

CITY DEVELOPMENTS LIMITED

PROPOSED ONE-OFF SPECIAL CASH DIVIDEND, PROPOSED BONUS ISSUE OF BONUS WARRANTS AND PROPOSED RENOUNCEABLE RIGHTS ISSUE OF PREFERENCE SHARES

1. INTRODUCTION

1.1 The Board of Directors of City Developments Limited (“CDL” or “Company”) wishes to announce that the Company is proposing (subject to the conditions described in section 6 below):-

- (a) a one-off special cash dividend (“Special Cash Dividend”) of \$0.50 (gross) or \$0.39¹ (net) (after deduction of tax at the prevailing rate of 22%) per ordinary share of \$0.50 each held in the capital of the Company (“Share”), amounting to an aggregate of approximately \$322.6 million¹ (net) (after deduction of tax at the prevailing rate of 22%);
- (b) a bonus issue (“Bonus Issue”) of up to 82,718,564 bonus warrants (“Bonus Warrants”), on the basis of one (1) Bonus Warrant for every ten (10) Shares held, fractional entitlements to be disregarded; and
- (c) a renounceable rights issue (“Rights Issue”) of up to 330,874,257 non-redeemable convertible non-cumulative preference shares of \$0.05 each in the capital of the Company (“Preference Shares”) at an issue price of \$1.00 (“Issue Price”) for each Preference Share, on the basis of two (2) Preference Shares for every five (5) Shares held, fractional entitlements to be disregarded,

collectively, the “Proposed Transactions”.

1.2 An application will be made to the Singapore Exchange Securities Trading Limited (“SGX-ST”) for its approval in-principle for the listing of and quotation for the Bonus Warrants, the Preference Shares, the new Shares to be issued upon the exercise of the Bonus Warrants (“New Shares”) and the Shares into which the Preference Shares may be converted (please see section 4.4 below for more details) on the Official List of the SGX-ST. An extraordinary general meeting (“EGM”) of the Company will be convened to seek the approval of shareholders of the Company (“Shareholders”) for, *inter alia*, the Proposed Transactions. The Proposed Transactions are inter-conditional, and none of the Proposed Transactions will be undertaken by the Company unless, *inter alia*, approval for each of them is obtained from Shareholders.

¹ Depending on the prevailing tax rate at the time of payment of the Special Cash Dividend, the net amount after deduction of tax may vary.

- 1.3 DBS Bank Ltd (“DBS Bank”) has been appointed as the Financial Adviser to the Company for the Bonus Issue and the Rights Issue. No underwriting commitment has been arranged with any financial institution for the Rights Issue. Please, however, refer to section 4.6 below relating to the Irrevocable Undertaking.

2. THE SPECIAL CASH DIVIDEND

The Directors propose to seek Shareholders’ approval for the declaration of the Special Cash Dividend, being a one-off dividend of \$0.50 (gross) or \$0.39¹ (net) (after deduction of tax at the prevailing rate of 22%) for each Share held by Shareholders as at the books closure date (“Books Closure Date”) to be fixed by the Directors for the purpose of determining the entitlements of Shareholders under the Special Cash Dividend, the Bonus Issue and the Rights Issue. The Special Cash Dividend will amount to an aggregate of approximately \$322.6 million¹ (net) (after deduction of tax at the prevailing rate of 22%) and the Company’s revenue reserve account will be reduced by such amount prior to completion of the Rights Issue.

Shareholders should note that the payment of the Special Cash Dividend is subject to, and contingent upon, *inter alia*, the approval of Shareholders being obtained for the Bonus Issue and the Rights Issue.

The Special Cash Dividend is a one-off exercise and is in addition to the proposed first and final dividend of 15% less 22% income tax recommended by the Directors for the financial year ended 31 December 2003.

Shareholders whose names appear in the records of The Central Depository (Pte) Limited (“CDP”) or the Register of Members of the Company, as the case may be, as at the Books Closure Date, will be entitled to the Special Cash Dividend.

3. THE BONUS ISSUE

3.1 Basis of Bonus Issue

The Bonus Warrants, which are to be constituted in an instrument by way of deed poll (“Deed Poll”) and are to be in registered form, are proposed to be issued free to Entitled Shareholders (as defined in section 3.5) on the basis of one (1) Bonus Warrant for every ten (10) Shares held by Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

Fractional entitlements to any Bonus Warrant which are disregarded and not allotted to Entitled Shareholders will be aggregated and sold on the SGX-ST for the benefit of the Company or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit.

Shareholders should note that the issue of any Bonus Warrants is subject to, and contingent upon, *inter alia*, the approval of Shareholders being received for the declaration of the Special Cash Dividend and the Rights Issue.

3.2 Size of Bonus Issue

Based on the issued and paid-up share capital of the Company of 827,185,643 Shares as at the date of this announcement, up to 82,718,564 Bonus Warrants will be issued pursuant to the Bonus Issue.

3.3 Subscription Rights and Exercise Price

Each Bonus Warrant shall confer on the holder thereof the right to subscribe in cash for one (1) New Share at an exercise price of \$2.50 ("Exercise Price"), subject to adjustments under certain circumstances as provided for under the terms and conditions of the Bonus Warrants. Save as may be provided in the Deed Poll, the New Shares will, upon allotment and issue, rank *pari passu* in all respects with the then issued Shares for any dividends, rights, allotments or other distributions, the record date of which falls on or after the relevant date of exercise of the Bonus Warrants.

The Exercise Price is pegged at a discount of approximately 63% to the last traded price of \$6.70 per Share on the SGX-ST on the date of this announcement.

The full exercise of the Bonus Warrants would result in the issue of 82,718,564 New Shares, representing approximately 10% of the Company's issued and paid-up share capital as at the date of this announcement.

3.4 Exercise Period

Subject to the terms and conditions of the Bonus Warrants, the Bonus Warrants may be exercised at any time during the period commencing on and including the date of issue of the Bonus Warrants and expiring at 5.00 p.m. on the day immediately preceding the second (2nd) anniversary of such date of issue of the Bonus Warrants. The Bonus Warrants remaining unexercised at the expiry of the exercise period shall lapse and cease to be valid for any purpose.

3.5 Eligibility to Participate in the Bonus Issue

Shareholders with registered addresses in Singapore as at the Books Closure Date or who have, at least five (5) market days prior to the Books Closure Date, provided the Company or CDP (as the case may be) with addresses in Singapore for the purpose of service of notices and documents ("Entitled Shareholders") will be issued free Bonus Warrants on the basis of their shareholdings as at the Books Closure Date. **The Bonus Warrants are to be issued to Entitled Shareholders regardless of whether they accept their provisional allotments pursuant to the Rights Issue.**

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Bonus Warrants will NOT be issued to Shareholders with registered addresses outside Singapore and who have NOT, at least five (5) market days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, with addresses in Singapore for the service of notices and documents ("Foreign Shareholders"). If practicable,

the Company may, at its discretion, arrange for such Bonus Warrants, which would otherwise have been allotted to Foreign Shareholders, to be sold on the SGX-ST and the net proceeds arising therefrom will be dealt with in such way as the Directors may, in their absolute discretion, deem fit.

4. THE RIGHTS ISSUE

4.1 Description

The Rights Issue is proposed to be offered on a renounceable basis at the Issue Price for each Preference Share on the basis of two (2) Preference Shares for every five (5) Shares held by the Shareholders as at the Books Closure Date.

Fractional entitlements to any Preference Share will be disregarded in arriving at the Shareholders' entitlements and will be aggregated and used to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit.

Shareholders should note that the Rights Issue is subject to, and contingent upon, *inter alia*, the approval of Shareholders being received for the declaration of the Special Cash Dividend and the Bonus Issue.

Entitled Shareholders shall be at liberty to accept, decline, renounce or trade their provisional allotments of the Preference Shares and will be eligible to apply for additional Preference Shares in excess of their provisional allotments under the Rights Issue. Provisional allotments which are not taken up for any reason shall be used to satisfy excess applications or be otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit, for the benefit of the Company.

The Preference Shares are to be payable in full upon acceptance and/or application. The Preference Shares, when allotted and issued, shall rank:-

- (a) *pari passu* without any preference or priority among themselves; and
- (b) in priority over the Shares and other classes of shares in the capital of the Company in respect of (i) payment of the Preference Dividend (as defined in section 4.3) and the Additional Preference Dividend (as defined in section 4.4); and (ii) in the event of a winding up or return of capital (except in the case of a buy-back of Shares pursuant to applicable law and the requirements of the SGX-ST) by the Company, any Preference Dividend that has accrued to holders of the Preference Shares and is unpaid, Additional Preference Dividend (whether or not then due) as well as the amount paid up on the Preference Shares (including the premium paid thereon).

The Company may not issue shares which rank, in terms of payment of dividend and return of capital, in priority to the Preference Shares without the consent of the holders of Preference Shares.

Save as described herein and in the terms and conditions of the Preference Shares, holders of the Preference Shares shall have no further rights to participate in the profits or assets of the Company.

The terms and conditions of the Rights Issue (including the terms and conditions of the Preference Shares) are subject to such changes as the Directors may, after discussion with DBS Bank, deem fit. The final terms and conditions of the Rights Issue will be contained in the offer information statement ("Offer Information Statement") to be despatched by the Company to Entitled Shareholders in due course.

4.2 Size of Rights Issue

Based on the issued and paid-up share capital of the Company of 827,185,643 Shares as at the date of this announcement, up to 330,874,257 Preference Shares are proposed to be issued pursuant to the Rights Issue.

4.3 Dividends payable on the Preference Shares

The Preference Shares shall, subject to the terms and conditions thereof, carry the right to receive a non-cumulative preferential cash dividend ("Preference Dividend") out of profits of the Company available for payment of dividends. The Preference Dividend shall be at such rate per annum as may be determined by the Board at its discretion but not exceeding the fixed rate of 3.9% (net) per annum ("Maximum Dividend Rate") of the Issue Price for each Preference Share. The Preference Dividend (when, as and if declared) shall be payable semi-annually in arrears.

The declaration or payment of any Preference Dividend is at the discretion of the Board, which is under no obligation to make any such declaration or payment on any dividend payment date. If the Company does not declare or pay any Preference Dividend, the Company shall not, *inter alia*, declare or pay any dividend on the Shares unless certain conditions (to be set out in the terms and conditions of the Preference Shares) are satisfied.

4.4 Conversion

Any or all of the Preference Shares are convertible into fully-paid Shares **at the sole option of the Company** at any time on or after the second (2nd) anniversary of their issue, upon the Company giving a conversion notice to the holders of the Preference Shares. **The Preference Shares are not convertible into Shares at the option of the holders of the Preference Shares.** The Preference Shares are perpetual securities and there will be no mandatory conversion of the Preference Shares upon the expiry of a specified time period. The Preference Shares are structured such that, *inter alia*, they are convertible at the sole option of the Company and the Preference Dividend is non-cumulative and subject to the Board's declaration, to facilitate the treatment of the Preference Shares as equity instruments in the books of the Company.

Conversion of the Preference Shares shall be at the conversion ratio ("Conversion Ratio") of 0.136 Share for every \$0.05 in nominal value of Preference Share (subject to adjustments in certain circumstances to be set out in the terms and conditions of the Preference Shares). For the

purpose of illustration, a holder of 1,000 Preference Shares would, on conversion, be entitled to 136 Shares. For the purpose of conversion, fractions of a Share into which the Preference Shares are converted are to be disregarded. The Conversion Ratio was determined based on a conversion price of approximately \$7.35 per Share, representing a premium of approximately 10% over the weighted average closing price of the last five consecutive trading days on the SGX-ST prior to the date of this announcement. For the avoidance of doubt, no adjustment will be made to the Conversion Ratio pursuant to the exercise of any Bonus Warrants.

In the event the Company exercises its right of conversion, the Company shall, subject to the terms and conditions of the Preference Shares, pay to the holders of Preference Shares a one-off additional preferential cash dividend equal to 64% (net) of the Issue Price for each Preference Share ("Additional Preference Dividend"), plus any accrued but unpaid Preference Dividend.

Upon conversion, the Preference Shares will become Shares and from the date of conversion ("Conversion Date"), the rights attached to the Preference Shares are altered, and the Shares into which the Preference Shares are converted will cease to have any preference or priority as set out in the terms thereof, and rank *pari passu* in all respects with the Shares then in issue save for any dividends, rights or other distributions the record date for which is before the Conversion Date.

4.5 Eligibility to Participate in Rights Issue

The Preference Shares are to be provisionally allotted to Entitled Shareholders.

For practical reasons and in order to avoid any violation of securities legislation applicable in countries other than Singapore, the Preference Shares will NOT be offered to Foreign Shareholders. The entitlements to the Preference Shares which would otherwise accrue to Foreign Shareholders will, if practicable, be sold "nil-paid" on the SGX-ST and the net proceeds arising therefrom will be dealt with in accordance with the terms which will be set out in the Offer Information Statement.

4.6 Irrevocable Undertaking

Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and certain of its subsidiaries (collectively, "Existing Major Shareholders") hold, in aggregate, approximately 48.4% of the issued share capital of the Company as at the date of this announcement. HLIH has furnished the Company with an irrevocable undertaking ("Irrevocable Undertaking") pursuant to which HLIH has undertaken to:-

- (a) subscribe or procure subscriptions, and/or apply or procure applications (including applications for excess rights), in respect of such number of Preference Shares that remain unsubscribed by Shareholders or their renounees under the Rights Issue; and
- (b) pay and/or procure payment for all the Preference Shares in respect of which HLIH has given the Irrevocable Undertaking.

HLIH is entitled to procure subscription and/or application (including applications for excess rights) by parties which may include companies within the HLIH group, whether or not they are Existing Major Shareholders.

The Irrevocable Undertaking does not prohibit the Existing Major Shareholders from disposing of their Shares or, in respect of their provisional allotments, from disposing or renouncing them to any party (including other companies in the HLIH group) or allowing them to lapse. Notwithstanding the foregoing, HLIH will remain obliged to subscribe or procure subscriptions, and/or to apply or procure applications (including applications for excess rights) under the Rights Issue in accordance with the Irrevocable Undertaking, as described above.

In the event that the Existing Major Shareholders allow their provisional allotments to lapse and/or dispose or renounce all of them to parties outside the HLIH group, and the Rights Issue is fully subscribed by other Shareholders and/or their renounees, no Preference Shares would be issued to the HLIH group pursuant to the Irrevocable Undertaking. In the event that none of the Preference Shares are subscribed by Shareholders or their renounees, the maximum 330,874,257 Preference Shares would be issued in full pursuant to the Irrevocable Undertaking, to parties which may include companies within the HLIH group, whether or not they are Existing Major Shareholders. Should disposal of the Existing Major Shareholders' provisional allotments take place, there may be a large amount of provisional allotments available in the market during the "nil-paid" rights trading period. Companies within the HLIH group (including companies other than the Existing Major Shareholders) may purchase provisional allotments from the market during the "nil-paid" rights trading period.

The obligations of HLIH under the Irrevocable Undertaking referred to in sub-paragraphs (a) and (b) above are conditional upon, *inter alia*, at any time up to but excluding the date of the EGM to be convened to approve the Proposed Transactions (or any adjournment thereof), (i) there being no change in, or in the interpretation or application of, or introduction of, any legislation, regulation, policy, directive or guideline (whether or not having the force of law) by the Monetary Authority of Singapore, the SGX-ST, the Securities Industry Council or any other governmental body in Singapore; and (ii) there being no change in monetary, political, financial or economic conditions in Singapore or internationally, as would in the opinion of HLIH (reasonably held and exercised in good faith) (aa) materially and adversely affect or is likely to materially and adversely affect the Proposed Transactions; or (bb) materially and adversely affect or is likely to materially and adversely affect the business or prospects of the Company and its subsidiaries taken as a whole.

HLIH has also undertaken, subject to the satisfaction or waiver of the condition referred to in the immediately preceding paragraph, to vote and to procure the other Existing Major Shareholders to vote, each of their entire shareholdings in the Company as at the date of the EGM in favour of all the resolutions which are to be proposed at the EGM to approve, *inter alia*, the Proposed Transactions.

In view of the Irrevocable Undertaking, the Rights Issue is not underwritten by any financial institution.

5. PURPOSE OF THE PROPOSED TRANSACTIONS AND THE USE OF PROCEEDS

- 5.1 The Special Cash Dividend is to reward Shareholders for their loyalty to and continuing support for the Company. In addition, the Special Cash Dividend payable to Shareholders and dividends payable to holders of the Preference Shares (on or before 31 December 2007) allow the Company to pass on its Section 44A tax credits, if any, to Shareholders and holders of the Preference Shares respectively.
- 5.2 Assuming that all Bonus Warrants are exercised, the proceeds from the Bonus Issue will amount to approximately \$206.8 million. The actual amount of proceeds received by the Company from the exercise of the Bonus Warrants will depend on the extent to which such Bonus Warrants are exercised.
- 5.3 The Directors are of the view that the Bonus Issue will provide Entitled Shareholders with the opportunity to increase their equity investment in the Company by subscribing for New Shares through the exercise of the Bonus Warrants. In addition, as and when the Bonus Warrants are exercised, the proceeds arising from the issue of the New Shares will strengthen the Company's capital base and working capital position. It is currently anticipated that the proceeds from the subscription of New Shares will be used for general working capital.
- 5.4 The Rights Issue provides the Entitled Shareholders with an opportunity to re-invest in the Preference Shares, a marketable security with a reasonable yield (assuming the Preference Dividend at the Maximum Dividend Rate in respect of each dividend period is declared by the Board which is under no obligation to do so). The Rights Issue will also allow the Company to raise equity funds at a reasonable cost. The net proceeds of the Rights Issue will be approximately \$329.9 million and are expected to be used to fund the payment of the Special Cash Dividend, including interest payable on any temporary financing that may be obtained by the Company to pay the Special Cash Dividend.
- 5.5 Pending the deployment of the net proceeds for the purposes mentioned above, the net proceeds arising from the exercise of the Bonus Warrants and the net proceeds of the Rights Issue may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit.

6. CONDITIONS OF THE PROPOSED TRANSACTIONS

The Proposed Transactions are subject to, *inter alia*:-

- (a) the approval in-principle of the SGX-ST for the listing of and quotation for the Bonus Warrants, the Preference Shares, the New Shares and the Shares into which the Preference Shares may be converted on the Official List of the SGX-ST;
- (b) the approval of Shareholders at the EGM for each of the Proposed Transactions; and
- (c) lodgment of the Offer Information Statement with the Monetary Authority of Singapore.

7. INCREASE IN AUTHORIZED SHARE CAPITAL OF THE COMPANY AND AMENDMENTS TO THE MEMORANDUM AND THE ARTICLES OF ASSOCIATION

In conjunction with the Rights Issue, it is proposed that the authorized share capital of the Company be increased from \$2,000,000,000 to \$2,050,000,000 to cater to the creation of the Preference Shares. Amendments are proposed to be made to the Memorandum and Articles of Association of the Company to reflect the increase in the authorized share capital of the Company and to provide for the rights, benefits, and privileges of holders of Preference Shares. It is also proposed that certain other provisions of the Articles be amended for streamlining and updating, in view of recent changes to the relevant laws and regulations.

8. SHARE PURCHASE MANDATE AND SHARE ISSUE MANDATE

The Company also proposes to seek Shareholders' approval at the EGM for:-

- (a) a mandate to authorize the Directors to exercise all powers of the Company to purchase or acquire its issued Shares and/or Preference Shares (to be issued pursuant to the Rights Issue) ("Share Purchase Mandate"); and
- (b) a mandate to be given to the Directors to: (i) issue Shares (whether by way of rights, bonus or otherwise); and/or (ii) make or grant offers, agreements or options that might or would require Shares to be issued and (notwithstanding that the authority so conferred may have ceased to be in force) issue Shares in pursuance of such offers, agreements or options made or granted while the authority was in force ("Share Issue Mandate").

9. CIRCULAR TO SHAREHOLDERS

The circular (enclosing the Notice of EGM) setting out details of the Proposed Transactions, the increase in authorized share capital of the Company and amendments to the Memorandum and Articles of Association of the Company, the Share Purchase Mandate and the Share Issue Mandate will be despatched to Shareholders in due course.

BY ORDER OF THE BOARD

Shufen Loh @ Catherine Shufen Loh
Enid Ling Peek Fong
Company Secretaries

26 February 2004