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18 December 2017

Recommended Final Cash Offer

for

Millennium & Copthorne Hotels plc (“M&C”)

by

Agapier Investments Limited (“Bidco”)

(a company indirectly and wholly-owned by City Developments Limited (“CDL”))

Publication of Letter

Further to the letter sent to the independent directors of M&C on 14 December 2017, and simultaneously publicised in the media, by certain of its minority shareholders in relation to the increased recommended cash offer to be made by Bidco for the entire issued share capital of M&C not already held by CDL and its subsidiaries (and persons acting in concert with them) (the “**Final Offer**”), a letter from the Chairman of CDL has today been made available on the CDL website at www.cdl.com.sg/Millennium-Offer and is set out below.

“On 8 December 2017, CDL made a binding and final offer for the 34.8% of M&C’s shares that it does not already own. In the light of the very public debate that has surrounded this Offer I thought that it was appropriate that I should write to you, M&C’s shareholders, and set out directly the reasons for this Offer being made; our assessment of the trading outlook for M&C Hotels based on our many years of experience and the realistic value of the business. I would also like to state that throughout this process the intention of the Board of CDL, which I chair, has been to provide shareholders with the opportunity to exit their holdings at a full and fair price and premium.

While M&C has played an important role as a subsidiary of CDL, it has been our strategy to keep CDL as the vehicle for property development schemes both in Asia and internationally. CDL itself has extensive property interests in the UK and has recently acquired further significant land assets for development. Meanwhile, M&C has consistently been run as an operating hotel business whose recurring earnings and cash flow have provided a counter cyclical balance to the more volatile earnings of CDL’s residential development activities.

This strategy has been consistently delivered and explained to shareholders in both companies. The market has, over the 21 years that it has been listed, consistently valued M&C as an operating business in line with its peers as a hotel company. We have consistently stated that we have no plans to change this strategy and, as controlling shareholder, CDL’s intention is that M&C will continue to be run as a hotel owner and operator.

In making this offer, the Board of CDL was mindful of several factors. M&C's operating performance has been weak in recent years and as a consequence, the shares in M&C have not performed well. The hotel industry as a whole is facing increasing costs and an uncertain trading environment, driven by political instability, technological disruption, and industry consolidation, amongst other factors. The CDL Board knows that if M&C's hotels are to compete effectively in a highly competitive and dynamic marketplace, considerable capital investment will need to be invested in the fabric of M&C's hotels.

The CDL Board is concerned about the outlook for trading in the hotel industry; the disruptive impact this investment programme will have on the short term operating performance of the hotels; and the impact on all shareholders, as there will be a need to balance the impact of increased leverage with the ability to distribute returns to shareholders.

In addition, the CDL Board was mindful of the comments that had, over time, been made by certain long-term shareholders of M&C, namely that the size of CDL's stake reduces liquidity in M&C's stock and impacts the coverage by equity-research analysts which CDL believes impacts its attractiveness to potential new shareholders.

In the light of the above, the CDL Board concluded that it would be in the best interests of all M&C shareholders for CDL to make an offer which will afford the minority investors in M&C the opportunity to exit their holdings at a material premium to the share price available in the market prior to the start of the offer period.

The Board of CDL therefore opened discussions with the Independent Directors of M&C (INEDs) and their advisors, Credit Suisse. These negotiations, over a period of approximately three months, resulted in CDL's proposal being increased three times from 510 pence until a possible offer of 552.5 pence (which included a special dividend of 7.5 pence), which was recommended and subsequently announced. Throughout this process the INEDs acted with integrity, thoroughness and consistently having regard to the interests of the minority shareholders.

The INEDs, together with their advisors – Credit Suisse, fought hard to reach 552.5 pence (which included a special dividend of 7.5 pence) per share.

Following the announcement of the initial possible offer, CDL engaged in extensive discussions with the largest minority shareholders. All the engagement in the past few weeks with the minority shareholders were conducted by CDL's CEO, Mr Grant Kelley, and our financial advisors.

Through these discussions, CDL was urged by some minority shareholders to increase its offer to better reflect M&C's future long term value. As a direct result of these conversations, on 8 December 2017, CDL announced an increased, final firm offer of 620 pence per share in cash (which includes a special dividend of 20 pence per share payable by M&C to all M&C shareholders if the offer becomes or is declared wholly unconditional) (the final Offer). This final Offer represents a premium of 36.3% to the closing price of M&C shares of 455 pence on 6 October 2017 (the day before the Offer period), which is a very substantial premium given CDL already owns 65.2% of M&C. This final Offer is also higher than the price at which M&C shares have closed on any day in the 10 years prior to the possible offer announcement on 9 October 2017. The final Offer also provides shareholders with an opportunity to exit from an illiquid stock

should they so choose. This final Offer is final and will not be increased and is an opportunity that is highly unlikely to be repeated again in the near future.

The CDL Board has considered carefully the arguments made by a small number of shareholders that this final Offer should be based on Net Asset Value (NAV). These valuations only exist in theory and if attempts were made to crystallise them, would prove ethereal, and we believe this jeopardises the interests of the many other, often longstanding, shareholders, whom we believe will find the final Offer attractive.

These shareholders are advancing an argument which is somewhat disingenuous, as CDL believes that an NAV valuation has never been the basis on which the market has valued M&C.

Their argument is moreover at odds with current practice for evaluating hotel asset portfolios. With the exception of standalone, iconic/trophy assets, hotels are typically valued on a multiple of either EBITDA or net profit. This is especially true when a hotel portfolio is being sold.

The rationale for this is simple: whilst hotels of course have some real estate substance, in the vast majority of cases, it is very rare to secure an alternative use for existing hotels. Their value, therefore, must depend upon the earnings which they generate as hotels.

Recognisably, the multiple applied to or earnings generated by hotel assets varies by a very large number of factors – primarily location, stage in the economic cycle, physical state of the property, flag/no flag, and so on. Fundamentally, therefore, the only true measurement of a hotel's value is how much money it can produce, and the purchase price is a multiple of that net annual/ forward figure.

Therefore, the CDL Board remains unequivocally committed to maintaining M&C's strategy as both a hotel owner and operator, recognising the value of M&C's long-term recurring income stream. CDL has reaffirmed this commitment by extending the Post-Offer Intention Statement, which confirms that CDL has no intention to sell or repurpose any of M&C's hotels in London or in New York (being M&C's key gateway city assets), from one to three years. This Post-Offer Intention Statement is subject to the rules of the Takeover Code.

Reinforcing this point, CDL has kept a separate business group for its property development business in Asia and in every major international market in which it operates, including in the UK, where CDL has extensive property interests and has recently acquired significant land assets for its own development.

Moreover, history has also shown that even though CDL is a controlling shareholder of M&C, CDL rarely sells its hotel assets. It should be noted that over the years, M&C's most high-profile sale was the New York's Plaza Hotel in 2004, which was a joint venture property.

The CDL Board recognises that it is the right of every shareholder to choose whether or not to accept the final Offer. Should the final Offer not be accepted, CDL is fully prepared for M&C to address the operating challenges it faces as a public company, with all shareholders sharing the burden of the significant capital expenditure that is required simply to bring the M&C hotels into line with their competitors.

However, the CDL Board would urge shareholders to consider the very material premium and value that is available to them under this final Offer, rather than the false premise of unrealised real estate value that the CDL Board does not believe can be practically delivered.

The CDL Board sincerely hopes that the actions of a few shareholders who have entered since the financial crisis will not preclude a number of long-term shareholders from being able to take advantage of this offer to exit from their holding in an illiquid stock at a real and significant premium.”

Capitalised terms used in this announcement but not otherwise defined herein shall have the same meanings given in the announcement by CDL and M&C of the Final Offer dated 8 December 2017.

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HSBC Bank plc, which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting as financial adviser to CDL and for no-one else in connection with the subject matter of this announcement and will not be responsible to anyone other than CDL for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

This announcement is for information purposes only. It is not intended to and does not constitute, or form part of, an offer to sell or an invitation to purchase any securities or the solicitation of an offer to buy any securities, pursuant to the Final Offer or otherwise. The Final Offer will be made solely by means of an Offer Document and the Form of Acceptance accompanying the Offer Document which will contain the full terms and conditions of the Final Offer, including details of how the Final Offer may be accepted.

The Final Offer will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange, the Financial Conduct Authority and the UKLA.

This announcement does not constitute a prospectus or prospectus equivalent document.

Overseas Shareholders

The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to the laws and/or regulations of any jurisdictions other than the United Kingdom should inform themselves of, and observe, any applicable requirements. Any failure to comply with the applicable legal and/or regulatory requirements may constitute a violation of the laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Final Offer disclaim any responsibility or liability for the violation of such restrictions by any person.

This announcement has been prepared for the purposes of complying with English law, the Listing Rules, the rules of the London Stock Exchange and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and/or regulations of jurisdiction outside the United Kingdom.

Unless otherwise determined by Bidco or required by the Code, and permitted by applicable law and regulation, the Final Offer shall not be made, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and the Final Offer shall not be capable of acceptance from or within a Restricted Jurisdiction. Accordingly, copies of this announcement and all documents relating to the Final Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this announcement and all documents relating to the Final Offer (including agents, custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such Restricted Jurisdiction as doing so may invalidate any purported acceptance of the Final Offer. Any person (including, without limitation, any agent, custodian, nominee and trustee) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this announcement and/or the Offer Document and/or any other related document to any jurisdiction outside the UK should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction.

The availability of the Final Offer to M&C Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who

are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

If you are a Resident of the United States, please read the following:

The Final Offer is being made for the securities of M&C, a company incorporated under the laws of England and Wales, and is being made in the United States in compliance with, and reliance on, Section 14(e) of the US Securities Exchange Act of 1934 (the "Exchange Act") and Regulation 14E thereunder. The Final Offer will be made in the United States by Bidco and no one else.

The Final Offer is subject to the disclosure and procedural requirements of the United Kingdom which are different from those in the United States.

It may be difficult for United States holders of shares in CDL or M&C to enforce their rights and claims arising out of the United States federal securities laws, since CDL, Bidco and M&C are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. Holders in the United States may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws. Further, it may be difficult to compel a non-United States company and its affiliates to subject themselves to a United States court's judgement.

Forward Looking Statements

This announcement, including any information included or incorporated by reference in this announcement, contains statements about Bidco, CDL and M&C that are or may be forward looking statements. All statements other than statements of historical facts included in this announcement may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Bidco's or CDL's or M&C's operations; and (iii) the anticipated effects of the Final Offer on the Wider CDL Group and the business and operations of M&C.

Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statements. Much of the risk and uncertainty relates to factors that are beyond the companies' abilities to control or estimate precisely, such as future events, future market conditions and the behaviours of other market participants. Other unknown or unpredictable factors could affect future operations and/or cause actual results to differ materially from those in the forward looking statements. Such forward looking statements should be construed in the light of such factors, and therefore undue reliance should not be placed on such statements.

Each forward-looking statement speaks only as at the date of this announcement. Neither Bidco nor CDL or M&C, nor any of their respective associates or directors, officers, employees, managers, agents, representatives, partners, members, consultants or advisers: (i) provide any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements will actually occur; nor (ii) assume any obligation to, and do not intend to, revise or update these forward looking statements, except as required pursuant to applicable law. Bidco and CDL disclaim any obligation to update any forward looking or other statements contained herein, except as required by applicable law. All forward looking statements

contained in this announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

No Profit Forecasts or Estimates

No statement in this announcement is intended as a profit forecast or estimate for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for Bidco, M&C or CDL, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Bidco, M&C or CDL, as appropriate.

Disclosure Requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an *Opening Position Disclosure* following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An *Opening Position Disclosure* must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An *Opening Position Disclosure* by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 pm (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an *Opening Position Disclosure* must instead make a *Dealing Disclosure*.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a *Dealing Disclosure* if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A *Dealing Disclosure* must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company, and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A *Dealing Disclosure* by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures can be found in the Disclosure Table on the Panel's website at <http://www.thetakeoverpanel.org.uk>, including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an *Opening Position Disclosure* or a *Dealing Disclosure*, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.*

Publication on Website and Availability of Hard Copies

In accordance with Rule 26.1 of the Code, a copy of this announcement, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, will be available on the website of CDL at: www.cdl.com.sg/Millennium-Offer promptly and by no later than 12 noon (London time) on the Business Day following this announcement. For the avoidance of doubt, the contents of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

You may request a hard copy of this announcement by contacting Equiniti Limited on 0371-384-2343 (if calling within the UK) or +44 (0)121-415-7047 (if calling from outside the UK). Lines are open Monday to Friday 8.30 am to 5.30 pm, excluding UK Bank Holidays. You may also request that all future documents, announcements and information to be sent to you in relation to the Final Offer should be in hard copy form.