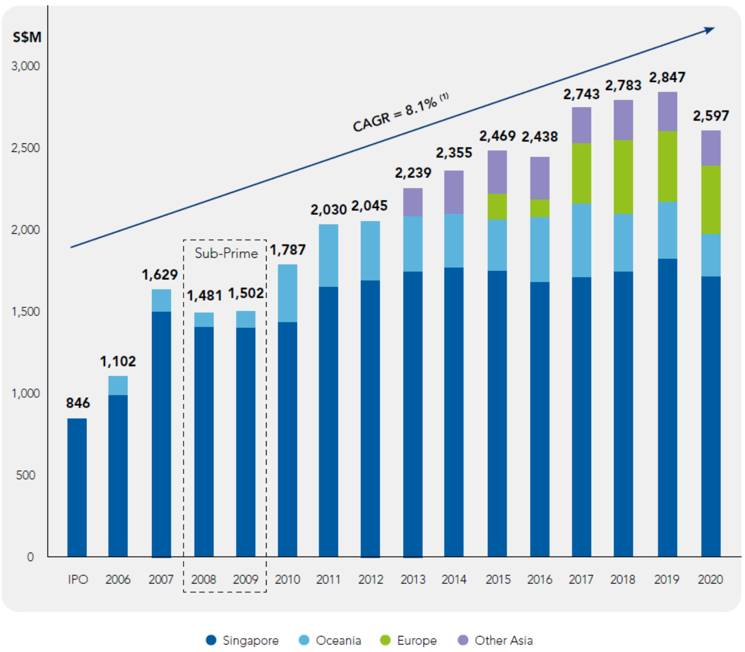
Response to Q&As on Annual Report

Question 1

The portfolio summary is shown on pages 16-20 of the annual report and the breakdown and growth of the portfolio since IPO is reproduced below:

Since IPO till 31 December 2020, the valuation of CDLHT's portfolio of assets has increased from S$0.85 billion to S$2.6 billion, representing a compound annual growth rate ("**CAGR**") of 8.1%.



(Source: annual report)

The group expanded to Oceania in 2006 and significantly increased its exposure in 2010. The group further diversified into Maldives in 2013 and then to Japan in 2014. Europe was added to the portfolio in 2015 and the exposure was increased significantly with the purchase of Pullman Hotel Munich in July 2017.

In 2020, the trust made its largest acquisition ever, coming full circle, with the acquisition of the W Singapore – Sentosa Cove for $324 million. The trust has also entered into a forward purchase agreement to acquire a brand new lifestyle hotel at the site of Novotel Singapore Clarke Quay when it is completed in 2025.

Additional details of the group's hotels can be found on pages 50 to 83 of the annual report.

i. **For the benefit of new and long-standing stapled security holders, can the manager provide greater clarity on the geographical diversification strategy (especially with COVID impacting regions differently)?** It is also observed that the trust has made a large acquisition in Singapore with the acquisition of W Singapore – Sentosa Cove for only the second time since IPO and the first time in over 9 years.

Response:

CDLHT adopts a medium to long term perspective towards acquisitions. With a global mandate, we have built a portfolio of high quality assets located in key gateway cities and/or premium tourist destinations. Historically, geographic diversification has always worked in terms of diversifying risk affecting travel patterns in certain cities, countries or regions. Usually, this would be manifested in the evolution of economic or new hotel supply cycles such that geographic diversification could provide more stable earnings. COVID-19 is a highly unusual event which has affected the entire world. The COVID-19 occurrence does not negate the need for diversification and we still view it as important.

Pandemic aside, we have always believed in the potential of the Singapore market and have not stopped looking at opportunities in the home market since IPO. It is a matter of pricing and cycles which explain the timing of the acquisition of W Singapore – Sentosa Cove. We have provided the rationale of the said transaction and view of the market when we announced the acquisition then (pre-COVID-19 pandemic).

ii. **Can the manager also elaborate further on the group's move to increase its foothold in the lifestyle hotel market? What is the attractiveness of the lifestyle hotel segment?**

Response:

There has an increasing focus on lifestyle hotels in the global travel market, which are hotels with unique designs, strong identities and story-telling potential. These facilities cater to the growing demand for distinct and unique experiences as compared to generic brand experiences and homogeneity in cookie-cutter hotels. The transactions were all contemplated prior to the COVID-19 pandemic but we believe the broad trends are intact.

Firstly, for the forward purchase of a brand new, lifestyle hotel ("**New Hotel Property**") at the to-be-redeveloped Liang Court Site, the New Hotel Property will be a uniquely designed lifestyle hotel, custom-built to specifications to the "Moxy" brand. This is one of the newest affordable lifestyle boutique hotel concepts by Marriott designed to appeal to the next-generation traveller, which includes millennials, through its boldly-designed rooms, lively lobby spaces and fun and playful service. The millennials are discerning, spend more on travel and are the biggest consumers of digital content and media. Millennials are accounting for a substantial portion of international travel expenditure and this is expected to grow further. As millennials are also attracted to highly "shareable" hotel areas and F&B for social media consumption, hotels which are designed to provide travellers with ample opportunities to create unique visual experiences lend themselves well to being shared on social media, which in turn would generate more public impressions and marketing awareness for the hotels.

The W Singapore – Sentosa Cove acquisition was a rare off-market opportunity for CDLHT to acquire a luxury lifestyle hotel in the highly sought-after Sentosa market, where opportunities to secure a comparable hotel are seldom available in the tightly-held Singapore hospitality market. Each of these hotels provide CDLHT with a differentiated lifestyle offering at different price points, further augmenting the existing portfolio of hotels. It is evident that during this COVID-19 pandemic, W Hotel – Sentosa Cove has provided CDLHT some form of underlying business diversification due to its unique product offering and location (being in the resort island of Sentosa).

iii. **Has the manager identified assets that are suitable for divestment?** Recycling capital is one of the trust's key strategies to maximise long-term value for stapled security holders.

Response:
We evaluate divestment opportunities periodically to recycle capital for better returns or unlock underlying asset values. We consider the market cycle of the property in the context of supply and demand, the highest and best use which may include the redevelopment potential of the asset.

On 15 July 2020, we completed the divestment of Novotel Clarke Quay. The divestment price of S$375.9 million gave us the unique opportunity to realise valuation gain on investment in the hotel and land. The divestment consideration represented an 87.0% premium over (or S$174.9 million above) the original purchase price of S$201.0 million in 2007.

The divestment was also done strategically as it was part of a larger redevelopment transaction whereby, simultaneously with the divestment, we entered into a forward purchase of a Moxy hotel. The opportunity to redevelop the hotel was timely. It gave us the opportunity to trade a hotel with significant future capital expenditure obligations and remaining 57-year leasehold for a custom-built, fully fitted brand new hotel with underlying land tenure upgraded to a fresh 99-year leasehold.

The redevelopment transaction also enabled us to retain presence in the prime Clarke Quay location and be part of a new and exciting integrated development, increase foothold in the lifestyle hotel market and preserve majority portfolio weightage in Singapore.

The divestment of Novotel Brisbane on 30 October 2020 allowed us to recycle capital in order to maximise long-term value for Stapled Securityholders. With the essentially fixed rent structure, we have achieved a recurring rental yield of at least 7.8% per annum[1] during our holding period. Upon expiry of the master lease in end April 2021, CDLHT would be exposed to the underlying trading conditions. Hence, the divestment was an opportunity to exit the Brisbane market as Brisbane is facing near-term challenges stemming from the COVID-19 pandemic and more hotel supply coming on-stream in the coming years. Given the environment in 2020, the divestment represented a good result in the context of strengthening our balance sheet while managing to divest an asset in the uncertain global tourism environment at a sale price that was at a slight premium to the independent valuation.

As with all material developments, we will make the announcement at the appropriate time should there be any divestments.

[1] In AUD terms and computed based on fixed rent of A$4.9 million per annum over original purchase price of A$63.5 million

Question 2

The group has a weighted average lease expiry of 6.1 years based on leases for its entire portfolio, and 6.6 years if the Perth hotels are excluded. The overview of the lease expiry is shown in the table below:

Properties	Tenure of Lease	Year of Expiry (2)	% of Gross Rental Income
Singapore IPO Hotels	20 years from 19 Jul 2006 with an option to renew for another 20 years	2026	40.5%
Grand Millennium Auckland	First 3-year term expired on 6 Sep 2019; lease provides for two 3-year renewal terms. Lease renewed for second 3-year term from 7 Sep 2019, expiring 6 Sep 2022	2022	23.6% (*NPI improved by 1.1% to $16.5M)
Pullman Hotel Munich	Hotel: 20 years from 14 Jul 2017 expiring 13 Jul 2037	2037	10.8%
	Retail/Office: Range of lease terms - for details on lease expiry profile, refer to page 81		1.7%
Studio M Hotel	20 years from 3 May 2011 with an option to renew for three consecutive additional terms of 20 years + 20 years + 10 years	2031	6.9%
Claymore Connect	Range of lease terms - for details on lease expiry profile, refer to page 65		6.6%
Perth Hotels	Approximately 11 years from 19 Feb 2010 expiring 30 Apr 2021	2021	6.4% (*NPI remained steady at $4.4M)
Hotel Cerretani Firenze – MGallery	20 years from 27 Nov 2018 expiring 26 Nov 2038	2038	2.5%
Angsana Velavaru	10 years from 1 Feb 2013 expiring 31 Jan 2023	2023	1.0% (*NPI dropped 93% to $463k in FY20)

(Source: adapted from annual report; emphasis added)

i. **Can the manager clarify if the current lessee of the Perth hotels has not sought to extend the lease?** The group has disclosed that it is in the midst of an operator selection process which involves negotiation of new terms ahead of the expiry of the remaining two Perth hotels' leases on 30 April 2021. At the expiration of the leases, the Perth hotels will be exposed to the underlying trading conditions (page 11).

   Response:
   Most hotels are affected by the COVID-19 pandemic and it is not unusual that operators will not want to underwrite hotel leases or rents which are fixed given the uncertainty of the performance and recovery. We will be making an announcement in due course on the outcome of the appointment of the operator once the negotiations are completed and legal documents are signed.

ii. **How has the pandemic affected the trust when it comes to lease negotiations/extensions?** The leases for the 452-room Grand Millennium Auckland and Angsana Velavaru (with 79 Beachfront Villas, 34 InOcean Villas) expire in September 2022 and January 2023 respectively.

   Response:
   Currently, the COVID-19 situation varies across geographical markets, ranging from the different stages of lockdowns and restrictions to the progress of vaccination and resumption of travel. Generally, this is not an easy environment for hotel lease negotiations given the lack of visibility on the full recovery of international travel and hotel performance. For Grand Millennium Auckland and Angsana Velavaru, it is currently premature to engage in discussion on lease extensions or otherwise as such discussion will only commence closer to the lease expiry.

iii. **In particular, what was the amount invested for the asset enhancement of Angsana Velavaru? What is the group's strategy to optimise its returns following the AEI?** A new main public pool was constructed in August 2019. All 79 Beachfront Villas were renovated, of which 46 were completed in 2019 and the remaining 33 villas were completed in July 2020.

Response:

As part of the refurbishment project, a large public pool was created as an amenity to enhance the overall resort experience. Within the 79 renovated Beachfront Villas, infinity pools were also added to 24 villas, creating a new category named Beachfront Infinity Pool Villas, strengthening the resort's overall competitiveness and consumer appeal. It is important to ensure that the resort can offer a competitive product in the face of significant new supply in the Maldives market. The AEI would enable the hotel to create more market interest and secure more channel partners. Under normal market conditions, the added features such as the addition of private pools in the villas and a spacious main resort pool should also allow the resort to be upsold to higher paying and more discerning customers. The amount invested for the asset enhancement of Angsana Velavaru is approximately US$3.4 million.

Question 3

The boards of the H-REIT Manager and the HBT Trustee-Manager currently comprise six members each. Subsequent to the redesignation of Mr Chan Soon Hee, Eric, five out of the six members are deemed independent. Mr Vincent Yeo Wee Eng, the CEO of the managers, is a non-independent executive director.

The nominating and remuneration committees (NRCs) have stated that, when searching for new director candidates, it relies on contacts and recommendations.

(i) Would the NRC clarify if it relies on contacts from and recommendations by directors?

Response:
The NRCs rely on contacts and recommendations from a few sources, such as candidates who may be suggested by SID and other relevant organisations as well as from directors.

(ii) Please elaborate further on how its current search and nomination process would support board diversity and lead to a diversity of thought and background in the board.

Response:
The Boards have adopted a Board Diversity Policy which set out its policy and framework for promoting diversity on the Boards. The Boards, in assessing the suitability of a candidate, would look at the skills, qualifications/knowledge, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities and other distinguishing qualities of the Directors. The final decision on selection of Directors will be based on merit against an objective criteria that complements and expands the skills and experience of the Boards as a whole, and after having given due regard to the overall balance and effectiveness of the diverse Boards.

(iii) Would the NRCs consider making use of professional search firms to enable the board to cast its net wider and further improve the diversity of the candidate pool?

Response:
Yes, if there is a need to find appropriate candidates.

In addition, on 31 December 2020, based on the recommendation of the NRCs, the managers re-designated Mr Chan Soon Hee, Eric from a non-independent and non-executive chairman to an independent non-executive chairman and to appoint Mr Chan as a member of NRCs. The boards added that the re-designation of Mr Chan as an independent director would “strengthen the independence element on the board”.

Provision 2.1 of the Code of Corporate Governance 2018 states that an "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. Mr Chan was a partner in KPMG from 1989 until his retirement in 2011. From July 2012 to June 2018, Mr Chan served as a director on the board of City Developments Limited.

(iv) Can the NRCs clarify how the changing of Mr Chan’s status (from non-independent to independent) would “strengthen the independence element on the board”?

Response:
The NRCs and the Boards of the Managers, having reviewed Mr Chan’s past relationship with CDL which was more than two years ago, consider Mr Chan to be independent and capable of exercising business judgement in the best interests of all the unitholders of H-REIT and HBT. In addition, Mr Chan has also provided his confirmation of independence to the NRCs and the Boards confirming that, *inter alia*:

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(i) he is not employed by the Managers or any of their related corporations in any of the past three financial years;
(ii) he has not provided to or received from the Managers or any of their subsidiaries any significant payments or material services (which may include auditing, banking, consulting and legal services), other than compensation for board service in the current or in the immediate past financial year;
(iii) he is not a substantial unitholder, or a partner, or an executive officer or a director of any organisation to which CDLHT or the Managers or any of their subsidiaries made, or from which CDLHT or the Managers or any of their subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services) in the current financial year or in the immediate past financial year;
(iv) he is not a stapled security holder with 5% or more interest in CDLHT or a shareholder with 5% or more interest in the Managers; and
(v) he has not been directly associated with a stapled security holder with 5% or more interest in CDLHT or a shareholder with 5% or more interest in the Managers, in the current or immediate past financial year.