FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::PROFIT GUIDANCE

Issuer & Securities

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CITY DEVELOPMENTS LIMITED

Securities

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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 - Refer to the Online help for the format)

Please find attached the Guidance on the Unaudited Financial Results for the full year ending 31 December 2020 issued by City Developments Limited on 30 November 2020.

Additional Details

For Financial Period Ended

31/12/2020

Attachments

CDL_Guidance_301120.pdf

Total size =94K MB

CITY DEVELOPMENTS LIMITED
(Co. Reg. No. 196300316Z)

GUIDANCE ON THE UNAUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDING 31 DECEMBER 2020

City Developments Limited ("CDL" or the "Company") refers to the operational update for the quarter ended 30 September 2020 announced by the Company on 30 November 2020. The prolonged COVID-19 pandemic has continued to impact the various business segments of the Group. Although there are signs of improvement and some early results of changes to operations, cost structure and marketing, the effects of the pandemic are expected to continue into 2021, even with expectations of vaccines being made available.

The Company wishes to provide the following updates and guidance for the unaudited financial results for the full year ending 31 December 2020 ("FY 2020").

a. The Group's joint venture project Penrose achieved encouraging sales following its launch in September, reflecting the underlying positive sentiments and resilience of the Singapore residential property market. However, for the nine months ended 30 September 2020 ("YTD Sep 2020"), the property development segment recorded a 15% decline in reported revenue compared to YTD Sep 2019. On a proportional basis, the Group recognised more revenue from mass market projects on a progress completion basis in YTD Sep 2020 compared to the same period last year. This led to overall profit margins in YTD Sep 2020 declining on a year-on-year basis. Construction activity in Singapore was also disrupted by the Circuit Breaker and the safe distancing regulations before gradual resumption from June 2020. As a result of the above, the Group's property development segment is expected to register a decrease in revenue for FY 2020.

b. Similarly, the Group's investment properties segment also registered a 14% decline in revenue for YTD Sep 2020. In response to temporary COVID-19-related relief measures, the Group extended over $30 million of property tax and rental rebates to retail tenants in Singapore and overseas. Overall sentiment of the office rental market has also been affected by the pandemic.

c. The Group's hotel operations segment, led by its wholly-owned Millennium & Copthorne Hotels Limited ("M&C"), is expected to record losses for FY 2020 as the pandemic has caused an unprecedented collapse in global travel and tourism. For YTD Sep 2020, RevPAR declined 63%, while hotel revenue declined 60%, on a year-on-year basis. Aggressive cost-containment measures, along with marketing efforts to reach local retail customers (in the absence of international air travel), have helped occupancy and room rates to recover from the lows experienced a few months earlier.

d. As announced on 13 August 2020, the Group provided for impairment losses of $33.9 million in the unaudited financial statements for the six months ended 30 June 2020 ("1H 2020"). An independent year-end valuation on its portfolio is currently in progress. Based on preliminary results of the independent valuations, and given the weaker portfolio performance coupled with the unprecedented market uncertainty arising from the COVID-19 pandemic, particularly in the hospitality industry, the Group expects to record further impairment losses for its portfolio for FY 2020.

e. The Group had completed its acquisition of its 51.01% effective joint controlling interest in Sincere Property Group ("Sincere") in April 2020. In the unaudited financial statements for 1H 2020 announced on 13 August 2020, the Group had estimated the provisional amount of the fair value of Sincere's net identifiable assets to be RMB 9 billion. Based on its purchase consideration of $882 million (RMB 4.39 billion) which was on an agreed valuation of Sincere at RMB 8.6 billion, the Group had recognised a $43.2 million of negative goodwill for its 51.01% effective joint controlling interest in Sincere, and a $7.7 million mark-to-market gain on the 9% call option which cannot be exercised before July 2022.

   On 4 November 2020, the Group announced the appointment of Deloitte & Touche Financial Advisory Services Pte. Ltd. (Deloitte) as its External Financial Advisor to assist in further evaluating and reviewing its 51.01% joint venture interest in Sincere. Deloitte has completed its review and has ascertained that there are good assets that the Group can extract further value.

   Alongside the finalisation of the valuations of the properties within the Sincere portfolio and calibrating with the findings of Deloitte and the completion of the audit by KPMG, the Group endeavours to finalise the assessment of the fair value of the net identifiable assets of Sincere before 31 December 2020.

   For YTD Sep 2020, the Group had equity accounted for its share of losses in Sincere totalling $76 million, due to lower sales and handover of properties as a result of the COVID-19 pandemic, financing costs and the release of fair value uplift for the development properties portfolio. Sincere is expected to be in a loss position in the fourth quarter of 2020. Accordingly, the Group expects to recognise its share of losses from the Sincere joint venture in FY 2020.

In view of the above factors, the Group is expected to report a loss for FY 2020 as compared to a profit for the financial year ended 31 December 2019 ("FY 2019").

Notwithstanding the above, the Company wishes to emphasise that the overall business and financial position of the Group remains healthy, with sufficient liquidity to meet its operating and financial commitments, and weather this crisis. The Group has been taking proactive actions to strengthen its financial position, including optimising cash flows and liquidity, reducing operational costs and deferring uncommitted capital expenditure. It will continue to maintain a high level of business and financial discipline even as the property development segment and hospitality business continue to recover. As at 30 September 2020, the Group had total cash and available undrawn committed bank facilities of approximately $4.7 billion.

The Group will closely monitor the situation and provide further update(s) as and when there are material developments in accordance with the listing rules of SGX. The Company expects to release its unaudited financial results for FY 2020 in February 2021.

Shareholders and potential investors are advised to exercise caution when dealing or trading in the securities of the Company.

By Order of the Board

Enid Ling Peek Fong
Company Secretary