

Millennium & Copthorne Hotels plc
(“M&C” or “the Company”)

ESTABLISHMENT OF A HOTEL REAL ESTATE INVESTMENT TRUST GROUP

1. Introduction

The Board of Directors of M&C is pleased to announce that the Singapore Exchange Securities Trading Limited (“SGX-ST”) has on 26 May 2006 granted a conditional eligibility-to-list letter for the admission of all of the Stapled Securities (as defined hereunder) in CDL Hospitality REIT Group to the Official List of the Main Board of the SGX-ST. The eligibility-to-list letter is not an indication of the investment merits of CDL Hospitality REIT Group and the Stapled Securities being offered for investment.

CDL Hospitality REIT Group will be a stapled group (the “Stapled Group”), comprising CDL Hospitality Real Estate Investment Trust (“H-REIT”), a real estate investment trust, and CDL Hospitality Business Trust (“HBT”), a business trust. The Stapled Group’s business activities will focus on real estate primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real estate related assets in relation to the foregoing.

A preliminary prospectus of the Stapled Group (“Prospectus”) in connection with the proposed initial public offering (“IPO”), containing details on the Stapled Group including the Properties (as defined hereunder, comprising the initial asset portfolio of H-REIT), the risk factors and distribution policy will be lodged with the Monetary Authority of Singapore (“MAS”) in due course. **This proposed IPO is subject to, among other things, regulatory approval from the SGX-ST and the MAS. Accordingly, shareholders and other investors should note that the proposed IPO is dependent on a number of factors and subject to a number of conditions, which may or may not be satisfied. The Board has not made a final decision on whether or not to proceed, and if so when to proceed, with the proposed IPO. Thus, there can be no assurance that the proposed IPO will proceed.**

2. The Stapled Group

The Stapled Group will comprise H-REIT and HBT. The units in H-REIT and units in HBT will be stapled together (the “Stapled Securities”) under the terms of a stapling deed to be entered into between M&C REIT Management Limited (a wholly-owned subsidiary of the Company and acting as the manager of H-REIT) (“H-REIT Manager”) and M&C Business Trust Management Limited (a wholly-owned subsidiary of the Company and acting as the trustee-manager of HBT) (“HBT Trustee-Manager”). As the units in H-REIT and the units in HBT will comprise the Stapled Securities, these units cannot be traded separately.

H-REIT will be established with the principal 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 will be dormant at the proposed listing date and may become active going forward under certain circumstances which will be set out more fully in the Prospectus.

3. H-REIT’s Initial Asset Portfolio

H-REIT’s initial asset portfolio will comprise four Singapore hotels, namely Orchard Hotel Singapore (“Orchard Hotel”), Grand Copthorne Waterfront Hotel Singapore (“Grand Copthorne Waterfront Hotel”), M Hotel Singapore (“M Hotel”) and Copthorne King’s Hotel Singapore (“Copthorne King’s Hotel”) (collectively known as the “Hotels”), and Orchard Hotel Shopping Arcade, a shopping arcade annexed to Orchard Hotel (the Hotels and Orchard Hotel Shopping Arcade collectively known as the “Properties”).

City Developments Limited (“CDL”), the Company’s intermediate holding company, and certain wholly-owned subsidiaries of the Company, namely, Republic Hotels & Resorts Limited (“RHRL”), Harbour View Hotel Pte. Ltd. (“HVHPL”) and City

Hotels Pte. Ltd. ("CHPL"), (collectively known as the "Vendors") will enter into various sale and purchase agreements ("Sale and Purchase Agreements") with DBS Trustee Limited (an independent professional trust company registered under the Trust Companies Act, Chapter 336 of Singapore) ("H-REIT Trustee"), acting on behalf of H-REIT, pursuant to which H-REIT will respectively acquire a 75-year leasehold interest in Grand Copthorne Waterfront Hotel from CDL and the following from the respective wholly-owned subsidiaries of the Company:-

- (a) 75-year leasehold interest in Orchard Hotel from CHPL;
- (b) 75-year leasehold interest in M Hotel from HVHPL;
- (c) the remaining approximately 61 year term of a 99-year leasehold interest in Copthorne King's Hotel from RHRL; and
- (d) 75-year leasehold interest in Orchard Hotel Shopping Arcade from CHPL.

Further details of the Properties will be set out in the Prospectus.

Except for the Orchard Hotel Shopping Arcade, H-REIT will enter into a 20-year fixed term lease with each of RHRL, HVHPL and CHPL acting as lessees for the respective hotel assets, with an option to renew for another term of 20 years at each lessee's option. The Grand Copthorne Waterfront Hotel will be leased by H-REIT to RHRL whilst the other 3 hotels will be leased to their respective vendors. The lessees will each pay H-REIT rental comprising the sum of a fixed rent, a fixed service charge and a variable rent that is computed based on a percentage of the respective hotels' revenue and a percentage of the respective hotels' gross operating profits for the prevailing financial year, which will allow H-REIT to earn passive rental income.

As for Orchard Hotel Shopping Arcade, H-REIT will take over the existing leases therein and continue to lease the retail units out to various tenants directly and derive rental income therefrom.

The appraised values of the Properties as at 28 February 2006 was approximately S\$846.3 million (approximately £286.6 million), based on a valuation of the Properties undertaken by CB Richard Ellis (Pte) Ltd ("CBRE"), the independent valuer appointed by the H-REIT Manager. This was not significantly different from the appraised values of the Properties as at the same date carried out by Knight Frank Pte Ltd ("Knight Frank"), the independent valuer appointed by the H-REIT Trustee. The individual appraised values of the Properties are as follows:

Property	Appraised Value by CBRE (as at 28 February 2006)	Appraised Value by Knight Frank (as at 28 February 2006)
Orchard Hotel	S\$330.1 million	S\$330.0 million
Grand Copthorne Waterfront Hotel	S\$234.1 million	S\$233.9 million
M Hotel	S\$161.5 million	S\$161.7 million
Copthorne King's Hotel	S\$86.1 million	S\$85.5 million
Orchard Hotel Shopping Arcade	S\$34.5 million	S\$35.2 million
Total	S\$846.3 million	S\$846.3 million

The revenue and profit before tax generated by the Properties and attributable to the Company for the financial year ended 31 December 2005 ("FY2005") were as follows:

Property	FY 2005 Revenue	FY2005 Profit Before Tax
Orchard Hotel	S\$55.1 million	S\$19.1 million
Grand Copthorne Waterfront Hotel 1	S\$1.7 million	S\$1.7 million
M Hotel	S\$30.9 million	S\$10.7 million
Copthorne King's Hotel	S\$19.3 million	S\$2.8 million
Orchard Hotel Shopping Arcade	S\$3.4 million	S\$2.0 million
Total 2	S\$110.4 million	S\$36.3 million

Notes:

1. As this property is owned by CDL, the revenue and profit before tax of Grand Copthorne Waterfront Hotel attributable to the Company only relates to hotel management fees.
2. The profit before tax attributable to the Properties owned by the Company's subsidiaries (Orchard Hotel, M Hotel, Copthorne King's Hotel and Orchard Hotel Shopping Arcade) is an aggregate amount of S\$34.6 million.

The terms and conditions, including the sale price of the Properties will be determined upon entering into the Sale and Purchase Agreements with the respective Vendors which will be agreed in due course and which will be set out more fully in the Prospectus.

4. Proposed Initial Public Offering ("IPO")

The terms and the structure of the proposed IPO will be fully set out in the Prospectus. DBS Bank Ltd ("DBS") and The Hongkong and Shanghai Banking Corporation Ltd ("HSBC") have been appointed Joint Financial Advisers, Joint Global Coordinators and Joint Bookrunners for the proposed IPO, subject to a definitive underwriting agreement to be executed in due course.

5. The Company's Interest

To demonstrate its commitment to the Stapled Group, the Company, through a wholly-owned subsidiary, is expected to

subscribe for approximately 39% interest in the Stapled Group, funded through the proceeds of the disposal.

6. Rationale for the Sale of Properties

The flotation of the Stapled Group will:

- a) unlock shareholders' value in the Singapore hotel assets owned by the Company; and
- b) enable the Company to pursue the twin strategies of revenue growth through increased fee-based income and increased investment exposure to hospitality and/or hospitality related real estate.

The H-REIT Manager and HBT Trustee-Manager are wholly-owned subsidiaries of the Company and will receive management fees for providing certain management services to H-REIT and HBT, respectively. Further, the H-REIT Manager and HBT Trustee-Manager will also earn acquisition fees and divestment fees for successful acquisitions and disposal of properties, respectively, on behalf of H-REIT and HBT, respectively.

With the flotation of the Stapled Group, the Company will have a specialised vehicle publicly listed on an internationally recognized stock exchange for the purpose of acquiring and funding future hotel acquisitions through inter-alia, a listed real estate investment trust structure. H-REIT will be an asset-owning vehicle focused on delivering stable and growing distributions and making yield-accretive acquisitions of properties used for hospitality and/or hospitality-related purposes initially in Singapore, and eventually globally. As a real estate investment trust, H-REIT should also be a more capital-efficient asset-owning vehicle.

The use of proceeds from the disposal of the Orchard Hotel, M Hotel, Copthorne King's Hotel and Orchard Hotel Shopping Arcade by the Company's subsidiaries will partly fund the acquisition of approximately 39% of the Stapled Group, with the balance to be used for working capital purposes.

Enquiries:

Millennium & Copthorne Hotels plc

Tony Potter, Group Chief Executive Officer +44 (0) 20 7872 2444

Robin Lee, Senior Vice President Finance +44 (0) 20 7872 2444

Financial Dynamics

Ben Foster/Charlie Watenphul +44 (0) 20 7831 3113

IMPORTANT NOTICE

The information contained in this Announcement does not constitute an offer or invitation to sell or the solicitation of an offer or invitation to purchase or subscribe for stapled securities ("Stapled Securities") in CDL Hospitality REIT Group (the "Stapled Group") in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract or commitment whatsoever. The information in this Announcement is qualified in its entirety by, and is subject to, the more detailed information to be set out in the final prospectus ("Prospectus") to be registered by the Monetary Authority of Singapore (the "Authority"). The information presented in this Announcement is subject to change. After registration of the prospectus by the Authority, copies of the Prospectus relating to the proposed initial public offering may be obtained, subject to availability, from DBS Bank Ltd and The Hongkong and Shanghai Banking Corporation Ltd (collectively known as the "Underwriters") and, where applicable, from members of the Association of Banks in Singapore, members of the Singapore Exchange Securities Trading Limited ("SGX-ST") and merchant banks in Singapore. Anyone wishing to purchase the Stapled Securities should read the Prospectus before deciding whether to purchase the Stapled Securities and will need to make an application in the manner set out in the Prospectus. Any decision to purchase the Stapled Securities should be made solely on the basis of information contained in the Prospectus and no reliance should be placed on any information other than that contained in the Prospectus.

The value of the Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations or, deposits in, or guaranteed by, M&C REIT Management Limited ("H-REIT Manager"), DBS Trustee Limited ("H-REIT Trustee"), M&C Business Trust Management Limited ("HBT Trustee-Manager"), the Underwriters, Millennium & Copthorne Hotels plc (the "Company") or any of their respective affiliates. An investment in the Stapled Securities will be subject to investment risks, including without limitation, risks relating to the properties constituting the initial asset portfolio of the Stapled Group, risks relating to the Stapled Group's operations and risks relating to investing in real estate and including the possible loss of the principal amount invested. Investors will have no right to request that the H-REIT Manager and HBT Trustee-Manager redeem or purchase the Stapled Securities while the Stapled Securities are listed. It is intended that holders of Stapled Securities 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.

This Announcement should not be distributed to persons with addresses in the United States of America or in any other country where such distribution may lead to a breach of any applicable law and/or regulation. The Stapled Securities will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or under the relevant securities laws of any state or other jurisdiction of the United States. Accordingly, the Stapled Securities may not (unless an exemption under the Securities Act or other relevant securities laws is available) be offered, sold, taken up, or delivered, directly or indirectly, in, into or from the United States or any other jurisdiction where this would constitute a violation of the

relevant laws of, or require registration thereof in, such a jurisdiction or to, or for the account or benefit of, any U.S. persons (as defined in Regulation S under the Securities Act).

This Announcement may contain forward-looking statements that involve risks and uncertainties. Any 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. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the H-REIT Manager, the H-REIT Trustee, the HBT Trustee-Manager, the Underwriters, the Company or any of their respective affiliates or any other person or that these results will be achieved or are likely to be achieved. Potential investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Company's current view of future events.

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