

Announcement on the Group's investments in:

- 1. Sincere Property Group, China**
 - 2. Commercial Asset located in Hongqiao, Shanghai**
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1. INTRODUCTION

The Board of Directors of City Developments Limited ("**CDL**" or the "**Company**", and for purposes of this announcement, the "**Group**" refers to CDL and its subsidiaries) wishes to announce that the Group:

- has entered into a series of agreements with the key party being HCP Chongqing Property Development Co Ltd ("**HCP**"), the indirect controlling shareholder of 重庆协信远创实业有限公司 ("**Sincere Property Group**" or "**Sincere**") as part of a strategic partnership with Sincere (the "**Sonic Transaction**"). The Sonic Transaction involves an equity and debt arrangement of up to a total amount of RMB 5.5 billion (approximately S\$ 1.1 billion¹);
- has entered into an agreement with Sincere, to secure a call option to acquire a 70% stake in Shanghai Hongqiao Sincere Centre (Phase 2) (上海虹桥协信中心(二期)), a commercial asset located at Hongqiao, Shanghai comprising office, serviced apartment and retail components (the "**Hongqiao Property**") for RMB 1.2 billion (approximately S\$ 247 million) (the "**Hongqiao Transaction**").

The Sonic Transaction and the Hongqiao Transaction are collectively known as the "**Transactions**" in this Announcement.

2. THE TRANSACTIONS

Sonic Transaction

The Sincere Property Group is an established real estate developer in the People's Republic of China with a full set of development and asset management capabilities across different sectors, including residential, retail, office, serviced apartment, 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 12.6 million square metres (sqm) with 70 development projects across 20 cities in China as of 31 December 2018. 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. It also has more than 15 business parks, which are under development or in operation, with a total gross floor area (GFA) over 5 million sqm. Sincere also owns and/or operates a substantial portfolio of investment properties in China, including 14 retail malls with a GFA of about 700,000 sqm, two serviced residences with 536 apartments and five hotels with approximately 1,400 rooms.

The Group has extended an interest-bearing loan in the amount of RMB 2.75 billion (the "**Initial Tranche**") to HCP, part of which will be converted into equity upon completion with the other part continuing as a loan. A further injection of RMB 2.75 billion will be made at that stage and together with the Initial Tranche, will collectively form the total investment amount of RMB 5.5 billion (the "**Sonic Investment Amount**"). The Sonic Investment Amount will comprise new shares subscription in HCP and a 4-year interest-

¹ All S\$ equivalent amounts set out in this announcement are based on an exchange rate of RMB 4.95 to S\$ 1.

bearing loan to HCP, the allocation of which is subject to adjustments and will be finalised upon completion. Loans extended from the Group under the Sonic Transaction are secured against share charges in the relevant Sincere-related entities.

Upon completion of the investment, the Group will hold a 29.9% equity interest in HCP and through HCP and its subsidiary, an approximate 24% effective equity stake in Sincere. Completion of the Sonic Transaction is subject to various conditions precedent, including further adjustment of Sincere's onshore shareholding structure and completing or obtaining any required governmental and regulatory reviews and approvals in China. The investment is expected to be completed by the fourth quarter of 2019.

The Sonic Investment Amount was agreed on a willing buyer willing seller basis, taking into account the combined enterprise value of Sincere. As at 31 December 2018, the audited financial statements of Sincere reported a net asset value of RMB 16 billion after taking into account the debts and minority interest.

Hongqiao Transaction

Located in Shanghai's Hongqiao Central Business District (CBD) and within a 10-minute drive to one of China's most important transportation hubs which consists of an international airport, railway and subway stations. The Hongqiao Property has a GFA of 35,739 sqm spread across 11 blocks comprising offices, serviced apartments, a retail component and a basement carpark with 384 lots.

The Group will acquire an effective 70% stake in the Hongqiao Property for RMB 1.2 billion (equivalent to S\$ 247 million) or approximately RMB 49,000 per sqm. As at 31 March 2019, the Group has extended loans in the aggregate amount of RMB 526 million to Sincere. Upon exercising the call option under the Hongqiao Transaction, the Group will hold an effective 70% stake in the Hongqiao Property. This acquisition is expected to be completed by the third quarter of 2019.

3. FINANCIAL IMPACT

The aggregate investment amount for both Transactions is RMB 6.7 billion (approximately S\$ 1.36 billion) and as at 31 March 2019, RMB 3.3 billion (approximately S\$ 662 million) has been extended in the form of debt. As mentioned above, part of this debt will eventually be converted into equity upon completion of the Sonic Transaction.

For illustrative purposes only, the financial effects of the Sonic Transaction on the earnings per share ("**EPS**") of the Group, are determined based on (i) the consolidated financial statements of the Group for the financial year ended 31 December 2018, being the most recently completed financial year for which audited financial statements are available as at the date of this Announcement, and (ii) the HCP consolidated group results that were derived from the audited accounts of Sincere for the financial year ended 31 December 2018.

The proforma financial effects on the consolidated EPS of the Group, assuming the Sonic Transaction had been effected on 1 January 2018, are as follows:

	Before the Sonic Transaction	After the Sonic Transaction
EPS	59.9 cents	57.3 cents

Notably, the financial effects are based on estimates on the purchase price allocation to the assets of Sincere Property Group, and estimated depreciation on the investment properties held by Sincere for alignment to the Group's accounting policy of depreciating its investment properties vis-a-vis the fair value model. The drop in proforma EPS is largely due to the alignment of accounting policy for its investment properties, where the fair value surplus is reversed, coupled with estimated depreciation for the investment properties.

There is no impact on the Group's net asset value (NAV) as at 31 December 2018, based on the proforma financial effects.

The financial effects of the Hongqiao Transaction are not material and not meaningful, as construction of the property was completed only in late 2017 and leasing activities only commenced in mid 2018.

The investments will be funded through internal cash resources and credit facilities available to the Group.

4. RATIONALE AND BENEFITS OF THE TRANSACTIONS

The Transactions offer the opportunity for the Group to partner with Sincere Property Group, a prominent real estate developer in China with more than 20 years' track record, and to acquire a meaningful stake in an established platform at an attractive valuation. Furthermore, it allows for a sizable expansion of the Group's footprint in China, increasing the Group's geographical presence to 20 cities in China and growing the asset allocation in China from 9% to 15%. Leveraging on Sincere's development and asset management capabilities, local expertise and wide geographical presence in China, the strategic partnership will allow the Group to significantly boost its scale and accelerate its growth in the huge China market with a substantial portfolio and pipeline of development projects and investment properties.

Sincere Property Group's capabilities in the retail, business park and serviced apartment sectors will also enhance and deepen CDL's expertise in China. There is also potential to develop fund management platforms via Sincere's existing portfolio and through new acquisitions.

The investment in the Hongqiao Property is also in line with CDL's focus on enhancing recurring income.

5. None of the Directors or the controlling shareholders of CDL has any interest, direct or indirect in the above Transactions.

By Order of the Board

Shufen Loh @ Catherine Shufen Loh
Enid Ling Peek Fong
Company Secretaries
15 May 2019

Further information on the investments can be found in the Company's news release titled "**CDL charts next phase of growth in China**" issued on 15 May 2019, a copy of which is attached to this announcement.