

CIRCULAR DATED 5 APRIL 2011

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If you have sold or transferred all your stapled securities in CDL Hospitality Trusts (“**Stapled Securities**”), you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form in this Circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.



CDL HOSPITALITY TRUSTS

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)

MANAGED BY

M&C REIT Management Limited and

M&C Business Trust Management Limited

**CIRCULAR IN RELATION TO PROPOSED ACQUISITION AND MASTER LEASE OF
STUDIO M HOTEL SINGAPORE**

Independent Financial Advisor

PricewaterhouseCoopers Corporate Finance Pte Ltd

(Company Registration No.: 197501605H)

(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES FOR SECURITY HOLDERS

Last date and time for lodgement of Proxy Form : 27 April 2011 at 3.30 p.m.

Date and time of Extraordinary General Meeting : 29 April 2011 at 3.30 p.m. (or as soon thereafter as the Annual General Meetings of the holders of the Stapled Securities (“**Security Holders**”) to be held at 3.00 p.m. on the same day and at the same place, is concluded or adjourned)

Place of Extraordinary General Meeting : M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road Singapore 079908

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION	3
SUMMARY	4
INDICATIVE TIMETABLE.....	7
LETTER TO SECURITY HOLDERS	
1. The Proposed Transactions	8
2. Rationale for the Transactions	11
3. Financial Effects of the Transactions	13
4. Requirement of Security Holders' Approval: Interested Person Transactions and Interested Party Transactions	16
5. Proposed Financing Plan for the Acquisition	17
6. Recommendation	17
7. Extraordinary General Meeting	18
8. Abstentions from Voting	18
9. Actions to be Taken by Security Holders	18
10. Directors' Responsibility Statement	18
11. Consents	19
12. Documents Available for Inspection	19
IMPORTANT NOTICE	20
GLOSSARY	21
APPENDICES	
Appendix A Details of Studio M Hotel	A-1
Appendix B Valuation Certificates	B-1
Appendix C Independent Financial Advisor's Letter	C-1
Appendix D Directors' and Substantial Security Holders' Interests	D-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	E-1
PROXY FORM	

CORPORATE INFORMATION

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

Wong Hong Ren (Chairman and Non-Executive Director)
 Vincent Yeo Wee Eng (Chief Executive Officer and Executive Director)
 Jenny Lim Yin Nee (Independent Director and Chairman of the Audit Committee)
 Jimmy Chan Chun Ming (Independent Director and member of the Audit Committee)
 Richard Anthony Johnson (Independent Director and member of the Audit Committee)
 Daniel Marie Ghislain Desbaillets (Independent Director)

Registered office of M&C REIT Management Limited and M&C Business Trust Management Limited

36 Robinson Road
 #04-01 City House
 Singapore 068877

Trustee of CDL Hospitality Real Estate Investment Trust

DBS Trustee Limited
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 Singapore 068809

Legal Adviser to M&C REIT Management Limited and M&C Business Trust Management Limited

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 Singapore 018989

Legal Adviser to the Trustee of CDL Hospitality Real Estate Investment Trust

Rodyk & Davidson LLP
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 #33-00 UOB Plaza 1
 Singapore 048624

Unit Registrar and Unit Transfer Office

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 138 Robinson Road #17-00
 The Corporate Office
 Singapore 068906

Independent Financial Advisor

PricewaterhouseCoopers Corporate Finance Pte Ltd
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 PWC Building
 Singapore 048424

Independent Valuers

CB Richard Ellis (Pte) Ltd
 6 Battery Road #32-01
 Singapore 049909

 Knight Frank Pte Ltd
 16 Raffles Quay
 #30-00 Hong Leong Building
 Singapore 048581

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 21 to 24 of this Circular.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

THE PROPOSED TRANSACTIONS

M&C REIT Management Limited, as manager of CDL Hospitality Real Estate Investment Trust (“**H-REIT**”, and as manager of H-REIT, the “**H-REIT Manager**”), is seeking approval from the holders of Stapled Securities¹ (“**Security Holders**”) for the proposed acquisition by the H-REIT Trustee of Studio M Hotel Singapore which is located at 3 Nanson Road, Singapore 238910 (“**Studio M Hotel**”, and the acquisition of Studio M Hotel, the “**Acquisition**”²) at a purchase consideration of S\$154.0 million (the “**Purchase Consideration**”). The vendor of Studio M Hotel is Republic Iconic Hotel Pte. Ltd. (the “**Vendor**”), which is an indirect wholly-owned subsidiary of Millennium & Copthorne Hotels plc (the “**Sponsor**”).

The H-REIT Trustee is also proposing to grant a master lease³ of Studio M Hotel to the Vendor, as master lessee (the “**Master Lessee**”), immediately upon the completion of the Acquisition (the “**Master Lease**”, and together with the Acquisition, the “**Transactions**”).

Overview of Studio M Hotel

Studio M Hotel is a design-oriented hotel comprising two wings with 360 rooms which was completed in 2010. It is well-located in the Robertson Quay entertainment precinct, close to the Central Business District (“**CBD**”), Orchard Road shopping belt and Chinatown. Studio M Hotel is also within walking distance of other dining and entertainment strips along the Singapore River, including Clarke Quay and Boat Quay.

Overview of the Transactions

On 1 March 2011, the H-REIT Trustee entered into a sale and purchase agreement with the Vendor in relation to the Acquisition (the “**Sale and Purchase Agreement**”). Completion under the Sale and Purchase Agreement is conditional upon the approval of the Security Holders for (i) the Acquisition and (ii) the entry into of an agreement in relation to the Master Lease between the H-REIT Trustee, the H-REIT Manager and the Master Lessee (the “**Master Lease Agreement**”) immediately upon the completion of the Acquisition.

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account two independent valuations of the current market value of the leasehold interest as at January 2011 of Studio M Hotel, on a going concern basis, subject to the Master Lease Agreement. The H-REIT Manager has commissioned the independent property valuer, CB Richard Ellis (Pte) Ltd

1 Each “**Stapled Security**” comprises one unit in H-REIT and one unit in CDL Hospitality Business Trust (“**HBT**”) stapled together under the terms of the stapling deed dated 12 June 2006 (as amended, varied and supplemented from time to time) entered into between the H-REIT Manager, DBS Trustee Limited, in its capacity as trustee of H-REIT (the “**H-REIT Trustee**”), and M&C Business Trust Management Limited, as trustee-manager of HBT (the “**HBT Trustee-Manager**”).

2 “**Acquisition**” includes the acquisition by the H-REIT Trustee from the Vendor of the plant and equipment at Studio M Hotel and the furniture, fixtures and equipment (“**FF&E**”) relating to the hotel operations at Studio M Hotel, but excluding certain computer systems and equipment to be retained under the ownership of the Vendor but used in the hotel business of Studio M Hotel by the Master Lessee at no additional cost to H-REIT under the Master Lease Agreement (as defined herein). The land title which is being acquired by the H-REIT Trustee from the Vendor is the remainder of a 99-year leasehold interest which commenced on 26 February 2007.

3 The plant and equipment and the FF&E at Studio M Hotel acquired by the H-REIT Trustee under the Acquisition will also be leased by the H-REIT Trustee to the Master Lessee under the Master Lease.

(“**CBRE**”), and the H-REIT Trustee has commissioned the independent property valuer, Knight Frank Pte Ltd (“**Knight Frank**”, together with CBRE, the “**Independent Valuers**”), to value Studio M Hotel subject to the Master Lease Agreement. CBRE, in its report dated 10 January 2011, stated that the open market value of Studio M Hotel is S\$154.0 million and Knight Frank, in its report dated 10 January 2011, stated that the open market value of Studio M Hotel is S\$153.8 million.

Estimated Cost of the Acquisition

The total cost of the Acquisition (the “**Total Acquisition Cost**”) is currently estimated to be approximately S\$156.2 million, comprising:

- (i) the Purchase Consideration of S\$154.0 million;
- (ii) the acquisition fee to be satisfied via the issuance of new Stapled Securities to the H-REIT Manager pursuant to the trust deed constituting H-REIT (the “**H-REIT Trust Deed**”) for the Acquisition (the “**Acquisition Fee**”) which amounts to approximately S\$1.54 million; and
- (iii) the estimated professional and other fees and expenses incurred by H-REIT in connection with the Acquisition which amount to approximately S\$0.7 million.

As the Acquisition will constitute an “interested party transaction” under the Property Funds Appendix in Appendix 2 of the Code on Collective Investment Schemes (the “**Property Funds Appendix**”) issued by the Monetary Authority of Singapore (“**MAS**”), the Acquisition Fee will be satisfied via the issuance of new Stapled Securities at the relevant market price⁴, which shall not be sold within one year from the date of issuance, in accordance with Paragraph 5.6 of the Property Funds Appendix and clause 14.2 of the H-REIT Trust Deed.

Proposed Financing Plan for the Acquisition

The Purchase Consideration will be fully funded through debt financing via H-REIT’s acquisition facilities.

(See paragraph 5 of the Letter to Security Holders for further details.)

Overview of the Master Lease Terms

The H-REIT Trustee is also proposing to grant the Master Lease of Studio M Hotel to the Master Lessee immediately upon the completion of the Acquisition.

The initial term of the Master Lease is for 20 years, commencing from the date of completion of the Acquisition, with:

- (i) an option for the Master Lessee to extend the lease term for a first additional term of 20 years commencing immediately after the date of the expiry of the first 20-year term;
- (ii) an option for the Master Lessee to extend the lease term for a second additional term of 20 years commencing immediately after the date of expiry of the term set out in sub-paragraph (i) above; and
- (iii) an option for the Master Lessee to extend the lease term for a third additional term of 10 years commencing immediately after the date of the expiry of the term set out in sub-paragraph (ii) above,

⁴ “**market price**” means the volume weighted average price for a Stapled Security for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 business days immediately preceding the relevant business day.

with each extension to be on substantially the same terms and conditions.

Under the Master Lease, the Master Lessee is required to pay rent on a monthly basis in arrears on the 15th day of the following month comprising of a fixed and variable rent component respectively.

(See paragraph 1.2.2 of the Letter to Security Holders for further details.)

Rationale for the Transactions

The Transactions meet H-REIT's stated objective of owning quality hospitality and/or hospitality-related properties in Singapore and the region that generate stable distributions with growth potential, broaden its earnings base and enhance the distribution per Stapled Security ("**DPS**") to Security Holders. Key investment highlights of the Transactions are as follows:

- (i) the Acquisition is a unique opportunity to acquire a new hospitality property amidst a strong and rising market in Singapore;
- (ii) the Transactions would increase historical pro forma DPS;
- (iii) Studio M Hotel is a quality, well-located property in Singapore which appeals to both business and leisure segments;
- (iv) the Master Lease Agreement contains terms which assure a long term stream of quality income for H-REIT;
- (v) the Acquisition will enable H-REIT to be a beneficiary of the current buoyant Singapore hotel sector; and
- (vi) the Transactions will broaden H-REIT Group's earnings base and improve the stability of H-REIT's overall portfolio.

(See paragraph 2 of the Letter to Security Holders for further details.)

Interested Person Transaction and Interested Party Transaction in connection with the Transactions

As at 31 March 2011, being the latest practicable date prior to the printing of this Circular (the "**Latest Practicable Date**"), the Sponsor held an aggregate indirect interest in 335,451,072 Stapled Securities, which is equivalent to approximately 34.99% of the total number of Stapled Securities then in issue (the "**Existing Stapled Securities**"), and is therefore regarded as a "controlling unitholder" of H-REIT under both the Listing Manual of the SGX-ST (the "**Listing Manual**") and the Property Funds Appendix. In addition, as the H-REIT Manager is a wholly-owned subsidiary of the Sponsor, the Sponsor is therefore regarded as a "controlling shareholder" of the H-REIT Manager under both the Listing Manual and the Property Funds Appendix.

As the Vendor (which is also the Master Lessee) is an indirect wholly-owned subsidiary of the Sponsor, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor (being a subsidiary of a "controlling unitholder" of H-REIT and a subsidiary of a "controlling shareholder" of the H-REIT Manager) is (for the purposes of the Listing Manual) an "interested person" and (for the purposes of the Property Funds Appendix) an "interested party" of H-REIT.

Therefore, each of the Transactions will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Appendix, in respect of which the approval of Security Holders is required.

(See paragraph 4 of the Letter to Security Holders for further details.)

INDICATIVE TIMETABLE

The timetable for the Extraordinary General Meeting of H-REIT (the “**EGM**”) which is scheduled to take place after the Annual General Meetings (the “**AGMs**”) of the Security Holders is indicative only and is subject to change at the absolute discretion of the H-REIT Manager.

Event	Date and Time
Last date and time for lodgement of Proxy Forms	: 27 April 2011 at 3.30 p.m.
Date and time of the EGM	: 29 April 2011 at 3.30 p.m. (or as soon thereafter as the AGMs of the Security Holders to be held at 3.00 p.m. on the same day and at the same place, is concluded or adjourned)

If the approval for the Transactions is obtained at the EGM:

Target date for completion of the Acquisition	: 5 business days after the H-REIT Trustee has notified the Vendor that the Security Holders have passed the Ordinary Resolution to approve the Acquisition and the entry into of the Master Lease Agreement on completion of the Acquisition, such date expected to occur on or around 9 May 2011, or such other date as the H-REIT Manager may announce subsequent to the date of this Circular
Target date for entry into of the Master Lease Agreement	: Contemporaneous with the completion of the Acquisition

CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 8 June 2006 under the laws of the Republic of Singapore)

Directors

Wong Hong Ren (Chairman and Non-Executive Director)
Vincent Yeo Wee Eng (Chief Executive Officer and Executive Director)
Jenny Lim Yin Nee (Independent Director and Chairman of the Audit Committee)
Jimmy Chan Chun Ming (Independent Director and member of the Audit Committee)
Richard Anthony Johnson (Independent Director and member of Audit Committee)
Daniel Marie Ghislain Desbaillets (Independent Director)

Registered Office

36 Robinson Road
#04-01 City House
Singapore 068877

5 April 2011

To: Security Holders of CDL Hospitality Trusts

Dear Sir/Madam

1. THE PROPOSED TRANSACTIONS

1.1 Description of Studio M Hotel

Studio M Hotel is a design-oriented hotel comprising two wings with 360 rooms which was completed in 2010. Situated at 3 Nanson Road, in the Robertson Quay entertainment precinct, Studio M Hotel is surrounded by an array of bars, restaurants and entertainment venues. With its central location, Studio M Hotel is a short distance from the CBD and many other major tourism precincts such as the Orchard Road shopping belt, Clarke Quay, Boat Quay and Chinatown.

(See **Appendix A** of this Circular for further details regarding Studio M Hotel.)

1.2 Details of the Transactions

1.2.1 (a) Acquisition

On 1 March 2011, the H-REIT Trustee entered into the Sale and Purchase Agreement with the Vendor for the Acquisition at the Purchase Consideration. The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account two independent valuations of the current market value of the leasehold interest as of January 2011 of Studio M Hotel, on a going concern basis, subject to the Master Lease Agreement. Completion of the Acquisition under the Sale and Purchase Agreement is conditional upon the approval of Security Holders for (i) the Acquisition and (ii) the entry into of the Master Lease Agreement immediately upon the completion of the Acquisition under the Sale and Purchase Agreement. By voting in favour of the Acquisition, Security Holders will also be approving the Master Lease as the completion of the Acquisition will not take place without the approval of Security Holders for the entry into of the Master Lease Agreement.

The H-REIT Manager and the H-REIT Trustee have each commissioned the independent property valuers, CBRE and Knight Frank, respectively, to value Studio M Hotel. CBRE, in its report dated 10 January 2011, stated that the open market value of Studio M Hotel is S\$154.0 million and Knight Frank, in its report dated 10 January 2011, stated that the open market value of Studio M Hotel is S\$153.8 million.

CBRE assessed the open market value of the leasehold interest in Studio M Hotel on a going concern basis, having given regard to its location, physical, economic and legal attributes in the assessment of the open market value, subject to the Master Lease Agreement. The assessment was based on a combination of capitalisation, discounted cash flow and direct comparison approaches. CBRE indicated that with the structure of the Master Lease, the rental income is far less volatile than under a management agreement, has reduced exposure to capital expenditure and is relatively secure as the Master Lessee retains some profit.

CBRE's key assumptions in arriving at their valuation include:

- (i) the property will continue to be professionally managed and marketed;
- (ii) the absence of major political or economic disturbance or major "shock" event occurring during the projection period;
- (iii) the inflation rate will be 3.0% per annum;
- (iv) the revenue per available room ("**RevPAR**") will increase by approximately 12% from 2011 to 2015; and
- (v) yield of 6.25% used for the capitalisation approach for the initial year and stabilised year.

Knight Frank assessed the open market value of Studio M Hotel based on a balance lease term of about 95.1 years, subject to the Master Lease. In arriving at the open market value, Knight Frank utilised the investment method and discounted cash flow analysis and also considered relevant general and economic factors.

Knight Frank's key assumptions in arriving at their valuation include:

- (i) the property will continue to be leased and professionally managed;
- (ii) a consumer price index of 2.0% per annum over the 10-year period for the discounted cash flow analysis;
- (iii) RevPAR will increase by approximately 9% from 2011 to 2015; and
- (iv) a capitalisation rate of 6.0% for the investment method.

(See **Appendix B** of this Circular for further details regarding the valuations of Studio M Hotel.)

If approval by Security Holders for the Transactions is not obtained by 29 April 2011, either the H-REIT Trustee or the Vendor may by notice in writing to the other party terminate the Sale and Purchase Agreement.

1.2.1 (b) Estimated Acquisition Cost

The current estimated Total Acquisition Cost is approximately S\$156.2 million, comprising:

- (i) the Purchase Consideration of S\$154.0 million;
- (ii) the Acquisition Fee to be satisfied via the issuance of new Stapled Securities to the H-REIT Manager which amounts to approximately S\$1.54 million; and
- (iii) the estimated professional and other fees and expenses incurred by H-REIT in connection with the Acquisition which amount to approximately S\$0.7 million.

As the Acquisition will constitute an “interested party transaction” of H-REIT under the Property Funds Appendix, the Acquisition Fee will be satisfied via the issuance of new Stapled Securities which shall not be sold within one year from the date of issuance. Apart from the Acquisition Fee which will be paid in the form of new Stapled Securities, the rest of the Total Acquisition Cost will be paid in cash. The Acquisition Fee will be payable as soon as practicable after the completion of the Acquisition.

1.2.2 Master Lease Agreement

The H-REIT Trustee is also proposing to grant the Master Lease of Studio M Hotel⁵ to the Master Lessee immediately upon the completion of the Acquisition.

The initial term of the Master Lease Agreement is for 20 years, commencing from the date of completion of the Acquisition, with:

- (i) an option for the Master Lessee to extend the lease term for a first additional term of 20 years commencing immediately after the date of the expiry of the first 20-year term;
- (ii) an option for the Master Lessee to extend the lease term for a second additional term of 20 years commencing immediately after the date of expiry of the term set out in sub-paragraph (i) above; and
- (iii) an option for the Master Lessee to extend the lease term for a third additional term of 10 years commencing immediately after the date of the expiry of the term set out in sub-paragraph (ii) above,

with each extension to be on substantially the same terms and conditions.

The total term of the Master Lease is therefore up to 70 years from the date of completion of the Acquisition.

Under the Master Lease, the Master Lessee is required to pay rent on a monthly basis in arrears on the 15th day of the following month, which rent shall comprise:

- (a) a fixed rent component of S\$5.0 million per annum for the initial 10 years of the Master Lease and following the first 10 years of the Master Lease, a fixed rent component described below; and
- (b) a variable rent component computed based on the sum of 30.0% of Studio M Hotel’s revenue for that fiscal year⁶ and 20.0% of Studio M Hotel’s gross operating profit for that fiscal year, less the fixed rent for that fiscal year (as set out in sub-paragraph (a) above), and if the calculation of the variable rent yields a negative figure, the variable rent will be deemed to be zero.

The quantum of the variable rent for a fiscal year will be adjusted at the end of such fiscal year based on the audited profit and loss statement of Studio M Hotel for such fiscal year.

For the first 12 months of the Master Lease, the Master Lessee will pay a total minimum rent (net of property taxes and insurance premiums payable by the H-REIT Trustee under the Master Lease Agreement) of S\$9.24 million (“**Guaranteed Net Rent**”) which will provide

5 The Master Lease includes the lease by the H-REIT Trustee to the Master Lessee of the plant and equipment and the FF&E at Studio M Hotel.

6 “fiscal year” means a calendar year commencing 1 January and ending on 31 December, provided that the first Fiscal Year shall commence on the date of completion of the Acquisition and end on 31 December in the year in which completion of the Acquisition occurred and the last Fiscal Year shall commence on 1 January of that year and end on the date of termination of the Master Lease.

H-REIT with a net yield of approximately 6.0%, based on the Purchase Consideration of S\$154.0 million. The pro forma NPI from Studio M Hotel for FY2010 is approximately S\$9.4 million. If a Force Majeure Event⁷ occurs at any time during the first 12 months of the Master Lease, the Guaranteed Net Rent will be reduced, taking into account the proportion by which the period affected by such Force Majeure Event bears to the entire period of the first 12 months of the Master Lease.

The fixed rent component of the rent shall be revised on the tenth anniversary date of the commencement of the Master Lease (the “**Rent Revision Date**”) to an amount equivalent to 50.0% of the average annual aggregate fixed rent and variable rent for the five fiscal years preceding the Rent Revision Date (the “**Revised Fixed Rent Amount**”) in the event the fixed rent component prevailing at the time of the Rent Revision Date is less than the Revised Fixed Rent Amount. The variable rent will continue to be computed as the sum of 30.0% of Studio M Hotel’s revenue for that fiscal year and 20.0% of Studio M Hotel’s gross operating profit for that fiscal year, less the fixed rent component for that fiscal year. If a Force Majeure Event occurs at any time during the five fiscal years preceding the Rent Revision Date, the period affected by such Force Majeure Event and the rent paid during such period shall be disregarded in the computation of the Revised Fixed Rent Amount.

As a whole, the terms of the Transactions take into account and deal with, as a package basis, the amount of Purchase Consideration for Studio M Hotel, the cash flows to be generated from the Master Lease, the fact that a substantial portion of such cash flows will be fixed, the stable nature of the Master Lease due to its long term nature and the allocation of risks and rewards between the two parties under the Master Lease.

2. RATIONALE FOR THE TRANSACTIONS

The Transactions meet H-REIT’s stated objective of owning quality hospitality and/or hospitality-related properties in Singapore and the region that generate long term quality rental income with growth potential, broaden its earnings base and enhance the DPS to Security Holders. The H-REIT Manager believes that the Transactions will bring the following key benefits to Security Holders:

Unique opportunity to acquire a new hospitality asset in a rising market

The Acquisition is a unique opportunity to acquire a new hospitality property amidst a strong and rising hospitality market in Singapore, at approximately S\$428,000 per key⁸, approximating the average of two independent market valuations obtained.

This opportunity for H-REIT to acquire Studio M Hotel was made possible on account of H-REIT’s and the H-REIT Manager’s relationship with the Sponsor. By having the visibility and being in a position to tap on the Sponsor’s portfolio and pipeline of quality hospitality assets in Singapore, the H-REIT Manager is able to leverage on the Sponsor’s capacity to support the growth of H-REIT.

Accretive transactions

The H-REIT Manager is of the view that the Transactions are accretive. The pro forma financial effect of the Transactions on the income available for distribution (before deducting income retained for working capital) would be an incremental S\$5.2 million⁹ for the year ended 31 December 2010 (“**FY2010**”), translating to an additional DPS of 0.57 cent⁹ or 5.1%.

7 “**Force Majeure Event**” means any material and adverse event which:

- (i) is outside the reasonable control of both the H-REIT Trustee and the Master Lessee;
- (ii) is not foreseeable; and
- (iii) has an adverse and direct impact on the demand for hotel rooms at Studio M Hotel,

such event being in the nature of an act of God, flooding, any epidemic in respect of an outbreak of any life threatening infectious disease, national emergency, war, insurgency, civil commotion, riots or the like.

8 “**key**” refers to available guest room (excluding permanent house use room), based on the Purchase Consideration of S\$154.0 million.

9 For further details on the pro forma financial effects of the Transactions on the DPS for FY2010, please refer to paragraph 3.1 of this Letter to Security Holders.

Based on the Purchase Consideration of S\$154.0 million, the pro forma property yield of Studio M Hotel for FY2010 would be 6.1%¹⁰ which compares favourably to H-REIT's existing portfolio's implied property yield of 5.1%¹¹ for the same period. This is despite the fact that Studio M Hotel only just commenced full operations from 1 June 2010 (being the first complete month when the full room inventory was available for sale).

Quality, well-located property which appeals to both business and leisure segments

Studio M Hotel is strategically located in the Robertson Quay entertainment precinct in Singapore, close to the CBD and Orchard Road shopping belt. It is a newly completed hotel within walking distance of other dining and entertainment strips along the Singapore River including Clarke Quay and Boat Quay.

Studio M Hotel's location enables it to appeal to both business and leisure travellers who prefer proximity to the city centre, while at the same time offering travellers contemporary and stylish accommodation. Coupled with strong accommodation demand in Singapore, Studio M Hotel enjoyed a high average occupancy rate of 88.9% from 1 June 2010 to 31 December 2010.

The Master Lease Agreement contains terms which assure a long term stream of quality income for H-REIT

The proposed Master Lease of at least 20 years and up to 70 years (at the option of the Master Lessee) will enable H-REIT to enjoy a long-term stream of quality income with organic growth from the fixed and variable rent terms as described in paragraph 1.2.2 above.

In addition to the fixed and variable rent terms, the Guaranteed Net Rent, which is guaranteed by the Master Lessee, will provide H-REIT with a net yield of approximately 6.0%, based on the Purchase Consideration of S\$154.0 million for the first 12 months of the Master Lease. If a Force Majeure Event occurs at any time during the first 12 months of the Master Lease, the Guaranteed Net Rent will be reduced, taking into account the proportion by which the period affected by such Force Majeure Event bears to the entire period of the first 12 months of the Master Lease.

In terms of capital expenditure, the cost of FF&E of Studio M Hotel will be borne by the Master Lessee under the terms of the Master Lease Agreement, while other capital improvement expenditures (such as improvement works on the physical structure of Studio M Hotel) will be borne by H-REIT.

Beneficiary of the buoyant Singapore hotel sector

H-REIT stands to enhance its position as a beneficiary of the strong visitor arrival trends in Singapore with the inclusion of Studio M Hotel in H-REIT's portfolio.

The visitor arrivals to Singapore grew strongly by 20.2%¹² in FY2010 compared to FY2009, riding on the strength of regional economic growth and vibrant tourism landscape in Singapore, boosted by the opening of the Integrated Resorts ("IRs"). Singapore's top three markets of Indonesia, China and Malaysia continued to record impressive annual growth of between 26.3%¹² and 38.8%¹² in visitor arrivals during this period.

As a result, notwithstanding a 16.1% increase in hotel room supply since the beginning of 2010, the Singapore hotel industry recorded an average occupancy rate of 86.0%¹² in FY2010. In 2011, a significantly smaller supply of 1,287 rooms is expected to be added, increasing the hotel room supply by an estimated 3.2% (according to Howarth HTL research, 14 January 2011).

10 Calculated on an annualised basis using the pro forma net property income from Studio M Hotel for FY2010 of S\$9.4 million as a percentage of the Purchase Consideration of S\$154.0 million. As a percentage of the Total Acquisition Cost of S\$156.2 million, the net property yield would be 6.0%.

11 The implied property yield is computed based on the Net Property Income for H-REIT Group's Existing Properties for FY2010 (based on H-REIT Group's FY2010 Audited Financial Statements) divided by the sum of market capitalisation as at 31 March 2011 and total debt less cash and cash equivalents as at 31 December 2010.

12 Singapore Tourism Board December 2010 Monthly Factsheet, Visitor Arrival Statistics and Hotel Statistics.

Against this supply, the Singapore Tourism Board (“**STB**”) recently projected that visitor arrivals will increase from 11.6 million visitors in 2010 to between 12.0 million to 13.0 million in 2011¹³, implying a growth rate of between 3.4% to 12%, in tandem with its earlier guidance of an average annual growth rate of 7.9% in visitor arrivals to achieve 17.0 million in 2015¹⁴. The opening of the two IRs in Singapore, namely Resorts World Sentosa (“**RWS**”) and Marina Bay Sands (“**MBS**”), has fostered increased vibrancy of the Singapore tourism landscape and fuelled the strong performance of the hotel sector. New attractions such as the Lion King musical at MBS which debuted in March 2011 and others slated to open in the coming years such as water-themed attractions at RWS, Gardens by the Bay, River Safari, Changi Motorsports Hub and Singapore Arts Gallery, are set to enrich the Singapore experience for visitors. The phased introduction of these added attractions, within the IRs and beyond, will act as further catalysts in sustaining the growth momentum of Singapore’s tourism and hospitality sector.

With its strategic location, Studio M Hotel is poised to benefit from the expected increase in demand for hotel rooms. The Transactions will enhance H-REIT’s exposure to the attractive hospitality market in Singapore, increasing H-REIT’s total number of rooms in Singapore by 15.3% from 2,351 rooms to 2,711 rooms. H-REIT’s FY2010 pro forma net property income (“**NPI**”) contribution from its Singapore properties would increase by 10.3% from S\$91.4 million to S\$100.8 million.

Broadening earnings base and improving stability of overall portfolio

Following the completion of the Acquisition, Studio M Hotel would contribute approximately 8%¹⁵ of H-REIT Group’s total gross rental revenue and NPI on a pro forma basis for FY2010, thereby having the effect of broadening H-REIT Group’s earnings base. This has the additional benefit of reducing H-REIT Group’s reliance on any single property such that the maximum contribution in gross rental revenue from any single property in H-REIT Group’s portfolio will fall from 22% to 20% for the same period.

Through the Transactions, H-REIT would be able to build up a more defensive income source profile and further improve its flexibility to consider other target acquisitions with varying risk and reward profile.

3. FINANCIAL EFFECTS OF THE TRANSACTIONS

The pro forma financial effects of the Transactions on the DPS and net asset value (“**NAV**”) per Stapled Security presented below are strictly for illustrative purposes and were prepared based on the audited consolidated financial statements of H-REIT for the financial year ended 31 December 2010 (the “**H-REIT Group FY2010 Audited Financial Statements**”), taking into account the Total Acquisition Cost, the pro forma rent from Studio M Hotel and certain assumptions including (but not limited to) the following:

- (i) approximately 766,170 new Stapled Securities are issued for the Acquisition Fee payable to the H-REIT Manager at the issue price of S\$2.01 per new Stapled Security (purely for illustrative purposes only)¹⁶; and
- (ii) additional borrowings of S\$154.7 million¹⁷ are taken to finance the Acquisition. H-REIT Group’s Aggregate Leverage will increase from approximately 20.4% (based on H-REIT Group FY2010 Audited Financial Statements) to approximately 26.5%¹⁸.

13 According to Senior Minister of State for Trade and Industry, S Iswaran at 22 March 2011 Tourism Conference.

14 The Straits Times, “*Tourist arrivals ‘may rise 16% or more this year’*”, 12 February 2011.

15 The pro forma gross rental revenue and NPI from Studio M Hotel are calculated based on the performance of Studio M Hotel from 1 June 2010 (being the first complete month when the full room inventory was available for sale) to 31 December 2010 on an annualised basis, as if Studio M Hotel had been fully operational since 1 January 2010. The pro forma NPI is based on the pro forma gross rental revenue less estimated Property Expenses for Studio M Hotel for the full year.

16 Acquisition Fee payable is 1.0% of the Purchase Consideration, amounting to S\$1.54 million. Such fee will be wholly satisfied via the issuance of new Stapled Securities in accordance with the H-REIT Trust Deed.

17 See paragraph 5 of the Letter to Security Holders for the proposed financing plan for the Acquisition.

18 Based on the assumption that the Transactions were completed on 31 December 2010.

3.1 Pro Forma DPS and Distribution Yield of the Transactions

Financial Year ended 31 December 2010

The pro forma financial effects of the Transactions on the DPS for FY2010, as if H-REIT had purchased Studio M Hotel on 1 January 2010 and Studio M Hotel had been leased out and operated through to 31 December 2010, are as follows:

	Pro forma effects of the Transactions for FY2010	
	Before the Transactions	After the Transactions
Net Income of H-REIT (S\$'000)	144,033 ⁽¹⁾	148,496 ⁽²⁾
Distributable Income ⁽³⁾ (S\$'000)	100,653	105,804
No. of Stapled Securities ('000)	958,768 ⁽⁴⁾	959,876 ⁽⁵⁾
DPS (cents)	11.18	11.75
Distribution Yield (%) ⁽⁶⁾	5.56	5.85

Notes:

- (1) Based on the audited financial statements of CDL Hospitality Trusts for FY2010, which includes rental income contribution from Novotel Brisbane, Mercure Brisbane, Ibis Brisbane, Mercure Perth and Ibis Perth commencing one day following the completion of its acquisition on 18 February 2010. The net income is derived before deducting income tax expenses.
- (2) Includes (i) pro forma gross rental revenue from Studio M Hotel (comprising fixed rent of S\$5.0 million and variable rent of approximately S\$5.0 million) and (ii) deduction of additional borrowing costs, H-REIT Manager's fees, H-REIT Trustee's fees, property taxes and insurance premiums payable by the H-REIT Trustee under the Master Lease Agreement and other trust expenses in connection with the Transactions. The pro forma gross revenue and gross operating profit of Studio M Hotel are calculated based on its performance from 1 June 2010 (being the first complete month when the full room inventory was available for sale) to 31 December 2010 on an annualised basis, as if Studio M Hotel had been fully operational since 1 January 2010.
- (3) The distributable income of CDL Hospitality Trusts (before deducting income retained for working capital) represents the aggregate of distributions by H-REIT and HBT. The distribution of CDL Hospitality Trusts for FY2010 is contributed solely by H-REIT as HBT was dormant during the year. Accordingly, only the income available for distribution of H-REIT has been presented.
- (4) Number of Stapled Securities issued and issuable as at 31 December 2010.
- (5) Based on the issued and issuable Stapled Securities as at 31 December 2010 in Note (4) above, approximately 766,170 new Stapled Securities are assumed to be issued as payment of the Acquisition Fee and an additional 342,314 new Stapled Securities are assumed to be issued as payment of the management fee to the H-REIT Manager as a result of the Acquisition at the issue price of S\$2.01 per new Stapled Security (purely for illustrative purposes only).
- (6) Based on the Stapled Securities' closing market price of S\$2.01 as at 31 March 2011.

3.2 Pro Forma NAV of the Transactions

The pro forma financial effects of the Transactions on the NAV per Stapled Security as at 31 December 2010, as if the Transactions were completed on 31 December 2010, are as follows:

	Pro forma effects of the Transactions as at 31 December 2010	
	Before the Transactions	After the Transactions
NAV (S\$'000)	1,460,238 ⁽¹⁾	1,461,778
No. of Stapled Securities ('000)	958,768 ⁽²⁾	959,534 ⁽³⁾
NAV per Stapled Security (S\$)	1.52	1.52

Notes:

- (1) Based on the audited financial statements of CDL Hospitality Trusts for FY2010.
- (2) Number of Stapled Securities issued and issuable as at 31 December 2010.
- (3) Includes the issued and issuable Stapled Securities as at 31 December 2010 in Note (2) above and approximately 766,170 new Stapled Securities assumed to be issued in satisfaction of the Acquisition Fee payable to the H-REIT Manager at the issue price of S\$2.01 per new Stapled Security (purely for illustrative purposes only).

3.3 Pro Forma Capitalisation of the Transactions

The following table sets forth the pro forma capitalisation of CDL Hospitality Trusts as at 31 December 2010, as if H-REIT had completed the Transactions on 31 December 2010.

	Actual (S\$ million)	As adjusted for the Transactions (S\$ million)
Short-term debt:		
Secured debt	—	—
Unsecured debt	—	154.7
Total short-term debt	—	154.7
Long-term debt:		
Secured debt	—	—
Unsecured debt	382.7	382.7
Total long-term debt	382.7	382.7
Total debt:	382.7	537.4
Security Holders' funds	1,460.2	1,461.8
Total Security Holders' funds	1,460.2	1,461.8
Total Capitalisation	1,842.9	1,999.2

3.4 Value of Purchase Consideration and Total Acquisition Cost compared to Market Capitalisation

The following table sets forth the value of Purchase Consideration and Total Acquisition Cost compared to market capitalisation as at 31 March 2011.

	S\$ million
Purchase Consideration	154.0
Total Acquisition Cost	156.2
Market Capitalisation	1,927.1

4. REQUIREMENT OF SECURITY HOLDERS' APPROVAL: INTERESTED PERSON TRANSACTIONS AND INTERESTED PARTY TRANSACTIONS

Under Chapter 9 of the Listing Manual, where the H-REIT Trustee proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of H-REIT Group's latest audited net tangible assets ("NTA"), Security Holders' approval is required in respect of the transaction. Based on the H-REIT Group FY2010 Audited Financial Statements, the NTA of H-REIT Group was S\$1,459.9 million as at 31 December 2010. Accordingly, if the value of a transaction which is proposed to be entered into in FY2010 by the H-REIT Trustee with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during FY2010, equal to or in excess of S\$73.0 million, such a transaction would also be subject to Security Holders' approval. Given the Purchase Consideration of S\$154.0 million (which is 10.5% of the NTA of H-REIT Group as at 31 December 2010), the value of the Acquisition exceeds the said threshold and would therefore be subject to Security Holders' approval.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Security Holders' approval for an interested party transaction by the H-REIT Trustee whose value exceeds 5.0% of H-REIT Group's latest audited NAV. Based on the H-REIT Group FY2010 Audited Financial Statements, the NAV of H-REIT Group was S\$1,459.9 million as at 31 December 2010. Accordingly, if the value of a transaction which is proposed to be entered into by the H-REIT Trustee with an interested party during FY2010 is equal to or greater than S\$73.0 million, such a transaction would also be subject to Security Holders' approval. Given the Purchase Consideration of S\$154.0 million, the value of the Acquisition exceeds the said threshold and would therefore be subject to Security Holders' approval.

As at the Latest Practicable Date, the Sponsor held an aggregate indirect interest in 335,451,072 Stapled Securities, which is equivalent to approximately 34.99% of the Existing Stapled Securities, and is therefore regarded as a "controlling unitholder" of H-REIT under both the Listing Manual and the Property Funds Appendix. In addition, as the H-REIT Manager is an indirect wholly-owned subsidiary of the Sponsor, the Sponsor is therefore regarded as a "controlling shareholder" of the H-REIT Manager under both the Listing Manual and the Property Funds Appendix.

As the Vendor (which is also the Master Lessee) is an indirect wholly-owned subsidiary of the Sponsor, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor (being a subsidiary of a "controlling unitholder" of H-REIT and a subsidiary of a "controlling shareholder" of the H-REIT Manager) is (for the purposes of the Listing Manual) an "interested person" and (for the purposes of the Property Funds Appendix) an "interested party" of H-REIT.

Therefore, each of the Transactions will constitute an "interested person transaction" under Chapter 9 of the Listing Manual as well as an "interested party transaction" under the Property Funds Appendix, in respect of which the approval of Security Holders is required.

Except for those transactions which have been specifically exempted under the requirements of Chapter 9 of the Listing Manual¹⁹, the H-REIT Trustee has not entered into any interested person transaction with any of the Sponsor, its subsidiaries and associates during the course of the current financial year.

4.1 Advice of the Independent Financial Advisor

The H-REIT Manager has appointed PricewaterhouseCoopers Corporate Finance Pte Ltd as the Independent Financial Advisor (“**IFA**”) to advise the Audit Committee of the H-REIT Manager (“the **Audit Committee**”) in relation to the Transactions. A copy of the letter from the IFA to the Audit Committee (the “**IFA Letter**”), containing its advice in full is set out in **Appendix C** of this Circular and Security Holders are advised to read the IFA Letter in its entirety carefully. The IFA has recommended that the Audit Committee advise Security Holders to read paragraphs 1 to 6 of this Letter to Security Holders carefully.

Having given due consideration to the rationale for the Transactions and taking into account the IFA’s evaluation of the Transactions and subject to the qualifications set out in the IFA Letter, the IFA is of the opinion as of the date of the IFA Letter that the Transactions are based on normal commercial terms and are not prejudicial to the interests of H-REIT and the minority Security Holders.

The IFA advises the Audit Committee to recommend that Security Holders vote in favour of the resolution to approve the Transactions to be proposed at the EGM, the notice of which is set out in the Circular.

4.2 Interest of Directors and Controlling Security Holders

As at the Latest Practicable Date, certain directors of the H-REIT Manager collectively hold an aggregate direct interest in 230,000 Stapled Securities. Wong Hong Ren is the Chairman and a Non-Executive Director of the H-REIT Manager and the HBT Trustee-Manager, an Executive Director of the Sponsor and a director of the Vendor. Vincent Yeo Wee Eng is the Chief Executive Officer and an Executive Director of the H-REIT Manager and the HBT Trustee-Manager. Further details of the interests in Stapled Securities of Directors and Substantial Security Holders are set out in **Appendix D** of this Circular.

Save as disclosed above and based on information available to the H-REIT Manager as at the Latest Practicable Date, none of the directors of the H-REIT Manager or the “controlling Security Holders” has an interest, direct or indirect, in the Transactions.

4.3 Directors’ Service Contracts

No person is proposed to be appointed as a director of the H-REIT Manager in connection with the Transactions or any other transactions contemplated in relation to the Transactions.

5. PROPOSED FINANCING PLAN FOR THE ACQUISITION

The Purchase Consideration will initially be fully funded through debt financing, via H-REIT’s acquisition facilities. This could be partly or wholly refinanced with the proceeds to be raised from issuing notes through H-REIT’s recently established S\$1.0 billion Multi-Currency Medium Term Note Programme or other means, at such time to be determined by the H-REIT Manager.

6. RECOMMENDATION

Based on the opinion of the IFA (as set out in the IFA Letter in **Appendix C** of this Circular), and the rationale for the Transactions as set out in paragraph 2 of this Letter to Security Holders and taking into account the IFA’s evaluation of the Transactions, the Audit Committee believes that the Transactions would not be prejudicial to the interests of H-REIT and the minority Security Holders.

¹⁹ The H-REIT Trustee has entered into certain ongoing interested person transactions which are exempted from Rules 905 and 906 of the Listing Manual having been specifically approved by Security Holders upon purchase of the Stapled Securities at the initial public offering of CDL Hospitality Trusts.

Accordingly, the Audit Committee and the Independent Directors of the H-REIT Manager recommend that Security Holders vote in favour of the resolution to approve the Transactions at the EGM.

7. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 29 April 2011 at 3.30 p.m. (or as soon thereafter as the Annual General Meetings of the Security Holders to be held at 3.00 p.m. on the same day and at the same place, is concluded or adjourned) at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road Singapore 079908 for the purpose of considering and, if thought fit, passing with or without modification, the Ordinary Resolution²⁰ in the Notice of EGM, which is set out on page E-1 of this Circular. The purpose of this Circular is to provide Security Holders with relevant information about the resolution.

A Depositor shall not be regarded as a Security Holder entitled to attend the EGM and to speak and vote unless he is shown to have Stapled Securities entered against his name in the Depository Register, as certified by The Central Depository (Pte) Ltd (“CDP”) as at 48 hours before the EGM.

8. ABSTENTIONS FROM VOTING

8.1 Relationship between the Sponsor, Hospitality Holdings Pte. Ltd. and the H-REIT Manager

Through Hospitality Holdings Pte. Ltd. and the H-REIT Manager, the Sponsor has an indirect interest in 335,451,072 Stapled Securities, representing approximately 34.99% of the Existing Stapled Securities, as at the Latest Practicable Date. The H-REIT Manager itself holds 21,501,072 Stapled Securities.

8.2 Abstain from Voting

Given that Studio M Hotel will be acquired from, and then leased to, an indirect wholly-owned subsidiary of the Sponsor, Hospitality Holdings Pte. Ltd. and the H-REIT Manager will abstain, and will procure their associates to abstain from voting at the EGM.

9. ACTIONS TO BE TAKEN BY SECURITY HOLDERS

Security Holders will find enclosed in this Circular the Notice of EGM and a Proxy Form.

If a Security Holder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be deposited at the registered office of the H-REIT Manager at 36 Robinson Road, #04-01 City House, Singapore 068877 no later than 3.30 p.m. on 27 April 2011, being 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Security Holder will not prevent him from attending and voting in person if he so wishes.

Persons who have an interest in the approval of the resolution must decline to accept appointment as proxies unless the Security Holder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the resolution.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Transactions as at the date hereof, and the Directors are not aware of any omission of which would make any statement

20 “Ordinary Resolution” means a resolution proposed and passed as such by a majority being greater than 50.0% or more of the total number of votes cast for and against such resolution convened in accordance with the provisions of the H-REIT Trust Deed.

in this Circular with respect to the Transactions misleading. Where information in the Circular has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular in its proper form and context.

11. CONSENTS

Each of the IFA and the Independent Valuers has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and, respectively, the IFA Letter and the valuation certificates and all references thereto, in the form and context in which they are included in this Circular.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the H-REIT Manager²¹ at 36 Robinson Road, #04-01 City House, Singapore 068877 from the date of this Circular up to and including the date falling three months after the date of this Circular:

- (i) the Sale and Purchase Agreement;
- (ii) the IFA Letter;
- (iii) the valuation report on Studio M Hotel issued by CBRE;
- (iv) the valuation report on Studio M Hotel issued by Knight Frank;
- (v) the H-REIT Group FY2010 Audited Financial Statements; and
- (vi) the written consent of each of the IFA and the Independent Valuers.

The H-REIT Trust Deed will also be available for inspection at the registered office of the H-REIT Manager, for so long as H-REIT is in existence.

Yours faithfully
M&C REIT Management Limited
(as manager of CDL Hospitality Real Estate Investment Trust)

Vincent Yeo Wee Eng
Chief Executive Officer and Executive Director

21 Prior appointment with the H-REIT Manager (telephone: +65 6737 1928) will be appreciated.

IMPORTANT NOTICE

The value of Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, the H-REIT Manager, the HBT Trustee-Manager or any of their affiliates. An investment in Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the H-REIT Manager or the HBT Trustee-Manager or any of their affiliates to redeem their Stapled Securities while the Stapled Securities are listed. It is intended that Security Holders may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.

The past performance of CDL Hospitality Trusts is not necessarily indicative of the future performance of CDL Hospitality Trusts.

This Circular may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the H-REIT Manager's current view of future events.

If you have sold or transferred all your Stapled Securities, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States. It is not an offer of securities for sale into the United States. The Stapled Securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) unless they are registered or exempt from registration. There will be no public offer of securities in the United States.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

Acquisition	:	The proposed acquisition by the H-REIT Trustee from the Vendor of the remaining term of the 99-year leasehold interest (commencing 26 February 2007) in Studio M Hotel, which includes the plant and equipment at Studio M Hotel and the FF&E relating to the hotel operations at Studio M Hotel, but excludes certain computer systems and equipment to be retained under the ownership of the Vendor but used in the hotel business of Studio M Hotel by the Master Lessee at no additional cost to H-REIT under the Master Lease Agreement
Acquisition Fee	:	The acquisition fee which the H-REIT Manager will be entitled under the H-REIT Trust Deed to receive from H-REIT following completion of the Acquisition
Aggregate Leverage	:	The ratio of the value of borrowings and deferred payments (if any) to the value of the Deposited Property
Audit Committee	:	The audit committee of the H-REIT Manager, as at the date of this Circular being Jenny Lim Yin Nee (Chairman of the Audit Committee of the H-REIT Manager), Jimmy Chan Chun Ming and Richard Anthony Johnson
CBRE	:	CB Richard Ellis (Pte) Ltd
CDL Hospitality Trusts	:	The stapled group comprising HBT and H-REIT
CDP	:	The Central Depository (Pte) Limited
Deposited Property	:	In relation to H-REIT, means all the assets of H-REIT, including all its "Authorised Investments" (as defined in its constituent trust deed) for the time being held or deemed to be held upon the trusts of its constituent trust deed
Directors	:	Directors of the H-REIT Manager from time to time
DPS	:	Distribution per Stapled Security
EGM	:	The extraordinary general meeting of Security Holders of H-REIT to be held on 29 April 2011 at 3.30 p.m. (or as soon thereafter as the Annual General Meetings of the Security Holders to be held at 3.00 p.m. on the same day and at the same place, is concluded or adjourned) to approve the matter set out in the Notice of EGM
Existing Properties	:	<ul style="list-style-type: none"> (i) Orchard Hotel, Singapore; (ii) Grand Copthorne Waterfront Hotel, Singapore; (iii) M Hotel, Singapore; (iv) Copthorne King's Hotel, Singapore; (v) Orchard Hotel Shopping Arcade, Singapore; (vi) Novotel Clarke Quay, Singapore;

	(vii) Rendezvous Hotel Auckland, New Zealand;
	(viii) Novotel Brisbane, Australia;
	(ix) Mercure Brisbane, Australia;
	(x) Ibis Brisbane, Australia;
	(xi) Mercure Perth, Australia; and
	(xii) Ibis Perth, Australia
Existing Stapled Securities	: The 958,768,077 Stapled Securities in issue as at the Latest Practicable Date
FF&E	: Furniture, fixtures and equipment
FY	: The financial year ended or (as the case may be) ending 31 December
Guaranteed Net Rent	: The total minimum rent net of Property Expenses for the first 12 months of the Master Lease of S\$9.24 million
HBT	: CDL Hospitality Business Trust
HBT Trustee-Manager	: M&C Business Trust Management Limited, as trustee-manager of HBT
H-REIT	: CDL Hospitality Real Estate Investment Trust
H-REIT Group	: H-REIT and its subsidiaries
H-REIT Group FY2010 Audited Financial Statements	: The audited consolidated financial statements of H-REIT for the year ended 31 December 2010
H-REIT Manager	: M&C REIT Management Limited, as manager of H-REIT
H-REIT Trust Deed	: 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 made between the H-REIT Manager and the H-REIT Trustee constituting H-REIT
H-REIT Trustee	: DBS Trustee Limited, as trustee of H-REIT
IFA	: PricewaterhouseCoopers Corporate Finance Pte Ltd
IFA Letter	: The letter from the IFA to the Audit Committee containing its advice as set out in Appendix C of this Circular
Independent Directors	: The independent directors of the H-REIT Manager, as at the date of this Circular being Jenny Lim Yin Nee, Jimmy Chan Chun Ming, Richard Anthony Johnson and Daniel Marie Ghislain Desbaillets
Independent Valuers	: CBRE and Knight Frank
Knight Frank	: Knight Frank Pte Ltd

Latest Practicable Date	: 31 March 2011, being the latest practicable date prior to the issue of this Circular
Listing Manual	: The Listing Manual of the SGX-ST
MAS	: Monetary Authority of Singapore
Master Lease	: The master lease of Studio M Hotel to the Vendor, as Master Lessee, under the terms and conditions of the Master Lease Agreement
Master Lease Agreement	: The master lease agreement to be entered into between the H-REIT Trustee, the H-REIT Manager and the Master Lessee immediately upon the completion of the Acquisition for the lease of Studio M Hotel, together with the plant and equipment and FF&E at Studio M Hotel
NAV	: Net asset value
Net Property Income	: The gross rental revenue less the Property Expenses
NTA	: Net tangible asset
Ordinary Resolution	: A resolution proposed and passed as such by a majority of votes being greater than 50.0% or more of the total number of votes cast for and against such resolution at a meeting of Security Holders convened in accordance with the provisions of the H-REIT Trust Deed
Property Expenses	: Comprises property taxes and insurance premiums payable by the H-REIT Trustee under the Master Lease Agreement
Property Funds Appendix	: Appendix 2 of the Code on Collective Investment Schemes issued by the MAS
Purchase Consideration:	: Purchase consideration of S\$154.0 million for the Acquisition
Rent Revision Date	: Tenth anniversary date of the commencement of the Master Lease
Revised Fixed Rent Amount	: The amount equivalent to 50.0% of the average annual aggregate fixed rent and variable rent for the five fiscal years preceding the Rent Revision Date
RevPAR	: Revenue per available room
Sale and Purchase Agreement	: Conditional sale and purchase agreement entered into between the H-REIT Trustee and the Vendor on 1 March 2011 in relation to the Acquisition
Security Holder	: A holder of a Stapled Security
SGX-ST	: Singapore Exchange Securities Trading Limited
Sponsor	: Millennium & Copthorne Hotels plc
Stapled Security	: A security comprising one unit of H-REIT and one unit of HBT stapled together under the terms of the Stapling Deed

Stapling Deed	:	The stapling deed dated 12 June 2006 made between the H-REIT Manager, the H-REIT Trustee and the HBT Trustee-Manager, as amended, varied and supplemented from time to time
Studio M Hotel	:	Studio M Hotel, located at 3 Nanson Road, Singapore 238910
Substantial Security Holder	:	A person with an interest in Stapled Securities constituting not less than 5.0% of the total number of Stapled Securities in issue
sq m	:	square metre
Total Acquisition Cost	:	The total cost of the Acquisition which is currently estimated to be approximately S\$156.2 million
Transactions	:	The Acquisition and Master Lease of Studio M Hotel
Vendor or the Master Lessee	:	Republic Iconic Hotel Pte. Ltd.

The terms “Depositor” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act, Chapter 50 of Singapore.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

DETAILS OF STUDIO M HOTEL

1. STUDIO M HOTEL

1.1 Description of Studio M Hotel

Studio M Hotel is a nine-storey design-oriented hotel comprising two wings with 360 rooms which was completed in 2010. Each room has a floor plate of 15 sq m, and a high floor-to-ceiling height of 5.0 m with a 3.8 m high full-height window that allows plenty of light to enter, generally giving one a sense of spaciousness despite its compact space design.

All guestrooms include amenities such as a flat screen liquid crystal display television with cable and entertainment channels, complimentary Wi-Fi access, an MP3 docking station with alarm clock and radio functions, coffee and tea making facilities, an in-room mini refrigerator and an in-room safe.

Studio M Hotel also features an open-air tropical deck complete with a 25 m lap pool, open-air gym and lounge area complete with private cabanas for guest use. It also offers the following two food and beverage options through a lease on its food and beverage space:

- (i) espressamente illy (101 sq m), an Italian café featuring premium illy coffee and an extensive range of pastries; and
- (ii) Malted Milk (45 sq m), an outdoor bar offering a large variety of local and international beers, hearty pizzas and snacks.

Other key details of Studio M Hotel are set out below:

Gross Floor Area	8,210 sq m
Land Area	2,932 sq m
Total Number of Rooms	360 rooms
Number of Floors	9 floors
Tenure	Leasehold 99 years with effect from 26 February 2007
Car Park Lots	30 lots including 1 lot for disability parking

1.2 Location of Studio M Hotel



Studio M Hotel is strategically located in the Robertson Quay entertainment precinct of Singapore, an area which offers an assortment of trendy food & beverage, entertainment and lifestyle outlets located along the historic Singapore River. Various famous hotspots nearby include the nightclub Zouk, and the Orchard Road shopping belt.

With its central locale, Studio M Hotel is only a short drive from the heart of the CBD and many other major tourism precincts such as Clarke Quay, Boat Quay and Chinatown.

VALUATION CERTIFICATES



CB Richard Ellis (Pte) Ltd
 6 Battery Road #32-01
 Singapore 049909
 T 65 6224 8181
 F 65 6226 1606

www.cbre.com.sg

10 January 2011

M&C REIT Management Limited
 (as manager of CDL Hospitality Real Estate Investment Trust)
 390 Havelock Road, #02-05
 King's Centre,
 Singapore 169662

Dear Sirs

Studio M Hotel Singapore, No 3 Nanson Road, Singapore, 238910

We have been instructed to value this property. This letter sets out a summary of our full valuation report.

Property:	Studio M Hotel Singapore No 3 Nanson Road Singapore, 238910
Prepared for:	M&C REIT Management Limited (as manager of CDL Hospitality Real Estate Investment Trust)
Instructions:	To assess the current market value of the leasehold interest in the subject property, on a going concern basis, subject to the proposed lease agreement, for acquisition purposes.
Interest Valued:	Leasehold, subject to the proposed lease agreement, inclusive of all plant, equipment, furniture and fittings, (excluding stock).
Registered Owner:	Republic Iconic Hotel Pte. Ltd
Land Area:	2,932.1 square metres
Town Planning:	"Hotel with a plot ratio of 2.8", under the 2008 Singapore Master Plan.
Location:	Approximately 2.5 kilometres from the Central Business District at Raffles Place.
Brief Description:	The Studio M Hotel Singapore comprises a 360 room, 4-star mid rise hotel which opened in early 2010. Facilities include 2 cafes, a bar, recreation facilities, undercover car parking for 30 vehicles. The property occupies a 2,932.1 square metre 99-year leasehold site, zoned "Hotel with a plot ratio of 2.8".
Room Configuration:	360 rooms.
Occupancy Profile:	The property is proposed to be leased and operated under the Studio M brand.
Last Sale:	None within the last 3 years.

Valuation Approach: Capitalisation of Initial (Forecast Year 1) EBITDA, Stabilised (Forecast 3 Year) EBITDA, 5 Year Discounted Cash flow, 10 Year Discounted Cash flow and Direct Comparison.

Date of Valuation: 10 January 2011

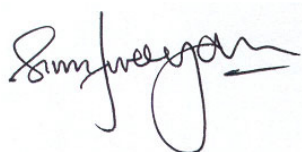
Valuation : One Hundred Fifty Four Million Dollars

This valuation is net of GST subject to proposed hotel lease.

Adopted Value Analysis:	Initial Yield (Forecast Year 1 EBITDA):	6.32%
	Stabilised Year (Forecast Year 3 EBITDA):	6.36%
	Price per Room	\$427,778
	Five Year DCF	IRR 7.92%
		Terminal Yield 6.25%
	Ten Year DCF	IRR 8.33%
		Terminal Yield 6.50%

Assumptions, Disclaimers, Limitations & Qualifications Summary: This valuation report is provided subject to the assumptions, disclaimers, limitations and qualifications detailed both throughout our report and within the Assumptions, Disclaimers, Limitations & Qualifications section of this report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation.

Prepared by:



Valuer

Sim Hwee Yan BSc (Est. Mgt) Hons FSISV
Appraiser's Licence No : AD041-2004155J
Executive Director – Valuation & Advisory Services
Property Inspection: Yes
Job Involvement: Valuer



Co-Signing Director*

Li Hiaw Ho DipUrbVal (Auck) SNZPI FSISV
Appraiser's Licence No. AD041-2445
Executive Director



Co-Signing Director*

Robert McIntosh, BSc, FRICS, FAPI
Certified Practising Valuer
Executive Director – Asia Pacific, CBRE Hotels

Property Inspection: No

Job Involvement: Co-Signatory in capacity of Director*

Yes

Co-Signatory in capacity of Director*

In accordance with our internal Quality Assurance procedures, the Co-Signing Director certifies that he has discussed the valuation methodology and calculations with the Principal Valuer, however the opinion of value expressed herein has been arrived at by the Principal Valuer alone.



No. 3 Nanson Road
"Studio M"
Singapore 238910
10 January 2011

VALUATION CERTIFICATE

Property	: No. 3 Nanson Road "Studio M" Singapore 238910
Client	: DBS Trustee Limited as Trustee of CDL Hospitality Real Estate Investment Trust c/o M&C REIT Management Limited 390 Havelock Road #02-05 King's Centre Singapore 169662
Purpose	: For acquisition
Legal Description	: Lot No. : 333N Town Subdivision : 9
Tenure	: Leasehold 99 years with effect from 26 February 2007 (Balance of about 95.1 years as at 10 January 2011)
Basis Of Valuation	: Market value subject to the proposed hotel lease
Registered Lessee	: Republic Iconic Hotel Pte. Ltd.
Site Area	: 2,932.1 sm
Master Plan 2008	: "Hotel" with a gross plot ratio of 2.8
Brief Description	: "Studio M" is located at the junction of Nanson Road and Mohamed Sultan Road, within the entertainment precinct of the Robertson Quay. It is a 9-storey hotel accommodating a total of 360 guest rooms. Each guest room is fitted with full-height windows and a furniture deck (except for rooms for the disabled). The hotel has a total of three food and beverage outlets. Facilities provided in the hotel include an open-air tropical deck complete with reflection pools, a 25-metre lap pool, jacuzzi, open-air gymnasium, three private cabanas for business meetings and a meeting room.
Year of Completion	: The Certificate of Statutory Completion was issued on 12 May 2010.
Hotel Lease	: We understand that the hotel will be leased by DBS Trustee Limited (as Trustee of CDL Hospitality Real Estate Investment Trust) and M&C REIT Management Limited (as Manager of CDL Hospitality Real Estate Investment Trust) to Republic Iconic Hotel Pte. Ltd, a wholly owned subsidiary of Millennium & Copthorne Hotels plc. Millennium & Copthorne Hotels plc is a London listed global hotel owner and operator. The proposed lease term is for an initial 20 years, with an option to renew the lease for two more subsequent periods of 20 years and a final period of 10 years. The aggregate of lease terms, if all the options were taken up, should not exceed 70 years.

Knight Frank Pte Ltd 16 Raffles Quay #30-00 Hong Leong Building Singapore 048581
Tel: (65) 6222 1333 Fax: (65) 6224 5843 www.knightfrank.com.sg Reg.No.198205243Z

Other Offices:

Knight Frank Estate Management Pte Ltd 3 Lim Teck Kim Road #01-01/02 Singapore Technologies Building Singapore 088934
Knight Frank Shopping Centre Management Pte Ltd 16 Raffles Quay #30-00 Hong Leong Building Singapore 048581
KF Property Network Pte Ltd (Licensee) 167 Jalan Bukit Merah #06-10 Connection One Tower 5 Singapore 150167



Cert No. 160076



No. 3 Nanson Road
"Studio M"
Singapore 238910
10 January 2011



VALUATION CERTIFICATE

Hotel Lease : The Master Lessee is required to pay rent on a monthly basis in arrears on the 15th day of the following month, which rent shall comprise Fixed Rent and Variable Rent. The Fixed Rent will be revised at the end of each 10-year period at the higher of:

- (i) \$5 million initially; and
- (ii) the amount equivalent to 50% of the average yearly Gross Rent payable during the five-year period immediately preceding the commencement of the next 10-year period (including subsequent extension terms) provided that if any Forced Majeure Event occurs during the said five-year period, the Gross Rent in respect of the period affected by such Forced Majeure Event shall be excluded from the calculation of the average yearly Gross Rent.

Variable Rent is computed based on the sum of 30% of Studio M's revenue for that fiscal year and 20% of Studio M's gross operating profit for that fiscal year, less the Fixed Rent, and if the calculation of the Variable Rent yields a negative figure, the Variable Rent will be deemed to be zero. The quantum of the Variable Rent may be adjusted at the end of each fiscal year based on the audited profit and loss statement of Studio M for such fiscal year.

Gross Floor Area : Hotel : 8,063.12 sm
Commercial : 145.73 sm
Total : 8,208.85 sm

Valuation Approach : Investment and Discounted Cash Flow

Date Of Valuation : 10 January 2011

Open Market Value : \$153,800,000/-
(Dollars One Hundred Fifty-Three Million And Eight Hundred Thousand Only)

Assumptions, Disclaimers, Limitations & Qualifications : *This valuation certificate is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout this certificate which are made in conjunction with those included within the Assumptions, Qualifications, Limitations & Disclaimers section located at the end of this certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorized, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. The document should not be reproduced without our written authority. The valuer has no pecuniary interest that would conflict with the proper valuation of the property.*

Prepared By : Knight Frank Pte Ltd

Low Kin Hon
B.Sc.(Estate Management) Hons.
MSISV
Executive Director
Head, Valuation

Woo Ai Lian
MBA, B.Sc.(Estate Management) Hons.
MSISV
Director
Valuation

LIMITING CONDITIONS

This property Valuation and Report is subject to the following limiting conditions:-

- (1) The Valuer's responsibility in connection with this report is limited to the client to whom the report is addressed. The valuer disclaims all responsibility and will accept no liability to any other party.
- (2) Reproduction of this report in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement without the Valuer's prior written approval of the form and context in which may appear is prohibited.
- (3) The opinion expressed in this Valuation Report is made strictly in accordance with the terms and for the purpose expressed therein and the values assessed and any allocation of values between portions of the property need not be applicable in relation to some other assessment.
- (4) All liens and encumbrances, if any, affecting the property have been disregarded unless otherwise stated and it is assumed that the current use of the property is not in contravention of any planning or other governmental regulation or law.
- (5) The Valuer does not warrant to the client to whom the report is addressed and any other person the title or the rights of any person with regard to the property.
- (6) Unless otherwise stated all information has been obtained by our search of records and examination of documents or by enquiry from Government departments or other appropriate authorities. When it is stated in this report that information has been supplied to the valuer by another party, this information is believed to be reliable and the valuer shall not be held responsible or liable if this should prove not to be so.
- (7) While due care is taken to note building defects in the course of inspection, no structural survey is made and no guarantee is given in respect of rot, termite or pest infestation or other hidden defects.
- (8) The Valuer is not obliged to give testimony or to appear in Court with regard to this report, with reference to the property unless specific arrangement has been made therefor.

INDEPENDENT FINANCIAL ADVISOR'S LETTER

5 April 2011

M&C REIT Management Limited
(as manager of CDL Hospitality Real Estate Investment Trust)
36 Robinson Road
#04-01 City House
Singapore 068877

Dear Sirs

THE PROPOSED ACQUISITION AND MASTER LEASE OF STUDIO M HOTEL SINGAPORE

For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 5 April 2011 (the “Circular”) to the holders of the Stapled Securities of CDL Hospitality Trusts (“Security Holders”).

1. INTRODUCTION

This letter (“**Letter**”) has been prepared for inclusion in the Circular in connection with, inter alia, the Transactions. This Letter sets out our view on the Transactions and our recommendations to the Audit Committee and the factors considered by PricewaterhouseCoopers Corporate Finance Pte Ltd (“**PwCCF**”) in arriving at its view. The Circular and Letter to Security Holders included therein will provide, inter alia, details of the Transactions, the opinion of the Audit Committee of the H-REIT Manager and the recommendation(s) of the Audit Committee in relation to the Transactions, having considered PwCCF’s advice in this Letter.

1.1 Background

We understand that M&C REIT Management Limited, as manager of CDL Hospitality Real Estate Investment Trust (“**H-REIT**” and as manager of H-REIT, the “**H-REIT Manager**”), is seeking approval from the holders of Stapled Securities (“**Security Holders**”) for the acquisition by H-REIT Trustee of Studio M Hotel (“**Studio M Hotel**”, and the acquisition of Studio M Hotel, the “**Acquisition**”) at a purchase consideration of S\$154.0 million (the “**Purchase Consideration**”). The vendor of Studio M Hotel is Republic Iconic Hotel Pte. Ltd. (the “**Vendor**”), which is an indirect wholly-owned subsidiary of Millennium & Copthorne Hotels plc (the “**Sponsor**”). The H-REIT Trustee is also proposing to grant a master lease of Studio M Hotel to the Vendor, as master lessee (the “**Master Lessee**”), immediately upon the completion of the Acquisition (the “**Master Lease**”, and together with the Acquisition, the “**Transactions**”).

Under Chapter 9 of the Listing Manual, where H-REIT Trustee proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of the latest audited consolidated net tangible assets (“**NTA**”) of H-REIT and its subsidiaries (the “**H-REIT Group**”), Security Holders’ approval is required in respect of the transaction. Based on the audited consolidated financial statements of H-REIT for the financial year ended 31 December 2010 (the “**H-REIT Group FY2010 Audited Financial Statements**”), the NTA of H-REIT Group was S\$1,459.9 million as at 31 December 2010 respectively. Accordingly, if the value of a transaction which is proposed to be entered into in FY2010 by the H-REIT Trustee with an interested person is,

either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during FY2010, equal to or in excess of S\$73.0 million, such a transaction would also be subject to Security Holders' approval. Given the Purchase Consideration of S\$154.0 million (which is 10.5% of the NTA of H-REIT Group as at 31 December 2010), the value of the Acquisition exceeds the said threshold and would therefore be subject to Security Holders' approval.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Security Holders' approval for an interested party transaction by the H-REIT Trustee whose value exceeds 5.0% of H-REIT Group's latest audited NAV. Based on the H-REIT Group FY2010 Audited Financial Statements, the NAV of H-REIT Group was S\$1,459.9 million as at 31 December 2010. Accordingly, if the value of a transaction which is proposed to be entered into by the H-REIT Trustee with an interested party during FY2010 is equal to or greater than S\$73.0 million, such a transaction would also be subject to Security Holders' approval. Given the Purchase Consideration of S\$154.0 million, the value of the Acquisition exceeds the said threshold and would therefore be subject to Security Holders' approval.

As at the Latest Practicable Date, the Sponsor held an aggregate indirect interest in 335,451,072 Stapled Securities, which is equivalent to approximately 34.99% of the Existing Stapled Securities, and is therefore regarded as a "controlling unitholder" of H-REIT under both the Listing Manual and the Property Funds Appendix. In addition, as the H-REIT Manager is an indirect wholly-owned subsidiary of the Sponsor, the Sponsor is therefore regarded as a "controlling shareholder" of the H-REIT Manager under both the Listing Manual and the Property Funds Appendix.

As the Vendor (which is also the Master Lessee) is an indirect wholly-owned subsidiary of the Sponsor, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor (being a subsidiary of a "controlling unitholder" of H-REIT and a subsidiary of a "controlling shareholder" of the H-REIT Manager) is (for the purposes of the Listing Manual) an "interested person" and (for the purposes of the Property Funds Appendix) an "interested party" of H-REIT.

As each of the Transactions is classified as an "interested person transaction" and an "interested party transaction" under Chapter 9 of the Listing Manual and Property Funds Appendix respectively, and the aggregate value of the Transactions will exceed the said threshold under Chapter 9 of the Listing Manual and Property Funds Appendix, the approval of Security Holders for the Transactions is required. An Independent Financial Adviser ("IFA") is required to advise the Audit Committee on whether the Transactions are on normal commercial terms and are not prejudicial to the interests of H-REIT and its minority Security Holders.

It is in this context that PwCCF was appointed as the IFA to advise the Audit Committee on whether the Transactions are on normal commercial terms and are not prejudicial to the interests of H-REIT and its minority Security Holders.

Detailed information on the Transactions is set out in paragraph 1 to 6 of the Letter to Security Holders. **We recommend that the Audit Committee advise Security Holders to read the aforementioned sections carefully.**

2. TERMS OF REFERENCE

PwCCF has been appointed as the IFA to advise, from a financial point of view, as to whether the Transactions are on normal commercial terms and are not prejudicial to the interests of H-REIT and its minority Security Holders.

We make no representation or warranty in relation to the merits of the Transactions other than to express an opinion, from a financial point of view, on whether the Transactions are on normal commercial terms and are not prejudicial to the interests of H-REIT and its minority Security Holders. Our terms of reference do not require us to evaluate or comment on the strategic or commercial merits or risks of the Transactions or on the prospects of H-REIT or any of its

respective related trusts (as defined in the Monetary Authority of Singapore's Code on Collective Investment Schemes and Business Trust Act of Singapore) and companies (as defined in the Companies Act of Singapore). However, we may draw upon the views of the Directors and management of the H-REIT Manager and their other professional advisers in arriving at our opinion. We also do not address the relative merits of the Transactions as compared to any alternative transaction(s) previously considered by the H-REIT Manager or that otherwise may become available to H-REIT in the future. Such evaluations or comments remain the responsibility of the Directors and management of the H-REIT Manager.

We have held discussions with the Directors and management of the H-REIT Manager and have examined information provided by the H-REIT Manager and other publicly available information collated by us, upon which our opinion as set out in this Letter is based. We have not independently verified the information provided by the H-REIT Manager, whether written or verbally, and accordingly do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have made reasonable enquiries and exercised our judgement on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

We have not made an independent evaluation of Studio M Hotel. We have, however, been furnished with the valuation reports for Studio M Hotel issued by CB Richard Ellis (Pte) Ltd ("**CBRE**") and Knight Frank Pte Ltd ("**Knight Frank**") (together as the "**Independent Valuers**"). With respect to the valuation reports, we are not experts and do not hold ourselves to be experts in the evaluation of Studio M Hotel but have relied upon the valuation reports prepared by the Independent Valuers ("**Valuation Reports**"). The respective valuation certificates are set out in Appendix B of the Circular.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Transactions as at the date hereof, and the Directors are not aware of any omission of which would make any statement in the Circular with respect to the Transactions misleading. Where information in the Circular has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in the Circular in its proper form and context. The foregoing is as set out in the "Directors' Responsibility Statement" in paragraph 10 of the Letter to Security Holders.

Accordingly, no representation or warranty, expressed or implied, is made by us, and no responsibility is accepted by us, concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied upon by us as described above.

Furthermore, our terms of reference do not require us to express, and we do not express, an opinion on the future prospects of H-REIT or Studio M Hotel. We have, therefore, not expressed any opinion herein as to the future financial or other performance of H-REIT or Studio M Hotel.

Our opinion as set out in this Letter is based upon the following considerations:

- (a) The rationale for the Transactions;
- (b) The valuation approaches and assumptions adopted by the Independent Valuers in appraising the properties;
- (c) The pro forma property yield and price per key of Studio M Hotel based on the Purchase Consideration;
- (d) The impact of the Transactions on the distribution per Stapled Security ("**DPS**");

- (e) The terms of the Master Lease Agreement; and
- (f) The prevailing market, economic, industry, monetary and other relevant conditions, together with any information made available to us as at the Latest Practicable Date.

Conditions may change significantly over a short period of time and accordingly we assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Security Holders should take note of any announcements relevant to their consideration of the Transactions which may be released by the H-REIT Manager and other sources after the Latest Practicable Date.

Our opinion is addressed to and for the use and benefit of the Audit Committee in their deliberation of whether the Transactions are based on normal commercial terms and are not prejudicial to the interests of H-REIT and its minority Security Holders and the opinion of the Audit Committee. The statements and/or recommendations made by the Audit Committee shall remain the responsibility of the Audit Committee.

Our opinion should not be relied upon as a recommendation to any individual Security Holder as to how the Security Holder should vote on the resolutions in relation to the Transactions or any matters related thereto. As each Security Holder may have different investment objectives and considerations, we recommend that each Security Holder should seek their own professional advice.

Our opinion in relation to the Transactions should be considered in the entirety of this Letter and the Circular.

3. DETAILS OF STUDIO M HOTEL AND THE TRANSACTIONS

Detailed information concerning Studio M Hotel and the Transactions can be obtained from Section 1 of the Letter to Security Holders as well as Appendix A of the Circular.

3.1 Description of Studio M Hotel

Studio M Hotel is a design-oriented hotel comprising two wings with 360 rooms which was completed in 2010. Situated at 3 Nanson Road, in the Robertson Quay entertainment precinct, Studio M Hotel is surrounded by an array of bars, restaurants and entertainment venues. With its central location, Studio M Hotel is a short distance from the Central Business District (“**CBD**”) and many other major tourism precincts such as the Orchard Road shopping belt, Clarke Quay, Boat Quay and Chinatown.

Other details of Studio M Hotel are as follow:

Gross Floor Area	8,210 sq m
Land Area	2,932 sq m
Total Number of Rooms	360 rooms
Number of floors	9 floors
Tenure	Leasehold 99 years with effect from 26 February 2007
Car Park lots	30 lots including 1 lot for disability parking

3.2 Details of the Transactions

On 1 March 2011, the H-REIT Trustee entered into a sale and purchase agreement with the Vendor in relation to the Acquisition (the “**Sale and Purchase Agreement**”). Completion under the Sale and Purchase Agreement is conditional upon the approval of Security Holders for (i) the Acquisition and (ii) the entry into of an agreement in relation to the Master Lease between the H-REIT Trustee, the H-REIT Manager and the Master Lessee (the “**Master Lease Agreement**”) immediately upon the completion of the Acquisition.

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account two independent valuations of the current market value of the leasehold interest as of January 2011 of Studio M Hotel, on a going concern basis, subject to the Master Lease Agreement. The H-REIT Manager has commissioned the independent property valuer, CBRE, and the H-REIT Trustee has commissioned the independent property valuer, Knight Frank, to value Studio M Hotel. CBRE, in its report dated 10 January 2011, stated that the open market value of Studio M Hotel is S\$154.0 million and Knight Frank in its report dated 10 January 2011, stated that the open market value of Studio M Hotel is S\$153.8 million.

If approval by Security Holders for the Transactions is not obtained by 29 April 2011, either the H-REIT Trustee or the Vendor may by notice in writing to the other party terminate the Sale and Purchase Agreement.

The current estimated Total Acquisition Cost is approximately S\$156.2 million, comprising:

- (i) the Purchase Consideration of S\$154.0 million;
- (ii) the Acquisition Fee to be satisfied via the issuance of Stapled Securities to the H-REIT Manager which amounts to approximately S\$1.54 million; and
- (iii) the estimated professional and other fees and expenses incurred by H-REIT in connection with the Acquisition which amount to approximately S\$0.7 million.

As the Acquisition will constitute an “interested party transaction” of H-REIT under the Property Funds Appendix, the Acquisition Fee will be satisfied via the issuance of new Stapled Securities, which shall not be sold within one year from the date of issuance. Apart from the Acquisition Fee which will be paid in the form of new Stapled Securities, the rest of the Total Acquisition Cost will be paid in cash. The Acquisition Fee will be payable as soon as practicable after the completion of the Acquisition.

4. EVALUATION OF THE TRANSACTIONS

In our evaluation from a financial point of view of whether the terms of the Transactions are based on normal commercial terms and are not prejudicial to the interests of H-REIT and its minority Security Holders, we have duly considered the following key factors:

- (a) Rationale for the Transactions;
- (b) Valuations of Studio M Hotel as appraised by the Independent Valuers;
- (c) Price per key of Studio M Hotel based on the Purchase Consideration as compared to similar transactions in Singapore;
- (d) Pro forma property yield and price per key of Studio M Hotel based on the Purchase Consideration as compared to the comparable properties in H-REIT’s existing hotel properties in Singapore;
- (e) Impact of the Transactions on the DPS to Security Holders; and
- (f) Terms of the Master Lease Agreement.

These factors are discussed in greater detail in the ensuing paragraphs.

4.1 Rationale for the Transactions

The rationale for the Transactions, set out in Section 2 of the Letter to Security Holders, is reproduced *in toto* in this section. **We recommend that the Audit Committee advise Security Holders to read this section of the Letter to Security Holders carefully.**

Unique opportunity to acquire a new hospitality asset in a rising market

The Acquisition is a unique opportunity to acquire a new hospitality property amidst a strong and rising hospitality market in Singapore, at approximately S\$428,000 per key, approximating the average of two independent market valuations obtained.

This opportunity for H-REIT to acquire Studio M Hotel was made possible on account of H-REIT's and the H-REIT Manager's relationship with the Sponsor. By having the visibility and being in a position to tap on the Sponsor's portfolio and pipeline of quality hospitality assets in Singapore, the H-REIT Manager is able to leverage on the Sponsor's capacity to support the growth of H-REIT.

Accretive transactions

The H-REIT Manager is of the view that the Transactions are accretive. The pro forma financial effect of the Transactions on the income available for distribution (before deducting income retained for working capital) would be an incremental S\$5.2 million for the year ended 31 December 2010 ("FY2010"), translating to an additional DPS of 0.57 cent or 5.1%.

Based on the Purchase Consideration of S\$154.0 million, the pro forma property yield of Studio M Hotel for FY2010 would be 6.1% which compares favourably to H-REIT's existing portfolio's implied property yield of 5.1% for the same period. This is despite the fact that Studio M Hotel only just commenced full operations from 1 June 2010 (being the first complete month when the full room inventory was available for sale).

Quality, well-located property which appeals to both business and leisure segments

Studio M Hotel is strategically located in the Robertson Quay entertainment precinct in Singapore, close to the CBD and Orchard Road shopping belt. It is a newly completed hotel within walking distance of other dining and entertainment strips along the Singapore River including Clarke Quay and Boat Quay.

Studio M Hotel's location enables it to appeal to both business and leisure travellers who prefer proximity to the city centre, while at the same time offering travellers contemporary and stylish accommodation. Coupled with strong accommodation demand in Singapore, Studio M Hotel enjoyed a high average occupancy rate of 88.9% from 1 June 2010 to 31 December 2010.

The Master Lease Agreement contains terms which assure a long term stream of quality income for H-REIT

The proposed Master Lease of at least 20 years and up to 70 years (at the option of the Master Lessee) will enable H-REIT to enjoy a long-term stream of quality income with organic growth from the fixed and variable rent terms as described in Section 4.6.

In addition to the fixed and variable rent terms, the Guaranteed Net Rent, which is guaranteed by the Master Lessee, will provide H-REIT with a net yield of approximately 6.0% based on the Purchase Consideration of S\$154.0 million for the first 12 months of the Master Lease. If a Force Majeure Event occurs at any time during the first 12 months of the Master Lease, the Guaranteed Net Rent will be reduced, taking into account the proportion by which the period affected by such Force Majeure Event bears to the entire period of the first 12 months of the Master Lease.

In terms of capital expenditure, the cost of FF&E of Studio M Hotel will be borne by the Master Lessee under the terms of the Master Lease Agreement, while other capital improvement expenditures (such as improvement works on the physical structure of Studio M Hotel) will be borne by H-REIT.

Beneficiary of buoyant Singapore hotel sector

H-REIT stands to enhance its position as a beneficiary of the strong visitor arrival trends in Singapore with the inclusion of Studio M Hotel in H-REIT's portfolio.

The visitor arrivals to Singapore grew strongly by 20.2% in FY2010 compared to FY2009, riding on the strength of regional economic growth and vibrant tourism landscape in Singapore, boosted by the opening of the Integrated Resorts ("IRs"). Singapore's top three markets of Indonesia, China and Malaysia continued to record impressive annual growth of between 26.3% and 38.8% in visitor arrivals during this period.

As a result, notwithstanding a 16.1% increase in hotel room supply since the beginning of 2010, the Singapore hotel industry recorded an average occupancy rate of 86.0% in FY2010. In 2011, a significantly smaller supply of 1,287 rooms is expected to be added, increasing the hotel room supply by an estimated 3.2% (according to Howarth HTL research, 14 January 2011).

Against this supply, the Singapore Tourism Board ("STB") recently projected that visitor arrivals will increase from 11.6 million visitors in 2010 to between 12.0 million to 13.0 million in 2011, implying a growth rate of between 3.4% to 12%, in tandem with its earlier guidance of an average annual growth rate of 7.9% in visitor arrivals to achieve 17.0 million in 2015. The opening of the two IRs in Singapore, namely Resorts World Sentosa ("RWS") and Marina Bay Sands ("MBS"), has fostered increased vibrancy of the Singapore tourism landscape and fuelled the strong performance of the hotel sector. New attractions such as the Lion King musical at MBS which debuted in March 2011 and others slated to open in the coming years such as water-themed attractions at RWS, Gardens by the Bay, River Safari, Changi Motorsports Hub and Singapore Arts Gallery, are set to enrich the Singapore experience for visitors. The phased introduction of these added attractions, within the IRs and beyond, will act as further catalysts in sustaining the growth momentum of Singapore's tourism and hospitality sector.

With its strategic location, Studio M Hotel is poised to benefit from the expected increase in demand for hotel rooms. The Transactions will enhance H-REIT's exposure to the attractive hospitality market in Singapore, increasing H-REIT's total number of rooms in Singapore by 15.3% from 2,351 rooms to 2,711 rooms. H-REIT's FY2010 pro forma net property income ("NPI") contribution from its Singapore properties would increase by 10.3% from S\$91.4 million to S\$100.8 million.

Broadening earnings base and improving stability of overall portfolio

Following the completion of the Acquisition, Studio M Hotel would contribute approximately 8% of H-REIT Group's total gross rental revenue and NPI on a pro forma basis for FY2010, thereby having the effect of broadening H-REIT Group's earnings base. This has the additional benefit of reducing H-REIT Group's reliance on any single property such that the maximum contribution in gross rental revenue from any single property in H-REIT Group's portfolio will fall from 22% to 20% for the same period.

Through the Transactions, H-REIT would be able to build up a more defensive income source profile and further improve its flexibility to consider other target acquisitions with varying risk and reward profile.

4.2 Independent Valuations of Studio M Hotel

CBRE and Knight Frank were commissioned by the H-REIT Manager and the H-REIT Trustee respectively to assess the open market values of Studio M Hotel. The open market values of Studio M Hotel as at 10 January 2011 are set out below:

Valuation Approach (S\$ million)	CBRE	Knight Frank	Average
Capitalisation Analysis/ Investment Method	155.25	153.49	154.37
Discounted Cash Flow (“DCF”) Method ⁽¹⁾	152.25 - 153.50	154.21	153.23 – 153.86
Open market value	154.00	153.80	153.90

Source: Valuation Reports

Note:

- (1) CBRE adopted a 5 year and a 10 year DCF and arrived at a value of S\$153.50 million and S\$152.25 million respectively.

As illustrated in the table above, the Purchase Consideration of S\$154.0 million is within the range of the two respective independent valuations by CBRE and Knight Frank.

4.2.1 The valuation approaches and assumptions adopted by the Independent Valuers

In arriving at the open market values of Studio M Hotel, Knight Frank adopted the Investment Method and DCF Method while CBRE adopted the Capitalisation Analysis and DCF Method. In addition, CBRE has also used the Direct Comparison Method as a cross-check to the values obtained from the Capitalisation Analysis and DCF Method. These approaches adopted by the Independent Valuers are widely accepted methods for the purpose of valuing properties.

We set out below a brief summary of the valuation approaches adopted by each Independent Valuer:

Capitalisation Analysis / Investment Method	CBRE	Knight Frank
Considerations for Income Projection under the Capitalisation Analysis/Investment Method Approach	<ul style="list-style-type: none"> Gross rent income from the Property is computed from the sum of the fixed and variable rent of the Property Outgoings such as property tax and insurance are then deducted from rent payable to arrive at net income from the lease 	<ul style="list-style-type: none"> Gross rent income from the Property is computed from the sum of the fixed and variable rent of the Property Outgoings such as property tax and Insurance are then deducted from gross rent to arrive at net income from the lease
Assumed Capitalisation Rate	<ul style="list-style-type: none"> The capitalisation rate is based on market derived assumptions obtained from analysed transactions 	<ul style="list-style-type: none"> The yield rate used reflects the type of use, tenure and quality of of the investment, based on analysis of yields reflected in the sales of comparable property types
Other Key Assumptions	<ul style="list-style-type: none"> No capital adjustments and other adjustments have been made 	<ul style="list-style-type: none"> Capital adjustments such as capital expenditure and asset enhancement works / future building refurbishment allowance etc. are then made to derive the capital value of the subject property

DCF Approach	CBRE	Knight Frank
Considerations for Income Projection under the DCF Approach	<ul style="list-style-type: none"> ■ Gross rent income from the Property is computed from the sum of the fixed and variable rent of the Property ■ Outgoings such as property tax and insurance are then deducted from rent payable to arrive at net income from the lease 	<ul style="list-style-type: none"> ■ Gross rent income from the Property is computed from the sum of the fixed and variable rent of the Property ■ Outgoings such as property tax and insurance are then deducted from gross rent to arrive at net income from the lease
Assumed Discount Rate	<ul style="list-style-type: none"> ■ The discount rate is based on market derived assumptions obtained from analysed transactions 	<ul style="list-style-type: none"> ■ The discount rate is derived from the findings of the investment return over a 10-year period from office and retail real estate ■ The discount rate is comparable to alternative forms of investment and delivers a premium over the prevailing 10-year government bond yield. This spread reflects the risk premium inherent in direct property investment's cash flows and its non-liquidity nature relative to other forms of investment
Other Key Assumptions	<ul style="list-style-type: none"> ■ An allowance for regular capital expenditure has been provided in the cash flows 	<ul style="list-style-type: none"> ■ Capital adjustments such as capital expenditure and asset enhancement works / future building refurbishment allowance etc. are then made to derive the capital value of the subject property

Source: Valuation Reports

We have also made reasonable enquiries and have exercised our professional judgement in reviewing the information contained in the respective valuation reports. In our review, we do not find the information contained therein to be unreasonable.

4.2.2 Capitalisation Rates, Discount Rates and Terminal Yields

We also set out below the capitalisation rates, discount rates and terminal yields used by the Independent Valuers in their valuation of Studio M Hotel and the capitalisation rates, discount rates and terminal yields used in the latest independent valuation of comparable hotel properties owned by H-REIT in Singapore, namely Grand Copthorne Waterfront, Orchard Hotel, Copthorne King's Hotel and M Hotel Singapore (the "**H-REIT Singapore Properties**"). Novotel Clarke Quay has been specifically excluded as a comparable property given the differences in rental structure and that it is operated by a different hotel operator.

Property	Investment Method	DCF Approach	
	Capitalisation Rate (%)	Discount Rate (%)	Terminal Yield (%)
Studio M Hotel (Knight Frank)	6.00	8.50	6.25
Studio M Hotel (CBRE) ⁽¹⁾	6.25	8.00 – 8.50	6.25 - 6.50
H-REIT Singapore Properties ⁽²⁾	5.88 – 6.75	8.00 – 8.75	5.75 – 7.00

Source: Valuation Reports

Notes:

- (1) For the 5 year DCF, CBRE adopted a discount rate of 8.00% and a terminal yield of 6.25% whereas for the 10 year DCF, CBRE adopted a discount rate of 8.50% and a terminal yield of 6.50%.
- (2) The Capitalisation Rate, Discount Rate and Terminal Yield are extracted from CBRE's independent valuation report as at 31 December 2010.

Based on the table above, we note that the capitalisation rates, discount rates and terminal yields used by the Independent Valuers in their valuation of Studio M Hotel are comparable to the capitalisation rates, discount rates and terminal yields used in the latest independent valuation of the H-REIT Singapore Properties.

Having considered all of the above, the Purchase Consideration appears to be reasonable and not prejudicial to the interests of H-REIT and its minority Security Holders.

4.3 Price per key of Studio M Hotel compared to Comparable Transactions

We have looked at the recent hotel transactions that took place in Singapore for the period of 1 January 2009 to the Latest Practicable Date and extracted the relevant information from similar hotel transactions in Singapore ("**Comparable Transactions**") in order to compare the price per key of Studio M Hotel with the Comparable Transactions.

The information in the table presented below is for illustration purposes only. The hotel properties which are the subjects of the Comparable Transactions differ from Studio M Hotel in terms of building size and design, building age, location, accessibility, land title, tenure, revenue mix, market risks, future prospects, operating history, branding and other relevant criteria. There is no property under the Comparable Transactions which may be considered identical to Studio M Hotel in terms of the aforesaid factors.

We wish to highlight that the hotel properties which are the subjects of the Comparable Transactions do not have a Master Lease Agreement arrangement in the same nature of Studio M Hotel. There is also a lack of publicly available information pertaining to the operating financials of each of the hotel properties and hence only price per key is used as a meaningful comparison.

For the above reasons, while the Comparable Transactions when taken as a whole may provide a broad and indicative benchmark for assessing the Transactions, care has to be taken in the selection and use of any individual data point for the same purpose.

Accordingly, the Audit Committee should note that any comparison made with respect to the Comparable Transactions only serves as an illustrative guide.

Property	Transaction Date	Title	Remaining Title ⁽¹⁾	Grade	No of Rooms	Location	Purchase Price (\$\$mn)	Price per Key (\$'000)
Ibis Singapore on Bencoolen	August 2010	99 years from 2006	95 years	3-star	538	Bencoolen Street	210	390
Swissotel Merchant Court	August 2009	99 years from 1994	84 years	4-star	476	Merchant Road	260	546
Average								468
Studio M Hotel	March 2011	99 years from 2007	95 years	4-star	360	Nanson Road (Robertson Quay)	154	428

Source: CBRE, respective company announcements, websites and available public information.

Note:

- (1) The remaining title for each property is computed from and including the year in which the transaction took place.

As illustrated in the table above, we note that the price per key of S\$428,000 based on the Purchase Consideration is within the range and lower than the average price per key of the Comparable Transactions. Hence, the Purchase Consideration does not appear to be unreasonable or prejudicial to the interests of H-REIT and its minority Security Holders.

We also note that the following two transactions have taken place in the period under consideration. However, we have excluded them from our analysis for the Comparable Transactions for the following reasons:

- (a) Park Regis Hotel, which was transacted in August 2010, is excluded from the analysis as the purchase price of S\$218.0 million for Park Regis Hotel includes the payment for office space and there is no publicly available information on the price for the hotel segment. Hence the price per key is overstated by the amount paid for the office space; and
- (b) Raffles Hotel, which was transacted in April 2010, is excluded from the analysis as the transacted price of S\$384.0 million for Raffles Hotel includes the payment for retail space. Hence, its price per key computation is not indicative of the transacted value for the hotel. Furthermore, Raffles Hotel is a premium 5-star hotel with a strong heritage and located at one of the prime areas in Singapore.

4.4 Pro forma property yield and price per key of Studio M Hotel compared to H-REIT Singapore Properties

Amongst the properties owned by H-REIT, the H-REIT Singapore Properties presented in the table below are considered to be most comparable to Studio M Hotel in terms of the grade of the hotel, location and lease structure.

While we have made our comparisons against the following selected properties as shown in the table below, we recognised that the selected properties are not identical to Studio M Hotel in terms of building size and design, location, tenant composition, land title, tenure, revenue mix, operating history, future prospects, branding and other relevant criteria.

Property	Title	Remaining Title ⁽⁶⁾	Grade	No of Rooms	Location	Valuation (\$\$mn) ⁽¹⁾	Price per Key (\$'000)	NPI ⁽¹⁾ (\$\$mn)	Property Yield
Orchard Hotel	75 years from 2006	70 years	5-star	653	Orchard Road	429	657	25.1	5.8%
Grand Copthorne Waterfront Hotel	5 years from 2006	70 years	5-star	574 ⁽²⁾	Havelock Road	322	561	20.5	6.4%
M Hotel	75 years from 2006	70 years	4-star	413	Anson Road	229	554	14.4	6.3%
Copthorne King's Hotel	99 years from 1968	56 years	4-star	310	Havelock Road	125	403	8.3	6.7%
H-REIT Singapore Properties				1,950		1,105	567⁽⁵⁾	68.4	6.2%⁽⁴⁾
Studio M Hotel	99 years from 2007	95 years	4-star	360	Nanson Road (Robertson Quay)	154	428	9.4⁽³⁾	6.1%

Notes:

- (1) The valuations for Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel and Copthorne King's Hotel are based on the independent valuations determined by CBRE as at 31 December 2010. The NPI for the financial year ended 31 December 2010 are extracted from the audited FY2010 financial statements results announcement released by CDLHT on SGXNET on 26 January 2011.
- (2) Comprising of 550 rooms and La Residenza's 24 serviced suites.
- (3) The pro forma gross rental revenue and NPI from Studio M Hotel are calculated based on the performance of Studio M Hotel from 1 June 2010 (being the first complete month when the full room inventory was available for sale) to 31 December 2010 on an annualised basis, as if Studio M Hotel had been fully operational since 1 January 2010. The pro forma NPI is based on the pro forma gross rental revenue less estimated Property Expenses for Studio M Hotel for the full year.
- (4) The property yield is computed based on the aggregate NPI of the H-REIT Singapore Properties divided by the aggregate valuation of the H-REIT Singapore Properties.
- (5) The price per key is computed based on the aggregate valuation of the H-REIT Singapore Properties divided by the total number of rooms of 1,950.
- (6) The remaining title for each property is computed from and including 2011.

As illustrated in the table above, the pro forma property yield of Studio M Hotel based on the Purchase Consideration of S\$154.0 million is within the range and marginally below the average property yield of the H-REIT Singapore Properties. Additionally, the price per key of S\$428,000 based on the Purchase Consideration is lower than the average price per key of the H-REIT Singapore Properties.

Having considered the above, on balance, the Purchase Consideration does not appear to be unreasonable or prejudicial to the interests of H-REIT and its minority Security Holders.

4.5 Impact of the Transactions on the DPS to Security Holders

We note that the Transactions will improve the DPS to the Security Holders due to the yield accretive nature of the Transactions. The pro forma DPS for FY2010 will increase by 5.1% from 11.18 cents to 11.75 cents with the distribution yield increasing from 5.56% to 5.85%.

We further note that the Transactions are still DPS accretive assuming the issuance of 766,170 and 342,314 new Stapled Securities at an illustrative issue price of S\$2.01 per new Stapled Security for the payment of the Acquisition Fee and Management Fee of FY2010 respectively.

4.6 Terms of the Master Lease Agreement

As set out in Section 1.2.2 of the Letter to Security Holders, the Master Lease Agreement involves the H-REIT Trustee leasing Studio M Hotel to the Master Lessee in return for rental income. Under the Master Lease Agreement, H-REIT will receive a monthly rental from the Master Lessee comprising of the following:

- (a) A fixed rent component of S\$5.0 million per annum for the initial 10 years of the lease. The fixed rent component of the rent shall be revised on the tenth anniversary date of the commencement of the Master Lease (the "**Rent Revision Date**") to an amount equivalent to 50.0% of the average annual aggregate fixed rent and variable rent for the five fiscal years preceding the Rent Revision Date (the "**Revised Fixed Rent Amount**") in the event the fixed rent component prevailing at the time of the Rent Revision Date is less than the Revised Fixed Rent Amount. If a Force Majeure Event occurs at any time during the five fiscal years preceding the Rent Revision Date, the period affected by such Force Majeure Event and the rent paid during such period shall be disregarded in the computation of the Revised Fixed Rent Amount; and
- (b) A variable rent component computed based on the sum of 30.0% of Studio M Hotel's revenue for that fiscal year and 20.0% of Studio M Hotel's gross operating profit for that fiscal year, less the fixed rent for that fiscal year (as set out in paragraph (a) above), and if the calculation of the variable rent yields a negative figure, the variable rent will be deemed to be zero; and

- (c) The Master Lessee will pay a minimum total rent of S\$9.24 million (net of property taxes and insurance premiums payable by the H-REIT Trustee under the Master Lease Agreement) for the first 12 months of the lease, which will provide H-REIT with a net yield of approximately 6.0% based on the Purchase Consideration of S\$154.0 million subject to adjustment or occurrence of a Force Majeure Event.

In arriving at the respective open market values by each of the Independent Valuers, they have given due consideration to the implied cash flows and capital expenditure obligations under the Master Lease Agreement. We note that the rental structure under the Master Lease Agreement provides H-REIT with a minimum rental during the tenure of the Master Lease Agreement and will result in an income that is less volatile. Moreover, the capital expenditure obligations of H-REIT under the Master Lease Agreement are also significantly lower (compared to properties under operating agreements where the owner is generally responsible for all capital expenditure). As such, the lesser risk to H-REIT has been reflected accordingly in the capitalisation rates used.

Both the Independent Valuers have also opined that the rental amounts are considered to be at market level.

We further note that the pro forma property yield of Studio M Hotel is in line with the property yields of the H-REIT Singapore Properties as illustrated in Section 4.4.

We have noted that the current structure of the Master Lease Agreement is broadly similar with that of the other master lease agreements entered into between the H-REIT Singapore Hotel Properties and their respective hotel operators.

5. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have considered various factors deemed pertinent and to have significant bearing on our assessment of the Transactions. We have carefully considered the factors deemed as essential, and balanced them before reaching our opinion. Accordingly, it is important that this Letter, in particular, the considerations and information we have taken into account, be read in its entirety.

Our opinion is based solely on information made available to us as at the date of this Letter. The principal factors that we have taken into consideration in forming our opinion are summarised as below:

- (a) The rationale and benefits of the Transactions;
- (b) The Purchase Consideration is within the range of the respective independent valuations determined by the Independent Valuers;
- (c) The price per key of Studio M Hotel based on the Purchase Consideration as compared to the Comparable Transactions, and the pro forma property yield and price per key of Studio M Hotel based on the Purchase Consideration as compared to the H-REIT Singapore Properties do not appear to be unreasonable or prejudicial to the interests of H-REIT and its minority Security Holders;
- (d) The Transactions will increase the pro forma DPS for FY2010 by 5.1% from 11.18 cents to 11.75 cents; and
- (e) The terms of the Master Lease Agreement are in line with the existing Master Lease Agreements between the H-REIT Singapore Hotel Properties and their respective lessees.

Having given due consideration to the rationale for the Transactions and taking into account our evaluation of the Transactions and subject to the qualifications set out in this Letter, we are of the opinion as of the date of this Letter that the Transactions are based on normal commercial terms and are not prejudicial to the interests of H-REIT and its minority Security Holders.

We advise the Audit Committee to recommend that the Security Holders vote in favour of the Transactions to be proposed at the EGM, the notice of which is set out in the Circular. However, we wish to highlight that each Security Holder may have different investment objectives and considerations and hence should seek their own professional advice.

The foregoing recommendation is addressed to the Audit Committee for the purpose of its consideration of the Transactions. The recommendation made by the Audit Committee to Security Holders shall remain the responsibility of the Audit Committee. This Letter may only be reproduced, disseminated or quoted in the form and context in which it appears in the Circular or with the prior written consent of PwCCF. This Letter and its entire content is governed by, and construed in accordance with the laws of Singapore and is strictly limited to the matters stated herein and does not apply by implication to any other matter. Nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore shall not apply.

Yours truly
for and on behalf of
PricewaterhouseCoopers Corporate Finance Pte Ltd

Kan Yut Keong
Managing Director

DIRECTORS' AND SUBSTANTIAL SECURITY HOLDERS' INTERESTS

1. Directors

Based on the Register of Directors' Stapled Security Holdings maintained by the H-REIT Manager and the HBT Trustee-Manager and save as disclosed below, none of the Directors currently holds a direct or deemed interest in the Stapled Securities as at the Latest Practicable Date:

Name of Directors	Direct Interest		Deemed Interest		Total no. of Stapled Securities held	%
	No. of Stapled Securities held	%	No. of Stapled Securities held	%		
Wong Hong Ren	115,000	0.012	–	–	115,000	0.012
Vincent Yeo Wee Eng	115,000	0.012	–	–	115,000	0.012

2. Substantial Security Holders

Based on the Register of Substantial Security Holders' Stapled Security Holdings maintained by the H-REIT Manager and the HBT Trustee-Manager, the Substantial Security Holders and their interests in the Security Holdings as at the Latest Practicable Date are as follows:

Name of Substantial Security Holders	Direct Interest		Deemed Interest		Total no. of Stapled Securities held	%
	No. of Stapled Securities held	%	No. of Stapled Securities held	%		
Hospitality Holdings Pte. Ltd.	313,950,000	32.745	–	–	313,950,000	32.745
ATOS Holding AG	–	–	335,451,072 ⁽¹⁾	34.988	335,451,072	34.988
Millennium & Copthorne (Austrian Holdings) Limited	–	–	335,451,072 ⁽¹⁾	34.988	335,451,072	34.988
Millennium & Copthorne Hotels plc	–	–	335,451,072 ⁽¹⁾	34.988	335,451,072	34.988
City Developments Limited	–	–	335,451,072 ⁽¹⁾	34.988	335,451,072	34.988
Hong Leong Investment Holdings Pte. Ltd.	–	–	339,451,072 ⁽²⁾	35.405	339,451,072	35.405
Kwek Holdings Pte Ltd	–	–	339,451,072 ⁽²⁾	35.405	339,451,072	35.405
Davos Investment Holdings Private Limited	–	–	339,451,072 ⁽²⁾	35.405	339,451,072	35.405
Cohen & Steers, Inc. and its affiliates: Cohen & Steers Capital Management, Inc., ("CSCM") Cohen & Steers Europe S.A. ("CSE") and Cohen & Steers Asia Limited ("CSAL") (collectively, the "Cohen Group")	–	–	48,143,010 ⁽³⁾	5.021	48,143,010	5.021

Notes:

- (1) ATOS Holding AG, Millennium & Copthorne (Austrian Holdings) Limited, Millennium & Copthorne Hotels plc and City Developments Limited are deemed under Section 7 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), to have an interest in the 335,451,072 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- (2) Hong Leong Investment Holdings Pte. Ltd., Kwek Holdings Pte Ltd and Davos Investment Holdings Private Limited are deemed under Section 7 of the Companies Act, to have an interest in the 339,451,072 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the Stapled Securities thereof.
- (3) There are 20 registered holders as the Stapled Securities are held by various companies. The Cohen Group provides investment management services to various collective investment schemes as well as separate accounts for institutions, endowments and other such investors. Cohen & Steers, Inc. has full ownership of CSCM, CSE and CSAL and is therefore deemed to control any shareholdings owned or controlled by these subsidiaries. Please see notification by the Cohen Group, as announced by CDL Hospitality Trusts on 23 March 2011, for further details.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the EXTRAORDINARY GENERAL MEETING of CDL Hospitality Real Estate Investment Trust (“**H-REIT**”) will be held on 29 April 2011 at 3.30 p.m. (or as soon thereafter as the Annual General Meetings of the security holders of H-REIT and CDL Hospitality Business Trust to be held at 3.00 p.m. on the same day and at the same place, is concluded or adjourned) at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road Singapore 079908, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of H-REIT:

ORDINARY RESOLUTION: THE PROPOSED ACQUISITION AND MASTER LEASE OF STUDIO M HOTEL SINGAPORE

That:

- (i) approval be and is hereby given for the acquisition of Studio M Hotel Singapore (the “**Acquisition**”) from Republic Iconic Hotel Pte. Ltd. (as vendor) for a purchase consideration of S\$154.0 million, based on the terms and conditions set out in the conditional sale and purchase agreement dated 1 March 2011 entered into between DBS Trustee Limited, as trustee of H-REIT (the “**H-REIT Trustee**”), and Republic Iconic Hotel Pte. Ltd. (as vendor) (the “**Sale and Purchase Agreement**”), as described in the circular to holders of stapled securities of CDL Hospitality Trusts dated 5 April 2011 (the “**Circular**”);
- (ii) approval be and is hereby given for the grant of a master lease of Studio M Hotel Singapore by the H-REIT Trustee (as landlord) to Republic Iconic Hotel Pte. Ltd. (as master lessee) (the “**Master Lease**”), based on the terms and conditions set out in the master lease agreement to be entered into between the H-REIT Trustee, M&C REIT Management Limited (as manager of H-REIT) (the “**H-REIT Manager**”) and Republic Iconic Hotel Pte. Ltd. (as master lessee) (the “**Master Lease Agreement**”) immediately upon completion of the Acquisition, as described in the Circular; and
- (iii) the H-REIT Manager, any director of the H-REIT Manager (a “**Director**”) and the H-REIT Trustee 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, such Director or, as the case may be, the H-REIT Trustee may consider expedient or necessary or in the interests of H-REIT to give effect to the Acquisition and the Master Lease.

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
5 April 2011

Important Notice:

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

CDL HOSPITALITY TRUSTS

A stapled group comprising:

CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 8 June 2006 under the laws of the Republic of Singapore)

CDL HOSPITALITY BUSINESS TRUST

(a business trust constituted on 12 June 2006 under the laws of the Republic of Singapore)

PROXY FORM

EXTRAORDINARY GENERAL MEETING OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST

I/We _____ (Name(s)) with NRIC No. /Passport No./

Company Registration No. _____ of _____

_____ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll, at the Extraordinary General Meeting ("**EGM**") to be held on 29 April 2011 at 3.30 p.m. (or as soon thereafter as the Annual General Meetings of the security holders of CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust to be held at 3.00 p.m. on the same day and at the same place, is concluded or adjourned) at M Hotel Singapore, Banquet Suite, Level 10, 81 Anson Road Singapore 079908 and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the EGM 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 EGM.

No.	Resolution	To be used on a show of hands		To be used in the event of a poll	
		For *	Against *	Number of Votes For**	Number of Votes Against**
1.	To approve the acquisition of Studio M Hotel Singapore and master lease of Studio M Hotel Singapore (Ordinary Resolution)				

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

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

Dated this _____ day of _____ 2011

**Total number of Stapled
Securities held**

Signature(s) of Security Holder(s)/Common Seal

Notes To Proxy Form

1. A Security Holder entitled to attend and vote at the Extraordinary General Meeting 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 at 36 Robinson Road, #04-01 City House, Singapore 068877, not less than 48 hours before the time set for the Extraordinary General Meeting.
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.

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postage
stamp

The Company Secretary
M&C REIT Management Limited
(as manager of CDL Hospitality Real Estate Investment Trust)
36 Robinson Road
#04-01 City House
Singapore 068877

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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) be lodged with the Proxy Form failing which the Proxy Form may be treated as invalid.
 8. The H-REIT 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 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 Extraordinary General Meeting, as certified by CDP to the H-REIT Manager.
 9. All Security Holders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting.
 10. At any meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by five or more Security Holders present in person or by proxy, or holding or representing one-tenth in value of the Stapled Securities represented at the meeting. Unless a poll is so demanded, a declaration by the Chairman that such a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
 11. On a show of hands, every Security Holder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote. On a poll, every Security Holder who is present in person or by proxy shall have one vote for every Unit of which he is the Security Holder. A person entitled to more than one vote need not use all his votes or cast them the same way.
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