a benchmarking scheme that incorporates global recognised best practices in environmental design and performance.

<sup>5</sup> The NEA-SHA 3R Programme was launched on 1 July 2011 to help hotels achieve better waste management and to increase waste recycling rates. The 3R (reduce, reuse and recycle) will help to conserve natural resources and reduce carbon footprint, which in turn mitigates climate change. Hotels with sustainable waste management reduce costs through improvement of resource use efficiency and reduction of wastages, thereby cutting down waste handling and disposal costs.

# SUSTAINABILITY REPORTING

## Chillers

At Novotel and Mercure Brisbane, the replacement of low load chillers was completed in 2014. The new chillers are now able to provide greater energy efficiency and expected to run longer as compared to the previous large chillers.

At the Grand Copthorne Waterfront Hotel, the chiller plant retrofit project was completed. The project saw the installation of four new highly efficient 550 RT variable speed screw chillers as well as the upgrading of pumps and cooling towers. This project has brought about energy savings for the hotel.

## LED Lights

Novotel Singapore Clarke Quay has completed the project in 2014 to replace most of its lights to LED light bulbs which consumes less energy (wattage), reducing the hotel's energy costs.

At Mercure Perth, under the Guest Room refurbishment program, the hotel has incorporated the use of LED down lights in the entry thresholds, bathrooms and desk lamps of each room.

At the Grand Copthorne Waterfront Hotel, replacement of lights on Level 4 with LED lighting was completed in 2014, heralding energy savings and a longer lifespan than traditional lighting.

At Copthorne King's Hotel, a large proportion of halogen lights on Level 1 and Level 2 were replaced with LED lighting in early part of 2014. In addition, all the external neon-lighted signage were also replaced with LED versions. In its continual commitment towards its BCA Green Mark Platinum award certification, the hotel has plans in 2015 to replace lights in all rooms and corridors to LED lighting.

## Others

At Novotel, Mercure and Ibis Brisbane, UV lighting was installed on the main air handlers. These installations will help to reduce energy consumption and will result in a lower maintenance costs over the long run.

At Orchard Hotel, the installation of carbon dioxide sensors for the car park exhaust system has been planned for 2015. These sensors will optimise the power consumption of the exhaust system's fans which will bring about reduction in electrical consumption.

At the Grand Copthorne Waterfront Hotel, a contract to replace eight escalators to auto start/stop escalators was awarded in September 2014 and is expected to be completed in 2015, with expected energy savings for the hotel.

At M Hotel, a contract to upgrade the building's system to include an Energy Management System (EMS) was awarded in 2014 and is expected to be completed in 2015, with expected energy savings from the optimisation of chiller plant operations to improve its efficiency.

Cooling units were also installed at Mercure Perth and Ibis Perth, and these are expected to provide savings in energy costs.

At Jumeirah Dhevanafushi, solar water heaters have been installed for all guest villas as part of the move to incorporate environmentally-friendly features in the resorts. By utilising the solar energy to heat up the water, these solar water heaters have lowered electricity consumption which in turns help to reduce the carbon footprint of the resort.

## Other Aspects of Sustainability

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

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

# FINANCIAL STATEMENTS

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# REPORT OF THE TRUSTEE-MANAGER OF CDL HOSPITALITY BUSINESS TRUST

The directors of M&C Business Trust Management Limited, the Trustee-Manager of CDL Hospitality Business Trust ("HBT") and its subsidiaries (collectively, the "HBT Group"), are pleased to submit this report to the unitholders together with the audited financial statements for the financial year ended 31 December 2014.

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  
 Daniel Marie Ghislain Desbaillets  
 Ronald Seah Lim Siang  
 Ronald Nathaniel Issen (Appointed on 7 April 2014)

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 2015.

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 consolidated financial statements of HBT Group set out on pages 95 to 166 are drawn up so as to give a true and fair view of the state of affairs of HBT Group as at 31 December 2014 and of the results, changes in unitholders' funds and cash flows of HBT Group for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that HBT will be able to pay its debts as and when they fall due.

With respect to the income statement of HBT Group for the year ended 31 December 2014:

- 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*

13 March 2015

# 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*

13 March 2015

# REPORT OF THE TRUSTEE OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

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

To the best knowledge of the H-REIT Trustee, the H-REIT Manager has, in all material respects, managed the H-REIT Group during the period covered by these financial statements set out on pages 95 to 166, in accordance with the limitations imposed on the investment and borrowing powers set out in the H-REIT Trust Deed.

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

**Jane Lim Puay Yuen**  
*Director*

13 March 2015

# REPORT OF THE MANAGER OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

In the opinion of the directors of M&C REIT Management Limited (the "H-REIT Manager"), the Manager of CDL Hospitality Real Estate Investment Trust ("H-REIT"), the accompanying consolidated financial statements of H-REIT and its subsidiaries (collectively, the "H-REIT Group"), and CDL Hospitality Trusts (the "Stapled Group", comprising the H-REIT Group and HBT Group) set out on pages 95 to 166, 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 2014, the total return, movements in unitholders' funds, distributable income and cash flows of the H-REIT Group, and the Stapled Group for the year then ended, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of H-REIT's trust deed between DBS Trustee Limited (the "H-REIT Trustee") and the H-REIT Manager dated 8 June 2006 as amended by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010 and the Third Supplemental Deed dated 20 July 2010 (collectively, the "H-REIT Trust Deed") and the stapling deed of CDL Hospitality Trusts between the H-REIT Trustee, the H-REIT Manager and M&C Business Trust Management Limited (the Trustee-Manager of HBT) dated 12 June 2006. At the date of this statement, there are reasonable grounds to believe that the H-REIT Group and the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

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

**Vincent Yeo Wee Eng**  
*Director*

13 March 2015



# INDEPENDENT AUDITORS' REPORT

## Unitholders

CDL Hospitality Business Trust

CDL Hospitality Real Estate Investment Trust

## Report on the financial statements

We have audited:

- (i) the consolidated financial statements of CDL Hospitality Business Trust (constituted in the Republic of Singapore pursuant to a trust deed dated 12 June 2006) and its subsidiaries (the "HBT Group") for the financial year ended 31 December 2014;
- (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 2014; 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 2014, as set out on pages 95 to 166. CDL Hospitality Trusts, which comprises the HBT Group and the H-REIT Group, is hereinafter referred to as the "Stapled Group".

The accompanying financial statements comprise the statements of financial position of the HBT Group, the H-REIT Group and the Stapled Group as at 31 December 2014; the statement of comprehensive income of the HBT Group, statements of total return of the H-REIT Group and the Stapled Group, statements of movements in unitholders' funds of the HBT Group, the H-REIT Group and the Stapled Group, distribution statements of the H-REIT Group and the Stapled Group and statements of cash flows of the HBT Group, the H-REIT Group and the Stapled Group, all for the year ended 31 December 2014; portfolio statements of the H-REIT Group and the Stapled Group as at 31 December 2014; and a summary of significant accounting policies and other explanatory information, as set out on pages 95 to 166.

### *HBT Trustee-Manager's responsibilities for the financial statements*

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

### *H-REIT Manager's responsibilities for the financial statements*

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

# INDEPENDENT AUDITORS' REPORT

## *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's 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 the HBT Group 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 the HBT Group as at 31 December 2014 and the results, movements in unitholders' funds and cash flows of the HBT Group for the year then ended; and
- (b) the financial statements of the H-REIT Group and the Stapled Group present fairly, in all material respects, the consolidated financial positions of the H-REIT Group and the Stapled Group as at 31 December 2014 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 Singapore Chartered Accountants 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 and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

## **KPMG LLP**

*Public Accountants and  
Chartered Accountants*

## **Singapore**

13 March 2015

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	HBT Group		H-REIT Group		Stapled Group	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Non-current assets</b>							
Property, plant and equipment	4	–	–	66,034	–	138,260	71,490
Investment properties	5	–	–	2,288,455	2,238,770	2,206,423	2,161,693
Subsidiaries	6	–	–	–	–	–	–
Prepaid land lease	7	–	–	–	–	6,507	5,587
Rental deposits		–	–	126	76	126	76
Deferred tax assets	14	–	–	1,018	–	1,018	–
		–	–	2,355,633	2,238,846	2,352,334	2,238,846
<b>Current assets</b>							
Inventories	8	1,366	–	–	–	1,366	–
Trade and other receivables	9	3,787	–	21,599	15,748	20,039	15,494
Cash and cash equivalents	10	4,066	605	72,381	68,123	76,447	68,728
		9,219	605	93,980	83,871	97,852	84,222
<b>Total assets</b>		9,219	605	2,449,613	2,322,717	2,450,186	2,323,068
<b>Non-current liabilities</b>							
Loans and borrowings	12	–	–	457,603	542,245	457,603	542,245
Rental deposits		–	–	7,065	6,826	7,065	6,826
Financial derivative liabilities	13	–	–	–	421	–	421
Deferred tax liabilities	14	–	–	11,574	9,851	11,521	9,851
		–	–	476,242	559,343	476,189	559,343
<b>Current liabilities</b>							
Loans and borrowings	12	–	–	317,329	145,983	317,329	145,983
Trade and other payables	15	8,647	257	36,351	22,329	39,651	22,332
Financial derivative liabilities	13	–	–	581	–	581	–
Provision for taxation		44	–	265	28	309	28
		8,691	257	354,526	168,340	357,870	168,343
<b>Total liabilities</b>		8,691	257	830,768	727,683	834,059	727,686
<b>Net assets</b>		528	348	1,618,845	1,595,034	1,616,127	1,595,382
Represented by:							
<b>Unitholders' funds</b>							
Unitholders' funds of H-REIT Group	16	–	–	1,618,845	1,595,034	–	–
Unitholders' funds of HBT Group	16	528	348	–	–	–	–
Unitholders' funds of Stapled Group	16	–	–	–	–	1,616,127	1,595,382
		528	348	1,618,845	1,595,034	1,616,127	1,595,382
<b>Units/Stapled Securities in issue ('000)</b>							
	11	980,285	974,141	980,285	974,141	980,285	974,141
<b>Net asset value per Unit/ Stapled Security (\$)</b>							
	16	0.0005	0.0004	1.65	1.63	1.65	1.63

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

# STATEMENT OF COMPREHENSIVE INCOME OF THE HBT GROUP

## STATEMENTS OF TOTAL RETURN OF THE H-REIT GROUP AND THE STAPLED GROUP

Year ended 31 December 2014

	Note	HBT Group		H-REIT Group		Stapled Group	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Gross revenue</b>							
Gross rental revenue		–	–	151,630	148,782	145,259	148,782
Room revenue		13,532	–	–	–	13,532	–
Food & beverage revenue		4,762	–	–	–	4,762	–
Other income		3,259	–	–	–	3,259	–
	17	21,553	–	151,630	148,782	166,812	148,782
<b>Property expenses</b>							
Operations and maintenance expenses	18(a)	(8,480)	–	–	–	(8,480)	–
Hotel management fee		(1,207)	–	–	–	(1,207)	–
Property tax		–	–	(8,553)	(8,414)	(8,553)	(8,414)
Insurance		–	–	(1,525)	(1,244)	(1,525)	(1,244)
Administrative and general expenses	18(b)	(2,163)	–	–	–	(2,163)	–
Sales and marketing expenses	18(c)	(1,192)	–	–	–	(1,192)	–
Energy and utility expenses		(1,754)	–	–	–	(1,754)	–
Rental expenses		(6,371)	–	–	–	–	–
Other property expenses		–	–	(1,412)	(1,735)	(1,412)	(1,735)
		(21,167)	–	(11,490)	(11,393)	(26,286)	(11,393)
<b>Net property income</b>		386	–	140,140	137,389	140,526	137,389
H-REIT Manager's base fees	19	–	–	(5,840)	(5,547)	(5,840)	(5,547)
H-REIT Manager's performance fees	19	–	–	(7,007)	(6,859)	(7,007)	(6,859)
HBT Trustee-Manager's performance fees		(24)	–	–	–	(24)	–
H-REIT Trustee's fees		–	–	(266)	(256)	(266)	(256)
Valuation fees		–	–	(170)	(174)	(170)	(174)
Depreciation and amortisation		–	–	–	–	(2,825)	–
Other trust expenses	20	(148)	(31)	(1,564)	(1,483)	(1,712)	(1,514)
Finance income		–	–	1,120	419	1,120	419
Finance costs		(1)	–	(17,559)	(17,057)	(17,560)	(17,057)
Net finance costs	21	(1)	–	(16,439)	(16,638)	(16,440)	(16,638)
<b>Net income/(loss) before revaluation</b>		213	(31)	108,854	106,432	106,242	106,401
Net surplus on revaluation of investment properties		–	–	17,978	36,556	17,639	36,556
<b>Net income/(loss)</b>	22	213	(31)	126,832	142,988	123,881	142,957
Income tax expense	23	(42)	–	(1,434)	(2,685)	(1,425)	(2,685)
<b>Total return for the year</b>		171	(31)	125,398	140,303	122,456	140,272
Other comprehensive income for the year, net of tax		–	–				
<b>Total comprehensive income for the year</b>		171	(31)				
<b>Earnings per Stapled Security (cents)</b>	24						
Basic						12.52	14.43
Diluted						12.52	14.43

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





# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2014

## HBT Group

	Units in issue \$'000	Issue expenses \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>At 1 January 2014</b>	500	(121)	–	(31)	348
<b>Operations</b>					
Increase in net assets resulting from operations	–	–	–	171	171
<b>Movements in foreign currency translation reserve:</b>					
- Translation differences relating to financial statements of foreign subsidiaries	–	–	9	–	9
Other comprehensive income	–	–	9	–	9
Total comprehensive income	–	–	9	171	180
<b>At 31 December 2014</b>	500	(121)	9	140	528

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

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2014

## H-REIT Group

	Units in issue \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>At 1 January 2014</b>	1,137,803	(23,921)	(421)	(16,945)	498,518	1,595,034
<b>Operations</b>						
Increase in net assets resulting from operations	–	–	–	–	125,398	125,398
<b>Movement in hedging reserve:</b>						
- Effective position of changes in fair value of cash flows hedge	–	–	(160)	–	–	(160)
<b>Movements in foreign currency translation reserve:</b>						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	4,020	–	4,020
- Exchange differences on a monetary item forming part of net investment in a foreign operation	–	–	–	(8,052)	–	(8,052)
- Exchange differences arising from hedge of net investment in a foreign operation	–	–	–	(2,673)	–	(2,673)
Other comprehensive income	–	–	(160)	(6,705)	–	(6,865)
Total comprehensive income	–	–	(160)	(6,705)	125,398	118,533
<b>Unitholders' transactions</b>						
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	10,278	–	–	–	–	10,278
Units/Stapled Securities to be issued as payment of H-REIT Manager's acquisition fees	639	–	–	–	–	639
Distributions to holders of Stapled Securities	–	–	–	–	(105,639)	(105,639)
Net increase/(decrease) in net assets resulting from unitholders' transactions	10,917	–	–	–	(105,639)	(94,722)
<b>At 31 December 2014</b>	1,148,720	(23,921)	(581)	(23,650)	518,277	1,618,845

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



# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2014

## Stapled Group

	Units in issue \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>At 1 January 2014</b>	1,138,303	(24,042)	(421)	(16,945)	498,487	1,595,382
<b>Operations</b>						
Increase in net assets resulting from operations	–	–	–	–	122,456	122,456
<b>Movement in hedging reserve:</b>						
- Effective position of changes in fair value of cash flows hedge	–	–	(160)	–	–	(160)
<b>Movements in foreign currency translation reserve:</b>						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	3,896	–	3,896
- Exchange differences on a monetary item forming part of net investment in a foreign operation	–	–	–	(8,052)	–	(8,052)
- Exchange differences arising from hedge of net investment in a foreign operation	–	–	–	(2,673)	–	(2,673)
Other comprehensive income	–	–	(160)	(6,829)	–	(6,989)
Total comprehensive income	–	–	(160)	(6,829)	122,456	115,467
<b>Unitholders' transactions</b>						
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	10,278	–	–	–	–	10,278
Units/Stapled Securities to be issued as payment of H-REIT Manager's acquisition fees	639	–	–	–	–	639
Distributions to holders of Stapled Securities	–	–	–	–	(105,639)	(105,639)
Net increase/(decrease) in net assets resulting from unitholders' transactions	10,917	–	–	–	(105,639)	(94,722)
<b>At 31 December 2014</b>	1,149,220	(24,042)	(581)	(23,774)	515,304	1,616,127

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

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2013

## HBT Group

	Units in issue \$'000	Issue expenses \$'000	Accumulated profits \$'000	Total \$'000
<b>At 1 January 2013</b>	500	(121)	-	379
<b>Operations</b>				
Decrease in net assets resulting from operations	-	-	(31)	(31)
Total comprehensive income	-	-	(31)	(31)
<b>At 31 December 2013</b>	500	(121)	(31)	348

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



# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2013

## H-REIT Group

	Units in issue \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>At 1 January 2013</b>	1,127,879	(23,921)	–	(5,395)	465,351	1,563,914
<b>Operations</b>						
Increase in net assets resulting from operations	–	–	–	–	140,303	140,303
<b>Movement in hedging reserve:</b>						
- Effective position of changes in fair value of cash flows hedge	–	–	(421)	–	–	(421)
<b>Movements in foreign currency translation reserve:</b>						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	(6,333)	–	(6,333)
- Exchange differences on a monetary item forming part of net investment in a foreign operation	–	–	–	(14,257)	–	(14,257)
- Exchange differences arising from hedge of net investment in a foreign operation	–	–	–	9,040	–	9,040
Other comprehensive income	–	–	(421)	(11,550)	–	(11,971)
Total comprehensive income	–	–	(421)	(11,550)	140,303	128,332
<b>Unitholders' transactions</b>						
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	9,924	–	–	–	–	9,924
Distributions to holders of Stapled Securities	–	–	–	–	(107,136)	(107,136)
Net increase/(decrease) in net assets resulting from unitholders' transactions	9,924	–	–	–	(107,136)	(97,212)
<b>At 31 December 2013</b>	1,137,803	(23,921)	(421)	(16,945)	498,518	1,595,034

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

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2013

## Stapled Group

	Units in issue \$'000	Issue expenses \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
<b>At 1 January 2013</b>	1,128,379	(24,042)	–	(5,395)	465,351	1,564,293
<b>Operations</b>						
Increase in net assets resulting from operations	–	–	–	–	140,272	140,272
<b>Movement in hedging reserve:</b>						
- Effective position of changes in fair value of cash flows hedge	–	–	(421)	–	–	(421)
<b>Movements in foreign currency translation reserve:</b>						
- Translation differences relating to financial statements of foreign subsidiaries	–	–	–	(6,333)	–	(6,333)
- Exchange differences on a monetary item forming part of net investment in a foreign operation	–	–	–	(14,257)	–	(14,257)
- Exchange differences arising from hedge of net investment in a foreign operation	–	–	–	9,040	–	9,040
Other comprehensive income	–	–	(421)	(11,550)	–	(11,971)
Total comprehensive income	–	–	(421)	(11,550)	140,272	128,301
<b>Unitholders' transactions</b>						
Units/Stapled Securities to be issued as payment of H-REIT Manager's management fees	9,924	–	–	–	–	9,924
Distributions to holders of Stapled Securities	–	–	–	–	(107,136)	(107,136)
Net increase/(decrease) in net assets resulting from unitholders' transactions	9,924	–	–	–	(107,136)	(97,212)
<b>At 31 December 2013</b>	1,138,303	(24,042)	(421)	(16,945)	498,487	1,595,382

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations into Singapore dollar, exchange differences on a monetary item which form part of H-REIT Group's net investment in a foreign operation and exchange differences arising from hedge of net investment in foreign operation.

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



# DISTRIBUTION STATEMENTS

Year ended 31 December 2014

	<b>H-REIT Group and Stapled Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Income available for distribution to holders of Stapled Securities at the beginning of the year	54,026	54,463
Net income of H-REIT (Note 22)	108,149	119,977
Net tax adjustments (Note A)	11,366	(1,423)
Income available for distribution for the current year	119,515	118,554
Income available for distribution to holders of Stapled Securities	173,541	173,017
Distribution to holders of Stapled Securities:		
Distribution of 5.62 cents per Stapled Security for the period from 1/7/2012 to 31/12/2012	–	(54,516)
Distribution of 5.41 cents per Stapled Security for the period from 1/1/2013 to 30/6/2013	–	(52,620)
Distribution of 5.56 cents per Stapled Security for the period from 1/7/2013 to 31/12/2013	(54,253)	–
Distribution of 5.25 cents per Stapled Security for the period from 1/1/2014 to 30/6/2014	(51,386)	–
	(105,639)	(107,136)
Income available for distribution to holders of Stapled Securities at end of the year	67,902	65,881
Amount retained for working capital	(11,952)	(11,855)
Income to be distributed to holders of Stapled Securities at the end of the year	55,950	54,026
Distribution per Stapled Security (DPS) (cents)*	10.98	10.97
<b>Note A – Net tax adjustments comprise:</b>		
Non-tax (chargeable)/deductible items:		
- Amortisation of transaction costs	940	741
- Financial expense arising from remeasuring non-current rental deposits at amortised cost	188	181
- Foreign exchange loss	10,032	4,307
- H-REIT Manager's management fees paid/payable in Stapled Securities	10,278	9,924
- H-REIT Trustee's fee	266	256
- Net surplus on revaluation of investment properties	(10,717)	(17,402)
- Other items	379	570
Net tax adjustments	11,366	(1,423)

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.

The income available for distribution of HBT for the year is not presented as HBT is still in the initial start up phase with minimal accumulated earnings and HBT has decided not to make any distribution for the year.

\* The DPS relates to the distributions in respect of the relevant financial year. The distribution for the second half of the financial year will be made subsequent to the reporting date.

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

# PORTFOLIO STATEMENTS

As at 31 December 2014

## H-REIT GROUP

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying Value at 31/12/2014 \$'000	Carrying Value at 31/12/2013 \$'000	Percentage of total net Assets at 31/12/2014 %	Percentage of total net Assets at 31/12/2013 %
<i>Investment properties</i>									
<b>Singapore</b>									
Orchard Hotel	Freehold *	75 years	67 years	442 Orchard Road	Hotel	460,000	455,500	28.4	28.6
Claymore Connect	Freehold *	75 years	67 years	442 Orchard Road	Retail	106,000	78,000	6.6	4.9
Grand Copthorne Waterfront Hotel	Freehold *	75 years	67 years	392 Havelock Road	Hotel	363,000	358,000	22.4	22.4
M Hotel	Freehold *	75 years	67 years	81 Anson Road	Hotel	235,000	233,000	14.5	14.6
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	52 years	403 Havelock Road	Hotel	122,000	123,000	7.5	7.7
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	62 years	177A River Valley Road	Hotel	319,000	315,000	19.7	19.8
Studio M Hotel	Leasehold	99 years from 26 February 2007	91 years	3 Nanson Road	Hotel	164,000	163,000	10.2	10.2
<b>New Zealand</b>									
Rendezvous Grand Hotel Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	102,890	100,816	6.4	6.3
<b>Australia</b>									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	67,269	72,346	4.2	4.5
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	76,740	82,519	4.7	5.2
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	32,289	32,782	2.0	2.1
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	49,079	46,346	3.0	2.9
<b>Maldives</b>									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	33 years	South Nilandhe Atoll	Resort	109,156	101,384	6.7	6.4
Jumeirah Dhevanafushi	Leasehold	50 years from 15 June 2006	41 years	Gaafu Alifu Atoll	Resort	82,032	77,077	5.1	4.8
Balance carried forward						2,288,455	2,238,770	141.4	140.4

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

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





# PORTFOLIO STATEMENTS

As at 31 December 2014

## H-REIT GROUP

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying Value at 31/12/2014 \$'000	Carrying Value at 31/12/2013 \$'000	Percentage of total net Assets at 31/12/2014 %	Percentage of total net Assets at 31/12/2013 %
Balance brought forward						2,288,455	2,238,770	141.4	140.4
<b>Investment properties, at valuation</b>						2,288,455	2,238,770	141.4	140.4
<i>Property, plant and equipment</i>									
<b>Japan</b>									
Hotel MyStays Asakusabashi **	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	36,251	–	2.2	–
Hotel MyStays Kamata **	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	29,437	–	1.8	–
Others	–	–	–	–	–	346	–	0.0	–
<b>Property, plant and equipment at cost</b>						66,034	–	4.0	–
<b>Other assets and liabilities (net)</b>						(735,644)	(643,736)	(45.4)	(40.4)
<b>Net assets of H-REIT Group</b>						1,618,845	1,595,034	100.00	100.00

\*\* collectively known as the Japan Hotels.

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

# PORTFOLIO STATEMENTS

As at 31 December 2014

## STAPLED GROUP

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying Value at 31/12/2014 \$'000	Carrying Value at 31/12/2013 \$'000	Percentage of total net Assets at 31/12/2014 %	Percentage of total net Assets at 31/12/2013 %
<i>Investment properties</i>									
<b>Singapore</b>									
Orchard Hotel	Freehold *	75 years	67 years	442 Orchard Road	Hotel	460,000	455,500	28.5	28.6
Claymore Connect	Freehold *	75 years	67 years	442 Orchard Road	Retail	106,000	78,000	6.6	4.9
Grand Copthorne Waterfront Hotel	Freehold *	75 years	67 years	392 Havelock Road	Hotel	363,000	358,000	22.5	22.4
M Hotel	Freehold *	75 years	67 years	81 Anson Road	Hotel	235,000	233,000	14.5	14.6
Copthorne King's Hotel	Leasehold	99 years from 1 February 1968	52 years	403 Havelock Road	Hotel	122,000	123,000	7.5	7.7
Novotel Singapore Clarke Quay	Leasehold	97 years and 30 days from 2 April 1980	62 years	177A River Valley Road	Hotel	319,000	315,000	19.7	19.8
Studio M Hotel	Leasehold	99 years from 26 February 2007	91 years	3 Nanson Road	Hotel	164,000	163,000	10.2	10.2
<b>New Zealand</b>									
Rendezvous Grand Hotel Auckland	Freehold	–	–	71 – 87 Mayoral Drive, Auckland	Hotel	102,890	100,816	6.4	6.3
<b>Australia</b>									
Mercure Brisbane and Ibis Brisbane	Freehold	–	–	85 – 87 North Quay, Brisbane and 27 – 35 Turbot Street, Brisbane	Hotel	67,269	72,346	4.3	4.5
Novotel Brisbane	Freehold	–	–	200 Creek Street, Brisbane	Hotel	76,740	82,519	4.7	5.2
Ibis Perth	Freehold	–	–	334 Murray Street, Perth	Hotel	32,289	32,782	2.0	2.0
Mercure Perth	Freehold	–	–	10 Irwin Street, Perth	Hotel	49,079	46,346	2.9	2.9
<b>Maldives</b>									
Angsana Velavaru	Leasehold	50 years from 26 August 1997	33 years	South Nilandhe Atoll	Resort	109,156	101,384	6.8	6.4
Balance carried forward						2,206,423	2,161,693	136.6	135.5

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

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

# PORTFOLIO STATEMENTS

As at 31 December 2014

## STAPLED GROUP

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location	Existing use	Carrying Value at 31/12/2014 \$'000	Carrying Value at 31/12/2013 \$'000	Percentage of total net Assets at 31/12/2014 %	Percentage of total net Assets at 31/12/2013 %
Balance brought forward						2,206,423	2,161,693	136.6	135.5
<b>Investment properties, at valuation</b>						2,206,423	2,161,693	136.6	135.5
<i>Property, plant and equipment</i>									
<b>Maldives</b>									
Jumeirah Dhevanafushi	Leasehold	50 years from 15 June 2006	41 years	Gaafu Alifu Atoll	Resort	72,226	71,490	4.5	4.5
<b>Japan</b>									
Hotel MyStays Asakusabashi **	Freehold	–	–	1-5-5 Asakusabashi, Taito-ku, Tokyo, Japan	Hotel	36,251	–	2.2	–
Hotel MyStays Kamata **	Freehold	–	–	5-46-5 Kamata, Ota-ku, Tokyo, Japan	Hotel	29,437	–	1.8	–
Others	–	–	–	–	–	346	–	0.0	–
<b>Property plant and equipment, at cost</b>						138,260	71,490	8.5	4.5
<b>Other assets and liabilities (net)</b>						(728,556)	(637,801)	(45.1)	(40.0)
<b>Net assets of The Stapled Group</b>						1,616,127	1,595,382	100.0	100.0

\*\* Collectively known as the Japan Hotels.

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

# PORTFOLIO STATEMENTS

As at 31 December 2014

In 2013, the H-REIT Group acquired Angsana Velavaru and Jumeirah Dhevanafushi in Maldives. The purchase consideration for Angsana Velavaru was US\$71.0 million (\$86.6 million). The total acquisition costs of US\$1.4 million (\$1.8 million) included an acquisition fee paid to the H-REIT Manager of US\$0.7 million (\$0.89 million) in cash. The purchase consideration for Jumeirah Dhevanafushi was US\$59.6 million (\$75.6 million). The total acquisition costs of US\$1.2 million (\$1.5 million) included an acquisition fee paid to the H-REIT Manager of US\$0.6 million (\$0.8 million) in cash.

On 19 December 2014, the H-REIT Group acquired Hotel MyStays Asakusabashi and Hotel MyStays Kamata (collectively the Japan Hotels) in Japan for a purchase consideration of JPY6.0 billion (or approximately \$65.7 million). These properties were recorded at cost on 31 December 2014 and classified as property, plant and equipment at H-REIT Group. At the Stapled Group, the acquisition of the Japan Hotels are considered business combinations and are accounted for in accordance with the Stapled Group's accounting policy on business combinations.

The carrying amounts of the investment properties located in Singapore, New Zealand, Australia and Maldives as at 31 December 2014 were based on independent valuations undertaken by Knight Frank Pte. Ltd. for the Singapore properties, CBRE Valuations Pty Limited for the Australia properties, Colliers International New Zealand Limited for the New Zealand property and CBRE Pte. Ltd. for the Maldives properties as of 31 December 2014, except otherwise stated below. The independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations were based on the capitalisation and discounted cash flow methods for the Singapore properties; the discounted cash flow approach for the Australia properties; and the capitalisation and discounted cash flows approach for New Zealand and Maldives properties.

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:

		H-REIT Group		Stapled Group	
	Note	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Properties</b>					
Orchard Hotel		460,000	455,500	460,000	455,500
Grand Copthorne Waterfront Hotel		363,000	358,000	363,000	358,000
Novotel Singapore Clarke Quay		319,000	315,000	319,000	315,000
M Hotel		235,000	233,000	235,000	233,000
Studio M Hotel		164,000	163,000	164,000	163,000
Copthorne King’s Hotel		122,000	123,000	122,000	123,000
Claymore Connect	(ii)	106,000	78,000	106,000	78,000
Rendezvous Grand Hotel Auckland		102,890	100,816	102,890	100,816
Mercure Brisbane and Ibis Brisbane		67,269	72,346	67,269	72,346
Novotel Brisbane		76,740	82,519	76,740	82,519
Ibis Perth		32,289	32,782	32,289	32,782
Mercure Perth		49,079	46,346	49,079	46,346
Angsana Velavaru		109,156	101,384	109,156	101,384
Jumeirah Dhevanafushi (Note 5)		82,032	77,077	–	–
<b>Investment properties</b>	(iii)	<b>2,288,455</b>	<b>2,238,770</b>	<b>2,206,423</b>	<b>2,161,693</b>
<b>Property, plant and equipment</b>					
Jumeirah Dhevanafushi (Note 5)		–	–	82,032	77,077
Hotel MyStays Asakusabashi (Note 26)	(iv)	36,817/ 37,916	–	36,817/ 37,916	–
Hotel MyStays Kamata (Note 26)	(iv)	28,574/ 29,893	–	28,574/ 29,893	–





# PORTFOLIO STATEMENTS

As at 31 December 2014

- (i) Investment properties are leased to external customers, except for Jumeirah Dhevanafushi. Jumeirah Dhevanafushi was leased to CDL HBT Oceanic Maldives Private Limited, a subsidiary of HBT for a term of 10 years from 31 December 2013. For the Japan Hotels, there are master lease arrangements between a trust bank in Japan (in its capacity as the trust bank holding the legal title to the Japan Hotels) and AKO GK, a subsidiary of HBT effective from 19 December 2014 to August 2016. The leases for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel contain an initial term of 20 years from 19 July 2006 with an option to renew for a further 20 years. The lease for Studio M Hotel contains an initial term of 20 years from 3 May 2011 with an option to renew up to a total term of 70 years. The leases for Claymore Connect generally contain an initial term of one to three years. Subsequent renewals are renegotiated with the lessees. The lease for Rendezvous 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. The lease for Angsana Velavaru contains a term of 10 years from 1 February 2013.
- (ii) Claymore Connect is undergoing asset enhancement works but part of the mall is still operational. It received its Temporary Occupation Permit ("TOP") in March 2015. The property continues to be measured at fair value.
- (iii) Included in H-REIT Group's investment properties is a net change in fair value of \$17,978,000 as at 31 December 2014 (31 December 2013: net change in fair value of \$36,556,000) (Note 5). This change in fair value is recognised in H-REIT Group's Statement of Total Return for the year ended 31 December 2014 and is not available for distribution to holders of Stapled Securities.
- (iv) There were two valuers commissioned by H-REIT Manager and H-REIT Trustee. The two properties were valued as at 30 October 2014 for the purpose of the acquisition (Note 26).

# STATEMENTS OF CASH FLOWS

Year ended 31 December 2014

	Note	HBT Group		H-REIT Group		Stapled Group	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>							
Net income/ (loss)		213	(31)	126,832	142,988	123,881	142,957
Adjustments for:							
Depreciation and amortisation		–	–	–	–	2,825	–
Impairment loss on property, plant and equipment		–	–	–	–	34	–
H-REIT Manager's management fees paid/payable in Stapled Securities		–	–	10,278	9,924	10,278	9,924
Net finance expense		1	–	16,439	16,638	16,440	16,638
Net surplus on revaluation of investment properties		–	–	(17,978)	(36,556)	(17,639)	(36,556)
Operating income/(loss) before working capital changes		214	(31)	135,571	132,994	135,819	132,963
Changes in working capital:							
Trade and other receivables		(3,323)	–	(4,393)	1,010	(6,742)	1,264
Trade and other payables		7,930	256	5,012	(3,177)	11,934	(3,175)
Inventories		(1,366)	–	–	–	(1,366)	–
<b>Cash generated from operating activities</b>		3,455	225	136,190	130,827	139,645	131,052
Tax paid		–	–	(204)	(26)	(204)	(26)
<b>Net cash generated from operating activities</b>		3,455	225	135,986	130,801	139,441	131,026
<b>Cash flows from investing activities</b>							
Acquisition of property, plant and equipment and prepaid land lease		–	–	(65,528)	–	(311)	(77,077)
Acquisition of investment properties		–	–	–	(167,128)	–	(90,051)
Capital expenditure on investment properties		–	–	(27,430)	(14,090)	(27,430)	(14,090)
Net cash flow from acquisition of business	26	6	–	–	–	(65,211)	–
Interest received		–	–	342	455	342	455
<b>Net cash (used in)/from investing activities</b>		6	–	(92,616)	(180,763)	(92,610)	(180,763)
Balance carried forward		3,461	225	43,370	(49,962)	46,831	(49,737)

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



# STATEMENTS OF CASH FLOWS

Year ended 31 December 2014

Note	HBT Group		H-REIT Group		Stapled Group	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance carried forward	3,461	225	43,370	(49,962)	46,831	(49,737)
<b>Cash flows from financing activities</b>						
Distribution to holders of						
Stapled Securities	—	—	(105,639)	(107,136)	(105,639)	(107,136)
Finance expense paid	—	—	(16,644)	(16,353)	(16,644)	(16,353)
Payment of transaction costs						
related to borrowings	—	—	(892)	(776)	(892)	(776)
Proceeds from bank loans	—	—	230,959	458,334	230,959	458,334
Proceeds from issuance of						
notes	—	—	—	120,000	—	120,000
Repayment of bank loans	—	—	(76,896)	(150,978)	(76,896)	(150,978)
Repayment of notes	—	—	(70,000)	(260,000)	(70,000)	(260,000)
<b>Net cash (used in)/from</b>						
<b>    financing activities</b>	—	—	(39,112)	43,091	(39,112)	43,091
<b>Net increase/(decrease) in</b>						
<b>    cash and cash equivalents</b>	3,461	225	4,258	(6,871)	7,719	(6,646)
Cash and cash equivalents at						
beginning of the year	605	380	68,123	74,994	68,728	75,374
<b>Cash and cash equivalents at</b>						
<b>    end of the year (Note 10)</b>	4,066	605	72,381	68,123	76,447	68,728

## Significant Non-Cash Transactions

### H-REIT Group and Stapled Group

A total of 6,462,785 (2013: 5,726,864) Stapled Securities amounting to \$10,917,000 (2013: \$9,924,000) were issued or will be issued to the H-REIT Manager at various unit prices as satisfaction of asset management fees payable in units in respect of the year ended 31 December 2014 and acquisition fee in relation to the Japan Hotels.

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

# NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the HBT Trustee-Manager, the H-REIT Manager and the H-REIT Trustee on 13 March 2015.

## 1 GENERAL

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

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

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

The HBT Trustee-Manager activated the HBT (which was previously dormant) in connection with the acquisition of Jumeirah Dhevanafushi in December 2013. In December 2014, HBT, through its indirectly wholly-owned subsidiary, AKO GK became the master lessee following the acquisition of the Japan Hotels by H-REIT's indirectly-owned subsidiary. In addition to its function as a master lessee, HBT may also undertake certain hospitality and hospitality-related development projects, acquisition and investments which may not be suitable for H-REIT.

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



# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL (CONT'D)

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

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

Pursuant to the 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.
- 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). For the year ended 31 December 2014, the HBT Trustee Manager's fees were satisfied in cash.

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

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

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.

### (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).

H-REIT Manager's management fees shall be payable in the form of Stapled Securities and/or cash as the H-REIT Manager may elect, and in such proportion as may be determined by the H-REIT Manager on a year to year basis. Where the management fees are payable in the form of Stapled Securities or (in the event that unstapling of the H-REIT units and HBT units has taken place) H-REIT units, such Stapled Securities or H-REIT units shall be issued at the market price (as defined in the H-REIT Trust Deed) prevailing at the date the management fees accrue. For the financial year ended 31 December 2014, the H-REIT Manager's 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 Group are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

# NOTES TO THE FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION (CONT'D)

### 2.4 Use of estimates and judgements (cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 5 – Valuation of investment properties
- Note 27 – Valuation of financial instruments

## 3 SIGNIFICANT ACCOUNTING POLICIES

The Stapled Group has adopted all the new and revised standards and interpretations of FRS (INT FRS) to the extent that they are relevant to the Stapled Group. As a result of the adoption of FRS 110 *Consolidated Financial Statements*, the Stapled Group is required to change its accounting policy for determining whether it has control over and consequently consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Stapled Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The Stapled Group's control conclusion remains unchanged on adoption of the standard.

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

### 3.1 Consolidation

#### **Stapling**

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

#### **Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Stapled Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Stapled Group incurs in connection with a business combination are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Consolidation (cont'd)

#### ***Subsidiaries***

Subsidiaries are entities controlled by the HBT Group and the H-REIT Group. The Group controls an entity when it is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

#### ***Transactions eliminated on consolidation***

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

### 3.2 Foreign currencies

#### ***Foreign currency transactions***

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

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

#### ***Foreign operations***

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Foreign currencies (cont'd)

#### *Hedge of net investment in foreign operation*

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

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

### 3.3 Property, plant and equipment

#### *Recognition and measurement*

Owner's occupied property is classified as property, plant and equipment. All items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of comprehensive income and statement of total return.

#### *Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Stapled Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income and statement of total return as incurred.

#### *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in the statement of comprehensive income and statement of total return on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, plant and equipment (cont'd)

#### **Depreciation (cont'd)**

The estimated useful lives for the current year is as follows:

• buildings	The remaining useful lives of land lease
• plant and machinery	10 - 12 years
• furniture and fixtures	7 years
• motor vehicles and boats	5 years
• office equipment	5 years
• computers	5 years

Capital works-in-progress are not depreciated as these assets are not yet available for use. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 3.4 Prepaid land lease

Prepaid land lease relates to upfront payment on long-term leasehold interests in land. These payments are stated at cost and are amortised on a straight-line basis over the remaining term of the land lease of 43 years.

### 3.5 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost on initial recognition and subsequently at fair value with any changes therein recognised in the statement of total return. The cost of a purchased property comprises its purchase price and any directly attributable expenditure including transaction costs. Fair value is determined in accordance with the H-REIT Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- at least once a year in accordance with the Property Funds Appendix of CIS Code issued by MAS; and
- where the H-REIT Manager proposes to issue new units for subscription or to redeem existing units unless the investment properties have been valued not more than 6 months ago.

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

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

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments

#### ***Non-derivative financial assets***

Loans and receivables and deposits are initially recognised on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

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

#### ***Loans and receivables***

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

Loans and receivables comprise trade and other receivables (except prepayments and deferred capital expenditure), cash and cash equivalents and rental deposits.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise bank balances and fixed deposits.

#### ***Non-derivative financial liabilities***

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Financial instruments (cont'd)

#### *Derivative financial instruments, including hedge accounting*

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

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

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

#### *Cash flow hedges*

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

When the hedged item is a non-financial asset, the amount recognised in unitholders' funds is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in unitholders' funds is transferred to the statement of total return in the same period that the hedged item affects the total return.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in unitholders' funds remains there until the forecast transaction occurs.

### 3.7 Inventories

Inventories comprise mainly food, beverage stocks and consumables.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost formula.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling costs.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.8 Impairment

#### ***Financial assets***

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

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

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

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

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

#### ***Non-financial assets***

The carrying amounts of the Stapled Group's non-financial assets, other than investment properties, deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

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

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

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

### 3.9 Unitholders' funds

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Revenue

#### ***Rental income from operating leases***

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

#### ***Hotel income and food and beverage revenue***

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

### 3.11 Expenses

#### ***Property expenses***

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

#### ***Lease payments***

Payments made under operating leases are recognised in statement of comprehensive income on a straight-line basis over the term of the lease.

#### ***HBT Trustee-Manager's management fees***

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

#### ***H-REIT Manager's management fees***

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

#### ***H-REIT Trustee's fee***

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

#### ***Staff costs***

Staff costs consist of short-term employee benefit that are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.12 Finance income and finance expense

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

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 statement of comprehensive income (as the case may be). All borrowing costs are recognised in the statement of total return or statement of comprehensive income (as the case may be) using the effective interest method.

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

### 3.13 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to a business combination, or items recognised directly in other comprehensive income or unitholders' funds.

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

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

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

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

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

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Stapled Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Stapled Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Stapled Group's belief that its tax return positions are supportable. The Stapled Group 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 judgements about future events. New information may become available that causes the Stapled Group to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Tax (cont'd)

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

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

- An individual (excluding a partnership in Singapore);
- A tax resident Singapore-incorporated company;
- A 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.

### 3.14 Segment reporting

An operating segment is a component of the HBT Group, the H-REIT Group and the Stapled Group that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the HBT Group, the H-REIT Group and the Stapled Group. All operating segments' operating results are reviewed regularly by the board of directors of the HBT Trustee-Manager or 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.

### 3.15 New standards, interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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 Stapled Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Buildings \$'000	Plant and machinery \$'000	Motor vehicles and boats \$'000	Total \$'000
<b>H-REIT Group</b>					
<b>Cost</b>					
At 1 January 2014	—	—	—	—	—
Additions	33,861	26,207	5,788	331	66,187
Translation differences	(86)	(65)	(17)	15	(153)
At 31 December 2014	33,775	26,142	5,771	346	66,034
<b>Accumulated depreciation and impairment losses</b>					
At 1 January 2014 and 31 December 2014 *	—	—	—	—	—
<b>Carrying amounts</b>					
At 1 January 2014	—	—	—	—	—
At 31 December 2014	33,775	26,142	5,771	346	66,034

\* Additions of property, plant and equipment relate mainly to Japan Hotels, which have not been depreciated as the Japan Hotels were only acquired on 19 December 2014 (Note 26).

# NOTES TO THE FINANCIAL STATEMENTS

## 4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land \$'000	Buildings \$'000	Capital work-in- progress \$'000	Plant and machinery \$'000	Furniture and fixtures \$'000	Motor vehicles and boats \$'000	Office equipments \$'000	Computers \$'000	Total \$'000
<b>Stapled Group</b>									
<b>Cost</b>									
At 1 January 2013	–	–	–	–	–	–	–	–	–
Additions (Note 5(ii))	–	63,574	1,328	3,330	2,630	164	334	130	71,490
At 31 December 2013	–	63,574	1,328	3,330	2,630	164	334	130	71,490
At 1 January 2014	–	63,574	1,328	3,330	2,630	164	334	130	71,490
Acquisition of business (Note 26)	33,861	26,207	–	5,788	–	–	–	–	65,856
Additions	–	35	–	–	17	331	262	21	666
Disposal/Written-off	–	–	–	–	–	–	(34)	–	(34)
Translation differences	(86)	2,736	58	131	123	15	24	7	3,008
At 31 December 2014	33,775	92,552	1,386	9,249	2,770	510	586	158	140,986
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 2013/ 31 December 2013 **	–	–	–	–	–	–	–	–	–
Depreciation	–	1,748	–	333	377	33	95	28	2,614
Translation differences	–	75	–	14	17	1	4	1	112
At 31 December 2014	–	1,823	–	347	394	34	99	29	2,726
<b>Carrying amounts</b>									
At 1 January 2013	–	–	–	–	–	–	–	–	–
At 31 December 2013	–	63,574	1,328	3,330	2,630	164	334	130	71,490
At 31 December 2014	33,775	90,729	1,386	8,902	2,376	476	487	129	138,260

\*\* Property, plant and equipment have not been depreciated as the Jumeirah Dhevanafushi was only acquired on 31 December 2013.

## 5 INVESTMENT PROPERTIES

	Note	HBT Group		H-REIT Group		Stapled Group	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At 1 January		–	–	2,238,770	2,044,925	2,161,693	2,044,925
Acquisitions	(i)	–	–	–	167,128	–	90,051
Capital expenditure capitalised		–	–	35,945	13,697	34,737	13,697
Translation differences		–	–	(4,238)	(23,536)	(7,646)	(23,536)
Fair value changes	(ii)	–	–	17,978	36,556	17,639	36,556
At 31 December		–	–	2,288,455	2,238,770	2,206,423	2,161,693





# NOTES TO THE FINANCIAL STATEMENTS

## 5 INVESTMENT PROPERTIES (CONT'D)

- (i) These relate to the acquisitions of the Angsana Velavaru and Jumeirah Dhevanafushi in Maldives in January 2013 and December 2013 respectively, which are explained under the Portfolio Statements. Included in acquisition costs are non-audit fees paid to auditors of the H-REIT Group of \$82,000. At H-REIT Group, Jumeirah Dhevanafushi, which is wholly-owned by H-REIT's subsidiary, CDLHT Oceanic Maldives Pvt Ltd is classified as an investment property. At the Stapled Group, Jumeirah Dhevanafushi is re-classified to property, plant and equipment because the property is leased to HBT and under FRS 40 *Investment Property*, property held for use as owner-occupied property is classified as property, plant and equipment (Note 4).
- (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 judgement and is satisfied that the valuation methods and estimates used are reflective of market conditions prevailing at the reporting date.

## 6 SUBSIDIARIES

The HBT Group and the H-REIT Group have equity investments in subsidiaries.

Details of the significant subsidiaries are as follows:

Name of subsidiaries		Place of incorporation	Effective equity interest held by the HBT Group		Effective equity interest held by the H-REIT Group		Effective equity interest held by the Stapled Group	
			2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
Subsidiaries of H-REIT								
<sup>(1)</sup>	CDLHT (BVI) One Ltd	British Virgin Islands	—	—	100	100	100	100
<sup>(1), (2)</sup>	CDLHT (BVI) Trust One	—	—	—	100	100	100	100
<sup>(5)</sup>	Sunshine Hotels Australia Pty Ltd	Australia	—	—	100	100	100	100
<sup>(3)</sup>	CDLHT MTN Pte. Ltd.	Singapore	—	—	100	100	100	100
<sup>(1)</sup>	CDLHT Sunshine Limited	British Virgin Islands	—	—	100	100	100	100
<sup>(1)</sup>	CDLHT Sunrise Limited	British Virgin Islands	—	—	100	100	100	100
<sup>(1)</sup>	CDLHT Two Limited	British Virgin Islands	—	—	100	100	100	100
<sup>(1)</sup>	CDLHT Sanctuary Limited	British Virgin Islands	—	—	100	100	100	100
<sup>(3)</sup>	CDLHT Oceanic Holdings Pte. Ltd.	Singapore	—	—	100	100	100	100

# NOTES TO THE FINANCIAL STATEMENTS

## 6 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the HBT Group		Effective equity interest held by the H-REIT Group		Effective equity interest held by the Stapled Group	
		2014	2013	2014	2013	2014	2013
		%	%	%	%	%	%
Subsidiaries of H-REIT (cont'd)							
(3) CDLHT Hanei One Pte. Ltd.	Singapore	—	—	100	—	100	—
(3) CDLHT Hanei Two Pte. Ltd.	Singapore	—	—	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
Subsidiary of Sun One Investments Limited							
(1), (4) Sun Trust One	—	—	—	100	100	100	100
Subsidiary of Sun Two Investments Limited							
(1), (4) Sun Trust Two	—	—	—	100	100	100	100
Subsidiary of Sun Three Investments Limited							
(1), (4) Sun Trust Three	—	—	—	100	100	100	100
Subsidiary of Sun Four Investments Limited							
(1), (4) Sun Trust Four	—	—	—	100	100	100	100
Subsidiary of CDLHT Sanctuary Limited							
(5) Sanctuary Sands Maldives Private Limited	Maldives	—	—	100	100	100	100
Subsidiary of CDLHT Oceanic Holdings Pte. Ltd.							
(1) CDLHT Oceanic Ltd	British Virgin Islands	—	—	100	100	100	100
Subsidiary of CDLHT Oceanic Ltd							
(1) CDLHT Oceanic Two Ltd	British Virgin Islands	—	—	100	100	100	100
Subsidiary of CDLHT Oceanic Two Ltd							
(5) CDLHT Oceanic Maldives Private Limited	Maldives	—	—	100	100	100	100
Subsidiary of CDLHT Hanei One Pte. Ltd.							
(5) CDLHT Hanei Tokutei Mokuteki Kaisha	Japan	—	—	100	—	100	—



# NOTES TO THE FINANCIAL STATEMENTS

## 6 SUBSIDIARIES (CONT'D)

Name of subsidiaries	Place of incorporation	Effective equity interest held by the HBT Group		Effective equity interest held by the H-REIT Group		Effective equity interest held by the Stapled Group		
		2014	2013	2014	2013	2014	2013	
		%	%	%	%	%	%	
<b>Subsidiaries of HBT</b>								
<sup>(3)</sup> CDL HBT Oceanic Holdings Pte. Ltd.	Singapore	100	100	–	–	100	100	
<sup>(3)</sup> CDL HBT Hanei Pte. Ltd.	Singapore	100	–	–	–	100	–	
<b>Subsidiary of CDL HBT Oceanic Holdings Pte. Ltd.</b>								
<sup>(1)</sup> CDL HBT Oceanic Ltd	British Virgin Islands	100	100	–	–	100	100	
<b>Subsidiary of CDL HBT Oceanic Ltd</b>								
<sup>(1)</sup> CDL HBT Oceanic Two Ltd	British Virgin Islands	100	100	–	–	100	100	
<b>Subsidiary of CDL HBT Oceanic Two Ltd</b>								
<sup>(5)</sup> CDL HBT Oceanic Maldives Private Limited	Maldives	100	100	–	–	100	100	
<b>Subsidiary of CDL HBT Hanei Pte. Ltd.</b>								
<sup>(5)</sup> AKO GK	Japan	100	–	–	–	100	–	

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

<sup>(2)</sup> Constituted by CDLHT (BVI) One Ltd under a Trust Deed incorporation on 23 November 2006.

<sup>(3)</sup> Audited by KPMG LLP, Singapore.

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

<sup>(5)</sup> Audited by other member firms of KPMG International.

# NOTES TO THE FINANCIAL STATEMENTS

## 7 PREPAID LAND LEASE

	Stapled Group	
	2014 \$'000	2013 \$'000
<b>Cost</b>		
At 1 January	5,587	–
Additions	857	5,587
Translation differences	283	–
At 31 December	6,727	5,587
<b>Accumulated amortisation</b>		
At 1 January	–	–
Amortisation	211	–*
Translation differences	9	–
At 31 December	220	–
<b>Carrying amount</b>		
At 31 December	6,507	5,587

\* Prepaid land lease has not been amortised in the statement of total return as it was only acquired on 31 December 2013.

## 8 INVENTORIES

	HBT Group		H-REIT Group		Stapled Group	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Operating supplies	1,366	–	–	–	1,366	–

# NOTES TO THE FINANCIAL STATEMENTS

## 9 TRADE AND OTHER RECEIVABLES

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables from:						
- related corporations of the H-REIT Manager	–	–	6,728	6,381	6,728	6,381
- related entities	991	–	4,091	–	–	–
- third parties	2,074	–	4,261	7,012	6,335	7,012
	3,065	–	15,080	13,393	13,063	13,393
Impairment losses	(113)	–	(69)	(224)	(182)	(224)
Net trade receivables	2,952	–	15,011	13,169	12,881	13,169
Related corporations of the H-REIT manager	–	–	11	–	11	–
Related entities	–	–	265	254	–	–
Other receivables	371	–	4,249	1,387	4,620	1,387
Loans and receivables	3,323	–	19,536	14,810	17,512	14,556
Prepayments	464	–	948	637	1,412	637
Deferred capital expenditure	–	–	1,115	301	1,115	301
	3,787	–	21,599	15,748	20,039	15,494

H-REIT Group's investment properties, except Claymore Connect, are leased to ten (2013: nine) master lessees. The contribution to trade and other receivables from these master lessees as at 31 December 2014 is \$14,748,000 (2013: \$12,494,000), of which \$4,192,000 (2013: \$6,166,000) is from third parties and \$6,728,000 (2013: \$6,328,000) is from related corporations of the H-REIT Manager and \$4,091,000 (2013: Nil) is from HBT Group.

Outstanding balances with related entities are unsecured. There is no impairment loss arising from these outstanding balances.

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

The ageing of loans and receivables at the reporting date is:

	Gross	Impairment	Gross	Impairment
	2014	losses	2013	losses
	\$'000	\$'000	\$'000	\$'000
<b>HBT Group</b>				
Not past due	2,933	–	–	–
Past due 31 – 60 days	247	–	–	–
Past due 61 – 90 days	23	–	–	–
More than 90 days	233	113	–	–
	3,436	113	–	–



# NOTES TO THE FINANCIAL STATEMENTS

## 9 TRADE AND OTHER RECEIVABLES (CONT'D)

	Gross 2014 \$'000	Impairment losses 2014 \$'000	Gross 2013 \$'000	Impairment losses 2013 \$'000
<b>H-REIT Group</b>				
Not past due	19,445	–	11,947	–
Past due 31 – 60 days	87	–	2,417	–
Past due 61 – 90 days	–	–	13	–
More than 90 days	73	69	657	224
	19,605	69	15,034	224
	Gross 2014 \$'000	Impairment losses 2014 \$'000	Gross 2013 \$'000	Impairment losses 2013 \$'000
<b>Stapled Group</b>				
Not past due	17,022	–	11,693	–
Past due 31 – 60 days	343	–	2,417	–
Past due 61 – 90 days	23	–	13	–
More than 90 days	306	182	657	224
	17,694	182	14,780	224

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

	<b>HBT Group</b>		<b>H-REIT Group</b>		<b>Stapled Group</b>	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At 1 January	–	–	224	367	224	367
Impairment losses addition/(reversal)	113	–	(155)	(143)	(42)	(143)
At 31 December	113	–	69	224	182	224

Based on historical default rates, the Stapled Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables not past due. These receivables related to tenants or customers that have a good credit record with the HBT Group, H-REIT Group and the Stapled Group. H-REIT Group also maintains sufficient security deposits as collateral.

## 10 CASH AND CASH EQUIVALENTS

	<b>HBT Group</b>		<b>H-REIT Group</b>		<b>Stapled Group</b>	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash at bank	4,066	266	13,947	22,854	18,013	23,120
Fixed deposits with financial institutions	–	339	58,434	45,269	58,434	45,608
	4,066	605	72,381	68,123	76,447	68,728



# NOTES TO THE FINANCIAL STATEMENTS

## 11 UNITS/STAPLED SECURITIES IN ISSUE

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	'000	'000	'000	'000	'000	'000
<b>Units/Stapled Securities in issue:</b>						
At 1 January	974,141	968,739	974,141	968,739	974,141	968,739
Creation of Units/Stapled Securities:						
- H-REIT Manager's management fee paid in Stapled Securities	6,144	5,402	6,144	5,402	6,144	5,402
At 31 December	980,285	974,141	980,285	974,141	980,285	974,141
<b>Issued and issuable Units/Stapled Securities:</b>						
Units/Stapled Securities in issue	980,285	974,141	980,285	974,141	980,285	974,141
H-REIT Manager's management fees payable in Stapled Securities	1,579	1,628	1,579	1,628	1,579	1,628
H-REIT Manager's acquisition fees payable in Stapled Securities	368	–	368	–	368	–
Units/Stapled Securities to be issued	1,947	1,628	1,947	1,628	1,947	1,628
	982,232	975,769	982,232	975,769	982,232	975,769

During the year, the following Stapled Securities were issued:

- 6,143,718 (2013: 5,402,605) Stapled Securities were issued at unit prices ranging from \$1.6248 to \$1.7323 (2013: \$1.6285 to \$2.0561) per Stapled Security, amounting to \$10,125,657 (2013: \$9,821,211) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 11 UNITS/STAPLED SECURITIES IN ISSUE (CONT'D)

### Capital management

The Board of the H-REIT Manager and HBT Trustee-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. Capital consists of Unitholders' funds. 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.

H-REIT is subject to the aggregate leverage limit as defined in the Property Fund Appendix of the Code on Collective Investment Scheme ("CIS Code") issued by the Monetary Authority of Singapore. 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 2014 was 31.7% (2013: 29.7%) of H-REIT's Deposited Property. This complied with the aggregate leverage limit as described above.

HBT Group, H-REIT Group and the Stapled Group are in compliance with the borrowing limit requirements imposed by the relevant Trust Deeds and all externally imposed capital requirements for the financial year 2014 and 2013. There were no substantial changes in the HBT Group's, H-REIT Group's and the Stapled Group's approach to capital management during the year.

## 12 LOANS AND BORROWINGS

	Note	HBT Group		H-REIT Group		Stapled Group	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At amortised cost:							
<b>Non-current liabilities</b>							
Unsecured bank loans	(i)	–	–	254,159	338,972	254,159	338,972
Unsecured medium term notes	(ii)	–	–	203,444	203,273	203,444	203,273
		–	–	457,603	542,245	457,603	542,245
<b>Current liabilities</b>							
Unsecured bank loans	(iii)	–	–	317,329	76,092	317,329	76,092
Unsecured medium term notes	(ii)	–	–	–	69,891	–	69,891
		–	–	317,329	145,983	317,329	145,983
		–	–	774,932	688,228	774,932	688,228



# NOTES TO THE FINANCIAL STATEMENTS

## 12 LOANS AND BORROWINGS (CONT'D)

### (i) *Unsecured bank loans, after one year*

- (a) H-REIT has in place a \$70.0 million floating rate term loan facility (the "TL3 Facility") for a 5 year-term that was secured in August 2014.

Proceeds from this term loan was utilised to redeem the outgoing \$70.0 million medium term notes, which expired in August 2014 (refer to Note 12(ii)(c)).

- (b) H-REIT has in place a \$99.2 million (US\$75.0 million) fixed rate term loan facility (the "TL2 Facility") for a 5 year-term secured in October 2013.

As at the reporting date, there was no unutilised balance as the TL2 Facility was fully drawn down to re-finance the loan relating to Angsana Velavaru.

- (c) H-REIT has in place a 5 year \$86.0 million (US\$65.0 million) floating rate loan facility (the "TL4 Facility") that was secured in December 2014.

As at the reporting date, there was no unutilised balance as the TL4 Facility was fully drawn down to re-finance the Bridge Loans Facility relating to Jumeirah Dhevanafushi, which expired in December 2014 (refer to Note 12(iii)(c)) and for working capital purposes.

### (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 "MTN Programme"). As at reporting date, \$203.6 million medium term notes have been issued. These comprise:

- (a) \$83.6 million medium term notes comprising 5-year floating rate note, which are re-priced every six months were issued in August 2011.
- (b) \$120.0 million 5-year fixed rate medium term notes, was issued in June 2013. Proceeds from the notes issuance were utilised to partially redeem the outgoing \$260.0 million medium term notes, which expired in August 2013.
- (c) During the year, the Issuer fully redeemed \$70.0 million 3-year medium term notes, which expired in August 2014. This was repaid through drawings from a 5-year floating rate term loan facility (the "TL3 Facility") (refer to Note 12(i)(a)).

### (iii) *Unsecured bank loans, within one year*

- (a) H-REIT has in place a \$100.0 million (2013: \$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") since December 2012. As at the reporting date, H-REIT utilised \$150.9 million comprising of \$140.0 million to partially repay the medium term notes which matured in August 2013, and an additional \$10.9 million to fund the asset enhancement initiatives for Claymore Connect and other operating expenses.

As at the reporting date, \$49.1 million of the RCF Facility remains unutilised.

- (b) H-REIT has in place a \$100.3 million (A\$93.2 million) (2013: \$105.4 million (A\$93.2 million) term loan facility (the "TL1 Facility") for a 3-year term since December 2012.

As at the reporting date, there was no unutilised balance as the TL1 Facility was fully drawn down to fund the loan relating to the Australia hotels.

# NOTES TO THE FINANCIAL STATEMENTS

## 12 LOANS AND BORROWINGS (CONT'D)

### (iii) Unsecured bank loans, within one year (cont'd)

- (c) H-REIT has in place an uncommitted \$300.0 million (2013: \$300.0 million) multi-currency unsecured bridge loan facility with a bank (the "Bridge Loan Facility") to fund acquisitions, capital expenditure and working capital requirements.

The Bridge Loan Facility can be drawn down in multiple tranches and each tranche 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 down in multiple tranches).

In December 2014, H-REIT refinanced \$76.8 million (US\$60.6 million) drawn down under the Bridge Loan Facility with a 5-year floating rate term loan (refer to Note 12(i)(c) above). This loan was previously drawn down in December 2013 to fund the acquisition of Jumeirah Dhevanafushi.

As at the reporting date, approximately \$300.0 million of the Bridge Loan Facility remains unutilised.

- (d) In December 2014, H-REIT and its indirect wholly-owned subsidiary in Japan secured two new short-term floating rate bridge loan facilities amounting to \$66.7 million (JPY6.07 billion) from a bank for a 9-month period.

As at the reporting date, these facilities were fully utilised to finance the acquisition of the Japan Hotels.

### 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
<b>H-REIT Group and Stapled Group</b>					
<b>2014</b>					
Fixed rate medium term notes	SGD	2.500	2018	120,000	119,932
Floating rate medium term note	SGD	1.273 to 1.452	2016	83,600	83,512
Variable rate bank loan	SGD	1.333 to 1.807	2015	150,893	150,660
Variable rate bank loan	SGD	1.351 to 1.451	2019	70,000	69,738
Variable rate bank loan (Note 13)	AUD	4.640 to 5.290	2015	100,311	100,054
Variable rate bank loan	USD	1.338	2019	86,001	85,596
Fixed rate bank loan	USD	2.800	2018	99,233	98,825
Variable rate bank loan	JPY	0.581 to 1.461	2015	66,710	66,615
				<u>776,748</u>	<u>774,932</u>
<b>2013</b>					
Fixed rate medium term notes	SGD	1.700 to 2.500	2014 - 2018	190,000	189,673
Floating rate medium term note	SGD	1.3164 to 1.536	2016	83,600	83,491
Variable rate bank loan	SGD	1.333 to 1.640	2015	140,000	139,557
Variable rate bank loan	AUD	4.597 to 5.110	2015	105,353	104,835
Variable rate bank loan	USD	0.810 to 0.819	2014	76,092	76,092
Fixed rate bank loan	USD	2.800	2018	95,048	94,580
				<u>690,093</u>	<u>688,228</u>





# NOTES TO THE FINANCIAL STATEMENTS

## 13 FINANCIAL DERIVATIVE LIABILITIES

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-current liabilities</b>						
Interest rate swap used for hedging	–	–	–	421	–	421
<b>Current liabilities</b>						
Interest rate swap used for hedging	–	–	581	–	581	–

The H-REIT Group has an interest rate swap contract with a notional amount of \$100,311,000 (2013: \$105,353,000).

The H-REIT Group and Stapled Group use interest rate swaps to manage their exposures to interest rate movements on the floating rate interest-bearing bank loans by swapping the interest expense of a bank loan from floating rate to fixed rate (Note 12).

## 14 DEFERRED TAX

Movement in temporary differences during the year:

	Balance as at 1/1/2013	Recognised in Statement of Total Return	Exchange differences	Balance as at 31/12/2013	Recognised in Statement of Total Return	Exchange differences	Balance as at 31/12/2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>H-REIT Group</b>							
<b>Deferred tax assets</b>							
Tax losses carried forward	(3,620)	(640)	434	(3,826)	(1,752)	243	(5,335)
<b>Deferred tax liabilities</b>							
Investment properties	11,716	3,270	(1,309)	13,677	2,754	(540)	15,891
Net deferred tax liabilities/ (assets)	8,096	2,630	(875)	9,851	1,002	(297)	10,556
<b>Stapled Group</b>							
<b>Deferred tax assets</b>							
Tax losses carried forward	(3,620)	(640)	434	(3,826)	(1,752)	243	(5,335)
<b>Deferred tax liabilities</b>							
Investment properties	11,716	3,270	(1,309)	13,677	2,704	(543)	15,838
Net deferred tax liabilities/ (assets)	8,096	2,630	(875)	9,851	952	(300)	10,503

# NOTES TO THE FINANCIAL STATEMENTS

## 14 DEFERRED TAX (CONT'D)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in statement of financial position as follows:

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	–	–	(1,018)	–	(1,018)	–
Deferred tax liabilities	–	–	11,574	–	11,521	–
	–	–	10,556	–	10,503	–

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the H-REIT Group and the Stapled Group can utilise the benefits therefrom.

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Tax losses	–	–	–	14,189	–	14,189

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

## 15 TRADE AND OTHER PAYABLES

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables to:						
- related corporations of the H-REIT Manager	–	–	121	159	121	159
- the H-REIT Manager	–	–	1,762	748	1,762	748
- related entities	4,091	–	991	–	–	–
- the HBT Trustee- Manager	24	–	–	–	24	–
- third parties	1,925	–	6,296	4,112	8,221	4,112
Other payables to:						
- the H-REIT Manager	–	–	244	33	244	33
- related entities	265	–	–	–	–	–
- third parties	952	254	9,561	8,702	10,513	8,702
Accrued operating expenses	1,390	3	14,585	5,182	15,975	5,185
Rental deposits	–	–	1,026	1,412	1,026	1,412
Interest payable	–	–	1,765	1,981	1,765	1,981
	8,647	257	36,351	22,329	39,651	22,332



# NOTES TO THE FINANCIAL STATEMENTS

## 15 TRADE AND OTHER PAYABLES (CONT'D)

Outstanding balances with the related corporations of H-REIT Manager and related entities are unsecured, interest-free and repayable on demand.

Other payables in H-REIT Group mainly relate to the remaining purchase consideration payable for the acquisition of a subsidiary in prior years of \$7,374,000 (2013: \$7,374,000).

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

- amounts due to the H-REIT Trustee and H-REIT Manager of \$45,000 (2013: \$86,000) and \$2,006,000 (2013: \$227,000) respectively; and
- amounts due to related corporations of the H-REIT Manager of \$2,024,000 (2013: \$1,224,000).

## 16 NET ASSET VALUE PER UNIT/STAPLED SECURITY

		HBT Group		H-REIT Group		Stapled Group	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net asset value per Unit/ Stapled Security is based on net assets		528	348	1,618,845	1,595,034	1,616,127	1,595,382
	<b>Note</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Total issued and issuable Units/Stapled Securities at 31 December	11	982,232	975,769	982,232	975,769	982,232	975,769

## 17 GROSS REVENUE

	HBT Group		H-REIT Group		Stapled Group	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Fixed rent	–	–	66,577	70,204	66,577	70,204
Variable rent	–	–	85,053	78,578	78,682	78,578
Room revenue	13,532	–	–	–	13,532	–
Food and beverage revenue	4,762	–	–	–	4,762	–
Other revenue	3,259	–	–	–	3,259	–
	21,553	–	151,630	148,782	166,812	148,782

Variable rent for H-REIT Group includes rental income from HBT Group.

Revenue of the HBT Group comprises revenue from resort operation which represents revenue from letting of rooms, food and beverages sales and revenue from other resort-related services.

Under the terms of the master lease agreements for the properties, the H-REIT Group is generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue and/or gross operating profit. The initial period of the leases ranges from 10 years to 20 years, with or without options for renewal for a period ranging from 5 years to 50 years.

# NOTES TO THE FINANCIAL STATEMENTS

## 18 PROPERTY EXPENSES

### (a) Operations and maintenance expenses

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	2,388	–	–	–	2,388	–
Cost of food and beverage and other supplies	2,049	–	–	–	2,049	–
Cost of other operating departments	2,257	–	–	–	2,257	–
Repair and maintenance expenses	704	–	–	–	704	–
Other expenses	1,082	–	–	–	1,082	–
	8,480	–	–	–	8,480	–

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Salaries	1,398	–	–	–	1,398	–
Staff welfare and benefits	990	–	–	–	990	–
	2,388	–	–	–	2,388	–

### (b) Administrative and general expenses

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	1,032	–	–	–	1,032	–
Administrative and general department expenses	1,131	–	–	–	1,131	–
	2,163	–	–	–	2,163	–

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Salaries	711	–	–	–	711	–
Staff welfare and benefits	321	–	–	–	321	–
	1,032	–	–	–	1,032	–



# NOTES TO THE FINANCIAL STATEMENTS

## 18 PROPERTY EXPENSES (CONT'D)

(c) Sales and marketing expenses

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	168	—	—	—	168	—
Sales and marketing department expenses	1,024	—	—	—	1,024	—
	1,192	—	—	—	1,192	—

Employee benefits expenses comprise:

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Salaries	110	—	—	—	110	—
Staff welfare and benefits	58	—	—	—	58	—
	168	—	—	—	168	—

## 19 H-REIT MANAGER'S FEES

Included in the H-REIT Manager's fees is an aggregate of 6,462,785 (2013: 5,726,864) Stapled Securities, amounting to approximately \$10,917,000 (2013: \$9,924,000), 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 and acquisition fee in relation to the Japan Hotels, at unit prices ranging from \$1.6248 to \$1.7357 (2013: \$1.5886 to \$2.0561) per Stapled Security.

## 20 OTHER TRUST EXPENSES

Included in other charges are the following items:

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Audit fees	54	—	320	283	374	283
Non-audit fees paid to:						
- auditors of the H-REIT/ HBT Group	5	2	68	105	73	107
- other auditors	14	—	242	188	256	188



# NOTES TO THE FINANCIAL STATEMENTS

## 21 FINANCE INCOME AND FINANCE EXPENSE

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income received/ receivable from banks	–	–	322	419	322	419
Exchange gain	–	–	798	–	798	–
<b>Finance income</b>	–	–	1,120	419	1,120	419
Exchange loss	–	–	–	(596)	–	(596)
Amortisation of transaction costs capitalised	–	–	(940)	(741)	(940)	(741)
Financial expense arising from remeasuring non-current rental deposits at amortised cost	–	–	(187)	(181)	(187)	(181)
Interest paid/payable to banks	(1)	–	(16,432)	(15,539)	(16,433)	(15,539)
<b>Finance costs</b>	(1)	–	(17,559)	(17,057)	(17,560)	(17,057)
<b>Net finance costs</b>	(1)	–	(16,439)	(16,638)	(16,440)	(16,638)

The amortisation for 2014 and 2013 relate to the amortisation of transaction costs arising from the medium term notes issuance, revolving credit facility and term loan facilities.

## 22 NET (LOSS)/INCOME

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Comprises net income of:						
- H-REIT	–	–	108,149	119,977	108,149	119,977
- Other H-REIT Group entities (including consolidation adjustments)	–	–	18,683	23,011	18,683	23,011
- HBT Group	(58)	(31)	–	–	(58)	(31)
- Other HBT Group entities (including consolidation adjustments)	271	–	–	–	271	–
- Other Stapled Group's consolidation adjustments	–	–	–	–	(3,164)	–
	213	(31)	126,832	142,988	123,881	142,957



# NOTES TO THE FINANCIAL STATEMENTS

## 23 TAX EXPENSE

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income tax expense</b>						
Current tax	42	–	332	51	373	51
Under provision in prior years	–	–	100	–	100	–
	42	–	432	51	473	51
<b>Deferred tax expense</b>						
Origination and reversal of temporary differences	–	–	1,002	2,630	952	2,630
Others	–	–	–	4	–	4
	–	–	1,002	2,634	952	2,634
<b>Tax expense</b>	42	–	1,434	2,685	1,425	2,685
<b>Reconciliation of effective tax rate</b>						
Net income/(loss)	213	(31)	126,832	142,988	123,881	142,957
Tax calculated using Singapore tax rate of 17%	36	–	21,561	24,308	21,060	24,303
Effect of tax in a foreign jurisdiction	(4)	–	1,980	2,374	1,987	2,374
Non-tax deductible items	12	–	6,460	2,582	6,894	2,587
Non-taxable item	–	–	(3,599)	(5,887)	(3,548)	(5,887)
Utilisation of previously unrecognised tax losses	–	–	–	(538)	–	(538)
Tax exempt income	(2)	–	(8,684)	(4,892)	(8,684)	(4,892)
Tax transparency	–	–	(14,839)	(15,262)	(14,839)	(15,262)
Recognition of deferred tax assets	–	–	(1,037)	–	(1,037)	–
Utilisation of tax losses	–	–	(508)	–	(508)	–
Under provision in prior years	–	–	100	–	100	–
	42	–	1,434	2,685	1,425	2,685

# NOTES TO THE FINANCIAL STATEMENTS

## 24 EARNINGS PER STAPLED SECURITY

Basic earnings per Stapled Security is based on:

	Stapled Group	
	2014	2013
	\$'000	\$'000
Total return for the year	122,456	140,272
	Number of	
	Stapled Securities	
	'000	'000
Weighted average number of Stapled Securities:		
- outstanding during the year	978,067	972,044
- to be issued as payment of H-REIT Manager's management fees payable in Stapled Securities	4	4
- to be issued as payment of H-REIT Manager's acquisition fees payable in Stapled Securities	13	—
	978,084	972,048

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

## 25 OPERATING SEGMENTS

The HBT Group has two reportable segments, as described below. The BOD of the HBT Trustee Manager reviews internal management reports on a monthly basis. The following summary describes the operations in the reportable segments:

- Maldives Resort - the 1 Maldives property that are being leased and operated as a resort
- Japan Hotels - the 2 Japan properties that are being leased and operated as hotels

No segment information is presented for HBT in 2013 as it was only activated as a master lessee on 31 December 2013.

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

- Singapore Hotels - the 6 Singapore investment properties (except for Claymore Connect) 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
- Maldives Resorts - the 2 Maldives properties that are being leased and operated as resorts
- Japan Hotels - the 2 Japan properties that are being leased and operated as hotels



# NOTES TO THE FINANCIAL STATEMENTS

## 25 OPERATING SEGMENTS (CONT'D)

Other operations include Claymore Connect which is being leased to individual tenants and operated as retail space. Claymore Connect does not meet any of the quantitative thresholds for determining reportable segments in 2014 or 2013.

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

No contribution has been recognised for the Japan Hotels in the statements of total return of the H-REIT Group and the Stapled Group and the statement of comprehensive income of the HBT Group as the financial impact for this contribution for the last 13 days in December 2014 is immaterial to the Stapled Group. Hence, no information is presented for reportable segment assets and liabilities in relation to Japan Hotels for HBT Group. Reportable segment assets for Japan Hotels is presented for H-REIT Group and Stapled Group only.

### Information about reportable segments

	Maldives Resort \$'000	Total \$'000
<b>2014</b>		
<b>HBT Group</b>		
Gross revenue - external	21,553	21,553
Reportable segment net property income	386	386
Unallocated items:		
- HBT Trustee-Manager's performance fees		(24)
- Other trust expenses		(148)
- Finance expense		(1)
<b>Net income</b>		<u>213</u>
<b>Reportable segment assets</b>		<u>9,219</u>
<b>Reportable segment liabilities</b>		<u>8,691</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 25 OPERATING SEGMENTS (CONT'D)

### Information about reportable segments

	Singapore Hotels \$'000	New Zealand Hotel \$'000	Australia Hotels \$'000	Maldives Resorts \$'000	Japan Hotels \$'000	Others \$'000	Total \$'000
<b>2014</b>							
<b>H-REIT Group</b>							
Gross revenue - external	104,552	10,234	16,747	18,276	–	1,821	151,630
Reportable segment net property income	96,082	10,234	16,747	16,165	–	912	140,140
Unallocated items:							
- H-REIT Manager's base fees							(5,840)
- H-REIT Manager's performance fees							(7,007)
- H-REIT Trustee's fees							(266)
- Valuation fees							(170)
- Other trust expenses							(1,564)
- Finance income							1,120
- Finance expense							(17,559)
<b>Net income before fair valuation</b>							108,854
Net change in fair value of investment properties	5,329	2,139	2,734	2,388	–	5,388	17,978
<b>Net income</b>							<u>126,832</u>
<b>Reportable segment assets</b>							
Capital expenditure on investment properties	10,171	783	–	2,379	–	22,612	35,945
Non-current assets <sup>^</sup>	1,663,000	102,890	225,377	191,534	65,688	106,000	2,354,489

<sup>^</sup> Excluding rental deposit and deferred tax assets





# NOTES TO THE FINANCIAL STATEMENTS

## 25 OPERATING SEGMENTS (CONT'D)

### Information about reportable segments (cont'd)

	Singapore Hotels \$'000	New Zealand Hotel \$'000	Australia Hotels \$'000	Maldives Resorts \$'000	Others \$'000	Total \$'000
<b>2013</b>						
<b>H-REIT Group</b>						
Gross revenue - external	105,745	9,723	18,480	9,961	4,873	148,782
Reportable segment net property income	96,553	9,723	18,480	8,995	3,638	137,389
Unallocated items:						
- H-REIT Manager's base fees						(5,547)
- H-REIT Manager's performance fees						(6,859)
- H-REIT Trustee's fees						(256)
- Valuation fees						(174)
- Other charges						(1,483)
- Finance income						419
- Finance expense						(17,057)
<b>Net income before fair valuation</b>						106,432
Net change in fair value of investment properties	9,400	9,420	1,210	8,524	8,002	36,556
<b>Net income</b>						142,988
<b>Reportable segment assets</b>						
Capital expenditure on investment properties	10,700	—	—	999	1,998	13,697
Non-current assets <sup>^</sup>	1,647,500	100,816	233,993	178,461	78,000	2,238,770

<sup>^</sup> Excluding rental deposit

# NOTES TO THE FINANCIAL STATEMENTS

## 25 OPERATING SEGMENTS (CONT'D)

### Information about reportable segments (cont'd)

	Singapore Hotels \$'000	New Zealand Hotel \$'000	Australia Hotels \$'000	Maldives Resorts \$'000	Japan Hotels \$'000	Others \$'000	Total \$'000
<b>2014</b>							
<b>Stapled Group</b>							
Gross revenue - external	104,552	10,234	16,747	33,458	–	1,821	166,812
Reportable segment net property income	96,082	10,234	16,747	16,551	–	912	140,526
Unallocated items:							
- H-REIT Manager's base fees							(5,840)
- H-REIT Manager's performance fees							(7,007)
- HBT Trustee-Manager's performance fees							(24)
- H-REIT Trustee's fees							(266)
- Valuation fees							(170)
- Other charges							(4,537)
- Finance income							1,120
- Finance expense							(17,560)
<b>Net income before fair valuation</b>							106,242
Net change in fair value of investment properties	5,329	2,139	2,734	2,049	–	5,388	17,639
<b>Net income</b>							<u>123,881</u>
<b>Reportable segment assets</b>							
Capital expenditure on investment properties	10,171	783	–	1,172	–	22,612	34,738
Non-current assets <sup>^</sup>	1,663,000	102,890	225,377	188,235	65,688	106,000	2,351,190

<sup>^</sup> Excluding rental deposit and deferred tax assets



# NOTES TO THE FINANCIAL STATEMENTS

## 25 OPERATING SEGMENTS (CONT'D)

### Information about reportable segments (cont'd)

	Singapore Hotels \$'000	New Zealand Hotel \$'000	Australia Hotels \$'000	Maldives Resorts \$'000	Others \$'000	Total \$'000
<b>2013</b>						
<b>Stapled Group</b>						
Gross revenue - external	105,745	9,723	18,480	9,961	4,873	148,782
Reportable segment net property income	96,553	9,723	18,480	8,995	3,638	137,389
Unallocated items:						
- H-REIT Manager's base fees						(5,547)
- H-REIT Manager's performance fees						(6,859)
- H-REIT Trustee's fees						(256)
- Valuation fees						(174)
- Other charges						(1,514)
- Finance income						419
- Finance expense						(17,057)
<b>Net income before fair valuation</b>						106,401
Net change in fair value of investment properties	9,400	9,420	1,210	8,524	8,002	36,556
<b>Net income</b>						142,957
<b>Reportable segment assets</b>						
Capital expenditure on investment properties	10,700	—	—	999	1,998	13,697
Non-current assets <sup>^</sup>	1,647,500	100,816	233,993	178,461	78,000	2,238,770

<sup>^</sup> Excluding rental deposit

### Major customers

H-REIT Group's properties, except Claymore Connect, are leased to ten (2013: nine) master lessees. The contribution of these master lessees to the gross revenue of the H-REIT Group was \$149,809,000 (2013: \$143,909,000). Such revenue is attributable to the Singapore hotels segment, New Zealand hotel segment, Australia hotels segment and Maldives resorts segment.

Subsidiaries of Millennium & Copthorne Hotels Plc accounted for approximately \$82,254,000 (2013: \$82,869,000) or 54.2% (2013: 55.7%) of the gross revenue of the H-REIT Group. Subsidiaries of Accor S.A. contributed \$39,045,000 (2013: \$41,356,000) or 25.8% (2013: 27.8%) to the gross revenue of the H-REIT Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 26 ACQUISITION OF BUSINESS

On 19 December 2014, the Stapled Group through H-REIT Group and HBT Group acquired the Japan Hotels and the outstanding shares of a company that operates them respectively. The total consideration was \$65.7 million (or approximately JPY6.0 billion). The purchase price consists of property, plant and equipment of \$65.7 million and net capital of \$0.03 million. The preliminary fair value assets allocation indicates the purchase price approximates the fair value acquired assets and there will be no goodwill. The Stapled Group has one year from the date of purchase to finalise the allocation of the purchase price between tangible and intangible assets. Based on the preliminary analysis, the purchase price has been fully allocated to the property, plant and equipment of the Stapled Group's statement of financial position, and full analysis will be completed in 2015.

## 27 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.

The Audit Committee of the H-REIT Manager and HBT Trustee-Manager assists the H-REIT Manager's and HBT Trustee-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 and HBT Trustee-Manager also assists the H-REIT Manager's and HBT Trustee-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 and the HBT Trustee-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 and HBT Trustee-Manager monitors the balances due from its lessees and tenants on an on-going basis.

The hotel/resort operators which manage the hotels under HBT Group perform credit evaluations on customers before accepting customers and monitor their balances on an on-going basis.

The Stapled Group establishes an allowance for impairment, based on a specific loss component that relates to individually significant exposures, that represents its estimate of incurred losses in respect of trade and other receivables.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Stapled Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### **Credit risk (cont'd)**

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 2014 and 31 December 2013, except as described in Note 9 to the financial statements, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statement of financial position.

### **Liquidity risk**

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

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

- A \$100.0 million (2013: \$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, \$150.9 million (2013: \$140.0 million) has been drawn down under this facility;
- A \$300.0 million (2013: \$300.0 million) uncommitted multi-currency unsecured bridge loan facility with a bank. In previous year, \$76.8 million (US\$60.6 million) has been drawn down under this facility. In current financial year, the loan was refinanced and as at reporting date, \$300.0 million of the facilities remained unutilised;
- A \$1.0 billion Multi-Currency Medium Term Note Programme. At the reporting date, \$796.4 million (2013: \$726.4 million) of the Programme remains unissued;
- A \$100.3 million (A\$93.2 million) (2013: \$105.4 million (A\$93.2 million)) unsecured term loan facility for a 3-year term. At the reporting date, this facility was fully drawn down;
- A \$99.2 million (US\$75.0 million) (2013: \$95.0 million (US\$75.0 million)) unsecured term loan facility for a 5-year term. At the reporting date, this facility was fully drawn down;
- A \$66.7 million (JPY6.07 billion) (2013: Nil) unsecured short-term loan facilities. At the reporting date, these facilities were fully drawn down;
- A \$70.0 million (2013: Nil) unsecured term loan facility for a 5-year term. At the reporting date, this facility was fully drawn down; and
- A \$86.0 million (US\$65.0 million) (2013: Nil) unsecured term loan facility for a 5-year term. At the reporting date, this facility was fully drawn down.



# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Liquidity risk (cont'd)

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

	Carrying amount \$'000	Contractual cash flows \$'000	<----- Cash flows ----->		
			Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
<b>HBT Group</b>					
<b>2014</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	8,647	(8,647)	(8,647)	—	—
<b>2013</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables	257	(257)	(257)	—	—
<b>H-REIT Group</b>					
<b>2014</b>					
<b>Non-derivative financial liabilities</b>					
Fixed rate medium term notes	119,932	(130,258)	(3,000)	(127,258)	—
Floating rate medium term note	83,512	(85,318)	(1,064)	(84,254)	—
Variable rate bank loans	472,663	(407,661)	(403,803)	(3,858)	—
Fixed rate bank loan	98,825	(205,197)	(4,629)	(200,568)	—
Trade and other payables*	35,325	(35,325)	(35,325)	—	—
Rental deposits	8,091	(10,314)	(1,026)	(126)	(9,162)
	818,348	(873,073)	(448,847)	(416,064)	(9,162)
<b>Derivative financial instrument</b>					
Interest rate swap	581	(703)	(703)	—	—
<b>2013</b>					
<b>Non-derivative financial liabilities</b>					
Fixed rate medium term notes	189,673	(204,137)	(73,714)	(130,423)	—
Floating rate medium term note	83,491	(86,988)	(1,296)	(85,692)	—
Variable rate bank loans	320,484	(329,351)	(80,197)	(249,154)	—
Fixed rate bank loan	94,580	(108,376)	(2,756)	(105,620)	—
Trade and other payables*	20,917	(20,917)	(20,917)	—	—
Rental deposits	8,238	(11,287)	(1,412)	(75)	(9,800)
	717,383	(761,056)	(180,292)	(570,964)	(9,800)
<b>Derivative financial instrument</b>					
Interest rate swap	421	(193)	(438)	245	—

\* Excluding rental deposits



# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows \$'000	<----- Within 1 year \$'000	Cash flows -----> Within 1 to 5 years \$'000	More than 5 years \$'000
<b>Stapled Group</b>					
<b>2014</b>					
<b>Non-derivative financial liabilities</b>					
Fixed rate medium term notes	119,932	(130,258)	(3,000)	(127,258)	—
Floating rate medium term note	83,512	(85,318)	(1,064)	(84,254)	—
Variable rate bank loans	472,663	(407,661)	(403,803)	(3,858)	—
Fixed rate bank loan	98,825	(205,197)	(4,629)	(200,568)	—
Trade and other payables*	38,625	(38,625)	(38,625)	—	—
Rental deposits	8,091	(10,314)	(1,026)	(126)	(9,162)
	821,648	(877,373)	(452,147)	(416,064)	(9,162)
<b>Derivative financial instrument</b>					
Interest rate swap	581	(703)	(703)	—	—
<b>2013</b>					
<b>Non-derivative financial liabilities</b>					
Fixed rate medium term notes	189,673	(204,137)	(73,714)	(130,423)	—
Floating rate medium term note	83,491	(86,988)	(1,296)	(85,692)	—
Variable rate bank loans	320,484	(329,351)	(80,197)	(249,154)	—
Fixed rate bank loans	94,580	(108,376)	(2,756)	(105,620)	—
Trade and other payables*	20,920	(20,920)	(20,920)	—	—
Rental deposits	8,238	(11,287)	(1,412)	(75)	(9,800)
	717,386	(761,059)	(180,295)	(570,964)	(9,800)
<b>Derivative financial instrument</b>					
Interest rate swap	421	(193)	(438)	245	—

\* Excluding rental deposits

The maturity analyses show the contractual undiscounted cashflows of the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity. Derivative financial instrument held is normally not closed out prior to contractual maturity. The disclosure shows net cashflows for derivative that is net cash settled.

Derivative financial instrument is designated as cash flow hedge. The table above reflects the periods in which the cash flows associated with cash flow hedge are expected to occur and impact the total return.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the HBT Group's comprehensive income and H-REIT Group's and the Stapled Group's total return. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Interest rate risk

The Stapled Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Fixed rate instruments</b>						
Financial assets	3,952	339	71,182	55,468	75,134	55,807
Financial liabilities	–	–	(219,233)	(285,048)	(219,233)	(285,048)
Interest rate swap	–	–	(100,311)	(105,353)	(100,311)	(105,353)
	3,952	339	(248,362)	(334,933)	(244,410)	(334,594)
<b>Variable rate instruments</b>						
Financial liabilities	–	–	(557,515)	(405,045)	(557,515)	(405,045)
Interest rate swap	–	–	100,311	105,353	100,311	105,353
	–	–	(457,204)	(299,692)	(457,204)	(299,692)

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 Stapled Group do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The H-REIT Group and the Stapled Group do not designate interest rate swap as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect total return.

### Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rate at the reporting date would increase/(decrease) total return and unitholders' funds (before any tax effects) by the amounts shown below. This analysis assumes that all other variables, remain constant.



# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Interest rate risk (cont'd)

	H-REIT Group and Stapled Group			
	Total return 100 bp increase \$'000	100 bp decrease \$'000	Unitholders' funds 100 bp increase \$'000	100 bp decrease \$'000
<b>2014</b>				
<b>Variable rate instruments</b>				
Loans and borrowings	(5,575)	5,575	—	—
Interest rate swap	1,003	(1,003)	6	(374)
Cashflow sensitivity (net)	(4,572)	4,572	6	(374)
<b>2013</b>				
<b>Variable rate instruments</b>				
Loans and borrowings	(4,050)	4,050	—	—
Interest rate swap	1,054	(1,054)	231	(268)
Cashflow sensitivity (net)	(2,996)	2,996	231	(268)

### 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 HBT Group, the H-REIT Group and the Stapled Group to foreign currencies is as follows based on notional amounts:

	United States dollar		Japanese yen	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>HBT Group</b>				
Trade and other receivables	2,351	—	450	—
Cash and cash equivalents	3,743	253	85	—
Trade and other payables	(3,824)	—	(456)	—
	2,270	253	79	—

# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Foreign currency risk (cont'd)

	Australian dollar		New Zealand dollar		United States dollar		Japanese yen	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>H-REIT Group</b>								
Trade and other receivables	(6)	959	1,013	962	2,105	2,042	2,643	–
Cash and cash equivalents	10,538	7,890	4,409	2,543	21,393	7,772	1,955	–
Trade and other payables	(141)	(71)	(676)	(203)	(2,055)	(758)	(949)	–
Bank loans	(100,311)	(105,353)	–	–	(185,990)	(171,140)	(68,680)	–
	(89,920)	(96,575)	4,746	3,302	(164,547)	(162,084)	(65,031)	–
<b>Stapled Group</b>								
Trade and other receivables	(6)	959	1,013	962	4,456	2,042	3,093	–
Cash and cash equivalents	10,538	7,890	4,409	2,543	25,136	8,025	2,040	–
Trade and other payables	(141)	(71)	(676)	(203)	(5,879)	(758)	(1,405)	–
Bank loans	(100,311)	(105,353)	–	–	(185,990)	(171,140)	(68,680)	–
	(89,920)	(96,575)	4,746	3,302	(162,277)	(161,831)	(64,952)	–

### Sensitivity analysis

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

	HBT Group		H-REIT Group		Stapled Group	
	Total comprehensive income	Unitholders' funds	Total return	Unitholders' funds	Total return	Unitholders' funds
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2014</b>						
Australian dollar	–	–	(1,039)	10,031	(1,039)	10,031
New Zealand dollar	–	–	(475)	–	(475)	–
United States dollar	(227)	–	(2,144)	18,599	(2,371)	18,599
Japanese yen	(8)	–	(365)	6,868	(373)	6,868
<b>2013</b>						
Australian dollar	–	–	(878)	10,535	(878)	10,535
New Zealand dollar	–	–	(330)	–	(330)	–
United States dollar	(25)	–	(906)	17,114	(931)	17,114





# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Foreign currency risk (cont'd)

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.

The H-REIT Group's investments in its Australian, Maldives and Japan subsidiaries are hedged by AUD, USD and Yen denominated bank loan carrying amount \$351,090,000 (2013: \$275,507,000), which mitigates the currency risk arising from the subsidiaries' net assets. The fair value of the borrowing at 31 December 2014 was \$349,663,000 (2013: \$274,191,000). The loans are designated as net investment hedge. No ineffectiveness was recognised from the net investment hedge. The H-REIT Group's investments in other subsidiaries are not hedged.

### 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	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Fair value \$'000
<b>HBT Group</b>						
<b>2014</b>						
Trade and other receivables <sup>^</sup>	9	3,323	–	–	3,323	3,323*
Cash and cash equivalents	10	4,066	–	–	4,066	4,066*
Trade and other payables	15	–	–	(8,647)	(8,647)	(8,647)*
		<u>7,389</u>	<u>–</u>	<u>(8,647)</u>	<u>(1,258)</u>	<u>(1,258)</u>
<b>2013</b>						
Cash and cash equivalents	10	605	–	–	605	605*
Trade and other payables	15	–	–	(257)	(257)	(257)*
		<u>605</u>	<u>–</u>	<u>(257)</u>	<u>348</u>	<u>348</u>

<sup>^</sup> Excluding prepayments

\* Carrying amount is a reasonable approximation of fair value

# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Fair values (cont'd)

### Accounting classifications and fair values (cont'd)

	Note	Loans and receivables \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Fair value \$'000
<b>H-REIT Group</b>						
<b>2014</b>						
Trade and other receivables^	9	19,536	–	–	19,536	19,536*
Cash and cash equivalents	10	72,381	–	–	72,381	72,381*
Rental deposits		126	–	–	126	123
		<u>92,043</u>	<u>–</u>	<u>–</u>	<u>92,043</u>	<u>92,040</u>
Unsecured bank loans	12	–	–	(571,488)	(571,488)	(570,061)
Unsecured medium term notes	12	–	–	(203,444)	(203,444)	(203,121)
Financial derivatives liabilities	13	–	(581)	–	(581)	(581)
Trade and other payables	15	–	–	(36,351)	(36,351)	(36,351)*
Rental deposits		–	–	(7,065)	(7,065)	(7,984)
		<u>–</u>	<u>(581)</u>	<u>(818,348)</u>	<u>(818,929)</u>	<u>(818,098)</u>
<b>2013</b>						
Trade and other receivables^	9	14,810	–	–	14,810	14,810*
Cash and cash equivalents	10	68,123	–	–	68,123	68,123*
Rental deposits		76	–	–	76	72
		<u>83,009</u>	<u>–</u>	<u>–</u>	<u>83,009</u>	<u>83,005</u>
Unsecured bank loans	12	–	–	(415,064)	(415,064)	(413,748)
Unsecured medium term notes	12	–	–	(273,164)	(273,164)	(273,668)
Financial derivatives liabilities	13	–	(421)	–	(421)	(421)
Trade and other payables	15	–	–	(22,329)	(22,329)	(22,329)*
Rental deposits		–	–	(6,826)	(6,826)	(7,728)
		<u>–</u>	<u>(421)</u>	<u>(717,383)</u>	<u>(717,804)</u>	<u>(717,894)</u>

^ Excluding prepayments and deferred capital expenditure

\* Carrying amount is a reasonable approximation of fair value



# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Fair values (cont'd)

#### Accounting classifications and fair values (cont'd)

	Note	Loans and receivables \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total \$'000	Fair value \$'000
<b>Stapled Group</b>						
<b>2014</b>						
Trade and other receivables^	9	17,512	–	–	17,512	17,512*
Cash and cash equivalents	10	76,447	–	–	76,447	76,447*
Rental deposits		126	–	–	126	123
		94,085	–	–	94,085	94,082
Unsecured bank loans	12	–	–	(571,488)	(571,488)	(570,061)
Unsecured medium term notes	12	–	–	(203,444)	(203,444)	(203,121)
Financial derivatives liabilities	13	–	(581)	–	(581)	(581)
Trade and other payables	15	–	–	(39,651)	(39,651)	(39,651)*
Rental deposits		–	–	(7,065)	(7,065)	(7,984)
		–	(581)	(821,648)	(822,229)	(821,398)
<b>2013</b>						
Trade and other receivables^	9	14,556	–	–	14,556	14,566*
Cash and cash equivalents	10	68,728	–	–	68,728	68,728*
Rental deposits		76	–	–	76	72
		83,360	–	–	83,360	83,366
Unsecured bank loans	12	–	–	(415,064)	(415,064)	(413,748)
Unsecured medium term notes	12	–	–	(273,164)	(273,164)	(273,668)
Financial derivatives liabilities	13	–	(421)	–	(421)	(421)
Trade and other payables	15	–	–	(22,332)	(22,332)	(22,332)*
Rental deposits		–	–	(6,826)	(6,826)	(7,728)
		–	(421)	(717,386)	(717,807)	(719,897)

^ Excluding prepayments and deferred capital expenditure

\* Carrying amount is a reasonable approximation of fair value

#### Interest rates used in determining fair values

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

	2014 %	2013 %
Fixed rate medium term notes	2.50	2.50
Rental deposits	1.74	1.87

# NOTES TO THE FINANCIAL STATEMENTS

## 28 DETERMINATION OF FAIR VALUES

A number of the Stapled Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) *Investment properties*

The fair values of investment properties (Level 3 fair values) are based on independent valuations undertaken. Further information is set out in Note 5.

### (ii) *Trade and other receivables*

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables and with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and for disclosure purposes, at each annual reporting date.

### (iii) *Other financial assets*

Notional amounts of other financial assets (including cash and cash equivalents and rental deposits) whose carrying amounts measured on the amortised cost basis, where applicable, approximate their fair values due to short term in nature or where the effect of discounting is immaterial. Fair value is determined at initial recognition and for disclosure purposes, at each annual reporting date.

### (iv) *Derivatives*

The fair values of interest rate swaps (Level 2 fair values) are based on banks' quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Stapled Group and counterparty when appropriate.

### (v) *Other non-derivative financial liabilities*

Other non-derivative financial liabilities (including loans and borrowings, trade and other payables and rental deposits) are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. The fair values of non-derivative financial liabilities with a maturity of less than one year are assumed to approximate their carrying values because of the short period to maturity. The fair values of other non-derivative financial liabilities are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

# NOTES TO THE FINANCIAL STATEMENTS

## 28 DETERMINATION OF FAIR VALUES (CONT'D)

### *Estimation of fair values*

#### *Valuation processes applied by the Stapled Group*

The Stapled Group regularly reviews significant unobservable inputs and valuation adjustments included in the fair value measurements. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the finance team assesses the documents that evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

### *Fair value hierarchy*

The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that Stapled Group can access at the measurement date;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3:** unobservable inputs for the assets or liability.

### *Financial assets and financial liabilities carried at fair value*

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>H-REIT Group and Stapled Group</b>					
<b>2014</b>					
Financial derivative liabilities	13	–	581	–	581
<b>2013</b>					
Financial derivative liabilities	13	–	421	–	421



# NOTES TO THE FINANCIAL STATEMENTS

## 28 DETERMINATION OF FAIR VALUES (CONT'D)

*Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed\**

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>HBT Group, H-REIT Group and Stapled Group</b>					
<b>2014</b>					
Loans and borrowings	12	–	774,932	–	774,932
<b>2013</b>					
Loans and borrowings	12	–	688,228	–	688,228

\* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

*Non-financial assets carried at fair value*

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>H-REIT Group</b>					
<b>2014</b>					
Investment properties	5	–	–	2,288,455	2,288,455
<b>Stapled Group</b>					
<b>2014</b>					
Investment properties	5	–	–	2,206,423	2,206,423
<b>H-REIT Group</b>					
<b>2013</b>					
Investment properties	5	–	–	2,238,770	2,238,770
<b>Stapled Group</b>					
<b>2013</b>					
Investment properties	5	–	–	2,161,693	2,161,693

For a reconciliation of investment properties from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy, refer Note 5.



# NOTES TO THE FINANCIAL STATEMENTS

## 28 DETERMINATION OF FAIR VALUES (CONT'D)

### *Non-financial assets carried at fair value (cont'd)*

The following table shows the key unobservable inputs used in the valuation models:

Type	Valuation techniques	Unobservable input	As at 31 Dec 2014 Range	As at 31 Dec 2013 Range
Singapore	Discounted cash flow/ Capitalisation	Discount rate	7.75%	7.50% - 8.50%
		Terminal yield	5.75% - 6.75%	5.00% - 6.00%
		Capitalisation rate	5.50% - 6.50%	5.50%
New Zealand	Discounted cash flow/ Capitalisation	Discount rate	10.75%	11.00%
		Terminal yield	8.25%	8.25%
		Capitalisation rate	8.25%	8.25%
Australia	Discounted cash flow	Discount rate	7.00% - 10.50%	12.50% - 15.00%
		Terminal yield	8.50% - 9.00%	9.00% - 11.25%
Maldives	Discounted cash flow/ Capitalisation	Discount rate	11.50% - 12.00%	11.56% - 12.21%
		Terminal yield	9.50% - 10.00%	9.50% - 10.00%

### **Valuation process applied by the Stapled Group**

The fair value of investment properties is determined by external, independent property valuers, having the appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Stapled Group's investment properties annually.

The significant unobservable inputs used in the fair value measurement of investment properties are discount rate, terminal yield, capitalisation rate. Significant increases in capitalisation rate, discount rate, and terminal yield in isolation would result in a significantly lower fair value measurement.

### **Key unobservable inputs**

Key unobservable inputs correspond to:

- Discount rate, based on the risk-free rate for 5-year and 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Terminal yield reflects the uncertainty, functional/economic obsolescence and the risk associated with the investment properties.
- Capitalisation rate correspond to a rate of return on investment properties based on the expected income that the property will generate.

# NOTES TO THE FINANCIAL STATEMENTS

## 29 COMMITMENTS

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Capital expenditure contracted but not provided for	–	–	2,803	8,111	2,803	8,111

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

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	106	–	70,515	66,635	66,651	66,635
After 1 year but within 5 years	422	–	240,741	237,807	225,286	237,807
After 5 years	508	–	289,516	328,087	274,147	328,087
	1,036	–	600,772	632,529	566,084	632,529

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 Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	–	–	755	755	755	755
After 1 year but within 5 years	–	–	414	1,170	414	1,170
	–	–	1,169	1,925	1,169	1,925

- (d) Under the terms of the lease agreement for Novotel Singapore Clarke Quay and Angsana Velavaru, the H-REIT Group and the Stapled Group are required to incur expenditure equivalent to 3% of the annual gross revenue and preceding month's gross revenue of the hotels/resort respectively to maintain and improve the hotel's/resort'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 (2013: \$140,000) under the terms of the lease agreements.
- (e) H-REIT's subsidiary, CDLHT Oceanic Maldives Private Limited holds a leasehold interest in Meradhoo in Gaafu Alifu Atoll until the expiry of its land lease on 14 June 2056. On 6 February 2014, the Maldivian government amended the laws and the lease extension fee is now to be brought forward and paid on eight quarterly instalments of US\$187,500 in 2014 and 2015. As at the reporting date, the future lease extension fee is approximately \$1,189,500 (US\$937,500).



# NOTES TO THE FINANCIAL STATEMENTS

## 30 CONTINGENT LIABILITIES

### Intra-group financial guarantee

During the financial year, H-REIT has provided a corporate guarantee to a bank in respect of banking facilities amounting to \$32,970,000 (or JPY3 billion) granted to a wholly-owned subsidiary which expire on 18 September 2015. At the reporting date, H-REIT does not consider it probable that a claim will be made against H-REIT under the guarantee.

## 31 RELATED PARTY TRANSACTIONS

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

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

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

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Transaction value</b>						
Shared service expenses paid/ payable to a related corporation of the H-REIT Manager	–	–	103	133	103	133
Provision of accounting services/ IT and HR by a related corporation of the H-REIT Manager	–	–	106	96	106	96
Rental expense paid/payable to a related corporation of the H-REIT Manager	–	–	755	755	755	755
Rental income received/ receivable from related corporations of the H-REIT Manager	–	–	82,254	82,868	82,254	82,868
Cleaning fees paid/payable to a related corporation of the H-REIT Manager	–	–	–	185	–	185
Provision of internal audit services by a related corporation of the H-REIT manager	–	–	20	39	20	39
Provision of corporate secretarial services by a related corporation of the H-REIT Manager/ HBT Trustee-Manager	16	–	64	85	80	85

# NOTES TO THE FINANCIAL STATEMENTS

## 31 RELATED PARTY TRANSACTIONS (CONT'D)

	HBT Group		H-REIT Group		Stapled Group	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance outstanding</b>						
Shared service expenses paid/ payable to a related corporation of the H-REIT Manager	—	—	16	32	16	32
Provision of accounting services by a related corporation of the H-REIT Manager	—	—	27	26	27	26
Rental income received/receivable from related corporations of the H-REIT Manager	—	—	6,728	5,913	6,728	5,913
Cleaning fees paid/payable to a related corporation of the H-REIT Manager	—	—	—	36	—	36
Provision of internal audit services by a related corporation of the H-REIT manager	—	—	21	39	21	39
Provision of corporate secretarial services by a related corporation of the H-REIT Manager	—	—	—	119	—	119

During the year, the Stapled Group acquired the Japan Hotels, as well as all the outstanding shares of a Company that operates them, from a related party (refer to Note 26).

## 32 FINANCIAL RATIOS

	H-REIT Group		Stapled Group	
	2014	2013	2014	2013
	%	%	%	%
Expenses to weighted average net assets <sup>1</sup>				
- including performance component of H-REIT Manager's management fees	0.93	0.92	0.95	0.92
- excluding performance component of H-REIT Manager's management fees	0.49	0.47	0.50	0.47
Portfolio turnover rate <sup>2</sup>	—	—	—	—

<sup>1</sup> 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.

<sup>2</sup> 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.

## 32 SUBSEQUENT EVENT

Subsequent to the financial year end, H-REIT exercised its option to convert a 5-year US\$65.0 million (\$86.0 million) floating rate term loan into a 5-year fixed rate term loan, as allowed under the terms of the facility.





# STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 3 March 2015

## 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: 982,232,082 Stapled Securities

Size of Stapled Securities Holdings	No. of Stapled Securities Holders	%	No. of Stapled Securities	%
1 - 99	20	0.26	346	0.00
100 - 1,000	616	8.04	601,431	0.06
1,001 - 10,000	5,126	66.94	26,689,478	2.72
10,001 - 1,000,000	1,873	24.46	79,920,429	8.14
1,000,001 and above	23	0.30	875,020,398	89.08
	<b>7,658</b>	<b>100.00</b>	<b>982,232,082</b>	<b>100.00</b>

## Twenty Largest Stapled Securities Holders

No.	Name	No. of Stapled Securities Held	%
1	Hospitality Holdings Pte. Ltd.	313,950,000	31.96
2	Citibank Nominees Singapore Pte Ltd	158,076,799	16.09
3	HSBC (Singapore) Nominees Pte Ltd	80,382,021	8.18
4	Raffles Nominees (Pte) Ltd	62,680,362	6.38
5	DBS Nominees Pte Ltd	57,314,533	5.84
6	DBSN Services Pte Ltd	57,265,188	5.83
7	BNP Paribas Securities Services	44,558,198	4.54
8	M&C REIT Management Limited	39,503,077	4.02
9	United Overseas Bank Nominees Pte Ltd	17,229,890	1.75
10	Bank of Singapore Nominees Pte Ltd	9,602,988	0.98
11	DB Nominees (Singapore) Pte Ltd	8,017,191	0.82
12	Guan Hong Plantation Private Limited	5,750,000	0.59
13	Millennium Securities Pte Ltd	4,000,000	0.41
14	OCBC Securities Private Ltd	2,785,350	0.28
15	BNP Paribas Nominees Singapore Pte Ltd	2,703,640	0.28
16	Meren Pte Ltd	2,300,000	0.23
17	Phillip Securities Pte Ltd	1,525,000	0.16
18	ABN Amro Nominees Singapore Pte Ltd	1,387,510	0.14
19	NTUC Fairprice Co-operative Ltd	1,307,000	0.13
20	UOB Kay Hian Pte Ltd	1,274,600	0.13
		<b>871,613,347</b>	<b>88.74</b>

## Subscription of Stapled Securities in CDL Hospitality Trusts

As at 31 December 2014, 980,284,978 Stapled Securities were issued. On 12 January 2015, 368,029 Stapled Securities were issued to the H-REIT Manager as payment of the Acquisition Fee for the acquisition of the Japan Hotels. On 28 January 2015, 1,579,075 Stapled Securities were issued to the H-REIT Manager as payment of 80.0 percent of management fees for the period from 1 October 2014 to 31 December 2014.

# STATISTICS OF STAPLED SECURITIES HOLDINGS

As at 3 March 2015

## H-REIT Manager's Directors' and HBT Trustee-Manager's Directors' Stapled Securities Holdings

As shown in the Register of Directors' Stapled Securities Holdings as at 3 March 2015

Name of Director	Holdings
Wong Hong Ren	115,000
Vincent Yeo Wee Eng	115,000
Jenny Lim Yin Nee	NIL
Jimmy Chan Chun Ming	NIL
Daniel Marie Ghislain Desbaillets	NIL
Ronald Seah Lim Siang	NIL
Ronald Nathaniel Issen	NIL

## Substantial Stapled Securities Holders

as at 3 March 2015

Name	Direct Interest	Deemed Interest	Total Holdings	%*
Hospitality Holdings Pte. Ltd.	313,950,000	–	313,950,000	31.963
ATOS Holding AG	–	313,950,000 <sup>(1)</sup>	313,950,000	31.963
Millennium & Copthorne Hotels plc	–	353,453,077 <sup>(2)</sup>	353,453,077	35.985
City Developments Limited	–	353,453,077 <sup>(2)</sup>	353,453,077	35.985
Hong Leong Investment Holdings Pte. Ltd.	–	357,453,077 <sup>(3)</sup>	357,453,077	36.392
Davos Investment Holdings Private Limited	–	357,453,077 <sup>(3)</sup>	357,453,077	36.392
Kwek Holdings Pte Ltd	–	357,453,077 <sup>(3)</sup>	357,453,077	36.392

\* The percentage of Stapled Securities is based on the total number of issued Stapled Securities as at 3 March 2015

### Notes:

- <sup>(1)</sup> ATOS Holding AG is deemed under Section 7 of the Companies Act, Chapter 50, to have an interest in the 313,950,000 Stapled Securities held by a company in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- <sup>(2)</sup> 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 353,453,077 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.
- <sup>(3)</sup> 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 357,453,077 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.

## Free Float

Based on information made available to the H-REIT Manager and the HBT Trustee-Manager as at 3 March 2015, no less than 63% of the Stapled Securities in CDL Hospitality Trusts is held by the public and accordingly, Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.



# RELATED PARTY TRANSACTIONS\*

Related Party Transactions pursuant to the Listing Manual of Singapore Exchange Securities Trading Limited, Property Funds Appendix and Business Trusts Act 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	\$30,787,553
- Rental income in relation to Waterfront Conference Centre <sup>(1)</sup>	\$755,244
City Hotels Pte. Ltd.	
- Rental income in relation to Orchard Hotel	\$25,919,394
- Shared services <sup>(2)</sup> expense in relation to Claymore Connect	\$102,546
Harbour View Hotel Pte. Ltd.	
- Rental income in relation to M Hotel	\$15,783,784
City Developments Limited	
- Rental expense in relation to Waterfront Conference Centre <sup>(1)</sup>	\$755,244
Republic Iconic Hotel Pte. Ltd.	
- Rental income in relation to Studio M Hotel	\$9,007,744
Millennium & Copthorne International Limited	
- Accounting, IT and HR function expense for outsourced services	S\$105,600
AKH GK and Ippan Shadan Hojin SH42 <sup>(3)</sup>	
- Acquisition of Japan Hotels and the operating company	S\$63,717,828 <sup>(4)</sup>

## Notes:

<sup>(1)</sup> 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 ("WCC") 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.

<sup>(2)</sup> 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 Claymore Connect.

<sup>(3)</sup> AKH GK and Ippan Shadan Hojin SH42 are indirect wholly-owned subsidiaries of Real Estate Capital Asia Partners III L.P, a fund managed by SC Capital Partners Pte. Ltd.

<sup>(4)</sup> Based on an assumed exchange rate of S\$1.00 = ¥90.99

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



CDL HOSPITALITY TRUSTS

A stapled group comprising:

**CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST**

(a real estate investment trust constituted on 8 June 2006  
under the laws of the Republic of Singapore)

**CDL HOSPITALITY BUSINESS TRUST**

(a business trust constituted on 12 June 2006  
under the laws of the Republic of Singapore)

## NOTICE OF ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the Annual General Meetings ("**Annual General Meetings**") of the security holders of CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and CDL Hospitality Business Trust ("**HBT**") will be held at Banquet Suite, Level 10, M Hotel Singapore, 81 Anson Road, Singapore 079908 on Wednesday, 29 April 2015 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 2014 and the Auditors' Report thereon.
2. To re-appoint Messrs KPMG LLP as the Independent Auditors of H-REIT and HBT and to hold office until the conclusion of the next Annual General Meetings of H-REIT and HBT, and to authorise the H-REIT Manager and the HBT Trustee-Manager to fix their remuneration.

(Ordinary Resolution 1)

(Ordinary Resolution 2)

### (B) AS SPECIAL BUSINESS

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

3. That authority be and is hereby given to the H-REIT Manager and the HBT Trustee-Manager, to
  - (a) (i) issue new units in H-REIT ("**H-REIT Units**") and new units in HBT ("**HBT Units**", together with H-REIT Units, the "**Stapled Securities**") whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities, at any time and upon such terms and conditions and for such purposes and to such persons as the H-REIT Manager and the HBT Trustee-Manager may in their absolute discretion deem fit; and

(Ordinary Resolution 3)



# NOTICE OF ANNUAL GENERAL MEETINGS

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

provided that:

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

# NOTICE OF ANNUAL GENERAL MEETINGS

- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the H-REIT Manager and the HBT Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments are issued; and
- (6) the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the H-REIT Manager, the H-REIT Trustee or, as the case may be, the HBT Trustee-Manager may consider expedient or necessary or in the interest of H-REIT and HBT to give effect to the authority conferred by this Resolution.

(Please see Explanatory 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  
27 March 2015

### 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 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 holding the Annual General Meetings.
3. Completion and return of the instrument appointing a proxy or proxies shall not preclude a Security Holder from attending and voting at the Annual General Meetings. Any appointment of a proxy or proxies shall be deemed to be revoked if a Security Holder attends the Annual General Meetings in person, and in such event, the H-REIT Manager and the HBT Trustee-Manager reserve the right to refuse to admit any person or persons appointed under this instrument appointing a proxy or proxies, to the Annual General Meetings.
4. The Chairman of the Annual General Meetings will be exercising his rights under Paragraph 13 of Schedule 1 to the H-REIT Trust Deed and Paragraph 4.4.1 of the Schedule to the HBT Trust Deed for all resolutions at the Annual General Meetings and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the Annual General Meetings will be voted on by way of a poll.
5. To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, Security Holders present in person or represented by proxy at the Annual General Meetings will be entitled to vote on a 'one-Stapled Security, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Annual General Meetings.



# 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.

## **PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.



**CDL HOSPITALITY TRUSTS**

A stapled group comprising:

**CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST**

(a real estate investment trust constituted on 8 June 2006 under the laws of the Republic of Singapore)

**CDL HOSPITALITY BUSINESS TRUST**

(a business trust constituted on 12 June 2006 under the laws of the Republic of Singapore)

**Personal Data Privacy**

By submitting an instrument appointing proxy(ies) or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 March 2015.

# PROXY FORM

## ANNUAL GENERAL MEETINGS

I/We \_\_\_\_\_ (Name(s)), and NRIC/Passport/Company Registration No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Annual General Meetings to be held at Banquet Suite, Level 10, M Hotel Singapore, 81 Anson Road, Singapore 079908 on Wednesday, 29 April 2015 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	No. of votes For*	No. of votes Against*
	<b>ORDINARY BUSINESS</b>		
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 2014 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.		
	<b>SPECIAL BUSINESS</b>		
3	Authority to issue Stapled Securities and to make or grant convertible instruments.		
	<b>OTHER BUSINESS</b>		
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. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Total number of Stapled Securities held

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

**IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM OVERLEAF**

**Notes To Proxy Form**

1. A 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.

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**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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Stamp Here

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# CORPORATE DIRECTORY

## CDL HOSPITALITY TRUSTS

A Stapled Group comprising H-REIT, a real estate investment trust, and HBT, a business trust

### MANAGER OF H-REIT

#### **M&C REIT Management Limited**

(Co. Reg. No. 200607091Z)

#### **Registered Address:**

36 Robinson Road  
#04-01 City House  
Singapore 068877  
Telephone : (65) 6877 8228  
Facsimile : (65) 6225 4959

#### **Office Address:**

390 Havelock Road  
#02-05 King's Centre  
Singapore 169662  
Telephone : (65) 6664 8888  
Facsimile : (65) 6732 2868  
Email : enquiries@cdlht.com  
Website : www.cdlht.com

### TRUSTEE-MANAGER OF HBT

#### **M&C Business Trust Management Limited**

(Co. Reg. No. 200607118H)

#### **Registered Address:**

36 Robinson Road  
#04-01 City House  
Singapore 068877  
Telephone : (65) 6877 8228  
Facsimile : (65) 6225 4959

#### **Office Address:**

390 Havelock Road  
#02-05 King's Centre  
Singapore 169662  
Telephone : (65) 6664 8888  
Facsimile : (65) 6732 2868  
Email : enquiries@cdlht.com  
Website : www.cdlht.com

### **DIRECTORS OF THE MANAGER OF H-REIT AND THE TRUSTEE- MANAGER OF HBT**

#### **Wong Hong Ren**

Chairman and Non-Executive  
Director

#### **Vincent Yeo Wee Eng**

Chief Executive Officer and  
Executive Director

#### **Jenny Lim Yin Nee**

Lead Independent Director

#### **Jimmy Chan Chun Ming**

Independent Non-Executive Director

#### **Daniel Marie Ghislain Desbaillets**

Independent Non-Executive Director

#### **Ronald Seah Lim Siang**

Independent Non-Executive Director

#### **Ronald Nathaniel Issen**

Non-Independent Non-Executive  
Director

### **AUDIT COMMITTEE OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT**

Jenny Lim Yin Nee (Chairman)  
Jimmy Chan Chun Ming  
Ronald Seah Lim Siang

### **RISK MANAGEMENT COMMITTEE OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT**

Ronald Seah Lim Siang (Chairman)  
Jenny Lim Yin Nee  
Vincent Yeo Wee Eng

### TRUSTEE OF H-REIT

#### **DBS Trustee Limited**

12 Marina Boulevard  
Level 44 DBS Asia Central @  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Telephone : (65) 6878 8888  
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### AUDITORS

#### **KPMG LLP**

Public Accountants and  
Chartered Accountants  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581  
Telephone : (65) 6213 3388  
Facsimile : (65) 6225 4142  
(Partner-in-charge: Koh Wei Peng,  
appointment commenced from the  
audit of the financial statements for  
the year ended 31 December 2011)

### UNIT REGISTRAR

#### **M & C Services Private Limited**

112 Robinson Road #05-01  
Singapore 068902  
Telephone : (65) 6227 6660  
Facsimile : (65) 6225 1452

### LEGAL ADVISER

#### **Allen & Gledhill LLP**

One Marina Boulevard #28-00  
Singapore 018989  
Telephone : (65) 6890 7188  
Facsimile : (65) 6327 3800

### **COMPANY SECRETARY OF THE MANAGER OF H-REIT AND THE TRUSTEE-MANAGER OF HBT**

Enid Ling Peek Fong



**CDL HOSPITALITY TRUSTS**

**M&C REIT Management Limited**

(As Manager of CDL Hospitality Real Estate Investment Trust)

**and**

**M&C Business Trust Management Limited**

(As Trustee-Manager of CDL Hospitality Business Trust)



## LETTER TO UNITHOLDERS

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### **M&C Business Trust Management Limited**

Company registration number: 200607118H  
(Incorporated in the Republic of Singapore)

Date: 13 March 2015

To: Holders of Stapled Securities in CDL Hospitality Trusts

Dear Sir / Madam

#### **AUDITED FINANCIAL STATEMENTS OF M&C BUSINESS TRUST MANAGEMENT LIMITED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

We are pleased to enclose for your information a copy of the audited financial statements of M&C Business Trust Management Limited for the financial year ended 31 December 2014, pursuant to Section 78(1)(b) of the Business Trusts Act, Chapter 31A of Singapore.

Please note that the enclosed audited financial statements are not in respect of CDL Hospitality Business Trust, but in respect of M&C Business Trust Management Limited, which is the trustee-manager of CDL Hospitality Business Trust. The enclosed set of audited financial statements is independent of the financial statements of CDL Hospitality Trusts and does not have any impact on the distributable income of the holders of stapled securities in CDL Hospitality Trusts.

Please refer to the Annual Report 2014 for the audited financial statements of CDL Hospitality Business Trust for the financial year ended 31 December 2014.

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

**Vincent Yeo Wee Eng**  
Director



# **M&C Business Trust Management Limited**

Company registration number: 200607118H

Annual Report  
Year ended 31 December 2014

# DIRECTORS' REPORT

We are pleased to submit this report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2014.

## Directors

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

Wong Hong Ren  
Vincent Yeo Wee Eng  
Jenny Lim Yin Nee  
Jimmy Chan Chun Ming  
Daniel Marie Ghislain Desbaillets  
Ronald Seah Lim Siang  
Ronald Nathaniel Issen (appointed on 7 April 2014)

## Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Directors' interests in shares or debentures

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, shares options, warrants and/or debentures of the Company, or of related corporations either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, 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 shares and/or share options in related corporations are as follows:

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year
<b>Intermediate Holding Companies</b>		
<b>Millennium &amp; Copthorne Hotels plc</b>		
<b>Ordinary Shares of £0.30 each</b>		
Wong Hong Ren	269,248	311,986
<b>Options to subscribe for the following number of ordinary shares of £0.30 each under Part II of the 2003 Executive Share Option Scheme</b>		
Vincent Yeo Wee Eng	10,581	10,581

# DIRECTORS' REPORT

## Directors' interests in shares or debentures (Cont'd)

		Holdings in which the director, his spouse and infant children have a direct interest	
		At beginning of the year	At end of the year
<b>Intermediate Holding Companies (Cont'd)</b>			
<b>Conditional awards of performance shares</b>			
Wong Hong Ren		Up to 256,430 <sup>(1)</sup>	–
		Up to 203,898 <sup>(2)</sup>	203,898
		Up to 175,834 <sup>(3)</sup>	175,834
		–	173,796 <sup>(4)</sup>
<sup>(1)</sup> Vesting date – 28.11.2014 <sup>(2)</sup> Vesting date – 16.08.2015 <sup>(3)</sup> Vesting date – 11.09.2016 <sup>(4)</sup> Vesting date – 04.04.2017			
<b>City Developments Limited Ordinary Shares</b>			
Wong Hong Ren		4,950	4,950
<b>Related Corporations</b>			
<b>City e-Solutions Limited Ordinary Shares of HK\$1 each</b>			
Wong Hong Ren		1,513,112	1,513,112
Vincent Yeo Wee Eng		718,000	718,000
Jimmy Chan Chun Ming		408,000	408,000
<b>Millennium &amp; Copthorne Hotels New Zealand Limited Ordinary Shares</b>			
Wong Hong Ren		2,000,000	604,000
Vincent Yeo Wee Eng		500,000	151,000
<b>Preference Shares</b>			
Wong Hong Ren		–	302,000
Vincent Yeo Wee Eng		–	75,500
<b>Hong Leong Finance Limited Ordinary Shares</b>			
Wong Hong Ren		100,000	100,000
Vincent Yeo Wee Eng		100,000	100,000
Jimmy Chan Chun Ming		3,425	3,425
<b>Hong Leong Asia Ltd. Ordinary Shares</b>			
Wong Hong Ren		150,000	150,000

# DIRECTORS' REPORT

## Directors' interests in contracts

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with directors and/or their affiliated parties, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act, Chapter 50. Such transactions may comprise loans, deposits, provision of nominee and corporate advisory services, foreign exchange transactions, insurance transactions, property-related transactions, construction-related transactions, industrial and manufacturing-related transactions, consumer-related transactions, investing in real estate used for hospitality and/or hospitality-related purposes, purchase/sale of investments, property, industrial and consumer products, goods and services, including vehicles, equipment and machinery, parts and accessories and provision and receipt of after-sales services, hotel-related transactions, procurement services, information technology services, e-commerce-related transactions, management and consultancy services and/or other transactions carried out on normal commercial terms and in the normal course of business of the Company and/or its related corporations.

However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they may be entitled as customers, suppliers, directors and members of these corporations.

Except as disclosed above and except for remuneration received from the related corporations, since the end of the financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company and/or its related corporations 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.

## Share options

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

## Auditors

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

On behalf of the Board of Directors

**Wong Hong Ren**  
Director

**Yeo Wee Eng Vincent**  
Director

13 March 2015



# STATEMENT BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages 6 to 15 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, having regard to the continuing financial support from the immediate holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

**Wong Hong Ren**  
Director

**Yeo Wee Eng Vincent**  
Director

13 March 2015

# INDEPENDENT AUDITORS' REPORT

**Member of the Company**  
**M&C Business Trust Management Limited**

## **Report on the financial statements**

We have audited the accompanying financial statements of M&C Business Trust Management Limited (the "Company"), which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 15.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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 are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *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 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 management, 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, the financial statements 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 the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Company for the year ended on that date.

## **Report on other legal and regulatory requirements**

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

**KPMG LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
13 March 2015

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 \$	2013 \$
<b>Current assets</b>			
Cash at bank		10,006	10,006
Trade receivables	5	23,651	–
<b>Total assets</b>		<u>33,657</u>	<u>10,006</u>
<b>Equity</b>			
Share capital	6	2	2
Accumulated losses		(108,338)	(60,509)
Total equity		<u>(108,336)</u>	<u>(60,507)</u>
<b>Current liabilities</b>			
Other payables	7	141,993	70,513
<b>Total liabilities</b>		<u>141,993</u>	<u>70,513</u>
<b>Total equity and liabilities</b>		<u>33,657</u>	<u>10,006</u>

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

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 \$	2013 \$
Revenue	8	23,651	–
Other operating expenses	9	(71,480)	(8,193)
Loss before tax		(47,829)	(8,193)
Tax expense	10	–	–
Loss for the year		(47,829)	(8,193)
Other comprehensive income		–	–
Total comprehensive loss for the year		(47,829)	(8,193)

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

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital \$	Accumulated losses \$	Total \$
At 1 January 2013	2	(52,316)	(52,314)
<b>Total comprehensive loss for the year</b>			
Loss for the year	–	(8,193)	(8,193)
At 31 December 2013	2	(60,509)	(60,507)
At 1 January 2014	2	(60,509)	(60,507)
<b>Total comprehensive loss for the year</b>			
Loss for the year	–	(47,829)	(47,829)
At 31 December 2014	2	(108,338)	(108,336)

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

# STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	2014 \$	2013 \$
<b>Cash flows from operating activities</b>		
Loss before tax	(47,829)	(8,193)
Change in working capital:		
Trade receivables	(23,651)	–
Other payables	54,025	4,660
<b>Net cash used in operating activities</b>	<u>(17,455)</u>	<u>(3,533)</u>
<b>Cash flows from financing activity</b>		
Amount owing to immediate holding company	17,455	3,453
<b>Net cash from financing activity</b>	<u>17,455</u>	<u>3,453</u>
<b>Net decrease in cash at bank</b>	–	(80)
<b>Cash at bank at beginning of the year</b>	10,006	10,086
<b>Cash at bank at end of the year</b>	<u>10,006</u>	<u>10,006</u>



# NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 13 March 2015.

## 1 DOMICILE AND ACTIVITIES

M&C Business Trust Management Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at 36 Robinson Road, #04-01 City House, Singapore 068877.

The principal activities of the Company are those relating to the provision of property fund management services. The Company is the trustee-manager for CDL Hospitality Business Trust, a business trust which is part of CDL Hospitality Trusts ("CDLHT"), a stapled group comprising CDL Hospitality Real Estate Investment Trust, a real estate investment trust and CDL Hospitality Business Trust. CDLHT is listed on Singapore Exchange Securities Trading Limited.

The immediate holding company is M&C REIT Management Limited. The directors consider the ultimate holding company to be Hong Leong Investment Holdings Pte. Ltd.. Both companies are incorporated in the Republic of Singapore.

## 2 GOING CONCERN

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in shareholders' equity, as the immediate holding company has confirmed its intention to provide the necessary financial support to the Company to continue its operations and meet its liabilities as and when they fall due.

## 3 BASIS OF PREPARATION

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

### 3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

### 3.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

### 4.1 Foreign currencies

Transactions in foreign currencies are translated into Singapore dollars at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Singapore dollars at exchange rate ruling at that date. Foreign exchange differences arising from retranslation are recognised in profit or loss.

### 4.2 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables, and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.2 Financial instruments (Cont'd)

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers 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 Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

The Company has the following non-derivative financial assets: loans and receivables.

#### *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 cash and cash equivalents, and trade receivables.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank.

#### **Non-derivative financial liabilities**

All financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability 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 Company 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.

The Company classifies non-derivative financial liabilities 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 other payables.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### 4.3 Impairment

#### **Non-derivative financial assets**

A financial asset is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy or economic conditions that correlate with defaults.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.3 Impairment (Cont'd)

#### *Loans and receivables*

The Company considers evidence of impairment for loans and receivables at a specific asset level. All individually significant loans and receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### 4.4 Revenue recognition

#### *Management fee*

Management fees are derived from the management of a business trust and are determined based on profit before interest, tax and management fee expense of the business trust being managed. These fees are recognised on an accrual basis.

### 4.5 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss 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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.6 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, 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 Company.

## 5 TRADE RECEIVABLES

	2014 \$	2013 \$
Trade receivables from a related entity	23,651	—

Trade receivables from a related entity is unsecured, interest-free and is repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

## 6 SHARE CAPITAL

	2014 Number of shares	2013 Number of shares
<b>Fully paid ordinary shares, with no par value:</b>		
At 1 January and 31 December	2	2

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### **Capital management policy**

The Company's primary objective when managing capital is to safeguard the Company's ability to continue as a going concern. As the Company is a wholly-owned subsidiary of M&C REIT Management Limited, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the capital management objectives of M&C REIT Management Limited.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

## 7 OTHER PAYABLES

	2014 \$	2013 \$
Accrued operating expenses	73,545	19,520
Amount owing to immediate holding company (non-trade)	68,448	50,993
	141,993	70,513

The amount owing to immediate holding company is unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 REVENUE

	2014 \$	2013 \$
Management fee from a related entity	23,651	–

## 9 OTHER OPERATING EXPENSES

	2014 \$	2013 \$
Secretarial fees	48,100	3,950
Tax fees	3,800	–
Accounting fees	2,400	–
Audit fees	2,248	2,560
Other professional fees	14,932	1,683
	<u>71,480</u>	<u>8,193</u>

## 10 TAX EXPENSE

Reconciliation of effective tax rate

	2014 \$	2013 \$
Loss before tax	(47,829)	(8,193)
Tax calculated using Singapore tax rate of 17%	(8,131)	(1,393)
Non-deductible expenses	8,131	1,393
	<u>–</u>	<u>–</u>

## 11 FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Company. The Company 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 management continually monitors the Company'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 Company's activities.

The Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Exposure to credit and liquidity risks arises in the normal course of the Company's business. These risks are limited by the Company's financial management policies and practices described below.

### **Credit risk**

At the reporting date, the amount due from related entity represents a significant portion of the financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

## 12 FINANCIAL RISK MANAGEMENT

### *Liquidity risk*

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms.

The total contractual undiscounted cash flows of the Company's non-derivative financial liabilities are the same as their carrying amounts and are due within one year.

### *Estimating fair values*

#### *Other financial assets and financial liabilities*

The carrying amounts of financial assets and financial liabilities with maturity of less than one year (including trade receivables, cash at bank and other payables) are assumed to approximate their fair values because of the short period to maturity.

## 13 RELATED PARTIES

In addition to the transactions disclosed elsewhere in the financial statements, there were the following significant related party transactions during the financial year:

### *Transactions with key management personnel*

The Company's directors are employees of either the immediate holding company or a related corporation and no consideration is paid to these companies for the services rendered by the directors.

### *Other related party transactions*

	Transaction value		Balance outstanding	
	2014	2013	2014	2013
	\$	\$	\$	\$
Secretarial fee paid/payable to a related corporation	48,100	3,950	64,500	16,400
Accounting fee paid/payable to a related corporation	2,400	–	2,400	–





