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GST Reg No: M90367530Y

Issuer: M&C REIT Management Limited

Security: CDL Hospitality Real Estate Investment Trust

Meeting details:

Date: 29 April 2019

Time: 9.30 a.m.

Venue: Riverfront Ballroom, Level 2, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663

Company Description

CDL Hospitality Trusts ("CDLHT") is one of Asia's leading hospitality trusts with assets valued at S\$2.8 billion. CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust ("H-REIT"), a real estate investment trust, and CDL Hospitality Business Trust ("HBT"), a business trust. CDLHT was listed on the Singapore Exchange Securities Trading Limited on 19 July 2006. M&C REIT Management Limited is the manager of H-REIT, the first hotel real estate investment trust in Singapore, and M&C Business Trust Management Limited is the trustee-manager of HBT.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=J85)

1. In the Draft Master Plan 2019 announced on 27 March 2019, the Urban Redevelopment Authority disclosed plans to rejuvenate the Central Business District as well as giving the Orchard Road shopping belt a facelift. The Draft Master Plan offers landlords redevelopment, asset repositioning and asset enhancement opportunities. If successful, the CBD Incentive Scheme will change the profile of the CBD and boost the live-in population, making the city center more vibrant.

- (i) Has the REIT manager evaluated how its assets in the Orchard Road area and around the CBD may be positively/negatively affected by the Draft Master Plan?**

The trust is completing a refurbishment for Orchard Hotel, with the meeting facilities and ballroom undergoing an upgrade. The manager has also disclosed that the 260 bedrooms and the 65 Signature Rooms in the Orchard Wing will be renovated in phase.

- (ii) What is the estimated total cost to renovate and refurbish Orchard Hotel?**
- (iii) What is the projected impact on the trust due to the disruption?**
- (iv) In the planning for renovations/AEIs, what is the minimum/projected return on investment (ROI)?**
- (v) Did the trusts achieve the minimum ROI for its value-adding efforts, e.g. renovation of Orchard Hotel, re-flagging to “Raffles Maldives Meradhoo”, soft refurbishment of Hotel MyStays Asakusabashi and Hotel MyStays Kamata and renovation of The Lowry’s Hotel?**

2. On page 3 of the annual report, the manager has explained that, under its acquisition growth strategy, it will consider the need for the diversification of the portfolio by geography and asset profile.

From the portfolio summary (pages 16 and 17), the last four acquisitions (since 2015) were for assets in Europe (UK, Germany and Italy). This follows the acquisition of assets in Australia in 2010, Maldives in 2013 and Japan in 2014.

- (i) Can the manager confirm that it is satisfied with the scale of the Singapore core portfolio and will be focused on its geographical diversification and buying overseas assets?**
- (ii) What are the key cities that the manager has been evaluating for the trust’s diversification?**

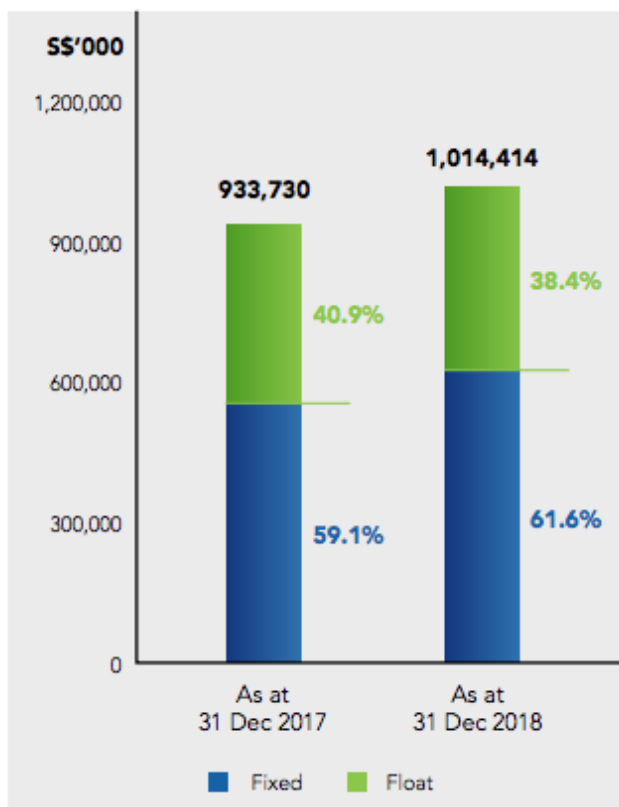
As noted in the financial statement, following an impairment assessment of the goodwill arising from the acquisition of The Lowry Hotel, the goodwill of \$6.9 million was fully impaired. The goodwill of \$6.9 million accounted for more than 7% of the purchase consideration of \$95.6 million.

- (iii) **What is the reason for the impairment? Is the newly acquired asset performing below management’s expectation?**
- (iv) **What guidance has the board given to management to avoid overpaying for assets as it diversifies into new cities?**

3. Page 7 of the annual report shows the group’s debt profile, namely the maturity profile, currency denomination profile and the profile of the group’s fixed-rate versus floating-rate borrowings.

As seen in the chart below, approximately 38% of the group’s borrowings is on floating-rate.

Fixed-rate Versus Floating-rate Borrowings



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

(Source: 2018 annual report)

- (i) **Once the refinancing of the bridging facility for the acquisition of Hotel Cerretani Florence is completed, what will be the percentage of the group’s borrowings that will be on floating-rate?**
- (ii) **What is the manager’s view of interest rate trends?**

(iii) What guidance has the board given to the manager on interest rate risks? What would be the optimal level of fixed-rate versus floating-rate borrowings at this stage of the market cycle?

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=CDL%20Hospitality%20Trusts&cid=6328,4283>

The company's response could be found here:

2016: https://sias.org.sg/media/qareport/1493774350_CDLHT_Response-to-SIAS-Q-A-on-Annual-Report.pdf