



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)

ANNOUNCEMENT

DIVESTMENT OF NOVOTEL BRISBANE

1. INTRODUCTION

M&C REIT Management Limited, as manager of CDL Hospitality Real Estate Investment Trust (“**H-REIT**” and the manager of H-REIT, the “**H-REIT Manager**”), and M&C Business Trust Management Limited, as trustee-manager of CDL Hospitality Business Trust (“**HBT**” and the trustee-manager of HBT, the “**HBT Trustee-Manager**” and together with the H-REIT Manager, the “**Managers**”, and H-REIT and HBT together, “**CDLHT**”) are pleased to announced that DBS Trustee Limited, as trustee of H-REIT (the “**H-REIT Trustee**”), has today through Sunshine Hotels Australia Pty Ltd, as the trustee of its indirectly wholly-owned sub-trust, Sun Trust Two, entered into a sale and purchase agreement (the “**Divestment Agreement**”) with ADFA Brisbane Pty Ltd (the “**Purchaser**”), an independent third party, to divest the property known as “Novotel Brisbane” located at 200 Creek St, Brisbane City, Queensland 4000, Australia (the “**Property**”) for approximately A\$67.9 million (approximately S\$66.4 million¹) (the “**Divestment Consideration**” and the divestment of the Property, the “**Divestment**”).

2. THE PROPERTY

The Property is a premium 4.5-star hotel operated under the Novotel brand and comprises 296 guest rooms and suites with a gross floor area of 28,049 square metres over 15 levels. Located in the central business district of Brisbane City, the Property is within walking distance to the Central Station, Queen Street Mall, Eagle Street Pier and the Howard Smith Wharves precinct.

The Property is popular amongst multinational corporate and government bodies along with leisure guests over major event periods and weekends. The Property has conference facilities consisting 11 separate venues for up to 400 delegates (maximum capacity without taking into account the current government regulations for COVID-19).

¹ Unless otherwise stated in this announcement, all conversions are based on an assumed exchange rate of A\$1.00 = S\$0.9777.

A summary of selected information on the Property is as follows:

Address / location	200 Creek St, Brisbane City, Queensland 4000, Australia
Title	Strata Volumetric Freehold
Description	Hotel
Parking	70 car park lots
Number of rooms	296
Facilities	11 versatile conference and function rooms featuring a pillarless ballroom and outdoor pool deck area
Gross Floor Area	28,049 square metres
Master Lessee	HI Operations Pty Ltd, a subsidiary of AccorInvest Group S.A. under a master lease commencing on 19 February 2010 and expiring on 30 April 2021

3. DIVESTMENT CONSIDERATION AND VALUATION

Sunshine Hotels Australia Pty Ltd as the trustee of Sun Trust Two has commissioned Cushman & Wakefield (Valuations) Pty Ltd (the “**Independent Valuer**”) to value the Property. The Independent Valuer has valued the Property at A\$67.5 million (approximately S\$66.0 million) as at 31 August 2020 using the discounted cash flow and stabilised earnings valuation methodologies (the “**Independent Valuation**”).

The Divestment Consideration of approximately A\$67.9 million (approximately S\$66.4 million) represents a slight premium to the Independent Valuation. The Divestment Consideration is 6.9% (approximately A\$4.4 million) higher than the original purchase price of A\$63.5 million paid for the Property on 18 February 2010.

For the information of holders of Stapled Securities² (“**Security Holders**”), the Divestment Consideration represents a 7.0% discount (a discount of A\$5.1 million) to the book value of the Property as at 31 December 2019 of A\$73.0 million which did not take into account the impact of the COVID-19 outbreak on the Property’s trading performance and outlook.

The Divestment Consideration was arrived at on a willing-buyer and willing-seller basis after taking into account the Independent Valuation.

2 Each “**Stapled Security**” comprises one unit in H-REIT and one unit in 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, H-REIT Trustee, and the HBT Trustee-Manager.

4. RATIONALE FOR THE DIVESTMENT

The Divestment is in line with CDLHT's asset management strategy where the Managers evaluate divestment opportunities periodically to recycle capital for better returns and achieve greater financial flexibility.

The Property essentially enjoys a fixed rent structure in which CDLHT has achieved a recurring rental yield of at least 7.8%³ per annum (in AUD terms) during CDLHT's holding period. Upon expiry of the master lease on 30 April 2021, CDLHT is likely to be exposed to the underlying trading conditions. The divestment is an opportunity for CDLHT to exit the market as Brisbane is facing near-term challenges stemming from the COVID-19 pandemic and more hotel supply coming on-stream in the coming years.

Given the current challenging environment due to the pandemic and associated travel restrictions globally, the Divestment represents a good result in the context of strengthening our balance sheet while managing to divest an asset in the uncertain global tourism environment at a sale price that is at a slight premium to the Independent Valuation.

5. CERTAIN PRINCIPAL TERMS OF THE DIVESTMENT AGREEMENT

The principal terms of the Divestment Agreement include, among others, the payment of the Divestment Consideration in the following manner:

- (a) the payment by the Purchaser of a deposit of A\$3.5 million (approximately S\$3.4 million) today; and
- (b) the balance of the Divestment Consideration being paid at completion.

Completion of the Divestment is expected to take place on 30 October 2020.

6. COSTS OF THE DIVESTMENT AND THE USE OF PROCEEDS

The total cost of the Divestment (the "**Total Divestment Cost**") is estimated to be A\$5.0 million (approximately S\$4.9 million), including (i) capital gains tax incurred in connection with the Divestment which amounts to A\$3.8 million (approximately S\$3.7 million); (ii) H-REIT Manager's divestment fee in respect of the Divestment under the H-REIT Trust Deed which amounts to A\$0.3 million (approximately S\$0.3 million), and (iii) other transaction expenses and professional fees (including brokerage fees) of A\$0.9 million (approximately S\$0.9 million).

The net proceeds from the Divestment (the "**Net Divestment Proceeds**"), after taking into account the Total Divestment Cost, are estimated to be A\$62.8 million (approximately S\$61.4 million).

The H-REIT Manager intends to use the Net Divestment Proceeds mainly to repay existing borrowings, which will further strengthen CDLHT's balance sheet, or fund future acquisitions if suitable opportunities arise. Part of the proceeds may also be used to make distributions to Security Holders to mitigate the net effect of the Divestment on CDLHT's distributable income.

3 Computed based on fixed rent of A\$4.9 million per annum over original purchase price of A\$63.5 million.

7. PRO FORMA FINANCIAL EFFECTS

7.1 Pro forma Financial Effects for FY2019

The *pro forma* financial effects of the Divestment on the DPS and NAV per Stapled Security presented below are strictly for illustrative purposes and were prepared based on the audited financial statements of CDLHT for the financial year ended 31 December 2019 (the “**CDLHT FY2019 Audited Financial Statements**”) and the matters and assumptions as stated under the respective sections.

7.1.1 Pro Forma Distribution per Stapled Security for FY2019

The following table sets forth the *pro forma* financial effects of the Divestment on the distribution per Stapled Security (“**DPS**”) of CDLHT for FY2019, as if CDLHT had completed the Divestment on 1 January 2019.

Pro forma financial effects of the Divestment for FY2019		
	Before the Divestment⁽¹⁾	After the Divestment
Net Property Income of CDLHT (S\$'000)	141,162	136,467
Distributable Income of CDLHT (S\$'000)⁽²⁾	109,389	107,229
Stapled Securities entitled for distribution ('000)	1,213,475	1,213,390
DPS (cents)⁽³⁾	9.02	8.85

Notes:

- (1) Based on the CDLHT FY2019 Audited Financial Statements.
- (2) The distributable income of CDLHT (after deducting income retained for working capital) represents the aggregate of distributions by H-REIT and HBT.
- (3) DPS is derived based on the distributable income of CDLHT (after deducting income retained for working capital) over the number of Stapled Securities entitled for distribution.

7.1.2 Pro Forma net asset value per Stapled Security for FY2019

The following table sets forth the *pro forma* financial effects of the Divestment on the net asset value per Stapled Security as at 31 December 2019, as if CDLHT had completed the Divestment on 31 December 2019.

Pro forma financial effects of the Divestment as at 31 December 2019		
	Before the Divestment⁽¹⁾	After the Divestment
Net asset value of CDLHT (S\$'000)	1,854,171	1,856,427
Stapled Securities issued and to be issued ('000)	1,216,632	1,216,632
Net asset value per Stapled Security (S\$)	1.524	1.526

Note:

- (1) Based on the CDLHT FY2019 Audited Financial Statements.

7.1.3 Pro Forma Capitalisation for FY2019

The following table sets forth the *pro forma* financial effects of the Divestment on the capitalisation of CDLHT as at 31 December 2019, as if CDLHT had completed the Divestment on 31 December 2019.

Pro forma financial effects of the Divestment as at 31 December 2019		
	Before the Divestment	After the Divestment
Total Assets (S\$'000)	3,061,125 ⁽¹⁾	3,002,475
Total Gross Borrowings (S\$'000)⁽²⁾	1,067,813 ⁽¹⁾	1,008,613 ⁽⁴⁾
Total Security Holders' Funds (S\$'000)	1,854,171 ⁽¹⁾	1,856,427
Total Capitalisation (S\$'000)	2,921,984	2,865,040
Aggregate Leverage Ratio (%)⁽²⁾⁽³⁾	35.4	34.1

Notes:

- (1) Based on the CDLHT FY2019 Audited Financial Statements.
(2) Excludes the effect of FRS 116/SFRS(I) Leases (adopted wef 1 Jan 2019).
(3) Aggregate leverage ratio is derived based on the aggregated total deposited property and total gross borrowings on a proportionate basis based on CDLHT's share of each subsidiary.
(4) Assumes that approximately S\$59.2 million from divestment proceeds are used to repay existing borrowings.

8. DISCLOSEABLE TRANSACTION

8.1 Discloseable Transactions – Chapter 10 of the Listing Manual

Chapter 10 of the SGX-ST Listing Manual governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by CDLHT. Such transactions are classified into the following categories:

- (i) non-discloseable transactions;
- (ii) discloseable transactions;
- (iii) major transactions; and
- (iv) very substantial acquisitions or reverse take-overs.

A proposed transaction by CDLHT may fall into any of the categories set out above depending on the size of the relative figures computed on the following bases of comparison:

- (a) the net asset value of the assets to be disposed of, compared with CDLHT's net asset value pursuant to Rule 1006(a) of the Listing Manual;
- (a) the net profits attributable to the assets to be acquired or disposed of, compared with CDLHT's net profits pursuant to Rule 1006(b) of the Listing Manual; and
- (b) the aggregate value of the consideration given or received, compared with CDLHT's market capitalisation based on the total number of issued Stapled Securities pursuant to Rule 1006(c) of the Listing Manual.

Rule 1006(d) of the Listing Manual is not applicable to the Divestment as CDLHT will not be issuing any Stapled Securities as consideration for the Divestment.

8.2 The Divestment

The relative figures computed on the bases set out in Rules 1006(a), 1006(b) and 1006(c) of the Listing Manual in respect of the Divestment are as follows:

	The Divestment (S\$ millions)	CDLHT (S\$ millions)	Relative Figures (%)
<u>Rule 1006(a)</u> Net asset value of the assets to be disposed of, compared with CDLHT's net asset value	66.0 ⁽¹⁾	1,800.0 ⁽²⁾	3.7
<u>Rule 1006(b)</u> Net profits attributable to the assets to be acquired or disposed of, compared with CDLHT's net profits ⁽³⁾	2.3	29.7	7.7
<u>Rule 1006(c)</u> Aggregate value of the consideration given or received, compared with CDLHT's market capitalisation based on the total number of issued Stapled Securities	66.4	1,305.4 ⁽⁴⁾	5.1

Notes:

- (1) Based on the Independent Valuation as at 31 August 2020.
- (2) Based on the unaudited net asset value of CDLHT attributable to the Stapled Security Holders as at 30 June 2020.
- (3) Based on the unaudited net property income attributable to the Property and CDLHT, as the case may be, for the six months period ended 30 June 2020.
- (4) Based on the closing market price of the Stapled Securities of S\$1.07 as at 20 October 2020 which is the market date preceding the date of the Divestment Agreement.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Divestment is regarded as being a discloseable transaction.

9. OTHER INFORMATION

9.1 Interests of Directors and Substantial Security Holders

Based on the information available to the Managers as at the date of this announcement, none of the directors of the Managers and the Substantial Security Holders have any interest, direct or indirect, in relation to the Divestment.

9.2 Directors' Service Contracts

No person is or is proposed to be appointed as a director of the Managers in connection with the Divestment.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Managers at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619⁴ from the date of this announcement up to and including the date falling three months thereafter:

- (a) the Divestment Agreement; and
- (b) the report by the Independent Valuer setting out the Independent Valuation.

BY ORDER OF THE BOARD

Vincent Yeo Wee Eng
Chief Executive Officer
M&C REIT Management Limited
(Company Registration Number 200607091Z)
as manager of CDL Hospitality Real Estate Investment Trust

BY ORDER OF THE BOARD

Vincent Yeo Wee Eng
Chief Executive Officer
M&C Business Trust Management Limited
(Company Registration Number 200607118H)
as trustee-manager of CDL Hospitality Business Trust

21 October 2020

⁴ Subject to measures taken by the Managers to minimise the spread of COVID-19. Prior appointment with the Managers will be appreciated.

IMPORTANT NOTICE

This announcement 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 other companies, shifts in customer demands, customers and partners, changes in operating expenses (including employee wages, benefits and training costs, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business). Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of the Managers on future events.

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 respective 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 that the H-REIT Manager and the HBT Trustee-Manager or any of their respective affiliates redeem or purchase 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 Singapore Exchange Securities Trading Limited (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.

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.