



**CITY
DEVELOPMENTS
LIMITED**

News Release

15 May 2019

CDL CHARTS NEXT PHASE OF GROWTH IN CHINA — ENTERS INTO TRANSFORMATIONAL RMB 5.5 BILLION DEAL

- **CDL's single largest investment in China to date**
- **Expands CDL's geographical presence in China from 3 to 20 cities**
- **Increases CDL's portfolio allocation in China from 9% to 15%**
- **Access to a substantial landbank of 12.6 million sqm GFA across 70 development projects**
- **Broadens CDL's asset classes in China to include business parks and serviced apartments**
- **Invests another RMB 1.2 billion for a 70% stake in a prime Shanghai commercial property**

City Developments Limited (CDL) has entered into agreements to invest in Sincere Property Group (Sincere, or 协信远创), an established real estate developer in China. The investment consideration, comprising share subscription and a four-year interest-bearing loan, the allocation of which is subject to adjustments and will be finalised upon completion, amounts to a total of RMB 5.5 billion (approximately S\$ 1.1 billion)¹.

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 fully completed by Q4 2019. Upon completion, CDL will indirectly hold an approximately 24% effective equity stake in Sincere via its offshore investment vehicle, making CDL the second largest shareholder after Sincere's Founder and Chairman, Mr Wu Xu. CDL will have representation on Sincere's Board at both offshore and onshore levels and have the right to participate in key decision making.

In addition, CDL has entered into an agreement with Sincere to acquire a 70% stake in Shanghai Hongqiao Sincere Centre (Phase 2) (上海虹桥协信中心(二期)) (Hongqiao Property), a prime commercial property in the heart of Shanghai's Hongqiao Central Business District (CBD), for RMB 1.2 billion (approximately S\$247 million), equivalent to about RMB 49,000 per square metre (sqm). Spreading across 11 blocks, the Hongqiao Property has a Gross Floor Area (GFA) of 35,739 sqm comprising offices, serviced apartments, a retail component and a basement car park with 384 lots. This investment is expected to be completed by Q3 2019.

The investments in Sincere and Hongqiao Property will be funded through internal cash resources and credit facilities.

Strategic transformational investment into Sincere

With over 20 years of track record, Sincere is ranked as one of China's Top 100 Developers by 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 has a full set of development and asset management capabilities across different sectors, including residential, retail, office,

¹ Based on an exchange rate of RMB 4.95 to S\$1

serviced apartment, business park and large-scale mixed-use development. Sincere's geographical presence in China spans 20 cities including key Tier 1 and Tier 2 cities where it employs over 1,800 professionals.

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 GFA over 5 million sqm.

Sincere also owns and operates a substantial portfolio of investment properties in China, including 14 retail malls with a total GFA of about 700,000 sqm, two serviced residences with 536 apartments and five hotels with approximately 1,400 rooms.

Sincere's contracted sales grew at a compounded annual growth rate of 47% from RMB 9.9 billion (approximately S\$2 billion) in 2016 to RMB 21.3 billion (approximately S\$4.3 billion) in 2018.

Mr Sherman Kwek, CDL's Group Chief Executive Officer, said, "Rapid urbanisation, economic growth and rising disposable incomes will continue to drive demand for real estate in China. This transformational deal is CDL's single largest investment in China to date. It is a rare opportunity to acquire a meaningful stake in an established platform at an attractive valuation. This game-changing initiative will drive CDL's next phase of growth in this important market."

"Leveraging Sincere's development and asset management capabilities, local expertise and wide geographical presence in China, CDL will be able to significantly boost its scale and accelerate its growth in this huge market with a substantial portfolio and pipeline of development projects and investment properties. Sincere's capabilities in retail, business parks and serviced apartments will also enhance and deepen CDL's expertise in China. Moreover, there is tremendous potential to develop fund management platforms via Sincere's existing portfolio and through new acquisitions."

Mr Wu Xu, Sincere's Founder and Chairman, said, "Since our founding in 1999, Sincere has built a strong presence and reputation in China. CDL's investment and support will be instrumental in accelerating Sincere's growth as we continue to increase our land bank and pipeline of properties with the aim of achieving even stronger sales growth."

"This strategic partnership also brings together Sincere's deep local capabilities and CDL's extensive international expertise. Our combined strengths will not only give our joint venture a distinct advantage in property development and asset management but also open doors to further growth opportunities, such as tapping CDL's experience and networks to jointly explore fund management initiatives."

Accelerate the growth of CDL's portfolio in China

The deal will expand CDL's geographical presence in China from three to 20 cities and increase CDL's portfolio allocation in China from 9% (as at 31 December 2018) to 15% (post acquisition). CDL will be able to achieve scale and attractive returns through immediate access to an enlarged portfolio and pipeline as well as potential joint venture (JV) opportunities for acquisitions in China's Tier 1 and Tier 2 cities.

Healthy future revenue recognition can also be expected. As of end 2018, there is an accumulated pre-sold value of approximately RMB 24 billion (S\$ 4.9 billion) which is expected to be booked as revenue for Sincere in 2019 to 2021 upon property handover. Furthermore, Sincere has a substantial landbank of 12.6 million sqm GFA across 70 development projects.

Enhance and deepen CDL's expertise

Following the investment in Sincere, CDL's expertise in China will be significantly enhanced. CDL's existing platforms and investments in the residential, office, retail, apartment rental and hotel sectors will be supplemented by Sincere's expertise in managing retail, business parks and serviced apartments.

Combine local and international capabilities

Leveraging on an enlarged resource pool, CDL will benefit from Sincere's sizable team with strong local execution capabilities. With Sincere's local networks and partnerships coupled with CDL's international expertise and capital markets connections, the two companies will achieve a significant competitive edge.

There is also potential to develop fund management platforms via Sincere's existing portfolio and through new acquisitions.

For CDL's investment in Sincere, The Hongkong and Shanghai Banking Corporation Limited acted as the financial advisor and Fangda Partners as the legal advisor.

Phase 2 of Shanghai Hongqiao Sincere Centre

The investment in the Hongqiao Property is in line with CDL's focus on enhancing recurring income. The prime commercial property is strategically located in the heart of Shanghai's Hongqiao CBD and within 10 minutes' drive to one of China's most important transportation hubs which consists of an international airport, railway and subway stations. It is also within 15 minutes' drive to the Shanghai National Exhibition and Convention Center. Notable projects nearby include Alibaba's Regional Headquarters, Vanke Centre and Longfor Paradise Walk.

Spreading across 11 blocks comprising offices, serviced apartments, a retail component and a basement carpark with 384 lots. Stabilised net operating income yield is approximately 4%.

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