

GENERAL ANNOUNCEMENT::PROPOSED DISTRIBUTION IN SPECIE OF UNITS IN CDL HOSPITALITY TRUSTS

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CITY DEVELOPMENTS LIMITED

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CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09

Stapled Security

No

Announcement Details

Announcement Title

General Announcement

Date & Time of Broadcast

25-Feb-2022 07:02:15

Status

New

Announcement Sub Title

Proposed Distribution in specie of units in CDL Hospitality Trusts

Announcement Reference

SG220225OTHRSWHA

Submitted By (Co./ Ind. Name)

Enid Ling Peek Fong

Designation

Company Secretary

Description (Please provide a detailed description of the event in the box below)

Please refer to the attached.

Attachments

[2502_CD_L04.pdf](#)

Total size = 382K MB

CITY DEVELOPMENTS LIMITED

(Co. Reg. No. 196300316Z)
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT

PROPOSED DISTRIBUTION *IN SPECIE* OF UNITS IN CDL HOSPITALITY TRUSTS

1. INTRODUCTION

The Board of Directors (the “**Board**”) of City Developments Limited (“**CDL**” or the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing to undertake a distribution *in specie* (the “**Proposed Distribution**”) to distribute 144,300,000 stapled securities in CDL Hospitality Trusts (“**CDLHT**” and such stapled securities, the “**CDLHT Units**”), representing approximately 11.72% of the CDLHT Units in issue as at the date of this Announcement, to the shareholders of the Company (the “**Shareholders**”) on a *pro rata* basis.

2. BACKGROUND TO, AND RATIONALE FOR, THE PROPOSED DISTRIBUTION

The COVID-19 pandemic which spread across the globe in 2020 and 2021, had a material impact on the Group’s financial performance across its various segments and geographies. The business outlook for the Group is expected to improve as the world adjusts to living alongside COVID-19, with Singapore and several countries making the transition from pandemic to endemic. As evidenced in the Group’s unaudited consolidated financial statements for the full year ended 31 December 2021 (“**CDL FY2021 Financial Results**”), its business segments are making steady progress and on a stable recovery trajectory.

In conjunction with its “Growth, Enhancement and Transformation” (“**GET**”) strategy, the Group has been actively reviewing its real estate portfolio to extract value by recycling and reallocating capital, in favour of assets well-positioned to generate resilient returns for shareholders.

Since the Group’s privatisation of Millennium & Copthorne Hotels Limited (“**M&C**”) in November 2019, it has been holistically evaluating its hotel operations segment to drive operational efficiency and enhance shareholder value. It has since successfully executed several strategic divestments including the sizable sale of Millennium Hilton Seoul which will result in a substantial gain of S\$528.83 million.

Improving Hospitality Outlook

The hospitality industry is among the sectors hardest hit by COVID-19. Today, with increasing vaccination rates globally, the resumption of international travel, a gradual reopening of borders and the easing of restrictions, the sector is on the cusp of a strong recovery and well-positioned for growth. The Board therefore considers now to be an opportune time to rebalance the Group’s asset and investment portfolio, and at the same time, with the Proposed Distribution, unlock value for Shareholders by providing them with the opportunity to participate in the post-pandemic recovery and growth of the hospitality industry.

Reward Shareholders

The Board wishes to express appreciation to Shareholders for their confidence and support through the challenging periods and to reward Shareholders with a special dividend in the form of the Proposed Distribution. This is in addition to the Final Ordinary Dividend of 8 Singapore cents and the Special Final Ordinary Dividend of 1 Singapore cent per CDL Share proposed by CDL Group.¹ The Proposed Distribution will be beneficial to Shareholders to own CDLHT Units at no additional cost.

Strengthen Financials and Unlock Value

The Proposed Distribution would result in an accounting deconsolidation of CDLHT from the Group as a subsidiary, and the Group will recognise its retained interest of approximately 27% in CDLHT as an associate. Following the accounting deconsolidation of CDLHT, based on the assumptions set out in paragraph 5 of this Announcement and on a pro forma basis, the Group is expected to recognise an estimated gain in the statement of profit or loss of approximately S\$467.5 million.² The Group's Net Asset Value ("**NAV**") per Share as of 31 December 2021 would also be expected to improve from S\$9.28 to S\$9.66 on a pro forma basis. Please refer to paragraph 5 of this Announcement for further details on the pro forma financial effects of the Proposed Distribution.

Going forward, resulting from the accounting deconsolidation, the Group would also have the potential to book gains on any future sale of assets from the Group to CDLHT if the transaction value exceeds the carrying book value of the assets. Hence, the Proposed Distribution will strengthen the Group's financials and provide opportunities to unlock further value from the Group's hospitality portfolio in the years ahead.

Strategic Alignment and Continued Support for CDLHT

The Group remains fully committed as a sponsor of CDLHT. Following the Proposed Distribution, the Group will continue to be the largest unitholder of CDLHT with an interest of approximately 27%. For the avoidance of doubt, there will be no change to the managers of CDLHT. The current managers of CDLHT, being M&C REIT Management Limited (as manager CDL Hospitality Real Estate Investment Trust ("**CDL H-REIT**")) and M&C Business Trust Management Limited (as trustee-manager of CDL Hospitality Business Trust ("**CDL HBT**")), are indirect wholly-owned subsidiaries of the Company and will remain as the managers of CDLHT post-Proposed Distribution.

In July 2021, CDLHT announced that it had broadened its investment mandate to include more asset types, including rental housing, also known as the private rented sector ("**PRS**"). Similarly, the Group has built up a portfolio of PRS assets, which may be considered potential pipeline assets for CDLHT when stabilised, subject to evaluation and negotiations between both parties.

¹ Please refer to the announcement dated 25 February 2022 released by the Company for further information in relation to the proposed Final Ordinary Dividend and Special Final Ordinary Dividend, which is available on the website of the SGX-ST at the URL <https://www.sgx.com> and on the website of the Company at the URL <https://cdl.com.sg>.

² The estimated gain in the statement of profit or loss arising from the accounting deconsolidation of CDLHT is purely for illustrative purposes only, and is arrived at based on several assumptions set out in paragraph 5 of this Announcement including but not limited to, the CDLHT unit price of S\$1.20 per CDLHT Unit, the number of CDLHT Units in issue as at 25 February 2022, and is based on the unaudited financial positions of CDL and CDLHT as at 31 December 2021. In addition, the estimated gain does not include any adjustment to the Group's estimated retained interest of 27% in CDLHT that may arise from the measurement of the net identifiable assets and liabilities of CDLHT at Completion Date. The actual gain upon completion of the Proposed Distribution may differ from the estimated gain.

This strategic alignment with CDLHT offers even greater possibilities for the Group and allows for synergies to be reaped with the Group's diversified portfolio, which includes a strong portfolio of PRS assets in the UK and Japan.

3. INFORMATION ON CDL HOSPITALITY TRUSTS

3.1 General

CDLHT is one of Asia's leading hospitality trusts with assets under management of about S\$2.9 billion as at 31 December 2021. CDLHT is a stapled group comprising CDL H-REIT, a real estate investment trust, and CDL HBT, a business trust. CDLHT was listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 19 July 2006. M&C REIT Management Limited is the manager of CDL H-REIT, the first hotel real estate investment trust in Singapore, and M&C Business Trust Management Limited is the trustee-manager of CDL HBT.

CDLHT's principal investment strategy is to invest in a diversified portfolio of real estate which is or will be primarily used for hospitality, hospitality-related and other accommodation and/or lodging purposes (including, without limitation, hotels, serviced apartments, resorts, motels, other lodging facilities and properties used for rental housing, co-living, student accommodation and senior housing).

3.2 Financial Information

Based on the unaudited consolidated financial statements of CDLHT for its financial year ended 31 December 2021 (the "**CDLHT FY2021 Financial Results**"):

- (i) the revenue and net profit before tax of CDLHT are approximately S\$157,724,000 and S\$71,642,000 respectively; and
- (ii) the net asset value of CDLHT attributable to its unitholders is approximately S\$1,635,334,000 as at 31 December 2021.

4. DETAILS OF THE PROPOSED DISTRIBUTION

4.1 Method of Distribution and Distribution Ratio

As at the date of this Announcement, the Company does not have any direct interest in CDLHT but holds 476,731,419 CDLHT Units, representing approximately 38.72% of the total number of CDLHT Units in issue as at the date of this Announcement, through the following indirect wholly-owned subsidiaries:

- (i) Hospitality Holdings Pte. Ltd. ("**HHPL**"), which directly holds 313,950,000 CDLHT Units, representing approximately 25.50% of the total number of CDLHT Units in issue as at the date of this Announcement;
- (ii) Republic Hotels & Resorts Limited, which directly holds 62,790,000 CDLHT Units, representing approximately 5.10% of the total number of CDLHT Units in issue as at the date of this Announcement;
- (iii) M&C REIT Management Limited, which directly holds 98,285,648 CDLHT Units,

representing approximately 7.98% of the total number of CDLHT Units in issue as at the date of this Announcement; and

- (iv) M&C Business Trust Management Limited, which directly holds 1,705,771 CDLHT Units, representing approximately 0.14% of the total number of CDLHT Units in issue as at the date of this Announcement.

To facilitate the Proposed Distribution, the Company will enter into a sale and purchase agreement with HHPL to acquire 144,300,000 CDLHT Units, representing approximately 11.72% of the total number of CDLHT Units in issue as at the date of this Announcement (the “**Restructuring Exercise**”).

Subject to the satisfaction of the conditions set out in paragraph 4.4 below, the Proposed Distribution will be effected by way of a dividend *in specie* to Shareholders *pro rata* to their respective shareholdings in the Company, on the basis of 0.159 CDLHT Unit for each ordinary share in the issued share capital of the Company (the “**Share**” or “**CDL Share**”) held by Shareholders or on their behalf as at a record date to be determined by the Company (the “**Record Date**”), fractional entitlements to be disregarded.

Shareholders will receive the CDLHT Units free of cash outlay. The CDLHT Units will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is completed.

4.2 Entitled Shareholders

Shareholders who hold Shares as at the Record Date will be entitled to the Proposed Distribution (“**Entitled Shareholders**”).

4.3 Appropriation from Retained Profits

To effect the Proposed Distribution as a dividend *in specie* (characterized as a one-tier dividend), the Company will appropriate an amount out of the retained profits of the Company to meet the amount of dividend to be declared. The final appropriated amount will be based on the value of the CDLHT Units on the date the Proposed Distribution is completed (the “**Completion Date**”). For illustrative purposes, assuming that CDLHT is trading at S\$1.20 per CDLHT Unit on the Completion Date, the amount to be appropriated would be approximately S\$173.2 million.

4.4 Conditions to the Proposed Distribution

The Proposed Distribution is subject to and conditional upon, *inter alia*, the following:

- (i) the completion of the Restructuring Exercise (as defined in paragraph 4.1 above);
- (ii) the approval of Shareholders by way of an ordinary resolution for the Proposed Distribution at a general meeting of the Company to be convened; and
- (iii) all other necessary waivers, consents and approvals from, *inter alia*, the SGX-ST and other third parties in connection with the Proposed Distribution being obtained.

4.5 Effects of the Proposed Distribution

On completion of the Proposed Distribution, the Company will continue to not hold any direct interest in CDLHT but will continue to indirectly hold 332,431,419 CDLHT Units, representing approximately 27.00% of the total number of CDLHT Units in issue as at the date of this Announcement, through the following indirect wholly-owned subsidiaries:

- (i) HHPL, which will directly hold 169,650,000 CDLHT Units, representing approximately 13.78% of the total number of CDLHT Units in issue as at the date of this Announcement;
- (ii) Republic Hotels & Resorts Limited, which will continue to directly hold 62,790,000 CDLHT Units, representing approximately 5.10% of the total number of CDLHT Units in issue as at the date of this Announcement;
- (iii) M&C REIT Management Limited, which will continue to directly hold 98,285,648 CDLHT Units, representing approximately 7.98% of the total number of CDLHT Units in issue as at the date of this Announcement; and
- (iv) M&C Business Trust Management Limited, which will continue to directly hold 1,705,771 CDLHT Units, representing approximately 0.14% of the total number of CDLHT Units in issue as at the date of this Announcement.

Shareholders will hold both CDL Shares and CDLHT Units. **The Proposed Distribution will not result in any change to the issued and paid-up share capital of the Company after the Proposed Distribution or to the number of CDL Shares held by each Shareholder.**

4.6 Notice of Record Date

Subject to the fulfilment of the conditions to the Proposed Distribution, the Company will, in due course, announce the Record Date in order to determine the entitlements of each Entitled Shareholder to the CDLHT Units.

4.7 Odd Lots

The CDLHT Units are currently traded in board lots of 100 CDLHT Units in the ready market. Shareholders may receive odd lots of CDLHT Units pursuant to the Proposed Distribution (that is, lots other than board lots of 100 CDLHT Units). Shareholders who receive odd lots of CDLHT Units pursuant to the Proposed Distribution and who wish to trade such odd lots of CDLHT Units on the SGX-ST are able to trade with a minimum size of one CDLHT Unit on the Unit Share Market of the SGX-ST. Shareholders should note that the market for trading of odd lots of CDLHT Units may be illiquid and trading in odd lots of CDLHT Units may also incur a proportionately higher brokerage cost than trading in board lots of CDLHT Units.

5. FINANCIAL EFFECTS OF THE PROPOSED DISTRIBUTION

5.1 Bases and Assumptions

The pro forma financial effects of the Proposed Distribution on selected financial measures of the Group have been prepared based on the CDL FY2021 Financial Results and the CDLHT FY2021 Financial Results, and are purely for illustrative purposes only and do not reflect the future actual financial position of the Group following the completion of the Proposed Distribution.

The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

- (i) the Proposed Distribution will result in the de-recognition of CDLHT as a subsidiary of the Group and the Group will recognise its remaining interest in CDLHT as an associate post the Proposed Distribution;
- (ii) the Company will acquire 144,300,000 CDLHT Units from HHPL and the Proposed Distribution of such CDLHT Units will be based on the value of the CDLHT Units on the Completion Date. For the pro forma financial purposes, assuming that CDLHT is trading at S\$1.20 per CDLHT Unit on the Completion Date, the amount of the Proposed Distribution is approximately S\$173.2 million;
- (iii) the net borrowings, net gearing, net tangible assets (the “**NTA**”), net asset value (the “**NAV**”) and revalued net asset value (the “**RNAV**”) per Share of the Group have been prepared on the assumption that the Proposed Distribution had been completed on 31 December 2021, being the end of the most recently completed financial year of the Group and of which the statement of financial position of the Group has been publicly announced;
- (iv) the earnings per Share (the “**EPS**”) of the Group has been prepared on the assumption that: the Proposed Distribution had been completed on 1 January 2021, being the beginning of the most recently completed financial year of the Group and of which the statement of profit or loss of the Group has been publicly announced, and the distribution had been made at CDLHT’s unit price of S\$1.27 as at 1 January 2021; and
- (v) the financial effects do not include any adjustment to the Group’s estimated retained interest of 27% in CDLHT that may arise from the measurement of the net identifiable assets and liabilities of CDLHT.

5.2 NTA and NAV

For illustrative purposes only, assuming that the Proposed Distribution had been completed on 31 December 2021, the pro forma financial effects of the Proposed Distribution on the NTA, NTA per Share, NAV, NAV per Share and RNAV per Share of the Group are as follows:

	Before the Proposed Distribution	After the Proposed Distribution
NTA (S\$ million)	8,412	8,756
NTA per Share ⁽¹⁾ (S\$)	9.28	9.65
NAV (S\$ million)	8,414	8,758
NAV per Share ⁽¹⁾ (S\$)	9.28	9.66
RNAV per Share ^{(1) (2)} (S\$)	15.70	16.04

Note:

- (1) The figures are based on the issued share capital of 906,901,330 Shares (excluding treasury shares) as at 31 December 2021.
- (2) Taking into consideration the fair values of the Group's investment properties and its share of the fair values of the investment properties of its equity-accounted investees.

5.3 EPS

For illustrative purposes only, assuming that the Proposed Distribution had been completed on 1 January 2021, the pro forma financial effects of the Proposed Distribution on the EPS of the Group are as follows:

	Before the Proposed Distribution	After the Proposed Distribution
Net profit attributable to ordinary shareholders (S\$ million)	97.7	554.2
EPS ⁽¹⁾ (S\$ cents)	9.3	59.7

Note:

- (1) The figures are based on the weighted average of 906,901,330 Shares (excluding treasury shares) as at 31 December 2021.

5.4 Leverage Ratios

For illustrative purposes only, assuming that the Proposed Distribution had been completed on 31 December 2021, the pro forma financial effects of the Proposed Distribution on the leverage ratios of the Group are as follows:

	Before the Proposed Distribution	After the Proposed Distribution
Net borrowings (S\$ million)	9,232	8,176

	Before the Proposed Distribution	After the Proposed Distribution
Net Gearing (%)	99	90
Net Gearing (including the fair value of investment properties ⁽¹⁾) (%)	61	55

Note:

(1) Taking into consideration the fair values of the Group's investment properties and its share of the fair values of the investment properties of its equity-accounted investees.

5.5 Share Capital

The Proposed Distribution will not have any impact on the number of Shares held by Shareholders after the Proposed Distribution or on the share capital of the Company.

6. OVERSEAS SHAREHOLDERS

Where the Board is of the view that the distribution of the CDLHT Units to any Overseas Shareholders (as defined below) may infringe any relevant foreign law or may necessitate compliance with conditions or requirements which they, in their sole discretion, regard as onerous by reason of costs, delay or otherwise, the CDLHT Units which such Overseas Shareholders would have been entitled to pursuant to the Proposed Distribution (the "**Overseas Shareholders' CDLHT Units**") will not be distributed to such Overseas Shareholders. Instead, the Overseas Shareholders' CDLHT Units shall be transferred to such person(s) as the Board may appoint, to sell the relevant CDLHT Units and thereafter to distribute the net proceeds proportionately among such Overseas Shareholders. For the purposes of this Announcement, "**Overseas Shareholders**" means Entitled Shareholders whose registered address appearing in the register of members of the Company or the depository register maintained by The Central Depository (Pte) Limited (as the case may be) is outside Singapore.

Further information on the entitlements of the Overseas Shareholders will be set out in the Circular (as defined below).

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

7.1 Interests of Directors and Controlling Shareholders in CDL Shares

	Class of CDL Shares	Number of CDL Shares held	% ⁽¹⁾
<u>Director of CDL</u>			
Kwek Leng Beng	Ordinary	397,226	0.044
	Preference	144,445	0.044

	Direct Interests		Ordinary Shares Deemed Interests		Total number of CDL Shares held	% ⁽¹⁾
	No. of CDL Shares	% ⁽¹⁾	No. of CDL Shares	% ⁽¹⁾		
<u>Controlling Shareholders of CDL</u>						
Hong Leong Holdings Limited	148,787,477	16.406	19,546,445 ⁽²⁾	2.155	168,333,922	18.561
Hong Leong Investment Holdings Pte. Ltd.	168,714,256	18.603	271,601,888 ⁽³⁾	29.948	440,316,144	48.552
Davos Investment Holdings Private Limited	-	-	440,316,144 ⁽⁴⁾	48.552	440,316,144 ⁽⁴⁾	48.552
Kwek Holdings Pte Ltd	-	-	440,316,144 ⁽⁴⁾	48.552	440,316,144 ⁽⁴⁾	48.552

Notes:

- (1) The percentage of CDL Shares is based on the total number of 906,901,330 issued Ordinary Shares (excluding treasury shares) and 330,874,257 Preference Shares in the capital of the Company as at 25 February 2022.
- (2) Hong Leong Holdings Limited is deemed under Section 4 of the Securities and Futures Act 2001 (“SFA”) to have an interest in the 19,546,445 Ordinary Shares held directly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (3) Hong Leong Investment Holdings Pte. Ltd. is deemed under Section 4 of the SFA to have an interest in the 271,601,888 Ordinary Shares held directly and/or indirectly by companies in which it is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.
- (4) Davos Investment Holdings Private Limited and Kwek Holdings Pte Ltd are deemed under Section 4 of the SFA to have an interest in the 440,316,144 Ordinary Shares held directly and/or indirectly by Hong Leong Investment Holdings Pte. Ltd. in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

7.2 Interests of Directors and Controlling Shareholders in CDLHT Units

	Direct Interests		Deemed Interests		Total number of CDLHT Units held	% ⁽¹⁾
	No. of CDLHT Units	% ⁽¹⁾	No. of CDLHT Units	% ⁽¹⁾		
<u>Director of CDL</u>						
Kwek Leng Beng	8,922,000	0.725	-	-	8,922,000	0.725
<u>Controlling Shareholders of CDL</u>						
Hong Leong Investment Holdings Pte. Ltd.	-	-	481,531,419 ⁽²⁾	39.109	481,531,419 ⁽²⁾	39.109
Davos Investment Holdings Private Limited	-	-	481,531,419 ⁽²⁾	39.109	481,531,419 ⁽²⁾	39.109
Kwek Holdings Pte Ltd	-	-	481,531,419 ⁽²⁾	39.109	481,531,419 ⁽²⁾	39.109

Notes:

- (1) The percentage of CDLHT Units is based on the total number of 1,231,266,225 issued CDLHT Units as at 25 February 2022.

- (2) 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 481,531,419 CDLHT Units held by companies in which they are entitled to exercise or control the exercise of not less than 20% of the votes attached to the CDLHT Units thereof.

Save as set out above, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Distribution, other than through their respective direct or indirect shareholdings and/or unitholdings (if any) in the Company and CDLHT.

8. CIRCULAR AND FURTHER INFORMATION

- 8.1** A circular to Shareholders (the “**Circular**”) containing further details in respect of the Proposed Distribution and a notice of the general meeting to be convened to approve the Proposed Distribution, will be despatched to the Shareholders in due course.
- 8.2** In the meantime, Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests until they or their advisers have considered the information and the recommendations to be set out in the Circular.

By Order of the Board

Yeo Swee Gim, Joanne
Enid Ling Peek Fong
Company Secretaries
25 February 2022