**News Release**

26 February 2021

# CDL RECORDS FULL YEAR LOSS OF S$1.9 BILLION DUE TO DECISION TO WRITE DOWN SINCERE PROPERTY INVESTMENT TO FOCUS ON POST COVID-19 RECOVERY

- **Significant loss attributable to one-off impairment of S$1.78 billion on Sincere Property Group (Sincere Property) investment**
- **Impairment losses for CDL's hotels and investment properties; and allowance for foreseeable losses for development projects**
- **Excluding impairments and foreseeable losses, CDL would have registered a profit before tax of S$120.8 million for FY 2020**
- **Property development segment remains resilient: sold 1,318 residential units in Singapore with sales value of S$1.8 billion in FY 2020**
- **Fundamentals remain strong, with cash reserves of S$3.2 billion**
- **Total dividends for 2020 at 12 cents per share (FY 2019: 20 cents)**

With the protracted COVID-19 global pandemic adversely impacting its business and operations and a challenging operating real estate environment in China, City Developments Limited (CDL) reported a loss after tax and non-controlling interest of S$1.9 billion for its second half (2H 2020) and S$1.9 billion for the year ended 31 December 2020 (FY 2020) (2H 2019: PATMI of S$202.6 million; FY 2019: PATMI of S$564.6 million).

Excluding one-off, non-cash impairments of S$1.78 billion for losses attributable to its joint venture (JV) investment in Sincere Property in China, impairment losses for CDL's hotels and investment properties of S$99.5 million and allowance for foreseeable losses for development projects of S$35.0 million, CDL would have registered a profit before tax of S$83.0 million for 2H 2020 and S$120.8 million for FY 2020 (2H 2019: S$317.0 million; and FY 2019: S$805.5 million).

The Group's revenue for 2H 2020 declined by 43.5% to S$1.0 billion (2H 2019: S$1.8 billion) and 38.5% to S$2.1 billion for FY 2020 (FY 2019: S$3.4 billion). While all segments were impacted, the Group's hotel operations segment accounted for 81% of the decline, as the pandemic continued to spread with resurgence in some cities even amid border restrictions, lockdowns and other measures to contain the spread of the virus.

Despite the unprecedented set of results, the Group remains confident to weather the combined challenges with its strong fundamentals and financial strength. Its financial position remains robust with sufficient liquidity to meet its operational needs and financial commitments. As at 31 December 2020, the Group has cash reserves of S$3.2 billion. It maintains a strong liquidity position comprising cash and available undrawn committed bank facilities totalling S$5.2 billion. Net gearing ratio after factoring in fair value on investment properties stands at 62%.

For FY 2020, the Board is recommending a final ordinary dividend of 8.0 cents per share as well as a special final ordinary dividend of 4.0 cents per share. The Group did not declare a mid-year dividend amid a challenging operating environment in which cash conservation and prudent capital management were crucial. This brings the total full-year dividend to 12.0 cents per share (FY 2019: 20.0 cents). Despite the losses, the Board wishes to reward shareholders and express its appreciation for their confidence and support amid these challenging times.

**Financial Highlights**

| (S$ million) | FY 2020 | FY 2019 | % Change | 2H 2020 | 2H 2019 | % Change |
|---|---|---|---|---|---|---|
| **Revenue** | **2,108.4** | 3,428.7 | (38.5) | **1,035.5** | 1,832.2 | (43.5) |
| **Profit before tax** | **(1,790.8)** | 754.1 | NM | **(1,804.6)** | 263.8 | NM |
| **PATMI** | **(1,917.4)** | 564.6 | NM | **(1,920.5)** | 202.6 | NM |

**Important Notes on Impairments, Profit Before Tax & Net Asset Value**

- The loss attributable to Sincere Property has distorted the Group's 2H 2020 and FY 2020 results. Based on the audit outcome by KPMG and the challenges faced by the JV platform, the Group effectively impaired 93% of its total investment in Sincere Property, amounting to S$1.78 billion. Taking into consideration Sincere Property's debts in the next 12 months and China's "three red lines" policy to cap borrowings for real estate developers, the Group is cautious that Sincere Property may face significant liquidity challenges.

- For FY 2020, the Group also made impairment losses on hotels and investment properties totalling S$99.5 million (FY 2019: S$58.0 million) and allowance for foreseeable losses of S$35.0 million (FY 2019: write back of allowance for foreseeable losses of S$6.5 million). Notably, the Group had made impairment losses for its hotel properties of S$33.9 million in 1H 2020 based on management assessment. The year-end impairment review of its hotel properties was done by external valuers, reflecting the subdued outlook for the hospitality sector.

- In view of the protracted global pandemic and the impairments made, the Group's Net Asset Value (NAV) per share as at 31 December 2020 stands at S$9.38 (31 December 2019: S$11.60). Notably, the Group adopts the policy of stating investment properties at cost less accumulated depreciation and impairment losses. Had the Group factored in fair value gains on its investment properties, the Revalued Net Asset Value (RNAV) per share would be S$14.26 (2019: S$16.46). It should be noted that this RNAV figure assumes that the Group's hotels continue to be stated at cost. Had the revaluation surpluses of its hotels been included, based on the 2020 internal estimates and external valuations, the Group's RNAV per share would have increased by S$2.62 to S$16.88. There is deep value in M&C's assets which form the bulk of these revaluation surpluses and the Group will review the portfolio holistically, now that it is 100% owned after the privatisation exercise in November 2019.

**Strategic Investment as First Action to Improve Liquidity of Sincere Property**

- The Group has formed a special working group who will work with Sincere Property, assisted by Deloitte China, to improve liquidity and restructure its existing loans and liabilities. In an operating environment that remains volatile and fluid, the working group is exploring all options in formulating its recovery plan while limiting any additional financial exposure by the Group.

- The Group announced on 22 February its first major corporate action to improve the liquidity of Sincere Property. CDL has acquired from Sincere Property and two entities of China Ping An (Ping An; 中国平安) a total of 84.6% interest in Shenzhen Tusincere Technology Park Development Co. Ltd. (the Holdco; 深圳启迪协信科技园发展有限公司) for RMB 850 million (approximately S$174 million) and will assume its proportionate share of existing shareholders' loans.

- Apart from lowering the gearing of Sincere Property, CDL now has a combined effective 55% interest in a large-scale development – the Shenzhen Longgang Tusincere Tech Park (深圳龙岗区启迪协信科技园) – in China's high-growth "Silicon Valley". The Holdco controls 65% interest in the Tech Park while 35% interest is held by Shenzhen Longgang District state-owned enterprise (深圳龙岗区商业服务集团有限公司). The Tech Park has been independently valued by Cushman & Wakefield at RMB 8.8 billion (approximately S$1.81 billion).

## Operations Review and Prospects

### Resilient Residential Sales in Singapore, China and other Overseas Markets

- In **Singapore,** the Group and its JV associates sold 1,318 residential units including Executive Condominiums (ECs), with a total sales value of S$1.8 billion (FY 2019: 1,554 units with a total sales value of S$3.3 billion). The lower sales value was due to more upgrader and mid-segment projects like Whistler Grand, Piermont Grand and Penrose sold, compared to sales from higher-end projects like New Futura, Boulevard 88 and Amber Park in the previous year.

- Penrose, a 566-unit JV project located at Sims Drive, near Aljunied MRT station, was launched in September. The response was overwhelming, with over 60% of the units sold during the launch weekend, making it one of the best-selling launches in 2020. The project is now 74% sold at an average selling price (ASP) of over S$1,570 per square foot (psf).

- In **China**, the Group's wholly-owned subsidiary, CDL China Limited, and its JV associates sold 441 units, achieving a sales value of RMB 1.48 billion (approximately S$284 million). To date, the Group has sold 1,668 (92%) out of 1,813 units in the residential component of Hong Leong City Center (HLCC), an integrated mixed-use development in Suzhou Industrial Park. Current occupancy at HLCC's Grade A office tower and mall stands at 75% and 89% respectively, and the 295-room five-star M Social Hotel is expected to open in Q1 2022.

- In **Australia,** the Group soft launched stage 1 of Brickworks Park, consisting of 222 units of apartments and townhouses located in Alderley, North Brisbane, with 35 units out of the 132 released sold to date. The Group has also exchanged contracts on 77% of the apartments of its JV 198-unit freehold residential project The Marker in West Melbourne.

### Project Launch Pipeline

- Two residential launches are in the pipeline for 2021. The first is Irwell Hill Residences, conveniently located near Great World City shopping mall and the upcoming Great World MRT station. This prime District 9 development will comprise two elegant 36-storey towers with a total of 540 units. It is expected to be launched in Q2 2021.

- The second project slated for launch in 2H 2021 is the residential component of the Liang Court JV redevelopment project with a 48-storey tower and a 24-storey tower totalling 696 units. The mixed-used integrated development will comprise a 21-storey Moxy hotel (475 keys), a 20-storey serviced residence (192 keys) and a two-storey commercial podium. Located in the heart of Clarke Quay, the site has a coveted dual frontage facing the Singapore River and Fort Canning Hill.

### Redevelopment & Portfolio Rejuvenation

- To capitalise on the Government's initiatives to rejuvenate older assets in the CBD with enhanced plot ratios, the Group is progressing with plans to redevelop its Fuji Xerox Towers with a potential GFA uplift of 25%. Located near Tanjong Pagar MRT station and the upcoming Prince Edward MRT station, the proposed redevelopment will comprise a 47-storey mixed-use integrated development with residential, office, retail and serviced apartment uses. The asset offers great potential and growth, stemming from its prime location at the gateway to the Greater Southern Waterfront masterplan by the Government.

**Mr Kwek Leng Beng, Executive Chairman of CDL**, said, "Irrespective of the current pandemic situation, the Group continues to work diligently to reposition itself and grow its business. We have shielded ourselves through conservative accounting policies and have not yet unearthed the deep value of our asset portfolio – especially for our M&C hotels which have not been revalued and have much upside potential to be realised. COVID-19 has given us greater impetus to review our entire privatised M&C portfolio, with a view to unlocking the intrinsic value of the Group's RNAV at the right time.

We have taken a prudent approach with regards to our non-cash, non-recurring impairments and a special working group has been tasked to explore all options in formulating a recovery plan for the Group's investment in Sincere Property. Our recent acquisition of a majority stake in Shenzhen Longgang Tusincere Tech Park marks our first major step to improve the liquidity of Sincere Property. The situation is fluid and we remain focused on completing our strategic review and embarking on further corporate action, whilst prioritising shareholder value preservation.

Over the decades, the Group has recovered from each crisis and emerged stronger than before. Its balance sheet and financial health remain strong. Moving into 2021, we will continue to display resilience, management expertise and our proven ability to seize opportunities."

**Mr Sherman Kwek, Group Chief Executive Officer of CDL**, said, "Despite the immense disruptions owing to the impact of COVID-19 and other challenges, we have been steadfast in transforming our business, adapting to new trends and embracing digitalisation. As a result, we maintained business continuity in moving residential inventory in Singapore and abroad as well as ensured resilience in our core property development and asset management divisions.

While our financial results have been negatively skewed by our key Transformation initiatives, these figures do not reflect the reality of what the rest of CDL has pulled together to achieve throughout an unprecedented time in modern history.

As the global economy recovers from the effects of the pandemic, the Group will continuously refine its Growth, Enhancement and Transformation (GET) strategy to propel recovery and drive growth through initiatives such as land replenishment, portfolio enhancement and fund management."

Please visit www.cdl.com.sg for CDL's FY 2020 financial statement.

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**Issued by City Developments Limited (Co. Regn. No. 196300316Z)**

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