



**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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