Issuer: M&C Business Trust Management Limited
Security: CDL Hospitality Trusts

Meeting details:
Date: 26 April 2017
Time: 10:00H
Venue: Waterfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663

Company Description
CDL Hospitality Trusts, through its subsidiaries, operates as a hotel real estate investment trust (REIT). It invests in a portfolio of hospitality and hospitality related real estate assets. As of December 31, 2009, the company owned and operated 11 hotels comprising Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King's Hotel, and Novotel Clarke Quay in Singapore; Rendezvous Hotel Auckland, a deluxe hotel located in Auckland, New Zealand; and Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth, and Ibis Perth located in Brisbane and Perth, Australia comprising a total of 3,942 hotel rooms. It also operated Orchard Hotel Shopping Arcade, the shopping arcade adjoining Orchard Hotel in Singapore. The company has elected to be taxed as a REIT. As a REIT, it would not be subject to corporate income tax on 90% of its net income that is distributed to shareholders. CDL Hospitality Trusts was founded in 2006 and is based in Singapore, Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=J85)

Q1. In the Chairman's Statement (page 6 of the annual report), it was highlighted that 2016 marks a significant milestone for CDLHT (a stapled group comprising CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust) as it represents "a meaningful and rewarding decade since CDLHT was listed on the Singapore Exchange Securities Trading Limited".

In the ten years, the portfolio of S$846.3 million, comprising four hotels with 1,915 rooms and a retail mall, has grown impressively to S$2.4 billion, comprising 15 hotels and 2 resorts with 4,912 rooms and the retail mall.

a) With the growth, the geographical footprint has also increased to six countries, with assets in the United Kingdom (Cambridge) and Japan (Tokyo) being added to the portfolio in the last two years. **Can the manager update Stapled Security Holders on the future growth plans? Are there key countries or cities identified for future growth?**

b) **What is the targeted allocation of Singapore/Overseas assets?**

c) **Are there any plans to balance CDLHT's portfolio to have more focus into certain sub-segments (luxury/resort/business etc)?**

Q2. On the operational performance, can CDLHT give Stapled Security Holders more visibility on the performance of the following assets? Specifically:

a) **Auckland**: Following the re-branding of the hotel, and under the new variable lease structure, CDLHT experienced a year-on-year increase in NPI contribution of 37.2% to S$13.3 million from the Grand Millennium Auckland. **Does management expect the performance to be sustained and be further improved? Was the slight drop in average occupancy rate from 85.3% to 84.1% due to the rebranding and the refurbishment?**

b) **Maldives** (**Jumeirah Dhevanafushi and Angsana Velavaru**): Based on the value in use approach, an impairment loss of $8.1 million was recognised in 2016 (on top of the $1.7 million recognised in 2015). The valuation of Angsana Velavaru has also dropped from US$78 million to US$66 million. The new supply of rooms in Maldvies in 2016 has further intensified competition. **What is CDLHT's strategy for the Maldives assets?**

c) **Cambridge and Tokyo**: **Following the recent addition to CDLHT's portfolio, have the three assets performed up to management's projections?**

Q3. CDLHT's aggregate leverage has increased gradually over the years as the portfolio increased to its current size of S$2.4 billion.

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Aggregate Leverage	**25.3%**	**24.9%**	**29.7%**	**31.7%**	**36.4%**	**36.8%**

(Source: CDL Hospitality Trusts Annual Reports)

In Note 15 (page 164 – Units/Stapled securities in issue and to be issued (Capital Management)), it was disclosed that:

The Boards seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Monetary Authority of Singapore has revised the Property Funds Appendix of the Code on Collective Investment Schemes with effect from 1 January 2016 such that the aggregate leverage should not exceed 45% of the fund's deposited property. CDLHT's aggregate leverage is at 36.8% (as at 31 December 2016).

a) **With the change of the aggregate leverage to 45%, has CDLHT reviewed the current capital management policy? Is CDLHT inclined to, or in a position to, increase its aggregate leverage to a level nearer to the 45% limit set by the Property Fund Appendix?**

In addition, as seen in Note 27 (page 183 – Financial instruments), the Stapled Group has a net exposure of $203.6 million to the United States Dollar (USD) as at 31 December 2016. The net exposure in 2015 was just under $7 million.

The Sensitivity analysis (page 185) shows that a 10% strengthening/weakening of the Singapore dollar against the United States Dollar would result in an increase/ (decrease) in the profit or loss by $20.4 million.

b) **Would CDLHT help Stapled Security Holders understand if the Stapled group has increased its currency risk?**

c) **What caused the large increase in currency mis-match of the group's assets and liabilities?**