

UPDATE TO GUIDANCE ON THE UNAUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2020

City Developments Limited (“CDL” or the “Company”) refers to the announcements of the appointment of an External Financial Advisor (“EFA”) to further evaluate and review its 51.01% joint venture (JV) equity investment (“the review”) in Sincere Property Group (“Sincere Property”; 协信远创) and of the guidance on the unaudited financial results for the full year ended 31 December 2020 (“FY 2020”) on 4 November and 30 November 2020, respectively, and wishes to provide additional updates.

The findings of the review by Deloitte & Touche Financial Advisory Services Pte. Ltd. (“Deloitte”) acting as its EFA, have been calibrated with the preliminary findings from the audit of Sincere Property as at 30 April 2020 (being the completion date of the Group’s acquisition of interest in Sincere Property) (the “Completion Audit”) by KPMG and the draft purchase price allocation exercise undertaken.

The Group is in the process of finalising the Completion Audit of Sincere Property. Given the ongoing unprecedented challenges for China’s real estate market, the Group expects to make provisions for a material impairment loss on the investment. The final quantum of impairment cannot be determined as yet, as the Group is in the process of restructuring some assets and the situation remains fluid. Details of the Group’s financial performance will be disclosed when the Company announces its financial results for FY 2020.

As at 31 December 2020, the Group’s total investment in Sincere Property stands at \$1.8 billion. It has not provided any further liquidity support or corporate guarantees to Sincere Property since.

Apart from the challenges imposed by the pandemic, China’s “three red-lines” rule restricting bank borrowing for real estate firms is expected to have significant impact on all Chinese developers. The deterioration in market conditions, ongoing uncertainty and regulatory restrictions have disrupted and negatively impacted Sincere Property’s operations and performance in the near-term. Furthermore, poor market conditions have derailed the intended divestment plan for some of Sincere Property’s retail and hospitality portfolio to reduce its debt, exacerbating the liquidity challenge it currently faces.

On 4 January 2021, the Group announced the formation of a special working group to directly oversee and improve Sincere Property’s liquidity and profitability, including reviewing potential divestments of assets and restructuring existing liabilities while limiting any additional financial exposure to the Group. The Group has ring-fenced its current financial exposure to this investment and will continue to strenuously protect its position.

As at 30 September 2020, the Group’s net gearing ratio (factoring in revaluation surplus from investment properties) stood at 52%. The Group has strong cash reserves of \$3.3 billion. It maintains a strong liquidity position comprising cash and available undrawn committed bank facilities totalling \$4.7 billion. Its debt expiry profile also remains healthy, with its total gross borrowings at a weighted average debt expiry of 2.4 years. There are no material concerns over the Group’s ability to fulfil its near-term debt obligations.

Shareholders and potential investors are advised to exercise caution when dealing or trading in the securities of the Company.

By Order of the Board

Enid Ling Peek Fong
Company Secretary
21 January 2021