



CDL HOSPITALITY TRUSTS

17 MAY 2007

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)
and
CDL HOSPITALITY BUSINESS TRUST
(a business trust constituted on 12 June 2006 under the laws of the Republic of Singapore)

*In relation to the initial public offering of stapled securities ("**Stapled Securities**"), comprising one unit in CDL Hospitality Real Estate Investment Trust ("**H-REIT**") and one unit in CDL Hospitality Business Trust ("**HBT**"), in CDL Hospitality Trusts, being a stapled group comprising H-REIT and HBT, the joint financial advisers, global coordinators and bookrunners were DBS Bank Ltd and BNP Paribas Peregrine (Singapore) Ltd, and the joint underwriters were DBS Bank Ltd and BNP Paribas (acting through its Singapore Branch).*

ANNOUNCEMENT

ACQUISITION OF NOVOTEL CLARKE QUAY

1. INTRODUCTION

M&C REIT Management Limited (the "**H-REIT Manager**"), as manager of H-REIT, has identified the hotel known as Novotel Clarke Quay located at 177A River Valley Road Singapore 179031 (the "**Property**") for acquisition by H-REIT.

The Property is owned by Singapore Hotel Investment Company Pte Ltd ("**SHICPL**"), a company incorporated in Singapore, which is in turn owned by Singapore Hotel Investment Holdings Company ("**SHIHC**"), a special purpose investment holding company incorporated in the Cayman Islands. DBS Trustee Limited, as trustee of H-REIT (the "**H-REIT Trustee**"), has today entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with the vendors, being Lehman Brothers Real Estate Partners II L.P. and its Affiliated Partnerships (the "**Vendors**"), for the acquisition (the "**Acquisition**") of all the ordinary shares in the capital of SHIHC (the "**Sale Shares**") for the purpose of H-REIT's acquisition of the Property.

2. INFORMATION ON THE PROPERTY

The Property, which has a leasehold property title of 97 years expiring on May 2077, is a prime 25-storey superior hotel located on the banks of the Singapore River. It is situated on top of the six-storey Liang Court Shopping Podium and has a land area of 12,925.4 square metres. The Property has been in operation since 1984. It recorded average room revenue per available room of S\$111 for the year ended 31 December 2006 and this figure is expected to increase for this year.

The Property is located at Clarke Quay which has undergone a S\$85 million transformation to become one of Singapore's leading lifestyle and entertainment destination. The Property is also a short distance to the business and financial district at Raffles Place, as well as to Singapore's main Orchard Road shopping belt and major cultural and tourist attractions such as Chinatown and the Esplanade. It is further



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serviced by excellent transportation links such as the Clarke Quay MRT Station and the River Valley and Clemenceau Road main thoroughfares.

Comprising 398 rooms, the Property offers facilities such as an outdoor swimming pool, six food and beverage outlets, over 1,217 square metres of dedicated conference facilities, recreation facilities and 755 shared car park lots.

In late 2005 and 2006 the Property completed a comprehensive and extensive S\$19 million renovation to key public areas (such as the reception lobby, guest seating area, lifts, corridors and lift lobbies), restaurants and all 398 guest rooms.

The Property is currently managed by AAPC (Thailand) Ltd, a subsidiary of Accor S.A. which is a well-known international hotel operator which currently operates around 4,100 hotels in 90 cities with over 486,000 rooms.

The H-REIT Trustee and the H-REIT Manager have commissioned an independent property valuer, CB Richard Ellis (Pte) Ltd, to value the Property. CB Richard Ellis (Pte) Ltd, in its valuation report prepared for the H-REIT Trustee and the H-REIT Manager dated 30 March 2007, stated that the market value of the Property is S\$224.0 million. The valuation was conducted using the capitalisation approach, discounted cash flow analysis and direct comparison methods.

3. PRINCIPAL TERMS OF THE ACQUISITION

3.1 Consideration

The purchase consideration (“**Consideration**”) for the Acquisition, which was arrived at on an arm’s length, willing seller and willing buyer basis is S\$201.0 million, subject to adjustments for working capital balances as at Completion (as defined herein). The H-REIT Trustee will pay a deposit of S\$20.1 million upon the signing of the Sale and Purchase Agreement.

3.2 Completion

Completion of the sale and purchase of the Sale Shares will take place following the satisfaction, or if applicable waiver of, certain conditions precedent, and is expected to take place on or before 7 June 2007 (“**Completion**”).

3.3 Conditions Precedent

The Acquisition is conditional upon the following conditions precedent, unless specifically waived:

- 3.3.1 the receipt by the H-REIT Trustee of such waivers or consents as may be necessary to enable the H-REIT Trustee to be registered as holder of any and all of the Sale Shares;
- 3.3.2 all other consents and approvals required under any and all applicable laws for the sale of the Sale Shares and to give effect to the transactions contemplated under the Sale and Purchase Agreement (including, without limitation, such waivers as may be necessary of terms which would otherwise constitute a default



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under any instrument, contract, document or agreement to which any of the Vendors or SHIHC or SHICPL is a party or by which any of the Vendors or SHIHC or SHICPL or its or their respective assets are bound) being obtained and where any consent or approval is subject to conditions;

- 3.3.3 the warranties made by the Vendors remaining true and not misleading in any material respect before and up to Completion;
- 3.3.4 there being no default by SHIHC or SHICPL in any of their obligations by which SHIHC or SHICPL may become bound or liable to be called upon to repay prematurely any loan capital or borrowed moneys;
- 3.3.5 neither the H-REIT Trustee nor the Vendors having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the Sale and Purchase Agreement and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- 3.3.6 the receipt by the H-REIT Trustee of replies to legal requisitions on or before 7 June 2007 in respect of the Property which are satisfactory to the H-REIT Trustee; and
- 3.3.7 there being no material damage to the Property or any part thereof prior to Completion which cannot be made good by the Vendors at their own cost and expense prior to Completion.

4. COMPLETION EVENTS

Through the Sale and Purchase Agreement, the H-REIT Trustee will be buying all the ordinary shares in the capital of SHIHC. Subsequent to the Acquisition, SHICPL will transfer the Property to the H-REIT Trustee for the same Consideration, which may result in a tax liability of approximately S\$18.8 million for SHICPL. The H-REIT Trustee will indemnify SHICPL for the said tax liability.

Prior to Completion of the Acquisition, the H-REIT Trustee and AAPC Hotels Management Pte Ltd will enter into an undertaking deed pursuant to which each of party will, or will procure their respective subsidiaries to, upon completion of the acquisition of the Property by the H-REIT Trustee from SHICPL, terminate the existing management agreement; and execute a new management lease (the "**Management Lease**") relating to the Property.

The Management Lease will be entered into between the H-REIT Trustee and a subsidiary of Accor S.A. with the following key terms: (1) lease term up to 31 December 2020; (2) annual rent payment of over 90% of the actual gross operating profit; and (3) a reserve of S\$6.5 million to be set aside by the said subsidiary of Accor S.A. to cover any shortfall in rent below S\$6.5 million per year.

Following from the acquisition of the Property from SHICPL, SHIHC and SHICPL will be dormant and will be subsequently liquidated.



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5. ESTIMATED ACQUISITION COSTS

The current estimated costs of the Acquisition amount to approximately S\$223.0 million, comprising:

- (a) Consideration of S\$201.0 million (which is subject to adjustments for working capital balances as at Completion);
- (b) a sum of approximately S\$18.8 million to cover the potential tax liability for capital gains incurred by SHICPL upon transferring the Property to H-REIT; and
- (c) other estimated fees and expenses (including acquisition fees, professional fees and expenses) of approximately S\$3.2 million incurred or to be incurred by H-REIT in connection with the Acquisition.

6. METHOD OF FINANCING

The H-REIT Manager intends to finance the Acquisition, at least initially, wholly with debt. The H-REIT Manager is currently considering various options for the long term financing of the Acquisition.

7. RATIONALE

The H-REIT Manager believes that the Acquisition will bring the following benefits to holders of Stapled Securities (“**Security Holders**”):

7.1 Yield Accretive Acquisition

The forecast property yield of Novotel Clarke Quay for the financial year ending 31 December 2007 is 5.5%¹. This compares favourably to H-REIT’s current portfolio’s implied annualized property yield of 3.9%² for the financial year ending 31 December 2007.

7.2 Increased Presence in Singapore’s Strong Hotel Market

The Acquisition is expected to expand H-REIT’s portfolio of hotel properties in Singapore by over 20.0% in terms of number of rooms from 1,926 rooms to 2,324 rooms. This will increase the market share of H-REIT in Singapore’s strong hotel sector which is expected to further boost the performance of H-REIT. The Singapore hotel market is expected to benefit from the expected 6.4% compounded annual growth rate in visitor arrivals from the year 2006 to 2015, increasing from 9.7 million in 2006 to 17 million in 2015³, as well as the fact that the Singapore hotel room supply is not expected to increase significantly in 2007 and 2008⁴.

Upon completion of this transaction, H-REIT believes it will be the largest hotel owner in Singapore, by number of rooms.

¹ Based on the net property income estimates of the H-REIT Manager for the financial year ending 31 December 2007 and a total acquisition cost (excluding transaction costs) of S\$219.8 million

² Based on the annualised 1Q 2007 net property income announced on 2 May 2007 and the last traded price of S\$1.95 per stapled security in CDL Hospitality Trusts as at 11 May 2007

³ Source: Singapore Tourism Board

⁴ Source: CBRE report dated 23 February 2007



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7.3 Strategically Located Asset

The Property's strategic location in the heart of the newly revamped leisure and entertainment districts of Clarke Quay, Robertson Quay and Boat Quay, and its proximity to the Singapore central business district and major cultural and tourist attractions such as Chinatown and Esplanade will allow H-REIT to further tap into:

- Singapore's increasingly vibrant entertainment scene – Clarke Quay's recent S\$85 million redevelopment has transformed it into one of Singapore's "must visit" food, entertainment and lifestyle destinations and into a world class waterfront destination; and
- Singapore's growing business travel, meetings, incentives, conventions and exhibitions segments.

7.4 The Acquisition is in line with the H-REIT Manager's investment strategy

The H-REIT Manager aims to maximise the rate of return for Security Holders and to make regular distributions by, *inter alia*, pursuing opportunities for asset acquisitions that are yield accretive.

The Acquisition will be in line with H-REIT's strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate which is primarily used for hospitality and/or hospitality-related purposes. The H-REIT Manager believes that Security Holders can expect to enjoy a higher distribution per Stapled Security due to the yield-accretive nature of the Acquisition. This expected increase in distribution per Stapled Security will result from, *inter alia*, the Acquisition at an attractive price relative to the cash flows that it generates.

7.5 Income Diversification and Enlargement of Asset Portfolio

The Acquisition will enlarge H-REIT's existing property portfolio and improve income diversification by reducing the reliance of H-REIT's income stream on any single property. Upon completion of the Acquisition and assuming that no further acquisitions are made, the maximum contribution in rent from any single property in H-REIT's portfolio is expected to fall from 30.9% to 25.9% for the period from 1 January 2007 to 31 March 2007, thus enhancing the stability of H-REIT's revenue base and H-REIT's returns to Security Holders.

8. FINANCIAL EFFECTS OF THE ACQUISITION

8.1 Assumptions

The pro forma financial effects of the Acquisition presented below are strictly for illustration purposes and do not reflect the actual financial position of H-REIT or CDL Hospitality Trusts after completion of the Acquisition. They have been prepared based on the audited financial statements of H-REIT and its subsidiaries (the "H-REIT Group") for the financial period from 8 June 2006 (being the date of the establishment of H-REIT) to



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31 December 2006 (the “**Financial Period 2006**”) as well as the assumption that the Acquisition is wholly financed through a loan facility (the “**Bridge Loan**”). The Bridge Loan may be partly or wholly repaid with the proceeds to be raised from an equity fund raising, to be carried out at such time to be determined by the H-REIT Manager. Any repayment of the Bridge Loan may cause the actual financial position of H-REIT after completion of the Acquisition to vary materially from the pro forma financial effects set out below.

The pro forma effects of the Acquisition on the net profits and earnings of the H-REIT Group are based on the assumptions that H-REIT had completed the Acquisition on 19 July 2006 (being the date of listing of H-REIT on the Singapore Exchange Securities Trading Limited) and held the Property through to 31 December 2006, the Bridge Loan bears interest at 3.2% per annum and that Stapled Securities issued to the H-REIT Manager as payment for the acquisition fee and the portion of the management fee payable in Stapled Securities in respect of the Property are issued at \$1.95 per Stapled Security.

8.2 Net Profits

The net profits (before income tax, minority interests and extraordinary items) attributable to the Acquisition in relation to the Financial Period 2006 are S\$150,000⁵.

8.3 Net Tangible Assets

As the H-REIT Manager intends to finance the Acquisition, at least initially, wholly with debt, the Acquisition is not expected to have a significant effect on the net tangible assets per unit in H-REIT using the unaudited management accounts of SHICPL. The book value and net tangible assets of SHHC at completion date will be announced after the finalization of the accounts.

8.4 Earnings

Assuming that the Acquisition had been completed on 19 July 2006, the earnings per unit in H-REIT will increase by 0.02 Singapore cents or 0.5% for the Financial Period 2006.

9. INTERESTS OF DIRECTORS AND CONTROLLING SECURITY HOLDERS

Based on information available to the H-REIT Manager and M&C Business Trust Management Limited, as trustee-manager of HBT (the “**HBT Trustee-Manager**”), as at the date of this Announcement, none of the directors of the H-REIT Manager or the HBT Trustee-Manager, or the controlling Security Holders⁶ have an interest, direct or indirect, in the Acquisition.

10. OTHER INFORMATION

10.1 Director’s Service Contracts

⁵ Based on the scenario that the Property is financed with 100.0% debt.

⁶ A person with an interest in one or more Stapled Securities constituting not less than 15.0% of all outstanding Stapled Securities.



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

10.2 Disclosure under Rule 1010(13) of the Listing Manual

10.2.1 Chapter 10 of the Listing Manual classifies transactions into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions, and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, inter alia, the following bases:-

- (a) the net profits attributable to the assets acquired or disposed of, compared with CDL Hospitality Trusts' net profits;
- (b) the aggregate value of the consideration given, compared with the market capitalisation of CDL Hospitality Trusts; and
- (c) the number of Stapled Securities issued by CDL Hospitality Trusts as consideration for each transaction, compared with the number of Stapled Securities previously in issue.

10.2.2 Based on the management accounts of SHICPL provided by the Vendors and the unaudited financial statements of H-REIT Group for the period from 1 January 2007 to 31 March 2007, the relative figure for the basis of comparison set out in sub-paragraph 10.2.1(a) is approximately 2.0%.

10.2.3 The estimated total cost for the Acquisition (including the potential tax liability for capital gains incurred by SHICPL upon selling the Property to H-REIT but excluding other transaction fees and expenses) would be approximately S\$219.8 million. Based on this and CDL Hospitality Trusts' market capitalisation of approximately S\$1,352.8 million as at 11 May 2007, the relative figure for the basis of comparison set out in sub-paragraph 10.2.1(b) of the Listing Manual is approximately 16.2%.

10.2.4 The relative figure of the basis of comparison set out in sub-paragraph 10.2.1(c) does not apply because no Stapled Securities are issued by H-REIT as consideration for the Acquisition.

10.3 Documents for Inspection

Copies of the following documents are available for inspection during normal business hours (prior appointment will be appreciated) at the registered office of the H-REIT Manager and the HBT Trustee-Manager located at 36 Robinson Road #04-01 City House Singapore 068877 for a period of 3 months commencing from the date of this Announcement:-

- (i) the Sale and Purchase Agreement;
- (ii) the valuation report on the Property as at 30 March 2007 prepared by CB Richard Ellis (Pte) Ltd.



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BY ORDER OF THE BOARD

Enid Ling Peek Fong
Company Secretary

M&C REIT Management Limited
(Company Registration Number
200607091Z)

as manager of CDL Hospitality Real Estate
Investment Trust

BY ORDER OF THE BOARD

Enid Ling Peek Fong
Company Secretary

M&C Business Trust Management Limited
(Company Registration Number
200607118H)

as trustee-manager of CDL Hospitality
Business Trust

17 May 2007

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 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 redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that the 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 announcement contains forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in these 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, 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.