News Release

14 December 2020

CDL TO SELL PENANG HOTEL;
COMBINED SALES OF S$105 MILLION AND DIVESTMENT GAINS OF S$50 MILLION FROM DISPOSAL OF THREE HOTEL ASSETS

- **Enters into agreement to divest Copthorne Orchid Hotel & Resort Penang to Bursa-listed Ivory Properties for RM 75 million (S$25 million)**
- **Sale of Penang asset follows previously announced hotel divestments of non-core hotels in Cincinnati, US, and Birmingham, UK**
- **Pre-tax gains of S$23.9 million (for Penang and Birmingham) to be recognised in 2021**
- **Asset divestments reflect capital recycling focus**

City Developments Limited (CDL)'s wholly-owned hotel subsidiary, Millennium & Copthorne Hotels Limited (M&C) has entered into a Sale and Purchase Agreement to divest the Copthorne Orchid Hotel & Resort Penang in Malaysia for RM 75 million (approximately S$25 million). The divestment is in line with the Group's strategy to extract value from its non-core hotel assets, streamline its portfolio and recycle capital following the onset of the COVID-19 pandemic.

It will bring to three the number of non-core hotel asset disposals (of which one transaction has been completed) since the start of 2020, with a combined sales value of S$104.8 million and pre-tax divestment gains for CDL of S$50.3 million, of which S$23.9 million will be recognised in 2021.

The buyer of the 318-room Penang hotel is Bursa Malaysia-listed Ivory Properties Group Berhad which will acquire the freehold land that the hotel resides on, the hotel, and all fixtures, fittings, equipment and tangible personal property, in respect of the hotel.

The Group privatised the London-headquartered M&C on 19 November 2019 after delisting from the London Stock Exchange at a valuation of £2.23 billion (S$3.96 billion). M&C operates 66 hotels (seven of which are managed by third parties) in Asia (12), Europe/UK (21), USA (18) and New Zealand (15) under the Millennium Hotels and Resorts global brands; and 79 are under franchise and management contracts.

Since privatisation and the outbreak of the pandemic, M&C has restructured costs and redirected marketing resources towards domestic tourism. These efforts have already resulted in green shoots of recovery of the hospitality business from the pandemic in recent months. M&C has also selectively divested non-core hotel assets while maintaining a core room inventory with presence in key gateway cities.

In line with the latter strategy, M&C exercised a put option[1] in Q3 2020 to sell Copthorne Hotel Birmingham in the UK for £17.2 million (approximately S$30.8 million). This sale will be completed

[1] In 2013, M&C entered into a compulsory purchase order agreement with Paradise Circus Limited Partnership ("PCLP") - a joint venture comprising developer Argent LLP and Birmingham City Council - regarding Paradise Birmingham. The agreements include put and call options that provide for the Group to acquire an alternate development site and sale of the existing hotel to PCLP for £17.2 million (~$30.8 millon). Option to acquire alternative site under the agreement was not exercised and terminated in April 2020.

in Q3 2021 and will result in a pre-tax gain on disposal of S$14.7 million. The sale of the Penang hotel is expected to result in a pre-tax gain of S$9.2 million for CDL, also in 2021.

These two asset disposals initiated after the onset of COVID-19 follow the sale of Millennium Cincinnati in the US for US$36 million (approximately S$49 million). Completed on 14 February 2020, this disposal resulted in a pre-tax gain of S$26.4 million for CDL which was recognised in 1H 2020.

M&C has assessed that the land values of many of its properties are now significantly higher than their acquisition costs, and in addition, CDL's accounting policy is to depreciate the hotels over time. Their capital values have increased with the long-term hold of these assets.

Notably, as return on equity of such assets (from hospitality revenue and profits) is not likely to recover to pre-COVID-19 levels in the near-term, M&C is continually reviewing and fine-tuning its portfolio. It is currently evaluating other unsolicited offers for its non-core assets. These offers may be subject to re-zoning and regulatory approval for change of use from hospitality.

Following the three divestments cited above and considering current offers, M&C expects to complete one to two more disposals between now and the end of 2022. It currently has an inventory of over 40,000 rooms and operations in 29 countries.

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