

RESPONSE TO SGX QUERIES::

Issuer & Securities

Issuer/ Manager

CITY DEVELOPMENTS LIMITED

Securities

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Response to SGX RegCo's queries in relation to the Company's Announcement of 10 September 2021.

Announcement Reference

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Submitted By (Co./ Ind. Name)

Enid Ling Peek Fong

Designation

Company Secretary

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

Please see attached.

Attachments

[2309 CDL Response to SGX Queries.pdf](#)

Total size =257K MB

**RESPONSE TO SGX REGCO'S QUERIES IN RELATION TO THE COMPANY'S
ANNOUNCEMENT OF 10 SEPTEMBER 2021**

The Board of Directors of City Developments Limited ("CDL" or the "Company" and together with its subsidiaries, the "CDL Group") refers to the queries raised by Singapore Exchange Regulation ("SGX Regco") in relation to the Company's announcement of 10 September 2021 titled "Announcement on divestment of interest in Sincere" (the "Announcement") and wishes to provide the following responses:

SGX Query:

It is stated in the Announcement that, "Sonic Investment Pte. Ltd. ("Sonic"), a wholly-owned subsidiary of the Company and HCP Chongqing Property Development Co., Ltd ("HCP Cayman"), have entered into a sale and purchase agreement (the "SPA") with Sure Spread Limited (the "Purchaser"), an unrelated third party incorporated in the Republic of Seychelles, pursuant to which, Sonic will sell and the Purchaser will buy, subject to the terms and on the conditions of the SPA, Sonic's 63.75% equity interest (the "Sale Shares") in HCP Cayman for an aggregate consideration of USD1.00."

We wish to draw your attention to Paragraph 2.6 of Practice Note 10.1 of the SGX-ST Mainboard Listing Manual, which states a disposal of an issuer's business (or a substantial part of its business) will usually not be considered to be in the ordinary course of business.

- (i) *please clarify the classification of the divestment of interest in Sincere pursuant to Chapter 10 Part IV Classification of Transactions of the SGX-ST Listing Manual;*

CDL's Response:

The divestment of interest in Sincere is classified as a non-disclosable transaction as the relative figures computed on the bases set out in Rule 1006 are less than 5%.

- (ii) *please provide the relative figures computed under Listing Rule 1006 as well as its relevant computations;*

CDL's Response:

Rule 1006(a)		S\$ million
Net asset value attributable to 63.75% equity interest in HCP Cayman Group as at 30 June 2021	RMB Nil	_(1)
Net asset value of the CDL Group as at 30 June 2021		8,363
Ratio (%)		0.0%

Rule 1006(b)		S\$ million
Net loss of the HCP Cayman Group for 1H 2021	RMB Nil	_(2)
Net loss attributable based on 63.75% equity stake		-
Net profit of the CDL Group for 1H 2021		10
Ratio (%)		0.0%

Rule 1006(c)(ii)		S\$ million
Consideration received for the Sincere Divestment	USD1.00	-
CDL market capitalisation as at 9 September 2021 ⁽³⁾		6,002
Ratio (%)		0.0%

Notes:

- (1) As disclosed in the CDL FY2020 results announcement and CDL's annual report 2020, net asset value attributable to the 63.75% equity interest in HCP Cayman Group is Nil as the CDL Group's cost of investment has been reduced to zero pursuant to the impairment loss of S\$806 million which was made and the share of loss of S\$76 million accounted in FY2020. The CDL Group did not undertake to provide continuing financial support for HCP Cayman Group, other than the financial guarantee that the CDL Group had issued in relation to a loan undertaken by HCP Cayman Group for which a provision had been recognised for the full guarantee amount in FY2020.

Net asset value is determined as total assets less total liabilities and minority interests.

- (2) Net loss of HCP Cayman Group for 1H 2021 is Nil as the CDL Group's cost of investment has been reduced to zero as at 31 December 2020 and the CDL Group has discontinued equity accounting for further losses of HCP Cayman Group with effect from 30 September 2020, given that the CDL Group has no continuing financial obligations to support HCP Cayman Group's operations (other than the financial guarantee that the CDL Group had issued in relation to a loan undertaken by the HCP Cayman Group for which a loss provision had been recognised for the full guarantee amount in FY2020).
- (3) CDL's market capitalisation based on 906,901,330 ordinary shares in the capital of CDL in issue (excluding treasury shares), at volume weighted average price of S\$6.6186 for each CDL share on 9 September 2021, being the last market day preceding the date of the share purchase agreement entered between Sonic Investment Pte. Ltd and Sure Spread Limited.

- (iii) please provide the relative figures computed under Listing Rule 1006 as well as its relevant computations if the impairment loss for the Group's investment in HCP Cayman has not been made;

CDL's Response:

Rule 1006(a)		S\$ million
Net asset value attributable to 63.75% equity interest in HCP Cayman Group as at 30 June 2021	RMB Nil	_(1)
Add back: Impairment loss on cost of investment		806 ⁽⁴⁾
Revised net asset value attributable to the 63.75% equity interest of HCP Cayman Group as at 30 June 2021 (if impairment loss of the CDL Group's investment in HCP Cayman has not been made)		806
Net asset value of the CDL Group as at 30 June 2021		8,363
Add back: Impairment loss on cost of investment		806
Revised net asset value of the CDL Group as at 30 June 2021 (if impairment loss of the CDL Group's investment in HCP Cayman has not been made)		9,163
Ratio (%)		8.8% ⁽⁴⁾
Rule 1006(b)		S\$ million
Net loss of the HCP Cayman Group for 1H 2021	RMB Nil	* ⁽⁵⁾
Net loss attributable to 63.75% equity stake		* ⁽⁵⁾
Net profit of the CDL Group for 1H 2021		10
Add: share of loss attributable to 63.75% equity stake		* ⁽⁵⁾
Revised net profit of the CDL Group for 1H 2021		* ⁽⁵⁾
Ratio (%)		*⁽⁵⁾
Rule 1006(c)(ii)		S\$ million
Consideration received for the Sincere Divestment	USD1.00	-
CDL market capitalisation as at 9 September 2021 ⁽³⁾		6,002
Ratio (%)		0.0%

Notes:

* Not available

⁽⁴⁾ The 80.01% investment in Chongqing Sincere Yuanchuang Industry Co., Ltd. is through a 63.75% joint venture in HCP Cayman, of which the CDL Group had recognised an impairment loss of S\$806 million in FY2020. Had the impairment loss for the CDL Group's investment in HCP Cayman not been made, the CDL Group would have to continue to equity account for the losses of HCP Cayman.

For the purposes of computing the net asset value attributable to the 63.75% equity interest in HCP Cayman as at 30 June 2021, the CDL Group had added back the impairment loss made in FY2020 on the cost of investment as per the query raised, but CDL would highlight that this computation does not take into account any impact arising from equity accounting of losses for the period from 1 October 2020 to 30 June 2021 given that the CDL Group ceased equity accounting for further losses of the HCP Cayman Group with effect from 30 September 2020, which potentially could have eroded the net asset value of HCP Cayman substantially even if there was no impairment loss recognised on the cost of investment.

Accordingly, the ratio as computed under Rule 1006(a) above may not be meaningful.

- ⁽⁵⁾ The CDL Group has ceased to equity account for its share of future losses of HCP Cayman following its impairment of the cost of investment in FY2020 in accordance with the accounting standards. The CDL Group was not able to prepare the consolidated financial information of HCP Cayman Group for 1H 2021 in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)) as the information was not readily available. While the underlying investee, Chongqing Sincere Yuanchuang Industry Co., Ltd., had announced its financial results on the Shanghai Stock Exchange, such financial results are based on PRC GAAP and valuations by local valuers, which deviate substantially from the valuations by internationally recognised valuers commissioned by the CDL Group upon its acquisition. The preparation of SFRS(I) compliant consolidated management accounts of HCP Cayman Group in alignment with the CDL Group's accounting policies would require the cooperation from Chongqing Sincere Yuanchuang Industry Co., Ltd. to provide the relevant information, which may not be forthcoming.

There is no capitalisation or waiver or write off of any loan (in part or in full) extended by the CDL Group to HCP Cayman and its subsidiaries, including Sincere (collectively the HCP Group) in connection with the CDL Group's divestment of interest in Sincere. There are no additional amounts related to the transaction including any loans or guarantees extended by the purchaser or provision of other forms of security, or any additional liabilities assumed by the purchaser or waived by the CDL Group in its capacity as seller under the terms of the transaction.

The loans currently extended by the CDL Group to HCP Cayman continue to be in force and as indicated in the Announcement, notwithstanding the CDL Group's divestment of Sincere, the CDL Group will continue to protect its rights as a creditor in relation to the repayment of the remaining outstanding loans which had been extended to Sincere. Similarly, the corporate guarantee given by the CDL Group to a financial institution in connection with the loan to HCP HK continues to be in force and the CDL Group had made a provision for such corporate guarantee of approximately S\$283 million in 2H 2020.

The CDL Group had provided impairment losses for its equity investment in Sincere. In relation to its investment in USD bonds and loans extended (inclusive of interest income receivable) to Sincere Property in FY2020, the CDL Group has also provided impairment losses in line with accounting standards. Such accounting for impairment losses for the loans extended to HCP Group does not tantamount to a write off of the loan that the CDL Group had extended to HCP Group and does not compromise the CDL Group's rights as a creditor of HCP Group.

The CDL Group had considered Practice Note 10.1 in the Announcement. There is no change to the relative figures computed under Listing Rule 1006, as well as its relevant computations, under the situation if the impairment loss for the CDL Group's investment in HCP Cayman had not been made.

(iv) *please disclose the information pursuant to Listing Rule 1010;*

CDL's Response:

As seen in the replies for item (ii) above, the relative figures set out in Rule 1006 do not exceed 5%, accordingly no disclosure is required pursuant to Listing Rule 1010.

(v) *please provide information on the remaining balance of the Group's financial exposure to Sincere; and*

CDL's Response:

The value of the 15.4% equity stake in Shenzhen Tusincere is estimated to be approximately S\$39 million based on its proportionate share of the net assets value of the Shenzhen Tusincere Group's unaudited June 2021 consolidated management accounts.

Shenzhen Tusincere Group's unaudited consolidated management accounts as at 30 June 2021 had taken into account the valuation of its underlying properties by Cushman and Wakefield at end February 2021, pursuant to the purchase price allocation exercise conducted in February 2021 when the CDL Group acquired an 84.6% equity stake in Shenzhen Tusincere. This 15.4% equity stake in Shenzhen Tusincere will be subject to valuation to be conducted in due course.

Accordingly, the CDL Group's financial exposure to Sincere is expected to reduce from the S\$117 million previously reported to S\$78 million.

(vi) *please provide background information of Sure Spread Limited including and not limited to its directors and substantial shareholders.*

CDL's Response:

Sure Spread Limited (the "Purchaser") was incorporated in the Republic of Seychelles on 15 October 2013 (Company Registration No. 133634). Yin Hang, a People's Republic of China national, is the sole director and shareholder of the Purchaser. He currently holds 1,000,000 ordinary shares of par value USD1.00 per share and the total paid up share capital of the company is USD1,000,000.

As set out in the Announcement, the Purchaser is an unrelated third party to the CDL Group who was proposed by Beijing Changyuan Industrial Investment Management Partnership (Limited Partnership) (北京长圆产业投资基金管理合伙企业 (有限合伙)) ("Beijing Changyuan"). Based on public information^(*), the partners of Beijing Changyuan, a private equity investment fund, are 四川长秀蓉开置业发展有限责任公司 (50% partnership interest), 北京含光投资有限责任公司 (48% partnership interest) and 中信正业资产管理有限公司 (2% partnership interest).

^(*) information extracted from search results at <https://www.qixin.com> and <https://gs.amac.org.cn>

By Order of the Board

Yeo Swee Gim, Joanne
Enid Ling Peek Fong
Company Secretaries
23 September 2021