

ASSET ACQUISITIONS AND DISPOSALS::ANNOUNCEMENT ON THE GROUP'S INVESTMENT IN SINCERE PROPERTY, CHINA

Issuer & Securities

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CITY DEVELOPMENTS LIMITED

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Please refer to the attached Announcement on the Group's Investment in Sincere Property, China. The News Release titled "CDL to acquire 51.01% joint controlling stake in Sincere Property Group for RMB4.39 billion in historic transformational deal" and Presentation Slides issued by City Developments Limited on 15 April 2020 are also attached for information.

Attachments

[CDL Announcement Investment in Sincere Property.pdf](#)[1504 CDL News Release.pdf](#)[1504 CDL Presentation Slides.pdf](#)

Total size =4637K MB

Announcement on the Group's Investment in Sincere Property, China

The Board of Directors of City Developments Limited (“**CDL**” or the “**Company**”, and for purposes of this announcement, the “**CDL Group**” refers to CDL and its subsidiaries) wishes to announce that the CDL Group has on 15 April 2020 entered into a series of agreements with the key party being HCP Chongqing Property Development Co Ltd (“**HCP**”), an investment holding company incorporated in the Cayman Islands that is the indirect controlling shareholder of 重庆协信远创实业有限公司 (“**Sincere Property**” or “**Sincere**”). The new agreements set out the revised terms for the CDL Group's intended investment in Sincere Property.

1. INTRODUCTION

1.1 On 15 May 2019, CDL announced (the “**May 2019 Announcement**”) a proposed strategic investment (the “**Original Sincere Strategic Investment**”) in Sincere Property, an established real estate developer and operator in the People's Republic of China (the “**PRC**”).

1.2 Original Sincere Strategic Investment

As set out in the May 2019 Announcement, CDL entered into various agreements with HCP in connection with the Original Sincere Strategic Investment, pursuant to which, *inter alia*:

- (i) CDL extended an interest-bearing loan to HCP in the amount of RMB2.75 billion (representing approximately S\$0.55 billion¹) (the “**Initial Tranche Loan**”); and
- (ii) on completion of the Original Sincere Strategic Investment, part of the Initial Tranche Loan would be converted into equity in HCP with the other part continuing as a loan, and a further RMB2.75 billion (representing approximately S\$0.55 billion) would be invested in HCP through equity subscription and an interest-bearing loan.

Completion of the Original Sincere Strategic Investment was subject to various conditions precedent and was expected to complete in the fourth quarter of 2019. Had CDL completed the Original Sincere Strategic Investment, CDL would have acquired an equity interest of approximately 29.9% in HCP, resulting in an effective interest of approximately 24.0% in Sincere Property for a total investment amount of RMB5.5 billion (representing approximately S\$1.10 billion).

The Original Sincere Strategic Investment has not been completed and CDL has not acquired any equity interest in Sincere Property. Instead, given the adverse impact of the COVID-19 crisis and the global uncertainty, CDL has taken the opportunity to renegotiate the terms for its investment into Sincere Property.

¹ Unless otherwise stated, the S\$ equivalent of RMB amounts in this Announcement are based on an exchange rate of RMB1 : S\$0.2009 as at 14 April 2020.

1.3 Information on Sincere Property

Sincere Property is an established real estate developer in the PRC with a full set of development and asset management capabilities across different sectors, including residential, retail, office, hotel and serviced residence, business park and large-scale mixed-use development. Ranked as one of the Top 100 Developers in China, Sincere has a development land bank of 9.2 million square metres (sqm) with 64 development projects across 18 cities in the PRC as at 31 December 2019. More than 96% of the land bank is located in Tier 1 and 2 cities in the PRC. Sincere has a full spectrum of residential projects ranging from high-end to mass market which include villas as well as low- and high-rise condominiums. Sincere also owns and/or operates a substantial portfolio of investment properties in the PRC, including 9 retail malls with a total gross floor area (GFA) of about 565,000 sqm, a serviced residence with 404 apartments and 4 hotels with more than 1,000 rooms.

1.4 Shareholders of Sincere Property

As at the date of this Announcement, the shareholders of Sincere Property are HCP Chongqing Property Development (HK) Co. Limited ("**HCP HK**"), an investment holding company incorporated in Hong Kong, and Greenland Holdings Group Co., Ltd. ("**Greenland**"), a company incorporated in the PRC, who hold 60.00% and 40.00% of the share capital of Sincere Property respectively. HCP HK is in turn wholly-owned by HCP (collectively, HCP, HCP HK and Sincere Property are the "**HCP Group**").

HCP is wholly-owned by Sincere Property Holdings Limited ("**SPHL**"), an investment holding company also incorporated in the Cayman Islands. SPHL is an indirect wholly-owned entity of Mr Wu Xu ("**Mr Wu**"), the Chairman and founder of Sincere Property.

2. NEW SINCERE TRANSACTION

2.1 Notwithstanding the current operating conditions in China and the ongoing COVID-19 pandemic, CDL continues to hold a long-term view of its investments in the PRC and remains confident of the PRC's strong fundamentals and ability to rebound. CDL remains keen to proceed with the strategic partnership in respect of Sincere Property. The current situation offers a window of opportunity to assess real estate investments at attractive valuations and accordingly, CDL has reached an agreement with the relevant parties on 15 April 2020 to amend the terms of the Original Sincere Strategic Investment (the "**New Sincere Transaction**").

2.2 Key Salient Terms of the New Sincere Transaction

Pursuant to the terms of the New Sincere Transaction:

- (i) A wholly-owned subsidiary of CDL will acquire a 63.75% equity interest in HCP (the "**Relevant HCP Interest**") through a combination of (a) the acquisition of equity interest from SPHL, and (b) the subscription for new equity interests in HCP. The remaining 36.25% of HCP will be held by SPHL;
- (ii) the aggregate consideration payable by CDL for the Relevant HCP Interest is approximately RMB4.39 billion (representing approximately S\$0.88 billion) (the "**New Sincere Investment Amount**"), which will be paid in stages following the satisfaction of certain conditions precedent and the occurrence of certain events. A portion of the New Sincere Investment Amount will be used by HCP to repay the Initial Tranche Loan of RMB2.75 billion to CDL as mentioned in paragraph 1.2(i) above; and
- (iii) on or before completion of the acquisition of the Relevant HCP Interest (the "**Relevant HCP Interest Completion**"), the shareholding percentage of HCP

HK and Greenland in Sincere Property will be restructured resulting in each holding 80.01% and 19.99% of the share capital of Sincere Property respectively. This will result, upon the Relevant HCP Interest Completion, in CDL holding an effective interest of approximately 51.01% in Sincere Property, and in Mr Wu holding an effective interest of approximately 29.0% in Sincere Property. Notwithstanding the above, the terms of the New Sincere Transaction include provisions stipulating that key decisions in respect of Sincere Property would be made jointly by CDL and Mr Wu. Accordingly, CDL's interest in HCP, following the Relevant HCP Interest Completion, will be deemed as a joint controlling interest and HCP (and Sincere Property) will be accounted for as joint venture companies of the CDL Group.

2.3 **Call Option**

In addition to the terms set out in paragraph 2.2 above, a call option will be granted to CDL to acquire 11.25% of HCP representing an effective interest of approximately 9.0% in Sincere Property (the "**Call Option**"), exercisable at a price of RMB0.77 billion (representing approximately S\$0.16 billion) (the "**Option Consideration**"). The Call Option will be exercisable at CDL's discretion during a six-month period (the "**Exercise Period**") which will only commence on the later of (i) the expiry of 18 months from the date of the Relevant HCP Interest Completion, and (ii) 1 July 2022. In accordance with the terms of the Call Option, the Call Option may also be exercised by CDL prior to the commencement of the Exercise Period in the event of the occurrence of certain events, including, but not limited to, any material breach of the terms of the New Sincere Transaction by the relevant counter-parties to the relevant agreements.

The exercise of the Call Option will result in CDL gaining an aggregate controlling interest of 75.00% in HCP and an effective controlling interest of approximately 60.01% in Sincere Property, making CDL the sole controlling shareholder of the company.

2.4 **Consideration for the New Sincere Transaction and the exercise of the Call Option**

The aggregate consideration payable for the Relevant HCP Interest and the exercise of the Call Option is RMB5.16 billion (representing approximately S\$1.04 billion), comprising:

- (i) the New Sincere Investment Amount of approximately RMB4.39 billion (representing approximately S\$0.88 billion) upon the Relevant HCP Interest Completion; and
- (ii) the Option Consideration of approximately RMB0.77 billion (representing approximately S\$0.16 billion), payable only upon exercise of the Call Option.

The New Sincere Investment Amount and the Option Consideration were agreed on a willing buyer willing seller basis, taking into account an agreed valuation of Sincere Property at RMB8.6 billion, vis-à-vis the net asset value ("**NAV**") of Sincere Property of RMB16.48 billion based on the unaudited consolidated financial statements of Sincere Property for the financial year ended 31 December 2019 ("**FY2019**").

The New Sincere Investment Amount and the Option Consideration will be funded through internal cash resources and credit facilities available to the CDL Group.

2.5 **Rationale for the New Sincere Transaction**

CDL's rationale for the Original Sincere Strategic Investment as set out in the May 2019 Announcement remains relevant for the New Sincere Transaction. This investment will offer CDL the opportunity to partner with Sincere Property, a prominent real estate developer in the PRC with more than 20 years' track record, and to acquire a meaningful stake in an established platform. Furthermore, it will allow for a sizable expansion of the CDL Group's footprint in the PRC, increasing its geographical presence from 3 cities to 18 cities in the PRC through Sincere Property's substantial

portfolio and pipeline of development projects and investment properties. As at 31 December 2019, the CDL Group's China portfolio comprises over S\$3 billion, or 13% of its total assets. Upon the Relevant HCP Interest Completion, CDL's China portfolio will grow to over S\$4 billion, accounting for 17% of its global asset portfolio.

Leveraging on Sincere Property's development and asset management capabilities, local expertise and wide geographical presence in the PRC, the strategic partnership will allow CDL to accelerate its growth in the sizable PRC market. In addition, it will strengthen CDL's expertise in familiar segments like residential, office, retail and hospitality while broadening its capabilities into new asset classes like business parks.

Instead of acquiring an effective interest of only approximately 24.0% in Sincere Property for an aggregate consideration of RMB5.5 billion under the Original Sincere Strategic Investment, the New Sincere Transaction at an aggregate consideration of RMB5.16 billion provides CDL with the opportunity to establish its strategic partnership with Sincere Property, first with an initial acquisition of a joint controlling stake in HCP and a resulting effective interest of approximately 51.01% in Sincere Property, and subsequently, to potentially obtain a controlling stake and effective interest of 60.01% in Sincere Property following the exercise of the Call Option.

The initial joint control arrangement will allow CDL to work closely with Mr Wu to review Sincere Property's business operations, assets and liabilities, and to optimise the financial position of Sincere Property through the restructuring of Sincere Property's debt obligations. These initiatives include, but are not limited to, debt refinancing and repayment, the disposal of non-core assets, rebalancing of Sincere Property's portfolio with a focus on strengthening cash flows and recalibration of development timeframes and sales strategies, strengthening management capabilities as well as implementing strategies to achieve synergies and cost efficiencies to drive profitability by leveraging on the CDL Group's wider resources and capabilities.

The New Sincere Transaction is in, or in connection with, the ordinary course of business of the CDL Group as Sincere Property's business as a real estate developer with development and asset management capabilities in the residential, retail, office, hotel and serviced residence, business park and large-scale mixed-use development segments aligns with the CDL Group's core business segments of development properties, investment properties and hotels.

Based on its unaudited consolidated financial statements for FY2019, Sincere Property is profitable with profit before income tax and non-controlling interests of RMB503.32 million (representing approximately S\$101.11 million) and PATMI of RMB202.50 million (representing approximately S\$40.68 million). This is after deducting significant financing costs of RMB1.7 billion (representing approximately S\$340 million) and excluding any fair value gains on its investment properties portfolio, therefore the PATMI figure represents the cash earnings of Sincere Property in 2019.

The New Sincere Transaction is in line with the overseas diversification and expansion strategy of the CDL Group as part of CDL's G.E.T. strategy (focusing on Growth, Enhancement and Transformation) to renew and reposition its business, sharpen its value proposition and expand its asset portfolio. In particular, Transformation (the "T" in G.E.T.) involves making game-changing, sizable acquisitions that can significantly bolster the Group's presence and expertise, and this is at the heart of the rationale behind the New Sincere Transaction.

3. **Pro Forma Financial Effects of the New Sincere Transaction on the CDL Group for FY2019 or as at 31 December 2019**

3.1 **Bases and Assumptions.** The following pro forma financial effects of the New Sincere Transaction on the CDL Group have been computed based on the CDL Group's FY2019 Financial Statements and the unaudited consolidated financial statements of the HCP Group (the "**HCP Group FY2019 Financial Statements**"). The HCP Group FY2019 Financial Statements have been derived from the consolidation of Sincere Property's unaudited consolidated financial statements for FY2019 (the "**Sincere Property FY2019 Financial Statements**") with the unaudited financial statements for FY2019 for HCP and HCP HK. The pro forma financial effects are for illustrative purposes only, are theoretical in nature and not necessarily indicative of the future financial position and earnings of the CDL Group following the New Sincere Transaction.

The pro forma financial effects have also been prepared based on the following bases and assumptions:

- (i) the aggregate cash consideration payable (including in respect of the exercise of the Call Option) will be funded primarily through external borrowings of the CDL Group, including the use of cross currency swaps / forex swaps. It is assumed that the interest payable of 3.5% per annum would be incurred for such borrowings;
- (ii) the fair value of the net assets of the HCP Group is yet to be determined at this juncture. For the purpose of these pro forma financial effects, it is assumed that the fair value of the net assets of the HCP Group is the same as the reported net assets of the HCP Group as at 31 December 2019, which is derived from the Sincere Property FY2019 Financial Statements and the HCP Group FY2019 Financial Statements, and taking into account the occurrence of certain events and conditions precedent as stipulated in the proposed terms of the New Sincere Transaction.

Accordingly, substantial negative goodwill may be recorded by the CDL Group. For the pro forma financial effects, it is assumed that negative goodwill of approximately S\$867 million would be recognized. This is arising from the difference between the agreed valuation of Sincere Property at RMB8.6 billion (representing approximately S\$1.66 billion²) vis-à-vis the NAV of Sincere Property of RMB16.48 billion (representing approximately S\$3.19 billion²) as set out in the Sincere Property FY2019 Financial Statements.

The pro forma financial effects, calculated based on the assumption that the book value of the HCP Group is equivalent to its fair value, is purely for illustrative purposes. Following the Relevant HCP Interest Completion, the CDL Group will commence a purchase price allocation exercise by assessing the fair value of the HCP Group. Currently, the process of conducting external independent valuations is in progress, and should such independent valuations be lower than the current carrying values of the investment properties, the negative goodwill will also be adjusted to reflect such lower valuation(s);

- (iii) the accounting policies adopted by Sincere Property and the CDL Group in respect of accounting for investment properties are not aligned. The CDL Group maintains a prudent accounting policy of accounting for its investment properties using a cost model (at cost less accumulated depreciation less accumulated impairment loss) while Sincere Property accounts for its

² Based on an exchange rate of RMB1: S\$0.1935 as at 31 December 2019.

investment properties at fair value. For purposes of the proforma financial effects, the investment properties of Sincere Property are depreciated in accordance to CDL's accounting policy for investment properties;

- (iv) the Initial Tranche Loan was interest bearing at 10% and the CDL Group has recognised approximately S\$49.5 million of interest income in the CDL Group FY2019 Financial Statements. It is assumed that the Initial Tranche Loan is not in place as at 1 January 2019 as it will be repaid on the Relevant HCP Interest Completion pursuant to the terms of the New Sincere Transaction, and accordingly the interest income of S\$49.5 million is excluded for purposes of determining the pro forma financial effects for FY2019;
- (v) CDL's acquisition of a property in 2019 from Sincere Property generated a pre-tax gain for Sincere Property, and in line with accounting principles of consolidation for intercompany eliminations, the gain has been eliminated for purposes of determining the pro forma financial effects for FY2019; and
- (vi) **the pro forma financial effects do not take into account CDL's proposed plans to improve the financial position of Sincere Property prior to the potential exercise of the Call Option, through, *inter alia*, the restructuring of Sincere Property's debt obligations and the disposal of non-core assets with a view to reducing debt and boosting liquidity, as set out in paragraph 2.5 above.**

3.2 **Earnings.** For illustrative purposes only and assuming that the New Sincere Transaction had been completed on 1 January 2019, the pro forma financial effects of the transaction on the earnings per CDL Share are as follows:

| | Before New Sincere Transaction | After New Sincere Transaction* | |
|--|--------------------------------|----------------------------------|--|
| | | Relevant HCP Interest Completion | Relevant HCP Interest Completion and Exercise of Call Option |
| Net Profit after tax and non-controlling interests (S\$ million) | 565 | 1,279 | 1,259 |
| Earnings per CDL Share – Basic (S\$) ⁽¹⁾ | 0.61 | 1.40 ⁽³⁾ | 1.37 ⁽³⁾ |
| Earnings per CDL Share – Diluted (S\$) ⁽²⁾ | 0.59 | 1.34 ⁽³⁾ | 1.32 ⁽³⁾ |

* As set out above, the pro forma financial effects of the earnings of the CDL Group have been prepared on the assumption that the accounting policies in respect of investment properties of Sincere Property and the CDL Group are aligned. The alignment of accounting policies in respect of investment properties held under Sincere Property to a cost model would result in depreciation being accounted for these investment properties. Following the exercise of the Call Option, the CDL Group's interest in HCP would increase and accordingly, a higher share of such depreciation would be accounted. This would result in a marginal reduction in the pro forma earnings of the CDL Group. However, CDL notes that almost all real estate companies in China as well as Singapore (with the exception of CDL) account for investment properties at fair value, and not at cost.

Notes:

- (1) Calculated after deducting preference dividend of S\$12,904,000 paid on FY2019 and based on the weighted average number of CDL Shares of 906,901,330.
- (2) Calculated based on the weighted average number of CDL Shares of 951,900,228, adjusted for potential ordinary shares issuable under preference shares of CDL as at 31 December 2019.
- (3) The substantial increase in basic earnings per CDL Share and diluted earnings per CDL Share is due to the recognition of S\$867 million of negative goodwill pursuant to the New Sincere Transaction (with or without the exercise of the Call Option), which would enhance the financial results of the CDL Group for FY2019 and the equity base of the CDL Group.

3.3 **NTA and NAV.** For illustrative purposes only and assuming that the New Sincere Transaction had been completed on 31 December 2019, being the end of FY2019, the pro forma financial effects of the transaction on the NTA and the NAV per CDL Share are as follows:

| | Before New Sincere Transaction | After New Sincere Transaction | |
|--|--------------------------------|----------------------------------|--|
| | | Relevant HCP Interest Completion | Relevant HCP Interest Completion and Exercise of Call Option |
| Net Assets (S\$ million) | 10,520 | 11,331 | 11,326 ⁽¹⁾ |
| Less: intangibles (S\$ million) | (23) | (23) | (23) |
| NTA (S\$ million) | 10,497 | 11,308 | 11,303 ⁽¹⁾ |
| Number of CDL Shares | 906,901,330 | 906,901,330 | 906,901,330 |
| NTA per CDL Share (S\$) | 11.57 | 12.47 | 12.46 ⁽¹⁾ |
| NAV per CDL Share (S\$) | 11.60 | 12.49 | 12.49 |

Note:

- (1) The NTA and NAV took into account the elimination of the gain recorded by Sincere Property from the sale of a property to CDL Group in end 2019 (as disclosed in **Paragraph 3.1(v)** above). This resulted in a marginal decline in NTA per CDL Share.

- 3.4 **Net Gearing Ratio.** For illustrative purposes only and assuming that the New Sincere Transaction (but before exercise of the Call Option) had been completed on 31 December 2019, being the end of FY2019, the pro forma financial effects of the transaction on the net gearing ratio of the CDL Group are as follows:

| | Before New Sincere Transaction | After New Sincere Transaction* |
|--|-----------------------------------|--------------------------------|
| Net Borrowings (S\$ million) | 6,851 | 7,168 |
| Net Gearing Ratio (%)⁽¹⁾ | 61 | 59 |
| Net Gearing Ratio (including fair value of investment properties) (%)⁽²⁾ | 43 | 43 |

* The pro forma financial effects of the New Sincere Transaction on the net gearing ratio above have been prepared assuming the Relevant HCP Interest Completion but before the exercise of the Call Option.

Notes:

- (1) Net gearing ratio derived from the CDL Group FY2019 Financial Statements, of which the CDL Group accounts for all its development properties, hotel portfolio as well as investment properties at cost less accumulated depreciation, impairment losses and foreseeable losses.
- (2) Net gearing ratio derived from the CDL Group FY2019 Financial Statements, of which the CDL Group accounts for all its development properties, hotel portfolio as well as investment properties at cost less accumulated depreciation, impairment losses and foreseeable losses, but adjusted to reflect the fair values of investment properties. However, CDL notes that almost all real estate companies in China, as well as Singapore (with the exception of CDL) account for investment properties at fair value, and not at cost.

4. None of the Directors or the controlling shareholders of CDL has any interest, direct or indirect, in the New Sincere Transaction.

By Order of the Board

Shufen Loh @ Catherine Shufen Loh
Enid Ling Peek Fong
Company Secretaries
15 April 2020

Further information on the investments can be found in the Company's news release titled "CDL to acquire 51.01% joint controlling stake in Sincere Property Group for RMB4.39 billion in historic transformational deal" issued on 15 April 2020, a copy of which is attached to this announcement.



**CITY
DEVELOPMENTS
LIMITED**

News Release

15 April 2020

**CDL TO ACQUIRE 51.01% JOINT CONTROLLING STAKE
IN SINCERE PROPERTY GROUP FOR RMB 4.39 BILLION
IN HISTORIC TRANSFORMATIONAL DEAL**

- **Effective interest of 51.01% with joint control upon deal completion in 2020**
- **Call option exercisable in 2022 to potentially increase stake to 60.01% and obtain sole control**
- **Attractive entry valuation of RMB 8.60 billion, nearly 50% discount to Sincere Property's unaudited NAV of RMB 16.48 billion for FY 2019**
- **Capital management and portfolio recalibration amongst key priorities**

City Developments Limited (CDL) is well-positioned to deepen its China presence following a successful negotiation with Sincere Property Group (Sincere Property, or 协信远创), an established real estate developer in China.

Back in May 2019, CDL announced its intention to invest RMB 5.5 billion (approximately S\$1.10 billion) comprising an equity investment and the extension of interest-bearing loans to acquire a 24% effective stake in Sincere Property¹. The investment was to be split equally into two tranches, with the first tranche involving a four-year interest-bearing loan amounting to RMB 2.75 billion (approximately S\$0.55 billion) to Sincere Property, part of which would be converted into equity, and the remaining tranche of RMB 2.75 billion to be invested upon fulfilling certain conditions. The transaction was expected to complete in Q4 2019 but due to a variety of factors, was not consummated. Hence, CDL did not acquire any equity interest in Sincere Property but had extended the initial tranche of RMB 2.75 billion as an interest-bearing loan in 2019.

Given the adverse impact of the COVID-19 crisis and the global uncertainty, CDL has taken the opportunity to negotiate new terms for its investment into Sincere Property, which are significantly improved over the original investment terms announced last year.

As of 15 April 2020, CDL has entered into a definitive agreement to acquire a 51.01% joint controlling interest in Sincere Property for an initial investment of RMB 4.39 billion (approximately S\$0.88 billion²). Part of this investment quantum will be utilised to repay the RMB 2.75 billion loan extended by CDL to Sincere Property. Upon completion of the transaction, CDL will hold a joint controlling interest in Sincere Property via an offshore investment vehicle, making CDL the single largest shareholder of Sincere Property. Mr Wu Xu, Sincere Property's Chairman and Founder, will see his stake reduce from 60% to 29% while Greenland Holdings Group Co., Ltd, a prominent developer in China, will see their shareholding in Sincere Property decrease from 40% to 19.99%.

As part of the transaction, a call option will also be granted to CDL to purchase an additional 9% effective interest in Sincere Property for RMB 0.77 billion (approximately S\$0.16 billion²) at the same entry valuation. The call option will be exercisable at CDL's discretion during a six-month period which will only commence upon either the expiry of 18 months from the completion of this transaction or 1 July 2022, whichever is later.

¹ [CDL charts next phase of growth in China – Enters into transformational RMB 5.5 billion deal \(15 May 2019\)](#)

² Based on an exchange rate of RMB 1 to S\$0.2009 as at 14 April 2020

Assuming the call option is exercised, the total consideration to acquire a 60.01% effective stake in Sincere Property is RMB 5.16 billion (approximately S\$1.04 billion²) as compared to the original deal consisting of RMB 5.5 billion (inclusive of interest-bearing loans) for a 24% effective stake. The new transaction is based on an agreed valuation of Sincere Property at RMB 8.60 billion vis-à-vis its net asset value (NAV) of RMB 16.48 billion as per Sincere Property's unaudited consolidated financial statements for the year ended 31 December 2019 (FY 2019). This represents an attractive entry valuation of almost 50% below their NAV.

A Strategic Alliance and Win-Win Partnership

Following the completion of the transaction and prior to the potential exercise of the call option, CDL will assume joint control of Sincere Property together with Mr Wu Xu. As the Chairman and Founder of Sincere Property for over two decades as well as the second largest shareholder after the transaction is completed, Mr Wu has a shared alignment with CDL to drive the growth and success of Sincere Property. CDL and Mr Wu will focus on agreed upon priorities such as capital management and portfolio recalibration initiatives to strengthen Sincere Property's financial position and fundamentals.

Mr Sherman Kwek, Group Chief Executive Officer of CDL, said, "Our strategic partnership with Sincere Property marks a major milestone in CDL's history and represents a game-changing investment for us. Their high quality and sizeable asset portfolio is a synergistic fit and complements our core businesses of property development, asset management and hospitality. Despite our relatively late entry into China's real estate market only a decade ago, this investment will immediately accelerate CDL's geographical presence from three to 18 cities in China. In addition, it will strengthen CDL's expertise in familiar segments like residential, office, retail and hospitality while broadening our capabilities into new asset classes like business parks. While there are challenges and uncertainties caused by the COVID-19 pandemic, China remains one of our key overseas markets and we hold a positive view of the long-term growth and market outlook there. As the most populous nation in the world, the opportunities and potential in China are limitless. This deal will transform the Group's scale and firmly establish CDL as a major player in China's property sector."

As Sincere Property's Chairman and Founder, Mr Wu's local knowledge, deep experience and strong relationships will be of great help to the restructuring process and integration efforts. Having known him for 10 years, I am grateful for his trust and for giving CDL such a rare opportunity to scale up in China. His continuing presence and contribution will be instrumental to the success of Sincere Property. Combining CDL's international experience, sophisticated capital management and sustainability leadership with Sincere Property's local expertise, extensive capabilities and wide geographical presence in China, will produce a formidable partnership and give us a leading edge in the market."

Mr Wu Xu, Sincere Property's Chairman and Founder, said, "Since our founding in 1999, Sincere Property has built up a strong presence and reputation in China, with a diversified portfolio comprising residential, commercial, retail, business parks, serviced residence and hotels. CDL's investment will strengthen and expedite Sincere Property's growth as we work closely to prioritise our core business segments. We will also continue to seek new opportunities to increase our land bank and pipeline of properties to achieve stronger sales. We look forward to learning from CDL's international experience and institutional best practices to professionalise our company further. Within Sincere Property's current portfolio, there are many opportunities to unlock value, including fund management initiatives. The partnership with CDL marks a truly transformational phase for Sincere Property in this new decade."

CDL's Expanded Portfolio in China

The investment into Sincere Property will provide CDL with the following in China:

- an expanded geographical presence of 18 cities
- broadened capabilities ranging across residential, office, retail, business parks, serviced residence and hotels

- an increase in portfolio allocation for China from 13% (as at 31 December 2019) to 17% upon completion of the transaction
- a pipeline of 64 development projects to achieve scale and attractive returns
- a portfolio of 27 investment properties
- a landbank of 9.2 million square metres of gross floor area with greater than 96% in China's Tier 1 and 2 cities
- access to Sincere Property's talent pool of over 2,000 dedicated professionals

As at 31 December 2019, CDL Group's global asset portfolio amounts to S\$23.2 billion, of which China accounts for 13%. The Group's existing China portfolio includes residences, office buildings, hotels, serviced apartments and retail malls.

About City Developments Limited (www.cdl.com.sg)

City Developments Limited (CDL) is a leading global real estate company with a network spanning 106 locations in 29 countries and regions. Listed on the Singapore Exchange, the Group is one of the largest companies by market capitalisation. Its income-stable and geographically-diverse portfolio comprises residences, offices, hotels, serviced apartments, shopping malls and integrated developments.

With a proven track record of over 55 years of experience in real estate development, investment and management, the Group has developed over 46,000 homes and owns over 24 million square feet of gross floor area in residential, commercial and hospitality assets globally. Its diversified global land bank offers 3.4 million square feet of land area. Along with its London-based hotel arm, Millennium & Copthorne Hotels Limited (M&C), the Group has 156 hotels and 45,000 rooms worldwide, many in key gateway cities.

About Sincere Property Group (协信远创) (www.sincere.com.cn)

With over 20 years of track record, Sincere Property is ranked as one of China's Top 100 Developers by the China Real Estate Association (中国房地产业协会) and one of China's Top 10 Business Park Developers and Operators by Guandian (观点地产). Sincere Property has a full set of development and asset management capabilities across different sectors, including residential, retail, office, hotel and serviced residence, business park and large-scale mixed-use development. Sincere Property's geographical presence in China spans 18 cities, including key Tier 1 and Tier 2 cities where it employs over 2,000 professionals.

Its development land bank totals 9.2 million square metres with 64 development projects across 18 cities in China as at 31 December 2019. Sincere Property has a full spectrum of residential projects ranging from high-end to mass market, which includes villas as well as low- and high-rise condominiums. Sincere Property also owns and/or operates a substantial portfolio of investment properties in China, including 9 retail malls, 13 offices, four hotels with more than 1,000 rooms and a serviced residence with 404 apartments.

Sincere Property's contracted sales grew at a compounded annual growth rate of around 29% from RMB 9.9 billion (approximately S\$2.0 billion²) in 2016 to RMB 21.4 billion (approximately S\$4.3 billion²) in 2019.

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Trusted
Since
1963



Transformation >> Building Scale in China

Strategic Investment in
Sincere Property Group

15 April 2020

Overview |

- Introduction
- New Transaction Summary
- Financial Impact to CDL
- Building Scale, Creating Value



Zhengzhou Financial Island, Zhengzhou
郑州金融岛

Artist's Impression

Starlight 68@Sincere Centre, Chongqing
重庆星光68

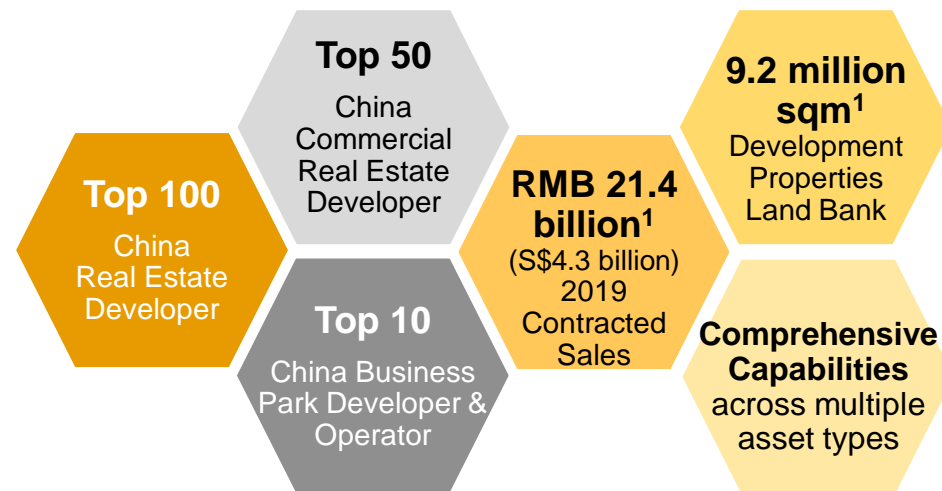
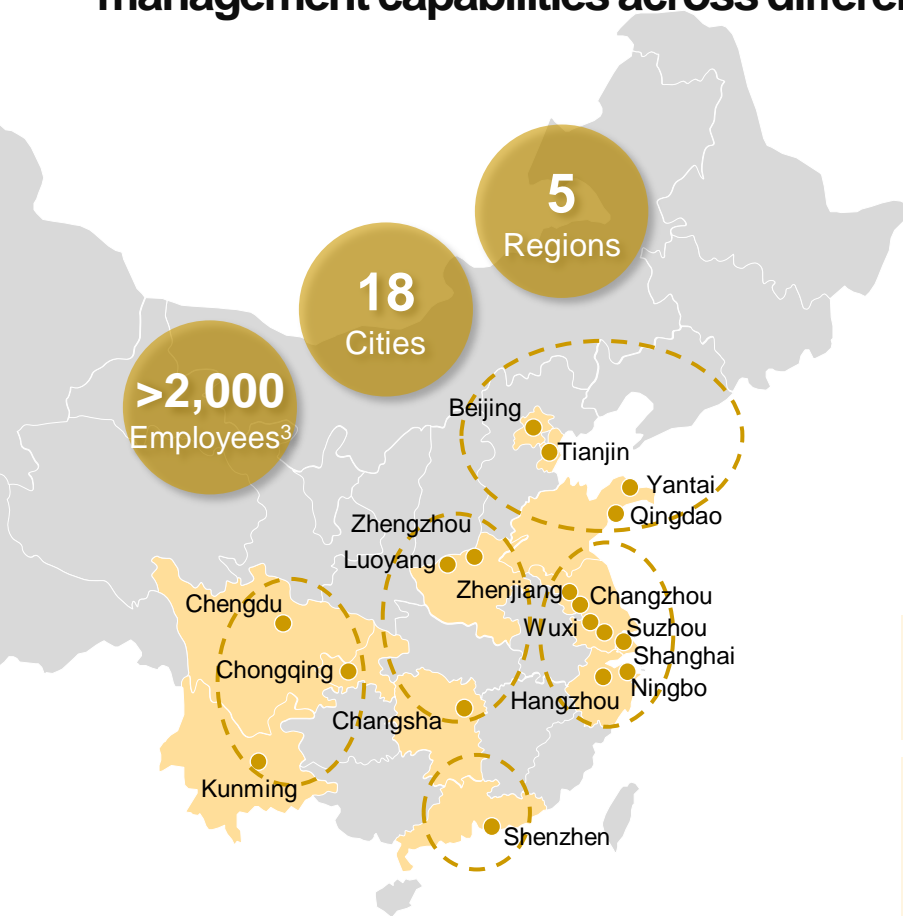


Introduction



About Sincere Property Group

Established real estate developer with comprehensive development and asset management capabilities across different asset types



| | |
|-------------------------------|--------------------|
| Development Properties | 64 projects |
|-------------------------------|--------------------|

| | | |
|------------------------------|-----------------|-------------------------------|
| Investment Properties | 9 retail | 13 office ² |
| | 4 hotels | 1 serviced residence |

Notes: Data as of 31 Dec 2019, subject to further DD

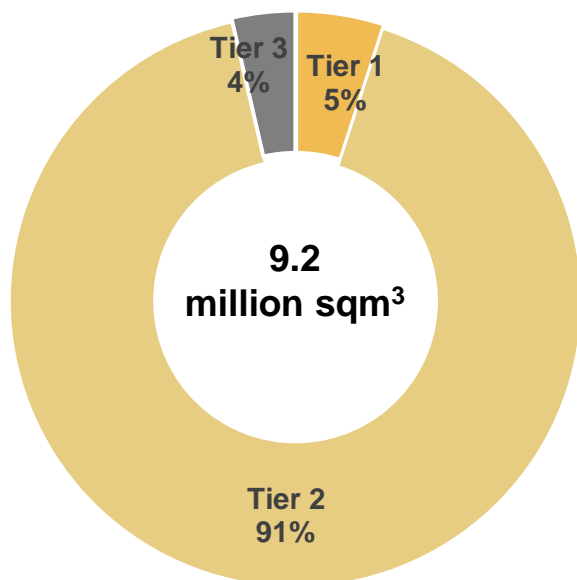
1. On 100% basis
2. Includes 2 self-use offices in Shanghai and Chongqing
3. Includes staff from property development, asset management and Starlight Retail



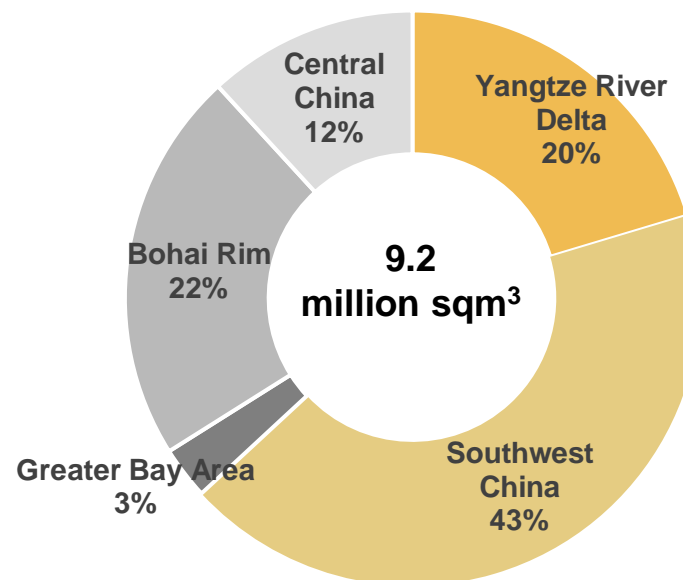
Substantial Land Bank to Support Future Growth

- Over 96% of land bank¹ located in Tier 1 and 2 cities
- 42% of land bank in developed regions of Yangtze River Delta and Bohai Rim
- 58% in fast growing Southwest China (mostly Chengdu & Chongqing), Greater Bay Area and Central China

Land bank by city tier²



Land bank by region



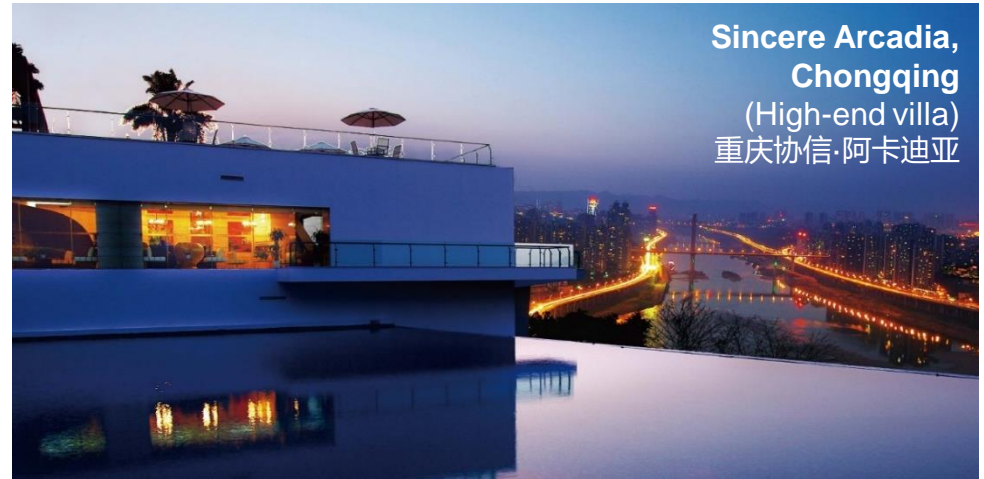
Notes: Data as of 31 Dec 2019

1. Total land bank equals to the sum of (i) total GFA available for sale for completed properties, (ii) total GFA for properties under development, and (iii) total GFA for properties held for future development; GFA available for sale of completed projects refers to the saleable GFA pre-sold/unsold
2. Tier 1 cities where Sincere has presence include Beijing, Shanghai, Shenzhen; Tier 2 cities include Tianjin, Chongqing, Chengdu, Zhengzhou, Qingdao, Yantai, Suzhou, Hangzhou, Wuxi, Ningbo, Changsha, Kunming, Changzhou; Tier 3 cities include Zhenjiang, Luoyang
3. On 100% basis



Wide Range of Residential Development Products

Full spectrum ranging from high-end to mass market (including villa, low-rise and high-rise residential apartments)



Sincere Arcadia,
Chongqing
(High-end villa)
重庆协信·阿卡迪亚

MAIN PRODUCT LINES

High-end



Jinglan Peak,
Chongqing
重庆敬澜山



Xiexin Gongguan,
Chongqing
重庆协信公馆

Mid to high-end



Xingluyuan,
Chongqing
重庆星麓原



Xingluyuan,
Chengdu
成都星鹭源

Mass market



Xinglanhui,
Changsha
长沙星澜汇



Tianjiao,
Qingdao
青岛天骄观澜国际



Strong Retail Portfolio

Established platform covering retail property development, management and operation

- Sincere has 9 retail malls across various market segments, from community to luxury
- Further expansion via third party management contracts



High-end shopping mall



Starlight 68 (Phase 1),
Chongqing
重庆星光68 (一期)



Starlight 68 (Phase 2 under
development), Chongqing
重庆星光68 (二期)

Mid to high-end urban fashion shopping mall



Shibei Starlight Plaza,
Shanghai
上海市北星光广场



Yongchuan Starlight Plaza,
Chongqing
重庆永川星光广场



Nanping Starlight Place,
Chongqing
重庆南坪星光时代广场

Quality community shopping mall



Yubei Starlight World,
Chongqing
重庆渝北星光天地



Daping Starlight World,
Chongqing
重庆大坪星光天地



Starlight World,
Shanghai
上海星光天地



Leading Business Park Developer & Operator

Ranked Top 10 Business Park Developer and Operator in China¹



- Tusincere was jointly incorporated by **Sincere** and **Tus Holdings** in 2015
- **Tus Holdings** (启迪控股), is a leading science and technology investment holdings group, leveraging on the network and resources from its parent company, Tsinghua University
- Mixed developments comprising office, residential, retail and research spaces



Shenzhen Tech Park

启迪协信深圳科技园

- Total GFA: approx. 800,000 sqm
- Target high-tech industries



Shanghai Chint Tus Harbor

上海正泰启迪智电港

- Total GFA: approx. 200,000 sqm
- Positioned as a centre for high-end manufacturing



Wuxi Tusincere City

启迪协信无锡科技城

- Total GFA: approx. 800,000 sqm
- Target high-tech industries



Chongqing Headquarters City

重庆总部城

- Total GFA: approx. 700,000 sqm
- Target high-tech industries



Note: 1. Rating by Guandian in 2019

Hotels & Serviced Apartments

Includes high-end luxury to mass market projects

- A serviced residence with 404 apartments and four hotels with more than 1,000 rooms
- Pipelines in discussion for further expansion



协信家
Sincere Hub



Changfeng Serviced Apartment, Shanghai

In operation since Sep 2018

No. of rooms: 404



Chengdu Hilton Hotel

In operation since Feb 2019

No. of rooms: 298



Chongqing Jiangbei Doubletree by Hilton

In operation since Nov 2011

No. of rooms: 284



Starlight 68@Sincere Centre, Chongqing
重庆星光68



New Transaction Summary



Investment Overview

Renegotiated Transaction at a Significantly Lower Valuation



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| | “TRANSACTION” Year 2020 | “CALL OPTION” Year 2022 | TOTAL |
|---------------------------------|---|---------------------------------------|--|
| Transaction Overview | Acquisition of initial 51.01% effective stake in Sincere Property with a Call Option for another 9.00% effective stake | | |
| Effective Equity Stake | 51.01% | 9.00% | 60.01% |
| Investment Consideration | RMB 4.39 billion (S\$0.88 billion) | RMB 0.77 billion (S\$0.16 billion) | RMB 5.16 billion (S\$1.04 billion) |
| Sincere Property | <ul style="list-style-type: none"> • An established real estate group with over 20 years’ track record • One of China’s Top 100 Developers¹ • Contracted sales of RMB 21.4 billion² (S\$4.3 billion) in 2019 | | |

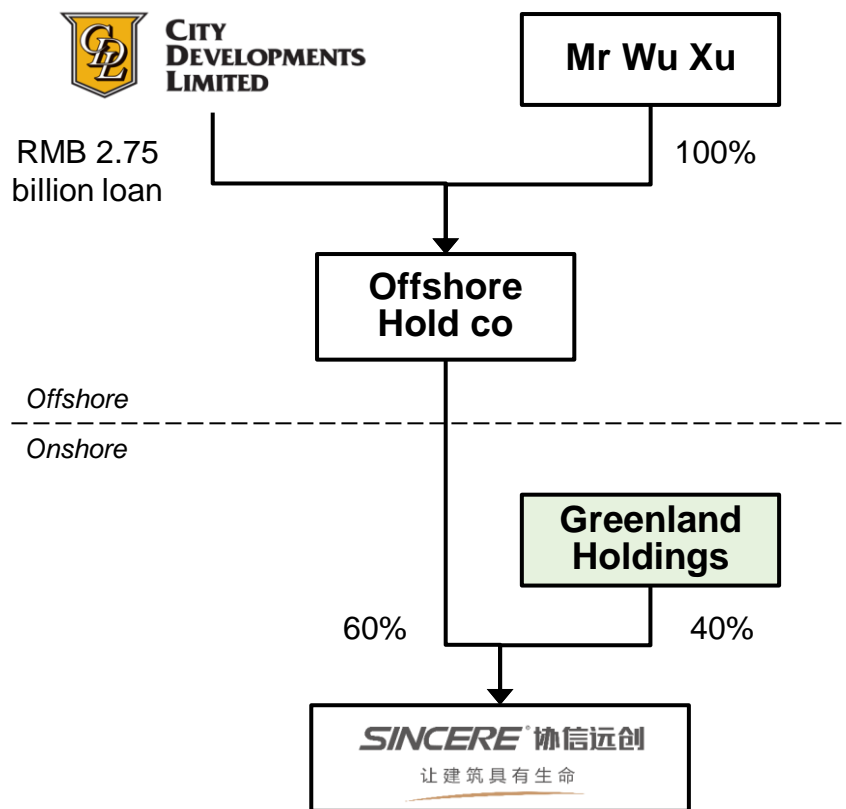
Notes:

1. 2019 Ranking by China Real Estate Association (中国房地产业协会)
 2. On 100% basis
- Exchange rate of RMB1 : S\$0.2009 as at 14 April 2020



Existing Holding Structure

Interest held by Sincere Property's Chairman & Founder and Greenland Holdings



| Name of shareholder | Direct interest in Offshore Hold Co (%) | Effective interest in Sincere Property (%) |
|---------------------------------|---|--|
| CDL | Not applicable | Not applicable |
| Mr Wu Xu ¹ | 100.00 | 60.00 |
| Greenland Holdings ² | Not applicable | 40.00 |

CDL had extended an interest-bearing loan in 2019 to Sincere Property in the amount of **RMB 2.75 billion** (representing approximately S\$0.55 billion)

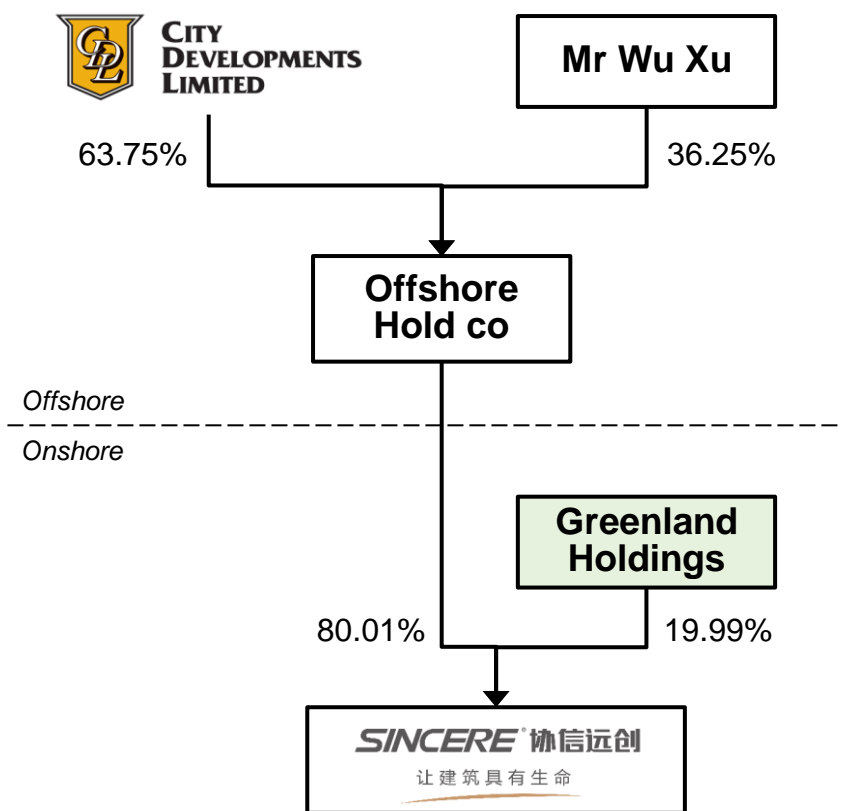
Notes:

1. Mr Wu Xu is the Chairman and Founder of Sincere Property
2. Greenland Holdings Group Co., Ltd.



Structure – Transaction Completion in 2020

Joint Controlling Stake of 51.01% to be held by CDL Group



| Name of shareholder | Direct interest in Offshore Hold Co (%) | Effective interest in Sincere Property (%) |
|---------------------------------|---|--|
| CDL | 63.75 | 51.01 |
| Mr Wu Xu ¹ | 36.25 | 29.00 |
| Greenland Holdings ² | Not applicable | 19.99 |

CDL's Effective Equity Stake in Sincere will be approximately **51.01%**, becoming the largest shareholder

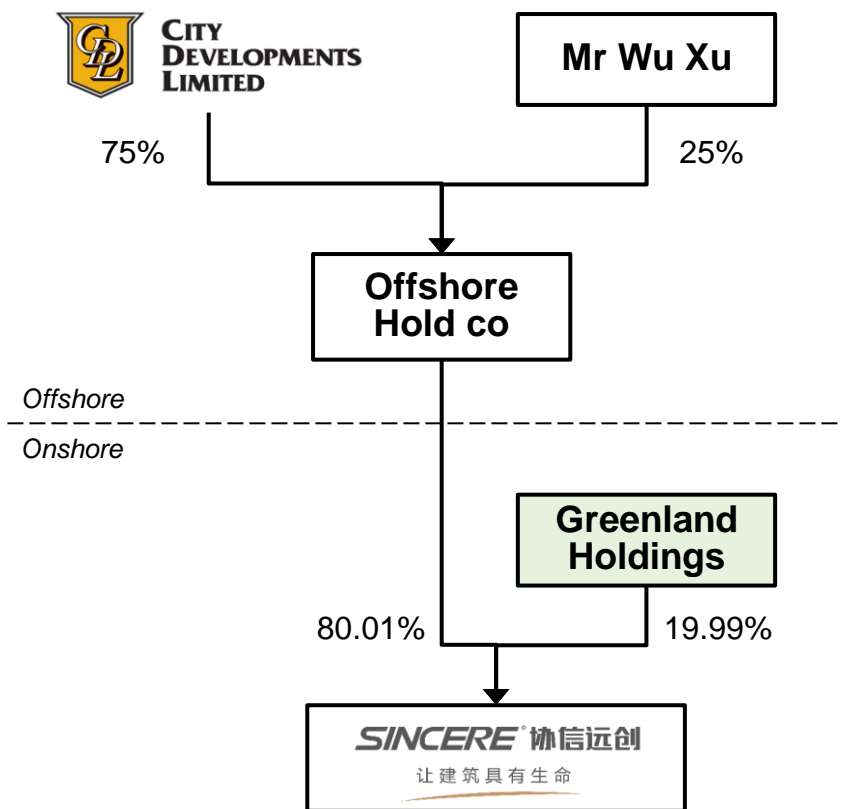
Notes:

1. Mr Wu Xu is the Chairman and Founder of Sincere Property
2. Greenland Holdings Group Co., Ltd.



Structure – Exercise of Call Option in 2022

Controlling Stake of 60.01% to be held by CDL Group



| Name of shareholder | Direct interest in Offshore Hold Co (%) | Effective interest in Sincere Property (%) |
|---------------------------------|---|--|
| CDL | 75.00 | 60.01 |
| Mr Wu Xu ¹ | 25.00 | 20.00 |
| Greenland Holdings ² | Not applicable | 19.99 |

After the exercise of the call option, CDL's Effective Equity Stake in Sincere Property will be approximately **60.01%**

The call option will be exercisable on the later of (i) 18 months from completion of transaction and (ii) 1 July 2022





Notes:

1. Mr Wu Xu is the Chairman and Founder of Sincere Property
2. Greenland Holdings Group Co., Ltd.



Compelling Transaction Rationale

Significantly Improved Terms for New Transaction

- 1 Attractive Price**

 - Attractive entry valuation at RMB 8.60 billion – almost 50% below Sincere Property's NAV of RMB 16.48 billion¹
 - Current macroeconomic conditions offer a window of opportunity to assess real estate investments with attractive valuations
- 2 Immediate Scale**

 - Expand the Group's geographical presence from 3 to 18 cities in China
 - Increase CDL's global portfolio allocation in China from 13% to 17%
- 3 Growth Potential**

 - Access to pipeline of 64 development projects, land bank of 9.2 million sqm²
 - More than 96% of the land bank in Tier 1 and 2 cities
 - Broaden capabilities to include business parks
- 4 Strategic Fit**

 - Sincere provides local capabilities with over 2,000 professionals across 18 cities
 - CDL contributes international experience, sophisticated capital management and sustainability leadership to help strengthen and professionalise Sincere Property

Notes:

1. Based on the unaudited consolidated financial statements of Sincere Property for the financial year ended 31 December 2019
2. On 100% basis



Strategic Initiatives

Upon Transaction Completion, Strong Focus on These Initiatives



PORTFOLIO REBALANCING



SALES ACCELERATION



ASSET DIVESTMENT



CAPABILITY ENHANCEMENT



TREASURY OPTIMISATION



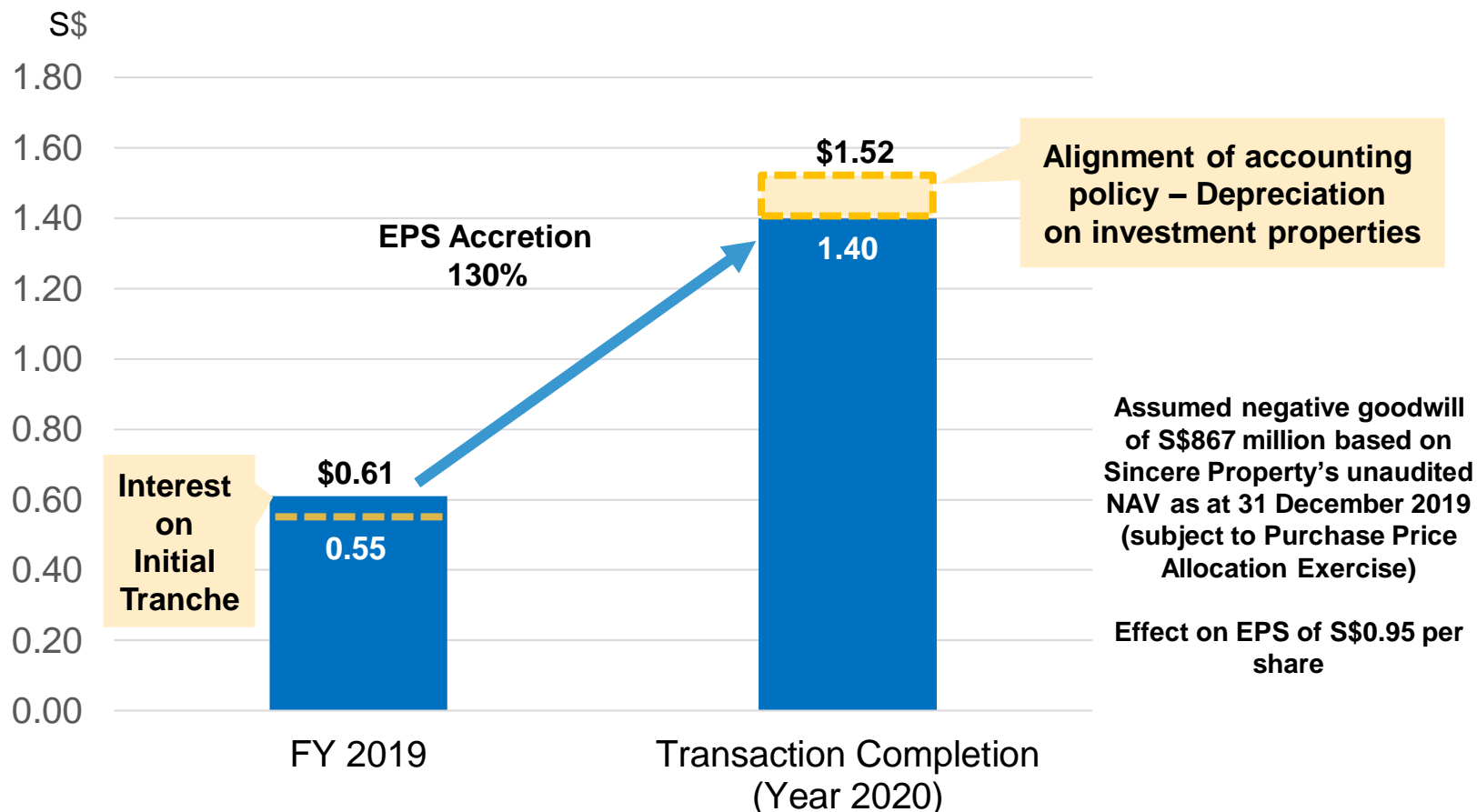
Xinhua Sincere Center, Chongqing
重庆新华协信中心

**Financial
Impact
to CDL**



Proforma Impact to EPS

EPS Accretive Transaction – Expected 130% boost to EPS upon Transaction Completion

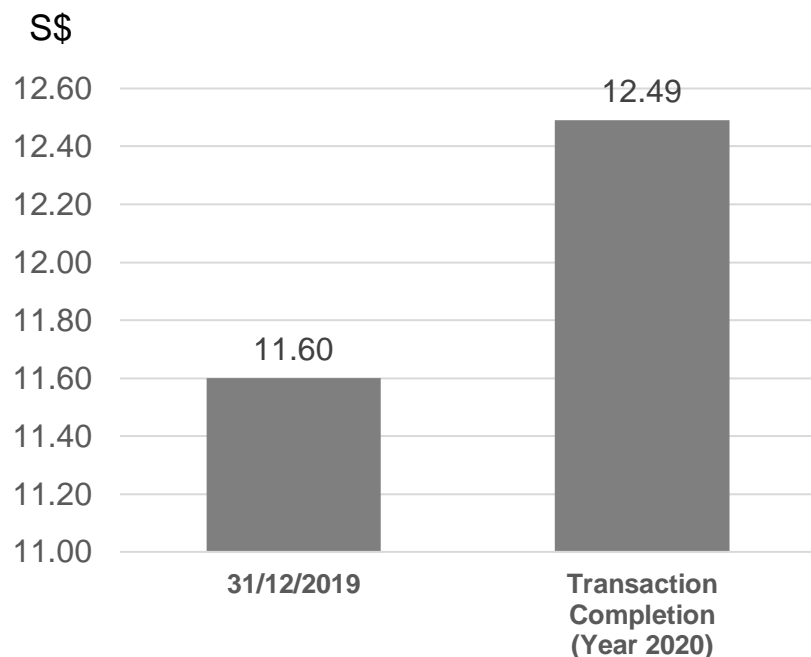


EPS is boosted by negative goodwill but impacted by alignment of accounting policy as CDL depreciates its investment properties vis-à-vis the fair value model

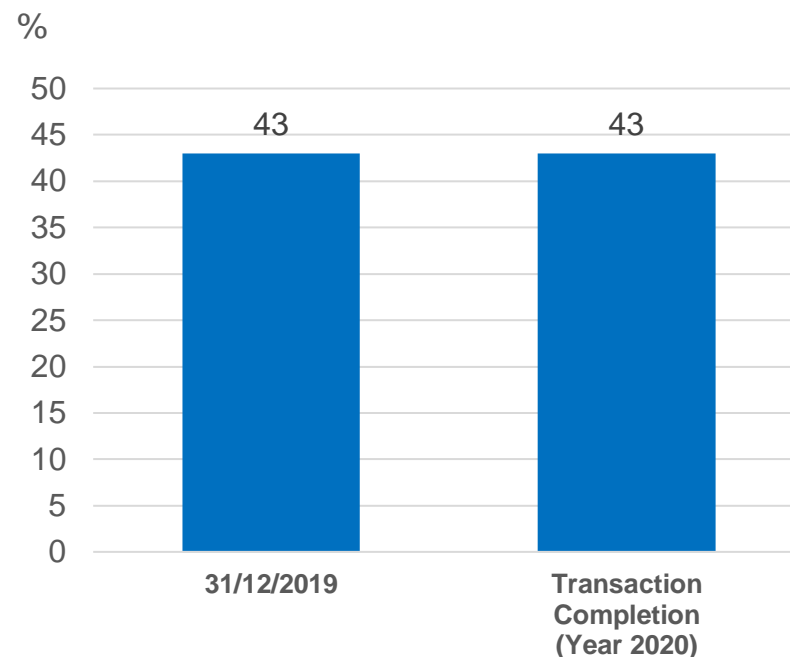


Proforma Impact to NAV & Net Gearing

NAV



Net Gearing¹



- NAV boosted by the recognition of negative goodwill
- Excluding negative goodwill, NAV is fairly constant

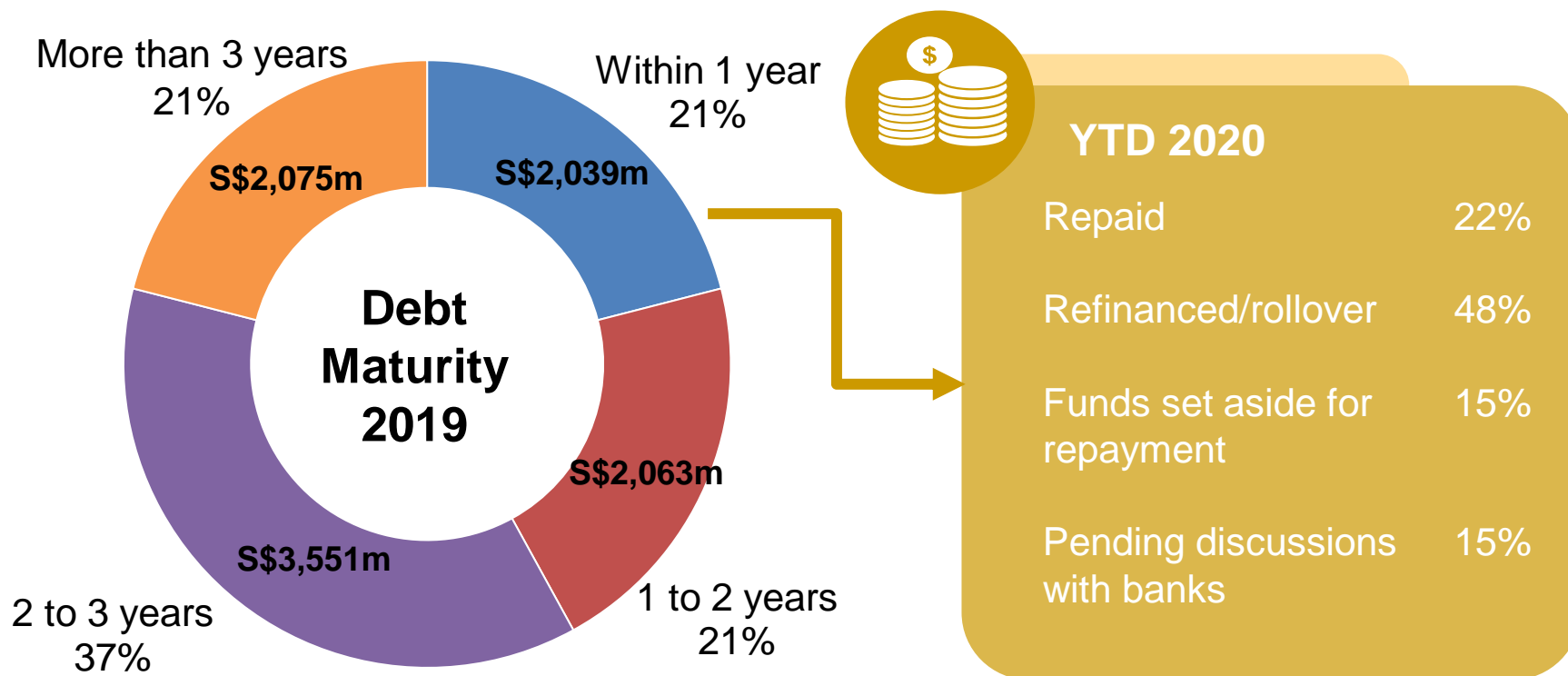
Gearing remains robust



Note:

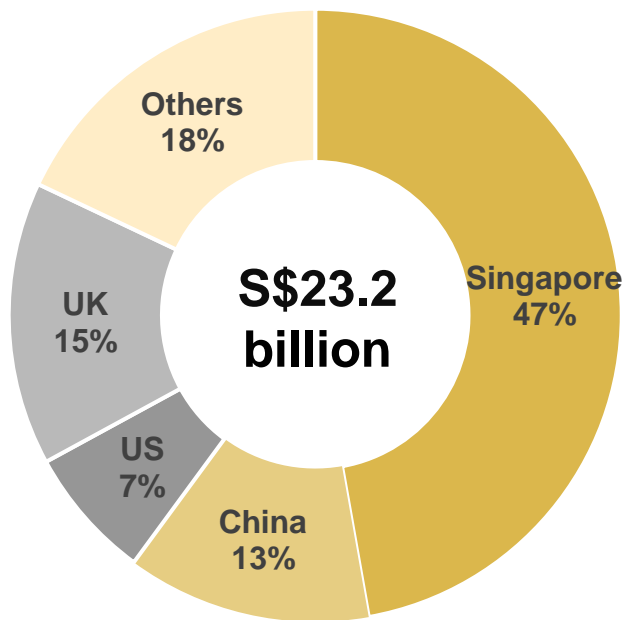
1. Including fair value on investment properties

CDL Debt Maturity Profile

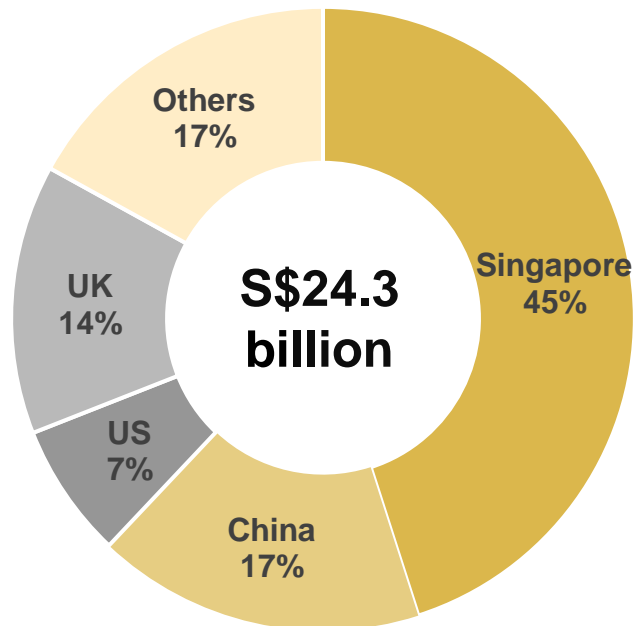


Proforma Impact to Total Assets

As at 31/12/2019



Upon Completion of Transaction



CDL continues to focus on its key geographical segments, with added focus on China and the UK



Healthy Future Revenue Recognition

Pre-sold approximately **RMB 23.1 billion (S\$4.6 billion)**¹ as of end 2019, to be booked as revenue for Sincere from 2020 to 2022 upon property handover



Notes: Images are artist's impressions

1. Include the sales of both residential and commercial GFA, on 100% basis

Jinglan Peak, Chongqing
重庆敬澜山

Building Scale, Creating Value

– Transforming the
Group's Portfolio



Building Scale in World's Most Populous Nation

Depressed Valuations triggered by COVID-19 Pandemic and Global Uncertainties



Transformation >>

Establish CDL as a Major Player in China's Property Market

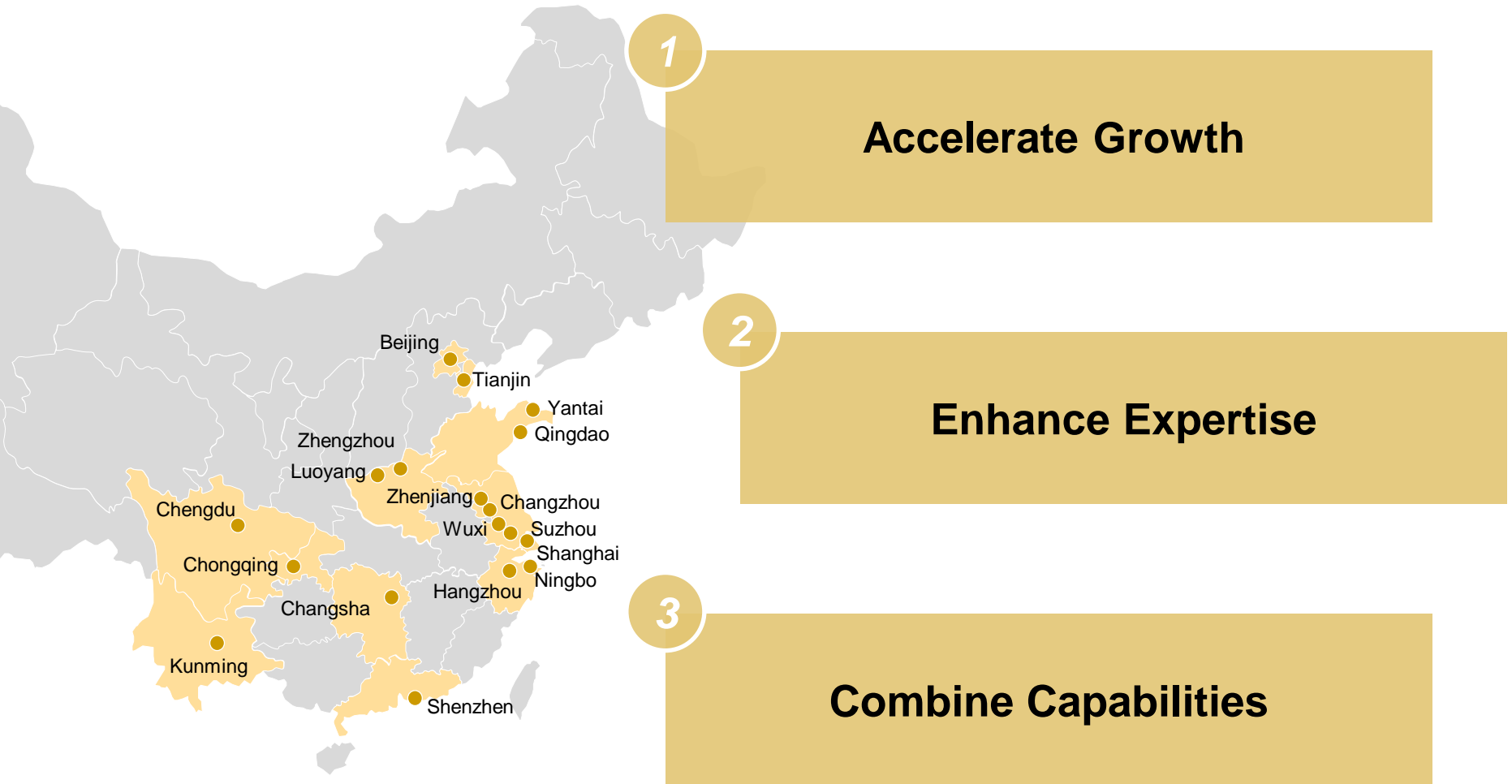
WHY NOW?

- **Window of opportunity:** A rare opportunity to gain a controlling stake in a Top 100 developer in China
- **Positive outlook:** The Group remains confident of China's strong fundamentals and its ability to rebound and takes a long-term view of investments in China
- **Green shoots of recovery:** China's economy will likely be the first to recover from the COVID-19 crisis and emerge stronger



Charting the Next Phase of Growth in China

Transformative Deal to Build Scale



1

Accelerate Growth

Achieve scale and attractive returns through immediate access to enlarged portfolio

Current Presence
(Pre-Transaction)

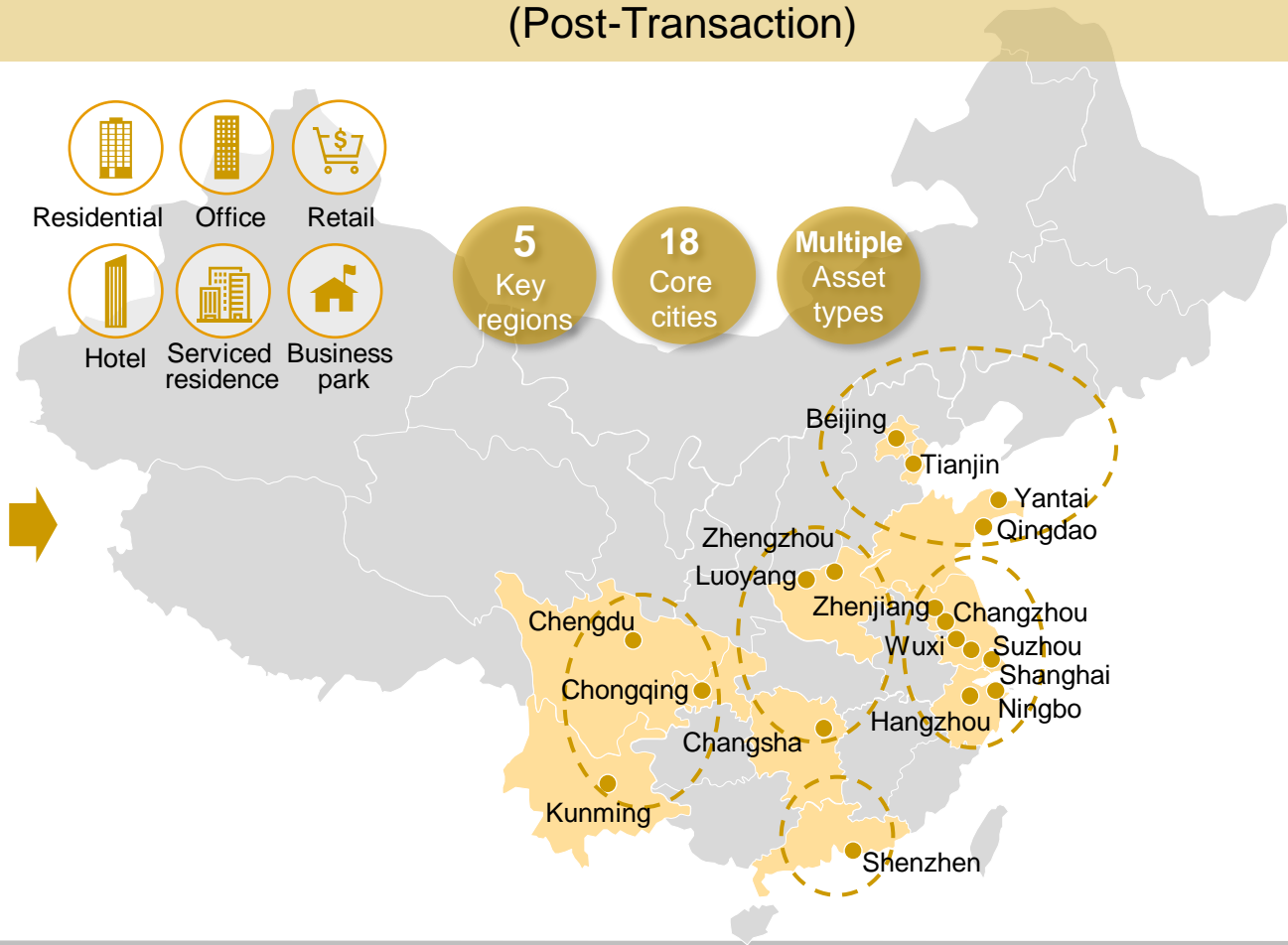
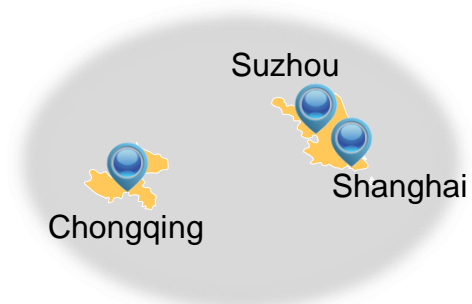
Expanded Presence
(Post-Transaction)

-  Residential
-  Office
-  Retail
-  Hotel
-  Serviced residence
-  Business park

5 Key regions

18 Core cities

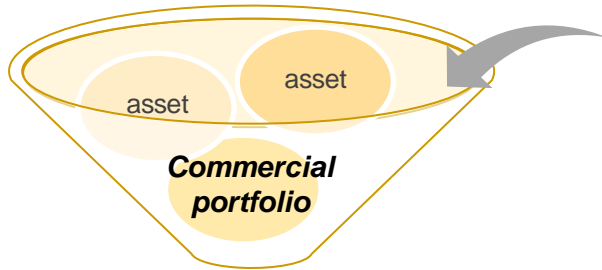
Multiple Asset types



1

Accelerate Growth

Strong Commercial Portfolio



- Identify opportunities with attractive value (e.g. during development stage)
- Seek value added opportunities
- Focus on Tier 1 and key Tier 2 cities

Existing Portfolio



Hong Leong City Centre, Suzhou



Yaojiang International, Shanghai



Hong Leong Plaza, Shanghai

Recent Acquisition



Hongqiao Sincere Centre (Phase 2), Shanghai¹

Potential Future Collaboration



Xinhua Sincere Centre, Chongqing



Sincere Centre, Qingdao



Nanping Starlight Place, Chongqing



Shibe Starlight Plaza, Shanghai

Note:

1. CDL acquired Hongqiao Sincere Centre (Phase 2)



Enhance Expertise

Significant enhancement of CDL's overall asset management capabilities

CDL's existing platforms and investments



Sincere Property's product Offerings and capabilities



Boulevard 88



Amber Park



Residential



Sincere Gongguan



Jinglan Peak



Office

Leading co-working operator



Retail



Established platform for retail property development and management



Apartment Rental

Fast growing apartment rental platform



Business Park



Top 10 Business Park Developer and Operator



Hotel

International hotel owner and operator



Serviced Apartment



协信家 Sincere Hub

Specialises in serviced apartment management

Active Value Creation via Professionally Managed Platform

Support Potential Fund Management Business



3 Combine Capabilities

Leverage enlarged resource pool to create competitive advantages

- Strong local execution capability supported by a team of over 2,000 professionals from Sincere Property
- Achieve competitive edge with Sincere Property's local expertise and strong partnerships coupled with CDL's international experience, sophisticated capital management and sustainability leadership



**International
Experience**



**Capital
Management**



Innovation



Sustainability



SINCERE 协信远创

让建筑具有生命



>2,000

Employees across
18 cities

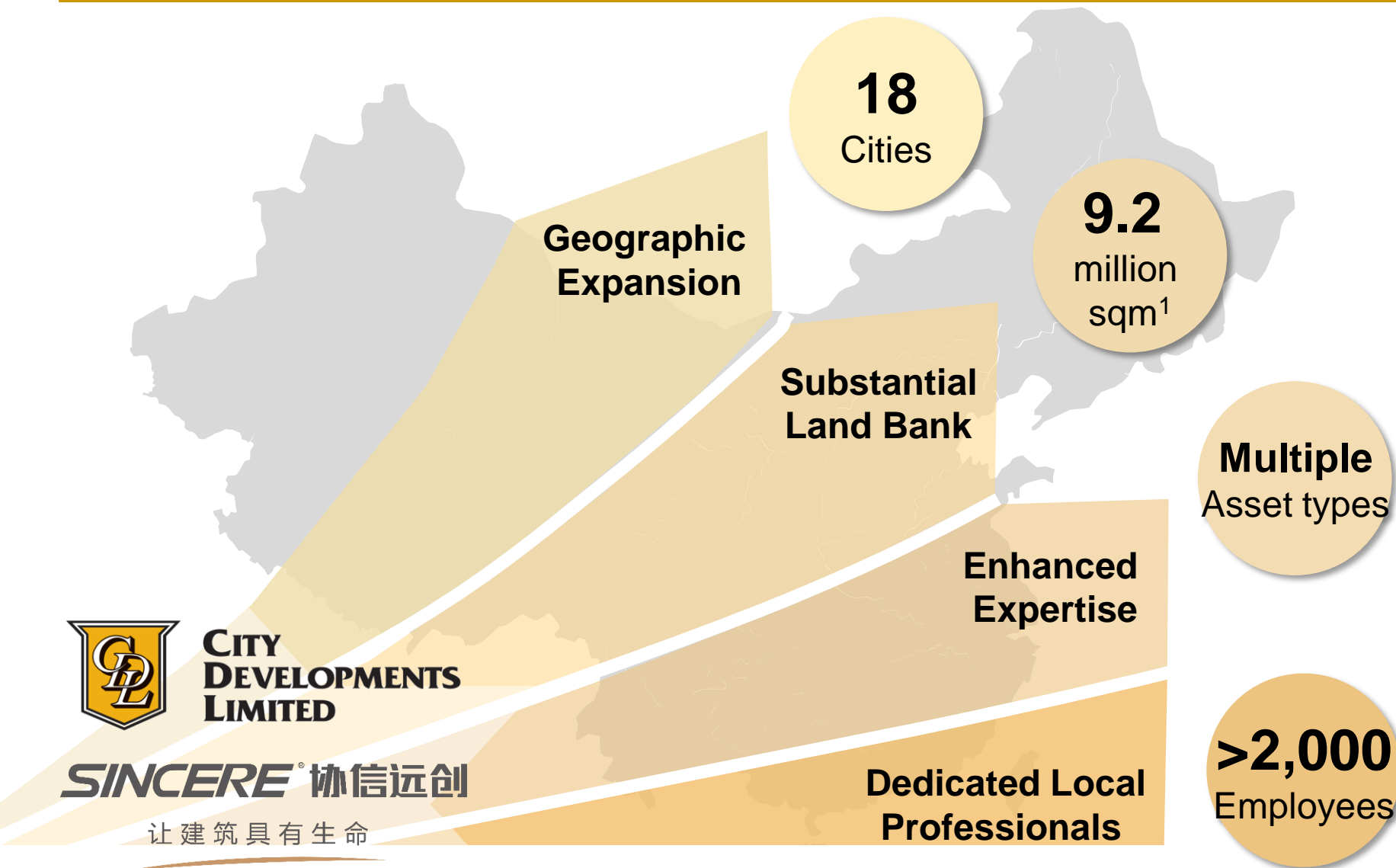


Extensive

networks and
partnerships



Growth, Enhancement and Transformation



Note:
1. On 100% basis

Disclaimer:

This document may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other developments or companies, shifts in customer demands, customers and partners, expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events. Numbers in tables and charts may not add up due to rounding.



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