



## 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 DATED 3 JANUARY 2020

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

### CIRCULAR TO SECURITY HOLDERS IN RELATION TO:

- (1) **THE PROPOSED REDEVELOPMENT TRANSACTION WHICH INVOLVES THE DIVESTMENT OF NOVOTEL SINGAPORE CLARKE QUAY AND THE FORWARD PURCHASE OF A HOTEL TO BE DEVELOPED AS PART OF AN INTEGRATED DEVELOPMENT (AS AN INTERESTED PERSON TRANSACTION); AND**
- (2) **THE PROPOSED ACQUISITION OF THE HOTEL KNOWN AS W SINGAPORE – SENTOSA COVE (AS AN INTERESTED PERSON TRANSACTION).**

### IMPORTANT DATES AND TIMES FOR SECURITY HOLDERS

Event	Date and Time
Last date and time for lodgement of Proxy Form	Tuesday, 21 January 2020 at 10.00 am
Date and time of Extraordinary General Meetings	Thursday, 23 January 2020 at 10.00 am
Place of Extraordinary General Meetings	Orchard Grand Ballroom 1 & 2 Orchard Hotel Singapore 442 Orchard Road Singapore 238879

### Independent Financial Adviser

**DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD**  
(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200200144N)

This Circular is issued by M&C REIT Management Limited, in its capacity as manager of CDL Hospitality Real Estate Investment Trust, and M&C Business Trust Management Limited, in its capacity as trustee-manager of CDL Hospitality Business Trust. Singapore Exchange Securities Trading Limited ("SGX-ST") takes no responsibility for the accuracy of any statements or opinions made, or reports contained, in this Circular. **If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your stapled securities in the stapled group comprising H-REIT (as defined herein) and HBT (as defined herein) ("CDLHT"), you should immediately forward this Circular, together with the Notice of Extraordinary General Meetings 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.

# OVERVIEW OF PROPOSED TRANSACTIONS

1

## REDEVELOPMENT TRANSACTION

- Divest Novotel Singapore Clarke Quay ("**Novotel CQ Property**")
- Forward purchase of a brand new, lifestyle hotel ("**New Hotel Property**") at redeveloped Liang Court Site <sup>(1)</sup>

2

## ACQUISITION OF W SINGAPORE – SENTOSA COVE ("**W HOTEL PROPERTY**")

- Acquire income producing luxury lifestyle hotel in coveted Sentosa market



**Primary objective:**  
retain presence on  
Liang Court Site

Most ideal for lifestyle hotel  
due to prime location and  
dynamics of Clarke Quay



**Rare opportunity**  
to acquire a high quality,  
luxury hotel in tightly  
held SG market

Also mitigates absence of income from  
divestment of Novotel CQ Property  
during redevelopment



**Unlock value &**  
secure new turnkey  
hotel with capped price

Fixed price takes away  
development risk while cost  
plus model allows for  
cost savings <sup>(2)</sup>



**Preserve and increase**  
majority portfolio  
weightage in SG

Further penetrate lifestyle hotel  
market in Singapore at different  
tiers or price points

## LONG-TERM VALUE OF SINGAPORE HOSPITALITY REAL ESTATE

Distribution Per Stapled Security ("**DPS**") accretive both on a standalone and a combined basis <sup>(3)</sup>

(1) The Liang Court Site comprises Novotel CQ Property, Liang Court mall and Somerset Liang Court Singapore ("**Liang Court Site**"). The land lot on which the Liang Court Site is situated upon is land lot TS09-147V ("**Whole Land**" and, CDLHT's interest in the Whole Land with respect to the Novotel CQ Property "**Land**").

(2) Lower of fixed price of S\$475.0M or 110% of development costs (taking into account developer's return). However, any extension fee or levy payable by the Joint Development Parties (as defined in the Circular) 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 the Whole Land to a fresh 99-year lease ("**Levy**"), the consideration will be the lower of (i) fixed price; or (ii) 110% of the development cost plus the Levy (or part thereof).

(3) On a pro forma basis for FY 2018



WET Pool and W Lawn – W Hotel Property

	Redevelopment of Novotel CQ Property		Acquisition of W Hotel Property
	Divestment of Novotel CQ Property	Acquisition of New Hotel Property	
<b>Keys</b>	403	About 460 to 475 <sup>(1)</sup>	240
<b>Price</b>	S\$375.9M	Up to a cap of S\$475.0M <sup>(2)</sup> (with potential for savings)	S\$324.0M
<b>Price Per Key</b>	S\$933K	Up to a cap of S\$1.0M	S\$1.35M
<b>Operator and its Brand Classification</b>	<ul style="list-style-type: none"> <li>• Accor <sup>(3)</sup> (Novotel)</li> <li>• Midscale</li> </ul>	<ul style="list-style-type: none"> <li>• Marriott <sup>(4)</sup> (Moxy Hotels)</li> <li>• Upper Midscale</li> </ul>	<ul style="list-style-type: none"> <li>• Marriott <sup>(4)</sup> (W Hotels)</li> <li>• Luxury</li> </ul>
<b>Remaining Term of Land Lease</b>	~57 years	99 years <sup>(5)</sup>	~86 years
<b>Valuation</b>	<ul style="list-style-type: none"> <li>• S\$368.7M (Colliers)</li> <li>• S\$370.5M (Knight Frank)</li> </ul>	<ul style="list-style-type: none"> <li>• S\$481.0M (Colliers)</li> <li>• S\$478.0M (Knight Frank)</li> </ul>	<ul style="list-style-type: none"> <li>• S\$326.0M (Colliers)</li> <li>• S\$324.0M (Knight Frank)</li> </ul>
<b>NPI Yield <sup>(6)</sup></b>	5.6%	5.6%	3.1%

(1) Key count subject to change

(2) Lower of fixed price of S\$475.0M or 110% of development costs (taking into account developer's return). However, if there is any Levy, the consideration will be the lower of (i) fixed price; or (ii) 110% of the development cost plus the Levy (or part thereof).

(3) AccorHotels ("Accor")

(4) Marriott International, Inc. ("Marriott")

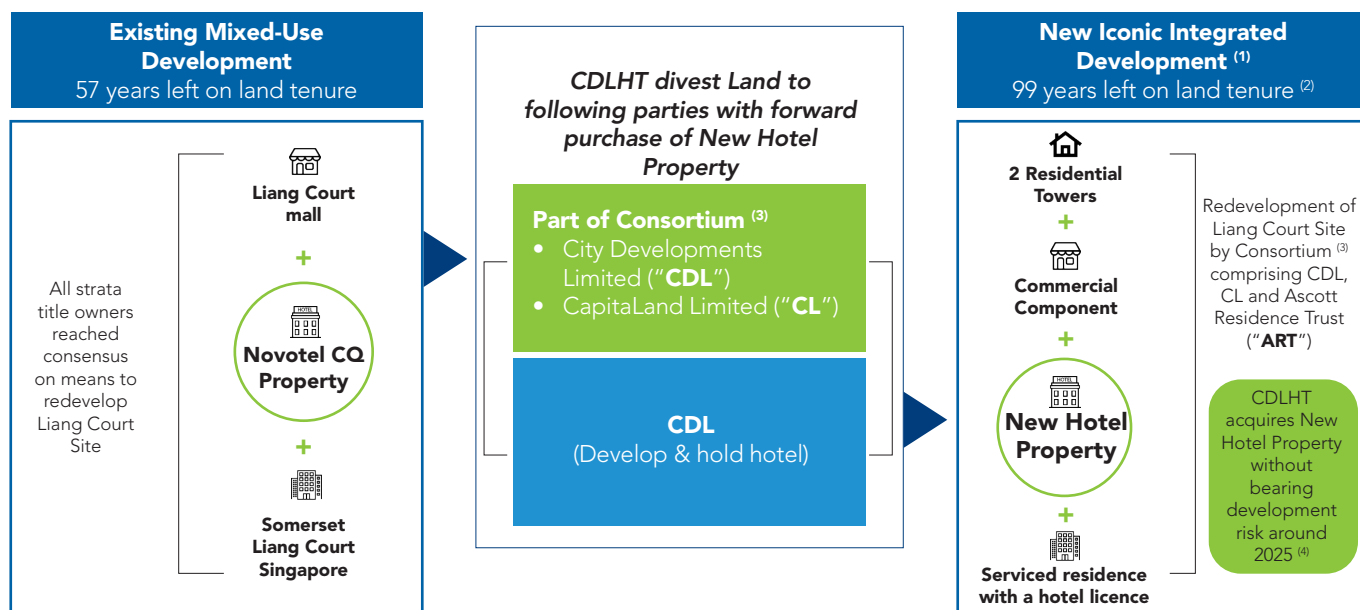
(5) A fresh leasehold estate of 99 years from acceptance of the lease renewal

(6) Based on FY 2018 net property income ("NPI") and in the case of the New Hotel Property, the pro forma stabilised NPI

# OVERVIEW OF PROPOSED TRANSACTIONS

## REDEVELOPMENT TRANSACTION

Liang Court Site – Situated in Prime Clarke Quay Location



- The New Hotel Property will be a uniquely designed lifestyle hotel, custom-built to specifications to the "Moxy" brand
- "Moxy" is one of the newest lifestyle boutique hotel concepts by Marriott, designed to be appealing to the next-generation traveller, which includes millennials, and at great value
- Able to tap on 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 territories<sup>(5)</sup>

## ACQUISITION OF W HOTEL PROPERTY

About W Hotel Property



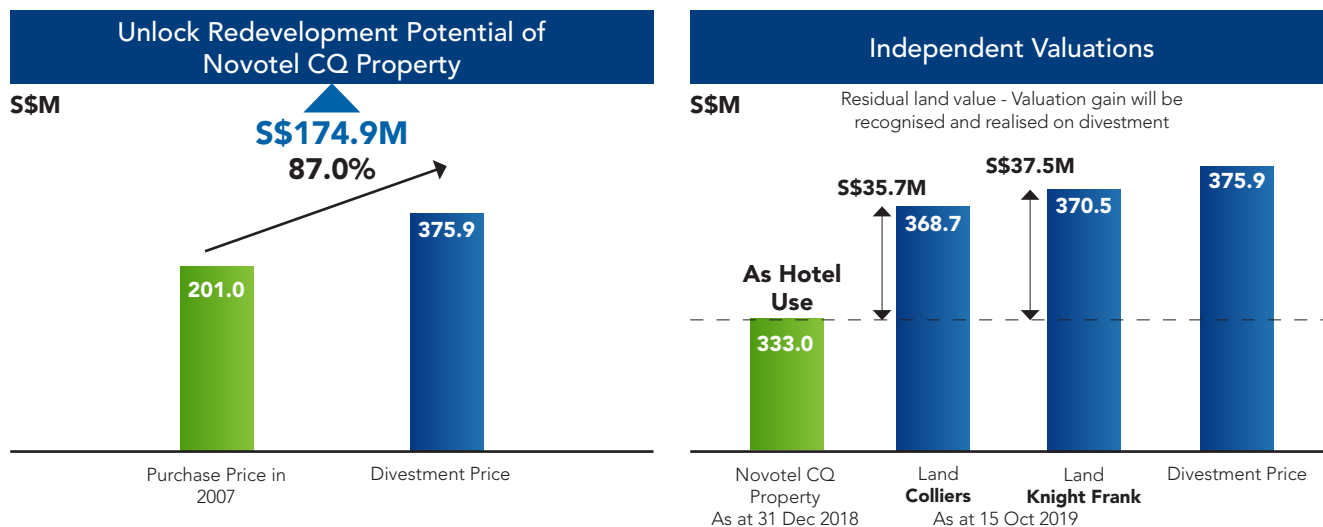
- Luxury lifestyle hotel built to high specifications by CDL
- 240 guest rooms with an average room size of approximately 46 sqm (with room sizes ranging from 40 sqm to 195 sqm)
- Comprehensive suite of facilities including an outdoor pool, more than 1,400 sqm of event space, three F&B outlets and a pool bar, as well as a spa
- Managed by Marriott, W Hotels is an iconic brand which has been the trendsetter for the lifestyle hotel concept in the global hospitality scene for over two decades
- Situated in Sentosa, Singapore's premier tourism destination known for its diverse array of unique leisure experiences

(1) Subject to change, approval and design planning  
 (2) A fresh leasehold estate of 99 years from acceptance of lease renewal  
 (3) Consortium is led by CDL and CL, which also includes ART (together, the "Consortium")  
 (4) This is an estimated timeline and is subject to change  
 (5) Marriott, as at Oct 2019

# KEY BENEFITS TO SECURITY HOLDERS

## BENEFITS OF REDEVELOPMENT TRANSACTION

### 1. Unlock value of Novotel CQ Property and secure brand new hotel with lease refreshed to 99 years



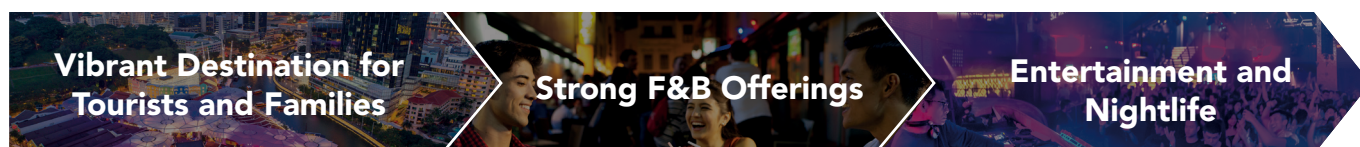
- Rare opportunity to realise valuation gain on investment over a 13-year holding period
  - Total divestment and fair value gain of S\$36.3M <sup>(1)</sup>, 12.9% above its previous valuation on 31 Dec 2018 <sup>(2)</sup>
- Land value unlocked after all strata title owners reached consensus on means to realise redevelopment potential of Liang Court Site
- Novotel CQ Property has performed strongly since acquisition but may require significant capital expenditure and major refurbishment to remain competitive in future
  - Timely opportunity to trade a hotel with a remaining 57-year leasehold to a brand new hotel with a fresh 99-year leasehold from acceptance of lease renewal

### 2. Forward purchase of a turnkey hotel at fixed price without bearing development risk, with opportunity for savings

- Secure forward purchase of brand new, custom-built, fully fitted out, lifestyle hotel without bearing development risk
  - Pricing formula protects interests of Security Holders
    - Lower of fixed price of S\$475.0M or 110% of development costs <sup>(3)</sup>
    - CDLHT protected from development risk and enjoys the opportunity to realise savings through cost plus model
    - Fixed price which is capped, is lower than both independent valuations of S\$478.0M and S\$481.0M
- Leverage CDL's market renowned development expertise and experience
  - Award-winning hotel developments in Singapore

### 3. Retain presence in prime Clarke Quay location

- Considerably high barriers to entry at Clarke Quay due to limited available acquisition opportunities
- Rare opportunity to retain hospitality presence at coveted location, which is an ideal location for a lifestyle hotel
- Prominent dual frontage of Singapore River and historically rich Fort Canning Park
- New integrated development will be an iconic feature and prominent skyline addition to the Clarke Quay area
- River promenade flanking the integrated development will be rejuvenated in line with URA's Draft Master Plan 2019
- Desirability of the precinct will be significantly enhanced with the increased gentrification and further activation of the waterfront lifestyle potential



(1) The divestment gain and fair value gain is S\$0.6M and S\$35.7M respectively  
 (2) Divestment consideration of S\$375.9 million over previous valuation of S\$333.0 million on 31 Dec 2018 commissioned by the CDLHT's managers and disclosed in CDLHT's annual report 2018  
 (3) Lower of fixed price of S\$475.0M or 110% of development costs (taking into account developer's return). However, if there is any Levy, the consideration will be the lower of (i) fixed price; or (ii) 110% of the development cost plus the Levy (or part thereof).

## BENEFITS OF W HOTEL ACQUISITION

### 1. Rare opportunity to acquire a luxury lifestyle hotel in Singapore & penetrate the Sentosa market

- Rare off-market opportunity to acquire a luxury lifestyle hotel in Sentosa and in tightly-held Singapore market
- Earmarked to increase its role as a key future tourism driver for Singapore, the near to long term major expansion plans for Sentosa will enhance both Singapore's and Sentosa's attractiveness as a premier tourist destination:
  - Resorts World Sentosa's expansion worth S\$4.5B
  - Greater Southern Waterfront mega development
  - Sentosa-Brani Masterplan
- W Hotel Property to be a beneficiary of the demand growth expected to be generated by the various plans

### 2. Acquire a high quality hotel with long term capital appreciation potential

- Built to high specifications by CDL and won numerous design and construction accolades
- Panoramic views of waterway and marina
- Redesign works are being undertaken to some of the F&B outlets to increase seating capacity and enhance appeal so as to secure potential revenue upside
- Capital appreciation potential due to medium to long term demand growth drivers in Sentosa, high quality asset and price per key of S\$1.35M being comparable to the past hotel transactions in a similar segment in Singapore over the last six years as the hotel has one of the largest average room size relative to the others transacted during the same period

## BENEFITS OF BOTH TRANSACTIONS

### 1. Increase foothold in lifestyle hotel market

- Strengthen and align CDLHT's portfolio with the prevailing trends in the global travel market
- Increasing focus on lifestyle hotels in the global travel market
- Lifestyle hotels appeals to the next-generation traveller, which includes millennials

Further penetrate the Singapore lifestyle hotel market at different tiers & price points



AFFORDABLE LIFESTYLE

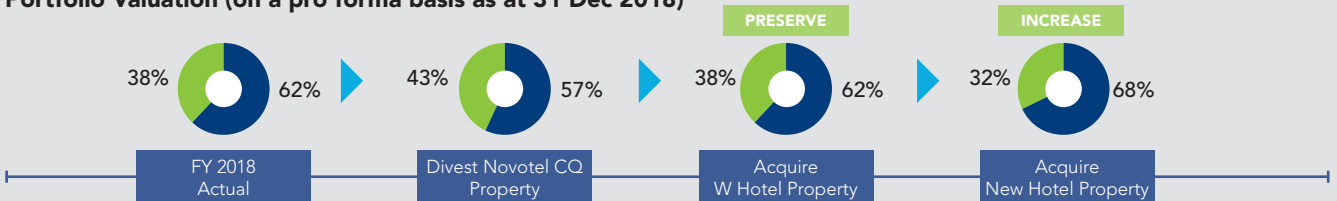


HOTELS  
WORLDWIDE

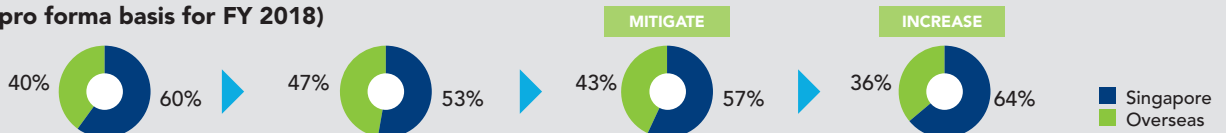
LUXURY LIFESTYLE

### 2. Preserve majority portfolio weightage in Singapore and further solidify future exposure to a vibrant hospitality market

Portfolio Valuation (on a pro forma basis as at 31 Dec 2018)



NPI (on a pro forma basis for FY 2018)



### Benefit from Continued Growth in International Visitor Arrivals to Singapore <sup>(1)</sup>



- Over more than a decade of robust growth in inbound tourism to Singapore, with 2.3% year-on-year growth to 15.9 million for year-to-date Oct 2019
- Singapore will host more events in 2020, including a number of inaugural events such as the:
  - International Trademark Association's 142<sup>nd</sup> Annual Meeting (~8,000 attendees)<sup>(3)</sup>
  - 103<sup>rd</sup> Lions Clubs International Convention (~20,000 foreign attendees)<sup>(3)</sup>

(1) Singapore Tourism Board ("STB")

(2) STB, "Third consecutive year of growth for Singapore tourism sector in 2018", 13 Feb 2019

(3) STB, "STB unveils a selection of over 60 lifestyle experiences to entice business groups to Singapore", 10 Sep 2019

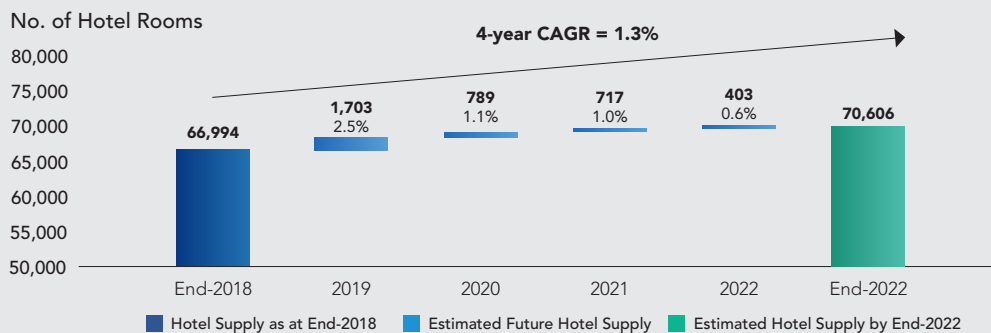
## New large-scale tourism projects being planned across the entire island

Changi Airport | Greater Southern Waterfront | Jurong Lake District | Mandai Nature Precinct | Marina Bay Sands | Orchard Road | Resorts World Sentosa | Sentosa-Brani Masterplan

## Diversified long-term growth drivers for Singapore

1. Singapore's growing status as a MICE destination
2. Strong leisure and entertainment offerings with continued investment in tourism infrastructure
3. Singapore's position as a business and financial hub

### Limited New Hotel Supply Growth in Singapore <sup>(1)</sup>



- Low supply growth at CAGR of 1.3% for the next 4 years <sup>(1)</sup>
- Limited future supply growth is supportive of a gradual recovery in the hotel sector

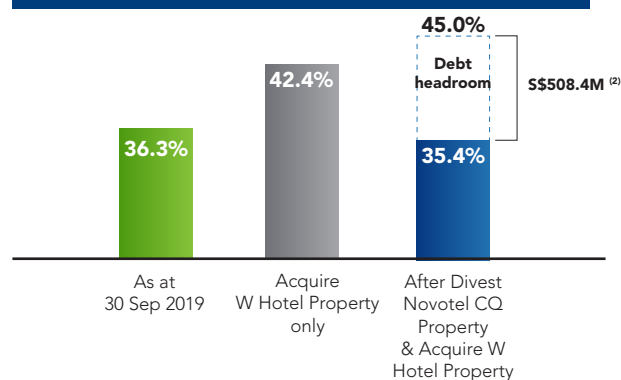
After both transactions, CDLHT will have seven hotels comprising more than 3,000 rooms in Singapore and is poised to benefit from further exposure to the vibrant hospitality market in Singapore

## 3. Allows efficient recycling of capital

### Unlock capital effectively and achieve greater financial flexibility

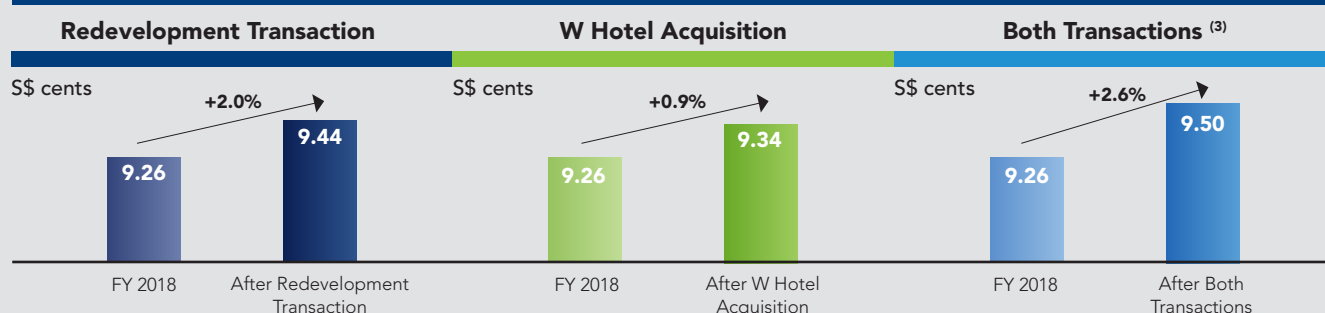
- CDLHT not obliged to make payments during the development of the New Hotel Property until TOP onwards
- Unlocked capital from divestment will not be tied up
- Net divestment proceeds may be recycled for the acquisition of W Hotel Property; financing other acquisition opportunities; and/or repaying existing borrowings to further strengthen balance sheet
- Part of the net divestment proceeds may also be used to mitigate the net effects of the divestment on CDLHT's distributable income
- Ample debt headroom after divestment of Novotel CQ Property and acquisition of W Hotel Property to further pursue DPS accretive acquisitions

### Pro Forma Financial Effects on Gearing



## 4. DPS accretive both on standalone and combined basis

### Pro forma financial effects on FY 2018 DPS



(1) New supply of rooms is a summation of new rooms deducted by existing rooms taken out of inventory

(2) Assuming gearing limit of 45.0%

(3) Assuming the acquisition of the New Hotel Property was not completed on 1 Jan 2018, the pro forma DPS for FY 2018 would be 8.47 cents

# SECURITY HOLDERS' APPROVALS REQUIRED

The transactions constitute Interested Person Transactions under the Listing Manual and the Property Funds Appendix

Security Holders' approvals being sought for:

- (1) Redevelopment Transaction
- (2) W Hotel Acquisition

- (1) Redevelopment Transaction
  - (2) W Hotel Acquisition
- are NOT inter-conditional

## RECOMMENDATIONS

### Opinion of Independent Financial Adviser

An extract of the opinion of the Independent Financial Adviser (the "IFA") is reproduced below. Based on the considerations set out in the IFA Letter, the IFA is of the opinion that:

- The Redevelopment Transaction and the W Hotel Acquisition are **on normal commercial terms** and are **not prejudicial to the interests of H-REIT, HBT or the minority Security Holders**
- The Independent Directors and the Audit and Risk Committees of the Managers (as defined in the Circular) can **recommend** that Security Holders **vote in favour** of the Redevelopment Transaction and the W Hotel Acquisition to be proposed at the Extraordinary General Meetings

#### Independent Financial Adviser

#### DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200200144N)

### Recommendation of Independent Directors and Audit and Risk Committees

The Independent Directors and the Audit and Risk Committees of the Managers (as defined in the Circular) have considered, *inter alia*, the opinion and advice given by the IFA, and recommend that:

- Security Holders **vote in favour** of the Redevelopment Transaction and the W Hotel Acquisition to be proposed at the Extraordinary General Meetings



CDL HOSPITALITY TRUSTS

**Independent  
Directors**

**Audit and Risk  
Committees**



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## CORPORATE INFORMATION

<b>Directors of M&amp;C REIT Management Limited and M&amp;C Business Trust Management Limited</b>	Chan Soon Hee, Eric (Chairman and Non-Executive Director) Vincent Yeo Wee Eng (Chief Executive Officer and Executive Director) Foo Say Mui (Bill) (Lead Independent Director and Chairman of the Audit and Risk Committees) Ronald Seah Lim Siang (Independent Non-Executive Director and Chairman of the Nominating and Remuneration Committees) Kenny Kim (Independent Non-Executive Director) Cheah Sui Ling (Independent Non-Executive Director)
<b>Registered office of M&amp;C REIT Management Limited and M&amp;C Business Trust Management Limited</b>	9 Raffles Place #12-01 Republic Plaza Singapore 048619
<b>Trustee of CDL Hospitality Real Estate Investment Trust (“H-REIT Trustee”)</b>	DBS Trustee Limited 12 Marina Boulevard Marina Bay Financial Centre Tower 3 Singapore 018982
<b>Legal Adviser to M&amp;C REIT Management Limited, as manager of CDL Hospitality Real Estate Investment Trust (“H-REIT Manager”) and M&amp;C Business Trust Management Limited, as trustee-manager of CDL Hospitality Business Trust (“HBT Trustee-Manager”)</b>	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
<b>Legal Adviser to DBS Trustee Limited, as trustee of CDL Hospitality Real Estate Investment Trust</b>	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542
<b>Unit Registrar and Unit Transfer Office</b>	M&C Services Private Limited 112 Robinson Road #05-01 Singapore 068902
<b>Independent Financial Adviser to the Audit and Risk Committees and the Independent Directors of the Managers, and the H-REIT Trustee</b>	Deloitte & Touche Corporate Finance Pte Ltd 6 Shenton Way #33-00 OUE Downtown 2 Singapore 068809

**Independent Valuer to the H-REIT Trustee  
for the Proposed Divestment, the New  
Hotel Property Acquisition and the  
W Hotel Acquisition**

Colliers International Consultancy & Valuation  
(Singapore) Pte Ltd  
12 Marina View  
#19-02 Asia Square Tower 2  
Singapore 018961

**Independent Valuer to the Managers for  
the Proposed Divestment, the New Hotel  
Property Acquisition and the W Hotel  
Acquisition**

Knight Frank Pte Ltd  
10 Collyer Quay  
#08-01 Ocean Financial Centre  
Singapore 049315

## 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 66 to 75 of this Circular.*

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

### ABOUT CDL HOSPITALITY TRUSTS (“CDLHT”)

CDLHT, a stapled group comprising CDL Hospitality Real Estate Investment Trust (“**H-REIT**”), the first hotel real estate investment trust in Singapore, and CDL Hospitality Business Trust (“**HBT**”), was established with the principal investment strategy of investing in a portfolio of hospitality and/or hospitality-related real estate assets globally.

Listed on the SGX-ST on 19 July 2006, CDLHT is one of Asia’s leading hospitality trusts with assets valued at S\$2.8 billion as at 31 December 2018. As at 30 September 2019, it owns 19 properties, comprising 16 hotels in Singapore, Australia, New Zealand, Japan, the United Kingdom, Germany and Italy; two resorts in Maldives; and a retail mall in Singapore. The substantial value of its assets are situated in central locations within Singapore. All hotels are well located within key cities while the two resorts are located in Maldives, a top-tier destination for luxury tourism. The properties comprise a total of 5,088 rooms and are operated by master lessees and hotel managers, which include reputable and/or international hotel groups such as Millennium Hotels and Resorts, AccorHotels, Hotel MyStays, Hilton Hotels and Resorts, Banyan Tree Hotels & Resorts and EVENT Hotels.

H-REIT is established with the principal investment 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, whether wholly or partially, and real estate-related assets in relation to the foregoing.

HBT was activated on 31 December 2013. HBT may act as the master lessee(s) of H-REIT’s hotels and to appoint professional hotel managers to manage hotel assets in H-REIT’s portfolio if there are no suitable master lessee(s) to be appointed by H-REIT over a hotel asset in H-REIT’s portfolio. HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments, which may not be suitable for H-REIT.

### OVERVIEW OF THE PROPOSED TRANSACTIONS

The Proposed Transactions comprise:

1. the proposed redevelopment of the hotel known as Novotel Singapore Clarke Quay into a new hotel (as part of a redevelopment of the Liang Court Site<sup>1</sup> into a proposed integrated development) (“**Redevelopment Transaction**”) through:
  - (a) the divestment of the hotel located at 177A River Valley Road, Singapore 179031, currently managed and operated as “Novotel Singapore Clarke Quay” (“**Novotel CQ Property**”) to a consortium (“**Proposed Divestment**”), including joint venture vehicles of City Developments Limited (“**CDL**”), the parent company of Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc) (“**Sponsor**”) and CapitaLand Limited (“**CL**”); and

<sup>1</sup> The Liang Court Site comprises the Novotel CQ Property, Liang Court mall and Somerset Liang Court Singapore (“**Liang Court Site**”).

- (b) the forward purchase of a new, fully developed and fitted out hotel within the same site as the present Novotel CQ Property (“**New Hotel Property**”) from a subsidiary of CDL (“**New Hotel Property Acquisition**”) in 2025<sup>2</sup> which forms part of a proposed integrated development with a gross floor area of 100,263 square metres comprising two residential towers, a commercial component, a serviced residence with a hotel license and the New Hotel Property (“**Proposed Integrated Development**”) as well as the acquisition of the business and business assets concerning the New Hotel Property (“**New Hotel Business**”) from a subsidiary of CDL (“**New Hotel Business Acquisition**”), and together with the New Hotel Property Acquisition, “**New Hotel Acquisition**”);
2. the proposed acquisition of the hotel including plant and equipment as well as the furniture, fixtures, furnishings and equipment located at 21 Ocean Way, Singapore 098374, currently managed and operated as “W Singapore – Sentosa Cove” (“**W Hotel Property**”), and the acquisition of the W Hotel Property, “**W Hotel Property Acquisition**”, as well as the acquisition of the business and business assets concerning the W Hotel Property (“**W Hotel Business**”), and the acquisition of the W Hotel Business, “**W Hotel Business Acquisition**”) and the entry into of a carpark agreement (“**Carpark Transaction**”). The W Hotel Property Acquisition, the W Hotel Business Acquisition and the Carpark Transaction shall collectively be known as “**W Hotel Acquisition**”.

The completion of the Proposed Divestment is expected to take place in April 2020, with completion of the New Hotel Acquisition estimated to take place in 2025<sup>3</sup>, and the completion of the W Hotel Acquisition is expected to take place in early 2020, each subject to the fulfilment of various conditions precedent which include approvals having been obtained from Security Holders and the relevant authorities.

M&C REIT Management Limited, as manager of H-REIT (“**H-REIT Manager**”) and M&C Business Trust Management Limited, as trustee-manager of HBT (“**HBT Trustee-Manager**”) and together with the H-REIT Manager, “**Managers**”) are convening Extraordinary General Meetings (“**EGMs**”) of the holders of Stapled Securities<sup>4</sup> (“**Security Holders**”) to seek approval from Security Holders in respect of the Redevelopment Transaction and the W Hotel Acquisition, each as a separate interested person transaction. For the avoidance of doubt, the approval sought from Security Holders for the Redevelopment Transaction shall be independent of the approval sought for the W Hotel Acquisition and vice versa.

## **RATIONALE OF THE PROPOSED TRANSACTIONS**

The Managers strongly believe in the long-term value of hospitality real estate in Singapore. The primary objective of the Redevelopment Transaction is to retain CDLHT’s hospitality presence within the same site as the present Novotel CQ Property, which the Managers consider to be the most ideal for a lifestyle hotel. The divestment of the Novotel CQ Property to a consortium through the unanimous agreement of all strata title owners to redevelop the site of the integrated development is the only way to unlock its redevelopment potential and at the same time secure the forward purchase of the New Hotel Property, from a subsidiary of CDL (CDL being the developer of the New Hotel Property), without assuming development risk and structured with a pricing formula that protects the interest of Security Holders.

2 This is an estimated timeline and is subject to change.

3 This is an estimated timeline and is subject to change.

4 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.

The acquisition of the W Hotel Property is a rare off-market opportunity to acquire a luxury lifestyle hotel in Singapore and penetrate the highly sought-after Sentosa market. The concurrent acquisition of the W Hotel Property also helps to partially mitigate the absence of income, and address the reduction of CDLHT's Singapore concentration from the Proposed Divestment and during the development period before the New Hotel Acquisition is completed in 2025<sup>5</sup>. On a pro forma basis, assuming the Proposed Transactions are completed on 1 January 2018, CDLHT's Singapore net property income ("NPI") contribution is expected to increase from 60% to 64% for the financial year ended 31 December 2018 ("FY2018").

The Proposed Transactions present an opportunity for CDLHT to further penetrate the lifestyle hotel market in Singapore so as to strengthen and align CDLHT's portfolio with the prevailing trends in the global travel market. The Proposed Transactions are also in line with CDLHT's acquisition, asset and capital management strategies to enhance long-term sustainable value for Security Holders.

### **KEY BENEFITS TO SECURITY HOLDERS**

The following outlines the key benefits that the Managers believe the Proposed Transactions will bring to CDLHT and Security Holders.

#### **Proposed Transactions allows CDLHT to:**

1. Increase its foothold in the lifestyle hotel market;
2. Preserve majority portfolio weightage in Singapore and further solidify future exposure to a vibrant hospitality market with diversified long term growth drivers;
3. Achieve efficient recycling of capital; and
4. Achieve pro forma distribution per Stapled Security ("DPS") accretion on a combined basis<sup>6</sup>.

#### **Redevelopment Transaction allows CDLHT to:**

1. Trade a hotel with significant future capital expenditure obligations and remaining 57-year leasehold for a custom-built, fully fitted brand new hotel with underlying land tenure upgraded to a fresh 99-year leasehold;
2. Acquire a turnkey hotel at a fixed price without taking on development risk with opportunity to realise savings should development costs, after taking into consideration developer's return, be lower than the fixed price;
3. Retain presence in the prime Clarke Quay location through the acquisition of a stake in an iconic, new and modern integrated development within the same site as the present Novotel CQ Property where the desirability of the precinct will be significantly enhanced by its increased gentrification and further activation of the waterfront lifestyle potential;

<sup>5</sup> This is an estimated timeline and is subject to change.

<sup>6</sup> Based on financial impact on a pro forma basis for FY2018.

4. Seize the unique opportunity to realise the valuation gain on investment in the Novotel CQ Property and CDLHT's interest in the land lot known as TS09-147V ("**Whole Land**", and CDLHT's interest in the Whole Land with respect to the Novotel CQ Property, "**Land**") over a 13-year holding period representing a 87.0% premium (or S\$174.9 million) above the original purchase price for the Novotel CQ Property of S\$201.0 million in 2007; and
5. Achieve DPS accretion on a pro forma basis<sup>7</sup>.

**W Hotel Acquisition allows CDLHT to:**

1. Secure rare off-market opportunity to acquire a luxury lifestyle hotel in Singapore and to penetrate the highly sought-after Sentosa market, which has been ear-marked to increase its role as a key future tourism driver for Singapore;
2. Acquire a high quality asset with long term capital appreciation potential; and
3. Achieve DPS accretion on a pro forma basis<sup>8</sup>.

With the Proposed Divestment and W Hotel Acquisition (before the New Hotel Property Acquisition), CDLHT has a pro forma gearing of 35.4%<sup>9</sup> and ample debt headroom of S\$508.4 million<sup>10</sup>, allowing it to have the flexibility to continue to pursue suitable acquisitions to further grow its income base.

**COSTS OF THE PROPOSED TRANSACTIONS, USE OF PROCEEDS AND FUNDING**

**The Redevelopment Transaction**

1. The Proposed Divestment
  - (a) Net Proceeds of the Proposed Divestment

The total consideration payable to H-REIT for the Proposed Divestment is approximately S\$375.9 million, and was arrived at on a willing-buyer and willing-seller basis taking into account the Novotel CQ Property Valuations and the Redevelopment Transaction as a whole. The net proceeds of the Proposed Divestment ("**Net Divestment Proceeds**") is expected to be approximately S\$369.3 million. The Managers intend to use the Net Divestment Proceeds for the repayment of existing debt, make distributions to Security Holders and/or to fund future acquisitions (including the W Hotel Acquisition, should the W Hotel Acquisition be approved by Security Holders). Part of the Net Divestment Proceeds may also be used to make distributions to Security Holders to mitigate the net effects of the Proposed Divestment on CDLHT's distributable income.

As the Net Divestment Proceeds will only be available in April 2020, details of the material use of the Net Divestment Proceeds will be determined and announced by the Managers at the appropriate time.

<sup>7</sup> Based on financial impact on a pro forma basis for FY2018.

<sup>8</sup> Based on financial impact on a pro forma basis for FY2018.

<sup>9</sup> As at 30 September 2019 and assumes Net Divestment Proceeds is utilised towards W Hotel Acquisition and to repay debt.

<sup>10</sup> Based on a gearing limit of 45.0% for CDLHT as a whole.



(b) Cost of the Proposed Divestment to H-REIT

The total cost of the Proposed Divestment is estimated to be approximately S\$6.5 million comprising:

- (i) the provision for estimated winding down related costs in connection with the closure of the Novotel CQ Property, which amounts to approximately S\$6.0 million; and
- (ii) the estimated professional fees and other expenses in connection with the Proposed Divestment which amounts to approximately S\$0.6 million.

To demonstrate its support for the overall Redevelopment Transaction, the H-REIT Manager has elected to voluntarily waive the divestment fee of approximately S\$1.9 million for the Proposed Divestment ("**H-REIT Divestment Fee**").

2. The New Hotel Acquisition

(a) Cost of the New Hotel Acquisition

The total cost of the New Hotel Acquisition is currently estimated to be approximately S\$483.7 million comprising:

- (i) the purchase consideration for the New Hotel Property of no higher than S\$475.0 million<sup>11</sup>, adjusted for the net asset value ("**NAV**") of Gemini One Trust ("**CDL Redevelopment Trust**") as at the date of completion of the sale and purchase of the units in CDL Redevelopment Trust<sup>12</sup>;
- (ii) the acquisition fee payable to the H-REIT Manager in respect of the acquisition of the New Hotel Property of no higher than S\$3.6 million;
- (iii) the purchase consideration payable by HBT under the New Hotel OpCo SPA ("**New Hotel OpCo Consideration**") for the New Hotel Business, which will be computed based on the NAV of the New Hotel OpCo<sup>13</sup>. HBT will reimburse the New Hotel OpCo Vendor for the costs to be incurred by the New Hotel OpCo prior to the completion of the acquisition of the New Hotel Property, pertaining to costs necessary to prepare the hotel for opening ("**Pre-Opening Costs**") in excess of S\$1.9 million but subject to a maximum of S\$3.1 million (with Pre-Opening Costs in excess of S\$5 million to be borne by the New Hotel OpCo Vendor)<sup>14</sup>; and

11 Subject to being the lower of (a) an amount equivalent to 110.0% of the Development Costs and (b) the Fixed Price. However, if any extension fee or Levy is payable by the Joint Development Parties 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 the Whole Land to a fresh 99-year lease, the consideration will be the lower of (i) Fixed Price; or (ii) Levy (or part thereof) and 110% of the Development Cost.

12 The adjusted NAV of CDL Redevelopment Trust as at the date of completion of the sale and purchase of the units in CDL Redevelopment Trust (computed by excluding the carrying net book value of the New Hotel Property and any costs and expenses comprised in the Development Costs based on the principles set out in the New Hotel DSA) is not expected to be material.

13 To be determined at the time when the New Hotel Property Acquisition takes place and is not expected to be material.

14 The actual amount of Pre-Opening Costs (including but not limited to pre-opening sales and marketing costs, public relations, training and payroll expenses) to be reimbursed will only be known as at the date of completion of the New Hotel Acquisition.

- (iv) the estimated professional fees and other expenses in connection with the New Hotel Acquisition and estimated stamp duty in connection with the entry into of an internal lease between CDL Redevelopment Trust and New Hotel OpCo of approximately S\$2.1 million.

(b) Method of Financing the New Hotel Acquisition

The Managers currently intend to finance the New Hotel Acquisition through debt financing, save for the acquisition fees payable to the H-REIT Manager, which will be satisfied via the issue of new Stapled Securities. The Managers will determine the actual method of financing the New Hotel Acquisition closer to the completion of the New Hotel Acquisition which is expected to be in 2025<sup>15</sup>, taking into account, among other things, the cost of the various financing options and market conditions at the relevant time.

As the New Hotel Acquisition will constitute an “interested party transaction” under paragraph 5 of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (“**Property Funds Appendix**”), the acquisition fees payable to the H-REIT Manager will be satisfied via the issue of new Stapled Securities, which shall not be sold within one year from the date of issuance.

### The W Hotel Acquisition

#### 3. The W Hotel Acquisition

(a) Cost of the W Hotel Acquisition

The total cost of the W Hotel Acquisition is estimated to be approximately S\$344.5 million, comprising:

- (i) the purchase consideration for the W Hotel Property of S\$324.0 million;
- (ii) estimated stamp duties expected to be incurred for the W Hotel Property Acquisition and the entry into of an internal lease between H-REIT and Gemini Two Pte Ltd (“**W Hotel OpCo**”) of approximately S\$9.7 million;
- (iii) estimated SDC consent fee of approximately S\$6.5 million (equivalent to 2.0% of the W Hotel Property Consideration of S\$324.0 million);
- (iv) the acquisition fee payable to the H-REIT Manager in respect of the acquisition of the W Hotel Property of approximately S\$2.4 million;
- (v) the purchase consideration for the W Hotel Business of S\$1.00;
- (vi) the estimated professional fees and other expenses in connection with the W Hotel Acquisition which amounts to approximately S\$0.9 million; and
- (vii) payment of approximately S\$1.0 million for estimated net working capital in connection with the W Hotel Acquisition (subject to further post-completion net working capital adjustments).

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<sup>15</sup> This is an estimated timeline and is subject to change.

(b) Method of Financing the W Hotel Acquisition

The Managers currently intend to finance the W Hotel Acquisition through the use of internal resources (including the Net Divestment Proceeds, should the Redevelopment Transaction be approved by Security Holders<sup>16</sup>) and/or debt financing, the details of which will be determined by the Managers at the appropriate time, save for the acquisition fees payable to the H-REIT Manager, which will be satisfied via the issue of new Stapled Securities.

As the Proposed W Hotel Acquisition will constitute an “interested party transaction” under paragraph 5 of the Property Funds Appendix, the acquisition fees payable to the H-REIT Manager will be satisfied via the issue of new Stapled Securities, which shall not be sold within one year from the date of issuance.

## INTERESTED PERSON TRANSACTIONS

As at 27 December 2019 (“**Latest Practicable Date**”), the Sponsor held an aggregate indirect interest in 458,048,907 Stapled Securities, which is equivalent to approximately 37.78% of the total number of the Stapled Securities then in issue; and is therefore regarded as a “controlling unitholder” of H-REIT and HBT under the listing manual of the SGX-ST (“**Listing Manual**”), and a “controlling unitholder” of H-REIT under the Property Funds Appendix. In addition, as each of the H-REIT Manager and HBT Trustee-Manager is an indirect wholly-owned subsidiary of the Sponsor, the Sponsor is therefore regarded as a “controlling shareholder” of the H-REIT Manager and HBT Trustee-Manager under the Listing Manual, and a “controlling shareholder” of the H-REIT Manager under the Property Funds Appendix.

The Sponsor is an indirect wholly-owned subsidiary of CDL. Accordingly, CDL is also regarded as a “controlling unitholder” of H-REIT and HBT under the Listing Manual, a “controlling unitholder” of H-REIT under the Property Funds Appendix, a “controlling shareholder” of the H-REIT Manager and HBT Trustee-Manager under the Listing Manual, and a “controlling shareholder” of the H-REIT Manager under the Property Funds Appendix.

### 1. The Redevelopment Transaction

The aggregate value of (i) the consideration to be received by H-REIT under the Proposed Divestment and (ii) the consideration to be given by H-REIT under the acquisition of the New Hotel Property exceeds 5.0% of the latest audited net tangible assets (“**NTA**”) and NAV of H-REIT. The aggregate value of the Redevelopment Transaction exceeds 5.0% of CDLHT’s latest NTA. Therefore, the Managers are seeking the approval of Security Holders in respect of the Redevelopment Transaction as a whole.

### 2. The W Hotel Acquisition

The value of the consideration given by H-REIT under the W Hotel Acquisition exceeds 5.0% of the latest audited NTA and NAV of H-REIT. The aggregate value of the W Hotel Acquisition exceeds 5.0% of CDLHT’s latest NTA. Therefore, the Managers are seeking the approval of Security Holders in respect of the W Hotel Acquisition as a whole.

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<sup>16</sup> Should the completion of W Hotel Acquisition take place prior to the receipt of the Net Divestment Proceeds, the Managers may use bridge financing to finance the W Hotel Acquisition first.

## **INDEPENDENT FINANCIAL ADVISER'S OPINION**

Having deliberated on relevant factors which it considers to be pertinent in its assessment of the Proposed Transactions, the independent financial adviser, Deloitte & Touche Corporate Finance Pte Ltd, is of the opinion that the Proposed Transactions are on normal commercial terms and are not prejudicial to the interests of H-REIT, HBT or the minority Security Holders.

## **RECOMMENDATIONS AND CONFIRMATIONS**

### **1. The Redevelopment Transaction**

Having regard to the rationale for the Redevelopment Transaction as set out in this Circular and the opinion of the Independent Financial Adviser (as set out in the IFA Letter in Appendix B of this Circular), the Independent Directors and Audit and Risk Committees of the Managers are of the opinion that the Redevelopment Transaction is on normal commercial terms and is not prejudicial to the interests of H-REIT, HBT or the minority Security Holders.

Accordingly, the Independent Directors and Audit and Risk Committees of the Managers recommend that Security Holders vote in favour of the resolution to approve the Redevelopment Transaction.

### **2. The W Hotel Acquisition**

Having regard to the rationale for the W Hotel Acquisition as set out above and the opinion of the Independent Financial Adviser (as set out in the IFA Letter in Appendix B of this Circular), the Independent Directors and Audit and Risk Committees of the Managers are of the opinion that the W Hotel Acquisition is on normal commercial terms and is not prejudicial to the interests of H-REIT, HBT or the minority Security Holders respectively.

Accordingly, the Independent Directors and Audit and Risk Committees of the Managers recommend that Security Holders vote in favour of the resolution to approve the W Hotel Acquisition.

## **SUMMARY OF APPROVALS SOUGHT**

The Managers are convening EGMs of Security Holders to seek approval from Security Holders in respect of the following resolutions, each as an ordinary resolution:

- 1. Resolution 1: The proposed Redevelopment Transaction which involves the divestment of Novotel Singapore Clarke Quay and the forward purchase of a hotel to be developed as part of an integrated development (as an Interested Person Transaction).**
- 2. Resolution 2: The proposed acquisition of the hotel known as W Singapore – Sentosa Cove (as an Interested Person Transaction).**

**For the avoidance of doubt, Resolution 1 is not conditional on Resolution 2 being passed and *vice versa*.**

# LETTER TO SECURITY HOLDERS

## 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)

### Directors

Chan Soon Hee, Eric (Chairman and Non-Executive Director)  
Vincent Yeo Wee Eng (Chief Executive Officer and Executive Director)  
Foo Say Mui (Bill) (Lead Independent Director and Chairman of the Audit and Risk Committees)  
Ronald Seah Lim Siang (Independent Non-Executive Director and Chairman of the Nominating and Remuneration Committees)  
Kenny Kim (Independent Non-Executive Director)  
Cheah Sui Ling (Independent Non-Executive Director)

### Registered Office

9 Raffles Place  
#12-01 Republic Plaza  
Singapore 048619

3 January 2020

To: Security Holders of CDLHT

Dear Sir/Madam

### 1. INTRODUCTION

CDLHT is a stapled group comprising CDL Hospitality Real Estate Investment Trust (“H-REIT”) and CDL Hospitality Business Trust (“HBT”), established with the principal investment strategy of investing in a portfolio of hospitality and/or hospitality-related real estate assets globally.

H-REIT is established with the principal investment 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<sup>17</sup>, whether wholly or partially, and real estate-related assets in relation to the foregoing.

HBT was dormant since the listing of CDLHT on the Main Board of the SGX-ST on 19 July 2006, until it was activated on 31 December 2013. HBT may act as the master lessee(s) of H-REIT’s hotels to appoint professional hotel managers to manage hotel assets in H-REIT’s portfolio if there are no suitable master lessee(s) to be appointed by H-REIT over a hotel asset in H-REIT’s portfolio.

HBT may also undertake certain hospitality and hospitality-related development projects, acquisitions and investments, which may not be suitable for H-REIT. Currently, HBT acts as the master lessee for three of the properties in H-REIT’s portfolio, namely Raffles Maldives Meradhoo, Hotel MyStays Asakusabashi and Hotel MyStays Kamata, and is the asset owner of Hilton Cambridge City Centre. HBT has appointed professional hotel managers to manage these properties. It is also the asset owner and operator of The Lowry Hotel.

<sup>17</sup> Real estate which is used for “hospitality” purposes includes hotels, motels and other lodging facilities, serviced residences and resorts, whether in existence by themselves as a whole or as part of larger mixed-use developments (where such mixed-use developments may also include entertainment, leisure and/or gaming-related facilities).

## 2. OVERVIEW OF THE PROPOSED TRANSACTIONS

### 2.1 The Proposed Transactions

M&C REIT Management Limited, as manager of H-REIT (“**H-REIT Manager**”) and M&C Business Trust Management Limited, as trustee-manager of HBT (“**HBT Trustee-Manager**”, collectively with the H-REIT Manager, “**Managers**”) are convening Extraordinary General Meetings (“**EGMs**”) of the holders of Stapled Securities<sup>18</sup> (“**Security Holders**”) to seek approval from Security Holders in respect of the following transactions, each as an Interested Person Transaction:

- (a) the proposed redevelopment of the hotel known as Novotel Singapore Clarke Quay into a new hotel (as part of a redevelopment of the Liang Court Site<sup>19</sup> into the Proposed Integrated Development) (“**Redevelopment Transaction**”) comprising:
  - (i) the divestment of the hotel located at 177A River Valley Road, Singapore 179031, currently managed and operated as “Novotel Singapore Clarke Quay” (“**Novotel CQ Property**”) to a consortium (“**Proposed Divestment**”), which includes joint venture vehicles of City Developments Limited (“**CDL**”), the parent company of Millennium & Copthorne Hotels Limited (“**Sponsor**”) and CapitaLand Limited (“**CL**”); and
  - (ii) the forward purchase of a new, fully developed and fitted out hotel within the same site as the present Novotel CQ Property (“**New Hotel Property**”) in 2025<sup>20</sup> from a subsidiary of CDL (“**New Hotel Property Acquisition**”), as well as the acquisition of the business and business assets concerning the New Hotel Property (“**New Hotel Business**”) from a subsidiary of CDL (“**New Hotel Business Acquisition**”), and together with the New Hotel Property Acquisition, “**New Hotel Acquisition**”); and
- (b) the proposed acquisition of the hotel, including plant and equipment as well as the furniture, fixtures, furnishings and equipment located at 21 Ocean Way, Singapore 098374, currently managed and operated as “W Singapore – Sentosa Cove” (“**W Hotel Property**”, and the acquisition of the W Hotel Property, “**W Hotel Property Acquisition**”), as well as the acquisition of the business and business assets concerning the W Hotel Property (“**W Hotel Business**”, and the acquisition of the W Hotel Business, “**W Hotel Business Acquisition**”) and the entry into of a carpark agreement to govern the use, access, operation, management, revenue and expenses of the carpark spread across Basement 1 of the W Hotel Property<sup>21</sup> (the “**W Hotel Carpark**”) and the neighbouring property known as Quayside Isle (“**Carpark Transaction**”). The W Hotel Property Acquisition, the W Hotel Business Acquisition and the Carpark Transaction shall collectively be known as “**W Hotel Acquisition**”.

The Redevelopment Transaction and the W Hotel Acquisition shall collectively be referred to in this Circular as “**Proposed Transactions**”.

18 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, the H-REIT Trustee, and the HBT Trustee-Manager.

19 The Liang Court Site comprises the Novotel CQ Property, Liang Court mall and Somerset Liang Court Singapore.

20 This is an estimated timeline and is subject to change.

21 For the avoidance of doubt, the W Hotel Property includes the W Hotel Carpark, which comprises 121 carpark lots. Taking into account carpark lots at the neighbouring property known as Quayside Isle, there are in total 199 carpark lots available for public use across the W Hotel Carpark and the carpark under the neighbouring property known as Quayside Isle.

**For the avoidance of doubt, Security Holders' approval of the Redevelopment Transaction shall be sought independently of Security Holders' approval of the W Hotel Acquisition and *vice versa*.**

## **2.2 Key Benefits to Security Holders**

**2.2.1** The Managers believe that the Proposed Transactions will bring the following key benefits to CDLHT and Security Holders:

**(i) Allows CDLHT to increase its foothold in the lifestyle hotel market**

The New Hotel Property is intended to cater to the affordable lifestyle hotel market, while the W Hotel Property caters to the lifestyle and luxury hotel market. The Managers are of the view that the Proposed Transactions present an opportunity for CDLHT to further penetrate into the lifestyle hotel market at different tiers or price points in Singapore so as to strengthen and align CDLHT's portfolio with the prevailing trends in the global travel market. There is an increasing focus on lifestyle hotels in the global travel market, which are hotels with unique designs, strong identities and story-telling potential, to cater to growing demand for distinct and unique experiences as compared to generic brand experiences and homogeneity in cookie-cutter hotels.

The New Hotel Property will be a "Moxy" branded hotel, one of the newest boutique hotel concepts with an affordable lifestyle-oriented position by Marriott International that is designed to be appealing to the next-generation traveller, which includes millennials, through its boldly-designed rooms, lively lobby spaces and fun and playful service. The millennials are more discerning, spend more on travel and are the biggest consumers of digital content and media. In recent years, millennials already account for almost 35% of Asians' expenditure on international travel and is expected to grow further<sup>22</sup>. As millennials are also attracted to highly "shareable" hotel areas and F&B for social media consumption, hotels which are designed to provide travellers with ample opportunities to create unique visual experiences lend themselves well to being shared on social media, which in turn would generate more public impressions and marketing awareness for the hotels.

The W Hotel Property is a contemporary, design-led luxury lifestyle brand under Marriott International. Conceptualised from the bold and vibrant culture of New York City, W Hotels, part of Marriott International, 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 and growing, 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.

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<sup>22</sup> Source: Asia Travel Leaders Summit (Singapore Tourism Board, McKinsey & Company and Visa), "Capturing the Asian Millennial Traveller", 2013 (<<https://www.visitsingapore.com/content/dam/MICE/Global/bulletin-board/travel-rave-reports/Capturing-the-Asian-Millennial-Traveller.pdf> > last accessed on 25 October 2019). For purposes of this Circular, the Singapore Tourism Board has not provided its consent to the inclusion of the information extracted from the relevant source and is therefore not liable for such information.

In addition, the F&B and entertainment offerings of these hotels are intended to cater to both travellers and the local market, further enhancing their positioning as a lifestyle destination.

(ii) **Preserve majority portfolio weightage in Singapore and further solidify future exposure to a vibrant hospitality market with diversified long term growth drivers**

The Managers are of the view that the Proposed Transactions are beneficial to Security Holders, as the acquisition of the W Hotel Property and the forward purchase of the New Hotel Property respectively allow CDLHT to preserve its majority portfolio weightage in Singapore and increase exposure in its core Singapore market at an opportune time.

Singapore is a major international business and financial centre, and a vibrant tourist destination. Attracting both leisure and business travel, Singapore is the fifth most visited city in the world<sup>23</sup>. Between 2006 and 2018, international visitor arrivals to Singapore almost doubled from 9.8 million to 18.5 million, representing an annualised growth rate of 5.5%<sup>24</sup>, and in 2019, arrivals are expected to grow a further 1% to 4% year-on-year<sup>25</sup>. As the top international meeting country for the 11<sup>th</sup> year running in 2018<sup>26</sup>, Singapore is also a renowned destination for meetings, incentives, conferences and exhibitions (“**MICE**”); and continues to grow its status with prominent events being added to its calendar. In 2020, Singapore will host a number of inaugural events, including International Trademark Association’s 142<sup>nd</sup> Annual Meeting, which is the world’s largest gathering of intellectual property professionals with 8,000 expected attendees, and the 103<sup>rd</sup> Lions Clubs International Convention, which has an expected 20,000 foreign attendees and therefore making it the largest association congress ever to be held in the city<sup>27</sup>.

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23 Source: Colliers Valuation Report.

24 Source: Singapore Tourism Board, “International Visitor Arrivals Statistics”, (<<https://www.stb.gov.sg/content/stb/en/statistics-and-market-insights/tourism-statistics/international-visitorarrivals.html> > last accessed on 25 October 2019).

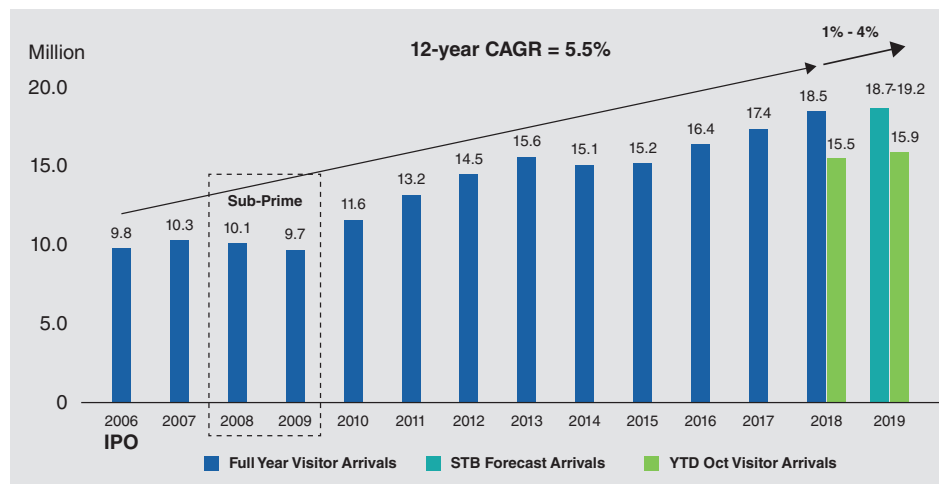
25 Source: Singapore Tourism Board, “Third consecutive year of growth for Singapore tourism sector in 2018”, 13 February 2019.

26 Source: Singapore Exhibition & Convention Bureau, “Conferences, Events & Business Awards”, (< <https://www.visitsingapore.com/mice/en/why-singapore/awards-accolades/> > last accessed on 25 October 2019); Singapore Tourism Board, “Annual Report 2017/2018”, page 72 (<[https://www.stbannualreport.com.sg/download/ANNUAL\\_REPORT2017-2018.pdf](https://www.stbannualreport.com.sg/download/ANNUAL_REPORT2017-2018.pdf)> last accessed on 25 October 2019).

27 Source: Singapore Tourism Board, “STB unveils a selection of over 60 lifestyle experiences to entice business groups to Singapore”, 10 September 2019.



## Visitor arrivals to Singapore<sup>28</sup>



On the supply front, there are 66,994 hotel rooms in Singapore as at end 2018<sup>29</sup> and room inventory growth reached a ten-year low in 2018<sup>30</sup>. In 2019, an estimated 1,703 rooms have opened, of which only 430 new rooms are in the city centre<sup>31</sup>. Looking ahead, supply growth is benign at a low annualised growth rate of 1.3% from beginning 2019 to end 2022, lending support to a favourable outlook for the Singapore hospitality market.

With the divestment of the Novotel CQ Property and acquisition of the W Hotel Property, CDLHT's portfolio is able to retain a core Singapore presence. The acquisition of the W Hotel Property will partially mitigate the absence of income from the Novotel CQ Property during the construction period. CDLHT's exposure to the Singapore market will further increase after the completion of the acquisition of the newly developed hotel when it opens in 2025<sup>32</sup>. Hence, the Managers are of the view that the acquisition of the W Hotel Property is important as this allows CDLHT to continue to benefit from the limited new supply and the growing MICE calendar in the next few years, which is supportive of a gradual recovery in the Singapore hotel market, even after the divestment of the Novotel CQ Property takes place.

28 Sources: Singapore Tourism Board, "International Visitor Arrivals Statistics", (<<https://www.stb.gov.sg/content/stb/en/statistics-and-market-insights/tourism-statistics/international-visitorarrivals.html> > last accessed on 23 December 2019); Singapore Tourism Board, "Third consecutive year of growth for Singapore tourism sector in 2018", 13 February 2019.

29 Source: Singapore Tourism Board, "2018 Year-in-Review", 13 February 2019.

30 Source: Colliers Valuation Report.

31 Source: Horwath HTL (as at December 2019) and CDLHT research.

32 This is an estimate and is subject to change.

Singapore continues to invest in tourism infrastructure, with several new large-scale projects being planned across the entire island. To cater for future growth, with demand for air travel in the Asia-Pacific region expected to triple over the next two decades<sup>33</sup>, a fifth terminal at Changi International Airport is slated to open by 2030, which is expected to double the current capacity of Changi International Airport to 150 million passengers per annum<sup>34</sup>. The S\$1.7 billion Jewel Changi Airport which also opened in 2019, is a complex connecting three terminals with 135,700 square metres (“sqm”) of gross floor area (“GFA”), housing a 5-storey garden with a 40-metre tall (world’s largest) indoor waterfall and more than 280 shops and F&B outlets. This is expected to enhance Changi Airport’s position as the world’s best airport and Singapore’s world class aviation infrastructure<sup>35</sup>.

Other key development projects such as the proposed development of Jurong Lake District, repositioning of Orchard Road, rejuvenation of the Riverfront, expansion of the two integrated resorts, and makeover of Mandai Nature Precinct are likely to underpin demand in the short to medium term. For the long term, the Singapore government has announced plans for the rejuvenation of large sites including the Greater Southern Waterfront, with new tourism attractions and facilities (including MICE) being planned for Sentosa, Pulau Brani and the waterfront along Tanjong Pagar. Given these diversified demand growth drivers, the longer-term prospects for Singapore is positive<sup>36</sup>.

Hence, the Proposed Transactions will allow CDLHT to preserve its majority portfolio weightage in Singapore and further increase its future exposure to Singapore’s vibrant hospitality market, which is supported by diversified growth drivers and exciting tourism infrastructure plans for the medium and long term.

### Retaining a core Singapore presence



33 Source: Colliers Valuation Report.

34 Source: The Straits Times, “About 20,000 workers expected at Changi East after T5 construction begins around 2020”, 10 October 2018. For purposes of this Circular, the Straits Times has not provided its consent to the inclusion of the information extracted from the relevant source and is therefore not liable for such information.

35 Source: Changi Airport Group report, “Changi Airport is named the World’s Best Airport for the seventh consecutive year by international air travellers”, (<<http://www.changiairport.com/corporate/media-centre/newsroom.html#/pressreleases/changi-airport-is-named-the-worlds-best-airport-for-the-seventh-consecutive-year-by-international-air-travellers-2853166>> last accessed 25 October 2019). For purposes of this Circular, the Changi Airport Group has not provided its consent to the inclusion of the information extracted from the relevant source and is therefore not liable for such information.

36 Source: Colliers Valuation Report.

(iii) **Achieve efficient recycling of capital**

The Proposed Divestment allows CDLHT to unlock capital effectively and achieve greater financial flexibility. The unlocked capital will not be tied up for the purpose of the forward purchase of the turnkey project as CDLHT is not obliged to make payments during the development of the New Hotel Property. The Net Divestment Proceeds from the Proposed Divestment may be recycled by CDLHT for such purposes as the Managers deem fit, including the financing of other acquisition opportunities in the near term (such as the W Hotel Acquisition to acquire an income-producing asset to preserve CDLHT's majority portfolio weightage in Singapore and partially mitigate the absence of income from the Proposed Divestment) and/or the repayment of existing borrowings which will further strengthen CDLHT's balance sheet. With the divestment of the Novotel CQ Property and the W Hotel Acquisition (before the New Hotel Property Acquisition), CDLHT has a pro forma gearing of 35.4%<sup>37</sup> and ample debt headroom of S\$508.4 million<sup>38</sup>, allowing it to have the flexibility to continue to pursue suitable acquisitions to further grow its income base. At the sole discretion of the Managers, a portion of the Net Divestment Proceeds may also be used to make distributions to Security Holders.

(iv) **Proposed Transactions expected to be DPS accretive on a pro forma basis**<sup>39</sup>

The Managers are of the view that the Proposed Transactions are expected to be accretive to Security Holders based on the pro forma financial effects of the Proposed Transactions on the DPS of CDLHT.

Assuming that CDLHT divested the Novotel CQ Property and completed the New Hotel Acquisition and W Hotel Acquisition on 1 January 2018 and taking into account Net Divestment Proceeds of S\$369.3 million, estimated W Hotel Acquisition Costs of S\$344.5 million and estimated Total New Hotel Acquisition Cost of S\$483.7 million, the Proposed Transactions are expected, based on a pro forma basis, to achieve a DPS accretion of 2.6% for FY2018.

**2.2.2** The Managers believe that the Redevelopment Transaction will bring the following key benefits to CDLHT and Security Holders:

(i) **Trade a hotel with significant future capital expenditure obligations and remaining 57-year leasehold for a custom-built, fully fitted brand new hotel with underlying land tenure upgraded to a fresh 99-year leasehold**

The Novotel CQ Property first opened as "The New Otani Singapore" in October 1984, and was subsequently rebranded as "Novotel Singapore Clarke Quay" in January 2005. In the coming years, the Novotel CQ Property may require significant future capital expenditure for the replacement of plant, mechanical and electrical equipment, façade upgrades and repairs and major refurbishment, to remain competitive. If not fully addressed, there may also be an increase in maintenance cost. This poses downside financial risks to future income stream and market value of the property. As such, the Redevelopment Transaction is timely and seeks to address these risks.

37 As at 30 September 2019 and assumes Net Divestment Proceeds are utilised towards W Hotel Acquisition with the excess used for the repayment of debt.

38 Based on a gearing limit of 45.0% for CDLHT as a whole.

39 Based on financial impact on a pro forma basis for FY2018.

The Redevelopment Transaction will allow CDLHT to divest an asset with remaining 57-year leasehold, and acquire a brand new purpose-built lifestyle hotel that is significantly more efficient in space utilisation as compared to the existing hotel, with the underlying land tenure upgraded to a fresh 99-year leasehold from acceptance of lease renewal.

(ii) **Acquire a turnkey hotel at a fixed price without taking on development risk with opportunity to realise savings**

The New Hotel Acquisition transaction structure is a turnkey arrangement, which allows CDLHT to avoid taking any development risk for a hotel component within a sizeable integrated development. The pricing formula of the lower of 110% of the Development Costs<sup>40</sup> or Fixed Price caps the forward price at a fixed number (supported by independent market valuations), and yet allows CDLHT to reap any savings based on a cost plus model after taking into account developer's return.

Custom-built to specifications to the brand standards of the Moxy brand under Marriott International, the New Hotel Property will be a uniquely designed lifestyle hotel of about 460 to 475 rooms. Other key facilities include a rooftop bar with panoramic views of Marina Bay<sup>41</sup>, and an open social floor which comprises a restaurant, flexible meeting rooms and a bar. The New Hotel Property will also be able to tap on the strong global distribution network of Marriott International, one of the largest hotel groups in the world, which operates and/or franchises more than 7,200 properties in 134 countries and territories<sup>42</sup>.

CDLHT is able to leverage on CDL's market-renowned development expertise and experience which have been recognised by both local and international accolades, for the delivery of a custom-built, turnkey hotel. More details on the developer, CDL, are outlined in paragraph 4.2.2 of this Circular.

(iii) **Opportunity to retain presence in the prime Clarke Quay location through the acquisition of a stake in an iconic and modern integrated development within the same site as the present Novotel CQ Property**

Clarke Quay, which is a subzone within the Singapore River precinct, is among one of the most visited areas in Singapore<sup>43</sup>. Facing the waterfront, Clarke Quay is a highly popular and vibrant entertainment, shopping and eating destination for tourists and families. The Singapore River, which spans approximately 3 km, also comprises two other distinctive subzones, namely Boat Quay and Robertson Quay, which both offer a good mix of lifestyle and F&B options and respectively are homes to offices and waterfront residences<sup>44</sup>.

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40 Please refer to the glossary.

41 Subject to change and the approval of the relevant authorities.

42 Source: Marriott International.

43 Source: Colliers Valuation Report.

44 Source: Colliers Valuation Report.

In addition, Clarke Quay is situated only minutes from the Central Business District (“**CBD**”) and the prime shopping area of Orchard Road. Served by both the Fort Canning MRT Station and the Clarke Quay MRT Station, the subzone is highly accessible and well connected<sup>45</sup>. There are also continued efforts to improve the attractiveness of the Singapore River precinct, through co-funding by the Singapore government of various private sector projects which will rejuvenate the area. Singapore’s first pilot Business Improvement District was also set up in 2017 by Singapore River One, which kickstarted a four-year business plan involving various initiatives such as the Singapore River Festival and environment works, to improve the look and feel of the area<sup>46</sup>.

The Novotel CQ Property has benefited from its excellent location and performed strongly since it was acquired by CDLHT in 2007. Due to the limited available acquisition opportunities at Clarke Quay, there are considerably high barriers to entry. Therefore, the New Hotel Property Acquisition, as part of the Redevelopment Transaction, presents a rare opportunity for CDLHT to retain a presence in this prime location. The vibrancy of the Clarke Quay location makes it an ideal location for an affordable lifestyle hotel.

The New Hotel Acquisition also allows CDLHT to acquire a brand new hotel within an iconic and modern integrated development. The Proposed Integrated Development is expected to have a GFA of more than 100,000 sqm and comprise two residential towers, a commercial component, a serviced residence with a hotel licence and the New Hotel Property. More details on the Proposed Integrated Development are outlined in paragraph 4.2.2 of this Circular.

In unlocking the development potential of the site, CDLHT is expected to benefit from the New Hotel Property (which is within the Proposed Integrated Development) as the desirability of the precinct will be significantly enhanced by its increased gentrification and further activation of the waterfront lifestyle potential. The new development will be an iconic feature and prominent skyline addition to the Clarke Quay area.

(iv) **Seize the unique opportunity to realise valuation gain on investment in the Novotel CQ Property and the Land**

The Redevelopment Transaction presents a unique opportunity for CDLHT to realise the valuation gain on its investment in the Novotel CQ Property and the Land. The Divestment Consideration of S\$375.9 million represents an 87.0% premium over (or S\$174.9 million above) the original purchase price for the Novotel CQ Property of S\$201.0 million in 2007.

In addition, the Liang Court Site is currently held by H-REIT Trustee and two other subsidiary proprietors (namely, DBS Trustee Limited (in its capacity as the trustee of Ascott Real Estate Investment Trust (formerly known as Ascott Residence Trust) and Legend Quay Pte. Ltd.) under a strata title scheme (collectively “**Subsidiary Proprietors**”). Given the current distribution of share values under the existing strata title scheme in the Novotel CQ Property, any redevelopment of the Novotel CQ Property and the Whole Land would be subject to the consent of all three Subsidiary Proprietors.

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45 Source: Colliers Valuation Report.

46 Source: Colliers Valuation Report.

No redevelopment could take place prior to this because there was no agreement between the Subsidiary Proprietors on plans nor could land prices, except until recently, justify a redevelopment. Unless there was unanimous agreement from all the Subsidiary Proprietors to redevelop the site, the potential of the whole site will be limited due to this encumbrance of consent. The potential of the asset is also limited if the Subsidiary Proprietors have different objectives. In May 2019, CDL and CL completed the acquisition of the Liang Court mall from ARMF II (Liang Court) Pte. Ltd. ("**Liang Court Retail Acquisition**"). Following the Liang Court Retail Acquisition, the Redevelopment Consortium and the existing Subsidiary Proprietors have reached a consensus on the means to realise the redevelopment potential for the Whole Land.

Hence, the Managers believe that the Redevelopment Transaction is compelling as it provides a unique and rare opportunity for CDLHT to unlock the valuation gains recorded over a 13-year holding period of the Novotel CQ Property and also the value of the Land, factoring in the redevelopment potential as opposed to the value of the Novotel CQ Property as a hotel with a remaining 57-year leasehold.

The immediate valuation uplift between Novotel CQ when valued as hotel use versus the implied land value factoring the redevelopment potential is evident:

- The valuation as at 31 December 2018 for the Novotel CQ Property was S\$333.0 million when valued as a hotel.
- Latest residual land valuations valued the Land at S\$368.7 million and S\$370.5 million respectively by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Colliers**") and Knight Frank Pte Ltd ("**Knight Frank**") after factoring in the redevelopment potential.

At the Divestment Consideration of S\$375.9 million, which is higher than the two independent residual land valuations, Security Holders have the opportunity to realise the valuation gains over the years with the Proposed Divestment. At the Divestment Consideration of S\$375.9 million, CDLHT is expected to recognise total divestment gain and fair value gain of S\$36.3 million<sup>47</sup>, representing 12.9%<sup>48</sup> above book value.

(v) **Redevelopment Transaction is expected to be DPS-accretive on a pro forma basis**<sup>49</sup>

The Managers are of the view that the Redevelopment Transaction is expected to be accretive to Security Holders based on the pro forma financial effects of the Redevelopment Transaction on the DPS of CDLHT.

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<sup>47</sup> The divestment gain and fair value gain is S\$0.6 million and S\$35.7 million respectively.

<sup>48</sup> Divestment price of S\$375.9 million over book value of S\$333.0 million as at 31 Dec 2018.

<sup>49</sup> Based on financial impact on a pro forma basis for FY2018.

Based on the Net Divestment Proceeds of S\$369.3 million and estimated total New Hotel Acquisition Cost of S\$483.7 million and assuming that CDLHT divested the Novotel CQ Property and acquired the New Hotel Property on 1 January 2018, the Redevelopment Transaction is expected, on a pro forma basis, to contribute an annual stabilised NPI of S\$26.6 million, translating to a DPS accretion of 2.0% for FY2018. The pro forma stabilised NPI yield of the New Hotel Property is approximately 5.6%<sup>50</sup>.

**2.2.3** The Managers believe that the W Hotel Acquisition will bring the following key benefits to CDLHT and Security Holders:

- (i) **Secure rare off-market opportunity to acquire a luxury lifestyle hotel in Singapore and penetrate the highly sought-after Sentosa market, which has been ear-marked to increase its role as a key future tourism driver for Singapore**

The W Hotel Acquisition represents a rare off-market opportunity for CDLHT to acquire a luxury lifestyle hotel in the highly sought-after Sentosa market, where opportunities to secure a comparable hotel are seldom available in the tightly-held Singapore hospitality market.

Known for its diverse array of unique leisure experiences all on a 500-hectare island (situated south of the main Singapore island) and located just minutes away from the city and shopping districts, 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<sup>51</sup>, making Sentosa a vibrant island resort for business and leisure. Notable themed attractions include Resorts World Sentosa, Universal Studios Singapore, S.E.A. Aquarium, Adventure Cove Waterpark, and Maritime Experiential Museum. In June 2018, the highly notable DPRK-USA Singapore Summit (commonly known as the Trump-Kim Summit) was held in Sentosa, strongly profiling the island and Singapore on a global scale. The SMBC Singapore Open and the HSBC Women's Champions, featuring some of the world's best golf professionals, were also hosted in Sentosa.

Looking ahead, there are further major expansion plans for Sentosa which will likely enhance the island and Singapore's attractiveness as a premier tourist destination. With the exclusivity of the casino license extended to end 2030, Resorts World Sentosa is investing S\$4.5 billion to add 50% or more than 164,000 sqm to its GFA. Under its plan, Universal Studios Singapore will expand its offerings with two new key attractions – Minion Park and Super Nintendo World while the S.E.A. Aquarium will increase to about three times its current size<sup>52</sup>. In addition, there are also plans by the Singapore government to revitalise Sentosa's beach areas, and expand Sentosa's nature and heritage trails<sup>53</sup>.

50 Stabilised yield based on the Fixed Price and the expected number of keys assumed in the current development plan and subject to such adjustments as may be agreed between the parties.

51 Source: Singapore Tourism Board, "Alipay, the go-to smart lifestyle wallet, now accepted at 70% of merchants in Sentosa Islander Membership programme", 23 January 2019.

52 Source: The Business Times, "Singapore IRs bet on S\$9b expansion; exclusive licences extended to 2030", 4 April 2019. For purposes of this Circular, the Business Times has not provided its consent to the inclusion of the information extracted from the relevant source and is therefore not liable for such information.

53 Source: The Straits Times, "National Day Rally 2019: In the pipeline – a 'Downtown South' resort near Sentosa", 18 August 2019.

As disclosed in paragraph 2.2.1(ii) of this Circular, one of the significant developments in the southern part of Singapore is the future Greater Southern Waterfront, which will commence in phases and last for more than a decade. The Greater Southern Waterfront is anticipated to stretch from Gardens by the Bay East to Pasir Panjang Terminal and with 2,000 hectares of land, it will be six times the size of Marina Bay. The area will be transformed into a new major gateway and vibrant location for homes, offices and recreational options.

Part of the Greater Southern Waterfront plans also comprise the redevelopment of Sentosa and Pulau Brani (adjacent to Sentosa Island) to position Singapore as a leading destination for the next few decades. The first project will be a 30,000 sqm multi-sensory walkway connecting Resorts World Sentosa to Sentosa's southern beaches. The S\$90 million project will commence in the fourth quarter of 2019 and is expected to complete in 2022. Looking further, Sentosa and Pulau Brani will be redeveloped together according to five zones, where each zone will have its own character and will deliver a unique experience to visitors. There will also be new attractions similar to Universal Studios Singapore at Pulau Brani, as well as other MICE and entertainment facilities for the larger waterfront development<sup>54</sup>.

The Managers believe that the W Hotel Acquisition will allow CDLHT to gain a presence in the highly desirable Sentosa market and the W Hotel Property will be a key beneficiary of the demand growth expected to be generated by the various expansion initiatives at Sentosa Island and the southern part of Singapore in the medium to long term.

(ii) **Acquisition of a high quality asset with long term capital appreciation potential**

Opened in 2012, the W Hotel Property is a luxury lifestyle hotel built to high specifications by CDL, with numerous design and construction accolades. The hotel is oriented towards the adjacent waterway and marina, and has views positioned to capture the most valuable perspectives.

The W Hotel Property boasts a total of 240 guest rooms with an average room size of approximately 46 sqm (with room sizes ranging from 40 sqm to 195 sqm). The hotel is also equipped with a comprehensive suite of facilities including an outdoor pool, more than 1,400 sqm of event space, three F&B outlets and a pool bar, as well as a spa.

Redesign works are being undertaken to some of the F&B outlets to increase seating capacity and enhance appeal so as to secure potential revenue upside. Managed by Marriott International, one of the largest hotel groups in the world which operates and/or franchises more than 7,200 properties in 134 countries and territories<sup>55</sup>, the W Hotel Property will be able to tap on the strong global distribution network of Marriott International.

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54 Source: Channel NewsAsia, "Sentosa's Merlion to go as Sentosa-Brani masterplan reshapes islands", 20 September 2019. For purposes of this Circular, Channel NewsAsia has not provided its consent to the inclusion of the information extracted from the relevant source and is therefore not liable for such information.

55 Source: Marriott International.



The Managers believe the W Hotel Acquisition is attractive with long term capital appreciation potential as the asset quality is high and the price per key of S\$1.35 million is comparable to the past hotel transactions in a similar segment in Singapore over the last six years as the hotel has one of the largest average room size relative to the others transacted during the same period.

(iii) **Transaction expected to be DPS-accretive on a pro forma basis**<sup>56</sup>

The Managers are of the view that the W Hotel Acquisition is expected to be accretive to Security Holders based on the pro forma financial effects of the W Hotel Acquisition on the DPS of CDLHT.

Based on the estimated W Hotel Acquisition Cost of S\$344.5 million, subject to adjustments for net working capital, and assuming that CDLHT acquired the W Hotel Property on 1 January 2018, the proposed transaction is expected, on a pro forma basis, to contribute an NPI of S\$10.1 million, translating to a DPS accretion of 0.9% for FY2018. The pro forma NPI yield of the W Hotel Property for FY2018 is approximately 3.1%<sup>57</sup>.

### **3. APPROVALS SOUGHT**

The Managers are convening EGMs of Security Holders to seek approval from Security Holders in respect of the following resolutions, each as an ordinary resolution:

#### **3.1 Resolution 1: The proposed Redevelopment Transaction which involves the divestment of Novotel Singapore Clarke Quay and the forward purchase of a hotel to be developed as part of an integrated development (as an Interested Person Transaction)**

The proposed Redevelopment Transaction comprises the following:

##### **3.1.1 The Proposed Divestment**

The divestment by H-REIT of the Novotel CQ Property pursuant to a conditional put and call option agreement ("**Divestment PCOA**") entered into between (a) the H-REIT Trustee, and (b) Gemini One Trust ("**CDL Redevelopment Trust**"), Legend Quay Pte. Ltd., and Legend Commercial Trust (collectively "**Redevelopment Entities**").

##### **3.1.2 The Proposed New Hotel Property Acquisition**

###### **(i) The New Hotel Property Acquisition**

The acquisition by H-REIT of the New Hotel Property through the acquisition of all the units of the CDL Redevelopment Trust, which will hold the beneficial interest in the New Hotel Property, pursuant to a conditional development and sale agreement ("**New Hotel DSA**") entered into between the H-REIT Trustee and CDL Aquila Pte. Ltd. ("**CDL RE Owner**").

<sup>56</sup> Based on financial impact on a pro forma basis for FY2018.

<sup>57</sup> Based on W Hotel Property Consideration.

(ii) **The New Hotel Business Acquisition**

The acquisition by HBT of the New Hotel Business through the acquisition of all the shares in Gemini One Pte. Ltd. ("**New Hotel OpCo**"), which will be the entity managing and holding the New Hotel Business, pursuant to a conditional share purchase agreement ("**New Hotel OpCo SPA**") entered into between HBT Trustee-Manager and CDL Aquila Pte. Ltd. ("**New Hotel OpCo Vendor**").

**For the avoidance of doubt, Resolution 1 is not conditional on Resolution 2 being passed and *vice versa*.**

**3.2 Resolution 2: The proposed acquisition of the hotel known as W Singapore – Sentosa Cove (as an Interested Person Transaction)**

**3.2.1 The W Hotel Acquisition**

(i) **The W Hotel Property Acquisition**

The acquisition by H-REIT of the W Hotel Property, pursuant to a conditional put and call option agreement ("**W Hotel PCOA**") entered into between the H-REIT Trustee and Cityview Place Holdings Pte. Ltd. ("**W Hotel Vendor**").

(ii) **The W Hotel Business Acquisition**

The acquisition of the W Hotel Business by HBT through the transfer, novation and/or assignment of the W Hotel Business to Gemini Two Pte. Ltd. ("**W Hotel OpCo**"), a wholly-owned subsidiary of HBT, pursuant to a conditional business transfer agreement ("**W Hotel CBTA**").

(iii) **The Carpark Transaction**

The entry into a carpark agreement ("**W Hotel Carpark Agreement**") between W Hotel OpCo and the W Hotel Vendor (as the registered proprietor of the neighbouring property known as Quayside Isle) to govern the use, access, operation, management, revenue and expenses of the carpark spread across Basement 1 of the W Hotel Property<sup>58</sup> ("**W Hotel Carpark**") and the neighbouring property known as Quayside Isle.

**For the avoidance of doubt, Resolution 2 is not conditional on Resolution 1 being passed and *vice versa*.**

**4. THE REDEVELOPMENT TRANSACTION**

**4.1 The Proposed Divestment**

**4.1.1 Description of the Novotel CQ Property**

The Novotel CQ Property, a 403-key hotel located along the River Valley Road in Singapore, forms part of the Liang Court Site which sits on the Whole Land.

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<sup>58</sup> For the avoidance of doubt, the W Hotel Property includes the W Hotel Carpark, which comprises 121 carpark lots. Taking into account carpark lots at the neighbouring property known as Quayside Isle, there are in total 199 carpark lots available for public use across the W Hotel Carpark and the carpark under the neighbouring property known as Quayside Isle.

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

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

Property Description	
<b>Address</b>	177A River Valley Road, Singapore 179031
<b>Title</b>	Leasehold estate of 97 years and 30 days expiring on 1 May 2077; 57 years leasehold remaining as at completion of the Proposed Divestment
<b>Land Area</b>	12,925.4 square metres (“sqm”)
<b>GFA</b>	34,908.7 sqm
<b>Number of Rooms</b>	403
<b>Operator Brand Classification</b>	Midscale
<b>Year of Opening</b>	1984

#### 4.1.2 Structure of the Proposed Divestment

The Novotel CQ Property is held directly by H-REIT. H-REIT proposes to divest the Land to the Redevelopment Entities for a total consideration of approximately S\$375.9 million (“**Divestment Consideration**”) under the Divestment PCOA. The Divestment Consideration will be paid by the Redevelopment Entities in cash.

The Divestment Consideration was arrived at on a willing-buyer and willing-seller basis taking into account the Novotel CQ Property Valuations and the Redevelopment Transaction as a whole.

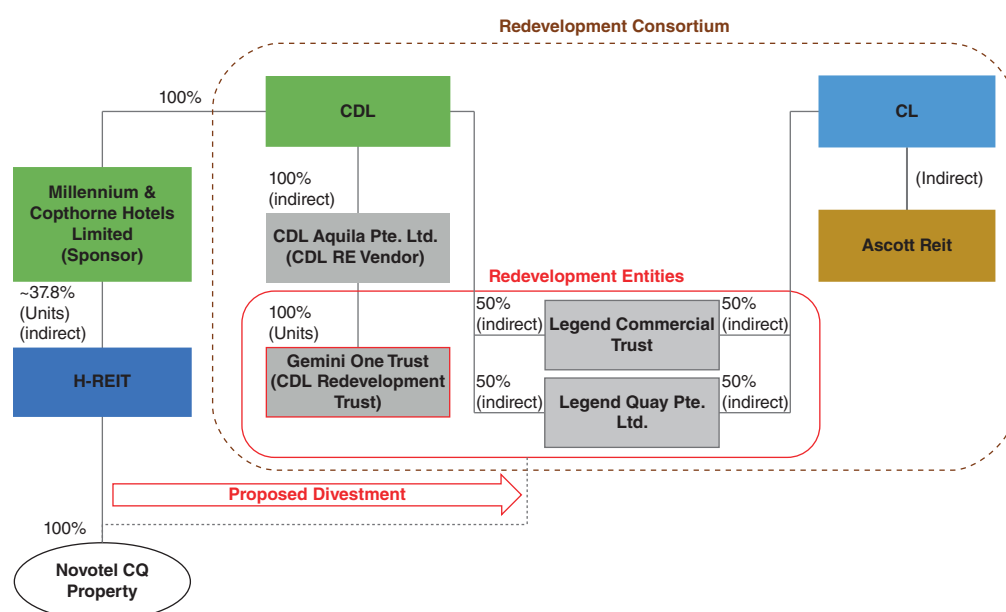
The Redevelopment Entities are part of a consortium led by CDL and CL. Legend Quay Pte. Ltd. and Legend Commercial Trust are joint venture vehicles of CDL and CL, with each of CDL and CL indirectly holding a 50.0% interest in each of Legend Quay Pte. Ltd and Legend Commercial Trust. The CDL Redevelopment Trust is a wholly-owned private trust held by CDL RE Owner (itself a subsidiary of CDL) constituted to develop and hold the New Hotel Property. Ascott Real Estate Investment Trust (formerly known as Ascott Residence Trust) (“**Ascott Reit**”) and the Redevelopment Entities (collectively “**Redevelopment Consortium**”) shall redevelop the Whole Land.

Following the Proposed Divestment, it is intended that the Whole Land be redeveloped by the Redevelopment Consortium into the Proposed Integrated Development. More details on the Proposed Integrated Development are outlined in paragraph 4.2.2 of this Circular. The CDL Redevelopment Trust will redevelop and hold the entire interest in the New Hotel Property.

The Novotel CQ Property is currently leased out by H-REIT Trustee (as Lessor) under an existing lease agreement dated 7 June 2007 (“**Novotel CQ Property Lease Agreement**”) to entities in the Accor Group, namely, AAPC Clarke Quay Pte. Ltd. (a subsidiary of Accor S.A.) as the lessee of the Novotel CQ Property (“**Lessee**”) and AAPC Singapore Pte. Ltd. (formerly known as AAPC Hotels Management Pte. Ltd.) as the Guarantor of the Lessee’s obligations under the Novotel CQ Property Lease (“**Guarantor**”). In connection with the Proposed

Divestment, H-REIT Trustee, as Lessor of the Novotel CQ Property under the Novotel CQ Property Lease, the Lessee and the Guarantor have entered into a termination deed dated 20 November 2019 (“**Novotel CQ Property Lease Termination Deed**”) to agree to the termination of the Novotel CQ Property Lease Agreement, which would otherwise expire on 31 December 2020. Under the terms of the Novotel CQ Property Lease Termination Deed, subject to *inter alia* CDLHT having obtained the approval from Security Holders at the EGM to be convened by no later than 31 January 2020 (or such other date to be mutually agreed upon) to approve the Redevelopment Transaction, all operational activities at the Novotel CQ Property shall cease on 3 April 2020, and the Novotel CQ Property Lease Agreement shall be terminated on 23 April 2020.

For the reference of Security Holders, an illustration of the relationship between CDL, CL, the Redevelopment Entities and the structure of the Proposed Divestment is set out below:



#### 4.1.3 Valuation of the Novotel CQ Property

The H-REIT Trustee has commissioned Colliers and the H-REIT Manager has commissioned Knight Frank as the independent valuers (collectively “**Independent Valuers**”) to value the Land.

Colliers has valued the Land at S\$368.7 million as at 15 October 2019 using the residual land valuation method, and Knight Frank has valued the Land at S\$370.5 million as at 15 October 2019 using the residual land valuation method (the valuations of the Independent Valuers of the Novotel CQ Property, “**Novotel CQ Property Valuations**”). The residual land valuation method entails the assumption of a proposed development on the site within the parameters of the planning and urban design requirements. The land value is determined after deducting the estimated costs of development such as building cost, professional fees, holding cost, land lease upgrading premium, differential premium (if any), developer’s profit, stamp duty, legal fees and other related costs from the estimated gross development value of the project. The residual value would represent the amount a prudent buyer would pay for the site.

The Divestment Consideration of the Novotel CQ Property is S\$375.9 million. The Divestment Consideration is S\$7.2 million or 1.9% higher than Collier's valuation of the Novotel CQ Property, and S\$5.4 million or 1.4% higher than Knight Frank's valuation of the Novotel CQ Property.

For the information of Security Holders, the Divestment Consideration is approximately 12.9% greater than the previous valuation of the Novotel CQ Property of S\$333.0 million on 31 December 2018 commissioned by the Managers and disclosed in CDLHT's annual report for 2018.

(See Appendix C of this Circular for further details regarding the Novotel CQ Property Valuations.)

#### **4.1.4 Estimated Total Divestment Costs**

The total cost of the Proposed Divestment to H-REIT ("**Total Divestment Cost**") is estimated to be approximately S\$6.5 million, comprising:

- (i) the provision for estimated winding down related costs in connection with the closure of the Novotel CQ Property, which includes, amongst others, payments and settlements with third parties for the termination of contracts, employees' redundancy related payments, costs associated with relocation of events and bookings and other closing related fees and costs for removal of assets, which amounts to approximately S\$6.0 million; and
- (ii) the estimated professional fees and other expenses in connection with the Proposed Divestment which amounts to approximately S\$0.6 million.

To demonstrate its support for the overall Redevelopment Transaction, the H-REIT Manager has elected to voluntarily waive the H-REIT Divestment Fee for the Proposed Divestment of approximately S\$1.9 million.

#### **4.1.5 Use of Proceeds**

The net proceeds of the Proposed Divestment ("**Net Divestment Proceeds**") is expected to be approximately S\$369.3 million. The Managers intend to use the Net Divestment Proceeds for the repayment of existing debt, to make distributions to Security Holders and/or to fund future acquisitions (including the W Hotel Acquisition, should the W Hotel Acquisition also be approved by Security Holders). Part of the Net Divestment Proceeds may also be used to make distributions to Security Holders to mitigate the net effects of the Proposed Divestment on CDLHT's distributable income.

As the Net Divestment Proceeds will only be available in April 2020, details of the material use of the Net Divestment Proceeds will be determined and announced by the Managers at the appropriate time, taking into account, amongst others, acquisition opportunities and the prevailing market conditions.

#### **4.1.6 Certain Principal Terms of the Divestment PCOA**

The principal terms of the Divestment PCOA, include, among others, the following:

- (i) (I) the H-REIT Trustee will grant a call option to the Redevelopment Entities to each purchase a specified share in the Whole Land and (II) the Redevelopment Entities will grant a put option to the H-REIT Trustee for the H-REIT Trustee to sell to each Redevelopment Entity a specified share in the Whole Land such that the cumulative share in the Whole Land acquired by the Redevelopment Entities amounts to the Land;
- (ii) the exercise of the put option or the call option under the Divestment PCOA will be subject to, among others, the fulfilment or waiver of the following conditions:
  - (a) the H-REIT Trustee obtaining the approval from unitholders of H-REIT at an EGM to be convened to approve the Redevelopment Transaction;
  - (b) the H-REIT Trustee ceasing all commercial activities and operations for the use of the Novotel CQ Property as a hotel and all uses which are ancillary to or associated with the business of the Novotel CQ Property as a hotel;
  - (c) the Redevelopment Entities obtaining in-principle approval from the Singapore Land Authority for the extension of the existing land lease of the Whole Land to a fresh 99-year land lease of the Whole Land; and
  - (d) the Redevelopment Entities obtaining provisional planning permission from the Urban Redevelopment Authority of Singapore in respect of the Proposed Integrated Development;
- (iii) the Redevelopment Entities shall be entitled to exercise the call option, and the H-REIT Trustee shall be entitled to exercise the put option, on (i) 30 April 2020 subject to the fulfilment of all conditions precedent; or (ii) in the event the deadline for satisfaction of the conditions precedent is extended, 14 May 2020, or such other date as the parties may mutually agree in writing; and
- (iv) on completion, the H-REIT Trustee shall deliver to the Redevelopment Entities vacant possession of the building known as “Novotel Singapore Clarke Quay”.

#### **4.1.7 Certain Principal Terms of the Novotel CQ Property Lease Termination Deed**

The principal terms of the Novotel CQ Property Lease Termination Deed include:

- (i) all operational activities at the Novotel CQ Property shall cease on 3 April 2020;
- (ii) the Novotel CQ Property Lease Agreement shall terminate on 23 April 2020;
- (iii) termination of the Novotel CQ Property Lease Agreement is subject to CDLHT having obtained the approval from Security Holders at an EGM to be convened to approve the Redevelopment Transaction;

- (iv) on termination of the Novotel CQ Property Lease Agreement, the employment of the Lessee's employees shall be terminated in accordance with a retrenchment plan to be agreed between the parties to the Novotel CQ Property Lease Termination Deed; and
- (v) all relevant and incidental costs incurred by the Lessee in connection with, among others, the foregoing shall be borne by the Lessor.

## 4.2 The New Hotel Acquisition

### 4.2.1 Description of the New Hotel Property

As part of the Proposed Integrated Development, the New Hotel Property is expected to be custom-built to specifications to the brand standards of the Moxy brand under Marriott International. Moxy hotels (“**Moxy**”) is one of the newest lifestyle boutique hotel concepts by Marriott International 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.

The New Hotel Property will boast of contemporary lifestyle elements and is set to feature approximately 460 to 475 design-driven guest rooms. Other key facilities include a rooftop bar with panoramic views of Marina Bay<sup>59</sup>, 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 Oct 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 Property will also be able to tap on the strong global distribution network of Marriott International, one of the largest hotel groups in the world which operates and/or franchises more than 7,200 properties in 134 countries and territories<sup>60</sup>.

A summary of the intended characteristics of the New Hotel Property is as follows:

Property Description <sup>(1)</sup>	
Address	177A River Valley Road, Singapore 179031 <sup>(2)</sup>
Title	A fresh leasehold estate of 99 years from acceptance of lease renewal
GFA	15,540.7 sqm
Expected Number of Rooms	About 460 to 475
Room Size	Approximately 16.5 sqm to 22.9 sqm (majority expected to be around 16.5 sqm to 17.5 sqm)

<sup>59</sup> Subject to change and the approval of the relevant authorities.

<sup>60</sup> Source: Marriott International.

<b>Property Description<sup>(1)</sup></b>	
<b>Facilities</b>	<ul style="list-style-type: none"> <li>• Rooftop bar</li> <li>• Open social floor comprising a restaurant, flexible meeting space and a bar</li> <li>• Rooftop pool and gym</li> </ul>
<b>Operator Brand Classification</b>	Upper Midscale
<b>Brand and Hotel Manager</b>	International Luxury Hotels (Singapore) Pte. Ltd., an indirect wholly-owned subsidiary of Marriott International, Inc.
<b>Expected Year of Completion of New Hotel Property Acquisition</b>	Around 2025 <sup>(3)</sup>

**Notes:**

- (1) The details of the New Hotel Property provided are subject to change and the approval of the relevant authorities.
- (2) While the New Hotel Property is expected to be developed within the same site as where the present Novotel CQ Property is, the street address of the New Hotel Property may be subject to change as a result of the redevelopment.
- (3) This is an estimated timeline and is subject to change.

#### **4.2.2 Description of the Proposed Integrated Development**

The Redevelopment Consortium intends to redevelop the Liang Court Site into the Proposed Integrated Development with a total GFA of 100,263 sqm comprising two residential towers, a commercial component, a serviced residence with a hotel licence, and the New Hotel Property.

The Redevelopment Consortium is led by CDL and CL, both of which have extensive experience in creating award-winning developments:

##### **About CDL**

CDL is a leading global real estate operating company with a network spanning 103 locations in 29 countries and regions. Listed on the Singapore Exchange, CDL is one of the largest companies by market capitalisation. Its income-stable and geographically diverse portfolio comprises residences, offices, hotels, serviced apartments, shopping malls and integrated developments. With over 55 years of experience in real estate development, investment and management, CDL has developed over 43,000 homes and owns over 18 million square feet of lettable floor area globally. Its London-based hotel subsidiary, Millennium & Copthorne Hotels (i.e. the Sponsor), is one of the world's largest hotel chains with over 145 hotels worldwide, many in key gateway cities.



## **About CL**

CL is one of Asia's largest diversified real estate groups. Headquartered and listed in Singapore, it owns and manages a global portfolio worth S\$131.7 billion as at 30 September 2019. CL's portfolio spans across diversified real estate classes which includes commercial, retail; business park, industrial and logistics; integrated development, urban development; as well as lodging and residential. With a presence across more than 200 cities in over 30 countries, the Group focuses on Singapore and China as its core markets, while it continues to expand in markets such as India, Vietnam, Australia, Europe and the USA.

This prime site is strategically located in the heart of Clarke Quay, a highly popular and vibrant waterfront entertainment precinct along the Singapore River and minutes from the Central Business District and the Orchard Road shopping belt. It is well served by transport links including the Fort Canning and Clarke Quay MRT Stations; and is within walking distance to the nearby Boat Quay and Robertson Quay, which have offices and residences respectively, as well as dining and entertainment options.

Upon completion, the 50:50 CDL-CL joint venture entities will own the residential and commercial components. Ascott Reit will own a 192-unit serviced residence with a hotel licence and will retain its Somerset branding. H-REIT will own the New Hotel Property, following the forward purchase from the CDL RE Owner. The Proposed Integrated Development is targeted to open in phases from 2024<sup>61</sup>, with H-REIT's New Hotel Property to open in 2025<sup>62</sup>.

The current design plan conceives a strong sustainability concept embedded within the Proposed Integrated Development to lower its environmental footprint, featuring well-shared naturally ventilated spaces, integrated water features and elevated green terraces to resonate its unique location with a prominent dual frontage facing the Singapore River and historically rich Fort Canning Park.

Designed to maximise the views of the various components of the Proposed Integrated Development towards Fort Canning, the Singapore River, CBD and Marina Bay, the lush green terraces and public and private amenities at various heights will enhance the public and social spaces of the new development. An open-to-sky central square in the heart of the development will be physically and visually accessible across multiple levels and allow seamless pedestrian movement.

The Proposed Integrated Development will incorporate direct accessibility to Fort Canning MRT via an underground linkway and will also be connected via an overhead pedestrian bridge to the Fort Canning Park.

Along with the redevelopment, the Redevelopment Consortium plans to rejuvenate the river promenade flanking the Proposed Integrated Development, which is in line with the Urban Redevelopment Authority's Draft Master Plan 2019 to enhance the area's vibrancy. This is expected to generate social activities around the Proposed Integrated Development, increase footfall and improve pedestrian accessibility along the Singapore River.

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61 This is an estimated timeline and is subject to change.

62 This is an estimated timeline and is subject to change.

<b>Summary of the Proposed Integrated Development (Subject to Approval and Design Planning)</b>	
<b>Location</b>	River Valley Road/Tan Tye Place/Clarke Quay
<b>Description</b>	An integrated development comprising: <ul style="list-style-type: none"> <li>• New Hotel Property</li> <li>• Two residential towers</li> <li>• Commercial component</li> <li>• Serviced residence with a hotel licence</li> <li>• Basement carpark</li> </ul>
<b>Site Area</b>	12,925.4 sqm
<b>GFA</b>	<ul style="list-style-type: none"> <li>• New Hotel Property: 15,541 sqm</li> <li>• Residential: 60,158 sqm</li> <li>• Commercial: 11,530 sqm</li> <li>• Serviced residence with a hotel licence: 13,034 sqm</li> </ul> <p style="text-align: right;">----- <b>Total: 100,263 sqm</b></p>
<b>Developer</b>	<ul style="list-style-type: none"> <li>• Residential and commercial components: CDL and CL on a 50:50 basis</li> <li>• New Hotel Property: CDL</li> <li>• Serviced residence with a hotel licence: Ascott Reit</li> </ul>

#### 4.2.3 Structure of the New Hotel Acquisition

##### (i) The New Hotel Property Acquisition

The New Hotel Property will be held directly by the CDL Redevelopment Trust. H-REIT proposes to acquire an indirect 100.0% interest in the New Hotel Property through the acquisition of all the units of the CDL Redevelopment Trust by the H-REIT Trustee from the CDL RE Owner under the New Hotel DSA. The consideration payable by the H-REIT Trustee under the New Hotel DSA will be the lower of the fixed price of S\$475.0 million<sup>63</sup> for the property (“**Fixed Price**” or “**New Hotel Purchase Consideration**”) or 110% of the Development Costs. Completion of the New Hotel Property Acquisition is expected to be the opening date of the New Hotel Property (“**Completion**”).

<sup>63</sup> Subject to the adjusted NAV of CDL Redevelopment Trust as at the date of completion of the sale and purchase of the units in CDL Redevelopment Trust which is not expected to be material. The adjusted NAV will exclude the carrying net book value of the New Hotel Property and any costs and expenses comprised in the Development Costs based on the principles set out in the New Hotel DSA.

As further elaborated in the Glossary, the Development Costs would constitute the actual cost incurred in developing the New Hotel Property (with the shared costs of developing the Proposed Integrated Development being apportioned between the Redevelopment Entities taking into account several factors in accordance with market practice, including, the gross floor area, the construction floor area and the respective proportion of the building contract sums). The New Hotel Purchase Consideration is fixed at the Fixed Price, with the approval of Security Holders being sought on the basis of the Fixed Price. However, this structure allows Security Holders to benefit from a corresponding reduction in the New Hotel Purchase Consideration should 110% of the Development Costs be lower than the Fixed Price.

For the avoidance of doubt, under the New Hotel DSA, the H-REIT Trustee is obliged to acquire the New Hotel Property upon the completion of the redevelopment of the Liang Court Site, subject to the fulfilment or waiver of certain conditions precedent as set out in paragraph 4.2.7 of this Circular.

The New Hotel Purchase Consideration will be paid by the H-REIT Trustee in cash, in four tranches as follows:

- (a) 5.0% of the estimated New Hotel Purchase Consideration (no higher than S\$23.8 million based on the Fixed Price) being paid after receipt of the temporary occupation permit for the New Hotel Property;
- (b) 90.0% of the estimated New Hotel Purchase Consideration (no higher than S\$427.5 million based on the Fixed Price) being paid at Completion;
- (c) 4.0% of the estimated New Hotel Purchase Consideration (no higher than S\$19.0 million based on the Fixed Price) being paid after receipt of a maintenance certificate issued in accordance with the contracts to be entered into by any or all of the Redevelopment Entities for the design and/or construction of the New Hotel; and
- (d) the balance to be paid after the parties have reached final agreement on the Development Costs in order to ascertain the New Hotel Purchase Consideration.

(ii) **The New Hotel Business Acquisition**

The New Hotel OpCo will be held by the New Hotel OpCo Vendor. HBT proposes to acquire a direct 100.0% interest in the New Hotel OpCo through the acquisition of all the shares of the New Hotel OpCo by HBT from the New Hotel OpCo Vendor under the New Hotel OpCo SPA. The consideration payable by HBT under the New Hotel OpCo SPA ("**New Hotel OpCo Consideration**") will be computed based on the NAV of the New Hotel OpCo<sup>64</sup>. HBT will reimburse the New Hotel OpCo Vendor the Pre-Opening Costs including but not limited to sales and marketing, public relations, training and pre-opening payroll expenses. The reimbursement will only be made if such costs are in excess of S\$1.9 million and HBT will pay up to a maximum of S\$3.1 million as any Pre-Opening Costs in excess of S\$5 million will be borne by the New Hotel OpCo Vendor. HBT will be bearing the Pre-Opening Costs because these costs are for the benefit of CDLHT and are costs necessary to prepare the hotel for opening on completion. The New Hotel OpCo Consideration will be paid by HBT in cash.

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64 To be determined at the time when the New Hotel Property Acquisition takes place and is not expected to be material.

(iii) **The New Hotel Internal Lease**

In connection with the New Hotel Property Acquisition and the New Hotel Business Acquisition, CDL Redevelopment Trust and the New Hotel OpCo intend to enter into an internal lease for CDL Redevelopment Trust (as lessor), which will be by then wholly-owned by H-REIT, to master lease (with effect from Completion) the New Hotel Property to the New Hotel OpCo (as lessee), which will be by then wholly-owned by HBT.

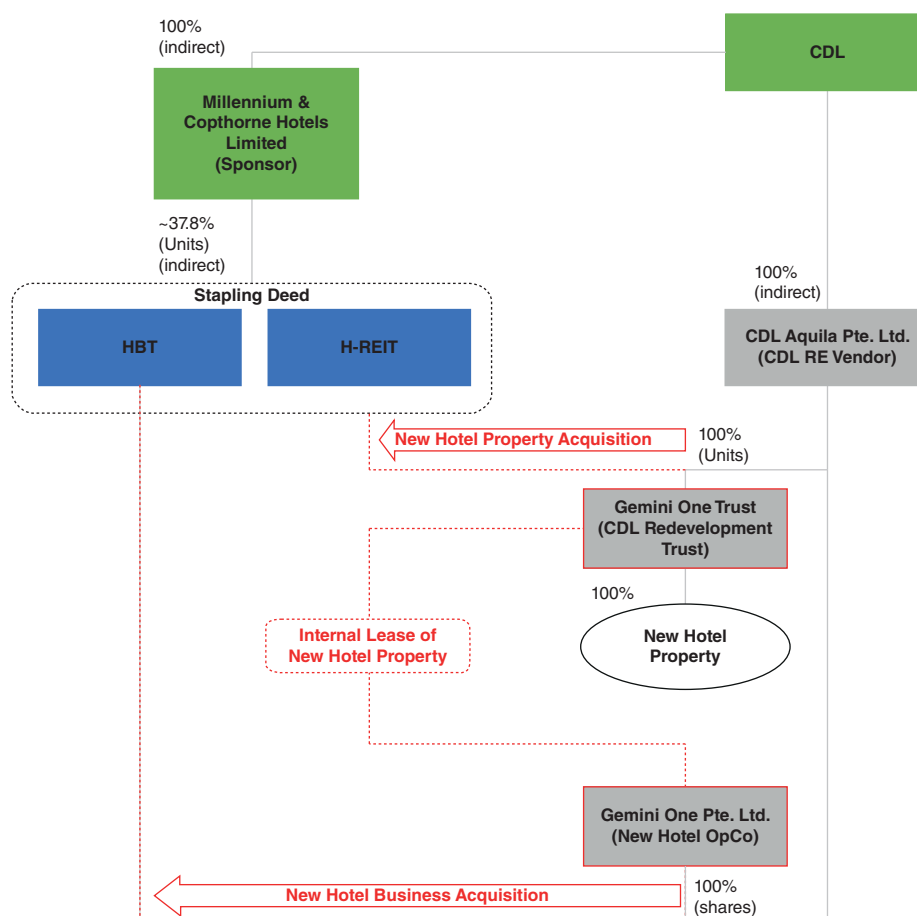
(iv) **Agreements in relation to the operation of the New Hotel Property**

The forward purchase of the New Hotel Property is expected to take place on the date of opening of the New Hotel Property ("**New Hotel Property Opening Date**"). The New Hotel OpCo has entered into a hotel management agreement with International Luxury Hotels (Singapore) Pte. Ltd. ("**New Hotel Manager**", and the hotel management agreement, "**New Hotel Management Agreement**") for the management of the New Hotel Property, as a hotel under the name of "Moxy Singapore Clarke Quay". The New Hotel OpCo and Global Hospitality Licensing S.A.R.L. (which is an affiliate of the New Hotel Manager, "**Licensor**") have also entered into a license and royalty agreement ("**License and Royalty Agreement**"), where the Licensor has agreed to grant New Hotel OpCo a non-exclusive and non-transferable license to use certain Marriott trademarks for hotel services in Singapore and only in connection with the operation of the New Hotel Property. The terms of both agreements are both for approximately 20 years from the New Hotel Property Opening Date. Typical fees apply under the New Hotel Management Agreement and the License and Royalty Agreement.

Under the operating profit guarantee agreement ("**Operating Profit Guarantee Agreement**") entered into between the New Hotel Manager, the New Hotel OpCo and International Hotel Licensing Company S.A.R.L. (as operating profit guarantor, "**Operating Profit Guarantor**"), the Operating Profit Guarantor shall provide a profit guarantee to the New Hotel OpCo in respect of the New Hotel Property's performance for the first 36 full months from the New Hotel Property Opening Date.

(v) **Illustration of the New Hotel Acquisition**

For the reference of Security Holders, an illustration of the structure of the New Hotel Acquisition is set out below:



**4.2.4 Valuation of the New Hotel Property**

The H-REIT Trustee has commissioned Colliers and the H-REIT Manager has commissioned Knight Frank, both as the independent valuers to value the New Hotel Property based on several factors, including the anticipated revenue (taking into account the expected average room rate and the expected room occupancy rate) and expenses of the New Hotel Property and assuming that the New Hotel Property will obtain its temporary occupation permit and commence operations in 2025<sup>65</sup>.

Colliers has valued the New Hotel Property at S\$481.0 million as at 15 October 2019 using the discounted cashflow method, and Knight Frank has valued the New Hotel Property S\$478.0 million as at 15 October 2019 using the discounted cashflow and capitalisation methods (the valuations of the Independent Valuers of the New Hotel Property, “**New Hotel Property Valuations**”).

The New Hotel Purchase Consideration of the New Hotel Property is capped at the Fixed Price of S\$475.0 million and is 0.9% lower than the average of the New Hotel Property Valuations.

(See Appendix D of this Circular for further details regarding the New Hotel Property Valuations.)

<sup>65</sup> This is an estimated timeline and is subject to change.

#### 4.2.5 Estimated Total New Hotel Acquisition Cost

The total cost of the New Hotel Acquisition (“**Total New Hotel Acquisition Cost**”) is currently estimated to be approximately S\$483.7 million, comprising:

- (i) the New Hotel Purchase Consideration of no higher than S\$475.0 million<sup>66</sup>, adjusted for the NAV of CDL Redevelopment Trust as at the date of completion of the sale and purchase of the units in the CDL Redevelopment Trust<sup>67</sup>;
- (ii) the acquisition fee payable to the H-REIT Manager pursuant to the H-REIT Trust Deed for the New Hotel Property Acquisition (“**H-REIT New Hotel Acquisition Fee**”) of no higher than S\$3.6 million (based on the New Hotel Purchase Consideration);
- (iii) the purchase consideration payable by HBT under the New Hotel OpCo SPA (“**New Hotel OpCo Consideration**”) for the New Hotel Business, which will be computed based on the NAV of the New Hotel OpCo<sup>68</sup>. HBT will reimburse the New Hotel OpCo Vendor the Pre-Opening Costs in excess of S\$1.9 million but subject to a maximum of S\$3.1 million<sup>69</sup> (with Pre-Opening Costs in excess of S\$5 million to be borne by the New Hotel OpCo Vendor); and
- (iv) the estimated professional fees and other expenses in connection with the New Hotel Acquisition and estimated stamp duty in connection with the entering into of an internal lease between CDL Redevelopment Trust and New Hotel OpCo of approximately S\$2.1 million.

#### 4.2.6 Payment of the H-REIT New Hotel Acquisition Fee in Stapled Securities

As the New Hotel Property Acquisition will constitute an “interested party transaction” under paragraph 5 of the Property Funds Appendix, the H-REIT New Hotel Acquisition Fee payable to the H-REIT Manager in respect of the New Hotel Property Acquisition will be satisfied via the issue of new Stapled Securities (“**H-REIT New Hotel Acquisition Fee Stapled Securities**”), which shall not be sold within one year from the date of issuance. For the avoidance of doubt, the H-REIT New Hotel Acquisition Fee will only be paid (and the H-REIT New Hotel Acquisition Fee Stapled Securities will only be issued) after the completion of the New Hotel Acquisition.

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66 Which will be the lower of (a) an amount equivalent to 110.0% of the Development Cost and (b) the Fixed Price. However, if any extension fee or Levy is payable by the Joint Development Parties 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 the Whole Land to a fresh 99-year lease, the consideration will be the lower of (i) Fixed Price; or (ii) Levy or part thereof and 110% of the Development Cost.

67 The adjusted NAV of CDL Redevelopment Trust as at the date of completion of the sale and purchase of the units in CDL Redevelopment Trust (computed by excluding the value attributable to the New Hotel Property and any costs and expenses comprised in the Development Costs based on the principles set out in the New Hotel DSA) is not expected to be material.

68 To be determined at the time when the New Hotel Property Acquisition takes place and is not expected to be material.

69 The actual amount of Pre-Opening Costs (including but not limited to marketing, public relations, training and payroll expenses) to be reimbursed will only be known as at the date of completion of the New Hotel Acquisition.

#### 4.2.7 Certain Principal Terms of the New Hotel DSA

The principal terms of the New Hotel DSA include:

- (i) the New Hotel Purchase Consideration shall be the lower of the Fixed Price or 110% of the Development Costs;
- (ii) if any levy or fee is payable by the Joint Development Parties<sup>70</sup> for any extension of time for the fulfilment of conditions imposed by the Singapore Land Authority for upgrading the lease tenure of the Whole Land to a fresh 99-year lease (“**Levy**”), the New Hotel Purchase Consideration shall be the lower of the Fixed Price or an amount equivalent to the aggregate of the Levy (or part thereof) and 110% of the Development Costs;
- (iii) completion of the New Hotel DSA is conditional on, among others, the fulfilment or waiver of the following conditions:
  - (a) the issuance of the temporary occupation permit for the New Hotel Property;
  - (b) certification that the New Hotel Property has been completed in accordance with the contract plans and specifications;
  - (c) the issuance of a letter of offer from the Singapore Land Authority in respect of the extension of the lease tenure of the Whole Land to a fresh 99-year lease of the Whole Land;
  - (d) the receipt of a written approval, of which its conditions (if any) have been fulfilled, from the Inland Revenue Authority of Singapore (“**IRAS**”) that CDL Redevelopment Trust will be regarded as an approved sub-trust of CDLHT with effect from (and including) completion under the New Hotel DSA. In the event that any approval issued by IRAS is subject to conditions which are unacceptable to the H-REIT Trustee (at its sole unfettered discretion), that approved sub-trust status shall not be deemed to be obtained; and
  - (e) the receipt of a written confirmation from the IRAS that the purchase of all of the units of the CDL Redevelopment Trust will not give rise to any (i) buyer stamp duty and (ii) additional conveyance duty for the H-REIT Trustee (“**ACDB**”) or if ACDB is payable, a remission for such ACDB has been obtained from the IRAS;
- (iv) save where the condition precedent in sub-paragraph 4.2.7(iii)(d) above has been waived by the H-REIT Trustee, the H-REIT Trustee, if such condition precedent is not obtained by the CP Fulfilment Longstop Date, and CDL RE Owner shall procure DBS Trustee Limited (in its capacity as trustee of CDL Redevelopment Trust) (“**CDL Redevelopment Trust Trustee**”) to enter into an asset sale and purchase agreement to acquire the New Hotel Property from the CDL Redevelopment Trust Trustee at a price equivalent to the lower of the Fixed Price or 110% of the Development Costs, under substantially the same terms and conditions as the New Hotel DSA;

<sup>70</sup> Means Legend Quay Pte. Ltd., Legend Commercial Trustee Pte. Ltd. (as trustee-manager of Legend Commercial Trust), DBS Trustee Limited (as trustee of Ascott Reit), and DBS Trustee Limited (as trustee of Gemini One Trust).

- (v) the date by which the conditions precedent for the completion of the New Hotel DSA (“**Conditions**”) shall be fulfilled is 90 months after the date of the New Hotel DSA (“**CP Fulfilment Longstop Date**”), and the H-REIT Trustee shall be entitled to terminate the New Hotel DSA if any of the Conditions are not fulfilled by the CP Fulfilment Longstop Date;
- (vi) upon the rescission or termination of the New Hotel DSA in accordance with sub-paragraph 4.2.7(v) above, all monies paid by the H-REIT Trustee prior to such termination to CDL RE Owner under the New Hotel DSA shall be refunded to the H-REIT Trustee; and
- (vii) the completion of the New Hotel Property Acquisition is conditional on and subject to the concurrent completion of the New Hotel Business Acquisition.

In relation to sub-paragraph (iii)(d) and (iv) above, it is intended for CDL Redevelopment Trust to be approved by IRAS as an approved sub-trust of H-REIT. Obtaining an approved sub-trust status would allow tax transparency on the income derived by CDL Redevelopment Trust from the New Hotel Property. If such approval is not forthcoming, H-REIT Trustee will purchase and hold the New Hotel Property directly through an asset sale and purchase agreement (based on the same pricing formula and under substantially the same terms and conditions of the New Hotel DSA) so that the income derived by H-REIT would also qualify for tax transparency.

#### **4.2.8 Certain Principal Terms of the Operating Profit Guarantee Agreement**

The principal terms of the Operating Profit Guarantee Agreement include:

- (i) for the 36 full months after the New Hotel Property Opening Date, if the operating profit of the New Hotel is less than the guaranteed operating profit threshold, the Operating Profit Guarantor will pay the difference to the New Hotel OpCo (“**Guaranty Amount**”);
- (ii) payments of the Guaranty Amount is subject to (i) an annual cap of S\$4 million, and (ii) an aggregate limit of S\$8 million for the term of the guarantee<sup>71</sup>;
- (iii) on and from the full fiscal year immediately following the expiry of the term of the guarantee, the New Hotel OpCo will repay the aggregate amount of all payments made by the Operating Profit Guarantor under the Operating Profit Guarantee Agreement, from Excess Operating Profit<sup>72</sup>;
- (iv) the New Hotel OpCo’s repayment of the Guaranty Amount will not exceed 50% of Excess Operating Profit with respect to any single fiscal year;
- (v) the Guaranty Amount must be repaid by the New Hotel OpCo in full, upon the termination of the New Hotel Management Agreement<sup>73</sup> or the transfer of New Hotel OpCo’s interest in the New Hotel Property to any person other than a company that is a wholly-owned subsidiary of H-REIT or HBT; and

<sup>71</sup> Subject to certain proration/adjustments for change in room keys or hotel specifications.

<sup>72</sup> Means, for each fiscal year after expiry of the term of the guarantee (including any partial fiscal year), the operating profit for such fiscal year minus certain claw-back threshold amounts (as indicated in the Operating Profit Guarantee Agreement) for such fiscal year, provided always that the difference is greater than zero.

<sup>73</sup> Other than a termination as a result of a default by the New Hotel Manager, arising from its gross negligence or wilful misconduct in performing its obligations.



- (vi) the Operating Profit Guarantor will not be obliged to pay the Guaranty Amount in respect of a specified guarantee period, in the event of, among others, the following:
  - (a) a force majeure event, including market-wide adverse conditions affecting the hotel accommodation sector in Singapore;
  - (b) construction works at the residential, parking and retail facilities, services apartments, hotel or those components of the Proposed Integrated Development which are located within the same building in which the New Hotel Property is located, and such other facilities or areas which are not part of the New Hotel Property, that adversely impact the performance of the New Hotel Business; and
  - (c) a major renovation, which includes repairs or construction to the New Hotel Property which results in (1) the total number of rooms taken out of services in a fiscal year being equal to or greater than 5% of the total available rooms or (2) the closure of 30 days or more in any fiscal year of more than half of the total meeting/conference rooms of the New Hotel Property.

In relation to sub-paragraph (iii) and (iv) above, by way of illustration:

- (a) if the Guaranty Amount for the term of the guarantee that is paid out is S\$1.5 million;
- (b) the Excess Operating Profit for the first fiscal year following the expiry of the term of the guarantee, is S\$2.0 million; and
- (c) the Excess Operating Profit for the second fiscal year following the expiry of the term of the guarantee, is S\$2.0 million,

then, the Guaranty Amount of S\$1.5 million will be repaid in the following manner:

- (1) S\$1.0 million (being 50% of the Excess Operating Profit for the first fiscal year following the expiry of the term of the guarantee) will be repaid in respect of the first fiscal year following the expiry of the term of the guarantee;
- (2) S\$0.5 million (being the balance of the Guaranty Amount) will be repaid in respect of the second fiscal year following the expiry of the term of the guarantee; and
- (3) no further repayments in respect of the Guaranty Amount will be made by the New Hotel OpCo in respect of the Operating Profit Guarantee Agreement.

For the information of Security Holders, the Operating Profit Guarantee is part of the commercial arrangement between the Hotel Operator and the New Hotel OpCo to provide for a mechanism to stabilize the performance of the New Hotel Property during its first 36 months after the New Hotel Property Opening Date while the New Hotel Property is still maturing.

#### **4.2.9 Certain Principal Terms of the New Hotel OpCo SPA**

The principal terms of the New Hotel OpCo SPA include:

- (i) the New Hotel OpCo Consideration will be computed based on the NAV of the New Hotel OpCo<sup>74</sup>;
- (ii) HBT will reimburse the New Hotel OpCo Vendor the pre-opening costs necessary to prepare the hotel for opening prior to completion of the New Hotel Property Acquisition which pertain to costs in excess of S\$1.9 million but subject to a maximum of S\$3.1 million<sup>75</sup>;
- (iii) completion of the New Hotel OpCo SPA is conditional on, among others, the fulfilment or waiver of the following conditions:
  - (a) the satisfaction of the conditions precedent set out in the New Hotel DSA; and
  - (b) each of the agreements to be entered into for the operation of the New Hotel Property, being in full force and effect;
- (iv) neither party shall be obliged to complete the purchase and sale of the total issued share capital of New Hotel OpCo, unless the New Hotel Property Acquisition is completed simultaneously; and
- (v) in the event that the Divestment PCOA is terminated or completion does not occur, any of the parties shall be entitled to terminate the New Hotel OpCo SPA.

#### **4.2.10 Risks relating to the Redevelopment Transaction**

Security Holders should note that there is no assurance that the Redevelopment Transaction will be completed, due to, among others, the following:

- (i) termination by the parties to the New Hotel DSA and the New Hotel OpCo SPA;
- (ii) non-fulfilment of the conditions precedent by the parties under the New Hotel DSA and the New Hotel OpCo SPA; and
- (iii) an inability by H-REIT to raise sufficient funds (either through debt and/or equity financing), to fund the New Hotel Acquisition.

If H-REIT is unable to raise sufficient funds for the New Hotel Acquisition, H-REIT may also face the risk of having to divest properties within its existing portfolio to fund the New Hotel Acquisition, in order to complete the Redevelopment Transaction.

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<sup>74</sup> To be determined at the time when the New Hotel Property Acquisition takes place and is not expected to be material.

<sup>75</sup> The actual amount of Pre-Opening Costs (including but not limited to marketing, public relations, training and payroll expenses) to be reimbursed will only be known as at the date of completion of the New Hotel Acquisition.

In the event that H-REIT is unable to fulfil its obligation to complete the New Hotel Acquisition, there may be potential consequences and implications for H-REIT and Security Holders, which includes, among others, the following:

- (a) H-REIT will miss out on an attractive acquisition opportunity within a desired time frame;
- (b) H-REIT would have divested the Novotel CQ Property and will not be able to retain its presence in the prime Clarke Quay location;
- (c) H-REIT's Singapore portfolio concentration will be lower than anticipated if the New Hotel Acquisition had been completed; and
- (d) a default by the H-REIT Trustee under the New Hotel DSA and the New Hotel OpCo SPA may potentially subject H-REIT to legal proceedings,

and for the foregoing reasons, the future earnings, revenue and cash flows of H-REIT may potentially be adversely affected, thereby affecting the business, financial condition and results of operations of CDLHT, and distributions to Security Holders.

## **5. THE W HOTEL ACQUISITION**

### **5.1 Description of the W Hotel Property**

The W Hotel Property 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 pool, 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 International, 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<sup>76</sup>. In addition, there are 32 properties comprising 7,603 rooms in the W Hotels global pipeline.

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<sup>76</sup> Source: W Hotels Development Overview, (<<https://hotel-development.marriott.com/wp-content/uploads/2019/08/W-NoAm-August-2019-One-Pager.pdf>>, last accessed 25 October 2019)

Managed by Marriott International, one of the largest hotel groups in the world which operates and/or franchises more than 7,200 properties in 134 countries and territories<sup>77</sup>, the W Hotel Property will be able to tap on the strong global distribution network of Marriott International.

<b>Property Description</b>	
<b>Address</b>	21 Ocean Way, Singapore 098374
<b>Title</b>	Leasehold estate of 99 years commencing from 31 October 2006
<b>Land Area</b>	17,016 sqm
<b>GFA</b>	25,374 sqm
<b>Number of Rooms</b>	240
<b>Room Size</b>	40 sqm to 195 sqm (average room size of about 46 sqm)
<b>F&amp;B Outlets</b>	3 F&B outlets and 1 poolside bar
<b>Meeting Space</b>	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 theatre-style
<b>Number of Carpark Lots</b>	121 <sup>(1)</sup>
<b>Operator Brand Classification</b>	Luxury
<b>Hotel Operator</b>	Luxury Hotels International of Hong Kong Limited, an indirect wholly-owned subsidiary of Marriott International, Inc.
<b>Year of Completion</b>	2012
<b>FY2018 Occupancy</b>	76%
<b>FY2018 Average Room Rate (ADR) (excluding service charge)</b>	S\$419

**Note:**

- (1) Number of carpark lots available at the W Hotel Carpark, located within the hotel. However, taking into account the carpark lots at the neighbouring property known as Quayside Isle, there are in total 199 carpark lots available for public use.

## **5.2 Structure of the W Hotel Acquisition**

### **5.2.1 The W Hotel Property Acquisition**

The W Hotel Property is directly held by the W Hotel Vendor. H-REIT proposes to acquire the W Hotel Property from the W Hotel Vendor at an aggregate purchase price of S\$324.0 million ("**W Hotel Property Consideration**") under the W Hotel PCOA, subject to adjustments for net working capital. The W Hotel Property Consideration will be paid by the H-REIT Trustee in cash.

The W Hotel Property Consideration was arrived at on a willing-buyer and willing-seller basis taking into account the W Hotel Property Valuations.

<sup>77</sup> Source: Marriott International, Inc. (<<https://www.marriott.com/marriott/aboutmarriott.mi>> last accessed on 25 October 2019).

## 5.2.2 The W Hotel Business Acquisition

The W Hotel Vendor holds the W Hotel Business necessary for the continued operation of the W Hotel Property as a hotel under the “W” branding. In connection with the W Hotel Acquisition, it is intended that the W Hotel Vendor transfer, novate and/or assign and/or procure the novation and assignment of the W Hotel Business to W Hotel OpCo under the W Hotel CBTA at an aggregate purchase price of S\$1, subject to adjustments for net working capital (“**W Hotel Business Consideration**”).

## 5.2.3 Associated Transactions

### Internal Lease

In connection with the W Hotel Acquisition, H-REIT and W Hotel OpCo intend to enter into an internal lease for H-REIT to master lease the W Hotel Property to W Hotel OpCo simultaneously on completion of the W Hotel Acquisition.

### The Carpark Transaction<sup>78</sup>

In connection with the W Hotel Property Acquisition and the W Hotel Business Acquisition, it is intended that the W Hotel OpCo enter into the Carpark Transaction with the W Hotel Vendor under the W Hotel Carpark Agreement to govern the use, access, operation, management, revenue and expenses of the carpark lots spread across the W Hotel Carpark and the neighbouring property known as Quayside Isle. Pursuant to the W Hotel Carpark Agreement, the 199 available carpark lots shall be open to public use.

### The Warehouse Lease Transaction

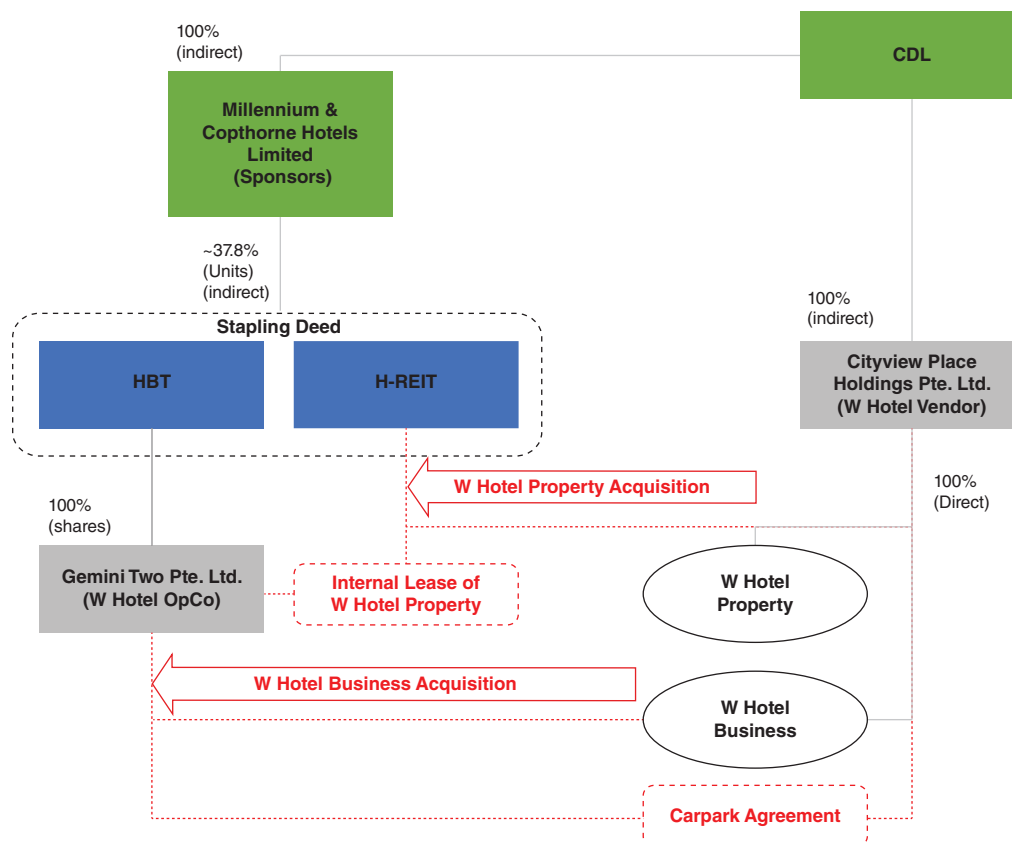
In connection with the W Hotel Business, the W Hotel Vendor has procured a lease over offsite warehouse space pursuant to a warehouse lease entered into between the W Hotel Vendor and Cideco Pte. Ltd. (“**Warehouse Lease**”), and it is intended that the Warehouse Lease be transferred from the W Hotel Vendor to the W Hotel OpCo.

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<sup>78</sup> For the avoidance of doubt, the W Hotel Property includes the W Hotel Carpark, which comprises 121 carpark lots. Taking into account carpark lots at the neighbouring property known as Quayside Isle, there are in total 199 carpark lots available for public use across the W Hotel Carpark and the carpark under the neighbouring property known as Quayside Isle.

### 5.2.4 Illustration of the W Hotel Acquisition

For the reference of Security Holders, an illustration of the structure of the W Hotel Acquisition is set out below:



### 5.3 Valuation of the W Hotel Property

The H-REIT Trustee has commissioned Colliers and the H-REIT Manager has commissioned Knight Frank as the independent valuers to value the W Hotel Property.

Colliers has valued the W Hotel Property at S\$326.0 million as at 15 October 2019 using the discounted cashflow and capitalisation methods, and Knight Frank has valued the W Hotel Property S\$324.0 million as at 15 October 2019 using the discounted cashflow and capitalisation methods (the valuations of the Independent Valuers of the W Hotel Property, “**W Hotel Property Valuations**”).

The W Hotel Property Consideration is S\$324.0 million, subject to adjustments for net working capital. The W Hotel Property Consideration is S\$2.0 million or 0.6% lower than Collier’s valuation of the W Hotel Property, and is in line with Knight Frank’s valuation of the W Hotel Property.

(See Appendix E of this Circular for further details regarding the W Hotel Property Valuations.)

#### 5.4 Estimated W Hotel Acquisition Cost

The total cost of the W Hotel Acquisition (“**W Hotel Acquisition Cost**”) is estimated to be approximately S\$344.5 million, comprising:

- (i) the purchase consideration for the W Hotel Property of S\$324.0 million;
- (ii) estimated stamp duties expected to be incurred for the W Hotel Property Acquisition and the entry into of an internal lease between H-REIT and W Hotel OpCo and other fees of approximately S\$9.7 million;
- (iii) estimated SDC consent fee of approximately S\$6.5 million (equivalent to 2.0% of the W Hotel Property Consideration of S\$324.0 million);
- (iv) the acquisition fee payable to the H-REIT Manager in respect of the W Hotel Property Acquisition (“**H-REIT W Hotel Acquisition Fee**”) of approximately S\$2.4 million;
- (v) the purchase consideration for the W Hotel Business of approximately S\$1.00;
- (vi) the estimated professional fees and other expenses in connection with the W Hotel Acquisition which amounts to approximately S\$0.9 million; and
- (vii) payment of approximately S\$1.0 million for estimated net working capital in connection with the W Hotel Acquisition (subject to further post-completion net working capital adjustments).

#### 5.5 Payment of the H-REIT W Hotel Acquisition Fee in Stapled Securities

As the W Hotel Property Acquisition will constitute an “interested party transaction” under paragraph 5 of the Property Funds Appendix, the H-REIT W Hotel Acquisition Fee will be satisfied via the issue of new Stapled Securities (“**H-REIT W Hotel Acquisition Fee Stapled Securities**”), which shall not be sold within one year from the date of issuance.

#### 5.6 Certain Principal Terms of the W Hotel PCOA

The principal terms of the W Hotel PCOA, include, among others, the following:

- (i) the W Hotel Vendor will grant a call option to the H-REIT Trustee to purchase the W Hotel Property and the H-REIT Trustee will grant a put option to the W Hotel Vendor to sell the W Hotel Property to the H-REIT Trustee;
- (ii) the exercise of the call option or put option under the W Hotel PCOA will be subject to, among others, the fulfilment of the following conditions:
  - (a) (I) the approval of the Sentosa Development Corporation (“**SDC**”) to the W Hotel Property Acquisition (“**SDC Sale Approval**”), and (II) the approval of SDC to the lease of the W Hotel Property by the H-REIT Trustee to the W Hotel OpCo for an initial lease term of 20 years commencing on completion with an option to renew for a further term of 20 years (“**SDC Lease Approval**”, and together with the SDC Sale Approval, “**SDC Approvals**”), and (III) the approval of any authorities (“**Authorities Approval**”) as may be required by the SDC, in each case having been obtained; and
  - (b) the approval of unitholders of H-REIT having been obtained at an EGM to be convened to approve the W Hotel Acquisition;

- (iii) if any of the terms and conditions of the SDC Approvals which are imposed on H-REIT or the W Hotel Vendor has an adverse financial impact on H-REIT or the W Hotel Vendor respectively, either party shall be entitled to serve on the other party, a written notice to rescind the W Hotel PCOA; and
- (iv) the completion of the W Hotel Property Acquisition is conditional on and subject to the concurrent completion of the W Hotel Business Acquisition.

## 5.7 Certain Principal Terms of the W Hotel CBTA

The principal terms of the W Hotel CBTA, include, among others, the following:

- (i) the completion of the W Hotel CBTA is conditional upon the fulfilment of certain conditions precedent, including but not limited to:
  - (a) the concurrent completion of the W Hotel Property Acquisition; and
  - (b) the approval of unitholders of H-REIT and HBT having been obtained at an EGM to be convened to approve the W Hotel Acquisition and the W Hotel Business Acquisition;
- (ii) the W Hotel OpCo shall with effect from the date immediately following completion (“**Post Completion Date**”), observe, perform, take over, discharge and fulfil all obligations of the W Hotel Vendor under the contracts to be transferred pursuant to the W Hotel CBTA (“**Contracts**”);
- (iii) the W Hotel OpCo shall, from the Post Completion Date, keep the W Hotel Vendor fully indemnified from and against, among other things, all claims, damages, losses, and liabilities caused or contributed by any default or failure on W Hotel OpCo’s part to discharge and fulfil as aforesaid the W Hotel Vendor’s obligations under such Contracts, such that the W Hotel Vendor shall be under no further obligations or liabilities to the relevant counterparties to such Contracts in respect of such Contracts and relating to the period from the Post Completion Date; and
- (iv) following completion, the transfer of the employment of the employees of the W Hotel Vendor who are immediately prior to completion employed in the W Hotel Business shall be governed by the Employment Act (Chapter 91 of Singapore) and both parties to the W Hotel CBTA shall comply with their respective obligations thereunder:
  - (a) the W Hotel Vendor shall perform and discharge all its obligations as employer up to (and including) the date of completion in respect of all the relevant employees; and
  - (b) the W Hotel OpCo shall be responsible for all obligations as employer to each relevant employee, from the Post Completion Date.



## 5.8 Certain Principal Terms of the associated transactions in relation to the W Hotel Acquisition

### 5.8.1 The W Hotel Carpark Agreement

The principal terms of the W Hotel Carpark Agreement, include, among others, the following:

- (i) the fixed monthly management fee payable by W Hotel OpCo to the W Hotel Vendor is S\$5,000;
- (ii) the W Hotel Vendor shall provide W Hotel OpCo with up to 3,000 carpark tickets per month, at a concessionary fee of S\$3.00 per carpark ticket;
- (iii) W Hotel OpCo and W Hotel Vendor hereby agree that as at the date of the W Hotel Carpark Agreement, the agreed proportion ("**Agreed Proportion**") shall be:
  - (a) W Hotel Vendor: 39.0%; and
  - (b) W Hotel OpCo: 61.0%;
- (iv) each proportion expressed as a percentage of the number of carpark lots located in each of Quayside Isle (78 carpark lots) ("**Quayside Carpark**", and together with the W Hotel Carpark, "**Carparks**") and the W Hotel Carpark (121 carpark lots) in proportion to the total number of carpark lots in the Carparks (199 carpark lots);
- (v) the revenue to be generated from the use of the Carparks shall be shared between the parties to the W Hotel Carpark Agreement in the Agreed Proportion;
- (vi) all costs and expenses incurred by the W Hotel Vendor in connection with the Carparks in accordance with the W Hotel Carpark Agreement, shall be borne by the parties to the W Hotel Carpark Agreement in the Agreed Proportion; and
- (vii) the W Hotel Carpark Agreement shall terminate on the date falling 20 years from the date of the W Hotel Carpark Agreement.

### 5.8.2 The Warehouse Lease

The principal terms of the Warehouse Lease, include, among others, the following:

- (i) the warehouse space at the 3<sup>rd</sup> storey of the Cideco Industrial Complex at 50 Genting Lane, Singapore is leased by Cideco Pte. Ltd. to the W Hotel Vendor for a term of three years commencing from 1 May 2019;
- (ii) the rent and service charge payable each month for the term of the lease is S\$10,780.80; and
- (iii) the W Hotel Vendor is obliged to pay and maintain with Cideco Pte. Ltd., for the duration of the term of the Warehouse Lease, a cash security deposit amount equivalent to three months of the monthly lease rental and service charge.

## 6. METHODS OF FINANCING

### 6.1 The New Hotel Acquisition

The Managers currently intend to finance the New Hotel Acquisition Cost through debt financing, save for the H-REIT New Hotel Acquisition Fee which will be satisfied via the issue of H-REIT New Hotel Acquisition Fee Stapled Securities. The Managers will determine the actual method of financing the New Hotel Acquisition closer to the completion of the New Hotel Acquisition which is expected to be in 2025<sup>79</sup> taking into account, among other things, the cost of the various financing options and market conditions at the relevant time.

### 6.2 The W Hotel Acquisition

The Managers currently intend to finance the W Hotel Acquisition Cost through the use of internal resources (including from the Net Divestment Proceeds, should the Redevelopment Transaction be approved by Security Holders<sup>80</sup>) and/or debt financing, the details of which will be determined by the Managers at the appropriate time, save for the H-REIT W Hotel Acquisition Fee which will be satisfied via the issue of H-REIT W Hotel Acquisition Fee Stapled Securities.

### 6.3 Gearing

The following table sets forth CDLHT's gearing on a pro forma basis, as at 30 September 2019.

	Upon completion of the Proposed Divestment only	Upon completion of the W Hotel Acquisition only	Upon completion of both the Proposed Divestment and W Hotel Acquisition
<b>Total Assets (S\$ million)<sup>(1)</sup></b>	2,582.0	3,210.2	2,918.4
<b>Total Gross Borrowings (S\$ million)<sup>(2)</sup></b>	688.9 <sup>(4)</sup>	1,361.7	1,033.7 <sup>(5)</sup>
<b>Gearing Ratio (%)<sup>(3)</sup></b>	26.7	42.4	35.4

#### Notes:

- (1) For purposes of gearing computation, the total assets exclude non-controlling interests and the effect of FRS 116/SFRS(I) Leases (adopted with effect from 1 January 2019).
- (2) For purposes of gearing computation, the total gross borrowings of CDLHT excludes borrowings attributed to non-controlling interests.
- (3) Based on the total gross borrowings of CDLHT divided by the total assets of CDLHT.
- (4) Assumes repayment of debt out of the Net Divestment Proceeds.
- (5) Assumes that the Net Divestment Proceeds is utilised to fund the W Hotel Acquisition and to repay debt.

79 This is an estimated timeline and is subject to change.

80 Should the completion of the W Hotel Acquisition take place prior to the receipt of the Net Divestment Proceeds, the Managers may use bridge financing to finance the W Hotel Acquisition first.

## 7. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

The Managers have appointed Deloitte & Touche Corporate Finance Pte Ltd as the Independent Financial Adviser (“**Independent Financial Adviser**”) to advise the Independent Directors and Audit and Risk Committees of the Managers (“**Audit and Risk Committees**”) in relation to the Redevelopment Transaction and the W Hotel Acquisition. A copy of the letter from the Independent Financial Adviser to the Independent Directors and Audit and Risk Committees of the Managers (“**IFA Letter**”), containing its advice in full is set out in Appendix B of this Circular and Security Holders are advised to read the IFA Letter in its entirety carefully. The Independent Financial Adviser has recommended that the Audit and Risk Committees advise Security Holders to read paragraphs 1 to 6 of this Letter to Security Holders carefully.

### 7.1 The Redevelopment Transaction

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

The Independent Financial Adviser advises the Independent Directors and Audit and Risk Committees of the Managers to recommend that Security Holders vote in favour of the resolution to approve the Redevelopment Transaction to be proposed at the EGMs, the notice of which is set out in the Circular.

### 7.2 The W Hotel Acquisition

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

The Independent Financial Adviser advises the Independent Directors and Audit and Risk Committees of the Managers to recommend that Security Holders vote in favour of the resolution to approve the W Hotel Acquisition to be proposed at the EGMs, the notice of which is set out in the Circular.

## 8. PRO FORMA FINANCIAL EFFECTS

The pro forma financial effects of the Redevelopment Transaction and the W Hotel Acquisition 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 FY2018 (“**CDLHT FY2018 Audited Financial Statements**”) and several matters and assumptions as stated under the respective sections.

### 8.1 The Redevelopment Transaction

In respect of the Redevelopment Transaction, several matters and assumptions were taken into consideration, including (but not limited to) the following:

- (i) the Total Divestment Cost;

- (ii) the Total New Hotel Acquisition Cost;
- (iii) the income of the New Hotel Property is based on a pro forma stabilised year of operations;
- (iv) the waiver of the H-REIT Divestment Fee by the H-REIT Manager;
- (v) the acquisition fee payable to the H-REIT Manager will be settled wholly via the issuance of Stapled Securities;
- (vi) funding through Net Divestment Proceeds, internal resources and borrowings; and
- (vii) the pro forma financials did not take into account the time value of money and the market movements in interest rate.

### 8.1.1 Pro Forma DPS and Distribution Yield

The following table sets forth the pro forma financial effects of the Redevelopment Transaction on the DPS and distribution yield of CDLHT for FY2018, as if CDLHT had completed the Redevelopment Transaction on 1 January 2018 and operated the New Hotel Property through to 31 December 2018.

<b>Pro forma effects of the Redevelopment Transaction for FY2018</b>		
	<b>Before the Redevelopment Transaction</b>	<b>After the Redevelopment Transaction</b>
<b>Net Property Income of CDLHT (S\$'000)</b>	146,054 <sup>(1)</sup>	151,651 <sup>(2)</sup>
<b>Distributable Income of CDLHT (S\$'000)<sup>(3)</sup></b>	111,603 <sup>(1)</sup>	114,180
<b>Stapled Securities entitled for distribution ('000)</b>	1,206,437	1,208,676 <sup>(4)</sup>
<b>DPS (cents)<sup>(5)</sup></b>	9.26	9.44
<b>Distribution Yield (%)<sup>(6)</sup></b>	5.82	5.94

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Includes the annual stabilised NPI of the New Hotel Property of S\$26.6 million which is calculated based on the Managers' assumptions, as if the New Hotel Property had been fully operational since 1 January 2018.
- (3) The distributable income of CDLHT (after deducting income retained for working capital) represents the aggregate of distributions by H-REIT and HBT.
- (4) Increase in the number of Stapled Securities entitled for distribution relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.
- (5) 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.
- (6) Based on the closing market price of the Stapled Securities of S\$1.59 as at 19 November 2019 which is the market date preceding the date of the Divestment PCOA and the New Hotel DSA.

### 8.1.2 Pro Forma NAV

The following table sets forth the pro forma financial effects of the Redevelopment Transaction on the NAV per Stapled Security as at 31 December 2018, as if CDLHT had completed the Redevelopment Transaction on 31 December 2018.

<b>Pro forma effects of the Redevelopment Transaction for FY2018</b>		
	<b>Before the Redevelopment Transaction<sup>(1)</sup></b>	<b>After the Redevelopment Transaction</b>
<b>NAV (S\$'000)</b>	1,847,663	1,884,836
<b>Stapled Securities in issue and to be issued ('000)</b>	1,209,888	1,212,285 <sup>(2)</sup>
<b>NAV per Stapled Security (S\$)</b>	1.527	1.555

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Increase in the number of Stapled Securities relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.

### 8.1.3 Pro Forma Capitalisation

The following table sets forth the pro forma financial effects of the Redevelopment Transaction on the capitalisation of CDLHT as at 31 December 2018, as if CDLHT had completed the Redevelopment Transaction on 31 December 2018.

<b>Pro forma effects of the Redevelopment Transaction as at 31 December 2018</b>		
	<b>Before the Redevelopment Transaction</b>	<b>After the Redevelopment Transaction</b>
<b>Total Assets (S\$'000)</b>	2,962,167 <sup>(1)</sup>	3,060,327
<b>Total Gross Borrowings (S\$'000)</b>	1,014,414 <sup>(1)</sup>	1,075,974
<b>Total Security Holders' Funds (S\$'000)</b>	1,847,663 <sup>(1)</sup>	1,884,836
<b>Total Capitalisation (S\$'000)</b>	2,862,077	2,960,810
<b>Gearing Ratio (%)<sup>(2)</sup></b>	34.2	35.2

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Based on the total gross borrowings of CDLHT divided by the total assets of CDLHT.

## 8.2 The W Hotel Acquisition

In respect of the W Hotel Acquisition, several matters and assumptions were taken into consideration, including (but not limited to) the following:

- (i) the W Hotel Acquisition Cost;

- (ii) the historical financial results of the W Hotel Property for FY2018;
- (iii) the acquisition fee payable to the H-REIT Manager will be settled wholly via the issuance of Stapled Securities;
- (iv) funding through internal resources and borrowings; and
- (v) the effects of FRS 116/SFRS(I) 16 Leases, which is only effective in 2019, have not been taken into account.

### 8.2.1 Pro Forma DPS and Distribution Yield

The following table sets forth the pro forma financial effects of the W Hotel Acquisition on the DPS and distribution yield of CDLHT for FY2018, as if CDLHT had completed the W Hotel Acquisition on 1 January 2018 and operated the W Hotel Property through to 31 December 2018.

<b>Pro forma effects of the W Hotel Acquisition for FY2018</b>		
	<b>Before the W Hotel Acquisition</b>	<b>After the W Hotel Acquisition</b>
<b>Net Property Income of CDLHT (S\$'000)</b>	146,054 <sup>(1)</sup>	156,144 <sup>(2)</sup>
<b>Distributable Income of CDLHT (S\$'000)<sup>(3)</sup></b>	111,603 <sup>(1)</sup>	112,847
<b>Stapled Securities entitled for distribution ('000)</b>	1,206,437	1,208,262 <sup>(4)</sup>
<b>DPS (cents)<sup>(5)</sup></b>	9.26	9.34
<b>Distribution Yield (%)<sup>(6)</sup></b>	5.82	5.88

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Includes the net property income of the W Hotel Property of S\$10.1 million which is calculated based on the historical financial results of the W Hotel Property for FY2018 made available to the Managers by the W Hotel Vendor.
- (3) The distributable income of CDLHT (after deducting income retained for working capital) represents the aggregate of distributions by H-REIT and HBT.
- (4) Increase in the number of Stapled Securities entitled for distribution relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.
- (5) DPS is derived based on distributable income of CDLHT (after deducting income retained for working capital) over the number of Stapled Securities entitled for distribution.
- (6) Based on the closing market price of the Stapled Securities of S\$1.59 as at 19 November 2019 which is the market date preceding the date of the W Hotel PCOA and the W Hotel CBTA.

### 8.2.2 Pro Forma NAV

The following table sets forth the pro forma financial effects of the W Hotel Acquisition on the NAV per Stapled Security, as if CDLHT had completed the W Hotel Acquisition on 31 December 2018.

<b>Pro forma effects of the W Hotel Acquisition for FY2018</b>		
	<b>Before the W Hotel Acquisition<sup>(1)</sup></b>	<b>After the W Hotel Acquisition</b>
<b>NAV (S\$'000)</b>	1,847,663	1,832,573
<b>Stapled Securities in issue and to be issued ('000)</b>	1,209,888	1,211,523 <sup>(2)</sup>
<b>NAV per Stapled Security (S\$)</b>	1.527	1.513

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Increase in the number of Stapled Securities relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.

### 8.2.3 Pro Forma Capitalisation

The following table sets forth the pro forma financial effects of the W Hotel Acquisition on the capitalisation of CDLHT as at 31 December 2018, as if CDLHT had completed the W Hotel Acquisition on 31 December 2018.

<b>Pro forma effects of the W Hotel Acquisition as at 31 December 2018</b>		
	<b>Before the W Hotel Acquisition</b>	<b>After the W Hotel Acquisition</b>
<b>Total Assets (S\$'000)</b>	2,962,167 <sup>(1)</sup>	3,250,605
<b>Total Gross Borrowings (S\$'000)</b>	1,014,414 <sup>(1)</sup>	1,309,824
<b>Total Security Holders' Funds (S\$'000)</b>	1,847,663 <sup>(1)</sup>	1,832,573
<b>Total Capitalisation (S\$'000)</b>	2,862,077	3,142,397
<b>Gearing Ratio (%)<sup>(2)</sup></b>	34.2	40.3

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Based on the total gross borrowings of CDLHT divided by the total assets of CDLHT.

### 8.3 The combined financial effects of the Proposed Transactions

#### 8.3.1 Pro Forma DPS and Distribution Yield

The following table sets forth the pro forma financial effects of the Proposed Transactions on the DPS and distribution yield of CDLHT for FY2018, as if CDLHT had completed the Proposed Transactions on 1 January 2018 and operated the New Hotel Property and the W Hotel Property through to 31 December 2018.

<b>Pro forma effects of the Proposed Transactions for FY2018</b>		
	<b>Before the Proposed Transactions</b>	<b>After the Proposed Transactions</b>
<b>Net Property Income of CDLHT (S\$'000)</b>	146,054 <sup>(1)</sup>	161,741 <sup>(2)</sup>
<b>Distributable Income of CDLHT (S\$'000)<sup>(3)</sup></b>	111,603 <sup>(1)</sup>	115,029
<b>Stapled Securities entitled for distribution ('000)</b>	1,206,437	1,210,564 <sup>(4)</sup>
<b>DPS (cents)<sup>(5)</sup></b>	9.26	9.50 <sup>(6)</sup>
<b>Distribution Yield (%)<sup>(7)</sup></b>	5.82	5.98

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Includes the net property income of the New Hotel Property, as if the New Hotel Property had been fully operational since 1 January 2018, and W Hotel Property based on the historical financial results of the W Hotel Property for FY2018 made available to the Managers by the W Hotel Vendor.
- (3) The distributable income of CDLHT (after deducting income retained for working capital) represents the aggregate of distributions by H-REIT and HBT.
- (4) Increase in the number of Stapled Securities entitled for distribution relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.
- (5) DPS is derived based on distributable income of CDLHT (after deducting income retained for working capital) over the number of Stapled Securities entitled for distribution.
- (6) Assuming the New Hotel Property Acquisition was not completed on 1 January 2018, the pro forma DPS for FY2018 would be 8.47 cents.
- (7) Based on the closing market price of the Stapled Securities of S\$1.59 as at 19 November 2019 which is the market date preceding the date of the Divestment PCOA, the New Hotel DSA, the W Hotel PCOA and the W Hotel CBTA.



### 8.3.2 Pro Forma NAV

The following table sets forth the pro forma financial effects of the Proposed Transactions on the NAV per Stapled Security, as if CDLHT had completed the Proposed Transactions on 31 December 2018.

<b>Pro forma effects of the Proposed Transactions for FY2018</b>		
	<b>Before the Proposed Transactions<sup>(1)</sup></b>	<b>After the Proposed Transactions</b>
<b>NAV (S\$'000)</b>	1,847,663	1,869,746
<b>Stapled Securities in issue and to be issued ('000)</b>	1,209,888	1,213,919 <sup>(2)</sup>
<b>NAV per Stapled Security (S\$)</b>	1.527	1.540

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Increase in the number of Stapled Securities relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.

### 8.3.3 Pro Forma Capitalisation

The following table sets forth the pro forma financial effects of the Proposed Transactions on the capitalisation of CDLHT as at 31 December 2018, as if CDLHT had completed the Proposed Transactions on 31 December 2018.

<b>Pro forma effects of the Proposed Transactions as at 31 December 2018</b>		
	<b>Before the Proposed Transactions</b>	<b>After the Proposed Transactions</b>
<b>Total Assets (S\$'000)</b>	2,962,167 <sup>(1)</sup>	3,397,810
<b>Total Gross Borrowings (S\$'000)</b>	1,014,414 <sup>(1)</sup>	1,420,651
<b>Total Security Holders' Funds (S\$'000)</b>	1,847,663 <sup>(1)</sup>	1,869,746
<b>Total Capitalisation (S\$'000)</b>	2,862,077	3,290,397
<b>Gearing Ratio (%)<sup>(2)</sup></b>	34.2	41.8

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Based on the total gross borrowings of CDLHT divided by the total assets of CDLHT.

## 9. REQUIREMENT FOR SECURITY HOLDERS' APPROVAL

### 9.1 Interested Person Transactions and Interested Party Transactions

#### 9.1.1 Related Party Transactions

Under Chapter 9 of the Listing Manual, where either H-REIT or HBT 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's or HBT's, as the case may be, latest audited net tangible assets ("**NTA**"), Security Holders' approval is required in respect of the transaction. Paragraph 5.2(b) of the Property Funds Appendix also imposes a requirement for Security Holders' approval for an "interested party transaction" by H-REIT whose value is equal to or exceeds 5.0% of H-REIT's latest audited NAV.

#### H-REIT

Based on the latest audited financial statements of H-REIT for FY2018 being ("**H-REIT FY2018 Audited Financial Statements**") as disclosed in the annual report of CDLHT issued on 4 March 2019, the latest audited NTA of H-REIT and its subsidiaries ("**H-REIT Group**") as at 31 December 2018 was S\$1.8 billion and the NAV of H-REIT Group as at 31 December 2018 was S\$1.8 billion. Accordingly, if the value of a transaction which is proposed to be entered into by H-REIT during the financial year ending 31 December 2019 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 the financial year ending 31 December 2019, equal to or greater than S\$88.1 million, such a transaction would be subject to Security Holders' approval under Rule 906(1) the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix.

As at 27 December 2019 ("**Latest Practicable Date**"), save for the Proposed Divestment, the New Hotel Property Acquisition and the W Hotel Property Acquisition, the value of all "interested persons transactions" entered into between H-REIT and CDL, as well as the Sponsor and their associates during the course of the financial year ending 31 December 2019 that are subject to disclosure under Chapter 9 of the Listing Manual is approximately S\$41.4 million ("**H-REIT Existing Interested Person Transactions**"), which is approximately 2.3% of the latest audited NTA and 2.3% of the latest audited NAV of the H-REIT Group based on the H-REIT FY2018 Audited Financial Statements.

#### CDLHT

Based on the CDLHT FY2018 Audited Financial Statements as disclosed in the annual report of CDLHT issued on 4 March 2019, the latest audited NTA of CDLHT as at 31 December 2018 was approximately S\$1.9 billion. Accordingly, if the value of a transaction which is proposed to be entered into by CDLHT during the financial year ending 31 December 2019 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 the financial year ending 31 December 2019, equal to or greater than S\$92.8 million, such a transaction would be subject to Security Holders' approval under Rule 906(1) the Listing Manual.

As at the Latest Practicable Date, save for the Redevelopment Transaction and the W Hotel Acquisition, the value of all “interested persons transactions” entered into between CDLHT and CDL as well as the Sponsor, and their associates during the course of the financial year ending 31 December 2019 that are subject to disclosure under Chapter 9 of the Listing Manual is approximately S\$41.4 million (“**Existing Interested Person Transactions**”), which is approximately 2.2% of the latest audited NTA of CDLHT.

Details of the Existing Interested Person Transactions may be found in Appendix F of the Circular.

### **9.1.2 The Sponsor and CDL**

As at the Latest Practicable Date, the Sponsor held an aggregate indirect interest in 458,048,907 Stapled Securities, which is equivalent to approximately 37.78% of the total number of the Stapled Securities then in issue, and is therefore regarded as a “controlling unitholder” of H-REIT and HBT under the Listing Manual, and a “controlling unitholder” of H-REIT under the Property Funds Appendix. In addition, as each of the H-REIT Manager and the HBT Trustee-Manager is an indirect wholly-owned subsidiary of the Sponsor, the Sponsor is therefore regarded as a “controlling shareholder” of the H-REIT Manager and the HBT Trustee-Manager under the Listing Manual, and a “controlling shareholder” of the H-REIT Manager under the Property Funds Appendix.

The Sponsor is an indirect wholly-owned subsidiary of CDL. Accordingly, CDL is also regarded as a “controlling unitholder” of H-REIT and HBT under the Listing Manual, a “controlling unitholder” of H-REIT under the Property Funds Appendix, a “controlling shareholder” of the H-REIT Manager and the HBT Trustee-Manager under the Listing Manual, and a “controlling shareholder” of the H-REIT Manager under the Property Funds Appendix.

### **9.1.3 The Redevelopment Transaction**

#### **(i) Interested Person and Interested Party Transactions of H-REIT**

As each of the Redevelopment Entities is an associate of the Sponsor, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, each of the Redevelopment Entities (being an “associate” of a “controlling unitholder” of H-REIT and an “associate” 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, the Proposed Divestment 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.

As the CDL RE Owner is an associate of the Sponsor, for the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the CDL RE Owner (being an “associate” of a “controlling unitholder” of H-REIT and an “associate” 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, the New Hotel Property Acquisition 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.

The aggregate value of the Divestment Consideration and New Hotel Purchase Consideration is approximately S\$850.9 million (being 48.3% of H-REIT Group's latest audited NTA and NAV as at 31 December 2018). The aggregate value of the Proposed Divestment and the New Hotel Property Acquisition and the H-REIT Existing Interested Person Transactions exceeds 5.0% of the latest audited NTA and the latest audited NAV of H-REIT, being the respective thresholds under Rule 906(1)(b) of Listing Manual and paragraph 5.2(b) Property Funds Appendix in respect of Related Party Transactions, and the Proposed Divestment and the New Hotel Property Acquisition would therefore be subject to Security Holders' approval in accordance with Rule 906(1)(a) of the Listing Manual.

(ii) **Interested Person Transaction of HBT**

As the New Hotel OpCo Vendor is an associate of the Sponsor, for the purposes of Chapter 9 of the Listing Manual, the New Hotel OpCo Vendor (being an "associate" of a "controlling unitholder" of HBT and an "associate" of a "controlling shareholder" of the HBT Trustee-Manager) is an "interested person" of HBT (for the purposes of the Listing Manual).

Therefore, the New Hotel Business Acquisition will constitute an "interested person transaction" under Chapter 9 of the Listing Manual.

The aggregate value of the Redevelopment Transaction exceeds 5.0% of CDLHT's latest NTA. Therefore, the Managers are seeking the approval of the Security Holders in respect of the Redevelopment Transaction as a whole.

**9.1.4 The W Hotel Acquisition**

(i) **Interested Person and Interested Party Transactions of H-REIT**

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

Therefore, the W Hotel Property Acquisition 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.

The aggregate value of the W Hotel Property Acquisition with net working capital adjustments is approximately S\$327.6 million (being 18.6% of H-REIT Group's latest audited NTA and NAV as at 31 December 2018). Hence, the value of the W Hotel Acquisition and the H-REIT Existing Interested Person Transactions exceeds 5.0% of the latest audited NTA and the latest audited NAV of H-REIT Group, being the respective thresholds under Rule 906(1)(b) of Listing Manual and paragraph 5.2(b) of the Property Funds Appendix in respect of Related Party Transactions, and the W Hotel Acquisition would therefore be subject to Security Holders' approval in accordance with Rule 906(1)(a) of the Listing Manual.

(ii) **Interested Person Transaction of HBT**

As the W Hotel Vendor is an indirect wholly-owned subsidiary of CDL, for the purposes of Chapter 9 of the Listing Manual, the W Hotel Vendor (being an “associate” of a “controlling unitholder” of HBT and an “associate” of a “controlling shareholder” of the HBT Trustee-Manager) is an “interested person” of HBT (for the purposes of the Listing Manual).

As Cideco Pte. Ltd., the landlord under the Warehouse Lease, is a wholly-owned subsidiary of CDL, for the purposes of Chapter 9 of the Listing Manual, Cideco Pte. Ltd. (being an “associate” of a “controlling unitholder” of HBT and an “associate” of a “controlling shareholder” of the HBT Trustee-Manager) is an “interested person” of HBT (for the purposes of the Listing Manual).

Therefore, the W Hotel Business Acquisition, the Carpark Transaction and the Warehouse Lease will each constitute an “interested person transaction” under Chapter 9 of the Listing Manual.

The aggregate value of the W Hotel Acquisition exceeds 5.0% of CDLHT’s latest NTA. Therefore, the Managers are seeking the approval of Security Holders in respect of the W Hotel Acquisition as a whole.

## **9.2 Major Transaction**

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-disclosable transactions;
- (ii) disclosable 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 NAV of the assets to be disposed of, compared with CDLHT’s NAV pursuant to Rule 1006(a) of the Listing Manual;
- (b) 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
- (c) 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(a) of the Listing Manual is not applicable to the W Hotel Acquisition as CDLHT will not be disposing of any assets under the W Hotel Acquisition.

Rule 1006(d) of the Listing Manual is not applicable to either of the Redevelopment Transaction or the W Hotel Acquisition as CDLHT will not be issuing any Stapled Securities as consideration for the Redevelopment Transaction or the W Hotel Acquisition.

## 9.2.1 The Redevelopment Transaction

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 Redevelopment Transaction are as follows:

	The Redevelopment Transaction (S\$ million)	CDLHT (S\$ million)	Relative Figure
Rule 1006(a) Net asset value of the assets to be disposed of <sup>(1)</sup>	333.2 <sup>(2)</sup>	1,782.1 <sup>(3)</sup>	18.7%
Rule 1006(b) Net profits attributable to the assets to be acquired or disposed of, compared with CDLHT's net profits	35.0 <sup>(4)</sup>	103.2 <sup>(5)</sup>	33.9%
Rule 1006(c) Aggregate value of the consideration given or received, compared with CDLHT's market capitalisation based on the total number of issued Stapled Securities	854.0 <sup>(6)</sup>	1,928.0 <sup>(7)</sup>	44.3%

**Notes:**

- (1) Only applicable to the Proposed Divestment.
- (2) Based on Novotel CQ Property's book value as at 30 September 2019.
- (3) Based on the unaudited financial statements of CDLHT as at 30 September 2019.
- (4) Based on the aggregate of the NPI attributable to the Novotel CQ Property for YTD September 2019 and the NPI ascribed to the New Hotel Property based on the prorated nine months stabilised year NPI.
- (5) Based on the unaudited financial statements of CDLHT for YTD September 2019.
- (6) Based on the aggregate of the Divestment Consideration, the New Hotel Purchase Consideration and the New Hotel OpCo Consideration.
- (7) Based on the market capitalisation of CDLHT on 19 November 2019, which is the market date preceding the date of the Divestment PCOA and New Hotel DSA.

The H-REIT Manager is of the view that the Proposed Divestment and New Hotel Property Acquisition is in the ordinary course of H-REIT's business as the Redevelopment Transaction is within the investment policy of H-REIT and does not change the risk profile of H-REIT.

The HBT Trustee-Manager is of the view that the New Hotel Business Acquisition is in the ordinary course of HBT's business as the New Hotel Business Acquisition is within the investment policy of HBT and does not change the risk profile of HBT.

However, as the Proposed Divestment, the New Hotel Property Acquisition and the New Hotel Business Acquisition each constitutes an “interested person transaction” under Chapter 9 of the Listing Manual and, in respect of H-REIT for the Proposed Divestment and the New Hotel Property Acquisition, an “interested party transaction” under the Property Funds Appendix, the Redevelopment Transaction will still be subject to the specific approval of Security Holders.

### 9.2.2 The W Hotel Acquisition

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

	<b>The W Hotel Acquisition (S\$ million)</b>	<b>CDLHT (S\$ million)</b>	<b>Relative Figure</b>
<u>Rule 1006(b)</u> Net profits attributable to the assets to be acquired or disposed of, compared with CDLHT’s net profits	6.1 <sup>(1)</sup>	103.2 <sup>(2)</sup>	5.9%
<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	325.0 <sup>(3)</sup>	1,928.0 <sup>(4)</sup>	16.9%

**Notes:**

- (1) Based on the NPI attributable to the W Hotel Property for YTD September 2019.
- (2) Based on the unaudited financial statements of CDLHT for YTD September 2019.
- (3) Based on the W Hotel Property Consideration of S\$324.0 million and net working capital of S\$1.0 million.
- (4) Based on the market capitalisation of CDLHT on 19 November 2019, which is the market date preceding the date of the W Hotel PCOA and the W Hotel CBTA.

The H-REIT Manager is of the view that the W Hotel Property Acquisition is in the ordinary course of H-REIT’s business as the W Hotel Property Acquisition is within the investment policy of H-REIT and does not change the risk profile of H-REIT.

The HBT Trustee-Manager is of the view that the W Hotel Business Acquisition is in the ordinary course of HBT’s business as the W Hotel Business Acquisition is within the investment policy of HBT and does not change the risk profile of HBT.

However, as the W Hotel Acquisition constitutes an “interested person transaction” under Chapter 9 of the Listing Manual and, in respect of H-REIT for the W Hotel Acquisition, an “interested party transaction” under the Property Funds Appendix, the W Hotel Acquisition will still be subject to the specific approval of Security Holders.

### 9.2.3 The Redevelopment Transaction and the W Hotel Acquisition

For the information of Security Holders, 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 aggregate of the Redevelopment Transaction and the W Hotel Acquisition are as follows:

	The Redevelopment Transaction and the W Hotel Acquisition (\$ million)	CDLHT (\$ million)	Relative Figure
Rule 1006(a) Net asset value of the assets to be disposed of <sup>(1)</sup>	333.2 <sup>(2)</sup>	1,782.1 <sup>(3)</sup>	18.7%
Rule 1006(b) Net profits attributable to the assets to be acquired or disposed of, compared with CDLHT's net profits	41.2 <sup>(4)</sup>	103.2 <sup>(5)</sup>	39.9%
Rule 1006(c) Aggregate value of the consideration given or received, compared with CDLHT's market capitalisation based on the total number of issued Stapled Securities	1,178.9 <sup>(6)</sup>	1,928.0 <sup>(7)</sup>	61.1%

**Notes:**

- (1) Only applicable to the Proposed Divestment.
- (2) Based on Novotel CQ Property's book value as at 30 September 2019.
- (3) Based on the unaudited financial statements of CDLHT as at 30 September 2019.
- (4) Based on the aggregate of the NPI attributable to the Novotel CQ Property for YTD September 2019, the NPI ascribed to the New Hotel Property based on the prorated nine months stabilised year NPI and the NPI attributable to the W Hotel Property for YTD September 2019.
- (5) Based on the unaudited financial statements of CDLHT for YTD September 2019.
- (6) Based on the aggregate of the Divestment Consideration, the New Hotel Purchase Consideration, the New Hotel OpCo Consideration and the W Hotel Property Consideration of S\$324.0 million and net working capital of S\$1.0 million.
- (7) Based on the market capitalisation of CDLHT on 19 November 2019, which is the market date preceding the date of the Divestment PCOA, the New Hotel DSA, the W Hotel PCOA and the W Hotel CBTA.



## **10. RECOMMENDATIONS AND CONFIRMATIONS**

### **10.1 The Redevelopment Transaction**

Having regard to the rationale for the Redevelopment Transaction as set out above and the opinion of the Independent Financial Adviser (set out in the IFA Letter in Appendix B of this Circular), the Independent Directors and Audit and Risk Committees of the Managers are of the opinion that the Redevelopment Transaction is on normal commercial terms and is not prejudicial to the interests of H-REIT, HBT or the minority Security Holders respectively.

The Audit and Risk Committee of the H-REIT Manager further confirms that it has undertaken due process to ensure that the terms of the Redevelopment Transaction (comprising the Proposed Divestment and the New Hotel Acquisition) are generally in line with that which have been obtained had the assets been sold to a non-interested party.

Accordingly, the Independent Directors and Audit and Risk Committees of the Managers recommend that Security Holders vote in favour of the resolution to approve the Redevelopment Transaction.

### **10.2 The W Hotel Acquisition**

Having regard to the rationale for the W Hotel Acquisition as set out above and the opinion of the Independent Financial Adviser (set out in the IFA Letter in Appendix B of this Circular), the Independent Directors and Audit and Risk Committees of the Managers are of the opinion that the W Hotel Acquisition is on normal commercial terms and is not prejudicial to the interests of H-REIT, HBT or the minority Security Holders respectively.

Accordingly, the Independent Directors and Audit and Risk Committees of the Managers recommend that Security Holders vote in favour of the resolution to approve the W Hotel Acquisition.

## **11. EXTRAORDINARY GENERAL MEETINGS**

The EGMs will be held at 10.00 a.m. on 23 January 2020 at Orchard Grand Ballroom 1 & 2, Orchard Hotel Singapore, 442 Orchard Road, Singapore 238879 for the purpose of considering and, if thought fit, passing with or without modification, the resolutions set out in the Notice of Extraordinary General Meetings, which is set out on pages G-1 to G-3 of this Circular.

A Depositor shall not be regarded as a Security Holder entitled to attend the EGMs 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) Limited (“**CDP**”) as at 48 hours before the EGMs.

## **12. INTERESTS OF DIRECTORS AND CONTROLLING SECURITY HOLDERS**

As at the Latest Practicable Date, Vincent Yeo Wee Eng, the Chief Executive Officer and an Executive Director of each of the Managers, holds an aggregate interest in 138,000 Stapled Securities.

Further details of the interests in Stapled Securities of Directors and Substantial Security Holders are set out in Appendix A of this Circular.

Save as disclosed above and based on information available to the Managers 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 Redevelopment Transaction or the W Hotel Acquisition.

### **13. DIRECTORS’ SERVICE CONTRACTS**

#### **13.1 The Redevelopment Transaction**

No person is proposed to be appointed as a director of the Managers in connection with the Redevelopment Transaction or any other transactions contemplated in relation to the Redevelopment Transaction.

#### **13.2 The W Hotel Acquisition**

No person is proposed to be appointed as a director of the Managers in connection with the W Hotel Acquisition or any other transactions contemplated in relation to the W Hotel Acquisition.

### **14. ABSTENTIONS FROM VOTING**

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested at the EGMs.

#### **14.1 The Redevelopment Transaction**

As each of the Redevelopment Entities, the CDL RE Owner and the OpCo Vendor under the Proposed Divestment, the New Hotel Property Acquisition and the New Hotel Business Acquisition are associates of CDL, which is a “controlling unitholder” of H-REIT and HBT and a “controlling shareholder” of each of the Managers, CDL, the Sponsor, Hospitality Holdings Pte. Ltd. (an indirect wholly-owned subsidiary of the Sponsor), Republic Hotels & Resorts Limited (an indirect wholly-owned subsidiary of the Sponsor), the H-REIT Manager and the HBT Trustee-Manager (as subsidiaries of the Sponsor) (i) will abstain, and will procure that their associates abstain, from voting at the EGMs on the resolution to approve the Redevelopment Transaction, and (ii) will not, and will procure that their associates do not, accept appointments as proxies in relation to the resolution to approve the Redevelopment Transaction, unless specific instructions as to voting are given.

#### **14.2 The W Hotel Acquisition**

As the W Hotel Vendor under the W Hotel Acquisition is an associate of CDL, which is a “controlling unitholder” of H-REIT and HBT and a “controlling shareholder” of each of the Managers, CDL, the Sponsor, Hospitality Holdings Pte. Ltd. (an indirect wholly-owned subsidiary of the Sponsor), Republic Hotels & Resorts Limited (an indirect wholly-owned subsidiary of the Sponsor), the H-REIT Manager and the HBT Trustee-Manager (i) will abstain, and will procure that their associates abstain, from voting at the EGMs on the resolution to approve the W Hotel Acquisition, and (ii) will not, and will procure that their associates do not, accept appointments as proxies in relation to the resolution to approve the W Hotel Acquisition, unless specific instructions as to voting are given.

## **15. ACTIONS TO BE TAKEN BY SECURITY HOLDERS**

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

If a Security Holder is unable to attend the EGMs 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 office of the Unit Registrar at 112 Robinson Road, #05-01 Singapore 068902 no later than 10.00 a.m. on 21 January 2020, being 48 hours before the time fixed for the EGMs. 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 any 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 such resolution.

## **16. DIRECTORS' RESPONSIBILITY STATEMENTS**

The Directors of the Managers collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Redevelopment Transaction and the W Hotel Acquisition, and each of the Directors of the Managers is not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of each of the Directors of the Managers has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

## **17. CONSENTS**

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter and references thereto, in the form and context in which they are included in this Circular.

Each of the Independent Valuers has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the Valuation Certificate and references thereto, in the form and context in which they are included in this Circular.

## **18. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Divestment PCOA, the New Hotel DSA, the W Hotel PCOA, the New Hotel OpCo SPA, the W Hotel CBTA, the W Hotel Carpark Agreement, the IFA Letter and the valuation reports of the Independent Valuers are available for inspection during normal business hours<sup>81</sup> at the registered office of the Managers at 9 Raffles Place, #12-01 Republic Plaza, Singapore 048619 from the date of this Circular up to and including the date falling three months after the date of this Circular.

The H-REIT Trust Deed will be available for inspection during normal business hours at the registered office of the H-REIT Manager for so long as H-REIT continues to be in existence.

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<sup>81</sup> Prior appointment would be appreciated.

The HBT Trust Deed will be available for inspection during normal business hours at the registered office of the HBT Trustee-Manager for so long as HBT continues to be in existence.

The Stapling Deed will be available for inspection during normal business hours at the registered office of the Managers for so long as CDLHT continues to be in existence.

Yours faithfully

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

M&C Business Trust Management Limited  
(as trustee-manager of CDL Hospitality  
Business Trust)

Vincent Yeo Wee Eng  
Executive Director and Chief Executive Officer

Vincent Yeo Wee Eng  
Executive Director and Chief Executive Officer

## IMPORTANT NOTICE

In this Circular, references to H-REIT and HBT would include, where appropriate, entities owned or (as the case may be) controlled by H-REIT or HBT.

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 CDLHT is not necessarily indicative of the future performance of CDLHT.

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 and HBT Trustee-Manager's current view of future events.

This Circular contains information derived from various third party sources. While the Managers have taken reasonable actions to ensure that such information is reproduced in their proper form and context, and that the information is extracted accurately and fairly from the relevant sources, neither the Managers, nor any other party has conducted an independent review of the information contained in the relevant sources or verified the accuracy of the contents of the relevant information.

If you have sold or transferred all your Stapled Securities, you should immediately forward this Circular, together with the Notice of Extraordinary General Meetings 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:

<b>ACDB</b>	:	Additional conveyance duty for the H-REIT Trustee
<b>Agreed Proportion</b>	:	The agreed proportion of the parties to the W Hotel Carpark Agreement pursuant to the W Hotel Carpark Agreement
<b>Ascott Reit</b>	:	Ascott Real Estate Investment Trust (formerly known as Ascott Residence Trust)
<b>Audit and Risk Committees</b>	:	Collectively, the Audit and Risk Committee of each of the Managers
<b>Authorities Approval</b>	:	The approval of any authorities as may be required by SDC
<b>Carpark Transaction</b>	:	The entry into the W Hotel Carpark Agreement
<b>Carparks</b>	:	The Quayside Carpark and the W Hotel Carpark
<b>CBD</b>	:	The central business district of Singapore
<b>CDL</b>	:	City Developments Limited
<b>CDL RE Owner</b>	:	CDL Aquila Pte. Ltd., the holder of all the units in the CDL Redevelopment Trust
<b>CDL Redevelopment Trust</b>	:	Gemini One Trust
<b>CDL Redevelopment Trust Trustee</b>	:	DBS Trustee Limited (in its capacity as trustee of CDL Redevelopment Trust)
<b>CDLHT</b>	:	CDLHT, a stapled group comprising H-REIT and HBT
<b>CDLHT FY2018 Audited Financial Statements</b>	:	The audited financial statements of CDLHT for FY2018
<b>CDP</b>	:	The Central Depository (Pte) Limited
<b>Circular</b>	:	This Circular
<b>CL</b>	:	CapitaLand Limited
<b>Colliers</b>	:	Colliers International Consultancy & Valuation (Singapore) Pte Ltd, the independent valuer appointed by the H-REIT Trustee to value the Novotel CQ Property, the New Hotel Property and the W Hotel Property for the purpose of the Proposed Divestment, the New Hotel Property Acquisition and the W Hotel Acquisition respectively

<b>Completion</b>	:	The completion of the New Hotel Property Acquisition
<b>Conditions</b>	:	Conditions precedent for the completion of the New Hotel DSA
<b>Contracts</b>	:	The contracts to be transferred from the W Hotel Vendor to W Hotel OpCo pursuant to the W Hotel CBTA
<b>CP Fulfilment Longstop Date</b>	:	90 months after the date of the New Hotel DSA (subject to any extensions set out thereof)
<b>Development Costs</b>	:	<p>The actual cost incurred in developing the New Hotel Property including, without limitation, the following:</p> <ol style="list-style-type: none"> <li>1. land, building and related costs and taxes;</li> <li>2. construction, preliminaries and related costs;</li> <li>3. allowances for construction and/or building and related bonuses;</li> <li>4. professional and related fees;</li> <li>5. furniture, fixtures and equipment and costs associated with interior works, fitting out and finishes;</li> <li>6. hotel operating supplies and equipment;</li> <li>7. information technology systems;</li> <li>8. mock-up room cost</li> <li>9. pre-opening costs necessary to prepare the hotel for opening of up to S\$1.9 million;</li> <li>10. financing and related costs;</li> <li>11. any other fees payable to authorities in relation to the development of the New Hotel Property; and</li> <li>12. construction and construction related contingencies and cost escalations actually incurred</li> </ol>
<b>Divestment Consideration</b>	:	The consideration payable by the Redevelopment Entities to the H-REIT Trustee pursuant to the Divestment PCOA of approximately S\$375.9 million
<b>Divestment PCOA</b>	:	The conditional put and call option agreement for the divestment of the Novotel CQ Property by H-REIT entered into between the H-REIT Trustee (as vendor) and the Redevelopment Entities (as purchasers)
<b>DPS</b>	:	Distribution per Stapled Security

<b>EGMs</b>	:	The Extraordinary General Meetings of Security Holders
<b>Existing Interested Person Transactions</b>	:	All “interested persons transactions” entered into between CDLHT and CDL as well as the Sponsor, and their associates during the course of the financial year ending 31 December 2019
<b>Fixed Price</b>	:	The New Hotel Purchase Consideration fixed under the New Hotel DSA of approximately S\$475.0 million
<b>FY2018</b>	:	The financial year of each of H-REIT and HBT which commenced on 1 January 2018 and ended on 31 December 2018
<b>GFA</b>	:	Gross floor area
<b>Guarantor</b>	:	AAPC Singapore Pte. Ltd. (formerly known as AAPC Hotels Management Pte. Ltd.)
<b>Guaranty Amount</b>	:	The difference payable by the Operating Profit Guarantor to the New Hotel OpCo under the Operating Profit Guarantee Agreement, if the operating profit of the New Hotel is less than the guaranteed operating profit threshold
<b>HBT</b>	:	CDL Hospitality Business Trust
<b>HBT Trust Deed</b>	:	The trust deed dated 12 June 2006, as supplemented by the First Supplemental Deed dated 3 May 2016 and the Second Supplemental Deed dated 30 April 2018, each entered into by the HBT Trustee-Manager constituting HBT
<b>HBT Trustee-Manager</b>	:	M&C Business Trust Management Limited, as trustee-manager of HBT
<b>H-REIT</b>	:	CDL Hospitality Real Estate Investment Trust
<b>H-REIT Divestment Fee</b>	:	The divestment fee payable to the H-REIT Manager under the H-REIT Trust Deed for the Proposed Divestment
<b>H-REIT Existing Interested Person Transactions</b>	:	The “interested persons transactions” entered into between H-REIT and CDL, the Sponsor, and their associates during the course of the current financial year ending 31 December 2019 that are subject to disclosure under Chapter 9 of the Listing Manual
<b>H-REIT FY2018 Audited Financial Statements</b>	:	The audited financial statements of H-REIT for FY2018
<b>H-REIT Group</b>	:	H-REIT and its subsidiaries
<b>H-REIT Manager</b>	:	M&C REIT Management Limited, as manager of H-REIT



<b>H-REIT New Hotel Acquisition Fee</b>	:	The acquisition fee payable to the H-REIT Manager under the H-REIT Trust Deed for the New Hotel Property Acquisition
<b>H-REIT New Hotel Acquisition Fee Stapled Securities</b>	:	The Stapled Securities to be issued to the H-REIT Manager as payment of the H-REIT New Hotel Acquisition Fee
<b>H-REIT Trust Deed</b>	:	The trust deed dated 8 June 2006, as supplemented by the First Supplemental Deed dated 11 January 2007, the Second Supplemental Deed dated 26 March 2010, the Third Supplemental Deed dated 20 July 2010, the Fourth Supplemental Deed dated 27 April 2016 and the Fifth Supplemental Deed dated 3 May 2016, and the Sixth Supplemental Deed dated 30 April 2018 each entered into between the H-REIT Manager and the H-REIT Trustee constituting H-REIT
<b>H-REIT Trustee</b>	:	DBS Trustee Limited, in its capacity as trustee of H-REIT
<b>H-REIT W Hotel Acquisition Fee</b>	:	The acquisition fee payable to the H-REIT Manager under the H-REIT Trust Deed for the W Hotel Acquisition
<b>H-REIT W Hotel Acquisition Fee Stapled Securities</b>	:	The Stapled Securities to be issued to the H-REIT Manager as payment of the H-REIT W Hotel Acquisition Fee
<b>IFA Letter</b>	:	The letter from the Independent Financial Adviser containing its advice on the Redevelopment Transaction and the W Hotel Acquisition as set out in <b>Appendix B</b> of this Circular
<b>Independent Financial Adviser</b>	:	Deloitte & Touche Corporate Finance Pte Ltd, the independent financial adviser to the Audit and Risk Committees in relation to the Redevelopment Transaction and the W Hotel Acquisition
<b>Independent Valuers</b>	:	Collectively, Colliers and Knight Frank
<b>IRAS</b>	:	Inland Revenue Authority of Singapore
<b>Joint Development Parties</b>	:	Legend Quay Pte. Ltd., Legend Commercial Trustee Pte. Ltd. (as trustee-manager of Legend Commercial Trust), DBS Trustee Limited (as trustee of Ascott Reit) and DBS Trustee Limited (as trustee of Gemini One Trust)
<b>Knight Frank</b>	:	Knight Frank Pte Ltd, the independent valuer appointed by the H-REIT Manager to value the Novotel CQ Property, the New Hotel Property and the W Hotel Property for the purpose of the Proposed Divestment, the New Hotel Property Acquisition and the W Hotel Acquisition respectively

<b>Land</b>	:	CDLHT's interest in the Whole Land with respect to the Novotel CQ Property
<b>Latest Practicable Date</b>	:	27 December 2019, being the latest practicable date prior to the printing of this Circular
<b>Lessee</b>	:	AAPC Clarke Quay Hotel Pte Ltd
<b>Lessor</b>	:	The H-REIT Trustee
<b>Levy</b>	:	Any levy or fee payable by the Joint Development Parties for any extension of time for the fulfilment of conditions imposed by the Singapore Land Authority for upgrading the lease tenure of the Whole Land to a fresh 99-year lease
<b>Liang Court Retail Acquisition</b>	:	The acquisition of the Liang Court mall from ARMF II (Liang Court) Pte. Ltd.
<b>Liang Court Site</b>	:	Collectively, the Novotel CQ Property, Liang Court mall and Somerset Liang Court Singapore.
<b>Licence and Royalty Agreement</b>	:	A licence and royalty agreement entered into between New Hotel OpCo and Global Hospitality Licensing S.A.R.L for the grant of a non-exclusive and non-transferable licence to use certain trademarks for hotel services in Singapore in relation to the operations of the New Hotel Property
<b>Licensor</b>	:	Global Hospitality Licensing S.A.R.L.
<b>Listing Manual</b>	:	The listing manual of the SGX-ST
<b>Managers</b>	:	Collectively, the H-REIT Manager and the HBT Trustee-Manager
<b>MAS</b>	:	The Monetary Authority of Singapore
<b>MICE</b>	:	Meetings, incentives, conferences and exhibitions
<b>Moxy</b>	:	Moxy Hotels
<b>NAV</b>	:	Net asset value
<b>Net Divestment Proceeds</b>	:	The net proceeds of the Proposed Divestment of approximately S\$369.6 million
<b>New Hotel Acquisition</b>	:	Collectively, the New Hotel Property Acquisition and the New Hotel Business Acquisition
<b>New Hotel Business</b>	:	The business and business assets concerning the New Hotel Property

<b>New Hotel Business Acquisition</b>	:	The acquisition of the New Hotel Business by HBT through the acquisition of all the shares in New Hotel OpCo
<b>New Hotel DSA</b>	:	The conditional development and sale agreement for the acquisition of all the units of the CDL Redevelopment Trust by H-REIT entered into between the CDL RE Owner (as vendor) and the H-REIT Trustee (as purchaser)
<b>New Hotel Management Agreement</b>	:	The hotel management agreement entered into between the New Hotel OpCo and the New Hotel Manager
<b>New Hotel Manager</b>	:	International Luxury Hotels (Singapore) Pte. Ltd.
<b>New Hotel OpCo</b>	:	Gemini One Pte. Ltd., the entity managing the New Hotel Property
<b>New Hotel OpCo Consideration</b>	:	The consideration payable by HBT to the New Hotel OpCo Vendor pursuant to the New Hotel OpCo SPA, which will be computed based on the net asset value of the New Hotel OpCo
<b>New Hotel OpCo SPA</b>	:	The conditional sale and purchase agreement for the acquisition of all issued shares of the New Hotel OpCo by HBT entered into between the New Hotel OpCo Vendor (as Vendor) and HBT (as Purchaser)
<b>New Hotel OpCo Vendor</b>	:	CDL Aquila Pte. Ltd., the holder of all issued shares in the New Hotel OpCo
<b>New Hotel Property</b>	:	A fully developed and fitted out hotel within the same site as the present Novotel CQ Property
<b>New Hotel Property Acquisition</b>	:	The acquisition of the New Hotel Property by H-REIT
<b>New Hotel Property Opening Date</b>	:	The date on which the New Hotel Property is opened
<b>New Hotel Property Valuations</b>	:	The valuations of the New Hotel Property by the Independent Valuers
<b>New Hotel Purchase Consideration</b>	:	The consideration payable by the H-REIT Trustee to the CDL RE Owner pursuant to the New Hotel DSA of approximately S\$475.0 million as set out at paragraph 4.2.3(i) of the Circular
<b>Novotel CQ Property</b>	:	The hotel located at 177A River Valley Road, Singapore 179031, currently managed and operated as “Novotel Singapore Clarke Quay”

<b>Novotel CQ Property Lease Agreement</b>	:	The existing lease agreement for the Novotel CQ Property, entered into between the H-REIT Trustee and AAPC Clarke Quay Hotel Pte. Ltd. and AAPC Hotel Management Pte. Ltd. (now known as AAPC Singapore Pte. Ltd.) dated 7 June 2007 and due to expire on 31 December 2020
<b>Novotel CQ Property Lease Termination Deed</b>	:	The termination deed entered into between the H-REIT Trustee, AAPC Clarke Quay Hotel Pte. Ltd. and AAPC Singapore Pte. Ltd. for the termination of the Novotel CQ Property Lease Agreement dated 20 November 2019
<b>Novotel CQ Property Valuations</b>	:	The valuations of the Novotel CQ Property by the Independent Valuers
<b>NPI</b>	:	Net property income
<b>NTA</b>	:	Net tangible assets
<b>Operating Profit Guarantee Agreement</b>	:	The operating profit guarantee agreement entered into between the New Hotel Manager and the Operating Profit Guarantor
<b>Operating Profit Guarantor</b>	:	International Hotel Licensing Company S.A.R.L.
<b>Post Completion Date</b>	:	The date immediately following completion under the W Hotel CBTA
<b>Pre-Opening Costs</b>	:	The costs incurred by the New Hotel OpCo prior to Completion necessary to prepare the hotel for opening, including but not limited to, pre-opening sales and marketing costs, public relations, training and payroll expenses
<b>Property Funds Appendix</b>	:	Appendix 6 of the Code on Collective Investment Schemes issued by the MAS
<b>Proposed Divestment</b>	:	The proposed divestment of the Novotel CQ Property
<b>Proposed Integrated Development</b>	:	An integrated development to be developed by the Redevelopment Consortium on the Whole Land comprising of two residential towers, a commercial component, a serviced residence with a hotel licence and the New Hotel Property
<b>Proposed Transactions</b>	:	Collectively, the Redevelopment Transaction and the W Hotel Acquisition
<b>Quayside Carpark</b>	:	The carpark located in Basement 1 of Quayside Isle comprised in Lot 01446C of MK34

<b>Redevelopment Consortium</b>	:	The consortium led by CDL and CL, which includes Ascott Reit and the Redevelopment Entities to redevelop the Whole Land
<b>Redevelopment Entities</b>	:	Collectively, Legend Quay Pte. Ltd., Legend Commercial Trust and the CDL Redevelopment Trust
<b>Redevelopment Transaction</b>	:	The redevelopment of the Novotel CQ Property into the New Hotel Property
<b>SDC</b>	:	Sentosa Development Corporation
<b>SDC Approvals</b>	:	Collectively, the SDC Lease Approval and the SDC Sale Approval
<b>SDC Lease Approval</b>	:	The approval of SDC to the lease of the W Hotel Property by the H-REIT Trustee to the W Hotel OpCo for an initial lease term of 20 years commencing on completion with an option to renew for a further term of 20 years
<b>SDC Sale Approval</b>	:	The approval of SDC to the W Hotel Property Acquisition
<b>Security Holder</b>	:	A holder of a Stapled Security
<b>SFA</b>	:	Securities and Futures Act (Chapter 289 of Singapore)
<b>SGX-ST</b>	:	Singapore Exchange Securities Trading Limited
<b>Sponsor</b>	:	Millennium & Copthorne Hotels Limited (formerly known as Millennium & Copthorne Hotels plc)
<b>Sqm</b>	:	Square metres
<b>Stapled Security</b>	:	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, the H-REIT Trustee and the HBT Trustee-Manager
<b>Subsidiary Proprietors</b>	:	H-REIT Trustee, DBS Trustee Limited (in its capacity as the trustee of Ascott Reit) and Legend Quay Pte. Ltd.
<b>Total Divestment Cost</b>	:	The estimated total cost of the Proposed Divestment of approximately S\$6.5 million as set out at paragraph 4.1.4 of this Circular
<b>Total New Hotel Acquisition Cost</b>	:	The estimated total cost of the New Hotel Property Acquisition and the New Hotel Business Acquisition of approximately S\$483.7 million as set out at paragraph 4.2.5 of this Circular

<b>W Hotel Acquisition</b>	:	Collectively, the W Hotel Property Acquisition, the W Hotel Business Acquisition and the Carpark Transaction
<b>W Hotel Acquisition Cost</b>	:	The estimated total cost of the W Hotel Acquisition of approximately S\$344.5 million as set out at paragraph 5.4 of this Circular
<b>W Hotel Business</b>	:	The business and business assets concerning the W Hotel Property (including the Warehouse Lease)
<b>W Hotel Business Acquisition</b>	:	The acquisition of the W Hotel Business
<b>W Hotel Business Consideration</b>	:	The consideration payable by HBT to the W Hotel Vendor pursuant to the W Hotel CBTA of S\$1 subject to adjustments for net working capital as set out at paragraph 5.2.2 of this Circular
<b>W Hotel Carpark</b>	:	The carpark spread across Basement 1 of the W Hotel Property comprising of 121 carpark lots. For the avoidance of doubt, the W Hotel Property includes the W Hotel Carpark
<b>W Hotel Carpark Agreement</b>	:	The carpark agreement entered into between W Hotel OpCo and the W Hotel Vendor (as the registered proprietor of the neighbouring property known as Quayside Isle) to govern the use, access, operation, management, revenue and expenses of the carpark spread across the W Hotel Carpark and the neighbouring property known as Quayside Isle.
<b>W Hotel CBTA</b>	:	The conditional business transfer agreement entered into between the W Hotel Vendor and the W Hotel OpCo
<b>W Hotel OpCo</b>	:	Gemini Two Pte. Ltd., a wholly-owned subsidiary of HBT constituted to acquire the W Hotel Business under the W Hotel Business Acquisition
<b>W Hotel PCOA</b>	:	The conditional put and call option agreement for the acquisition of the W Hotel Property by H-REIT entered into between the W Hotel Vendor (as vendor) and the H-REIT Trustee (as purchaser)
<b>W Hotel Property</b>	:	The hotel located at 21 Ocean Way, Singapore 098374, currently managed and operated as “W Singapore – Sentosa Cove”
<b>W Hotel Property Acquisition</b>	:	The acquisition of the W Hotel Property by H-REIT
<b>W Hotel Property Consideration</b>	:	The consideration payable for the W Hotel Property Acquisition of S\$324.0 million as set out at paragraph 5.2.1 of this Circular

<b>W Hotel Property Valuations</b>	:	The valuations of the W Hotel Property by the Independent Valuers
<b>W Hotel Vendor</b>	:	Cityview Place Holdings Pte. Ltd.
<b>Warehouse Lease</b>	:	The warehouse lease entered into between the W Hotel Vendor and Cideco Pte. Ltd.
<b>Whole Land</b>	:	The land lot on which the Liang Court Site is situated upon, being land lot TS09-147V

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.

Any discrepancies between the listed sums and the individual amounts are due to rounding.

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## DIRECTORS' AND SUBSTANTIAL SECURITY HOLDERS' INTERESTS

### 1. DIRECTORS

Based on the Register of Directors' Stapled Security Holdings maintained by the Managers 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 Director	Direct Interest		Deemed Interest		Total no. of Stapled Securities Held	% <sup>(1)</sup>
	No. of Stapled Securities Held	% <sup>(1)</sup>	No. of Stapled Securities Held	% <sup>(1)</sup>		
Vincent Yeo Wee Eng	138,000	0.01	–	–	138,000	0.01

**Note:**

(1) The Stapled Securityholding percentage is calculated based on 1,212,583,713 Stapled Securities in issue as at the Latest Practicable Date.

### 2. SUBSTANTIAL SECURITY HOLDERS

Based on the Register of Substantial Security Holders' Stapled Security Holdings maintained by the Managers the Substantial Security Holders and their interests in the Security Holdings as at the Latest Practicable Date are as follows:

Name of Substantial Security Holder	Direct Interest		Deemed Interest		Total no. of Stapled Securities Held	% <sup>(1)</sup>
	No. of Stapled Securities Held	% <sup>(1)</sup>	No. of Stapled Securities Held	% <sup>(1)</sup>		
Hospitality Holdings Pte. Ltd.	313,950,000	25.89	–	–	313,950,000	25.89
M&C REIT Management Limited	80,544,343	6.64	764,564 <sup>(2)</sup>	0.06	81,308,907 <sup>(2)</sup>	6.70
Republic Hotels & Resorts Limited	62,790,000	5.18	–	–	62,790,000	5.18
ATOS Holding GmbH	–	–	313,950,000 <sup>(3)</sup>	25.89	313,950,000 <sup>(3)</sup>	25.89
M&C Hotel Investments Pte. Ltd.	–	–	144,098,907 <sup>(4)</sup>	11.88	144,098,907 <sup>(4)</sup>	11.88
M&C Hospitality International Limited	–	–	144,098,907 <sup>(4)</sup>	11.88	144,098,907 <sup>(4)</sup>	11.88
M&C Singapore Holdings (UK) Limited	–	–	144,098,907 <sup>(4)</sup>	11.88	144,098,907 <sup>(4)</sup>	11.88
Millennium & Copthorne Hotels Limited	–	–	458,048,907 <sup>(5)</sup>	37.78	458,048,907 <sup>(5)</sup>	37.78
City Developments Limited	–	–	458,048,907 <sup>(5)</sup>	37.78	458,048,907 <sup>(5)</sup>	37.78
Hong Leong Investment Holdings Pte. Ltd.	–	–	462,848,907 <sup>(6)</sup>	38.17	462,848,907 <sup>(6)</sup>	38.17
Davos Investment Holdings Private Limited	–	–	462,848,907 <sup>(6)</sup>	38.17	462,848,907 <sup>(6)</sup>	38.17
Kwek Holdings Pte Ltd	–	–	462,848,907 <sup>(6)</sup>	38.17	462,848,907 <sup>(6)</sup>	38.17

**Notes:**

- (1) The Stapled Securityholding percentage is calculated based on 1,212,583,713 Stapled Securities in issue as at the Latest Practicable Date.
- (2) M&C REIT Management Limited is deemed under Section 4 of the Securities and Futures Act (Chapter 289 of Singapore) ("**SFA**"), to have an interest in the 764,564 Stapled Securities held by a company in which they are entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the Stapled Securities thereof.
- (3) ATOS Holding GmbH is deemed under Section 4 of the SFA, to have an interest in the 313,950,000 Stapled Securities held by a company in which they are entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the Stapled Securities thereof.
- (4) M&C Hotel Investments Pte. Ltd., M&C Hospitality International Limited and M&C Singapore Holdings (UK) Limited are deemed under Section 4 of the SFA, to have an interest in the 144,098,907 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the Stapled Securities thereof.
- (5) Millennium & Copthorne Hotels Limited and City Developments Limited are deemed under Section 4 of the SFA, to have an interest in the 458,048,907 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the Stapled Securities thereof.
- (6) Hong Leong Investment Holdings Pte. Ltd., Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA, to have an interest in the 462,848,907 Stapled Securities held by companies in which they are entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the Stapled Securities thereof.

**INDEPENDENT FINANCIAL ADVISER'S LETTER**

**DELOITTE & TOUCHE CORPORATE FINANCE PTE. LTD.**  
**(Incorporated in the Republic of Singapore)**  
**Company Registration Number: 200200144N**

3 January 2020

The Audit and Risk Committees and The Independent Directors  
M&C REIT Management Limited  
as manager of CDL Hospitality Real Estate Investment Trust  
9 Raffles Place  
#12-01 Republic Plaza  
Singapore 048619

The Audit and Risk Committees and The Independent Directors  
M&C Business Trust Management Limited  
as trustee-manager of CDL Hospitality Business Trust  
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Dear Sirs

- (1) THE PROPOSED REDEVELOPMENT TRANSACTION WHICH INVOLVES THE DIVESTMENT OF NOVOTEL SINGAPORE CLARKE QUAY AND THE FORWARD PURCHASE OF A HOTEL TO BE DEVELOPED AS PART OF AN INTEGRATED DEVELOPMENT (AS AN INTERESTED PERSON TRANSACTION)**
- (2) THE PROPOSED ACQUISITION OF THE HOTEL KNOWN AS W SINGAPORE – SENTOSA COVE (AS AN INTERESTED PERSON TRANSACTION)**

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 3 January 2020 to the holders of the stapled securities of CDL Hospitality Real Estate Investment Trust (the “Circular”).*

## 1. INTRODUCTION

### 1.1 The Proposed Transactions

CDL Hospitality Trusts (“**CDLHT**”) is a stapled group comprising CDL Hospitality Real Estate Investment Trust (“**H-REIT**”) and CDL Hospitality Business Trust (“**HBT**”), which was established with the principal investment strategy of investing in a portfolio of hospitality and/or hospitality-related real estate assets globally. CDLHT is a real estate investment trust listed on the Main Board of the Singapore Stock Exchange Securities Trading Limited (“**SGX-ST**”) since 19 July 2006, and is one of Asia’s leading hospitality trusts with assets valued at S\$2.8 billion as at 31 December 2018. As at 30 September 2019, CDLHT owns 19 properties, comprising 16 hotels in Singapore, Australia, New Zealand, Japan, the United Kingdom, Germany and Italy, as well as two resorts in Maldives and a retail mall in Singapore.

M&C REIT Management Limited, the manager of H-REIT (the “**H-REIT Manager**”) and M&C Business Trust Management Limited, the trustee-manager of HBT (the “**HBT Trustee-Manager**”, collectively with the H-REIT Manager, the “**Managers**”) jointly proposed the following transactions:

#### (a) The Redevelopment Transaction

The redevelopment of a hotel, currently managed and operated as “Novotel Singapore Clarke Quay” (“**Novotel CQ Property**”), into a new hotel (as part of a redevelopment of the Liang Court Site<sup>1</sup> into a proposed integrated development) (the “**Redevelopment Transaction**”), through:

- (i) the divestment of the Novotel CQ Property (the “**Proposed Divestment**”) to the Redevelopment Entities (as defined herewith) for a total consideration of S\$375.9 million (the “**Divestment Consideration**”); and
- (ii) the forward purchase of a new, fully developed and fitted out hotel (the “**New Hotel Property**”, and the acquisition of the New Hotel Property being the “**New Hotel Property Acquisition**”) within the same site as the present Novotel CQ Property in 2025<sup>2</sup>, which forms part of a proposed integrated development with a gross floor area of 100,263 square metres comprising two residential towers, a commercial component, a serviced residence with a hotel license and the New Hotel Property (the “**Proposed Integrated Development**”), for a consideration based on the lower of 110% of the Development Costs (as defined herein) or the fixed price of S\$475.0 million (the “**Fixed Price**” or the “**New Hotel Purchase Consideration**”), as well as the business and business assets concerning the New Hotel Property (the “**New Hotel Business**”, and the acquisition of the New Hotel Business, the “**New Hotel Business Acquisition**”) (collectively, the “**New Hotel Acquisition**”).

#### (b) The W Hotel Acquisition

The proposed acquisition of the hotel, including plant and equipment as well as the furniture, fixtures, furnishings and equipment, currently managed and operated as “W Singapore – Sentosa Cove” (the “**W Hotel Property**”, and the acquisition of the W Hotel Property, the “**W Hotel Property Acquisition**”) for an aggregate purchase price of S\$324.0 million (the “**W Hotel Property Consideration**”), as well as the acquisition of the business and business assets concerning the W Hotel Property (the “**W Hotel Business**”,

1 The Liang Court Site comprises the Novotel CQ Property, Liang Court mall and Somerset Liang Court Singapore.

2 This is an estimated timeline and is subject to change.

and the acquisition of the W Hotel Business, the “**W Hotel Business Acquisition**”) and the entry into of a carpark agreement (the “**Carpark Transaction**”) (collectively, the “**W Hotel Acquisition**”).

The completion of the Proposed Divestment is expected to take place in April 2020, with completion of the New Hotel Acquisition estimated to take place in 2025<sup>3</sup>, and the completion of the W Hotel Acquisition is expected to take place in early 2020, each subject to the fulfilment of various conditions precedent which include approvals having been obtained from holders of the stapled securities of CDLHT (the “**Stapled Securities**”<sup>4</sup>) and the relevant authorities.

The Managers aim to seek approval from the holders of Stapled Securities (the “**Security Holders**”) in respect of the Redevelopment Transaction and the W Hotel Acquisition (collectively, the “**Proposed Transactions**”), each as a separate interested person transaction.

The Proposed Transactions constitute a “very substantial acquisition” under Chapter 10 of the SGX-ST Listing Manual (the “**Listing Manual**”). Further, the Proposed Transactions constitute an “interested person transaction” under Chapter 9 of the Listing Manual, as well as an “interested party transaction” under Paragraph 5 of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**Property Funds Appendix**”).

## 1.2 Interested Person Transaction and Interested Party Transaction

Under Chapter 9 of the Listing Manual, where CDLHT 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 CDLHT’s latest audited net tangible assets (“**NTA**”), approval of the Security Holders is required in respect of the transaction.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for the Security Holders’ approval for an interested party transaction by H-REIT whose value (either in itself or when aggregated with the value of other transactions with the same interested party during the financial year) exceeds 5.0% of H-REIT’s latest audited net asset value (“**NAV**”).

Based on the latest audited financial statements ending 31 December 2018 of CDLHT (“**FY2018 Audited Financial Statements**”), the latest audited NTA and NAV of H-REIT and its subsidiaries (the “**H-REIT Group**”) was S\$1.8 billion as at 31 December 2018. Accordingly, if the value of a transaction which is proposed to be entered into in the financial year by H-REIT 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 the financial year, equal to or in excess of S\$88.1 million, such a transaction would be subject to the approval of the Security Holders. Given that the aggregate value of the Proposed Divestment and the New Hotel Property Acquisition, and separately, the W Hotel Property Acquisition, exceed the said threshold and hence these transactions are subject to the approval of the Security Holders pursuant to Rule 906(1)(a) of the Listing Manual and Paragraph 5 of the Property Funds Appendix.

3 This is an estimated timeline and is subject to change.

4 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, DBS Trustee Limited, in its capacity as trustee of H-REIT (in such capacity, the “**H-REIT Trustee**”), and the HBT Trustee-Manager.

Based on the FY2018 Audited Financial Statements, the latest audited NTA of CDLHT was S\$1.9 billion as at 31 December 2018. Accordingly, if the value of a transaction which is proposed to be entered into in the financial year by CDLHT 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 the financial year, equal to or in excess of S\$92.8 million, such a transaction would be subject to the approval of the Security Holders. Given that the aggregate value of the Redevelopment Transaction, and separately, the aggregate value of the W Hotel Acquisition, exceed the said threshold and hence these transactions are subject to the approval of the Security Holders pursuant to Rule 906(1)(a) of the Listing Manual.

As at the Latest Practicable Date (as defined herewith), Millennium & Copthorne Hotels Limited (the “**Sponsor**”) held an aggregate indirect interest in 458,048,907 Stapled Securities, which is equivalent to approximately 37.78% of the total number of the Stapled Securities then in issue, and is therefore regarded as a “controlling unitholder” of H-REIT and HBT under the Listing Manual and a “controlling unitholder” of H-REIT under the Property Funds Appendix. In addition, as each of the H-REIT Manager and the HBT Trustee-Manager is an indirect wholly-owned subsidiary of the Sponsor, the Sponsor is therefore regarded as a “controlling shareholder” of the H-REIT Manager and the HBT Trustee-Manager under the Listing Manual and a “controlling shareholder” of the H-REIT Manager under the Property Funds Appendix.

The Sponsor is an indirect wholly-owned subsidiary of City Developments Limited (“**CDL**”). Accordingly, CDL is also regarded as a “controlling unitholder” of H-REIT and HBT under the Listing Manual, a “controlling unitholder” of H-REIT under the Property Funds Appendix, a “controlling shareholder” of the H-REIT Manager and the HBT Trustee-Manager under the Listing Manual and a “controlling shareholder” of the H-REIT Manager under the Property Funds Appendix.

Therefore, the Redevelopment Transaction and W Hotel Acquisition constitute an “interested person transaction” under Chapter 9 of the Listing Manual and an “interested party transaction” under the Property Funds Appendix, in respect of which the specific approval of the Security Holders is required.

We, Deloitte & Touche Corporate Finance Pte Ltd (“**DTCF**”), have been appointed as independent financial adviser (the “**IFA**”) pursuant to Rule 921(4)(a) of the Listing Manual as well as to advise the Independent Directors of the Managers (the “**Independent Directors**”), the Audit and Risk Committees of the Managers (the “**Audit and Risk Committees**”) and DBS Trustee Limited, in its capacity as trustee of H-REIT (the “**H-REIT Trustee**”) on whether the Redevelopment Transaction and W Hotel Acquisition are on normal commercial terms and are not prejudicial to the interests of CDLHT and its minority Security Holders.

This Letter, which sets out our evaluation for the Independent Directors and the Audit and Risk Committees and the H-REIT Trustee in respect of this engagement, is an integral part of the Circular.

## 2. TERMS OF REFERENCE

Our responsibility is to provide our opinion as to whether the Redevelopment Transaction and the W Hotel Acquisition are on normal commercial terms and are not prejudicial to the interests of CDLHT and its minority Security Holders. Our opinion in relation to the Redevelopment Transaction and the W Hotel Acquisition, as set out under paragraph 7 of this letter should be considered in the context of the entirety of our advice. This letter is prepared pursuant to Listing Rule 921(4)(a) as well as for the benefit and use by the H-REIT Trustee, Independent Directors and the Audit and Risk Committees and will be incorporated as an Appendix to the Circular.

We were neither a party to the negotiations entered into in relation to the Redevelopment Transaction and the W Hotel Acquisition nor were we involved in the deliberations leading up to the decision on the part of the Managers to undertake the Redevelopment Transaction and the W Hotel Acquisition.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Redevelopment Transaction and the W Hotel Acquisition. All such evaluations, advice, judgements or comments remain the sole responsibility of the directors of the Managers (the “**Directors**”), the Managers and their advisors. We have however drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

The scope of our appointment does not require us to express, and nor do we express, a view on the future growth prospects, earnings potential or value of CDLHT. We do not express any view as to the price at which the Stapled Securities may trade upon completion of the Redevelopment Transaction and the Proposed W Hotel Acquisition nor on the future value, financial performance or condition of CDLHT after the Redevelopment Transaction and the W Hotel Acquisition.

It is also not within our terms of reference to compare the merits of the Redevelopment Transaction and the W Hotel Acquisition to any alternative arrangements that were or may have been available to CDLHT. Such comparison and consideration remain the responsibility of the Directors, the Managers and their advisors.

We have relied upon and assumed the accuracy of the relevant information, both written and verbal provided to us by the aforesaid parties and have not independently verified such information, whether written or verbal and accordingly cannot and do not warrant and do not accept any responsibility for the accuracy, completeness and adequacy of such information.

In the course of our evaluation, we have held discussions with the management of the Managers (the “**Management**”), and have considered the information contained in the Circular, publicly available information collated by us as well as information, both written and verbal, provided to us by the Management. We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties and have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness and adequacy of such information. We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty (whether express or implied) is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information. We have nonetheless made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

We have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, the real estate properties) of H-REIT, HBT or the Redevelopment Transaction and the Proposed W Hotel Acquisition. We have been furnished with the independent valuation reports for the Proposed Divestment, the New Hotel Property Acquisition and the W Hotel Acquisition prepared by Knight Frank Pte. Ltd. (“**Knight Frank**”) and Colliers International Consultancy & Valuation (Singapore) Pte Ltd (“**Colliers**”) (collectively, the “**Independent Valuers**”). With respect to such reports, we are not experts and do not hold ourselves to be experts in the evaluation of the assets concerned and have relied solely upon such reports.

Our views are based on market, economic, industry, monetary and other conditions (where applicable) prevailing on and our analysis of the information made available to us as at 27 December 2019 (the “**Latest Practicable Date**”). We assume no responsibility to update, revise or reaffirm our opinion, factors or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or factors or assumptions contained herein. Security Holders should take note of any announcements relevant to their considerations of the Redevelopment Transaction and the W Hotel Acquisition which may be released by the Managers after the Latest Practicable Date.

We have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Security Holders. As the Security Holders will have different investment objectives, we advise the Independent Directors to recommend that any Security Holders who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisors.

The Managers may not reproduce, disseminate or quote this Letter or any part thereof for any purpose, other than for matters relating to the Redevelopment Transaction and the W Hotel Acquisition, without our prior written consent in each instance.

### **3. DETAILS OF THE PROPOSED TRANSACTIONS**

Details of the Proposed Transactions are set out in paragraph 2 to 4 of the Letter to Security Holders in the Circular. We recommend that the Independent Directors advise the Security Holders to read this section of the Circular carefully.

We have reproduced excerpts of paragraph 2 to 4 of the Letter to the Security Holders in the Circular in respect of the Proposed Transactions as below:

#### **3.1. The Redevelopment Transaction**

##### **(i) The Novotel CQ Property**

The Novotel CQ Property is a 403-key hotel located along the River Valley Road in Singapore, forms part of the Liang Court Site<sup>5</sup> which sits on the land lot TS09-147V (the “**Whole Land**”).

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

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<sup>5</sup> The Liang Court Site comprises the Novotel CQ Property, Liang Court mall and Somerset Liang Court Singapore (the “**Liang Court Site**”).



A detailed description of the Novotel CQ Property is set out in paragraph 4.1.1 of the Letter to Security Holders in the Circular:

<b>Property Description of the Novotel CQ Property</b>	
<b>Address</b>	177A River Valley Road, Singapore 179031
<b>Title</b>	Leasehold estate of 97 years and 30 days expiring on 1 May 2077; 57 years leasehold remaining as at completion of the Proposed Divestment
<b>Land Area</b>	12,925.4 square metres (“sqm”)
<b>Gross Floor Area (“GFA”)</b>	34,908.7 sqm
<b>Number of Rooms</b>	403
<b>Operator Brand Classification</b>	Midscale
<b>Year of Opening</b>	1984

### ***Structure of the Proposed Divestment***

The Novotel CQ Property is held directly by H-REIT. H-REIT proposes to divest its interest in the Whole Land with respect to the Novotel CQ Property (the “**Land**”) to the Redevelopment Entities (as defined herewith) for a total Divestment Consideration of approximately S\$375.9 million pursuant to a conditional put and call option agreement (the “**Divestment PCOA**”) between the H-REIT Trustee, Legend Quay Pte. Ltd., Legend Commercial Trust and Gemini One Trust (the “**CDL Redevelopment Trust**”, and Legend Quay Pte. Ltd., Legend Commercial Trust and the CDL Redevelopment Trust collectively, the “**Redevelopment Entities**”). The Divestment Consideration will be paid by the Redevelopment Entities in cash.

The Redevelopment Entities are part of a consortium led by City Developments Limited (“**CDL**”) and CapitaLand Limited (“**CL**”). Legend Quay Pte. Ltd. and Legend Commercial Trust are joint venture vehicles of CDL and CL, with each of CDL and CL indirectly holding a 50.0% interest in each of Legend Quay Pte. Ltd and Legend Commercial Trust. The CDL Redevelopment Trust is a wholly-owned private trust held by CDL Aquila Pte. Ltd. (“**CDL RE Owner**”, itself a subsidiary of CDL) constituted to develop and hold the New Hotel Property. Ascott Real Estate Investment Trust (formerly known as Ascott Residence Trust) (“**Ascott Reit**”) and the Redevelopment Entities (collectively “**Redevelopment Consortium**”) shall redevelop the Whole Land.

Following the Proposed Divestment, it is intended that the Whole Land be redeveloped by the Redevelopment Consortium into the Proposed Integrated Development. More details on the Proposed Integrated Development are outlines in paragraph 4.2.2 of the Letter to Security Holders in the Circular. The CDL Redevelopment Trust will redevelop and hold the entire interest in the New Hotel Property.

The Novotel CQ Property is currently leased out by H-REIT Trustee (as Lessor) under an existing lease agreement dated 7 June 2007 (“**Novotel CQ Property Lease Agreement**”) to entities in the Accor Group, namely, AAPC Clarke Quay Pte. Ltd. (a subsidiary of Accor S.A.) as the lessee of the Novotel CQ Property (“**Lessee**”) and AAPC Singapore Pte. Ltd. (formerly known as AAPC Hotels Management Pte. Ltd.) as the guarantor of the Lessee’s obligations under the Novotel CQ Property Lease (“**Guarantor**”). In connection with the Proposed Divestment, H-REIT Trustee, as Lessor of the Novotel CQ Property under the Novotel CQ Property Lease, the Lessee

and the Guarantor have entered into a termination deed dated 20 November 2019 (the “**Novotel CQ Property Lease Termination Deed**”) to agree to the termination of the Novotel CQ Property Lease Agreement, which would otherwise expire on 31 December 2020. An illustration of the relationship between CDL, CL, the Redevelopment Entities and the structure of the Proposed Divestment is set out in paragraph 4.1.2 of the Letter to Security Holders in the Circular.

The principal terms of the Divestment PCOA are set out in paragraph 4.1.6 of the Letter to Security Holders in the Circular.

**Security Holders are advised to read the paragraphs referenced above in the Letter to the Security Holders in the Circular carefully.**

**(ii) The New Hotel Property and the Proposed Integrated Development**

***Description of the New Hotel Property***

As part of the Proposed Integrated Development, the New Hotel Property is expected to be custom-built to specifications to the brand standards of the Moxy brand under Marriott International. The New Hotel Property will boast of contemporary lifestyle elements, and is set to feature approximately 460 to 475 design-driven guest rooms. Other key facilities include a rooftop bar with panoramic views of Marina Bay<sup>6</sup>, and an open social floor which comprises a restaurant and flexible meeting rooms.

A detailed description of the New Hotel Property is set out in paragraph 4.2.1 of the Letter to Security Holders in the Circular:

<b>Property Description of the New Hotel Property<sup>(1)</sup></b>	
<b>Address</b>	177A River Valley Road, Singapore 179031 <sup>(2)</sup>
<b>Title</b>	A fresh leasehold estate of 99 years from the acceptance of lease renewal
<b>GFA</b>	15,540.7 sqm
<b>Expected Number of Rooms</b>	About 460 to 475
<b>Room Size</b>	Approximately 16.5 sqm to 22.9 sqm (majority expected to be around 16.5 sqm to 17.5 sqm)
<b>Facilities</b>	<ul style="list-style-type: none"> <li>• Rooftop bar</li> <li>• Open social floor comprising a restaurant, flexible meeting space and a bar</li> <li>• Rooftop pool and gym</li> </ul>
<b>Operator Brand Classification</b>	<ul style="list-style-type: none"> <li>• Upper Midscale</li> </ul>
<b>Brand and Hotel Manager</b>	International Luxury Hotels (Singapore) Pte. Ltd., an indirect wholly-owned subsidiary of Marriott International, Inc.
<b>Expected Year of Completion of New Hotel Property Acquisition</b>	Around 2025 <sup>(3)</sup>

<sup>6</sup> Subject to change and the approval of the relevant authorities.

**Notes:**

- (1) The details of the New Hotel Property provided are subject to change and the approval of the relevant authorities.
- (2) While the New Hotel Property is expected to be developed within the same site as where the present Novotel CQ Property is, the street address of the New Hotel Property may be subject to change as a result of the redevelopment.
- (3) This is an estimated timeline and is subject to change.

**Description of the Proposed Integrated Development**

The Redevelopment Consortium intends to redevelop the Liang Court Site into the Proposed Integrated Development with a total GFA of 100,263 sqm comprising two residential towers, a commercial component, a serviced residence with a hotel licence, and the New Hotel Property, subject to the approval from the relevant authorities. The Redevelopment Consortium is led by CDL and CL, both of which have extensive experience in creating award-winning developments.

Upon completion of the Proposed Integrated Development, the 50:50 CDL-CL joint venture entities will own the residential and commercial components. Ascott Reit will own the 192-unit serviced residence with a hotel licence and will retain its Somerset branding. H-REIT will own the New Hotel Property, which is expected to have about 460 to 475 rooms, following the forward purchase from the CDL RE Owner. The Proposed Integrated Development is targeted to open in phases from 2024<sup>7</sup>, with H-REIT's New Hotel Property to open in 2025<sup>8</sup>. A detailed description of the Proposed Integrated Development is set out in paragraph 4.2.2 of the Letter to Security Holders in the Circular:

<b>Summary of the Proposed Integrated Development (Subject to Approval and Design Planning)</b>	
<b>Location</b>	River Valley Road/Tan Tye Place/Clarke Quay
<b>Description</b>	An integrated development comprising: <ul style="list-style-type: none"> <li>• New Hotel Property</li> <li>• Two residential towers</li> <li>• Commercial component</li> <li>• Serviced residence with a hotel license</li> <li>• Basement carpark</li> </ul>
<b>Site Area</b>	12,925.4 sqm
<b>GFA</b>	<ul style="list-style-type: none"> <li>• New Hotel Property: 15,541 sqm</li> <li>• Residential: 60,158 sqm</li> <li>• Commercial: 11,530 sqm</li> <li>• Serviced residence with a hotel license: 13,034 sqm</li> </ul> <p style="text-align: right;">-----</p> <ul style="list-style-type: none"> <li>• <b>Total: 100,263 sqm</b></li> </ul>
<b>Developer</b>	<ul style="list-style-type: none"> <li>• Residential and commercial components: CDL and CL on a 50:50 basis</li> <li>• New Hotel Property: CDL</li> <li>• Serviced residence with a hotel license: Ascott Reit</li> </ul>

<sup>7</sup> This is an estimated timeline and is subject to change.

<sup>8</sup> This is an estimated timeline and is subject to change.

## **Structure of the New Hotel Acquisition**

### **(a) The New Hotel Property Acquisition**

The New Hotel Property will be held directly by the CDL Redevelopment Trust. H-REIT proposes to acquire an indirect 100.0% interest in the New Hotel Property through the acquisition of all the units of the CDL Redevelopment Trust by the H-REIT Trustee from the CDL RE Owner under a conditional development and sale agreement (the “**New Hotel DSA**”) between H-REIT Trustee and CDL RE Owner. The consideration payable by the H-REIT Trustee under the New Hotel DSA will be the lower of the Fixed Price of S\$475.0 million<sup>9</sup> for the New Hotel Property or 110.0% of the actual cost incurred by the Redevelopment Consortium in developing the New Hotel Property (the “**Development Costs**”) <sup>10</sup>. Completion of the New Hotel Property Acquisition is expected to be the opening date of the New Hotel Property (the “**Completion**”). The principal terms of the New Hotel DSA are set out in 4.2.7 of the Letter to Security Holders in the Circular.

The Development Costs would constitute the actual cost incurred in developing the New Hotel Property (with the shared costs of developing the Proposed Integrated Development being apportioned between the Redevelopment Entities taking into account several factors in accordance with market practice, including, the gross floor area, the construction floor area and the respective proportion of the building contract sums). The New Hotel Purchase Consideration is fixed at the Fixed Price, with the approval of Security Holders being sought on the basis of the Fixed Price. However, this structure allows Security Holders to benefit from a corresponding reduction in the New Hotel Purchase Consideration should 110% of the Development Costs be lower than the Fixed Price.

For the avoidance of doubt, under the New Hotel DSA, the H-REIT Trustee is obliged to acquire the New Hotel Property upon the completion of the redevelopment of the Liang Court Site, subject to the fulfilment or waiver of certain conditions precedent as set out in paragraph 4.2.7 of the Letter to the Security Holders in the Circular.

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9 Subject to the adjusted NAV of CDL Redevelopment Trust as at the date of completion of the sale and purchase of the units in CDL Redevelopment Trust which is not expected to be material. The adjusted NAV will exclude the carrying net book value of the New Hotel Property and any costs and expenses comprised in the Development Costs (as defined herein) based on the principles set out in the New Hotel DSA.

10 The actual cost incurred in developing the New Hotel Property, including, without limitation, the following (i) land, building and related costs and taxes; (ii) construction, preliminaries and related costs; (iii) allowances for construction and/or building and related bonuses; (iv) professional and related fees; (v) furniture, fixtures and equipment and costs associated with interior works, fitting out and finishes; (vi) hotel operating supplies and equipment; (vii) information technology systems; (viii) mock-up room cost; (ix) pre-opening costs necessary to prepare the hotel for opening up to S\$1.9 million; (x) financing and related costs; (xi) any other fees payable to authorities; and (xii) construction and construction related contingencies and cost escalations actually incurred. However, if any extension fee or levy is payable by Legend Quay Pte. Ltd., Legend Commercial Trustee Pte. Ltd. (as trustee-manager of Legend Commercial Trust), DBS Trustee Limited (as trustee of Ascott Reit), and DBS Trustee Limited (as trustee of Gemini One Trust) 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 the Whole Land to a fresh 99-year lease (“**Levy**”), the consideration will be the lower of (i) Fixed Price; or (ii) an amount equivalent to the aggregate of the Levy (or part thereof) and 110% of the Development Costs.

**(b) The New Hotel Business Acquisition**

Gemini One Pte. Ltd. (the “**New Hotel OpCo**”) will be held by the CDL Aquila Pte. Ltd. (the “**New Hotel OpCo Vendor**”). HBT proposes to acquire a direct 100.0% interest in the New Hotel OpCo, pursuant to a conditional share purchase agreement (the “**New Hotel OpCo SPA**”) between HBT Trustee-Manager and the New Hotel OpCo Vendor). The consideration payable by HBT under the New Hotel OpCo SPA (the “**New Hotel OpCo Consideration**”) will be computed based on the net asset value of the New Hotel OpCo<sup>11</sup>. HBT will reimburse the New Hotel OpCo Vendor for the pre-opening costs to be incurred by the New Hotel OpCo prior to the completion of the acquisition of the New Hotel Property, pertaining to costs necessary to prepare the hotel for opening, including but not limited to sales and marketing, public relations, training and pre-opening payroll expenses. The reimbursement will only be made if such costs are in excess of S\$1.9 million and HBT will pay up to a maximum of S\$3.1 million (the “**Pre-Opening Costs**”) with any Pre-Opening Costs in excess of S\$5 million to be borne by the New Hotel OpCo Vendor. HBT will be bearing the Pre-Opening Costs because these costs are for the benefit of CDLHT and are costs necessary to prepare the hotel for opening on completion. The New Hotel OpCo Consideration will be paid by HBT in cash.

The principal terms of the New Hotel OpCo SPA are set out in 4.2.9 of the Letter to Security Holders in the Circular.

**(c) The New Hotel Internal Lease**

In connection with the New Hotel Property Acquisition and the New Hotel Business Acquisition, CDL Redevelopment Trust and the New Hotel OpCo intend to enter into an internal lease for CDL Redevelopment Trust (as lessor), which will be by then wholly-owned by H-REIT, to master lease (with effect from Completion) the New Hotel Property to the New Hotel OpCo (as lessee), which will be by then wholly-owned by HBT.

**(d) Agreements in relation to the operation of the New Hotel Property**

The forward purchase of the New Hotel Property is expected to take place on the date of opening of the New Hotel Property (the “**New Hotel Property Opening Date**”). The New Hotel OpCo has entered into a hotel management agreement with International Luxury Hotels (Singapore) Pte. Ltd. (the “**New Hotel Manager**”, and the hotel management agreement, the “**New Hotel Management Agreement**”) for the management of the New Hotel Property, as a hotel under the name of “Moxy Singapore Clarke Quay”. The New Hotel OpCo and Global Hospitality Licensing S.A.R.L. (which is an affiliate of the New Hotel Manager, the “**Licensor**”) have also entered into a license and royalty agreement (the “**License and Royalty Agreement**”), where the Licensor has agreed to grant New Hotel OpCo a non-exclusive and non-transferable license to use certain Marriott trademarks for hotel services in Singapore and only in connection with the operation of the New Hotel Property. The terms of both agreements are both for approximately 20 years from the New Hotel Property Opening Date. Typical fees apply under the New Hotel Management Agreement and the License and Royalty Agreement.

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<sup>11</sup> To be determined at the time when the New Hotel Property Acquisition takes place and is not expected to be material.

Under the operating profit guarantee agreement (the “**Operating Profit Guarantee Agreement**”) entered into between the New Hotel Manager, the New Hotel OpCo and International Hotel Licensing Company S.A.R.L. (as operating profit guarantor, the “**Operating Profit Guarantor**”), the Operating Profit Guarantor shall provide a profit guarantee to the New Hotel OpCo in respect of the New Hotel Property’s performance for the first 36 full months from the New Hotel Property Opening Date. The principal terms of the Operating Profit Guarantee Agreement are set out in 4.2.8 of the Letter to Security Holders in the Circular.

Security Holders are advised to refer to paragraph 4.2.3(v) of the Letter to Security Holders in the Circular for details on the holding structure of the New Hotel Property after the New Hotel Acquisition.

***Risks relating to the Redevelopment Transaction***

Security Holders should note that there is no assurance that the Redevelopment Transaction will be completed, due to, among others, the following:

- (i) termination by the parties to the New Hotel DSA and the New Hotel OpCo SPA;
- (ii) non-fulfilment of the conditions precedent by the parties under the New Hotel DSA and the New Hotel OpCo SPA; and
- (iii) an inability by H-REIT to raise sufficient funds (either through debt or equity financing), to fund the New Hotel Acquisition.

If H-REIT is unable to raise sufficient funds for the New Hotel Acquisition, H-REIT may also face the risk of having to divest properties within its existing portfolio to fund the New Hotel Acquisition, in order to complete the Redevelopment Transaction.

In the event that H-REIT is unable to fulfil its obligation to complete the New Hotel Acquisition, there may be potential consequences and implications for H-REIT and Security Holders, which includes, among others, the following:

- (i) H-REIT will miss out on an attractive acquisition opportunity within a desired time frame;
- (ii) H-REIT would have divested the Novotel CQ Property and will not be able to retain its presence in the prime Clarke Quay location;
- (iii) H-REIT’s Singapore portfolio concentration will be lower than anticipated if the New Hotel Acquisition had been completed; and
- (iv) a default by the H-REIT Trustee under the New Hotel DSA and the New Hotel OpCo SPA may potentially subject H-REIT to legal proceedings,

for the foregoing reasons, the future earnings, revenue and cash flows of H-REIT may potentially be adversely affected, thereby affecting the business, financial condition and results of operations of CDLHT, and distributions to Security Holders.

**Security Holders are advised to read the paragraphs referenced above in the Letter to the Security Holders in the Circular carefully.**

### 3.2. The W Hotel Property

The W Hotel Property 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 a 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 pool, 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 International, 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<sup>12</sup>. In addition, there are 32 properties comprising 7,603 rooms in the W Hotels global pipeline.

A detailed description of the W Hotel Property is set out in paragraph 5.1 of the Letter to Security Holders in the Circular:

Property Description	
<b>Address</b>	21 Ocean Way, Singapore 098374
<b>Title</b>	Leasehold estate of 99 years commencing from 31 October 2006
<b>Land Area</b>	17,016 sqm
<b>GFA</b>	25,374 sqm
<b>Number of Rooms</b>	240
<b>Room Size</b>	40 sqm to 195 sqm (average room size of about 46 sqm)
<b>F&amp;B Outlets</b>	3 F&B outlets and 1 poolside bar
<b>Meeting Space</b>	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 theatre-style
<b>Number of Carpark Lots</b>	121 <sup>(1)</sup>
<b>Operator Brand Classification</b>	Luxury
<b>Hotel Operator</b>	Luxury Hotels International of Hong Kong Limited, an indirect wholly-owned subsidiary of Marriott International, Inc.
<b>Year of Completion</b>	2012
<b>FY2018 Occupancy</b>	76%
<b>FY2018 Average Room Rate (“ADR”) (excluding service charge)</b>	S\$419

<sup>12</sup> Source: W Hotels Development Overview, (<<https://hotel-development.marriott.com/wp-content/uploads/2019/08/W-NoAm-August-2019-One-Pager.pdf>>, last accessed 25 October 2019).

**Note:**

- (1) Number of carpark lots available at the W Hotel Carpark, located within the hotel. However, taking into account the carpark lots at the neighbouring property known as Quayside Isle, there are in total 199 carpark lots available for public use.

***Structure of the Proposed W Hotel Acquisition***

**(a) The W Hotel Property Acquisition**

The W Hotel Property is directly held by Cityview Place Holdings Pte. Ltd. (the “**W Hotel Vendor**”). H-REIT proposes to acquire the W Hotel Property from the W Hotel Vendor at an aggregate purchase price of S\$324.0 million (the “**W Hotel Property Consideration**”) in pursuant to a conditional put and call option agreement (the “**W Hotel PCOA**”) between H-REIT Trustee and the W Hotel Vendor, subject to adjustments for net working capital. The W Hotel Property Consideration will be paid by the H-REIT Trustee in cash. The principal terms of the W Hotel PCOA are set out in paragraph 5.6 of the Letter to Security Holders in the Circular.

**(b) The W Hotel Business Acquisition**

The W Hotel Vendor holds the W Hotel Business necessary for the continued operation of the W Hotel Property as a hotel under the “W” branding. In connection with the W Hotel Acquisition, it is intended that the W Hotel Vendor transfer, novate and/or assign and/or procure the novation and assignment of the W Hotel Business to Gemini Two Pte. Ltd. (the “**W Hotel OpCo**”), a wholly owned subsidiary of HBT, pursuant to a conditional business transfer agreement (the “**W Hotel CBTA**”) for an aggregate purchase price of S\$1, subject to adjustments for net working capital (the “**W Hotel Business Consideration**”). The principal terms of the W Hotel CBTA are set out in paragraph 5.7 of the Letter to Security Holders in the Circular.

**(c) Associated Transactions**

Internal Lease

In connection with the W Hotel Property Acquisition, H-REIT and W Hotel OpCo intend to enter into an internal lease for H-REIT to master lease W Hotel Property to W Hotel OpCo simultaneously on completion of the W Hotel Acquisition.

The Carpark Transaction

In connection with the W Hotel Property Acquisition and the W Hotel Business Acquisition, it is intended that the W Hotel OpCo enter into of a carpark agreement (the “**W Hotel Carpark Agreement**”) with the W Hotel Vendor (the “**Carpark Transaction**”) to govern the use, access, operation, management, revenue and expenses of the carpark lots spread across Basement 1 of the W Hotel Property<sup>13</sup> (the “**W Hotel Carpark**”) and the neighbouring property known as Quayside Isle. Pursuant to the W Hotel Carpark Agreement, the 199 available carpark lots shall be open to public use.

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<sup>13</sup> For the avoidance of doubt, the W Hotel Property includes the W Hotel Carpark, which comprises 121 carpark lots. Taking into account carpark lots at the neighbouring property known as Quayside Isle, there are in total 199 carpark lots available for public use across the W Hotel Carpark and the carpark under the neighbouring property known as Quayside Isle.



### The Warehouse Lease Transaction

In connection with the W Hotel Business Acquisition, the W Hotel Vendor has procured a lease over offsite warehouse space pursuant to a warehouse lease entered into between the W Hotel Vendor and Cideco Pte. Ltd. (the “**Warehouse Lease**”), and it is intended that the Warehouse Lease be transferred from the W Hotel Vendor to the W Hotel OpCo.

The principal terms of the associated transactions in relation to the W Hotel Acquisition are set out in paragraph 5.8 of the Letter to Security Holders in the Circular.

Additionally, the holding structure of the W Hotel Property after the W Hotel Acquisition are set out in paragraph 5.2.4 of the Letter to Security Holders in the Circular to serve as reference to the Security Holders.

**Security Holders are advised to read the paragraphs referenced above in the Letter to the Security Holders in the Circular carefully.**

### **3.3. Methods of Financing**

#### **(a) The New Hotel Acquisition**

The Managers currently intend to finance the New Hotel Acquisition Cost (as defined in the Circular) through debt financing, save for the H-REIT New Hotel Acquisition Fee (as defined in the Circular) which will be satisfied via the issue of H-REIT New Hotel Acquisition Fee Stapled Securities (as defined in the Circular). The Managers will determine the actual method of financing the New Hotel Acquisition closer to the completion of the New Hotel Acquisition which is expected to be in 2025<sup>14</sup> taking into account, among other things, the cost of the various financing options and market conditions at the relevant time.

#### **(b) The W Hotel Acquisition**

The Managers currently intend to finance the W Hotel Acquisition Cost through the use of internal resources (including from the Net Divestment Proceeds (as defined herewith), should the Redevelopment Transaction be approved by Security Holders<sup>15</sup>) and/or debt financing, the details of which will be determined by the Managers at the appropriate time, save for the H-REIT W Hotel Acquisition Fee (as defined in the Circular) which will be satisfied via the issue of H-REIT W Hotel Acquisition Fee Stapled Securities (as defined in the Circular).

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<sup>14</sup> This is an estimated timeline and is subject to change.

<sup>15</sup> Should the completion of the W Hotel Acquisition take place prior to the receipt of the Net Divestment Proceeds, the Managers may use bridge financing to finance the W Hotel Acquisition first.

### (c) Gearing

The following table sets forth CDLHT's gearing on a pro forma basis, as at 30 September 2019.

	Upon completion of the Proposed Divestment only	Upon completion of the W Hotel Acquisition only	Upon completion of both the Proposed Divestment and W Hotel Acquisition
<b>Total Assets (S\$' million)<sup>(1)</sup></b>	2,582.0	3,210.2	2,918.4
<b>Total Gross Borrowings (S\$' million)<sup>(2)</sup></b>	688.9 <sup>(4)</sup>	1,361.7	1,033.7 <sup>(5)</sup>
<b>Gearing Ratio (%)<sup>(3)</sup></b>	26.7	42.4	35.4

**Notes:**

- (1) For purposes of gearing computation, the total assets exclude non-controlling interests and the effect of FRS 116/SFRS(I) Leases (adopted with effect from 1 January 2019).
- (2) For purposes of gearing computation, the total gross borrowings of CDLHT excludes borrowings attributed to non-controlling interests.
- (3) Based on the total gross borrowings of CDLHT divided by the total assets of CDLHT.
- (4) Assumes repayment of debt out of the net divestment proceeds of the Proposed Divestment (the "**Net Divestment Proceeds**") that is expected to be approximately S\$369.3 million.
- (5) Assumes that the Net Divestment Proceeds is utilised to fund the W Hotel Acquisition and to repay debt.

## 4. EVALUATION OF THE REDEVELOPMENT TRANSACTION

In reaching our recommendation in relation to the Redevelopment Transaction, we have taken into consideration, from a financial point of view, whether the terms of the Proposed Divestment and New Hotel Acquisition are on normal commercial terms and are not prejudicial to the interests of H-REIT, HBT or the minority Security Holders respectively. We have given due consideration to the following factors in our evaluation:

- (i) The key benefits of the Redevelopment Transaction;
- (ii) The Independent Valuations of the Novotel CQ Property;
- (iii) The Independent Valuations of the New Hotel Property;
- (iv) Comparison of the Discount Rates and Capitalisation Rates adopted by the Independent Property Valuers for the acquisition of the New Hotel Property;
- (v) Comparison of the Proposed Divestment with selected land sale transactions for residential properties, commercial properties, commercial with residential properties and hotels in Singapore ("**Selected Land Sale Transactions**");
- (vi) Comparison of the New Hotel Property Acquisition with selected transactions involving hotel properties in Singapore; and
- (vii) The pro forma financial effects of the Redevelopment Transaction.

#### 4.1 The Key Benefits of the Redevelopment Transaction

The Manager's view of the key benefits of the Redevelopment Transaction is set out in paragraph 2.2.2 of the Letter to Security Holders in the Circular. We have reproduced below excerpts of this section in respect of the Proposed Divestment and the New Hotel Acquisition:

***“(i) Trade a hotel with significant future capital expenditure obligations and remaining 57-year leasehold for a custom built, fully fitted brand new hotel with underlying land tenure upgraded to a fresh 99-year leasehold***

*The Novotel CQ Property first opened as “The New Otani Singapore” in October 1984, and was subsequently rebranded as “Novotel Singapore Clarke Quay” in January 2005. In the coming years, the Novotel CQ Property may require significant future capital expenditure for the replacement of plant, mechanical and electrical equipment, façade updates and repairs and major refurbishment to remain competitive. If not fully addressed, there may also be an increase in maintenance cost. This poses downside financial risks to future income stream and market value of the property. As such, the Redevelopment Transaction is timely and seeks to address these risks.*

*The Redevelopment Transaction will allow CDLHT to divest an asset with remaining 57-year leasehold, and acquire a brand new purpose built lifestyle hotel that is significantly more efficient in space utilisation as compared to the existing hotel, with the underlying land tenure upgraded to a fresh 99-year leasehold from acceptance of lease renewal.*

***“(ii) Acquire a turnkey hotel at a fixed price without taking on development risk with opportunity to realise savings***

*The New Hotel Acquisition transaction structure is a turnkey arrangement which allows CDLHT to avoid taking any development risk for a hotel component within a sizeable integrated development. The pricing formula of the lower of 110% of the Development Costs<sup>16</sup> or Fixed Price caps the forward price at a fixed number (supported by independent market valuations), and yet allows CDLHT to reap any savings based on a cost plus model after taking into account developer's return.*

*Custom-built to specifications to the brand standards of the Moxy brand under Marriott International, the New Hotel Property will be a uniquely designed lifestyle hotel of about 460 to 475 rooms. Other key facilities include a rooftop bar with panoramic views of Marina Bay<sup>17</sup> and an open social floor which comprises a restaurant, flexible meeting rooms and a bar. The New Hotel Property will also be able to tap on the strong global distribution network of Marriott International, one of the largest hotel groups in the world which operates and/or franchises more than 7,200 properties in 134 countries and territories<sup>18</sup>.*

*CDLHT is able to leverage on CDL's market-renowned development expertise and experience which have been recognised by both local and international accolades, for the delivery of a custom-built, turnkey hotel. More details on the developer CDL, are outlined in paragraph 4.2.2 of this Circular.*

<sup>16</sup> Please refer to the glossary in the Circular.

<sup>17</sup> Subject to change and the approval of the relevant authorities.

<sup>18</sup> Source: Marriott International, Inc. (<<https://www.marriott.com/marriott/aboutmarriott.mi>> last accessed on 25 October 2019).

**(iii) Opportunity to retain presence in the prime Clarke Quay location through the acquisition of a stake in an iconic and modern integrated development within the same site as the present Novotel CQ Property**

*Clarke Quay, which is a subzone within the Singapore River precinct, is among one of the most visited areas in Singapore<sup>19</sup>. Facing the waterfront, Clarke Quay is a highly popular and vibrant entertainment, shopping and eating destination for tourists and families. The Singapore River, which spans approximately 3 km, also comprises two other distinctive subzones, namely Boat Quay and Robertson Quay, which both offer a good mix of lifestyle and F&B options and respectively are homes to offices and waterfront residences<sup>20</sup>.*

*In addition, Clarke Quay is situated only minutes from the Central Business District (“CBD”) and the prime shopping area of Orchard Road. Served by both the Fort Canning MRT Station and the Clarke Quay MRT Station, the subzone is highly accessible and well connected<sup>21</sup>. There are also continued efforts to improve the attractiveness of the Singapore River precinct, through co-funding by the Singapore government of various private sector projects which will rejuvenate the area. Singapore’s first pilot Business Improvement District was also set up in 2017 by Singapore River One, which kickstarted a four-year business plan involving various initiatives such as the Singapore River Festival and environment works to improve the look and feel of the area<sup>22</sup>.*

The Novotel CQ Property has benefited from its excellent location and performed strongly since it was acquired by CDLHT in 2007. Due to the limited available acquisition opportunities at Clarke Quay, there are considerably high barriers to entry. Therefore, the New Hotel Property Acquisition, as part of the Redevelopment Transaction, presents a rare opportunity for CDLHT to retain a presence in this prime location. The vibrancy of the Clarke Quay location makes it an ideal location for an affordable lifestyle hotel.

*The New Hotel Acquisition also allows CDLHT to acquire a brand new hotel within an iconic and modern integrated development. The Proposed Integrated Development is expected to have a GFA of more than 100,000 sqm and comprise two residential towers, a commercial component, a serviced residence with a hotel licence and the New Hotel Property. More details on the Proposed Integrated Development are outlined in paragraph 4.2.2 of this Circular.*

*In unlocking the development potential of the site, CDLHT is expected to benefit from the New Hotel Property (which is within the Proposed Integrated Development) as the desirability of the precinct will be significantly enhanced by its increased gentrification and further activation of the waterfront lifestyle potential. The new development will be an iconic feature and prominent skyline addition to the Clarke Quay area.*

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19 Source: Colliers Valuation Report.

20 Source: Colliers Valuation Report.

21 Source: Colliers Valuation Report.

22 Source: Colliers Valuation Report.

(iv) **Seize the unique opportunity to realise valuation gain on investment in the Novotel CQ Property and the Land**

*The Redevelopment Transaction presents a unique opportunity for CDLHT to realise the valuation gain on its investment in the Novotel CQ Property and the Land. The Divestment Consideration of S\$375.9 million represents an 87.0% premium over (or S\$174.9 million above) the original purchase price for the Novotel CQ Property of S\$201.0 million in 2007.*

*In addition, the Liang Court Site is currently held by H-REIT and two other subsidiary proprietors (namely, DBS Trustee Limited (in its capacity as the trustee of Ascott Real Estate Investment Trust (formerly known as Ascott Residence Trust)) and Legend Quay Pte. Ltd.) under a strata title scheme (collectively “**Subsidiary Proprietors**”). Given the current distribution of share values under the existing strata title scheme in the Novotel CQ Property, any redevelopment of the Novotel CQ Property and the Whole Land would be subject to the consent of all three Subsidiary Proprietors.*

*No redevelopment could take place prior to this because there was no agreement between the Subsidiary Proprietors on plans nor could land prices, except until recently, justify a redevelopment. Unless there was unanimous agreement from all the Subsidiary Proprietors to redevelop the site, the potential of the whole site will be limited due to this encumbrance of consent. The potential of the asset is also limited if the Subsidiary Proprietors have different objectives. In May 2019, CDL and CL completed the acquisition of the Liang Court mall from ARMF II (Liang Court) Pte. Ltd. (“**Liang Court Retail Acquisition**”). Following the Liang Court Retail Acquisition, the Redevelopment Consortium and the existing Subsidiary Proprietors have reached a consensus on the means to realise the redevelopment potential for the Whole Land.*

*Hence, the Managers believe that the Redevelopment Transaction is compelling as it provides a unique and rare opportunity for CDLHT to unlock the valuation gains recorded over 13-year holding period of the Novotel CQ Property and also the value of the Land, factoring in the redevelopment potential as opposed to the value of the Novotel CQ Property as a hotel with a remaining 57-year leasehold.*

*The immediate valuation uplift between Novotel CQ when valued as hotel use versus the implied land value factoring the redevelopment potential is evident:*

- *The valuation as at 31 December 2018 for the Novotel CQ Property was S\$333.0 million when valued as a hotel*
- *Latest residual land valuations valued the Land at S\$368.7 million and S\$370.5 million respectively by Colliers and Knight Frank after factoring in the redevelopment potential.*

*At the Divestment Consideration of S\$375.9 million, which is higher than the two independent residual land valuations, Security Holders have the opportunity to realise the valuation gains over the years with the Proposed Divestment. At the Divestment Consideration of S\$375.9 million, CDLHT is expected to recognise total divestment gain and fair value gain of S\$36.3 million<sup>23</sup>, representing 12.9%<sup>24</sup> above book value.*

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

24 Divestment price of S\$375.9 million over book value of S\$333.0 million as at 31 Dec 2018.

- (v) **Redevelopment Transaction is expected to be DPS-accretive on a pro-forma basis<sup>25</sup>**

*The Managers are of the view that the Redevelopment Transaction is expected to be accretive to Security Holders based on the pro forma financial effects of the Redevelopment Transaction on the DPS of CDLHT.*

*Based on the Net Divestment Proceeds of S\$369.3 million and estimated total New Hotel Acquisition Cost of S\$483.7 million and assuming that CDLHT divested the Novotel CQ Property and acquired the New Hotel Property on 1 January 2018, the Redevelopment Transaction is expected, on a pro forma basis, to contribute an annual stabilised NPI of S\$26.6 million, translating to a DPS accretion of 2.0% for FY2018. The pro forma stabilised NPI yield of the New Hotel Property is approximately 5.6%<sup>26</sup>.*

#### 4.2 The Independent Valuation of the Novotel CQ Property

The H-REIT Trustee has commissioned an independent property valuer, Colliers and the H-REIT Manager has commissioned an independent property valuer, Knight Frank to value H-REIT's interest in the Land site where the Novotel CQ Property currently sits on.

We have compared the independent valuation reports from Colliers and Knight Frank (the “**Independent Valuers**”, and the independent valuation reports being “**Independent Valuation Reports**”) with the Divestment Consideration of the Novotel CQ Property as presented in the table below.

Property	Appraised Value		Average Appraised Value (S\$'million)	Divestment Consideration (S\$'million)
	Knight Frank (S\$'million)	Colliers (S\$'million)		
Novotel CQ Property	370.5	368.7	369.6	375.9

Source: *The Independent Valuation Reports*

We hope to highlight the following key points in respect of the independent valuations of the Novotel CQ Property:

- (a) Both Independent Valuers have used “Market Value” as their basis of valuation, which is being defined as the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion;
- (b) Both Independent Valuers have used the Residual Land Valuation Method to value the Land with respect to Novotel CQ Property. The residual land valuation method entails the assumption of a proposed development on the site within the parameters of the planning and urban design requirements. The land value is determined after deducting the estimated costs of development such as building cost, professional fees, holding cost, land lease upgrading premium, differential premium (if any), developer's profit, stamp duty, legal fees and other related costs from the estimated gross development value of the project. The residual value would represent the amount a prudent buyer would pay for the site;

<sup>25</sup> Based on financial impact on a pro forma basis for FY2018.

<sup>26</sup> Stabilised yield based on the Fixed Price and the expected number of keys assumed in the current development plan and subject to such adjustments as may be agreed between the parties.

- (c) The dates for which the valuations have been prepared are 15 October 2019; and
- (d) Both Independent Valuers have ascribed their appraised values on the basis of a redevelopment site, within the parameters of the planning and urban design requirements, which is expected to be developed into an integrated development that will have an allowable GFA of 100,263 sqm, of which the New Hotel Property is expected to occupy a GFA of 15,541 sqm.

The Divestment Consideration of the Novotel CQ Property of S\$375.9 million is above the two independent valuations ascribed by the Independent Valuers as at 15 October 2019.

A previous independent valuation of the Novotel CQ Property has been commissioned in the recent past by CDLHT for the purposes of financial reporting as at 31 December 2018. Such valuation was prepared on the basis of the existing use as a hotel with the existing property configuration. The independent valuation ascribed to the property as at 31 December 2018 was S\$333.0 million. We note that the Divestment Consideration of S\$375.9 million represents a premium of approximately S\$42.9 million (or 12.9%) over the carrying value of the Novotel CQ Property in CDLHT as at 31 December 2018.

#### 4.3 The Independent Valuation of the New Hotel Property

The H-REIT Trustee has commissioned an independent property valuer, Colliers and the H-REIT Manager has commissioned an independent property valuer, Knight Frank to value the New Hotel Property.

We have compared the independent valuation reports from Colliers and Knight Frank (the “**Independent Valuation Reports**”) with the New Hotel Purchase Consideration as presented in the table below.

Property	Appraised Value		Average Appraised Value (S\$'million)	New Hotel Purchase Consideration (S\$'million)
	Knight Frank (S\$'million)	Colliers (S\$'million)		
New Hotel Property	478.0	481.0	479.5	475.0

Source: *The Independent Valuation Reports*

We hope to highlight the following key points in respect of the independent valuations of the New Hotel Property:

- (a) Both Independent Valuers have used “Market Value” as their basis of valuation, which is being defined as the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion;
- (b) The valuations have both been computed on a “completed” basis with the assessment date being 30 April 2025;
- (c) The New Hotel Property was valued by Knight Frank based on an average of the valuations using a combination of the Discounted Cash Flow (“**DCF**”) and Capitalisation approaches;
- (d) Colliers arrived at its appraised value using DCF approach;

- (e) The capitalisation method adopted by Knight Frank takes into account assumptions of the net income of the property in respect of, *inter alia*, occupancy rates, average daily unit rates, gross operating margins, operating expenses, base fee, incentive fee, maintenance fee, property insurance, maintenance charge, and property tax. The net income of the property is then capitalised for the balance term of the lease tenure at an appropriate rate that reflects the current market investment criteria, including the nature and location of the property; and
- (f) The DCF method of the Independent Valuers takes into account assumptions of future cash flows in respect of, *inter alia*, occupancy rates, average daily unit rates, gross operating margins, property tax, property insurance, capital expenditure. The future cash flows are then discounted at appropriate discount rates and terminal yields that reflect the current market investment criteria, including the nature and location of the property.

We have made reasonable enquiries and have exercised our professional judgement in reviewing the information contained in the Independent Valuation Reports. In our review, we found the information contained in respect of the operating assumptions to be reasonable.

The New Hotel Purchase Consideration which is capped at the Fixed Price of S\$475.0 million is below the average of the appraised values ascribed by the Independent Valuers. The Fixed Price was arrived taking into account a fully developed and fitted out, custom built to specifications of a Moxy-branded, New Hotel Property, the number of hotel rooms between 460 to 475, and a fresh land lease of 99 years commencing from the effective date of lease extension (as compared to the remaining lease of 57 years of the Novotel CQ Property).

#### 4.4 Comparison of the Discount Rates and Capitalisation Rates adopted by the Independent Property Valuers for the New Hotel Property Acquisition

We set out below a comparison of the discount rates, capitalisation rates and the terminal capitalisation rates used by the Independent Valuers in their valuations of the New Hotel Property as compared to the range of the discount rates, capitalisation rates and the terminal capitalisation rates adopted for hotel properties in Singapore held by CDLHT and other selected Singapore-listed comparable real estate investment trusts or business trusts which are engaged in hospitality real estate investments listed on the Singapore Exchange (“Comparable Hospitality REITs”).

Comparable Hospitality REITs	Fiscal Year End	Capitalisation Rate (%)	Discount Rate (%)	Terminal Capitalisation Rate (%)
Ascendas Hospitality Trust	31-Mar-19	Not applicable	3.80% – 6.50%	4.10% – 4.75%
Frasers Hospitality Trust <sup>(1)</sup>	30-Sep-19	Not applicable	4.30% – 8.00%	4.00% – 6.00%
Far East Hospitality Trust	31-Dec-18	4.25% – 5.25%	6.50% – 7.50%	Undisclosed
CDLHT	31-Dec-18	4.50% – 5.25%	7.00%	4.75% – 5.50%

Sources: Annual Reports from the respective Comparable Hospitality REITs and CDLHT

**Note:**

- (1) The range of discount rate and terminal capitalisation rate of Frasers Hospitality Trust is based on the valuation approach and key inputs that were used to determine the fair value of its properties in Asia as at 30 September 2019.



Independent Valuer	Valuation Date	Capitalisation Approach	DCF Approach	
		Capitalisation Rate (%)	Discount Rate (%)	Terminal Capitalisation Rate (%)
Knight Frank	15-Oct-19	4.25%	7.00%	4.50%
Colliers	15-Oct-19	Not applicable	6.00%	4.25%

Sources: *The Independent Valuation Reports*

Based on the tables above, we note the following for the discount rates, capitalisation rates and the terminal capitalisation rates used by Knight Frank for the valuation of the New Hotel Property:

- (a) Capitalisation rate adopted by Knight Frank is within range of the capitalisation rates adopted by Far East Hospitality Trust, but below the range of the capitalisation rates adopted by CDLHT;
- (b) Discount rate adopted by Knight Frank is higher than the range of discount rates adopted by Ascendas Hospitality Trust, within range of the discount rates adopted by Frasers Hospitality Trust and Far East Hospitality Trust and in line with the discount rate adopted by CDLHT; and
- (c) Terminal capitalisation rate adopted by Knight Frank is within range of the terminal capitalisation rates adopted by Ascendas Hospitality Trust and Frasers Hospitality Trust, but below the range of the capitalisation rates adopted by CDLHT.

Additionally, we note the following for the discount rates, capitalisation rates and the terminal capitalisation rates used by Colliers for the valuation of the New Hotel Property:

- (a) Discount rate adopted by Colliers is within range of the discount rates adopted by Ascendas Hospitality Trust and Frasers Hospitality Trust, but below the range of discount rates adopted by Far East Hospitality Trust and CDLHT; and
- (b) Terminal capitalisation rate adopted by Colliers is within range of the terminal capitalisation rates adopted by Ascendas Hospitality Trust and Frasers Hospitality Trust, but below the range of the capitalisation rates adopted by CDLHT.

The above analysis suggests that the capitalisation rate used by Knight Frank and the discount rates, and the terminal capitalisation rates used by the Independent Valuers are broadly in line with the capitalisation rates, discount rates, and the terminal capitalisation rates used by the Comparable Hospitality REITs for their hotel properties in Singapore.

Any such comparison can serve as an illustrative guide only and must be caveated by the knowledge that the W Hotel Property differs from the hotel properties in Singapore held by CDLHT and Comparable Hospitality REITs in many aspects, such as location, accessibility, profile, proximity to major venues and/or attractions, outstanding lease tenure and other relevant factors.

**4.5 Comparison of the Proposed Divestment with Selected Land Sale Transactions**

The Liang Court Site is intended to be redeveloped into the Proposed Integrated Development comprising two residential towers, a commercial component, a serviced residence with a hotel license and the New Hotel Property. In our evaluation, we have compared the transacted value per GFA implied by the Divestment Consideration of S\$375.9 million for the Novotel CQ Property with the divestment of the Liang Court mall (the “**Liang Court Mall**”) by ARMF II (Liang Court) Pte. Ltd., which forms part of the same Liang Court Site as the Novotel CQ Property in May 2019. Additionally, we have compared the transacted value per GFA implied by the Divestment Consideration of S\$375.9 million for the Novotel CQ Property with the transacted value per GFA of the properties that were the subject of the Selected Land Sale Transactions. We have taken into consideration the valuation of H-REIT’s interest in the Whole Land where the Novotel CQ Property currently sits on (the “**Redevelopment Site**”), assuming a fresh 99-year lease, and have extracted information in the public domain in respect of land transactions undertaken in 2018 and 2019 for all government land sales (“**GLS**”) for residential developments and residential with commercial developments in Districts 2, 7, 9 and 10, GLS for hotel developments and sales of retail properties for redevelopment, as well as enbloc transactions.

Such comparisons serve as an illustrative guide only. Specifically, we note that the Novotel CQ Property differs in the property type from the Liang Court Mall, though the two are part of the same strata-titled development. Additionally, the Redevelopment Site differs from the Selected Land Sale Transactions in many aspects such as location, accessibility, proximity to major venues and/or attractions, plot ratios, GFA, transaction timing, configuration mix of between residential, retail and hotels, market risks, encumbrances and other relevant factors. The comparative analysis is only one of the factors considered by us in our evaluation.

**Comparison with a Recent Transaction at the Liang Court Site**

Date	Property	Tenure	Area (sqft)	Transacted Value (S\$m)	Transacted Value per Unit Area (S\$ per sqft)
Oct-19	Novotel CQ Property	57-year <sup>(1)</sup>	375,754.7 <sup>(2)</sup>	375.9	1,000.4
May-19	Liang Court Mall <sup>(3)</sup>	58-year	447,406.0 <sup>(4)</sup>	400.0	894.0

Sources: The Valuation Reports and Company Announcements

**Notes:**

- (1) Based on the remaining lease tenure as at completion of the Proposed Divestment.
- (2) Based on the gross floor area.
- (3) On 31 May 2019, the City Development Limited and its 50% JV Partner CapitaLand Limited completed the acquisition of the 447,406 sqft Liang Court retail mall with less than 58-year land tenure remaining (the “**Liang Court Retail Acquisition**”), which took into account the redevelopment play for the entire Liang Court complex.
- (4) Based on the strata floor area disclosed in the caveat lodged with the Urban Redevelopment Authority of Singapore (“**URA**”).

We highlight the Liang Court Retail Acquisition represents the retail component on the same land site where the Liang Court Site is located and share the same remaining lease tenure as the Novotel CQ Property. Based on the table above, we note that the transacted value per GFA of S\$1,000.4 per square feet (“**sqft**”) for the Novotel CQ Property is transacted at a premium of 11.9% over the transacted value per square foot of strata area of the Liang Court Mall.

### Comparison with Selected Land Sale Transactions

Date	Location	Tenure	GFA (sqft)	Transacted Value (S\$m)	Transacted Value per GFA (S\$ per sqft)
<b>Commercial with Residential:</b>					
May-18	Holland Road	99-year	642,766.9	1,213.3	1,887.7
<b>Residential with Commercial at First-Storey:</b>					
Sep-19	Tan Quee Lan Street	99-year	521,296.2	800.2	1,535.0
Sep-19	Bernam Street	99-year	301,400.3	440.9	1,462.8
Apr-19	Middle Road	99-year	337,373.2	492.0	1,458.3
<b>Residential Properties:</b>					
Jan-19	Kampong Java Road	99-year	350,925.0	418.4	1,192.2
May-18	Cuscaden Road	99-year	172,470.1	410.0	2,377.2
May-18	Silat Avenue <sup>(1)</sup>	99-year	910,099.4	1,035.3	1,137.6
May-18	Landmark Tower <sup>(2)</sup>	99-year	244,135.5	286.0	1,406.0
Feb-18	Pearl Bank Apartments <sup>(3)</sup>	99-year	613,701.2	728.0	1,515.0
Feb-18	Handy Road/Mount Sophia	99-year	123,203.7	212.2	1,722.4
<b>Hotel Properties:</b>					
Jan-19	Club Street	99-year	261,670.7	562.0	2,147.7
<b>For all Selected Land Sale Transactions</b>				<b>Maximum</b>	<b>2,377.2</b>
				<b>Mean</b>	<b>1,659.0</b>
				<b>Median</b>	<b>1,515.0</b>
				<b>Minimum</b>	<b>1,137.6</b>
Oct-19	Redevelopment Site at 177A River Valley Road	99-year	375,754.7	Not applicable	1,304.1 <sup>(4)</sup>

Sources: The Valuation Reports, URA website, press releases, Jones Lang LaSalle IP, Inc ("JLL"), SGX-ST company announcements and news publications

#### Notes:

- (1) The site at Silat Avenue is located at District 5 and has been zoned for the development of residential properties, as well as a mixed-use development comprising residential with commercial at first-storey. Silat Avenue is located approximately 3 km away from the Novotel CQ Property, which is within close proximity to the Novotel CQ Property to be included as part of our evaluation in the table above.
- (2) Based on the completion of the en bloc sale of the Landmark Tower located at 173 Chin Swee Road at District 3, this site is located less than 2.0 km away from the Novotel CQ Property, which is within close proximity to the Novotel CQ Property to be included as part of our evaluation in the table above. The transacted value includes an estimated lease upgrading premium to extend the land tenure to 99 years.
- (3) Based on the completion of the en bloc sale of the Pearl Bank Apartments located at One Pearl Bank at District 3, this site is located less than 3.0 km away from the Novotel CQ Property, which is within close proximity to the Novotel CQ Property to be included as part of our evaluation in the table above. The transacted value includes an estimated lease upgrading premium to extend the land tenure to 99 years.
- (4) This includes the average of the Independent Valuer's estimated differential premium and land lease upgrading premium to extend the leasehold tenure to 99-years.

Based on the data presented in the table above, we note that:

- (a) The transacted value per GFA of S\$1,304.1<sup>27</sup> per sqft for the Novotel CQ Property is below the mean and median of the transacted value per GFA of the Selected Land Sale Transactions; and
- (b) The transacted value per GFA of S\$1,304.1<sup>27</sup> per sqft for the Novotel CQ Property is within the range of the transacted value per GFA of the Selected Land Sale Transactions.

We highlight that the Liang Court Site is currently held by the H-REIT Trustee and two other subsidiary proprietors under a strata title scheme (the “**Subsidiary Proprietors**”). No redevelopment can take place prior to this unless there was unanimous agreement from all the Subsidiary Proprietors to redevelop the site. As such, any potential of the whole site was limited due to this encumbrance of consent.

#### **4.6 Comparison of the New Hotel Property Acquisition with Selected Transactions Involving Hotel Properties in Singapore**

We have compiled information in respect of the transacted values and the number of rooms available (“**Transacted Value per Key**” or “**Transacted Value/Key**”) of the selected hotel properties in Singapore (“**Selected Hotel Properties**”), in order to provide benchmarks for the Transacted Value per Key as implied by the New Hotel Purchase Consideration for the acquisition of the New Hotel Property.

When selecting the hotel properties, we compared the New Hotel Property with other 3 or 4 star and/or lifestyle hotels in Singapore, which were transacted from 2013 onwards (“**Comparable Transacted Properties to the New Hotel**”).

We note that the number of hotel rooms in the New Hotel Property is expected to increase from 403 to a range of 460 to 475 hotel rooms. For the purpose of our evaluation, we have based it on 460 hotel rooms that represent the minimum number of hotel rooms and used the maximum amount payable under the pricing mechanism at the Fixed Price of S\$475.0 million. As such, the Transaction Value per Key as implied by the New Hotel Purchase Consideration as presented below is the maximum payable for the New Hotel Property Acquisition.

We highlight that the New Hotel Property is expected to be acquired after the completion of the redevelopment by the Redevelopment Consortium in 2025, while the information presented in respect to the Comparable Transacted Properties to the New Hotel is updated as at the Latest Practicable Date. For these reasons, any benchmarking exercise can serve as an illustrative guide only. Further caveats should be made by the knowledge that the Comparable Transacted Properties to the New Hotel differ from the New Hotel Property in many aspects, such as location, accessibility, profile, proximity to major venues and/or attractions, lease profile and other relevant factors.

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<sup>27</sup> This includes the average of the Independent Valuer’s estimated differential premium and land lease upgrading premium to extend the leasehold tenure to 99-years.

Property <sup>28</sup>	Transacted Date	Lease Tenure	No. of Rooms	Transacted Value (S\$'million)	Transacted Value/Key (S\$'000)
Bay Hotel Singapore	Jul-19	Freehold	319	235.0	736.7
Ibis Novena	Jun-19	Freehold	241	170.0	705.4
Wangz Hotel	Nov-18	Freehold	41	60.0	1,463.4
Wanderlust Hotel	May-18	Freehold	29	37.0	1,275.9
Naumi Liora	Jun-17	Freehold	79	75.0	949.4
The Big Hotel	Nov-15	Freehold	308	203.0	659.1
Gallery Hotel	Sep-13	Freehold	223	232.5	1,042.6
Park Hotel Clarke Quay	Jun-13	Leasehold (92 years remaining)	336	300.0	892.9
<b>Maximum</b>					<b>1,463.4</b>
<b>Mean</b>					<b>965.7</b>
<b>Median</b>					<b>921.1</b>
<b>Minimum</b>					<b>659.1</b>
New Hotel Property	15 Oct 2019	Leasehold (99 years remaining from 2020)	460	475.0	1,032.6

Sources: Circulars, press releases, JLL and news publication

Based on the table above, we note the following:

- (a) The Transacted Value per Key of the New Hotel Property is above the mean and median of the Transacted Value per Key of the Comparable Transacted Properties to the New Hotel; and
- (b) The Transacted Value per Key of the New Hotel Property is within the range of the Transacted Value per Key of the Comparable Transacted Properties to the New Hotel.

We note that the pricing formula for New Hotel Property Acquisition will be the lower of 110% of the Development Costs or the Fixed Price of S\$475.0 million. The risk of cost overruns are thus borne by CDL RE Owner, and the Security Holders have an opportunity to realise any cost savings, in the event that the total Development Costs is less than S\$475.0 million.

<sup>28</sup> We have considered an extensive range of hospitality transactions in Singapore, however, these were excluded as they either did not fall into the criteria noted above or their parameters were not publicly disclosed. These transactions include the acquisition of Andaz Singapore, Oakwood Premier OUE Singapore (hotel and serviced residence component), Oasia Hotel Downtown, Claremont Hotel Singapore, Ascott Raffles Place, Darby Executive Suites Singapore, the Club Hotel, the Capri by Fraser Changi City, Hotel Grand Chancellor, Crown Plaza Changi Airport (including its extension), the Sentosa Resort and Spa, Ascott Orchard Singapore, the Westin Singapore, Grand Park Orchard, Hotel 1929, Mandarin Orchard, Rendezvous Hotel, Park Avenue Changi Hotel, Park Regis, Concorde Hotel, the Duxton Hotel and Hotel Windsor.

## 4.7 The Pro Forma Financial Effects of the Redevelopment Transaction

The pro forma financial effects of the Redevelopment Transaction are set out in paragraph 8.1 of the Letter to Security Holders in the Circular. We recommend the Independent Directors to advise the Security Holders to read this paragraph carefully, in particular the bases and assumptions relating to the preparation of the pro forma financial effects of the Redevelopment Transaction as set out in paragraph 8 and 8.1 of the Letter to Security Holders in the Circular.

We set out below the following pro forma financial analysis of the Redevelopment Transaction that is prepared for illustrative purposes only.

### “8.1.1 Pro Forma DPS and Distribution Yield

*The following table sets forth the pro forma financial effects of the Redevelopment Transaction on the DPS and distribution yield of CDLHT for FY2018, as if CDLHT had completed the Redevelopment Transaction on 1 January 2018 and operated the New Hotel Property through to 31 December 2018.*

<b>Pro forma effects of the Redevelopment Transaction for FY2018</b>		
	<b>Before the Redevelopment Transaction</b>	<b>After the Redevelopment Transaction</b>
<b>Net Property Income of CDLHT (S\$'000)</b>	146,054 <sup>(1)</sup>	151,651 <sup>(2)</sup>
<b>Distributable Income of CDLHT (S\$'000)<sup>(3)</sup></b>	111,603 <sup>(1)</sup>	114,180
<b>Stapled Securities entitled for distribution ('000)</b>	1,206,437	1,208,676 <sup>(4)</sup>
<b>DPS (cents)<sup>(5)</sup></b>	9.26	9.44
<b>Distribution Yield (%)<sup>(6)</sup></b>	5.82	5.94

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Includes the annual stabilised NPI of the New Hotel Property of S\$26.6 million which is calculated based on the Managers' assumptions, as if the New Hotel Property had been fully operational since 1 January 2018.
- (3) The distributable income of CDLHT (after deducting income retained for working capital) represents the aggregate of distributions by H-REIT and HBT.
- (4) Increase in the number of Stapled Securities entitled for distribution relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.
- (5) 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.
- (6) Based on the closing market price of the Stapled Securities of S\$1.59 as at 19 November 2019 which is the market date preceding the date of the Divestment PCOA and the New Hotel DSA.

### 8.1.2 Pro Forma NAV

The following table sets forth the pro forma financial effects of the Redevelopment Transaction on the NAV per Stapled Security as at 31 December 2018, as if CDLHT had completed the Redevelopment Transaction on 31 December 2018.

<b>Pro forma effects of the Redevelopment Transaction for FY2018</b>		
	<b>Before the Redevelopment Transaction<sup>(1)</sup></b>	<b>After the Redevelopment Transaction</b>
<b>NAV (S\$'000)</b>	1,847,663	1,884,836
<b>Stapled Securities in issue and to be issued ('000)</b>	1,209,888	1,212,285 <sup>(2)</sup>
<b>NAV per Stapled Security (S\$)</b>	1.527	1.555

**Notes:**

(1) Based on the CDLHT FY2018 Audited Financial Statements.

(2) Increase in the number of Stapled Securities relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.

### 8.1.3 Pro Forma Capitalisation

The following table sets forth the pro forma financial effects of the Redevelopment Transaction on the capitalisation of CDLHT as at 31 December 2018, as if CDLHT had completed the Redevelopment Transaction on 31 December 2018.

<b>Pro forma effects of the Redevelopment Transaction as at 31 December 2018</b>		
	<b>Before the Redevelopment Transaction<sup>(1)</sup></b>	<b>After the Redevelopment Transaction</b>
<b>Total Assets (S\$'000)</b>	2,962,167 <sup>(1)</sup>	3,060,327
<b>Total Gross Borrowings (S\$'000)</b>	1,014,414 <sup>(1)</sup>	1,075,974
<b>Total Security Holders' Funds (S\$'000)</b>	1,847,663 <sup>(1)</sup>	1,884,836
<b>Total Capitalisation (S\$'000)</b>	2,862,077	2,960,810
<b>Gearing Ratio (%)<sup>(2)</sup></b>	34.2	35.2

**Notes:**

(1) Based on the CDLHT FY2018 Audited Financial Statements.

(2) Based on the total gross borrowings of CDLHT divided by the total assets of CDLHT."

## 5. EVALUATION OF THE W HOTEL ACQUISITION

In reaching our recommendation in relation to the W Hotel Acquisition, we have taken into consideration, from a financial point of view, whether the terms of the W Hotel Acquisition are on normal commercial terms and are not prejudicial to the interests of H-REIT, HBT or the minority Security Holders respectively. We have given due consideration to the following factors in our evaluation:

- (i) The key benefits of the W Hotel Acquisition;
- (ii) The Independent Valuations of the W Hotel Property;

- (iii) Comparison of the Discount Rates and Capitalisation Rates adopted by the Independent Property Valuers for the acquisition of the W Hotel Property;
- (iv) Comparison of the W Hotel Property Acquisition with Selected Hotel Properties;
- (v) Comparison of net property income yield of the W Hotel Property as compared to hotel properties in Singapore; and
- (vi) The pro forma financial effects of the W Hotel Acquisition.

## 5.1 The Key Benefits of the W Hotel Acquisition

The Manager's view of the key benefits of the W Hotel Acquisition is set out in paragraph 2.2.3 of the Letter to Security Holders in the Circular. We have reproduced below excerpts of this section in respect of the W Hotel Acquisition:

- “(i) Secure rare off-market opportunity to acquire a luxury lifestyle hotel in Singapore and penetrate the highly sought-after Sentosa market, which has been ear-marked to increase its role as a key future tourism driver for Singapore***

*The W Hotel Acquisition represents a rare off-market opportunity for CDLHT to acquire a luxury lifestyle hotel in the highly sought-after Sentosa market, where opportunities to secure a comparable hotel are seldom available in the tightly-held Singapore hospitality market.*

*Known for its diverse array of unique leisure experiences all on a 500-hectare island (situated south of the main Singapore island) and located just minutes away from the city and shopping districts, 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<sup>29</sup>, making Sentosa a vibrant island resort for business and leisure. Notable themed attractions include Resorts World Sentosa, Universal Studios Singapore, S.E.A Aquarium, Adventure Cove Waterpark, and Maritime Experiential Museum. In June 2018, the highly notable DPRK-USA Singapore Summit (commonly known as the Trump-Kim Summit) was held in Sentosa, strongly profiling the island and Singapore on a global scale. The SMBC Singapore Open and the HSBC Women's Champions, featuring some of the world's best golf professionals, were also hosted in Sentosa.*

*Looking ahead, there are further major expansion plans for Sentosa which will likely enhance the island and Singapore's attractiveness as a premier tourist destination. With the exclusivity of the casino license extended to end 2030, Resorts World Sentosa is investing S\$4.5 billion to add 50% or more than 164,000 sqm to its GFA. Under its plan, Universal Studios Singapore will expand its offerings with two new key attractions – Minion Park and Super Nintendo World while the S.E.A Aquarium will increase to about three times its current size<sup>30</sup>. In addition, there are also plans by the Singapore government to revitalise Sentosa's beach areas, and expand Sentosa's nature and heritage trails<sup>31</sup>.*

29 Source: Singapore Tourism Board, "Alipay, the go-to smart lifestyle wallet, now accepted at 70% of merchants in Sentosa Islander Membership programme", 23 January 2019.

30 Source: The Business Times, "Singapore IRs bet on S\$9b expansion; exclusive licences extended to 2030", 4 April 2019.

31 Source: The Straits Times, "National Day Rally 2019: In the pipeline – a 'Downtown South' resort near Sentosa", 18 August 2019.



As disclosed in paragraph 2.2.1(ii) of this Circular, one of the significant developments in the southern part of Singapore is the future Greater Southern Waterfront, which will commence in phases and last for more than a decade. The Greater Southern Waterfront is anticipated to stretch from Gardens by the Bay East to Pasir Panjang Terminal and with 2,000 hectares of land, it will be six times the size of Marina Bay. The area will be transformed into a new major gateway and vibrant location for homes, offices and recreational options.

Part of the Greater Southern Waterfront plans also comprise the redevelopment of Sentosa and Pulau Brani (adjacent to Sentosa Island) to position Singapore as a leading destination for the next few decades. The first project will be 30,000 sqm multi-sensory walkway connecting Resorts World Sentosa to Sentosa's southern beaches. The S\$90 million project will commence in the fourth quarter of 2019 and is expected to complete in 2022. Looking further, Sentosa and Pulau Brani will be redeveloped together according to five zones, where each zone will have its own character and will deliver a unique experience to visitors. There will also be new attractions similar to Universal Studios Singapore at Pulau Brani as well as other MICE and entertainment facilities for the larger waterfront development<sup>32</sup>.

The Managers believe that the W Hotel Acquisition will allow CDLHT to gain a presence in the highly desirable Sentosa market and the W Hotel Property will be a key beneficiary of the demand growth expected to be generated by the various expansion initiatives at Sentosa Island and the southern part of Singapore in the medium to long term.

**(ii) Acquisition of a high quality asset with long term capital appreciation potential**

Opened in 2012, the W Hotel Property is a luxury lifestyle hotel built to high specifications by CDL, with numerous design and construction accolades. The hotel is oriented towards the adjacent waterway and marina, and has views positioned to capture the most valuable perspectives.

The W Hotel Property boasts a total of 240 guest rooms with an average room size of approximately 46 sqm (with room sizes ranging from 40 sqm to 195 sqm). The hotel is also equipped with a comprehensive suite of facilities including an outdoor pool, more than 1,400 sqm of event space, three F&B outlets and a pool bar, as well as a spa.

Redesign works are being undertaken to some of the F&B outlets to increase seating capacity and enhance appeal so as to secure potential revenue upside. Managed by Marriott International, one of the largest hotel groups in the world which operates and/or franchises more than 7,200 properties in 134 countries and territories<sup>33</sup>, the W Hotel Property will be able to tap on the strong global distribution network of Marriott International.

The Managers believe the W Hotel Acquisition is attractive with long term capital appreciation potential as the asset quality is high and the price per key of S\$1.35 million is comparable to the past hotel transactions in a similar segment in Singapore over the last six years as the hotel has one of the largest average room size relative to the others transacted during the same period.

32 Source: Channel NewsAsia, "Sentosa's Merlion to go as Sentosa-Brani masterplan reshapes islands", 20 September 2019.

33 Source: Marriott International, Inc. (<<https://www.marriott.com/marriott/aboutmarriott.mi>> last accessed on 25 October 2019).

(iii) **Transaction expected to be DPS-accretive on a pro forma basis<sup>34</sup>**

The Managers are of the view that the W Hotel Acquisition is expected to be accretive to Security Holders based on the pro forma financial effects of the W Hotel Acquisition on the DPS of CDLHT.

Based on the estimated W Hotel Acquisition Cost of S\$344.5 million, subject to adjustments for net working capital, and assuming that CDLHT acquired the W Hotel Property on 1 January 2018, the proposed transaction is expected, on a pro forma basis, to contribute an NPI of S\$10.1 million, translating to a DPS accretion of 0.9% for FY2018. The pro forma NPI yield of the W Hotel Property for FY2018 is approximately 3.1%<sup>35</sup>.

## 5.2 The Independent Valuations of the W Hotel Property

The H-REIT Trustee has commissioned an independent property valuer, Colliers and the H-REIT Manager has commissioned an independent property valuer, Knight Frank to value the W Hotel Property.

We have compared the independent valuation reports from Colliers and Knight Frank (the “**Independent Valuation Reports**”) with the W Hotel Property Consideration as presented in the table below.

Property	Appraised Value		Average Appraised Value (S\$'million)	W Hotel Property Consideration (S\$'million)
	Knight Frank (S\$'million)	Colliers (S\$'million)		
W Hotel Property	324.0	326.0	325.0	324.0

Source: The Independent Valuation Reports

We wish to highlight the following key points in respect of the independent valuations of the W Hotel Property:

- (a) Both Independent Valuers have used “Market Value” as their basis of valuation, which is being defined as the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion;
- (b) The dates for which the valuations have been prepared are both on 15 October 2019;
- (c) Both Independent Valuers have arrived at the appraised value using a combination of the DCF and capitalisation methods, with equal weighting applied to either approaches. In addition, Colliers has adopted direct comparison method as a counter-check;
- (d) The capitalisation method adopted by the Independent Valuers takes into account assumptions in respect of, *inter alia*, occupancy rates, average daily unit rates, gross operating margins, operating expenses, base fee, incentive fee, maintenance fee, property insurance, maintenance charge, capitalisation rates and property tax. The net income of the property is expected to be capitalised for the balance term of the lease tenure at an appropriate yield rate that reflects the current market investment criteria, including the nature and location of the property; and

34 Based on financial impact on a pro forma basis for FY2018.

35 Based on W Hotel Property Consideration.

- (e) The DCF method of the Independent Valuers takes into account assumptions in respect of, *inter alia*, occupancy rates, average daily unit rates, gross operating margins, property tax, property insurance, capital expenditure, discount rates, terminal yields and future cash flows. Further, the operating assumptions for the W Hotel Property take into account the historical and existing financial performance of such property. The future cash flows are then discounted at appropriate discount rates and terminal yields that reflect the current market investment condition, including the nature and location of the property.

We have made reasonable enquiries and have exercised our professional judgement in reviewing the information contained in the Independent Valuation Reports. In our review, we found the information contained in respect of the operating assumptions to be reasonable.

We note that the W Hotel Property Consideration of S\$324.0 million is below the average of the appraised values ascribed by the Independent Valuers.

### 5.3 Comparison of the Discount Rates and Capitalisation Rates adopted by the Independent Property Valuers for the acquisition of the W Hotel Property

We set out below a comparison of the discount rates, capitalisation rates and the terminal capitalisation rates used by the Independent Valuers in their valuations of the W Hotel Property as compared to the range of the discount rates, capitalisation rates and the terminal capitalisation rates adopted for hotel properties in Singapore held by CDLHT and Comparable Hospitality REITs.

Comparable Hospitality REITs	Fiscal Year End	Capitalisation Rate (%)	Discount Rate (%)	Terminal Capitalisation Rate (%)
Ascendas Hospitality Trust	31-Mar-19	Not applicable	3.80% – 6.50%	4.10% – 4.75%
Frasers Hospitality Trust <sup>(1)</sup>	30-Sep-19	Not applicable	4.30% – 8.00%	4.00% – 6.00%
Far East Hospitality Trust	31-Dec-18	4.25% – 5.25%	6.50% – 7.50%	Undisclosed
CDLHT	31-Dec-18	4.50% – 5.25%	7.00%	4.75% – 5.50%

Sources: Annual reports from the respective Comparable Hospitality REITs and CDLHT

**Note:**

- (1) The range of discount rate and terminal capitalisation rate of Frasers Hospitality Trust is based on the valuation approach and key inputs that were used to determine the fair value of its properties in Asia as at 30 September 2019.

Independent Valuer	Valuation Date	Capitalisation Approach	DCF Approach	
		Capitalisation Rate (%)	Discount Rate (%)	Terminal Capitalisation Rate (%)
Knight Frank	15-Oct-19	3.25%	6.00%	3.50%
Colliers	15-Oct-19	3.50%	6.00%	3.75%

Sources: The Independent Valuation Reports

Based on the tables above, we note the following for the discount rates, capitalisation rates and the terminal capitalisation rates used by the Independent Valuers for the valuation of the W Hotel Property:

- (a) Capitalisation rates adopted by the Independent Valuers are below the range of the capitalisation rates adopted by the Far East Hospitality Trust and CDLHT;
- (b) Discount rates adopted by the Independent Valuers are within range of the discount rates adopted by the Ascendas Hospitality Trust and Frasers Hospitality Trust, but lower than the discount rates adopted by Far East Hospitality Trust and CDLHT; and
- (c) Terminal capitalisation rates adopted by the Independent Valuers are below the range of the terminal capitalisation rates adopted by Frasers Hospitality Trust, Ascendas Hospitality Trust and CDLHT.

We note that the discount rates adopted by the Independent Valuers for the valuation of the W Hotel Property are broadly in line with those used in the most recent valuations of the Comparable Hospitality REITs.

We also note that the capitalisation rates and terminal capitalisation rates adopted by the Independent Valuers for the valuation of the W Hotel Property are between 50 to 125 basis points lower than the range of the capitalisation rates and terminal capitalisation rates used in the most recent valuations of the Comparable Hospitality REITs. We understand that these differences are largely attributable to a number of factors including, *inter alia*, the positioning of the properties, the length of the outstanding land lease tenure and market conditions of the W Hotel Property as compared to the hotel properties in Singapore held by CDLHT and Comparable Hospitality REITs.

Any such comparison can serve as an illustrative guide only and must be caveated by the knowledge that the W Hotel Property differs from the hotel properties in Singapore held by CDLHT and Comparable Hospitality REITs in many aspects, such as location, accessibility, profile, proximity to major venues and/or attractions, outstanding lease tenure and other relevant factors.

#### **5.4 Comparison of the W Hotel Acquisition with Selected Hotel Properties**

We have compiled information in respect of the Transacted Value per Key of the Selected Hotel Properties in Singapore, in order to provide benchmarks for the Transacted Value per Key as implied by the W Hotel Property Consideration for the acquisition of the W Hotel Property.

When selecting the hotel properties that were transacted in Singapore, we note that there were limited transactions of hotels with similar characteristics as the W Hotel Property and hence have taken transactions since 2013. In our evaluation, we compared the W Hotel Property with comparable full service 5-star hotels in Singapore that were transacted from 2013 onwards which are freehold or under a leasehold arrangement with a remaining lease tenure of 60 years and above ("**Comparable Transacted Properties to the W Hotel**").

We highlight that the W Hotel Property is located at the Southern Islands (“**Southern Islands**”) in accordance with the planning area of URA. Accordingly, we note that there are no comparable hotel properties with similar lease tenure remaining and hotel rating that were last transacted from 2013 onwards at the Southern Islands that are publicly available. As such, any benchmarking exercise can serve as an illustrative guide only and must be caveated that the Comparable Transacted Properties to the W Hotel differ from the W Hotel Property in many aspects, such as location, accessibility, profile, proximity to major venues and/or attractions, outstanding lease tenure and other relevant factors.

Property <sup>36</sup>	Transacted Date	Lease Tenure	No. of Rooms	Transacted Value (\$'million)	Transacted Value/Key (\$'000)
Andaz Singapore <sup>(1)</sup>	Oct-19 <sup>(2)</sup>	Leasehold (91 years remaining)	342	475.0	1,388.9
Marina Mandarin <sup>(3)</sup>	Apr-19	Leasehold (60 years remaining)	575	760.0 <sup>(4)</sup>	1,321.7
The Sentosa Resort and Spa <sup>(5)</sup>	Apr-14	Leasehold (60 years remaining)	215	210.9	980.7 <sup>(5)</sup>
The Westin Singapore	Dec-13	Leasehold (93 years remaining)	305	468.0	1,534.4
Grand Park Orchard	Aug-13	Freehold	308	410.0	1,331.2
<b>Maximum</b>					<b>1,534.4</b>
<b>Mean</b>					<b>1,394.1</b>
<b>Median</b>					<b>1,360.0</b>
<b>Minimum</b>					<b>1,321.7</b>
W Hotel Property	15 Oct 2019	Leasehold (86 years remaining)	240	324.0	1,350.0

Sources: Circulars, annual reports, press releases and JLL

**Notes:**

- (1) Relates to the sale of the luxury hotel component of Duo Tower.
- (2) Refers to the date of entry into a binding agreement by Hoi Hup Realty Pte Ltd with Ophir-Rochor Investments Pte. Ltd., a wholly owned subsidiary of M+S Pte. Ltd..
- (3) Based on the acquisition of 25% shares in the ownership of the Marina Mandarin by the United Industrial Corporation Limited at S\$190 million, which implies a hotel value of S\$760 million.
- (4) Transacted value presented is on a 100% basis.
- (5) We note that The Sentosa Resort and Spa (“**SRS**”) is located at the URA planning area of Southern Islands, which is within close proximity to the W Hotel Property. At the point of transaction, this property had a remaining lease tenure of 60 years. SRS underwent a S\$20 million refurbishment over 18 months upon the completion of the transaction in April 2014. For these reasons, the Transacted Value per Key of SRS has been excluded as part of the computation for maximum, mean, median and minimum.

<sup>36</sup> We have considered an extensive range of hospitality transactions in Singapore, however, these were excluded as they either did not fall into the criteria noted above or their parameters were not publicly disclosed. These transactions include the acquisition of Oakwood Premier OUE Singapore (hotel and serviced residence component), Bay Hotel Singapore, Ibis Novena, Oasia Hotel Downtown, Claremont Hotel Singapore, Ascott Raffles Place, Darby Executive Suites Singapore, Wangz Hotel, Wanderlust Hotel, the Club Hotel, Naumi Liora, the Capri by Fraser Changi City, Hotel Grand Chancellor, Crown Plaza Changi Airport (including its extension), Ascott Orchard Singapore, Gallery Hotel, Hotel 1929, Mandarin Orchard, Rendezvous Hotel, the Big Hotel, Park Avenue Changi Hotel, Park Hotel Clarke Quay, Park Regis, Concorde Hotel, the Duxton Hotel and Hotel Windsor.

Based on the table above, we note the following:

- (a) The Transacted Value per Key of the W Hotel Property is below the mean and median of the Transacted Value per Key of the Comparable Transacted Properties to the W Hotel; and
- (b) The Transacted Value per Key of the W Hotel Property is within the range of the Transacted Value per Key of the Comparable Transacted Properties to the W Hotel.

#### 5.5 Comparison of Net Property Income Yield of the W Hotel Property as compared to Hotel Properties in Singapore

We have compiled information in respect of the net property income yield (“NPI Yield”) of the Selected Hotel Properties in Singapore, in order to provide benchmarks for the net property income yield of the W Hotel Property.

When selecting the hotel properties, we compared the W Hotel Property with comparable hotel properties in Singapore that were last transacted from 2018 onwards that have at least over 200 rooms (“Comparable Hotel Transactions”).

We note any benchmarking exercise can serve as an illustrative guide only and must be caveated that the Comparable Hotel Transactions to the W Hotel differ from the W Hotel Property in many aspects, such as location, accessibility, profile, proximity to major venues and/or attractions, outstanding lease tenure and other relevant factors.

Property	Transacted Date	Tenure	Net Property Income (\$\$'m)	Transacted Value (\$\$'m)	NPI Yield (%)
Bay Hotel Singapore	Jul-19	Freehold	8.0	235.0	3.4%
Ibis Novena	Jun-19	Freehold	Undisclosed	170.0	3.0%
The Westin Singapore	Dec-13	Leasehold (93 years remaining)	Undisclosed	468.0	3.0%
<b>Maximum</b>					<b>3.4%</b>
<b>Mean</b>					<b>3.1%</b>
<b>Median</b>					<b>3.0%</b>
<b>Minimum</b>					<b>3.0%</b>
W Hotel Property	15 Oct 2019	Leasehold (86 years remaining)	Undisclosed	324.0	3.1%

Sources: Circulars, press releases, JLL and independent valuation report of Knight Frank

- (a) Based on the table above, we note that the NPI Yield of 3.1% for the W Hotel Property is in line with the mean and above the median of the NPI Yield of the Comparable Hotel Transactions; and
- (b) The NPI Yield of 3.1% for the W Hotel Property is within range of the NPI Yield of the Comparable Hotel Transactions.

In our evaluation, we had the opportunity to interview the Independent Valuers and reviewed their Independent Valuation Reports. In relation to the W Hotel Acquisition, we understand that a range of between 3.0% to 4.0% is appropriate for a property comparable to the W Hotel Property.

## 5.6 The Pro Forma Financial Effects of the W Hotel Acquisition

The pro forma financial effects of the W Hotel Acquisition are set out in paragraph 8.2 of the Letter to Security Holders in the Circular. We recommend the Independent Directors to advise the Security Holders to read this paragraph carefully, in particular the bases and assumptions relating to the preparation of the pro forma financial effects of the W Hotel Acquisition as set out in paragraph 8 and 8.2 of the Letter to Security Holders in the Circular.

We set out below the following pro forma financial analysis of the W Hotel Acquisition that is prepared for illustrative purposes only.

### “8.2.1 Pro Forma DPS and Distribution Yield

The following table sets forth the pro forma financial effects of the W Hotel Acquisition on the DPS and distribution yield of CDLHT for FY2018, as if CDLHT had completed the W Hotel Acquisition on 1 January 2018 and operated the W Hotel Property through to 31 December 2018.

<b>Pro forma effects of the W Hotel Acquisition for FY2018</b>		
	<b>Before the W Hotel Acquisition</b>	<b>After the W Hotel Acquisition</b>
<b>Net Property Income of CDLHT (S\$'000)</b>	146,054 <sup>(1)</sup>	156,144 <sup>(2)</sup>
<b>Distributable Income of CDLHT (S\$'000)<sup>(3)</sup></b>	111,603 <sup>(1)</sup>	112,847
<b>Stapled Securities entitled for distribution ('000)</b>	1,206,437	1,208,262 <sup>(4)</sup>
<b>DPS (cents)<sup>(5)</sup></b>	9.26	9.34
<b>Distribution Yield (%)<sup>(6)</sup></b>	5.82	5.88

#### Notes:

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Includes the net property income of the W Hotel Property of S\$10.1 million which is calculated based on the historical financial results of the W Hotel Property for FY2018 made available to the Managers' by the W Hotel Vendor.
- (3) The distributable income of CDLHT (after deducting income retained for working capital) represents the aggregate of distributions by H-REIT and HBT.
- (4) Increase in the number of Stapled Securities entitled for distribution relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.
- (5) DPS is derived based on distributable income of CDLHT (after deducting income retained for working capital) over the number of Stapled Securities entitled for distribution.
- (6) Based on the closing market price of the Stapled Securities of S\$1.59 as at 19 November 2019 which is the market date preceding the date of the W Hotel PCOA and the W Hotel CBTA.

### 8.2.2 Pro Forma NAV

The following table sets forth the pro forma financial effects of the W Hotel Acquisition on the NAV per Stapled Security as at 31 December 2018, as if CDLHT had completed the W Hotel Acquisition on 31 December 2018.

<b>Pro forma effects of the W Hotel Acquisition for FY2018</b>		
	<b>Before the W Hotel Acquisition<sup>(1)</sup></b>	<b>After the W Hotel Acquisition</b>
<b>NAV (S\$'000)</b>	1,847,663	1,832,573
<b>Stapled Securities in issue and to be issued ('000)</b>	1,209,888	1,211,523 <sup>(2)</sup>
<b>NAV per Stapled Security (S\$)</b>	1.527	1.513

**Notes:**

(1) Based on the CDLHT FY2018 Audited Financial Statements.

(2) Increase in the number of Stapled Securities relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.

### 8.2.3 Pro Forma Capitalisation

The following table sets forth the pro forma financial effects of the W Hotel Acquisition on the capitalisation of CDLHT as at 31 December 2018, as if CDLHT had completed the W Hotel Acquisition on 31 December 2018.

<b>Pro forma effects of the W Hotel Acquisition as at 31 December 2018</b>		
	<b>Before the W Hotel Acquisition</b>	<b>After the W Hotel Acquisition</b>
<b>Total Assets (S\$'000)</b>	2,962,167 <sup>(1)</sup>	3,250,605
<b>Total Gross Borrowings (S\$'000)</b>	1,014,414 <sup>(1)</sup>	1,309,824
<b>Total Security Holders' Funds (S\$'000)</b>	1,847,663 <sup>(1)</sup>	1,832,573
<b>Total Capitalisation (S\$'000)</b>	2,862,077	3,142,397
<b>Gearing Ratio (%)<sup>(2)</sup></b>	34.2	40.3

**Notes:**

(1) Based on the CDLHT FY2018 Audited Financial Statements.

(2) Based on the total gross borrowings of CDLHT divided by the total assets of CDLHT."

## 6. EVALUATION OF THE PROPOSED TRANSACTIONS

In reaching our recommendation in relation to the Redevelopment Transaction and the W Hotel Acquisition, we have taken into consideration, from a financial point of view, whether the terms of the Redevelopment Transaction and the W Hotel Acquisition are on normal commercial terms and are not prejudicial to the interests of H-REIT, HBT or the minority Security Holders respectively. We have given due consideration to the following factors in our evaluation:

- (i) The rationale and key benefits of the Proposed Transactions; and
- (ii) The combined pro forma financial effects of the Proposed Transactions.



## 6.1 The Rationale and Key Benefits of the Proposed Transactions

The Manager's view of the rationale for and the benefits of the Proposed Transactions are set out in the Summary of the Circular and paragraph 2.2.1 of the Letter to Unitholders in the Circular. We have reproduced below excerpts of these sections in respect of the Proposed Transactions:

### ***Rationale of the Proposed Transactions***

*"The Managers strongly believe in the long-term value of hospitality real estate in Singapore. The primary objective of the Redevelopment Transaction is to retain CDLHT's hospitality presence within the same site as the present Novotel CQ Property, which the Managers consider to be the most ideal for a lifestyle hotel. The divestment of the Novotel CQ Property to a consortium through the unanimous agreement of all strata title owners to redevelop the site of the integrated development is the only way to unlock its redevelopment potential and at the same time secure the forward purchase of the New Hotel Property from a subsidiary of CDL (CDL being the developer of the New Hotel Property), without assuming development risk and structured with a pricing formula that protects the interest of Security Holders.*

*The acquisition of the W Hotel Property is a rare off-market opportunity to acquire a luxury lifestyle hotel in Singapore and penetrate the highly sought-after Sentosa market. The concurrent acquisition of the W Hotel Property also helps to partially mitigate the absence of income and address the reduction of CDLHT's Singapore concentration from the Proposed Divestment and during the development period before the New Hotel Acquisition is completed in 2025<sup>37</sup>. On a pro forma basis, assuming the Proposed Transactions are completed on 1 January 2018, CDLHT's Singapore net property income ("**NPI**") contribution is expected to increase from 60% to 64% for the financial year ended 31 December 2018 ("**FY2018**").*

*The Proposed Transactions present an opportunity for CDLHT to further penetrate the lifestyle hotel market in Singapore so as to strengthen and align CDLHT's portfolio with the prevailing trends in the global travel market. The Proposed Transactions are also in line with CDLHT's acquisition, asset and capital management strategies to enhance long-term sustainable value for Security Holders."*

### ***Key Benefits of the Proposed Transactions***

#### ***(i) Allows CDLHT to increase its foothold in the lifestyle hotel market***

*The New Hotel Property is intended to cater to the affordable lifestyle hotel market, while the W Hotel Property caters to the lifestyle and luxury hotel market. The Managers are of the view that the Proposed Transactions present an opportunity for CDLHT to further penetrate into the lifestyle hotel market at different tiers or price points in Singapore so as to strengthen and align CDLHT's portfolio with the prevailing trends in the global travel market. There is an increasing focus on lifestyle hotels in the global travel market, which are hotels with unique designs, strong identities and story-telling potential, to cater to growing demand for distinct and unique experiences as compared to generic brand experiences and homogeneity in cookie-cutter hotels.*

*The New Hotel Property will be branded as "Moxy" hotel, one of the newest boutique hotel concepts with an affordable lifestyle-oriented position by Marriott International that is designed to be appealing to the next-generation traveller, which includes millennials, through its boldy-designed rooms, lively lobby spaces and fun and playful*

<sup>37</sup> This is an estimated timeline and is subject to change.

service. The millennials are more discerning, spend more on travel and are the biggest consumers of digital content and media. In recent years, millennials already account for almost 35% of Asians' expenditure on international travel and is expected to grow further<sup>38</sup>. As millennials are also attracted to highly "shareable" hotel areas and F&B for social media consumption, hotels which are designed to provide travellers with ample opportunities to create unique visual experiences lend themselves well to being shared on social media, which in turn would generate more public impressions and marketing awareness for the hotels.

The W Hotel Property is a contemporary, design-led luxury lifestyle brand under Marriott International. Conceptualised from the bold and vibrant culture of New York City, W Hotels, part of Marriott International, 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 and growing, 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 discerning leisure travellers seeking luxury in a non-traditional way.

In addition, the F&B and entertainment offerings of these hotels are intended to cater to both travellers and the local market further enhancing their positioning as a lifestyle destination.

(ii) **Preserve majority portfolio weightage in Singapore and further solidify future exposure to a vibrant hospitality market with diversified long term growth drivers**

The Managers are of the view that the Proposed Transactions are beneficial to Security Holders, as the acquisition of the W Hotel Property and the forward purchase of the New Hotel Property respectively allow CDLHT to preserve its majority portfolio weightage in Singapore and increase exposure in its core Singapore market at an opportune time.

Singapore is a major international business and financial centre, and a vibrant tourist destination. Attracting both leisure and business travel, Singapore is the fifth most visited city in the world<sup>39</sup>. Between 2006 and 2018, international visitor arrivals to Singapore almost doubled from 9.8 million to 18.5 million, representing an annualised growth rate of 5.5%<sup>40</sup>, and in 2019, arrivals are expected to grow a further 1% to 4% year-on-year<sup>41</sup>. As the top international meeting country for the 11<sup>th</sup> year running in 2018<sup>42</sup>, Singapore is also a renowned destination for meetings, incentives, conferences and exhibitions ("**MICE**"); and continues to grow its status with prominent events being added to its calendar. In 2020, Singapore will host a number of inaugural

38 Source: Asia Travel Leaders Summit (Singapore Tourism Board, McKinsey & Company and Visa), "Capturing the Asian Millennial Traveller", 2013 (<<https://www.visitsingapore.com/content/dam/MICE/Global/bulletin-board/travel-rave-reports/Capturing-the-Asian-Millennial-Traveller.pdf>> last accessed on 25 October 2019). For purposes of this Circular, the Singapore Tourism Board has not provided its consent to the inclusion of the information extracted from the relevant source and is therefore not liable for such information.

39 Source: Colliers Valuation Report.

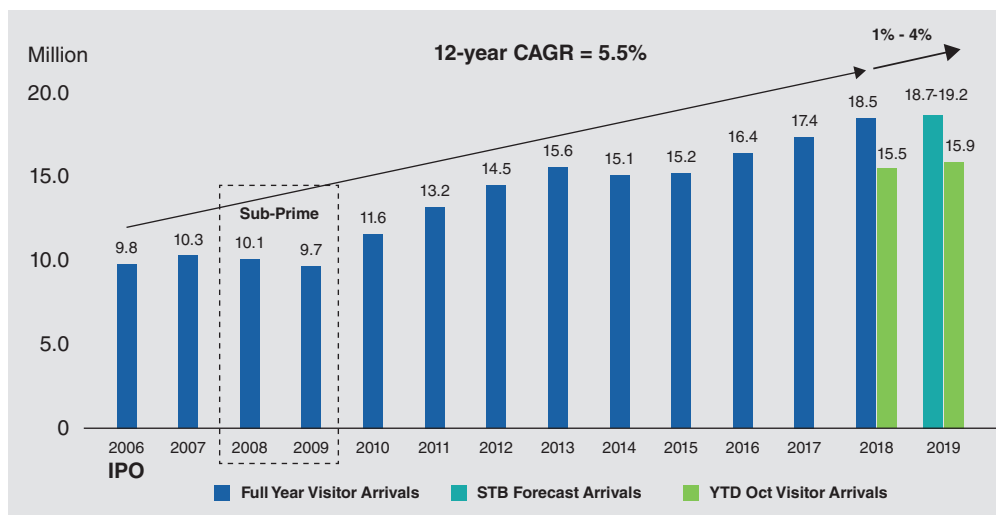
40 Source: Singapore Tourism Board, "International Visitor Arrivals Statistics", (<<https://www.stb.gov.sg/content/stb/en/statistics-and-market-insights/tourism-statistics/international-visitorarrivals.html>> last accessed on 25 October 2019).

41 Source: Singapore Tourism Board, "Third consecutive year of growth for Singapore tourism sector in 2018", 13 February 2019.

42 Source: Singapore Exhibition & Convention Bureau, "Conferences, Events & Business Awards", (< <https://www.visitsingapore.com/mice/en/why-singapore/awards-accolades/>> last accessed on 25 October 2019); Singapore Tourism Board, "Annual Report 2017/2018", page 72 (<[https://www.stbannualreport.com.sg/download/ANNUAL\\_REPORT2017-2018.pdf](https://www.stbannualreport.com.sg/download/ANNUAL_REPORT2017-2018.pdf)> last accessed on 25 October 2019).

events, including International Trademark Association's 142<sup>nd</sup> Annual Meeting, which is the world's largest gathering of intellectual property professionals with 8,000 expected attendees, and the 103<sup>rd</sup> Lions Clubs International Convention, which has an expected 20,000 foreign attendees and therefore making it the largest association congress ever to be held in the city<sup>43</sup>.

#### Visitor arrivals to Singapore<sup>44</sup>



On the supply front, there are 66,994 hotel rooms in Singapore as at end 2018<sup>45</sup> and room inventory growth reached a ten-year low in 2018<sup>46</sup>. In 2019, an estimated 1,703 rooms have opened, of which only 430 new rooms are in the city centre<sup>47</sup>. Looking ahead, supply growth is benign at a low annualised growth rate of 1.3% from beginning 2019 to end 2022, lending support to a favourable outlook for the Singapore hospitality market.

With the divestment of the Novotel CQ Property and acquisition of the W Hotel Property, CDLHT's portfolio is able to retain a core Singapore presence. The acquisition of the W Hotel Property will partially mitigate the absence of income from the Novotel CQ Property during the construction period. CDLHT's exposure to the Singapore market will further increase after the completion of the acquisition of the newly developed hotel when it opens in 2025<sup>48</sup>. Hence, the Managers are of the view that the acquisition of the W Hotel Property is important as this allows CDLHT to continue to benefit from the limited new supply and the growing MICE calendar in the next few years, which is supportive of a gradual recovery in the Singapore hotel market, even after the divestment of the Novotel CQ Property takes place.

Singapore continues to invest in tourism infrastructure, with several new large-scale projects being planned across the entire island. To cater for future growth, with demand for air travel in the Asia-Pacific region expected to triple over the next two

43 Source: Singapore Tourism Board, "STB unveils a selection of over 60 lifestyle experiences to entice business groups to Singapore", 10 September 2019.

44 Sources: Singapore Tourism Board, "International Visitor Arrivals Statistics", (<<https://www.stb.gov.sg/content/stb/en/statistics-and-market-insights/tourism-statistics/international-visitorarrivals.html>> last accessed on 23 December 2019); Singapore Tourism Board, "Third consecutive year of growth for Singapore tourism sector in 2018", 13 February 2019.

45 Source: Singapore Tourism Board, "2018 Year-in-Review", 13 February 2019.

46 Source: Colliers Valuation Report.

47 Source: Horwath HTL (as at December 2019) and CDLHT research.

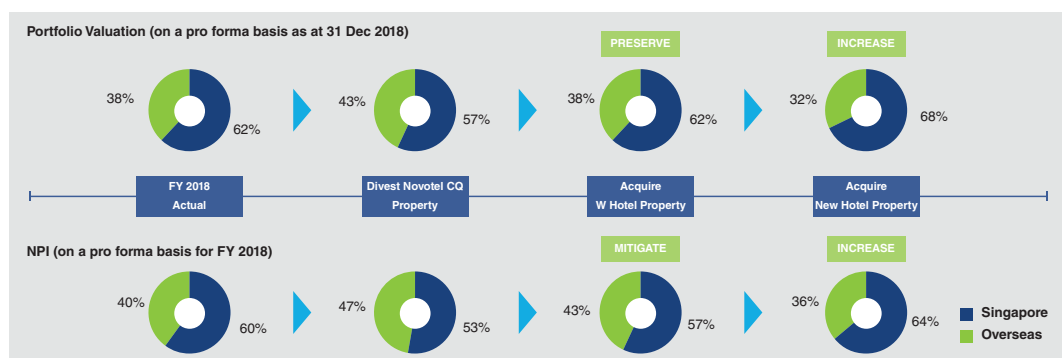
48 This is an estimate and is subject to change.

decades<sup>49</sup>, a fifth terminal at Changi International Airport is slated to open by 2030, which is expected to double the current capacity of Changi International Airport to 150 million passengers per annum<sup>50</sup>. The S\$1.7 billion Jewel Changi Airport which also opened in 2019, is a complex connecting three terminals with 135,700 square metres (“sqm”) of gross floor area (“GFA”), housing a 5-storey garden with a 40 metre tall (world’s largest) indoor waterfall and more than 280 shops and F&B outlets. This is expected to enhance Changi Airport’s position as the world’s best airport and Singapore’s world class aviation infrastructure<sup>51</sup>.

Other key development projects such as the proposed development of Jurong Lake District, repositioning of Orchard Road, rejuvenation of the Riverfront, expansion of the two integrated resorts, and makeover of Mandai Nature Precinct are likely to underpin demand in the short to medium term. For the long term, the Singapore government has announced plans for the rejuvenation of large sites including the Greater Southern Waterfront, with new tourism attractions and facilities (including MICE) being planned for Sentosa, Pulau Brani and the waterfront along Tanjong Pagar. Given these diversified demand growth drivers, the longer-term prospects for Singapore is positive<sup>52</sup>.

Hence, the Proposed Transactions will allow CDLHT to preserve its majority portfolio weightage in Singapore and further increase its future exposure to Singapore’s vibrant hospitality market which is supported by diversified growth drivers and exciting tourism infrastructure plans for the medium and long term.

### Retaining a core Singapore presence



49 Source: Colliers Valuation Report.

50 Source: The Straits Times, “About 20,000 workers expected at Changi East after T5 construction begins around 2020”, 10 October 2018. For purposes of this Circular, the Straits Times has not provided its consent to the inclusion of the information extracted from the relevant source and is therefore not liable for such information.

51 Source: Changi Airport Group website, “Changi Airport is named the World’s Best Airport for the seventh consecutive year by international air travellers”, (<<http://www.changiairport.com/corporate/media-centre/newsroom.html#/pressreleases/changi-airport-is-named-the-worlds-best-airport-for-the-seventh-consecutive-year-by-international-air-travellers-2853166>> last accessed 25 October 2019). For purposes of this Circular, the Changi Airport Group has not provided its consent to the inclusion of the information extracted from the relevant source and is therefore not liable for such information.

52 Source: Colliers Valuation Report.

**(iii) Achieve efficient recycling of capital**

*The Proposed Divestment allows CDLHT to unlock capital effectively and achieve greater financial flexibility. The unlocked capital will not be tied up for the purpose of the forward purchase of the turnkey project as CDLHT is not obliged to make payments during the development of the New Hotel Property. The Net Divestment Proceeds from the Proposed Divestment may be recycled by CDLHT for such purposes as the Managers deem fit, including the financing of other acquisition opportunities in the near term (such as the W Hotel Acquisition to acquire an income-producing asset to preserve CDLHT's majority portfolio weightage in Singapore and mitigate the absence of income from the Proposed Divestment) and/or the repayment of existing borrowings which will further strengthen CDLHT's balance sheet. With the divestment of the Novotel CQ Property and the W Hotel Acquisition (before the New Hotel Property Acquisition), CDLHT has a pro forma gearing of 35.4%<sup>53</sup> and ample debt headroom of S\$508.4 million<sup>54</sup>, allowing it to have the flexibility to continue to pursue suitable acquisitions to further grow its income base. At the sole discretion of the Managers, a portion of the Net Divestment Proceeds may also be used to make distributions to Security Holders.*

**(iv) Proposed Transactions expected to be DPS accretive on a pro forma basis<sup>55</sup>**

*The Managers are of the view that the Proposed Transactions are expected to be accretive to Security Holders based on the pro forma financial effects of the Proposed Transactions on the DPS of CDLHT.*

*Assuming that CDLHT divested the Novotel CQ Property and completed the New Hotel Acquisition and W Hotel Acquisition on 1 January 2018 and taking into account Net Divestment Proceeds of S\$369.3 million, estimated W Hotel Acquisition Costs of S\$344.5 million and estimated Total New Hotel Acquisition Cost of S\$483.7 million, the Proposed Transactions are expected, based on a pro forma basis, to achieve a DPS accretion of 2.6% for FY2018."*

## **6.2 The Combined Pro Forma Financial Effects of the Proposed Transactions**

The pro forma financial effects of the Proposed Transactions are set out in paragraph 8.3 of the Letter to Security Holders in the Circular. We recommend the Independent Directors and the Audit and Risk Committees to advise the Security Holders to read this paragraph carefully, in particular the bases and assumptions relating to the preparation of the pro forma financial effects of the Proposed Transactions as set out in paragraph 8 and 8.3 of the Letter to Security Holders in the Circular.

We set out below the following pro forma financial analysis of the Proposed Transactions that is prepared for illustrative purposes only.

### **"8.3.1 Pro Forma DPS and Distribution Yield**

*The following table sets forth the pro forma financial effects of the Proposed Transactions on the DPS and distribution yield of CDLHT for FY2018, as if CDLHT had completed the Proposed Transactions on 1 January 2018 and operated the New Hotel Property and the W Hotel Property through to 31 December 2018.*

53 As at 30 September 2019 and assumes Net Divestment Proceeds are utilised towards W Hotel Acquisition with the excess used for the repayment of debt.

54 Based on a gearing limit of 45.0% for CDLHT as a whole.

55 Based on financial impact on a pro forma basis for FY2018.

<b>Pro forma effects of the Proposed Transactions for FY2018</b>		
	<b>Before the Proposed Transactions</b>	<b>After the Proposed Transactions</b>
<b>Net Property Income of CDLHT (S\$'000)</b>	146,054 <sup>(1)</sup>	161,741 <sup>(2)</sup>
<b>Distributable Income of CDLHT (S\$'000)<sup>(3)</sup></b>	111,603 <sup>(1)</sup>	115,029
<b>Stapled Securities entitled for distribution ('000)</b>	1,206,437	1,210,564 <sup>(4)</sup>
<b>DPS (cents)<sup>(5)</sup></b>	9.26	9.50 <sup>(6)</sup>
<b>Distribution Yield (%)<sup>(7)</sup></b>	5.82	5.98

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Includes the net property income of the New Hotel Property, as if the New Hotel Property had been fully operational since 1 January 2018, and W Hotel Property based on the historical financial results of the W Hotel Property for FY2018 made available to the Managers by the W Hotel Vendor.
- (3) The distributable income of CDLHT (after deducting income retained for working capital) represents the aggregate of distributions by H-REIT and HBT.
- (4) Increase in the number of Stapled Securities entitled for distribution relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.
- (5) DPS is derived based on distributable income of CDLHT (after deducting income retained for working capital) over the number of Stapled Securities entitled for distribution.
- (6) Assuming the New Hotel Property Acquisition was not completed on 1 January 2019, the pro forma DPS for FY2018 would be 8.47 cents.
- (7) Based on the closing market price of the Stapled Securities of S\$1.59 as at 19 November 2019 which is the market date preceding the Divestment PCOA, the New Hotel DSA, the W Hotel PCOA and the W Hotel CBTA.

### 8.3.2 Pro Forma NAV

The following table sets forth the pro forma financial effects of the Proposed Transactions on the NAV per Stapled Security as at 31 December 2018, as if CDLHT had completed the Proposed Transactions on 31 December 2018.

<b>Pro forma effects of the Proposed Transactions for FY2018</b>		
	<b>Before the Proposed Transactions<sup>(1)</sup></b>	<b>After the Proposed Transactions</b>
<b>NAV (S\$'000)</b>	1,847,663	1,869,746
<b>Stapled Securities in issue and to be issued ('000)</b>	1,209,888	1,213,919 <sup>(2)</sup>
<b>NAV per Stapled Security (S\$)</b>	1.527	1.540

**Notes:**

- (1) Based on the CDLHT FY2018 Audited Financial Statements.
- (2) Increase in the number of Stapled Securities relates to the Stapled Securities issued/to be issued as partial satisfaction of the management fee and satisfaction of the acquisition fee.

### 8.3.3 Pro Forma Capitalisation

The following table sets forth the pro forma financial effects of the Proposed Transactions on the capitalisation of CDLHT as at 31 December 2018, as if CDLHT had completed the Proposed Transactions on 31 December 2018.

<b>Pro forma effects of the Proposed Transactions as at 31 December 2018</b>		
	<b>Before the Proposed Transactions</b>	<b>After the Proposed Transactions</b>
<b>Total Assets (S\$'000)</b>	2,962,167 <sup>(1)</sup>	3,397,810
<b>Total Gross Borrowings (S\$'000)</b>	1,014,414 <sup>(1)</sup>	1,420,651
<b>Total Security Holders' Funds (S\$'000)</b>	1,847,663 <sup>(1)</sup>	1,869,746
<b>Total Capitalisation (S\$'000)</b>	2,862,077	3,290,397
<b>Gearing Ratio (%)<sup>(2)</sup></b>	34.2	41.8

**Notes:**

(1) Based on the CDLHT FY2018 Audited Financial Statements.

(2) Based on the total gross borrowings of CDLHT divided by the total assets of CDLHT."

## 7. OUR RECOMMENDATIONS

In arriving at our recommendations, we have taken into account the following factors which we consider to have a significant bearing on our assessment of the Proposed Transactions:

### In respect of the Redevelopment Transaction:

- (i) The key benefits of the Redevelopment Transaction;
- (ii) The Divestment Consideration is above the average of the two appraised values ascribed by the Independent Valuers;
- (iii) The New Hotel Purchase Consideration is below the average of the two appraised values ascribed by the Independent Valuers;
- (iv) The discount rates, capitalisation rates and the terminal capitalisation rates used by the Independent Valuers are broadly in line with those adopted by the Comparable Hospitality REITs for their hotel properties in Singapore;
- (v) The discount rate used by Knight Frank and Colliers are in line and below the range, respectively, as compared to the discount rate adopted by CDLHT;
- (vi) The capitalisation rate used by Knight Frank and the terminal capitalisation rates used by the Independent Valuers are below the range of those adopted by CDLHT;
- (vii) The transacted value per GFA of the Novotel CQ Property is transacted at a premium of 11.9% over the transacted value per square foot of the Liang Court Mall;
- (viii) The transacted value per GFA of the Novotel CQ Property is below the mean and median, but within range of the transacted values per GFA of the Selected Land Sale Transactions;

- (ix) The Transacted Value per Key of the New Hotel Property is above the mean and median, and within range of the Transacted Values per Key of the Comparable Properties to the New Hotel;
- (x) Based on the illustrative pro forma financial effects of the Redevelopment Transaction as at 31 December 2018, the Redevelopment Transaction is DPS accretive by 0.18 Singapore cents with an increase in distribution yield of 0.12%;
- (xi) Based on the illustrative pro forma financial effects of the Redevelopment Transaction as at 31 December 2018, the Redevelopment Transaction is NAV accretive by S\$0.028 per Stapled Security; and
- (xii) Based on the illustrative pro forma financial effects of the Redevelopment Transaction as at 31 December 2018, the Redevelopment Transaction will increase the gearing ratio by 1.0%.

**In respect of the W Hotel Acquisition:**

- (i) The key benefits of the W Hotel Acquisition;
- (ii) The W Hotel Property Consideration is below the average of the two appraised values ascribed by the Independent Valuers;
- (iii) The discount rates used by the Independent Valuers are broadly in line with those used by the Ascendas Hospitality Trust and Frasers Hospitality Trust for their hotel properties in Singapore, but below than the discount rates adopted by Far East Hospitality Trust and CDLHT for their hotel properties in Singapore;
- (iv) The terminal capitalisation rates used by the Independent Valuers are below the range of those used by Frasers Hospitality Trust, Ascendas Hospitality Trust and CDLHT for their hotel properties in Singapore;
- (v) The capitalisation rates used by the Independent Valuers are lower than the range of those adopted by Far East Hospitality Trust and CDLHT for their hotel properties in Singapore;
- (vi) The Transacted Value per Key of the W Hotel Property is below the mean and median, and within range of the Transacted Values per Key of the Comparable Properties to the W Hotel;
- (vii) The NPI Yield of the W Hotel Property is in line with the mean, above the median, and within range of the NPI Yields of the Comparable Hotel Transactions;
- (viii) Based on the illustrative pro forma financial effects of the W Hotel Acquisition as at 31 December 2018, the W Hotel Acquisition is DPS accretive by 0.08 Singapore cents with an increase in distribution yield of 0.06%;
- (ix) Based on the illustrative pro forma financial effects of the W Hotel Acquisition as at 31 December 2018, the W Hotel Acquisition is NAV dilutive by S\$0.014 per Stapled Security; and
- (x) Based on the illustrative pro forma financial effects of the W Hotel Acquisition as at 31 December 2018, the W Hotel Acquisition will increase the gearing ratio by 6.1%.



**In respect of the Proposed Transactions:**

- (i) The rationale and key benefits of the Proposed Transactions;
- (ii) Based on the illustrative pro forma financial effects of the Proposed Transactions as at 31 December 2018, the Proposed Transactions are DPS accretive by 0.24 Singapore cents with an increase in distribution yield of 0.16%;
- (iii) Based on the illustrative pro forma financial effects of the Proposed Transactions as at 31 December 2018, the Proposed Transactions are NAV accretive by S\$0.013 per Stapled Security; and
- (iv) Based on the illustrative pro forma financial effects of the Proposed Transactions as at 31 December 2018, the Proposed Transactions will increase the gearing ratio by 7.6%.

Having given due consideration to the above and subject to the qualifications set out herein and taking into account the prevailing conditions as at the Latest Practicable Date, we are of the opinion that the Redevelopment Transaction and the W Hotel Acquisition are on normal commercial terms and are not prejudicial to interests of H-REIT, HBT or the minority Security Holders. Accordingly, we are of the opinion that the Independent Directors, and Audit and Risk Committees can recommend that Security Holders vote in favour of the Redevelopment Transaction and the W Hotel Acquisition to be proposed at the Extraordinary General Meetings.

Our recommendation is addressed to the Independent Directors, the Audit and Risk Committees and the H-REIT Trustee for their benefit in connection with and for the purpose of their consideration of the Redevelopment Transaction and the W Hotel Acquisition. Any recommendation made by the Independent Directors and the Audit and Risk Committees in respect of the Redevelopment Transaction and the W Hotel Acquisition shall remain their responsibility.

Our recommendations may not be used and/or relied on by any other person for any purpose at any time and in any manner except with our prior written consent in each specific case.

Our recommendation is governed by the laws of Singapore and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

**Deloitte & Touche Corporate Finance Pte Ltd**

Koh Soon Bee  
Executive Director

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## VALUATION CERTIFICATES FOR THE NOVOTEL CQ PROPERTY



Colliers International Consultancy & Valuation  
(Singapore) Pte Ltd  
12 Marina View  
#19-02, Asia Square 2  
Singapore 018961  
RCB No. 198105965E

MAIN +65 6223 2323



Our Ref: 2019/C2/0138/CORP

21 November 2019

DBS Trustee Limited (in its capacity as Trustee of CDL Hospitality Real Estate Investment Trust)  
c/o 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,

#### VALUATION OF

- 1) 177A RIVER VALLEY ROAD, SINGAPORE 179031 WITH RESPECT TO NOVOTEL SINGAPORE CLARKE QUAY HOTEL (THE "REDEVELOPMENT SITE")
- 2) PROPOSED NEW HOTEL ON THE SITE OF 177A RIVER VALLEY ROAD, SINGAPORE 179031 (THE "NEW HOTEL")

We refer to your instructions to carry out a valuation in respect of the abovementioned properties (the "Properties") for the following purposes:

- 1) For proposed sale of CDL Hospitality Real Estate Investment Trust ("CDL H-REIT")'s interest in land ("Land")
- 2) For proposed acquisition upon completion of the proposed new hotel ("New Hotel")

Our instructions are to provide our opinion of the market value of the unexpired leasehold interest in the Redevelopment Site based on CDL H-REIT's 34.82% interest in the Land as at 15 October 2019, and based on the parameters provided, assuming the lease will be topped up to fresh 99 years from 2020 and taking into account that differential premium and lease upgrading premium will have to be paid. In addition, we are also requested to provide our opinion of the estimated market value of the New Hotel upon completion, assuming the New Hotel will obtain Temporary Occupation Permit in January 2025 and will start operation in April 2025.

We confirm that we have inspected the Redevelopment Site and have prepared a full valuation report ("Report") and valuation certificates in accordance with the requirements of the instructions. We understand that this letter and the valuation certificates will be included in a circular to be issued by CDL H-REIT in connection with the acquisition.

Our valuation is on the basis of market value which is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion" ("Market Value").

This definition of value is consistent with the definition of Market Value as advocated by the Singapore Institute of Surveyors and Valuers' Valuation Standards and Guidelines.



Market Value is also the best price reasonably obtainable on the valuation date by the seller and the most advantageous price reasonably obtainable on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation has been made on the assumption that the Properties are sold in the open market without the benefit of a deferred term contract or any similar arrangement which could serve to affect the value of the Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Properties are free from any major or material encumbrances, restrictions and outgoings of an onerous nature which could affect the values.

We have undertaken no condition survey nor environmental surveys. We have assumed that the New Hotel will comply with all relevant statutory requirements in respect of health, building and fire safety regulations.

We have relied on the information provided by the asset manager on matters relating to the Properties such as site area and key planning parameters including the proposed gross floor area of each component within the proposed mixed development, the type of hotel and proposed number of rooms etc. All information provided is treated as correct and Colliers International Consultancy and Valuation (Singapore) Pte Ltd accepts no responsibility for subsequent changes in information and reserves the right to change our opinion of value if any information provided were to materially change.

For the purpose of the circular, we have prepared this letter and the enclosed valuation certificates which summarise our Report and outline key factors we have considered in arriving at our opinion of values. This letter and the valuation certificates do not contain all the necessary data and information included in our Report. For further information, reference should be made to the Report.

The valuation and market information are not guarantees or predictions and must be read in consideration of the following:

- The estimated value is based upon the factual information and the proposed development scheme provided by the client/asset manager. Property data/information provided is assumed to be correct. Whilst Colliers International has endeavoured to ensure the accuracy of the information, it has not independently verified all information provided by the client/asset manager. Colliers International also accepts no responsibility for subsequent changes in information as to areas, proposed scheme, income, expenses or market conditions.
- The methodologies adopted in valuing the Properties are based upon estimates of future results and are not predictions. Each methodology is based on a set of assumptions as to income and expenses of the Properties and future economic conditions in the local market.



### Recognition of Risks

Our estimates have been prepared in the light of circumstances we consider most likely to prevail during the period under review. We consider it prudent, however, to highlight the main risks associated with attaining the estimates. These are as follows:

- that an adverse change in political and/ or economic conditions results in a decline in revenue through reduced tourism arrivals;
- that demand for hotel accommodation, meeting facilities and F&B does not eventuate as estimated or the estimated demand levels are not captured by the New Hotel; and
- that significant additions to the supply of the subject property type occur so as to create an oversupply of the property type, resulting in a decline in market performance over and above those estimated.

Our estimates are therefore based on the assumption that none of the above arises.

### Valuation Summary

Our opinion of values is summarized below:

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MARKET VALUE OF THE "REDEVELOPMENT SITE" (34.82% share in the Land based on the Proposed Redevelopment Scheme, net of lease upgrading premium/ differential premium) as at 15 October 2019	<b>S\$368,700,000/-</b>
<hr/>	
ESTIMATED MARKET VALUE OF THE "NEW HOTEL" UPON COMPLETION (assuming the Temporary Occupation Permit will be issued in January 2025)	<b>S\$481,000,000/-</b>

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We specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the circular, other than in respect of the information provided within the Reports. This letter and the Report have been prepared for the use of the instructing parties for the stated purpose only and cannot be relied upon by third parties. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analysis, opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions and conclusions. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.



We confirm that we do not have a pecuniary interest that would conflict with a proper valuation of the Properties and the valuers undertaking the valuation are authorised to practise as valuers and have the necessary expertise and experience in valuation of such type of property.

Yours faithfully,  
For and on behalf of  
**Colliers International Consultancy & Valuation (Singapore) Pte Ltd**

A handwritten signature in black ink, appearing to read "Goh Seow Leng". The signature is written in a cursive style and is positioned above the printed name and title.

Goh Seow Leng  
Appraiser's Licence No: AD041- 2003809B  
Executive Director  
Valuation & Advisory Services | Singapore



**VALUATION CERTIFICATE**

<b>Address of Property</b>	: 177A River Valley Road, Singapore 179031 with respect to Novotel Singapore Clarke Quay Hotel (the “Redevelopment Site”)										
<b>Our Reference</b>	: 2019/C2/0049/CORP										
<b>Valuation Prepared for</b>	: DBS Trustee Limited (as Trustee of CDL Hospitality Real Estate Investment Trust)										
<b>Purpose of Valuation</b>	: For proposed sale of CDL H-REIT’s interest in land (“Land”) as a redevelopment site										
<b>Interest Valued</b>	: Unexpired lease term of approximately 57 years for the Redevelopment Site										
<b>Legal Description</b>	: The entire Land with respect to the mixed development is designated as Land Lot 147V Town Subdivision 9.										
<b>Tenure</b>	: The existing tenure is 97 years and 30 days commencing 2 April 1980. We understand that the lease will be topped up to fresh 99 years from 2020.										
<b>Registered Lessees</b>	: The entire Land is jointly held by Legend Quay Pte. Ltd., DBS Trustee Limited (in its capacity as Trustee of Ascott Residence Trust) and DBS Trustee Limited (in its capacity as Trustee of CDL Hospitality Real Estate Investment Trust). The Redevelopment Site is registered in favour of DBS Trustee Limited (in its capacity as Trustee of CDL Hospitality Real Estate Investment Trust).										
<b>Brief Description</b>	<p>: The subject site is located on the south side of River Valley Road, opposite Fort Canning Hill and approximately 2 km from the City Centre. Singapore River runs near the rear of the site. The Fort Canning MRT Station is located to its immediate west and the Clarke Quay MRT Station is within short walking distance.</p> <p>The Redevelopment Site is part of a near squarish land plot with a main frontage onto River Valley Road. Lot 147V Town Subdivision 9 is bounded by some State Land and Clarke Quay.</p> <p>We have assumed that the proposed redevelopment scheme for the entire Land features an integrated mixed development with two residential towers, a commercial component; a new hotel; a serviced residence with hotel licence and basement car park.</p>										
<b>Site Area</b>	: 12,925.4 sm or thereabouts (entire Land)										
<b>Proposed Gross Floor Area</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: center;">Proposed Gross Floor Area (sm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td style="text-align: center;">60,158</td> </tr> <tr> <td>Commercial/Retail</td> <td style="text-align: center;">11,530</td> </tr> <tr> <td>Hotel</td> <td style="text-align: center;">28,575</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">100,263</td> </tr> </tbody> </table>	Use	Proposed Gross Floor Area (sm)	Residential	60,158	Commercial/Retail	11,530	Hotel	28,575	Total	100,263
Use	Proposed Gross Floor Area (sm)										
Residential	60,158										
Commercial/Retail	11,530										
Hotel	28,575										
Total	100,263										
	<i>Note: Areas above are as provided and subject to survey.</i>										





<b>Year of Completion</b>	: We understand that CDL H-REIT will vacate its stake in the Land and hand it over for construction in April 2020 and the new development is expected to be completed around 2025.
<b>Master Plan Zoning (2014 Edition)</b>	: The site is zoned "Commercial and Residential" with a gross plot ratio of 7.6  <i>Note : The official Master Plan Zoning, Drainage/ MRT Interpretation Plans and other legal requisitions have not been applied for and/ or made available to us.</i>
<b>Basis of Valuation</b>	: The Redevelopment Site is valued based on CDL H-REIT's 34.82% interest in the Land and based on the parameters provided, assuming the lease will be topped up to fresh 99 years from 2020 and taking into account that lease upgrading premium/differential premium will have to be paid.  Market Value is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".
<b>Method of Valuation</b>	: Residual Land Valuation Method
<b>Date of Valuation</b>	: 15 October 2019
<b>Valuation</b>	: <b>Market Value of the 34.82% share in the Land (the Redevelopment Site) based on the Proposed Redevelopment Scheme and net of lease upgrading premium/ differential premium</b>  <b>S\$368,700,000/-</b> <b>(Singapore Three Hundred Sixty-Eight Million and Seven Hundred Thousand Only)</b>
<b>Assumptions, Disclaimers, Limitations &amp; Qualifications</b>	: <i>This valuation is provided subject to the caveats and assumptions, qualifications, limitations and disclaimers attached to the valuation report. The valuation report and certificate have been prepared for the use of the instructing parties for the stated purpose only and cannot be relied upon by third parties.</i>

For and on behalf of  
**Colliers International Consultancy & Valuation (Singapore) Pte Ltd**

---

Goh Seow Leng  
Appraiser's Licence No.: AD041- 2003809B  
B.Sc. (Estate Management), MSISV  
Executive Director  
Valuation and Advisory Services | Singapore





21 November 2019

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

**VALUATION OF  
A REDEVELOPMENT SITE AND A PROPOSED HOTEL ON  
PART OF LOT 147V TOWN SUBDIVISION 9 AT  
RIVER VALLEY ROAD/TAN TYE PLACE/CLARKE QUAY  
SINGAPORE**

**1 Instructions**

We refer to your instructions for a formal valuation to be carried out in respect of the abovementioned property (the "Property") for purposes of divestment of its interest in land and acquisition of a proposed hotel upon completion. We have specifically been instructed to provide our opinion of values of the Property, on the following bases:

- (A) The interest in land represented by the agreed attributable GFA of 34,908.74 sm (or about 34.82% of total GFA), based on a proposed mixed-use development comprising a retail podium with two residential towers, a hotel, a serviced residence with a hotel licence and a basement car park, with all differential premium for bonus balcony GFA and premium for lease upgrading from an unexpired term of 97 years and 30 days with effect from 2 April 1980 to a fresh leasehold term of 99 years to be borne by the Purchaser, for divestment purposes. The valuation date is 15 October 2019; and
- (B) The proposed likely future value of the proposed Hotel within the proposed mixed-use development with 460 guest rooms, as at 30 April 2025, assuming satisfactory completion and issuance of Temporary Occupation Permit and Certificate of Statutory Completion, based on a fresh leasehold term of 99 years with effect from the date of acceptance of lease renewal, for acquisition purposes.

We have, in accordance with the instructions, prepared a formal comprehensive Valuation Report for the Property.

Knight Frank Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315  
Tel: +65 6222 1333 Fax: +65 6224 5843 Reg.No: 198205243Z CEA Licence No: L3005536J

KnightFrank.com.sg  
Other Offices:

Knight Frank Property Asset Management Pte Ltd 160 Paya Lebar Road #05-05 Orion@Paya Lebar Singapore 409022  
KF Property Network Pte Ltd 491B River Valley Road #07-02 Valley Point Singapore 248373



Our valuation is our opinion of the Market Value, which we would define as follows:

“Market Value is the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In preparing this valuation, we have relied on information provided by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust (the “Manager”), particularly in respect of such matters as site and floor areas, projection of profit & loss statements by the potential hotel operator, etc. We have relied upon this information as being accurate and complete. We accept no responsibility for subsequent changes in the information provided. Dimensions, measurements and areas are only approximations.

Unless otherwise stated, all valuation figures herein are stated on a net of GST basis.

We have carried out site inspection on 15 October 2019 and provided our opinion of values based on the proposed development scheme provided.

We have prepared and provided this Valuation Summary letter outlining key factors that have been considered in arriving at our opinion of values for inclusion in the Circular to holders of stapled securities in CDL Hospitality Trusts to be dated on or about 21 November 2019. The value conclusions reflect all information known by the valuers of Knight Frank Pte Ltd who worked on the valuation in respect to the Property, market conditions and available data.

## **2 Reliance on this letter**

For the purposes of the Circular, we have prepared this letter which summarises our Valuation Report and outlines key factors which have been considered in arriving at our opinion of values. This letter alone does not contain all the necessary data and support information included in our Valuation Report. Knight Frank Pte Ltd has provided the Manager a comprehensive Valuation Report for the Property. The valuation and market information are not guarantees or predictions and must be read in conjunction with the following:

- (a) The estimated values are based upon the factual information provided by the Manager. Whilst Knight Frank Pte Ltd has endeavoured to assure the accuracy of the factual information, it has not independently verified all information provided by the Manager or the Government of Singapore (primarily statistical information relating to market conditions). Knight Frank Pte Ltd believes that every investor and every recipient of the Circular, should review the Valuation Report to understand the complexity of the methodology and the many variables involved.
- (b) In arriving at the Gross Development Value (GDV) of the proposed mixed-use development, we have adopted the Capitalisation Approach for the Hotel and Retail components and Direct Comparison Method for the Residential component. In arriving at the Land Value of the redevelopment site, we have relied on the Residual Land Value Method. These valuation methodologies are summarised in Section 5 and Section 6 of this letter.

- (c) The Valuation Report was undertaken based upon information available as at October 2019. Knight Frank Pte Ltd accepts no responsibility for subsequent changes in information as to income, expenses or market conditions.

### 3 The property

The redevelopment site is currently occupied by an integrated commercial development known as Liang Court Complex which comprises a retail podium (Liang Court Shopping Centre), a hotel tower block (Novotel Singapore Clarke Quay) and a serviced apartment tower block (Somerset Liang Court).

The proposed development is a mixed-use development which will, upon completion, comprise a retail podium with two residential towers comprising around 700 apartments, a hotel, a serviced residence with a hotel licence and a basement car park.

### 4 Summary of property details

The following table summarises key property details of the Property:

Land area (sm)	Proposed Gross floor area (sm)	Tenure	Master plan 2014
12,925.4 (Lot 147V Town Subdivision 9)	100,262.86 (Mixed-use development)  15,540.74 (Hotel)	Existing development: Leasehold 97 years and 30 days with effect from 2 April 1980 (Balance of about 57.5 years as at 15 October 2019)  Proposed development: For this valuation, we have assumed that the tenure of the land will be upgraded to a fresh leasehold term of 99 years with effect from the date of acceptance of lease renewal, with all lease upgrading premium paid	"Commercial & Residential" with a gross plot ratio of 7.6

## **5 Valuation rationale - Redevelopment Site**

### **5.1 Valuation methodology**

Our valuation has been undertaken using the appropriate valuation methodology and our professional judgement.

In arriving at the Gross Development Value (GDV) of the proposed mixed-use development, we have adopted the Capitalisation Approach for the Hotel and Retail components and Direct Comparison Method for the Residential component. In arriving at the Land Value of the redevelopment site, we have relied on the Residual Land Value Method.

### **5.2 Capitalisation approach**

For the Retail component, the estimated gross revenue has been adjusted to reflect vacancy and bad debts allowance, operating expenses and property tax, producing a net income. Gross revenue comprises rental from tenancies and other income such as turnover rents.

For the Hotel component, the estimated revenue is adjusted to reflect anticipated operating expenses (e.g. payroll and related expenses and other direct expenses) producing a gross operating profit. Base fee, incentive fee, MCST fee, insurance, property tax and FF&E reserve are deducted to derive the net income. Gross operating revenue comprises revenue from guest rooms, food & beverage outlets and other operating departments.

The net income of the Property is capitalised for the balance term of the lease tenure at a yield rate which is appropriate for the type of use, tenure and reflective of the quality of the investment, based on analysis of yields reflected in the sales of comparable property types. Estimated capital adjustments such as future letting-up allowance, leasing commission and capital expenditure, etc. are then made to derive the capital value of the Property.

### **5.3 Direct comparison method**

The Direct Comparison Method is adopted for the Residential component in the proposed mixed-use development.

For this methodology, a comparison is made with sales of similar properties in the vicinity and other location. Adjustments are made, where appropriate, for differences in location, age, area, view, tenure, quality of development, etc. before arriving at the value of the Residential component.

### **5.4 Residual land value method**

In this method, the Land Value of the Property is arrived at by deducting sales commission and marketing expenses, developer's profit, estimated construction cost (including professional fees) and other relevant costs from the gross development value of the proposed mixed-use development assuming satisfactory completion.

## **6 Valuation rationale - Proposed Hotel**

### **6.1 Valuation methodology**

We have valued the proposed Hotel by the Capitalisation Approach and the Discounted Cash Flow Approach.

In valuing the proposed Hotel, we have followed The Property Tax (Valuation by Gross Receipts for Hotel Premises) (Amendment) Order 2017 in our computation of property tax of the hotel. The annual value of the hotel guest rooms is assessed based on 25% of the preceding year gross receipts. The annual values of food & beverage (F&B) outlets and function rooms located in the hotel premises are assessed based on 10% of the preceding year gross receipts. The annual values of the lettable areas are based on estimated market rents.

### **6.2 Capitalisation approach**

In the Capitalisation Approach, the estimated revenue is adjusted to reflect anticipated operating expenses (e.g. payroll and related expenses and other direct expenses) producing a gross operating profit. Fees payable to the operator, MCST fee, insurance, property tax and FF&E reserve are deducted to derive at the net income of the Property.

The projected net income of the Property is capitalised for the balance term of the lease tenure at a yield rate which is appropriate for the type of use, tenure and reflective of the quality of the investment, based on analysis of yields reflected in the sales of comparable property types.

Revenue of the hotel comprises revenue from guest rooms, food & beverage outlets, other operating departments income and service charge.

### **6.3 Discounted cash flow approach**

A valuation using the Discounted Cash Flow (DCF) model is carried out over a holding period of 10 years from 30 April 2025 (operation commencement date) to 30 April 2035 for the Property.

The Property is hypothetically assumed to be sold at the end of the holding period. The cash outflows are deducted from the cash inflows of the Property to obtain the net cash flows. The stream of net cash flows is discounted at an estimated required rate of return applicable to that class of property to obtain the Net Present Value.

The DCF approach is used as the Property is an income-producing property. This form of analysis reflects investors' decision-making process and values the Property in such a manner as to attain the desired level of investment return commensurate with the risk of that asset class. This method is also more precise as it takes into account the timing of receipts and payments. In undertaking this analysis, we have also used a wide range of assumptions including room rate growth during holding period, room occupancy, sale price at the end of the investment horizon, costs associated with the initial purchase of the Property and also its disposal towards the end of the investment period, etc. These imputed assumptions are intended to be aligned to known market circumstances/existing regulations to derive Market Value based on direct property purchase.

One key component of the DCF model is the estimation of two market derived rates. One is the hurdle rate at which investors will discount the income stream over the assumed 10-year investment horizon. The second is the terminal capitalisation rate for the asset, which is used to capitalise the income from Year 11 onwards, to derive the terminal value of the asset. The terminal value takes into account the remaining tenure of the lease.

## 7 Valuation assumptions

Based on the above, the following table outlines the salient valuation assumptions adopted in undertaking our assessment:

Capitalisation rate	Terminal capitalisation rate	Discount rate
Proposed mixed-use development : Retail - 4.50%		
Hotel - 4.00%		
Proposed Hotel - 4.25%	4.50%	7.00%

## 8 Market Value - Redevelopment Site

Subject to the overriding stipulations contained within the body of this letter, we are of the opinion that the interest in land represented by the agreed attributable GFA of 34,908.74 sm (or about 34.82% of total GFA), based on a proposed mixed-use development comprising a retail podium with two residential towers, a hotel, a serviced residence with a hotel licence and a basement car park, with all differential premium for bonus balcony GFA and premium for lease upgrading from an unexpired term of 97 years and 30 days with effect from 2 April 1980 to a fresh leasehold term of 99 years to be borne by the Purchaser, for divestment purposes, at 15 October 2019, is:

**S\$370,500,000/- (Singapore Dollars Three Hundred Seventy Million And Five Hundred Thousand Only)**

This valuation is exclusive of GST, differential premium and upgrading premium  
BASED ON 34.82% INTEREST

## 9 Proposed Likely Future Value - Proposed Hotel

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the proposed likely future value of the proposed Hotel with 460 guest rooms, within the proposed mixed-use development, as at 30 April 2025, assuming satisfactory completion and issuance of Temporary Occupation Permit and Certificate of Statutory Completion, based on a fresh leasehold term of 99 years with effect from the date of acceptance of lease renewal, for acquisition purposes, is:

**S\$478,000,000/- (Singapore Dollars Four Hundred And Seventy-Eight Million Only)**

This valuation is exclusive of GST.

## 10 Disclaimer

We have prepared this Valuation Summary letter for inclusion in the Circular and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the Circular, other than in respect of the information provided within the aforementioned Valuation Report and this Valuation Summary letter. We do not make any warranty or representation as to the accuracy of the information in any other part of the Circular other than as expressly made or given by Knight Frank Pte Ltd in this Valuation Summary letter or in the Valuation Report.

Knight Frank Pte Ltd has relied upon property data supplied by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust, which we assume to be true and accurate. Knight Frank Pte Ltd takes no responsibility for inaccurate data supplied by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and have no personal interest or bias with respect to the party/parties involved. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We certify that our valuers undertaking the valuations are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully

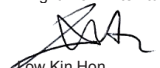

A handwritten signature in black ink, appearing to be "Low Kin Hon".

Low Kin Hon  
B.Sc.(Estate Management) Hons.,FSISV  
Deputy Group Managing Director  
Head, Valuation & Advisory  
Appraiser's Licence No. AD 041-2003752I  
For and on behalf of Knight Frank Pte Ltd

A handwritten signature in black ink, appearing to be "Sherri Fong".

Sherri Fong  
B.Sc.(Estate Management) Hons.,MSISV  
Senior Director  
Valuation & Advisory  
(Appraiser's Licence No. AD 041-2008950C)  
For and on behalf of Knight Frank Pte Ltd

## Valuation Certificate - Redevelopment Site

<b>Property</b>	:	A redevelopment site on part of Lot 147V Town Subdivision 9 at River Valley Road/Tan Tye Place/Clarke Quay, Singapore
<b>Client/Instructing party</b>	:	M&C REIT Management Limited (as Manager of CDL Hospitality Real Estate Investment Trust)
<b>Relying parties</b>	:	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)
<b>Purpose of valuation</b>	:	For Divestment of its interest in land.
<b>Legal description (Liang Court Complex)</b>	:	Lot No. : 147V Town Subdivision : 9
<b>Tenure</b>	:	Leasehold 97 years and 30 days with effect from 2 April 1980 (Balance of about 57.5 years as at 15 October 2019)
<b>Basis of valuation</b>	:	The interest in land represented by the agreed attributable GFA of 34,908.74 sm (or about 34.82% of total GFA), based on a proposed mixed-use development comprising a retail podium with two residential towers, a serviced residence with a hotel licence and a basement car park, with all differential premium for bonus balcony GFA and premium for lease upgrading from an unexpired term of 97 years and 30 days with effect from 2 April 1980 to a fresh leasehold term of 99 years to be borne by the Purchaser, for divestment purposes.
<b>Registered lessee</b>	:	All subsidiary proprietors of all the strata lots
<b>Master plan 2014</b>	:	"Commercial & Residential" with a gross plot ratio of 7.6
<b>Brief description</b>	:	The redevelopment site is currently occupied by an integrated commercial development known as Liang Court Complex which comprises a retail podium (Liang Court Shopping Centre), a hotel tower block (Novotel Singapore Clarke Quay) and a serviced apartment tower block (Somerset Liang Court). The site is located at River Valley Road, just inside the traffic restricted zone of the Central Business District and approximately 1.5 km from the City Centre. It is situated on the banks of the historic Singapore River and within walking distance to the shopping, dining and entertainment districts of Boat Quay and Chinatown. The Fort Canning MRT station (Downtown Line Stage 3) is in front of the site.
<b>Land area (Lot 147V Town Subdivision 9)</b>	:	12,925.4 sm
<b>Proposed gross floor area (Mixed-use development)</b>	:	100,262.86 sm approximately
<b>Valuation methodology</b>	:	Capitalisation Approach, Direct Comparison Method and Residual Land Value Method, where appropriate.
<b>Capitalisation rate</b>	:	Retail - 4.50% Hotel - 4.00%
<b>Valuation date</b>	:	15 October 2019
<b>Market Value</b>	:	THE INTEREST IN LAND REPRESENTED BY THE AGREED ATTRIBUTABLE GFA OF 34,908.74 SM (OR ABOUT 34.82% OF TOTAL GFA), BASED ON A PROPOSED MIXED-USE DEVELOPMENT COMPRISING A RETAIL PODIUM WITH TWO RESIDENTIAL TOWERS, A HOTEL, A SERVICED RESIDENCE WITH A HOTEL LICENCE AND A BASEMENT CAR PARK, WITH ALL DIFFERENTIAL PREMIUM FOR BONUS BALCONY GFA AND PREMIUM FOR LEASE UPGRADING FROM AN UNEXPIRED TERM OF 97 YEARS AND 30 DAYS WITH EFFECT FROM 2 APRIL 1980 TO A FRESH LEASEHOLD TERM OF 99 YEARS TO BE BORNE BY THE PURCHASER
		<b>S\$370,500,000/-</b> <b>(Singapore Dollars Three Hundred Seventy Million And Five Hundred Thousand Only)</b> This valuation is exclusive of GST, differential premium and upgrading premium. BASED ON 34.82% INTEREST
<b>Assumptions, disclaimers, limitations &amp; qualifications</b>	:	<i>This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of the 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 authorised, 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 valuers have no pecuniary interest that would conflict with the proper valuation of the Property.</i>
<b>Prepared by</b>	:	Knight Frank Pte Ltd
		 Eow Kin Hon B.Sc.(Estate Management) Hons.,FSISV Deputy Group Managing Director Head, Valuation & Advisory Appraiser's Licence No. AD 041-20037521 For and on behalf of Knight Frank Pte Ltd
		 Sherri Fong B.Sc.(Estate Management) Hons.,MSISV Senior Director Valuation & Advisory Appraiser's Licence No. AD 041-2008950C For and on behalf of Knight Frank Pte Ltd

Knight Frank Pte Ltd 10 Collyer Quay #08-01 Ocean Financial Centre Singapore 049315  
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 Other Offices:

Knight Frank Property Asset Management Pte Ltd 160 Paya Lebar Road #05-05 Orion@Paya Lebar Singapore 409022  
 KF Property Network Pte Ltd 491B River Valley Road #07-02 Valley Point Singapore 248373





## General Terms of Business for Valuations

These General Terms of Business and our Terms of Engagement letter together form the agreement between us ("**Agreement**"). The following General Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Pte Ltd unless specifically agreed otherwise in the Terms of Engagement letter and so stated within the main body of the valuation report.

### 1. Knight Frank Pte Ltd (the "Company")

Knight Frank Pte Ltd is a privately owned company with registration number 198205243Z. Any work done by an individual is in the capacity as an employee of the Company, and the Company takes full responsibility with regard to the works performed by such employee.

### 2. Limitations on Liability

The Valuer's responsibility in connection with this valuation report and/or certificate is limited to the party to whom the valuation report and/or certificate is addressed for the stated purpose. The Valuer disclaims all responsibility and will accept no liability to any third party for the whole or any part of its contents saved on the basis of written and agreed instructions; this will incur an additional fee. In this regard, the Company and the Valuer acknowledges that their engagement to perform works by DBS Trustee Limited is in DBS Trustee Limited's capacity as trustee of CDL Hospitality Real Estate Investment Trustee, and accordingly, CDL Hospitality Real Estate Investment Trust (including its trustee and manager) would be entitled to enforce this Agreement and they shall not be deemed as a "third party" for the purposes of this clause.

Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to the lower of S\$1 million or 3 times Knight Frank Pte Ltd's fee under the instruction.

We do not accept liability for any indirect or consequential loss (such as loss of profits).

### 3. Disclosure and Publication

If our opinion of value is disclosed to persons other than the addressees of our valuation report and/or certificate, the basis of valuation should be stated. Reproduction of this valuation report and/or certificate in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any websites) without the Valuer's prior written approval of the form and context in which may appear is prohibited. The Valuer agrees that it shall not unreasonably withhold its prior written approval if so sought.

### 4. Valuation Standards

All valuations and appraisals works are carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism have been met.

### 5. Valuation Basis

Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions outlined in the valuation report and/or certificate. The basis of valuation will be agreed with you for the instruction.

The opinion expressed in this valuation report and/or certificate 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.

### 6. Titles and Burdens

We do not read documents of title although, where provided, we consider and take account of matters referred to in solicitor's reports or certificates of title. We would normally assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoing, planning proposals, onerous restrictions or regulatory intentions which affect the property, nor any material litigation pending.

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.

The Valuer does not warrant to the party to whom the valuation report and/or certificate is addressed and any other person the title or the rights of any person with regard to the property.

### 7. Sources of Information

We rely upon the information provided to us, by the sources listed, as to details of tenure and tenancies (subject to "leases" below), planning consents and other relevant matters, as summarised in our valuation report and/or certificate. We do not check with the relevant government departments or other appropriate authorities on the legality of the structures, approved gross floor area or other information provided to us. We assume that this information is complete and correct and the Valuer shall not be held responsible or liable if this should prove not to be so.

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 valuation report and/or certificate 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.

### 8. Boundaries

Plans accompanying valuation report are for identification purposes and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with information given to us and/or our understanding of the boundaries.

### 9. Planning and Other Statutory Regulations

Enquiries of the relevant planning authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally and this information is given to us, and accepted by us, on the basis that it should not be relied upon. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors who should also confirm the position with regard to any legal matters referred to in our report. We assume that properties have been constructed, or are being constructed, and are occupied or used in accordance with the appropriate consents and that there are no outstanding statutory notices.

### 10. Property Insurance

Our valuation assumes that the property would, in all respects, be insurable against all usual risks at normal, commercially acceptable premiums.

#### 11. Building Areas and Age

Where so instructed, areas provided from a quoted source will be relied upon. Where the age of the building is estimated, this is for guidance only.

#### 12. Structural Condition

Building structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defect.

#### 13. Ground Conditions

We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

#### 14. Environmental Issues

Investigations into environmental matters would usually be commissioned of suitably qualified environmental specialists by most responsible purchasers of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Anyone averse to risk is strongly recommended to have a property environmental investigation undertaken and, besides, a favourable report may be of assistance to any future sale of the property. Where we are provided with the conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

We are not, however, environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation will be on the assumption that the property is unaffected.

#### 15. Leases

The client should confirm to us in writing if they require us to read leases. Where we do read leases reliance must not be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

#### 16. Covenant

We reflect our general appreciation of potential purchasers' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of the tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are no significant arrears of payment and that they are capable of meeting their obligations under the terms of leases and agreements.

#### 17. Loan Security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

#### 18. Build Cost Information

Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

#### 19. Reinstatement Assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If advice is required as a check against the adequacy of existing cover this should be specified as part of the initial instruction. Any indication given is provided only for guidance and must not be relied upon as the basis for insurance cover.

Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

#### 20. Attendance in Court

The Valuer is not obliged to give testimony or to appear in Court with regard to this valuation report and/or certificate, with reference to the property unless specific arrangement has been made therefor.

#### 21. Confidentiality

The Parties acknowledge that the Company has entered into a confidentiality agreement dated 21 December 2018 ("NDA"), and the Parties agree that this Agreement shall be read in conjunction with the NDA; and the engagement and appointment of the Company and Valuer hereunder is subject to the terms of the NDA.

Save for the following clause in the NDA which shall be amended by virtue of this Agreement, the rest of the clauses of the NDA shall remain binding, unchanged, and valid; and the NDA (as amended and supplemented by this Agreement) shall continue to bind the Parties:

- Clause 5 of the NDA shall be deleted in entirety and replaced with the following:

*"This Agreement shall commence on 21 December 2018 ("Effective Date"), and remain in force for a period of 6 years from the Effective Date. Notwithstanding the foregoing, the indemnity under Clause 6 of this Agreement and the Recipient's obligations under this Agreement (including without limitation the obligations to not use/disclose and to protect the Confidential Information) shall survive any expiration or termination of this Agreement."*

## VALUATION CERTIFICATES FOR THE NEW HOTEL PROPERTY



Colliers International Consultancy & Valuation  
(Singapore) Pte Ltd  
12 Marina View  
#19-02, Asia Square 2  
Singapore 018961  
RCB No. 198105965E

MAIN +65 6223 2323



Our Ref: 2019/C2/0138/CORP

21 November 2019

DBS Trustee Limited (in its capacity as Trustee of CDL Hospitality Real Estate Investment Trust)  
c/o 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,

### VALUATION OF

- 1) 177A RIVER VALLEY ROAD, SINGAPORE 179031 WITH RESPECT TO NOVOTEL SINGAPORE CLARKE QUAY HOTEL (THE "REDEVELOPMENT SITE")
- 2) PROPOSED NEW HOTEL ON THE SITE OF 177A RIVER VALLEY ROAD, SINGAPORE 179031 (THE "NEW HOTEL")

We refer to your instructions to carry out a valuation in respect of the abovementioned properties (the "Properties") for the following purposes:

- 1) For proposed sale of CDL Hospitality Real Estate Investment Trust ("CDL H-REIT")'s interest in land ("Land")
- 2) For proposed acquisition upon completion of the proposed new hotel ("New Hotel")

Our instructions are to provide our opinion of the market value of the unexpired leasehold interest in the Redevelopment Site based on CDL H-REIT's 34.82% interest in the Land as at 15 October 2019, and based on the parameters provided, assuming the lease will be topped up to fresh 99 years from 2020 and taking into account that differential premium and lease upgrading premium will have to be paid. In addition, we are also requested to provide our opinion of the estimated market value of the New Hotel upon completion, assuming the New Hotel will obtain Temporary Occupation Permit in January 2025 and will start operation in April 2025.

We confirm that we have inspected the Redevelopment Site and have prepared a full valuation report ("Report") and valuation certificates in accordance with the requirements of the instructions. We understand that this letter and the valuation certificates will be included in a circular to be issued by CDL H-REIT in connection with the acquisition.

Our valuation is on the basis of market value which is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion" ("Market Value").

This definition of value is consistent with the definition of Market Value as advocated by the Singapore Institute of Surveyors and Valuers' Valuation Standards and Guidelines.



Market Value is also the best price reasonably obtainable on the valuation date by the seller and the most advantageous price reasonably obtainable on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation has been made on the assumption that the Properties are sold in the open market without the benefit of a deferred term contract or any similar arrangement which could serve to affect the value of the Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Properties, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Properties are free from any major or material encumbrances, restrictions and outgoings of an onerous nature which could affect the values.

We have undertaken no condition survey nor environmental surveys. We have assumed that the New Hotel will comply with all relevant statutory requirements in respect of health, building and fire safety regulations.

We have relied on the information provided by the asset manager on matters relating to the Properties such as site area and key planning parameters including the proposed gross floor area of each component within the proposed mixed development, the type of hotel and proposed number of rooms etc. All information provided is treated as correct and Colliers International Consultancy and Valuation (Singapore) Pte Ltd accepts no responsibility for subsequent changes in information and reserves the right to change our opinion of value if any information provided were to materially change.

For the purpose of the circular, we have prepared this letter and the enclosed valuation certificates which summarise our Report and outline key factors we have considered in arriving at our opinion of values. This letter and the valuation certificates do not contain all the necessary data and information included in our Report. For further information, reference should be made to the Report.

The valuation and market information are not guarantees or predictions and must be read in consideration of the following:

- The estimated value is based upon the factual information and the proposed development scheme provided by the client/asset manager. Property data/information provided is assumed to be correct. Whilst Colliers International has endeavoured to ensure the accuracy of the information, it has not independently verified all information provided by the client/asset manager. Colliers International also accepts no responsibility for subsequent changes in information as to areas, proposed scheme, income, expenses or market conditions.
- The methodologies adopted in valuing the Properties are based upon estimates of future results and are not predictions. Each methodology is based on a set of assumptions as to income and expenses of the Properties and future economic conditions in the local market.



### Recognition of Risks

Our estimates have been prepared in the light of circumstances we consider most likely to prevail during the period under review. We consider it prudent, however, to highlight the main risks associated with attaining the estimates. These are as follows:

- that an adverse change in political and/ or economic conditions results in a decline in revenue through reduced tourism arrivals;
- that demand for hotel accommodation, meeting facilities and F&B does not eventuate as estimated or the estimated demand levels are not captured by the New Hotel; and
- that significant additions to the supply of the subject property type occur so as to create an oversupply of the property type, resulting in a decline in market performance over and above those estimated.

Our estimates are therefore based on the assumption that none of the above arises.

### Valuation Summary

Our opinion of values is summarized below:

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MARKET VALUE OF THE "REDEVELOPMENT SITE" (34.82% share in the Land based on the Proposed Redevelopment Scheme, net of lease upgrading premium/ differential premium) as at 15 October 2019	<b>S\$368,700,000/-</b>
<hr/>	
ESTIMATED MARKET VALUE OF THE "NEW HOTEL" UPON COMPLETION (assuming the Temporary Occupation Permit will be issued in January 2025)	<b>S\$481,000,000/-</b>

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We specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the circular, other than in respect of the information provided within the Reports. This letter and the Report have been prepared for the use of the instructing parties for the stated purpose only and cannot be relied upon by third parties. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analysis, opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions and conclusions. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.



We confirm that we do not have a pecuniary interest that would conflict with a proper valuation of the Properties and the valuers undertaking the valuation are authorised to practise as valuers and have the necessary expertise and experience in valuation of such type of property.

Yours faithfully,  
For and on behalf of

**Colliers International Consultancy & Valuation (Singapore) Pte Ltd**

A handwritten signature in black ink, appearing to read "Goh Seow Leng", written over a light grey rectangular background.

Goh Seow Leng  
Appraiser's Licence No: AD041- 2003809B  
Executive Director  
Valuation & Advisory Services | Singapore



## **VALUATION CERTIFICATE**

<b>Address of Property</b>	: Proposed new hotel on the site of 177A River Valley Road, Singapore 179031 (the "New Hotel")
<b>Our Reference</b>	: 2019/C2/0049/CORP
<b>Valuation Prepared for</b>	: DBS Trustee Limited (as Trustee of CDL Hospitality Real Estate Investment Trust)
<b>Purpose of Valuation</b>	: For proposed acquisition upon completion of the New Hotel
<b>Interest Valued</b>	: Unexpired lease term of a 99-year lease assuming to commence in 2020
<b>Legal Description</b>	: The Land is designated as Land Lot 147V Town Subdivision 9.
<b>Tenure</b>	: We assume that the lease will be topped up to fresh 99 years from 2020.
<b>Registered Lessee</b>	: DBS Trustee Limited (in its capacity as Trustee of CDL Hospitality Real Estate Investment Trust)
<b>Brief Description</b>	<p>: The subject site is located on the south side of River Valley Road and bounded by Clarke Quay, opposite Fort Canning Hill and approximately 2 km from the City Centre. Singapore River runs near the rear of the site. The Fort Canning MRT Station is located to its immediate west and the Clarke Quay MRT Station is within short walking distance.</p> <p>We understand that the New Hotel will be part of a larger proposed redevelopment on the Land featuring an integrated mixed development with two residential towers, a commercial component, a hotel, a serviced residence with hotel licence and basement car park.</p> <p>The New Hotel proposed on site will comprise a lifestyle hotel accommodating approximately 460 rooms.</p>
<b>Proposed Gross Floor Area</b>	: Approximately 15,541 sm ( <i>as provided and subject to survey</i> )
<b>Year of Completion</b>	: The New Hotel is scheduled to complete and start operation in April 2025.
<b>Master Plan Zoning (2014 Edition)</b>	: The site is zoned "Commercial and Residential" with a gross plot ratio of 7.6

*Note : The official Master Plan Zoning, Drainage/ MRT Interpretation Plans and other legal requisitions have not been applied for and/ or made available to us.*





<b>Basis of Valuation</b>	: The New Hotel is valued on Market Value basis upon full completion, assuming the Temporary Occupation Permit will be obtained in January 2025 and the hotel will start operation in April 2025.  Market Value is defined as “the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion”.
<b>Method of Valuation</b>	: Income Approach using the Discounted Cash Flow Analysis
<b>Date of Valuation</b>	: 15 October 2019
<b>Valuation</b>	: <b>Estimated Market Value of the New Hotel Upon Completion*</b>  <b>S\$481,000,000/-</b> <b>(Singapore Dollars Four Hundred And Eighty-One Million Only)</b>  *assuming the Temporary Occupation Permit will be issued in January 2025 and the Certificate of Statutory Completion will be issued subsequently
<b>Assumptions, Disclaimers, Limitations &amp; Qualifications</b>	: <i>This valuation is provided subject to the caveats and assumptions, qualifications, limitations and disclaimers attached to the valuation report. The valuation report and certificate have been prepared for the use of the instructing parties for the stated purpose only and cannot be relied upon by third parties.</i>

For and on behalf of  
**Colliers International Consultancy & Valuation (Singapore) Pte Ltd**

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Goh Seow Leng  
Appraiser’s Licence No.: AD041- 2003809B  
B.Sc. (Estate Management), MSISV  
Executive Director  
Valuation and Advisory Services | Singapore





21 November 2019

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

**VALUATION OF  
A REDEVELOPMENT SITE AND A PROPOSED HOTEL ON  
PART OF LOT 147V TOWN SUBDIVISION 9 AT  
RIVER VALLEY ROAD/TAN TYE PLACE/CLARKE QUAY  
SINGAPORE**

## **1 Instructions**

We refer to your instructions for a formal valuation to be carried out in respect of the abovementioned property (the "Property") for purposes of divestment of its interest in land and acquisition of a proposed hotel upon completion. We have specifically been instructed to provide our opinion of values of the Property, on the following bases:

- (A) The interest in land represented by the agreed attributable GFA of 34,908.74 sm (or about 34.82% of total GFA), based on a proposed mixed-use development comprising a retail podium with two residential towers, a hotel, a serviced residence with a hotel licence and a basement car park, with all differential premium for bonus balcony GFA and premium for lease upgrading from an unexpired term of 97 years and 30 days with effect from 2 April 1980 to a fresh leasehold term of 99 years to be borne by the Purchaser, for divestment purposes. The valuation date is 15 October 2019; and
- (B) The proposed likely future value of the proposed Hotel within the proposed mixed-use development with 460 guest rooms, as at 30 April 2025, assuming satisfactory completion and issuance of Temporary Occupation Permit and Certificate of Statutory Completion, based on a fresh leasehold term of 99 years with effect from the date of acceptance of lease renewal, for acquisition purposes.

We have, in accordance with the instructions, prepared a formal comprehensive Valuation Report for the Property.

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Other Offices:

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KF Property Network Pte Ltd 491B River Valley Road #07-02 Valley Point Singapore 248373



Our valuation is our opinion of the Market Value, which we would define as follows:

“Market Value is the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In preparing this valuation, we have relied on information provided by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust (the “Manager”), particularly in respect of such matters as site and floor areas, projection of profit & loss statements by the potential hotel operator, etc. We have relied upon this information as being accurate and complete. We accept no responsibility for subsequent changes in the information provided. Dimensions, measurements and areas are only approximations.

Unless otherwise stated, all valuation figures herein are stated on a net of GST basis.

We have carried out site inspection on 15 October 2019 and provided our opinion of values based on the proposed development scheme provided.

We have prepared and provided this Valuation Summary letter outlining key factors that have been considered in arriving at our opinion of values for inclusion in the Circular to holders of stapled securities in CDL Hospitality Trusts to be dated on or about 21 November 2019. The value conclusions reflect all information known by the valuers of Knight Frank Pte Ltd who worked on the valuation in respect to the Property, market conditions and available data.

## **2 Reliance on this letter**

For the purposes of the Circular, we have prepared this letter which summarises our Valuation Report and outlines key factors which have been considered in arriving at our opinion of values. This letter alone does not contain all the necessary data and support information included in our Valuation Report. Knight Frank Pte Ltd has provided the Manager a comprehensive Valuation Report for the Property. The valuation and market information are not guarantees or predictions and must be read in conjunction with the following:

- (a) The estimated values are based upon the factual information provided by the Manager. Whilst Knight Frank Pte Ltd has endeavoured to assure the accuracy of the factual information, it has not independently verified all information provided by the Manager or the Government of Singapore (primarily statistical information relating to market conditions). Knight Frank Pte Ltd believes that every investor and every recipient of the Circular, should review the Valuation Report to understand the complexity of the methodology and the many variables involved.
- (b) In arriving at the Gross Development Value (GDV) of the proposed mixed-use development, we have adopted the Capitalisation Approach for the Hotel and Retail components and Direct Comparison Method for the Residential component. In arriving at the Land Value of the redevelopment site, we have relied on the Residual Land Value Method. These valuation methodologies are summarised in Section 5 and Section 6 of this letter.

- (c) The Valuation Report was undertaken based upon information available as at October 2019. Knight Frank Pte Ltd accepts no responsibility for subsequent changes in information as to income, expenses or market conditions.

### 3 The property

The redevelopment site is currently occupied by an integrated commercial development known as Liang Court Complex which comprises a retail podium (Liang Court Shopping Centre), a hotel tower block (Novotel Singapore Clarke Quay) and a serviced apartment tower block (Somerset Liang Court).

The proposed development is a mixed-use development which will, upon completion, comprise a retail podium with two residential towers comprising around 700 apartments, a hotel, a serviced residence with a hotel licence and a basement car park.

### 4 Summary of property details

The following table summarises key property details of the Property:

Land area (sm)	Proposed Gross floor area (sm)	Tenure	Master plan 2014
12,925.4 (Lot 147V Town Subdivision 9)	100,262.86 (Mixed-use development)  15,540.74 (Hotel)	Existing development: Leasehold 97 years and 30 days with effect from 2 April 1980 (Balance of about 57.5 years as at 15 October 2019)  Proposed development: For this valuation, we have assumed that the tenure of the land will be upgraded to a fresh leasehold term of 99 years with effect from the date of acceptance of lease renewal, with all lease upgrading premium paid	"Commercial & Residential" with a gross plot ratio of 7.6

## **5 Valuation rationale - Redevelopment Site**

### **5.1 Valuation methodology**

Our valuation has been undertaken using the appropriate valuation methodology and our professional judgement.

In arriving at the Gross Development Value (GDV) of the proposed mixed-use development, we have adopted the Capitalisation Approach for the Hotel and Retail components and Direct Comparison Method for the Residential component. In arriving at the Land Value of the redevelopment site, we have relied on the Residual Land Value Method.

### **5.2 Capitalisation approach**

For the Retail component, the estimated gross revenue has been adjusted to reflect vacancy and bad debts allowance, operating expenses and property tax, producing a net income. Gross revenue comprises rental from tenancies and other income such as turnover rents.

For the Hotel component, the estimated revenue is adjusted to reflect anticipated operating expenses (e.g. payroll and related expenses and other direct expenses) producing a gross operating profit. Base fee, incentive fee, MCST fee, insurance, property tax and FF&E reserve are deducted to derive the net income. Gross operating revenue comprises revenue from guest rooms, food & beverage outlets and other operating departments.

The net income of the Property is capitalised for the balance term of the lease tenure at a yield rate which is appropriate for the type of use, tenure and reflective of the quality of the investment, based on analysis of yields reflected in the sales of comparable property types. Estimated capital adjustments such as future letting-up allowance, leasing commission and capital expenditure, etc. are then made to derive the capital value of the Property.

### **5.3 Direct comparison method**

The Direct Comparison Method is adopted for the Residential component in the proposed mixed-use development.

For this methodology, a comparison is made with sales of similar properties in the vicinity and other location. Adjustments are made, where appropriate, for differences in location, age, area, view, tenure, quality of development, etc. before arriving at the value of the Residential component.

### **5.4 Residual land value method**

In this method, the Land Value of the Property is arrived at by deducting sales commission and marketing expenses, developer's profit, estimated construction cost (including professional fees) and other relevant costs from the gross development value of the proposed mixed-use development assuming satisfactory completion.

## **6 Valuation rationale - Proposed Hotel**

### **6.1 Valuation methodology**

We have valued the proposed Hotel by the Capitalisation Approach and the Discounted Cash Flow Approach.

In valuing the proposed Hotel, we have followed The Property Tax (Valuation by Gross Receipts for Hotel Premises) (Amendment) Order 2017 in our computation of property tax of the hotel. The annual value of the hotel guest rooms is assessed based on 25% of the preceding year gross receipts. The annual values of food & beverage (F&B) outlets and function rooms located in the hotel premises are assessed based on 10% of the preceding year gross receipts. The annual values of the lettable areas are based on estimated market rents.

### **6.2 Capitalisation approach**

In the Capitalisation Approach, the estimated revenue is adjusted to reflect anticipated operating expenses (e.g. payroll and related expenses and other direct expenses) producing a gross operating profit. Fees payable to the operator, MCST fee, insurance, property tax and FF&E reserve are deducted to derive at the net income of the Property.

The projected net income of the Property is capitalised for the balance term of the lease tenure at a yield rate which is appropriate for the type of use, tenure and reflective of the quality of the investment, based on analysis of yields reflected in the sales of comparable property types.

Revenue of the hotel comprises revenue from guest rooms, food & beverage outlets, other operating departments income and service charge.

### **6.3 Discounted cash flow approach**

A valuation using the Discounted Cash Flow (DCF) model is carried out over a holding period of 10 years from 30 April 2025 (operation commencement date) to 30 April 2035 for the Property.

The Property is hypothetically assumed to be sold at the end of the holding period. The cash outflows are deducted from the cash inflows of the Property to obtain the net cash flows. The stream of net cash flows is discounted at an estimated required rate of return applicable to that class of property to obtain the Net Present Value.

The DCF approach is used as the Property is an income-producing property. This form of analysis reflects investors' decision-making process and values the Property in such a manner as to attain the desired level of investment return commensurate with the risk of that asset class. This method is also more precise as it takes into account the timing of receipts and payments. In undertaking this analysis, we have also used a wide range of assumptions including room rate growth during holding period, room occupancy, sale price at the end of the investment horizon, costs associated with the initial purchase of the Property and also its disposal towards the end of the investment period, etc. These imputed assumptions are intended to be aligned to known market circumstances/existing regulations to derive Market Value based on direct property purchase.

One key component of the DCF model is the estimation of two market derived rates. One is the hurdle rate at which investors will discount the income stream over the assumed 10-year investment horizon. The second is the terminal capitalisation rate for the asset, which is used to capitalise the income from Year 11 onwards, to derive the terminal value of the asset. The terminal value takes into account the remaining tenure of the lease.

## 7 Valuation assumptions

Based on the above, the following table outlines the salient valuation assumptions adopted in undertaking our assessment:

Capitalisation rate	Terminal capitalisation rate	Discount rate
Proposed mixed-use development : Retail - 4.50% Hotel - 4.00%		
Proposed Hotel - 4.25%	4.50%	7.00%

## 8 Market Value - Redevelopment Site

Subject to the overriding stipulations contained within the body of this letter, we are of the opinion that the interest in land represented by the agreed attributable GFA of 34,908.74 sm (or about 34.82% of total GFA), based on a proposed mixed-use development comprising a retail podium with two residential towers, a hotel, a serviced residence with a hotel licence and a basement car park, with all differential premium for bonus balcony GFA and premium for lease upgrading from an unexpired term of 97 years and 30 days with effect from 2 April 1980 to a fresh leasehold term of 99 years to be borne by the Purchaser, for divestment purposes, at 15 October 2019, is:

**S\$370,500,000/- (Singapore Dollars Three Hundred Seventy Million And Five Hundred Thousand Only)**

This valuation is exclusive of GST, differential premium and upgrading premium  
BASED ON 34.82% INTEREST

## 9 Proposed Likely Future Value - Proposed Hotel

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the proposed likely future value of the proposed Hotel with 460 guest rooms, within the proposed mixed-use development, as at 30 April 2025, assuming satisfactory completion and issuance of Temporary Occupation Permit and Certificate of Statutory Completion, based on a fresh leasehold term of 99 years with effect from the date of acceptance of lease renewal, for acquisition purposes, is:

**S\$478,000,000/- (Singapore Dollars Four Hundred And Seventy-Eight Million Only)**

This valuation is exclusive of GST.

## 10 Disclaimer

We have prepared this Valuation Summary letter for inclusion in the Circular and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the Circular, other than in respect of the information provided within the aforementioned Valuation Report and this Valuation Summary letter. We do not make any warranty or representation as to the accuracy of the information in any other part of the Circular other than as expressly made or given by Knight Frank Pte Ltd in this Valuation Summary letter or in the Valuation Report.

Knight Frank Pte Ltd has relied upon property data supplied by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust, which we assume to be true and accurate. Knight Frank Pte Ltd takes no responsibility for inaccurate data supplied by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and have no personal interest or bias with respect to the party/parties involved. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We certify that our valuers undertaking the valuations are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully



Low Kin Hon  
B.Sc.(Estate Management) Hons.,FSISV  
Deputy Group Managing Director  
Head, Valuation & Advisory  
Appraiser's Licence No. AD 041-20037521  
For and on behalf of Knight Frank Pte Ltd



Sherri Fong  
B.Sc.(Estate Management) Hons.,MSISV  
Senior Director  
Valuation & Advisory  
(Appraiser's Licence No. AD 041-2008950C)  
For and on behalf of Knight Frank Pte Ltd

## Valuation Certificate - Proposed Hotel

<b>Property</b>	:	A hotel within a proposed mixed-use development on Lot 147V Town Subdivision 9 at River Valley Road/Tan Tye Place/Clarke Quay, Singapore
<b>Client/Instructing party</b>	:	M&C REIT Management Limited (as Manager of CDL Hospitality Real Estate Investment Trust)
<b>Relying parties</b>	:	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)
<b>Purpose of valuation</b>	:	For Acquisition of a proposed hotel upon completion.
<b>Legal description (Liang Court Complex)</b>	:	Lot No. : 147V Town Subdivision : 9
<b>Tenure</b>	:	For this valuation, we have assumed that the tenure of the land will be upgraded to a fresh leasehold term of 99 years with effect from the date of acceptance of lease renewal, with all lease upgrading premium paid.
<b>Basis of valuation</b>	:	The proposed likely future value of the proposed Hotel with 460 guest rooms, within the proposed mixed-use development, as at 30 April 2025, assuming satisfactory completion and issuance of Temporary Occupation Permit and Certificate of Statutory Completion, based on a fresh leasehold term of 99 years with effect from the date of acceptance of lease renewal, for acquisition purposes.
<b>Registered lessee</b>	:	All subsidiary proprietors of all the strata lots
<b>Master plan 2014</b>	:	"Commercial & Residential" with a gross plot ratio of 7.6
<b>Brief description</b>	:	The proposed Hotel is part of the proposed mixed-use development on Lot 147V Town Subdivision 9. It will, upon completion, comprise a total of 460 guest rooms.
<b>Land area (Lot 147V Town Subdivision 9)</b>	:	12,925.4 sm
<b>Proposed gross floor area (Hotel)</b>	:	15,540.74 sm approximately
<b>Valuation methodology</b>	:	Capitalisation Approach and Discounted Cash Flow Approach.
<b>Capitalisation rate</b>	:	4.25%
<b>Terminal capitalisation rate</b>	:	4.50%
<b>Discount rate</b>	:	7.00%
<b>Proposed Likely Future Value as at 30 April 2025</b>	:	A HOTEL WITHIN THE PROPOSED MIXED-USE DEVELOPMENT ASSUMING SATISFACTORY COMPLETION AND ISSUANCE OF TEMPORARY OCCUPATION PERMIT AND CERTIFICATE OF STATUTORY COMPLETION BASED ON A FRESH LEASEHOLD TERM OF 99 YEARS WITH EFFECT FROM THE DATE OF ACCEPTANCE OF LEASE RENEWAL
		<b>S\$478,000,000/-</b> <b>(Singapore Dollars Four Hundred And Seventy-Eight Million Only)</b> This valuation is exclusive of GST.
<b>Assumptions, disclaimers, limitations &amp; qualifications</b>	:	<i>This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of the 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 authorised, 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 valuers have no pecuniary interest that would conflict with the proper valuation of the Property.</i>
<b>Prepared by</b>	:	Knight Frank Pte Ltd



Low Kin Hon  
B.Sc.(Estate Management) Hons.,FSISV  
Deputy Group Managing Director  
Head, Valuation & Advisory  
Appraiser's Licence No. AD 041-2003752I  
For and on behalf of Knight Frank Pte Ltd



Sherri Fong  
B.Sc.(Estate Management) Hons.,MSISV  
Senior Director  
Valuation & Advisory  
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For and on behalf of Knight Frank Pte Ltd

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KF Property Network Pte Ltd 491B River Valley Road #07-02 Valley Point Singapore 248373





## General Terms of Business for Valuations

These General Terms of Business and our Terms of Engagement letter together form the agreement between us ("**Agreement**"). The following General Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Pte Ltd unless specifically agreed otherwise in the Terms of Engagement letter and so stated within the main body of the valuation report.

### 1. Knight Frank Pte Ltd (the "Company")

Knight Frank Pte Ltd is a privately owned company with registration number 198205243Z. Any work done by an individual is in the capacity as an employee of the Company, and the Company takes full responsibility with regard to the works performed by such employee.

### 2. Limitations on Liability

The Valuer's responsibility in connection with this valuation report and/or certificate is limited to the party to whom the valuation report and/or certificate is addressed for the stated purpose. The Valuer disclaims all responsibility and will accept no liability to any third party for the whole or any part of its contents saved on the basis of written and agreed instructions; this will incur an additional fee. In this regard, the Company and the Valuer acknowledges that their engagement to perform works by DBS Trustee Limited is in DBS Trustee Limited's capacity as trustee of CDL Hospitality Real Estate Investment Trustee; and accordingly, CDL Hospitality Real Estate Investment Trust (including its trustee and manager) would be entitled to enforce this Agreement and they shall not be deemed as a "third party" for the purposes of this clause.

Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to the lower of S\$1 million or 3 times Knight Frank Pte Ltd's fee under the instruction.

We do not accept liability for any indirect or consequential loss (such as loss of profits).

### 3. Disclosure and Publication

If our opinion of value is disclosed to persons other than the addressees of our valuation report and/or certificate, the basis of valuation should be stated. Reproduction of this valuation report and/or certificate in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any websites) without the Valuer's prior written approval of the form and context in which may appear is prohibited. The Valuer agrees that it shall not unreasonably withhold its prior written approval if so sought.

### 4. Valuation Standards

All valuations and appraisals works are carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism have been met.

### 5. Valuation Basis

Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions outlined in the valuation report and/or certificate. The basis of valuation will be agreed with you for the instruction.

The opinion expressed in this valuation report and/or certificate 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.

### 6. Titles and Burdens

We do not read documents of title although, where provided, we consider and take account of matters referred to in solicitor's reports or certificates of title. We would normally assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoing, planning proposals, onerous restrictions or regulatory intentions which affect the property, nor any material litigation pending.

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.

The Valuer does not warrant to the party to whom the valuation report and/or certificate is addressed and any other person the title or the rights of any person with regard to the property.

### 7. Sources of Information

We rely upon the information provided to us, by the sources listed, as to details of tenure and tenancies (subject to "leases" below), planning consents and other relevant matters, as summarised in our valuation report and/or certificate. We do not check with the relevant government departments or other appropriate authorities on the legality of the structures, approved gross floor area or other information provided to us. We assume that this information is complete and correct and the Valuer shall not be held responsible or liable if this should prove not to be so.

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 valuation report and/or certificate 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.

### 8. Boundaries

Plans accompanying valuation report are for identification purposes and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with information given to us and/or our understanding of the boundaries.

### 9. Planning and Other Statutory Regulations

Enquiries of the relevant planning authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally and this information is given to us, and accepted by us, on the basis that it should not be relied upon. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors who should also confirm the position with regard to any legal matters referred to in our report. We assume that properties have been constructed, or are being constructed, and are occupied or used in accordance with the appropriate consents and that there are no outstanding statutory notices.

### 10. Property Insurance

Our valuation assumes that the property would, in all respects, be insurable against all usual risks at normal, commercially acceptable premiums.

#### 11. Building Areas and Age

Where so instructed, areas provided from a quoted source will be relied upon. Where the age of the building is estimated, this is for guidance only.

#### 12. Structural Condition

Building structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defect.

#### 13. Ground Conditions

We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

#### 14. Environmental Issues

Investigations into environmental matters would usually be commissioned of suitably qualified environmental specialists by most responsible purchasers of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Anyone averse to risk is strongly recommended to have a property environmental investigation undertaken and, besides, a favourable report may be of assistance to any future sale of the property. Where we are provided with the conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

We are not, however, environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation will be on the assumption that the property is unaffected.

#### 15. Leases

The client should confirm to us in writing if they require us to read leases. Where we do read leases reliance must not be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

#### 16. Covenant

We reflect our general appreciation of potential purchasers' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of the tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are no significant arrears of payment and that they are capable of meeting their obligations under the terms of leases and agreements.

#### 17. Loan Security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

#### 18. Build Cost Information

Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

#### 19. Reinstatement Assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If advice is required as a check against the adequacy of existing cover this should be specified as part of the initial instruction. Any indication given is provided only for guidance and must not be relied upon as the basis for insurance cover.

Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

#### 20. Attendance in Court

The Valuer is not obliged to give testimony or to appear in Court with regard to this valuation report and/or certificate, with reference to the property unless specific arrangement has been made therefor.

#### 21. Confidentiality

The Parties acknowledge that the Company has entered into a confidentiality agreement dated 21 December 2018 ("**NDA**"), and the Parties agree that this Agreement shall be read in conjunction with the NDA; and the engagement and appointment of the Company and Valuer hereunder is subject to the terms of the NDA.

Save for the following clause in the NDA which shall be amended by virtue of this Agreement, the rest of the clauses of the NDA shall remain binding, unchanged, and valid; and the NDA (as amended and supplemented by this Agreement) shall continue to bind the Parties:

- Clause 5 of the NDA shall be deleted in entirety and replaced with the following:

*"This Agreement shall commence on 21 December 2018 ("**Effective Date**"), and remain in force for a period of **6 years from the Effective Date**. Notwithstanding the foregoing, the indemnity under Clause 6 of this Agreement and the Recipient's obligations under this Agreement (including without limitation the obligations to not use/disclose and to protect the Confidential Information) shall survive any expiration or termination of this Agreement."*

## VALUATION CERTIFICATES FOR THE W HOTEL PROPERTY



Colliers International Consultancy & Valuation  
 (Singapore) Pte Ltd  
 12 Marina View  
 #19-02, Asia Square 2  
 Singapore 018961  
 RCB No. 198105965E

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Our Ref: 2019/C2/0138/CORP

21 November 2019

DBS Trustee Limited (in its capacity as Trustee of CDL Hospitality Real Estate Investment Trust)  
 c/o 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,

**VALUATION OF  
 21 Ocean Way, W SINGAPORE - SENTOSA COVE,  
 Singapore 098374**

We refer to your instructions to carry out a valuation in respect of the abovementioned property (the "Property") for proposed acquisition purpose. Our instructions are to provide our opinion of the market value of the unexpired leasehold interest in the Property as at 15 October 2019, on 'As Is' basis and taking into consideration the existing hotel management agreement.

We confirm that we have inspected the Property and have prepared a full valuation report ("Report") and valuation certificate in accordance with the requirements of the instructions. We understand that this letter and the valuation certificate will be included in a circular to be issued by CDL Hospitality Real Estate Investment Trust in connection with the acquisition.

Our valuation is on the basis of market value which is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion" ("Market Value").

This definition of value is consistent with the definition of Market Value as advocated by the Singapore Institute of Surveyors and Valuers' Valuation Standards and Guidelines.

Market Value is also the best price reasonably obtainable on the valuation date by the seller and the most advantageous price reasonably obtainable on the valuation date by the buyer. This estimate specially excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation has been made on the assumption that the Property is sold in the open market without the benefit of a deferred term contract or any similar arrangement which could serve to affect the value of the Property.



No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property, nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the Property is free from any major or material encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have undertaken no structural nor condition surveys. We advise that we have not inspected unexposed or inaccessible portions of the building and cannot therefore state that these are not free from rot, infestation or hazardous material.

We have also assumed that the building complies with all relevant statutory requirements in respect of health, building and fire safety regulations.

We have relied on the information provided by the asset manager on matters relating to the Property such as site area, floor area, financial performance and forecast, key terms of the hotel management agreement etc. All information provided is treated as correct and Colliers International Consultancy and Valuation (Singapore) Pte Ltd accepts no responsibility for subsequent changes in information and reserves the right to change our opinion of value if any information provided were to materially change.

For the purpose of the circular, we have prepared this letter and the enclosed valuation certificate which summarises our Report and outlines key factors we have considered in arriving at our opinion of value. This letter and the valuation certificate do not contain all the necessary data and information included in our Report. For further information, reference should be made to the Report.

The valuation and market information are not guarantees or predictions and must be read in consideration of the following:

- The estimated value is based upon the factual information provided by the client/asset manager. Property data/information provided is assumed to be correct. Whilst Colliers International has endeavoured to ensure the accuracy of the information, it has not independently verified all information provided by the client/asset manager. Colliers International also accepts no responsibility for subsequent changes in information as to areas, income, expenses or market conditions.
- The methodologies adopted in valuing the Property are based upon estimates of future results and are not predictions. Each methodology is based on a set of assumptions as to income and expenses of the Property and future economic conditions in the local market.

#### **Recognition of Risks**

Our estimates have been prepared in the light of circumstances we consider most likely to prevail during the period under review. We consider it prudent, however, to highlight the main risks associated with attaining the estimates. These are as follows:

- that an adverse change in political and/ or economic conditions results in a decline in revenue through reduced tourism arrivals;
- that demand for hotel accommodation, meeting facilities and F&B does not eventuate as estimated or the estimated demand levels are not captured by the Property; and



- that significant additions to the supply of the subject property type occur so as to create an oversupply of the property type, resulting in a decline in market performance over and above those estimated.

Our estimates are therefore based on the assumption that none of the above arises.

#### Valuation Summary

The valuation is carried out on 'As Is' basis, taking into consideration the existing hotel management agreement. Our opinion of value and the key assumptions adopted in our valuation are summarized below:

Property	Capitalisation Rate	Discount Rate	Terminal Cap Rate	Market Value as at 15 October 2019
21 Ocean Way, W SINGAPORE - SENTOSA COVE, Singapore 098374	3.50%	6.00%	3.75%	S\$326,000,000

We specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the circular, other than in respect of the information provided within the Reports. This letter and the report have been prepared for the use of the instructing parties for the stated purpose only and cannot be relied upon by third parties. No responsibility is accepted to any other party for the whole or any part of its contents.

The reported analysis, opinion and conclusion are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions and conclusions. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We confirm that we do not have a pecuniary interest that would conflict with a proper valuation of the Property and the valuers undertaking the valuation are authorised to practise as valuers and have the necessary expertise and experience in valuation of such type of property.

Yours faithfully,  
For and on behalf of  
**Colliers International Consultancy & Valuation (Singapore) Pte Ltd**

Goh Seow Leng  
Appraiser's Licence No: AD041- 2003809B  
Executive Director  
Valuation & Advisory Services | Singapore



Colliers International Consultancy & Valuation  
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Singapore 018961  
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## **VALUATION CERTIFICATE**

<b>Address of Property</b>	: 21 Ocean Way, W SINGAPORE - SENTOSA COVE, Singapore 098374 (the "Property")
<b>Our Reference</b>	: 2019/C2/0138/CORP
<b>Valuation Prepared for</b>	: DBS Trustee Limited (as Trustee of CDL Hospitality Real Estate Investment Trust)
<b>Purpose of Valuation</b>	: For proposed acquisition purpose
<b>Interest Valued</b>	: Unexpired lease term of approximately 86 years
<b>Legal Description</b>	: Lot 1412N, Mukim 34
<b>Tenure</b>	: 99-year lease commencing 31 October 2006
<b>Registered Lessees</b>	: Cityview Place Holdings Pte. Ltd.
<b>Brief Description</b>	: The Property is a luxury hotel within The Quayside Collection at Sentosa Cove, located on the eastern side of Sentosa Island. It features 240 guest rooms with full facilities such as ballroom, function rooms, swimming pools, spa, restaurants and bar.
<b>Site Area</b>	: 17,016 sm or thereabouts
<b>Gross Floor Area</b>	: Approximately 25,374.32 sm (as provided and subject to survey)
<b>Year of Completion</b>	: We understand that the Temporary Occupation Permit and Certificate of Statutory Completion were issued on 19 June 2012 and 5 April 2013 respectively.
<b>Master Plan Zoning (2014 Edition)</b>	: The site is zoned "Hotel".  <i>Note : The official Master Plan Zoning, Drainage/ MRT Interpretation Plans and other legal requisitions have not been applied for and/ or made available to us.</i>
<b>Basis of Valuation</b>	: Market Value on 'As Is' basis and taking into consideration the existing hotel management agreement.  Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".



**Methods of Valuation**

: Income Capitalisation Method and Discounted Cash Flow (DCF) Analysis

Capitalisation Rate	3.50%
Discount Rate	6.00%
Terminal Capitalisation Rate	3.75%

**Date of Valuation**

: 15 October 2019

**Valuation**

: **Market Value**  
**S\$326,000,000/-**  
**(Singapore Dollars Three Hundred and Twenty-Six Million Only)**

**Assumptions, Disclaimers,  
Limitations & Qualifications**

: *This valuation is provided subject to the caveats and assumptions, qualifications, limitations and disclaimers attached to the valuation report. The valuation report and certificate have been prepared for the use of the instructing parties for the stated purpose only and cannot be relied upon by third parties.*

For and on behalf of  
**Colliers International Consultancy & Valuation (Singapore) Pte Ltd**

---

Goh Seow Leng  
Appraiser's Licence No.: AD041- 2003809B  
B.Sc. (Estate Management), MSISV  
Executive Director  
Valuation and Advisory Services | Singapore



21 November 2019

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

**VALUATION OF  
21 OCEAN WAY  
"W SINGAPORE SENTOSA COVE HOTEL"  
SINGAPORE 098374**

## **1 Instructions**

We refer to your instructions for a formal valuation to be carried out in respect of the abovementioned property (the "Property") for acquisition purposes. We have specifically been instructed to provide our opinion of Market Value of the Property as at 15 October 2019, subject to the existing hotel management agreement.

We have, in accordance with the instructions, prepared a formal comprehensive Valuation Report for the Property.

Our valuation is our opinion of the Market Value, which we would define as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In preparing this valuation, we have relied on information provided by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust (the "Manager"), particularly in respect of such matters as site and floor areas, profit & loss statements, tenancy or occupancy information, etc. We have relied upon this information as being accurate and complete. We accept no responsibility for subsequent changes in the information provided. Dimensions, measurements and areas are only approximations.

Unless otherwise stated, all valuation figures herein are stated on a net of GST basis.

We have inspected the Property on 19 July 2019 and provided our opinion of Market Value as at 15 October 2019 based on existing use and subject to existing hotel management agreement.

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Tel: +65 6222 1333 Fax: +65 6224 5843 Reg.No: 198205243Z CEA Licence No: L3005536J

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Other Offices:

Knight Frank Property Asset Management Pte Ltd 160 Paya Lebar Road #05-05 Orion@Paya Lebar Singapore 409022  
KF Property Network Pte Ltd 491B River Valley Road #07-02 Valley Point Singapore 248373







We have prepared and provided this Valuation Summary letter outlining key factors that have been considered in arriving at our opinion of value for inclusion in the Circular to holders of stapled securities in CDL Hospitality Trusts to be dated on or about 21 November 2019. The value conclusions reflect all information known by the valuers of Knight Frank Pte Ltd who worked on the valuation in respect to the Property, market conditions and available data.

## **2 Reliance on this letter**

For the purposes of the Circular, we have prepared this letter which summarises our Valuation Report and outlines key factors which have been considered in arriving at our opinion of value. This letter alone does not contain all the necessary data and support information included in our Valuation Report. Knight Frank Pte Ltd has provided the Manager a comprehensive Valuation Report for the Property. The valuation and market information are not guarantees or predictions and must be read in conjunction with the following:

- (a) The estimated value is based upon the factual information provided by the Manager. Whilst Knight Frank Pte Ltd has endeavoured to assure the accuracy of the factual information, it has not independently verified all information provided by the Manager or the Government of Singapore (primarily statistical information relating to market conditions). Knight Frank Pte Ltd believes that every investor and every recipient of the Circular, should review the Valuation Report to understand the complexity of the methodology and the many variables involved.
- (b) The methodologies used by Knight Frank Pte Ltd in valuing the Property are the Capitalisation Approach and the Discounted Cash Flow Approach. These valuation methodologies are summarised in Section 5 of this letter.
- (c) The Valuation Report was undertaken based upon information available as at October 2019. Knight Frank Pte Ltd accepts no responsibility for subsequent changes in information as to income, expenses or market conditions.

## **3 The property**

W Singapore Sentosa Cove Hotel is a luxurious 7-storey hotel with a basement level accommodating a total of 240 guest rooms. It has received numerous awards and accolades, FIABCI Prix d'Excellence Awards 2014 - World Silver Winner (Hotel Category), Universal Design Mark Award - Gold, Construction Excellence Award 2014, Singapore Good Design Mark (SG Mark) Award 2014 by Design Business Chamber Singapore and Winner (Hotel Category) of FIABCI Singapore Property Awards 2013.

The Property has a total of 4 food and beverage outlets (Skirt, The Kitchen Table, Woo Bar and Wet Bar) offering inventive cuisine and craft cocktails, 1 function room and 7 conference rooms.

Other facilities provided include spa, gym and swimming pool.

Car parking lots (total 121 lots including 3 lots for the handicapped) are located within the hotel.

## 4 Summary of property details

The following table summarises key property details of the Property:

Land area (sm)	Gross floor area (sm)	Tenure	Master plan 2014
17,016.00	25,374.32	Leasehold 99 years with effect from 31 October 2006 (Balance of about 86.0 years as at 15 October 2019)	"Hotel"

## 5 Valuation rationale

### 5.1 Valuation methodology

Our valuation has been undertaken using the appropriate valuation methodology and our professional judgement.

We have valued the Property by the Capitalisation Approach and the Discounted Cash Flow Approach.

We have followed The Property Tax (Valuation by Gross Receipts for Hotel Premises) (Amendment) Order 2017 in our computation of property tax of the hotel. The annual value of the hotel guest rooms is assessed based on 25% of the preceding year gross receipts. The annual values of food & beverage (F&B) outlets and function rooms located in the hotel premises are assessed based on 10% of the preceding year gross receipts. The annual values of the lettable areas are based on estimated market rents.

### 5.2 Capitalisation approach

In the Capitalisation Approach, the estimated revenue of the hotel has been adjusted to reflect anticipated operating expenses (e.g. payroll and related expenses and other direct expenses) producing a gross operating profit. Fees payable to the operator, insurance, SDC annual rent and fees, property tax and FF&E reserve are deducted to derive at the net income of the Property.

The net income of the Property is capitalised for the balance term of the lease tenure at a yield rate which is appropriate for the type of use, tenure and reflective of the quality of the investment, based on analysis of yields reflected in the sales of comparable property types. Capital adjustments including the future SDC maintenance fee is then made to derive the capital value of the Property.

Revenue of the hotel comprises revenue from guest rooms, food and beverage outlets, meetings and events, other operating departments income and service charge.

### 5.3 Discounted cash flow approach

A valuation using the Discounted Cash Flow (DCF) model is carried out over a holding period of 10 years from 15 October 2019 (the valuation date) to 15 October 2029 for the Property.

The Property is hypothetically assumed to be sold at the end of the holding period. The cash outflows are deducted from the cash inflows of the Property to obtain the net cash flows. The stream of net cash flows is discounted at an estimated required rate of return applicable to that class of property to obtain the Net Present Value.

The DCF approach is used as the Property is an income-producing property. This form of analysis reflects investors' decision-making process and values the Property in such a manner as to attain the desired level of investment return commensurate with the risk of that asset class. This method is also more precise as it takes into account the timing of receipts and payments. In undertaking this analysis, we have also used a wide range of assumptions for the valuation of the Property. Assumptions include growth of room rates and other revenue during holding period, room occupancy, expense ratios, sale price at the end of the investment horizon, costs associated with the initial purchase of the Property and also its disposal towards the end of the investment period, etc. These imputed assumptions are intended to be aligned to known market circumstances/existing regulations to derive Market Value based on direct property purchase.

One key component of the DCF model is the estimation of two market derived rates. One is the hurdle rate at which investors will discount the income stream over the assumed 10-year investment horizon. The second is the terminal capitalisation rate for the asset, which is used to capitalise the income from Year 11 onwards, to derive the terminal value of the asset. The terminal value takes into account the remaining tenure of the lease.

Based on the above, the following table outlines the salient valuation assumptions adopted in undertaking our assessment:

Capitalisation rate	Terminal capitalisation rate	Discount rate
3.25%	3.50%	6.00%

## 6 Market Value

Subject to the overriding stipulations contained within the body of this letter, we are of the opinion that the Market Value of the unencumbered remaining leasehold interest in the Property, based on existing use and subject to existing hotel management agreement, for acquisition purposes, at 15 October 2019, is:

**S\$324,000,000/- (Singapore Dollars Three Hundred And Twenty-Four Million Only)**

This valuation is exclusive of GST.

## 7 Disclaimer

We have prepared this Valuation Summary letter for inclusion in the Circular and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the Circular, other than in respect of the information provided within the aforementioned Valuation Report and this Valuation Summary letter. We do not make any warranty or representation as to the accuracy of the information in any other part of the Circular other than as expressly made or given by Knight Frank Pte Ltd in this Valuation Summary letter or in the Valuation Report.

Knight Frank Pte Ltd has relied upon property data supplied by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust, which we assume to be true and accurate. Knight Frank Pte Ltd takes no responsibility for inaccurate data supplied by M&C REIT Management Limited, as Manager of CDL Hospitality Real Estate Investment Trust and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Property and have no personal interest or bias with respect to the party/parties involved. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We certify that our valuers undertaking the valuations are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully



Low Kin Hon  
B.Sc.(Estate Management) Hons.,FSISV  
Deputy Group Managing Director  
Head, Valuation & Advisory  
Appraiser's Licence No. AD 041-2003752I  
For and on behalf of Knight Frank Pte Ltd



Sherri Fong  
B.Sc.(Estate Management) Hons.,MSISV  
Senior Director  
Valuation & Advisory  
(Appraiser's Licence No. AD 041-2008950C)  
For and on behalf of Knight Frank Pte Ltd

## Valuation certificate

<b>Property</b>	:	21 Ocean Way "W Singapore Sentosa Cove Hotel" Singapore 098374
<b>Client/Instructing party</b>	:	M&C REIT Management Limited (as Manager of CDL Hospitality Real Estate Investment Trust)
<b>Relying parties</b>	:	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)
<b>Purpose of valuation</b>	:	For Acquisition
<b>Legal description</b>	:	Lot No. : 1412N Mukim : 34
<b>Tenure</b>	:	Leasehold 99 years with effect from 31 October 2006 (Balance of about 86.0 years as at 15 October 2019)
<b>Basis of valuation</b>	:	Market Value based on existing use and subject to existing hotel management agreement
<b>Registered lessee</b>	:	Cityview Place Holdings Pte Ltd
<b>Master plan 2014</b>	:	Zoning - "Hotel"
<b>Brief description</b>	:	W Singapore Sentosa Cove Hotel is a luxurious 7-storey hotel with a basement level accommodating a total of 240 guest rooms. The Property offers luxury resort lifestyle within Sentosa Cove. The Property has 4 food and beverage outlets offering inventive cuisine and craft cocktails, 1 function room and 7 conference rooms. Facilities within the Property include spa, gymnasium and swimming pool. The Temporary Occupation Permit and Certificate of Statutory Completion were issued on 19 June 2012 and 5 April 2013 respectively. Car parking lots (total 121 lots including 3 lots for the handicapped) are located within the hotel.
<b>Hotel management agreement</b>	:	The Property is operated by Luxury Hotels International of Hong Kong Limited, an indirect wholly-owned subsidiary of Marriott International, Inc for the initial operating term expires on the 31 December of the 20th full calendar year after 16 September 2012, with an option to renew for four consecutive periods of 5 years each, at the option of the registered lessee.  Lessee's expenses include property tax, fees payable to the operator, insurance, Sentosa Development Corporation (SDC) annual rent and fees and an annual FF&E reserve.
<b>Land area</b>	:	17,016.00 sm  <i>Source: Certificate of Title from Singapore Land Authority.</i>
<b>Gross floor area</b>	:	25,374.32 sm approximately  <i>Source: Grant of Written Permission issued on 8 February 2012.</i>
<b>Valuation methodology</b>	:	Capitalisation Approach and Discounted Cash Flow Approach
<b>Capitalisation rate</b>	:	3.25%
<b>Terminal capitalisation rate</b>	:	3.50%
<b>Discount rate</b>	:	6.00%
<b>Valuation date</b>	:	15 October 2019
<b>Market Value</b>	:	<b>S\$324,000,000/-</b> <b>(Singapore Dollars Three Hundred And Twenty-Four Million Only)</b> This valuation is exclusive of GST.
<b>Assumptions, disclaimers, limitations &amp; qualifications</b>	:	<i>This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of the 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 authorised, 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 valuers have no pecuniary interest that would conflict with the proper valuation of the Property.</i>
<b>Prepared by</b>	:	Knight Frank Pte Ltd

  
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 Deputy Group Managing Director  
 Head, Valuation & Advisory  
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 For and on behalf of Knight Frank Pte Ltd

  
 Sherri Fong  
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 Senior Director  
 Valuation & Advisory  
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 For and on behalf of Knight Frank Pte Ltd

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 KF Property Network Pte Ltd 491B River Valley Road #07-02 Valley Point Singapore 248373



## General Terms of Business for Valuations

These General Terms of Business and our Terms of Engagement letter together form the agreement between us ("**Agreement**"). The following General Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Pte Ltd unless specifically agreed otherwise in the Terms of Engagement letter and so stated within the main body of the valuation report and/or certificate.

### 1. Knight Frank Pte Ltd ("the Company")

Knight Frank Pte Ltd is a privately owned company with registration number 198205243Z. Any work done by an individual is in the capacity as an employee of the Company.

Our GST registration number is M2-0058829-X.

### 2. Limitations on Liability

The Valuer's responsibility in connection with this valuation report and/or certificate is limited to the party to whom the valuation report and/or certificate is addressed for the stated purpose. The Valuer disclaims all responsibility and will accept no liability to any third party for the whole or any part of its contents saved on the basis of written and agreed instructions; this will incur an additional fee. In this regard, the Company and the Valuer acknowledges that their engagement to perform works by DBS Trustee Limited is in DBS Trustee Limited's capacity as trustee of CDL Hospitality Real Estate Investment Trustee; and accordingly, CDL Hospitality Real Estate Investment Trust (including its trustee and manager) would be entitled to enforce this Agreement and they shall not be deemed as a "third party" for the purposes of this clause.

Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to the lower of S\$1 million or 3 times Knight Frank Pte Ltd's fee under the instruction.

We do not accept liability for any indirect or consequential loss (such as loss of profits).

### 3. Disclosure and Publication

If our opinion of value is disclosed to persons other than the addressees of our valuation report and/or certificate, the basis of valuation should be stated. Reproduction of this valuation report and/or certificate in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any websites) without the Valuer's prior written approval of the form and context in which may appear is prohibited. The Valuer agrees that it shall not unreasonably withhold its prior written approval if so sought.

### 4. Our Fees

If any invoice remains unpaid after the date on which it is due to be paid, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 1.5% per month. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

### 5. Valuation Standards

Valuations and appraisals will be carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism will be met.

### 6. Valuation Basis

Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions outlined in the valuation report and/or certificate. The basis of valuation will be agreed with you for the instruction.

The opinion expressed in this valuation report and/or certificate 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.

### 7. Titles and Burdens

We do not read documents of title although, where provided, we consider and take account of matters referred to in solicitor's reports or certificates of title. We would normally assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoing, planning proposals, onerous restrictions or regulatory intentions which affect the property, nor any material litigation pending.

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.

The Valuer does not warrant to the party to whom the valuation report and/or certificate is addressed and any other person the title or the rights of any person with regard to the property.

### 8. Sources of Information

We rely upon the information provided to us, by the sources listed, as to details of tenure and tenancies (subject to "leases" below), planning consents and other relevant matters, as summarised in our valuation report and/or certificate. We do not check with the relevant government departments or other appropriate authorities on the legality of the structures, approved gross floor area or other information provided to us. We assume that this information is complete and correct and the Valuer shall not be held responsible or liable if this should prove not to be so.

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 valuation report and/or certificate 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.

### 9. Boundaries

Plans accompanying valuation report are for identification purposes and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with information given to us and/or our understanding of the boundaries.

### 10. Planning and Other Statutory Regulations

Enquiries of the relevant planning authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally and this information is given to us, and accepted by us, on the basis that it should not be relied upon. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors who should also confirm the position with regard to any legal matters referred to in our report. We assume that properties have been constructed, or are being constructed, and are occupied or used in accordance with the appropriate consents and that there are no outstanding statutory notices.

#### 11. Property Insurance

Our valuation assumes that the property would, in all respects, be insurable against all usual risks at normal, commercially acceptable premiums.

#### 12. Building Areas and Age

Where so instructed, areas provided from a quoted source will be relied upon. Where the age of the building is estimated, this is for guidance only.

#### 13. Structural Condition

Building structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defect.

#### 14. Ground Conditions

We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

#### 15. Environmental Issues

Investigations into environmental matters would usually be commissioned of suitably qualified environmental specialists by most responsible purchasers of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Anyone averse to risk is strongly recommended to have a property environmental investigation undertaken and, besides, a favourable report may be of assistance to any future sale of the property. Where we are provided with the conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

We are not, however, environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation will be on the assumption that the property is unaffected.

#### 16. Leases

The client should confirm to us in writing if they require us to read leases. Where we do read leases reliance must not be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

#### 17. Covenant

We reflect our general appreciation of potential purchasers' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of the tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are no significant arrears of payment and that they are capable of meeting their obligations under the terms of leases and agreements.

#### 18. Loan Security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

#### 19. Build Cost Information

Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

#### 20. Reinstatement Assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If advice is required as a check against the adequacy of existing cover this should be specified as part of the initial instruction. Any indication given is provided only for guidance and must not be relied upon as the basis for insurance cover. Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

#### 21. Attendance in Court

The Valuer is not obliged to give testimony or to appear in Court with regard to this valuation report and/or certificate, with reference to the property unless specific arrangement has been made therefor.

#### 22. Confidentiality

The parties to this Agreement acknowledge that the Company has entered into a confidentiality agreement dated 3 July 2019 ("NDA"), and the parties agree that this Agreement shall be read in conjunction with the NDA; and the engagement and appointment of the Company and Valuer hereunder is subject to the terms of the NDA. All clauses of the NDA shall remain binding, unchanged, and valid; and the NDA (as amended and supplemented by this Agreement) shall continue to bind the Parties.

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**EXISTING INTERESTED PERSON TRANSACTIONS**

**H-REIT Existing Interested Person Transactions**

The table below sets out details of the Existing Interested Person Transactions entered into between (1) H-REIT Trustee and (2) CDL, the Sponsor, and their associates during the course of the financial year ending on 31 December 2019 up to the Latest Practicable Date that are subject to disclosure under Chapter 9 of the Listing Manual<sup>1</sup>.

Interested Person	Transaction	Value of Transaction (S\$'000)
Millennium & Copthorne Hotels New Zealand Limited	Renewal of lease for Grand Millennium Auckland	41,211
CDL Management Services Pte. Ltd.	Corporate secretarial services	157 <sup>2</sup>

**HBT Existing Interested Person Transactions**

There are no existing interested person transactions in the course of the financial year ending on 31 December 2019 up to the Latest Practicable Date that are subject to disclosure under Chapter 9 of the Listing Manual<sup>3</sup>.

<sup>1</sup> Rules 905(1), 905(2) and 906 of the Listing Manual do not apply to any transaction below S\$100,000.

<sup>2</sup> Estimated cost for provision of corporate secretarial services for FY2019.

<sup>3</sup> Rules 905(1), 905(2) and 906 of the Listing Manual do not apply to any transaction below S\$100,000.

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## NOTICE OF EXTRAORDINARY GENERAL MEETINGS

**NOTICE IS HEREBY GIVEN** that the **EXTRAORDINARY GENERAL MEETINGS** of the security holders of CDL Hospitality Real Estate Investment Trust (“**H-REIT**”) and CDL Hospitality Business Trust (“**HBT**”) will be held on Thursday, 23 January 2020 at 10.00 a.m. at Orchard Grand Ballroom 1 & 2, Orchard Hotel Singapore, 442 Orchard Road, Singapore 238879, to transact the following business:

### AS ORDINARY RESOLUTIONS OF H-REIT AND HBT:

#### (1) **RESOLUTION 1: THE PROPOSED REDEVELOPMENT TRANSACTION WHICH INVOLVES THE DIVESTMENT OF NOVOTEL SINGAPORE CLARKE QUAY AND THE FORWARD PURCHASE OF A HOTEL TO BE DEVELOPED AS PART OF AN INTEGRATED DEVELOPMENT (AS AN INTERESTED PERSON TRANSACTION)**

That:

- (a) approval be and is hereby given for the divestment of the hotel located at 177A River Valley Road, Singapore 179031, currently managed and operated as “Novotel Singapore Clarke Quay” to Legend Quay Pte. Ltd., Legend Commercial Trust and Gemini One Trust (“**Redevelopment Entities**”), on the terms and conditions set out in the conditional put and call option agreement entered into between DBS Trustee Limited (in its capacity as trustee of H-REIT) (in such capacity, “**H-REIT Trustee**”) and the Redevelopment Entities (“**Proposed Divestment**”);
- (b) approval be and is hereby given for the acquisition of all the units in the trust known as Gemini One Trust from CDL Aquila Pte. Ltd. (“**CDL RE Owner**”), a subsidiary of City Developments Limited (“**CDL**”), a controlling unitholder of H-REIT and HBT and a controlling shareholder of each of the manager of H-REIT (“**H-REIT Manager**”) and the trustee-manager of HBT (“**HBT Trustee-Manager**” and collectively with the H-REIT Manager, “**Managers**”), on the terms and conditions set out in the conditional development and sale agreement entered into between the H-REIT Trustee and the CDL RE Owner (“**New Hotel Property Acquisition**”);
- (c) approval be and is hereby given for the acquisition of all the shares in Gemini One Pte. Ltd. from CDL Aquila Pte. Ltd. (“**New Hotel OpCo Vendor**”), a subsidiary of CDL, a controlling unitholder of H-REIT and HBT and a controlling shareholder of each of the Managers, on the terms and conditions set out in the conditional sale and purchase agreement entered into between the HBT Trustee-Manager and the New Hotel OpCo Vendor (“**New Hotel Business Acquisition**”); and
- (d) the Managers, any Director of the Managers (each 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 Managers, any Director or, as the case may be, the H-REIT Trustee may consider expedient or necessary to give effect to the Proposed Divestment, the New Hotel Property Acquisition, the New Hotel Business Acquisition and all transactions contemplated thereunder.

**(2) RESOLUTION 2: THE PROPOSED ACQUISITION OF THE HOTEL KNOWN AS W SINGAPORE – SENTOSA COVE (AS AN INTERESTED PERSON TRANSACTION)**

That:

- (a) approval be and is hereby given for the acquisition of the hotel located at 21 Ocean Way, Singapore 098374, currently managed and operated as W Singapore – Sentosa Cove (“**W Hotel Property**”) from Cityview Place Holdings Pte. Ltd. (“**W Hotel Vendor**”), a subsidiary of CDL, a controlling unitholder of H-REIT and HBT and a controlling shareholder of each of the Managers, on the terms and conditions set out in the conditional put and call option agreement entered into between the H-REIT Trustee and the W Hotel Vendor (“**W Hotel Property Acquisition**”);
- (b) approval be and is hereby given for the acquisition of the business and business assets concerning the W Hotel Property from the W Hotel Vendor, on the terms and conditions set out in the conditional business transfer agreement entered into between Gemini Two Pte. Ltd., a subsidiary of HBT (“**W Hotel OpCo**”), and the W Hotel Vendor (“**W Hotel Business Acquisition**”);
- (c) approval be and is hereby given for the entry into a carpark agreement between the W Hotel OpCo and the W Hotel Vendor to govern the use, access, operation, management, revenue and expenses of the carpark spread across Basement 1 of the W Hotel Property and the neighbouring property known as Quayside Isle (“**Carpark Transaction**”); and
- (d) the Managers, any Director of the Managers (each 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 Managers, any Director or, as the case may be, the H-REIT Trustee may consider expedient or necessary to give effect to the W Hotel Property Acquisition, the W Hotel Business Acquisition, the Carpark Transaction and all transactions contemplated thereunder.

BY ORDER OF THE BOARD  
M&C REIT Management Limited  
(as manager of CDL Hospitality Real Estate  
Investment Trust)

Vincent Yeo Wee Eng  
Executive Director and  
Chief Executive Officer

Enid Ling Peek Fong  
Company Secretary

BY ORDER OF THE BOARD  
M&C Business Trust Management Limited  
(as trustee-manager of CDL Hospitality  
Business Trust)

Vincent Yeo Wee Eng  
Executive Director and  
Chief Executive Officer

Enid Ling Peek Fong  
Company Secretary

Singapore  
3 January 2020

### **Important Notice:**

1. (a) A Security Holder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Extraordinary General Meetings. Where such instrument appointing a proxy or proxies, the proportion of the security holding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.
- (b) A Security Holder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Extraordinary General Meetings, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Security Holder. Where such Security Holder's instrument appointing a proxy or proxies appoints more than two proxies, the number and class of Stapled Securities in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

**"Relevant Intermediary"** has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Security Holder.
3. The instrument appointing a proxy or proxies ("**Proxy Form**") must be deposited at the office of the Unit Registrar, 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the Extraordinary General Meetings.
4. Completion and return of the Proxy Form shall not preclude a Security Holder from attending and voting at the Extraordinary General Meetings. Any appointment of a proxy or proxies shall be deemed to be revoked if a Security Holder attends the Extraordinary General Meetings in person, and in such event, the H-REIT Manager and the HBT Trustee-Manager reserve the right to refuse to admit any person or persons appointed under the Proxy Form, to the Extraordinary General Meetings.
5. The Chairman of the Extraordinary General Meetings will be exercising his rights under Paragraph 13 of Schedule 1 to the H-REIT Trust Deed and Paragraph 4.4.1 of the Schedule to the HBT Trust Deed for all resolutions at the Extraordinary General Meetings and at any adjournment thereof to be put to the vote by way of poll. Accordingly, each resolution at the Extraordinary General Meetings will be voted on by way of a poll.
6. To allow for a more efficient voting system, polling will be done by way of an electronic poll voting system. With poll voting, Security Holders present in person or represented by proxy at the Extraordinary General Meetings will be entitled to vote on a 'one-Stapled Security, one-vote' basis. The detailed procedures for the electronic poll voting will be explained at the Extraordinary General Meetings.

### **PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meetings and/or any adjournment thereof, a Security Holder (i) consents to the collection, use and disclosure of the security holder's personal data by the H-REIT Manager and the HBT Trustee-Manager (or their agents) for the purpose of the processing and administration by the H-REIT Manager and the HBT Trustee-Manager (or their agents) of proxies and representatives appointed for the Extraordinary General Meetings (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meetings (including any adjournment thereof), and in order for the H-REIT Manager and the HBT Trustee-Manager (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively "**Purposes**"), and (ii) warrants that where the Security Holder discloses the personal data of the Security Holder's proxy(ies) and/or representative(s) to the H-REIT Manager or the HBT Trustee-Manager (or their agents), the Security Holder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the H-REIT Manager and the HBT Trustee-Manager (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

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## 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 MEETINGS OF CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST AND CDL HOSPITALITY BUSINESS 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	%

and/or (delete as appropriate)

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Extraordinary General Meetings of CDL Hospitality Real Estate Investment Trust and CDL Hospitality Business Trust ("**EGMs**") to be held on Thursday, 23 January 2020 at 10.00 a.m. at Orchard Grand Ballroom 1 & 2, Orchard Hotel Singapore, 442 Orchard Road, Singapore 238879 and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the EGMs 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 EGMs.

**Note:** Voting on all resolutions will be conducted by poll. If you wish to exercise 100% of your votes "For" or "Against" a resolution, please tick with (✓) in the corresponding box against that resolution. If you wish to split your votes, please indicate the number of votes "For" and/or "Against" that resolution.

No.	Ordinary Resolution	Number of Votes For	Number of Votes Against
1.	To approve the proposed redevelopment transaction which involves the divestment of Novotel Singapore Clarke Quay and the forward purchase of a hotel to be developed as part of an integrated development (as an Interested Person Transaction)		
2.	To approve the proposed acquisition of the hotel known as W Singapore – Sentosa Cove (as an Interested Person Transaction)		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Total number of Stapled Securities held

\_\_\_\_\_  
Signature(s) of Security Holder(s)/Common Seal of Corporate Security Holders

**IMPORTANT: PLEASE READ THE NOTES TO THE PROXY FORM OVERLEAF**



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**Notes to Proxy Form:**

1. (a) A Security Holder who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Extraordinary General Meetings. Where such instrument appointing a proxy or proxies, the proportion of the security holding concerned to be represented by each proxy shall be specified in the instrument appointing a proxy or proxies.
- (b) A Security Holder who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Extraordinary General Meetings, but each proxy must be appointed to exercise the rights attached to a different Stapled Security or Stapled Securities held by such Security Holder. Where such Security Holder's instrument appointing a proxy or proxies appoints more than two proxies, the number and class of Stapled Securities in relation to which each proxy has been appointed shall be specified in the instrument appointing a proxy or proxies.

**"Relevant Intermediary"** has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Security Holder.
3. 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.

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**CDL Hospitality Trusts**  
(a Stapled Group comprising CDL Hospitality Real Estate  
Investment Trust and CDL Hospitality Business Trust)

C/O The Unit Registrar  
M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902

Affix  
Postage  
Stamp

3<sup>rd</sup> fold here

4. The instrument appointing a proxy or proxies ("**Proxy Form**") must be deposited at the office of the Unit Registrar, 112 Robinson Road #05-01 Singapore 068902, not less than 48 hours before the time set for the Extraordinary General Meetings.
5. The Proxy Form must be signed by the appointor or 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.
6. 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 Managers) be lodged with the Proxy Form; failing which the Proxy Form may be treated as invalid.
7. The Managers 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 Managers 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 Meetings, as certified by CDP to the Managers.
8. All Security Holders will be bound by the outcome of the Extraordinary General Meetings regardless of whether they have attended or voted at the Extraordinary General Meetings.







**CDL HOSPITALITY TRUSTS**

**M&C REIT Management Limited**

(As Manager of CDL Hospitality Real Estate Investment Trust)

and

**M&C Business Trust Management Limited**

(As Trustee-Manager of CDL Hospitality Business Trust)

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