

ASSET ACQUISITIONS AND DISPOSALS::ANNOUNCEMENT ON DIVESTMENT OF INTEREST IN SINCERE

Issuer & Securities

Issuer/ Manager

CITY DEVELOPMENTS LIMITED

Securities

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Announcement on Divestment of Interest in Sincere

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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)

Please refer to the attached Announcement on Divestment of Interest in Sincere issued by City Developments Limited on 10 September 2021.

Attachments

[09-10 Sincere Divestment.pdf](#)

Total size = 220K MB

DIVESTMENT OF INTEREST IN SINCERE

The Board of Directors of City Developments Limited (“**CDL**” or the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following transactions involving the Group’s investment in Chongqing Sincere Yuanchuang Industry Co., Ltd. (重庆协信远创实业有限公司) (“**Sincere**”):

(i) Proposed Divestment

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. HCP Cayman holds 80.01% equity interest in Sincere (the “**Sincere Divestment**”). The Purchaser 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)).

The consideration for the Sale Shares was agreed upon, taking into account the value of the Sale Shares, the current liquidity issues and potential bankruptcy reorganisation of Sincere. As announced by the Group in its results announcement for the financial year ended 31 December 2020, an impairment of S\$806 million has been made on the Group’s cost of investment in HCP Cayman of S\$882 million which is equity accounted for as a joint venture. After taking into account the Group’s share of loss of S\$76 million, the Group’s cost of investment in HCP Cayman has been reduced to zero.

(ii) Shenzhen Tusincere Agreement

Concurrent with the Sincere Divestment, the Group, through its wholly-owned subsidiary, Suzhou Global City Genway Properties Co. Ltd. (“**Suzhou Global City**”), has entered into an agreement with Sincere and its related entities to, *inter alia*, facilitate the transfer (“**Relevant Transfer**”) of an interest of 15.4% in the shares of Shenzhen Tusincere Technology Park Development Co. Ltd. (深圳启迪协信科技园发展有限公司) (“**Shenzhen Tusincere**”) from Sincere and its related entities to Suzhou Global City as partial repayment of a loan (the “**Relevant Loan**”) owing by Sincere to Suzhou Global City (the “**Shenzhen Tusincere Agreement**”).

Shenzhen Tusincere is the holding company which holds a 65% equity interest in Shenzhen Longgang Tusincere Tech Park (深圳龙岗区启迪协信科技园发展有限公司) (“**Shenzhen Tech Park**”), with the remaining 35% held by Shenzhen Longgang District state-owned enterprise (深圳市龙岗区产业投资服务集团有限公司). On 22 February 2021, the Group announced that it had acquired an 84.6% interest in Shenzhen Tusincere. Following the completion of the Relevant Transfer, Shenzhen Tusincere is now a wholly-owned subsidiary of the Group and the Group holds a 65% effective interest in Shenzhen Tech Park.

The 15.4% interest in the shares of Shenzhen Tusincere was pledged by Sincere and its related entities to Suzhou Global City as security for the Relevant Loan. The Relevant Loan is part of the liquidity support given by the Group in 2020 to Sincere and its related entities. As previously announced, the Group's financial exposure to Sincere as at 30 June 2021 stood at S\$117 million.

Accordingly, with the completion of the Relevant Transfer, the Group's financial exposure to Sincere will be reduced from the S\$117 million by the fair value of the Relevant Transfer. The Group will continue to assess the recoverability of the remaining balance of its financial exposure to Sincere.

The Board is of the view that the Sincere Divestment and the Shenzhen Tusincere Agreement are in the best interests of the Group as these allow the Group to exit its investment in Sincere, and avoid being engaged in a possibly long drawn bankruptcy reorganisation of Sincere.

All of CDL's nominee directors and officers will resign from Sincere and its related companies on completion of the Sincere Divestment. The Shenzhen Tusincere Agreement enables the Group to have direct operational control over the project management of Shenzhen Tech Park, with the Group now in a position to ringfence its investment in Shenzhen Tech Park.

Notwithstanding the Group's divestment of Sincere, the 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 (including all amounts that remain outstanding under the Relevant Loan).

The Sincere Divestment and the Shenzhen Tusincere Agreement are not expected to have a material impact on the earnings per share or the net tangible asset per share of the Group for the financial year ending 31 December 2021.

None of the Directors or the controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the transactions.

By Order of the Board

Yeo Swee Gim, Joanne
Enid Ling Peek Fong
Company Secretaries

10 September 2021