



Media Statement

11 March 2021

CLARIFICATION ON STATEMENT BY SINCERE PROPERTY GROUP

City Developments Limited (CDL) refers to a statement by Sincere Property Group (Sincere Property), the Company's joint-venture (JV) investment in China, which was released on the latter's [website](#) on 10 March 2021 ("Sincere Statement").

We are deeply concerned that Sincere Property has issued the Sincere Statement which contained incorrect information about CDL, in a way which could mislead readers to believe CDL should take primary responsibility for the current situation of Sincere Property. The Sincere Statement was issued without any prior consultation with CDL.

CDL wishes to clarify two material incorrect information contained in the Sincere Statement:

1. Sincere Property cites CDL as 'controlling shareholder' of Sincere Property Group. Following the completion of the acquisition transaction in April 2020, CDL in fact holds a joint controlling equity stake in the Chinese developer. Under the agreed legal structure of this JV, Sincere Property Holdings Limited (SPHL, a company controlled by Sincere Property's founder) and CDL will jointly control the JV on its material decisions while the existing operation team set up by SPHL previously continues to exercise direct oversight of its day-to-day operations and worksite matters.
2. Sincere Property suggests that its corporate governance structure and its approval procedures have undergone major changes due to CDL's investment. It should be noted that Sincere Property has its own eight-member Board of Directors represented by all three shareholders as follows – CDL (four), SPHL (two) and Greenland Holdings Group Co. Ltd. (two). Even with four board seats, the legal structure of the JV does not accord CDL to have majority control of Board decisions.

Notwithstanding strategic Board decisions, Sincere Property's direct responsibility for day-to-day management is supported by its own staff of over 2,000 employees. This compares with less than eight employees seconded by CDL to Sincere Property's headquarters in Shanghai. The latter were sent there after the JV was concluded to co-share knowledge and best practices; and to work as subordinates to Sincere Property's senior management.

There have been occasions where CDL could not support Sincere Property management's recommendations as they contravened CDL's corporate governance as a listed company and the recommended use of funds were not in the best interest of all shareholders.

Sincere Property has mis-represented the circumstances, the actions surrounding the investment, the relationship between both parties and CDL's efforts to engage the JV partners to deal proactively with the challenging operating environment.

As previously disclosed, the liquidity issue that Sincere Property faces was inherent even before CDL's investment. Sincere Property's growth-focused approach had kept its gearing high even in the face of two major challenges. The first is the disruption from economic fallout of the COVID-19

pandemic; the second is the unprecedented structural policy shifts (including the ‘three red lines’ guidelines imposed by the Chinese government) relating to the real estate sector. Sincere Property was not spared, and its liquidity issues were exacerbated.

As a shareholder of the JV, CDL’s intention has always been to support Sincere Property in restructuring its debt and improving its capital position. Since late 2020, CDL commenced a strategic review that involves restructuring this JV. CDL formed a special working group to work with its management, assisted by Deloitte China, to improve liquidity, and unlock value in mutually agreed assets and recalibrate the portfolio. However, to date, CDL’s efforts have yielded little progress apart from a transaction announced on 22 February 2021 which resulted in CDL acquiring a majority stake in a technology park project in Shenzhen (which reduced Sincere Property’s effective stake in that project and, to a small extent, its gearing). This transaction was in line with CDL’s decision to limit, or ring-fence, further financial exposure to Sincere Property. Due to the complexities of the debt structure and cross-collaterals of Sincere Property’s assets, the restructuring process has remained difficult and long-drawn amid an already challenging operating environment.

CDL provided an impairment loss of S\$1.78 billion on its investment in the Sincere Property. This impairment was a major factor behind the significant loss recorded for CDL’s FY 2020 financial performance (announced on 26 February 2021), which contributed to the worst performance in the Group’s 58-year history.

While CDL’s balance sheet remains strong, the Group takes a serious view of the recent statements by Sincere Property. As a major listed real estate conglomerate, CDL must strenuously defend itself against the major inaccuracies highlighted. CDL will continue to adhere to high standards of disclosure even as it continues to engage its JV partner. It will take all necessary steps, including legal actions, to ensure corporate transparency and good governance.

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