



CDL HOSPITALITY TRUSTS

FOR IMMEDIATE RELEASE

21 NOVEMBER 2019

CDL HOSPITALITY TRUSTS PROPOSES TO INVEST CLOSE TO S\$800 MILLION¹ IN TWO SINGAPORE HOTELS

- **Unlock redevelopment potential of Novotel Singapore Clarke Quay through:**
 - **Divestment at 87.0% premium over original purchase price**
 - **Forward purchase of a hotel within a proposed new iconic integrated development, retaining presence on current Liang Court Site² at Clarke Quay without development risk**
- **Acquisition of W Singapore – Sentosa Cove, a rare off-market opportunity to acquire a luxury lifestyle hotel in Singapore and allows CDLHT to preserve majority Singapore weightage during period of redevelopment**

Singapore, 21 November 2019 – The managers of CDL Hospitality Trusts³ (“CDLHT”) have today announced the proposed redevelopment of Novotel Singapore Clarke Quay (“NCQ”) (the “Proposed Redevelopment Transaction”) and the proposed acquisition of W Singapore – Sentosa Cove (the “W Hotel”) (the “Proposed W Hotel Acquisition”) (collectively, the “Proposed Transactions”).

The Proposed Redevelopment Transaction comprises the divestment of NCQ, which sits on the Liang Court Site, to a consortium led by City Developments Limited (“CDL”) and CapitaLand Limited, which also includes Ascott Residence Trust, (collectively, the “Consortium”) and the forward purchase of a new hotel (the “New Hotel”) from a subsidiary of CDL. The Consortium intends to redevelop the Liang Court Site into an integrated development⁴, with a total gross floor area of more than 100,000 square metres (“sqm”) comprising the New Hotel, two residential towers expected to offer around 700 apartment units, a commercial component, and a serviced residence with a hotel licence.

Mr Vincent Yeo, Chief Executive Officer of CDLHT’s managers, said, “We strongly believe in the long-term value of hospitality real estate in Singapore and are pleased to secure two attractive opportunities to increase CDLHT’s investment in our home market.

“Our primary objective is to retain CDLHT’s presence on the Liang Court Site, where NCQ has immensely benefitted from its prized Clarke Quay location since we acquired it in 2007. We now have the rare prospect of realising the gain on our investment in NCQ, in line with our strategy to unlock underlying asset values, following the consensus of all strata title owners of the Liang Court Site on the means to realise its redevelopment potential. Leveraging on CDL’s renowned development capabilities, we will be able to secure a turnkey hotel custom built to specifications of a “Moxy” brand in 2025⁵, with an extended land lease, coupled with a pricing formula that protects the interests of Security Holders, without taking on development risk.

“As proceeds from the divestment of NCQ will not be tied up during the development of the New Hotel, we will be able to efficiently recycle capital for acquisitions or other uses. The Proposed W Hotel Acquisition represents a rare opportunity to secure a high quality, luxury hotel in the tightly-held Singapore market. This will also preserve the majority Singapore weightage of CDLHT’s portfolio and partially mitigate the absence of income from NCQ. Moreover, the Proposed Redevelopment Transaction and the Proposed W Hotel Acquisition are expected to be DPS⁶-accretive both on a standalone and combined basis⁷.

1 Comprising the New Hotel Purchase Consideration (as defined herein) of up to S\$475.0 million and the W Hotel Purchase Consideration (as defined herein) of S\$324.0 million

2 Liang Court Site comprises NCQ, Liang Court mall and Somerset Liang Court Singapore (“Liang Court Site”)

3 A stapled group comprising CDL Hospitality Real Estate Investment Trust (“H-REIT”), a real estate investment trust, and CDL Hospitality Business Trust (“HBT”), a business trust

4 Subject to approval from the relevant authorities

5 Estimated timeline, subject to change

6 Distribution per Stapled Security

7 Based on financial impact on a pro forma basis for the financial year ended 31 December 2018



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“Collectively, the Proposed Transactions enable CDLHT to not only further penetrate the lifestyle hotel segment at multiple tiers, but also strengthen our presence in the Singapore hospitality market. These position CDLHT to better tap rising global demand for hotels that provide unique experiences and benefit from increased long-term exposure to Singapore’s hospitality market, which is supported by diversified growth drivers.”

OVERVIEW OF THE PROPOSED TRANSACTIONS

Under the Proposed Redevelopment Transaction, CDLHT will divest NCQ for S\$375.9 million (the “Divestment Consideration”), 87.0% above the original purchase price of S\$201.0 million in 2007 and above the independent valuations by Knight Frank Pte Ltd. (“Knight Frank”) and Colliers International Consultancy & Valuation (Singapore) Pte Ltd (“Colliers”) as at 15 October 2019.

CDLHT will also acquire the New Hotel for the lower of the fixed price of S\$475.0 million or 110.0% of the New Hotel’s development costs⁸ (the “New Hotel Purchase Consideration”). The S\$475.0 million ceiling is lower than the New Hotel’s independent valuations by Knight Frank and Colliers as at 15 October 2019.

The exit net property income (“NPI”) yield represented by the Divestment Consideration and the stabilised NPI yield represented by the New Hotel Purchase Consideration on a pro forma basis both stand at 5.6%. As a whole, the Proposed Redevelopment Transaction is also expected to result in a 2.0% DPS accretion on a pro forma FY 2018 basis. CDLHT is expected to recognise a total divestment gain and fair value gain of S\$36.3 million⁹, following the divestment of NCQ at a 12.9% premium to its previous valuation on 31 December 2018¹⁰.

Under the Proposed W Hotel Acquisition, CDLHT will acquire the W Hotel for S\$324.0 million (the “W Hotel Purchase Consideration”), which is lower than the hotel’s independent valuation by Colliers and in line with the valuation by Knight Frank. The W Hotel Purchase Consideration represents a 3.1% NPI yield and the Proposed W Hotel Acquisition is expected to result in a 0.9% DPS accretion on a pro forma FY 2018 basis.

CDLHT’s managers intend to fund the Proposed W Hotel Acquisition through the use of internal resources, including the proceeds from the divestment of NCQ and/or debt financing. The acquisition of the New Hotel is currently intended to be funded through debt financing upon delivery in 2025¹¹, with the actual method of funding to be determined closer to the completion when payment is due.

With the acquisition of the W Hotel on a standalone basis, CDLHT would have a pro forma gearing of 42.3%¹². With the acquisition of the W Hotel combined with the divestment of NCQ, and prior to the acquisition of the New Hotel, CDLHT’s pro forma gearing would be lower, at 35.3%¹³, leaving it with ample debt headroom amounting to S\$512.7 million, assuming a 45% gearing limit for CDLHT as a whole.

RATIONALE AND BENEFITS

Increase Foothold in the Lifestyle Hotel Market

The Proposed Transactions will enable CDLHT to further penetrate the lifestyle hotel market at different tiers or price points in Singapore amid increasing global demand for lifestyle hotels with strong identities

⁸ However, if any extension fee or levy is payable by the Consortium entities for any extension of time for the fulfilment of any condition imposed by the Singapore Land Authority in respect of the upgrading of lease tenure of land lot TS09-147V to a fresh 99-year lease (“LUP Levy”), the consideration will be the lower of (i) fixed price; or (ii) 110% of the development cost plus the LUP Levy (or part thereof).

⁹ The divestment gain and fair value gain is S\$0.6 million and S\$35.7 million respectively

¹⁰ Divestment Consideration of S\$375.9 million over previous valuation of S\$333.0 million on 31 December 2018 commissioned by the CDLHT’s managers and disclosed in CDLHT’s annual report 2018

¹¹ Estimated timeline, subject to change

¹² As at 30 September 2019

¹³ As at 30 September 2019 and assumes net divestment proceeds are utilised towards the Proposed W Hotel Acquisition with the excess used for the repayment of debt



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and story-telling potential. The W Hotel caters to the luxury lifestyle market while the New Hotel, which will be a “Moxy” branded hotel, is designed to be appealing to the next-generation traveller with its affordable lifestyle position. The “W” and “Moxy” brands are both managed by Marriott International, Inc. (“Marriott”), which operates and/or franchises more than 7,200 properties in 134 countries and territories¹⁴ and is one of the world’s largest hotel groups.

Preserve Majority Portfolio Weightage in Singapore and Further Solidify Future Exposure to a Vibrant Hospitality Market with Diversified Long-Term Growth Drivers

Through the W Hotel and the New Hotel, CDLHT will also benefit from continued long-term exposure to Singapore, which is the 5th most visited city in the world¹⁵ and attracts both leisure and business travel, given its status as an international financial centre and renowned MICE¹⁶ destination. International visitor arrivals to Singapore almost doubled from ~9.8 million in 2006 to ~18.5 million in 2018, and are expected to increase by a further 1% to 4% year-on-year in 2019¹⁷. Prominent events are constantly being added to its calendar and there is ongoing investment in tourism infrastructure, with several new large-scale projects across the entire island being planned. These range from the makeover of the Mandai Nature Precinct in the nearer term to the expansion of Changi International Airport and the masterplan for the Sentosa – Pulau Brani area in the longer term. On the supply front, room inventory growth reached a 10-year low in 2018¹⁸ and is expected to remain benign with a 1.3% annualised growth rate over the next four years¹⁹. Accordingly, the outlook for the Singapore hospitality market is favourable.

With the Proposed Transactions, CDLHT will be able to preserve its majority Singapore portfolio weightage through the W Hotel even after divesting NCQ. When delivered, the New Hotel will further solidify CDLHT’s exposure to Singapore.

Retain Presence in Prime Clarke Quay Location and Penetrate Highly Sought-After Sentosa Market

Significantly, the Proposed Redevelopment Transaction will enable CDLHT to retain its presence in Clarke Quay, which has considerably high barriers to entry due to limited available acquisition opportunities. Strategically located, Clarke Quay is minutes from the Central Business District and the prime Orchard Road shopping belt, and easily accessible via both the Fort Canning and Clarke Quay MRT stations. A popular and vibrant entertainment, shopping and dining destination for tourists and families, it is also an ideal location for a lifestyle hotel at an affordable price point.

Similarly, opportunities to acquire a comparable property in W Hotel’s segment are also seldom available in the tightly-held Singapore hospitality market, especially in Sentosa. The island is known for its diverse array of leisure offerings and was strongly profiled on a global scale as the venue of the notable Trump-Kim Summit in 2018. With more key attractions being added at Resorts World Sentosa, which includes Universal Studios Singapore, as well as the major Sentosa-Brani masterplan, the island is poised to have an enhanced role as a key tourism gateway for the country.

Unlock Value of NCQ and Secure a Brand New Hotel without Bearing Development Risk

The Proposed Redevelopment Transaction represents a rare opportunity for CDLHT to realise the valuation gain over its holding of NCQ over the past 13 years and unlock the value of its interest in the Liang Court Site. This is because the Liang Court Site, which NCQ is a part of, is held under a strata title scheme by CDLHT and two other subsidiary proprietors, and can only be redeveloped with the unanimous consent of all subsidiary proprietors. The subsidiary proprietors have only recently reached a consensus

¹⁴ Marriott

¹⁵ Colliers Valuation Report

¹⁶ Meetings, incentives, conferences and exhibitions

¹⁷ Singapore Tourism Board

¹⁸ Colliers Valuation Report

¹⁹ Horwath HTL (as at June 2019) and CDLHT research



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on the means to realise the redevelopment potential of the Liang Court Site²⁰, which would extend the land tenure from 57 years to 99 years²¹.

While NCQ has performed strongly since CDLHT's acquisition, it may require significant future capital expenditure and upgrading to remain competitive in the coming years and the Proposed Redevelopment Transaction is a timely opportunity for CDLHT to gain a brand new turnkey hotel.

Leveraging CDL's renowned experience for the development of the New Hotel and only acquiring it on a later date with a capped price, CDLHT will also not be taking on any development risk. In addition, the cost plus model allows CDLHT to reap potential savings.

The New Hotel, which is expected to have about 460 to 475 rooms²², is part of the proposed integrated development that will be an iconic feature and prominent skyline addition to the Clarke Quay area. As the Consortium plans to also rejuvenate the river promenade flanking the integrated development, in line with the Urban Redevelopment Authority's Draft Master Plan 2019, the New Hotel is poised to benefit from the greater vibrancy of the area. The desirability of the precinct is expected to be significantly enhanced by its increased gentrification and the further activation of its potential to offer a waterfront lifestyle. In particular, the rejuvenation is expected to generate social activities, increase footfall, and improve pedestrian accessibility.

Acquire a High Quality Hotel with Potential Upside

The acquisition of the 240-room W Hotel would add another high quality property to CDLHT's portfolio. The luxury lifestyle hotel is equipped with a comprehensive suite of facilities including outdoor pools, more than 1,400 sqm of event space, three F&B outlets and a poolside bar, as well as a spa. Coupled with the S\$1.35 million price per key that is comparable to hotel transactions in a similar segment in Singapore over the last six years, these attributes present potential for long-term capital appreciation.

DPS Accretion

The Proposed Redevelopment Transaction and the Proposed W Hotel Acquisition are expected to be DPS-accretive both as standalone transactions and on a combined basis. On a combined basis, they translate to a 2.7% DPS accretion on a pro forma FY 2018 basis.

EXTRAORDINARY GENERAL MEETINGS ("EGMs")

CDLHT's managers are convening EGMs of Security Holders, expected to be held in January 2020, to seek approval for the Proposed Transactions from Security Holders. The Proposed Redevelopment Transaction and the Proposed W Hotel Acquisition are not inter-conditional.

Mr Yeo concluded, "We are pleased to be able to tap on our blue-chip parentage for development expertise and pipeline assets. The Proposed Transactions are in line with our acquisition, as well as asset and capital management strategies to enhance long-term sustainable value for Security Holders. With ample debt headroom prior to the acquisition of the New Hotel in Clarke Quay, we have the flexibility to continue pursuing suitable acquisitions to further grow CDLHT's income base. We look forward to the support of Security Holders at our upcoming EGMs."

CDLHT has six hotels comprising 2,718 rooms in Singapore valued at more than S\$1.6 billion²³. These include Orchard Hotel and M Hotel, as well as four hotels in the vicinity of the Singapore River – Grand Copthorne Waterfront Hotel, Copthorne King's Hotel, NCQ, and Studio M Hotel. After the completion of the Proposed Transactions, CDLHT will have seven hotels comprising more than 3,000 rooms in Singapore.

²⁰ Following CDL's and CapitaLand Limited's acquisition of the Liang Court mall from ARMF II (Liang Court) Pte. Ltd.

²¹ A fresh leasehold estate of 99 years from acceptance of the lease renewal

²² Subject to change

²³ As at 30 September 2019



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Please refer to Appendix A for more information on the properties for divestment and acquisition.

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For media and investor queries, please contact:

Mandy Koo
Head, Investments & Investor Relations
Tel: +65 6664 8887
Email: mandykoo@cdlht.com

Benjamin Ong
Manager, Investor Relations
Tel: +65 6664 8890
Email: benjaminong@cdlht.com

Terence Foo / Bob Ong / Elizabeth Yeong / Cherie Hui
Newgate Communications
Tel: +65 6532 0606
Email: terence.foo@newgatecomms.com.sg / bob.ong@newgatecomms.com.sg /
elizabeth.yeong@newgatecomms.com.sg / cherie.hui@newgatecomms.com.sg

About CDL Hospitality Trusts

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

CDLHT was established with the principal investment strategy of investing in a portfolio of hospitality and/or hospitality-related real estate assets. As at 30 September 2019, CDLHT owns 16 hotels and two resorts comprising a total of 5,088 rooms as well as a retail mall. The properties under CDLHT’s portfolio include:

- (i) six hotels in the gateway city of Singapore (Orchard Hotel, Grand Copthorne Waterfront Hotel, M Hotel, Copthorne King’s Hotel, Novotel Singapore Clarke Quay and Studio M Hotel) as well as a retail mall adjoining Orchard Hotel (Claymore Connect);
- (ii) three hotels in Brisbane and Perth, Australia (Novotel Brisbane, Mercure Perth and Ibis Perth);
- (iii) two hotels in Japan’s gateway city of Tokyo (Hotel MyStays Asakusabashi and Hotel MyStays Kamata);
- (iv) one hotel in New Zealand’s gateway city of Auckland (Grand Millennium Auckland);
- (v) two hotels in United Kingdom (Hilton Cambridge City Centre in Cambridge and The Lowry Hotel in Manchester);
- (vi) one hotel in Germany’s gateway city of Munich (Pullman Hotel Munich);
- (vii) one hotel in the historic city centre of Florence, Italy (Hotel Cerretani Florence, MGallery by Sofitel);
and
- (viii) two resorts in Maldives (Angsana Velavaru and Raffles Maldives Meradhoo).



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Appendix A

Novotel Singapore Clarke Quay

NCQ is a 403-key hotel located along the River Valley Road in Singapore and forms part of the Liang Court Site.

Strategically located between the Central Business District and minutes away from the prime shopping area of Orchard Road, NCQ is situated in the vibrant and dynamic entertainment hub of Clarke Quay.

Property Description	
Address	177A River Valley Road, Singapore 179031
Title	Leasehold estate of 97 years and 30 days expiring on 1 May 2077; 57 years leasehold remaining as at completion of the Proposed Divestment
Gross Floor Area ("GFA")	34,908.7 sqm
Number of Rooms	403
Operator Brand Classification	Midscale



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New Hotel (part of proposed integrated development)

As part of the integrated development, the New Hotel is expected to be custom-built to specifications to the brand standards of the Moxy brand under Marriott. Moxy Hotels (“Moxy”) is one of the newest lifestyle boutique hotel concepts by Marriott that is designed to be appealing to the next-generation traveller, which includes millennials, and at great value. Hotel rooms are designed to be stylish, modern and compact, with an efficient use of space. Lobbies and dining areas are planned as lively and engaging communal spaces where hotel guests can interact freely with one another, while service delivery is focused on fun and playful experiences.

As a uniquely designed lifestyle hotel, it will boast of contemporary lifestyle elements, including an iconic rooftop bar with panoramic views of Marina Bay, and an open social floor which comprises a restaurant and flexible meeting rooms.

Moxy currently operates 46 hotels around the world, comprising 9,345 rooms globally as at October 2019, with many located in prominent, metropolitan cities including New York, San Francisco, London, Milan, Tokyo, Osaka and soon-to-open hotels in Seoul and Taichung. In addition, there are 104 properties comprising 19,338 rooms in the Moxy global pipeline. The New Hotel will also be able to tap on the strong global distribution network of Marriott, one of the largest hotel groups in the world which operates and/or franchises more than 7,200 properties in 134 countries and territories²⁴.

Property Description	
Address	177A River Valley Road, Singapore 179031 ²⁵
Title	A fresh leasehold estate of 99 years from acceptance of lease renewal
Expected Year of Completion of the New Hotel Acquisition	Around 2025 ²⁶
GFA	15,540.7 sqm
Expected Number of Rooms	Around 460 to 475 ²⁷
Facilities	<ul style="list-style-type: none">• Rooftop bar• Open social floor comprising a restaurant, flexible meeting space and a bar• Rooftop pool and gym
Operator Brand Classification	Upper Midscale
Hotel Operator	International Luxury Hotels (Singapore) Pte. Ltd., a wholly-owned indirect subsidiary of Marriott International, Inc.

²⁴ Marriott

²⁵ While the New Hotel is expected to be developed within the same site as where the present NCQ is, the street address of the New Hotel may be subject to change as a result of the redevelopment

²⁶ This is an estimated timeline and is subject to change

²⁷ Key count subject to change



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Proposed integrated development

The Consortium intends to redevelop the Liang Court Site, into an integrated development with a total GFA of 100,263 sqm comprising two residential towers expected to offer around 700 apartment units, a commercial component, a serviced residence with a hotel licence and the New Hotel.

Upon completion, the 50:50 CDL-CapitaLand joint venture entities will own the residential and commercial components, while Ascott Residence Trust will own the 192-unit serviced residence. CDLHT will acquire the New Hotel from CDL.

Summary of New Integrated Development (Subject to Approval and Design Planning)											
Location	River Valley Road / Tan Tye Place / Clarke Quay										
Description²⁸	An integrated development comprising: <ul style="list-style-type: none">• New Hotel• Two residential towers comprising around 700 apartments• Commercial component• Serviced residence with a hotel licence• Basement car park										
Site Area	12,925.4 sqm										
GFA	<table><tbody><tr><td>• New Hotel</td><td>15,541 sqm</td></tr><tr><td>• Residential</td><td>60,158 sqm</td></tr><tr><td>• Commercial</td><td>11,530 sqm</td></tr><tr><td>• Serviced residence with a hotel licence</td><td>13,034 sqm</td></tr><tr><td>• Total</td><td><u>100,263 sqm</u></td></tr></tbody></table>	• New Hotel	15,541 sqm	• Residential	60,158 sqm	• Commercial	11,530 sqm	• Serviced residence with a hotel licence	13,034 sqm	• Total	<u>100,263 sqm</u>
• New Hotel	15,541 sqm										
• Residential	60,158 sqm										
• Commercial	11,530 sqm										
• Serviced residence with a hotel licence	13,034 sqm										
• Total	<u>100,263 sqm</u>										
Developer	<ul style="list-style-type: none">• New Hotel: CDL• Residential and commercial components: CDL and CapitaLand on a 50:50 basis• Serviced residence with a hotel licence: Ascott Residence Trust										

²⁸ Subject to authority's approval and change



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W Singapore – Sentosa Cove

The W Hotel is located in Sentosa Cove, a luxury waterfront precinct. A vibrant island resort for business and leisure, Sentosa has over 30 themed attractions, some 200 F&B and retail outlets, a mega integrated resort, two world-class golf courses, a yachting marina, and more.

A luxury hotel with 240 guest rooms, the hotel has won several accolades for its design and has an expansive view of the marina and seafront. The hotel also offers a comprehensive suite of facilities including a ballroom, function rooms, swimming pools, spa, restaurants and bars. Nearby amenities include Quayside Isle, an upscale waterfront retail and dining concept, and ONE 15 Marina Sentosa Cove, Singapore, an exclusive marina and lifestyle destination.

Conceptualised from the bold and vibrant culture of New York City, W Hotels, part of Marriott, is an iconic brand which has been the trendsetter for the lifestyle hotel concept in the global hospitality scene for over two decades. With more than 55 hotels globally, the W brand is positioned to offer a unique mix of cutting-edge design, world-class service and passions around fashion, music and entertainment, and integrates restaurant concepts, entertainment experiences, retail concepts and signature spas to cater to discerning leisure travellers seeking luxury in a non-traditional way. In addition, there are 32 properties comprising 7,603 rooms in the W Hotels global pipeline²⁹.

Managed by Marriott, one of the largest hotel groups in the world which operates and/or franchises more than 7,200 properties in 134 countries and territories, the W Hotel will be able to tap on the strong global distribution network of Marriott.

Property Description	
Address	21 Ocean Way, Singapore 098374
Title	Leasehold estate of 99 years commencing from 31 October 2006
Land Area	17,016 sqm
GFA	25,374 sqm
Number of Rooms	240
Food and Beverage Outlets ("F&B")	3 F&B outlets and 1 poolside bar
Meeting Space	10 versatile meeting rooms covering more than 1,400 sqm including a ball room of 720 sqm with a capacity of up to 480 guests banquet-style and 500 guests theater-style
Operator Brand Classification	Luxury
Hotel Operator	Luxury Hotels International of Hong Kong Limited, an indirect wholly-owned subsidiary of Marriott International, Inc
Year of Completion	2012

²⁹ Marriott