FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::PROFIT GUIDANCE

Issuer & Securities

Issuer/ Manager

CITY DEVELOPMENTS LIMITED

Securities

CITY DEVELOPMENTS LIMITED - SG1R89002252 - C09

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No

Announcement Details

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Financial Statements and Related Announcement

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Profit Guidance

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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 Profit Guidance Announcement issued by City Developments Limited on 13 July 2020.

Additional Details

For Financial Period Ended

30/06/2020

Attachments

CDL_13July2020.pdf

Total size =21K MB

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

PROFIT GUIDANCE ON THE UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

City Developments Limited ("CDL" or the "Company") refers to the following announcements issued by the Company on the impact of COVID-19 on the Group's operations:

1. 12 May 2020: Operational update for the quarter ended 31 March 2020;
2. 19 and 24 June 2020: Response to questions from shareholders; and
3. 24 June 2020: Presentation slides presented at the 57th AGM.

CDL wishes to advise shareholders that for the six months ended 30 June 2020 ("1H 2020"):

a. The Group's hotel operations segment, mainly led by its wholly-owned subsidiary, Millennium & Copthorne Hotels Limited ("M&C"), is expected to contribute significant losses for 1H 2020. This is primarily due to the prolonged COVID-19 pandemic, which has resulted in widespread travel restrictions, an unprecedented collapse in global tourism, and mass cancellations or postponement of events. Many countries have responded to the outbreak by imposing measures such as quarantines, strict social distancing and complete lockdown of cities. These measures have adversely impacted the Group's hotel operations, even with the receipt of applicable government grants which mitigated the impact.

   With the privatisation of M&C in late 2019, the losses of M&C are 100% accounted for in the Group's results. For 1H 2020, RevPAR is expected to decline by around 50-60%[1]. While aggressive cost-containment measures continue to be in place, the hotel operations segment is expected to post a pre-tax loss in the range of $120 million[1] to $140 million[1] for 1H 2020 vis-à-vis a pre-tax profit of $76 million in 1H 2019.

   The near-term outlook continues to remain highly challenging and uncertain until the pandemic situation abates together with the re-opening of international borders.

b. The Group's property development segment is expected to register a decrease in revenue by about 10%[1] as 1H 2020 contributions will primarily be derived from projects including The Tapestry, Whistler Grand as well as Amber Park, compared with fully completed projects such as New Futura and Gramercy Park that yielded higher profit margins in the corresponding period in 2019.

c. The Group's investment properties segment is also impacted, taking into account over $30 million of property tax and rental rebates given to tenants, especially for its retail malls in Singapore and overseas for the full year of 2020. Notably, there was a significant $197 million pre-tax gain resulting from the closure of the Group's Profit Participation Securities 2 ("PPS 2") platform, following the sale of Manulife Centre, and 7 & 9 Tampines Grande in 1H 2019, which further widens the comparative gap for this segment.

d. In light of the above, the Group's pre-tax profit for 1H 2020 is expected to reduce substantially from 1H 2019. The Group anticipates its net attributable profit after tax and minority interests (PATMI) for 1H 2020 will be materially and adversely impacted.

e. Notably, this has not taken into account the negative goodwill the Group expects to record from its 51.01% acquisition of Sincere Property Group ("Sincere") announced in April 2020. The Group is currently finalising the valuations of all the properties under the Sincere portfolio to assess the fair value of Sincere, so as to compute the negative goodwill, which will mitigate the decline in PATMI.

f. The Group accounts for its investment and hotel properties at cost less accumulated depreciation and impairment, vis-à-vis the fair value model. The Group assesses the asset portfolio for impairment at every reporting period. However, the COVID-19 pandemic has resulted in significant market uncertainty, particularly in the short term. As such, the Group is of the view that conducting valuations during this period would not be meaningful as the situation remains volatile. The Group will continue to monitor the potential impairment for its properties in the second half of the year.

g. The Group continues to be in a robust financial position with sufficient liquidity to weather this crisis. To date, the Group has total cash and undrawn and committed credit facilities exceeding $5 billion.

The Company expects to release the unaudited financial results for 1H 2020 in early August 2020.

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

Note:

[1] These are based on preliminary estimates which may change as the Company finalises the financial statements for 1H 2020.

By Order of the Board

Enid Ling Peek Fong
Company Secretary
13 July 2020