CITY DEVELOPMENTS LIMITED

CDL's Net Profits Double To S$261 Million Review Of The Performance Of The Company And Its Principal Subsidiaries

March 28, 2000

The recovery in the Singapore economy gained further momentum in 1999 with a 5.4% growth compared to 0.4% in 1998. In the first half of 1999, pent-up demand from home buyers resulted in take-up rates averaging about 3,000 units per quarter. Although demand tapered off towards the second half, the overall sentiment remained healthy with attractive housing loan rates from banks and other financial institutions. Prices of residential property rose by 33% for the year.

In the year under review, Group operating profit after tax before extraordinary items attributable to shareholders increased by 111% to $260.6 million. This performance compares favourably with the $123.7 million in 1998 which was achieved against the backdrop of the worst year of the Asian economic crisis. In view of our profit trend, the Board considers the Group's performance in 1999 to be more than satisfactory.

Unlike all the other listed Singapore property companies that do not depreciate their investment properties, the Group continues to adopt a conservative accounting policy of depreciating these properties. The depreciation for investment properties as well as fixed assets for the year under review was $191 million, an increase of $21.6 million over 1998 largely as a result of capital expenditure for upgrading our existing hotels.

After taking into account extraordinary gains, profit attributable to shareholders increased by 172% to $382.8 million (1998: $140.6 million). Higher extraordinary profits amounting to $122.2 million in 1999 (1998:$16.9 million) resulted from gains of $103.8 million from the restructuring of CDL Hotels International Limited ("CDL Hotels") in which its interest in the Asia Pacific companies were consolidated into its 52.4% subsidiary Millennium & Copthorne Hotels plc ("M&C"), profit of $31.3 million from the disposal of a 50% interest in Lot 1, less $12.9 million provided for diminution in value of interest in long term investments.

Earnings per share before extraordinary items increased by 110% to 32.53 cents (1998: 15.51 cents) whilst earnings per share after extraordinary items increased to 47.79 cents (1998:17.63 cents). Net tangible assets per share grew by 11% to $4.28 (1998: $3.87).

Properties

During the year, the Group continued to sell the remaining units from earlier launches and launched Summerhill, a 406-unit hilltop condominium, at Hume Avenue. The 528-unit Carissa Park in Changi in which the Group has a one-third interest was also launched by our associate company, Tripartite Developers Pte Limited. Benefits from these sales will be progressively recognized from 2000. Also launched in November were 90 units in Thomson 800 for which profits will be recognized in 2000. The Group sold a total of 988 units for the year under review (1998: 590 units). The Group did not launch two other projects scheduled for 1999 as a result of a decision to change and update the designs to meet the current life-style trends and the new standards expected by potential buyers.

Convinced of the long-term fundamentals of property in Singapore as well as the attractive price levels of a newly recovering market, the Group strategically focused its attention on land acquisitions in 1999. Aided by new rules on en bloc sales and with strong cash resources generated internally, the Group made the following acquisitions during the year totaling approximately $783 million:

· a 60% stake (625,883 sq ft) in the 1.04 million sq ft residential parcel at Upper Changi Road East

· Garden Hotel (102,183 sq ft) approved for condominium development

· Goldenhill Condominium (261,991 sq ft)

· Balmoral Park (37,858 sq ft)

· Kim Lin Mansion (125,508 sq ft)

· a 50% interest (58,265 sq ft) in three adjoining sites in Newton (the third adjacent site was acquired in March 2000)

· Buckley Mansion (44,098 sq ft)

· Ipoh Lane (27,626 sq ft)

The total land area attributable to the Group arising from the acquisitions in 1999 is 1.27 million sq ft with a proposed gross floor area (GFA) of 2.3 million sq ft. The Group's landbank increased to 4.86 million sq ft with GFA of approximately 9.2 million sq ft. Together with new acquisitions in the first quarter of 2000, the Group's land bank increased to approximately 5.3 million sq ft, with GFA of approximately 9.9 million sq ft. The total cost of the acquisitions in 1999 and 1Q 2000 amounted to $1.03 billion.

Additionally, the Group acquired a 60% interest in the remaining 169 units at Thomson 800 and a 25% share in the 179-unit apartment and 66,480 sq ft office component of the Burlington Square project.

Overall occupancy rate for the investment properties remained healthy with an average of 87%. Despite the slow recovery of the commercial property sector, rental renewals will reflect improving prevailing prices.

Hotels

In April, the Board of CDL Hotels noted the dramatic changes in the international hotel industry with high-profile mergers and acquisitions taking place principally amongst major hotel companies in the US and Europe. The result is the emergence of fewer global hotel operators with a wider geographical presence, enhanced operational synergies and economies of scale.

Since its listing in 1989, CDL Hotels has been expanding its business through acquisitions of hotel assets in various countries in the Asia Pacific, Europe and the North American regions under different companies. In line with the industry trend, the CDL Hotels Group decided to consolidate through a restructuring exercise all its hotel businesses under one internationally recognized hotel group to meet the challenges of an increasingly concentrated competitive environment. M&C, its 52.4% owned subsidiary, was identified as the vehicle to address this matter and has become the only hotel arm of the City Developments Group.

Accordingly, CDL Hotels embarked in April 1999 on a major group reorganization exercise with the sale of its 43 hotels in Asia and Australasia to its London-listed subsidiary M&C. Since then, CDL Hotels has been transformed into an investment holding company with a 52.4% stake in M&C and cash balance of HK$1.2 billion (approximately S$257.8 million). The cash balance of M&C is £138.9 million (approximately S$358.6 million). The total cash balance of CDL Hotels Group is S$631.2 million.

In addition to this transaction, M&C also acquired the Seoul Hilton, South Korea in November through Singapore-listed subsidiary Republic Hotels & Resorts Limited as well as the Regal Hotels USA in mid-December. Regal Hotels USA comprises 28 Regal hotels plus a company which holds management contracts in a further 19 properties in the United States.

During the year under review, the CDL Hotels Group announced a rise of 11.4% in after-tax profits to HK$638.8 million (approximately S$139.5 million) compared to HK$573.2 million in 1998 (about S$122.8 million), despite the dilution of its interest in the Asia Pacific hotels after June 1999.

Commentary on current year prospects

Properties

The outlook for private residential property in 2000 is encouraging due to improving economic fundamentals, greater demand from HDB up-graders, the increasing inflow of foreigners residing here and low housing loan rates.

Projects to be launched in 2000 include the 95-unit freehold condominium at Stevens Road known as The Equatorial. This development will feature CDL's first i-home concept in Singapore, with all apartments wired to be intelligent, internet-ready and interactive. The Group also expects to launch the mixed development at Bencoolen Street known as Sunshine Plaza that is at an advanced stage of construction. This comprises 160 units of apartments and 81,500 sq ft of retail and office space. Other projects to be launched include the luxurious Boulevard Hotel redevelopment (in which we have a 40% interest) and the 600-unit residential development at Upper Changi Road East (60% interest).

In the first quarter of 2000, the Group purchased Tat Lee Court comprising 260,191 sq ft as well as a 223,442 sq ft site at Ang Mo Kio. This is in addition to the third parcel at Newton (27,342 sq ft) that will be amalgamated with the earlier two parcels resulting in a total site area of 116,530 sq ft, in which the Group has a 50% interest. The total proposed GFA for the Group's acquisitions in the first quarter of this year is 662,653 sq ft.

The 27% rise in development charges for residential property announced in January 2000 will not affect the properties (except for the Buckley Road property) acquired by the Group in 1999, as development charges for these properties have been locked in at the old rates prior to the hike. This will give the Group total savings of $46 million in development charges including Tat Lee Court and the third parcel at Newton which was acquired in 2000. Despite the increase in the selling prices of units in 1999, the present price levels offered by developers are still attractive in view of the current land cost and higher development charges.

The office sector appears to have bottomed out at the end of last year. Office rentals are expected to improve with rental revisions at increased rates. The supply of new office space has slowed down considerably and, with improving demand, the office sector is expected to stage a steady recovery in 2000.

In line with the improving economy and healthy growth in tourist arrival, the retail sector is also improving, albeit at a slow pace. Rentals in the Orchard Road belt are firming up with suburban retail rentals showing signs of marginal improvement. The Group has limited exposure to the industrial sector that is facing another challenging year.

Much has been said of the Internet revolution and how it has redefined the most basic concepts of work. For the Group, our priority is to embrace IT and e-business effectively to enhance our product quality and marketability as well as to increase sales and improve operational efficiency and productivity, thereby reducing costs. In the medium to longer term, the Group believes that Old Economy companies with years of solid fundamentals and assets that use IT effectively will continue to grow from strength to strength.

Hotels

The year has begun strongly for M&C that is set to achieve better earnings in the current year. With the acquisitions of the Asia Pacific hotels, Seoul Hilton as well as the Regal Hotels in the USA, M&C has been transformed from being predominantly a United Kingdom based group to a major international player. By the end of 1999, its portfolio had expanded from 24 hotels with 7,000 rooms to 117 hotels with 31,000 rooms located in 13 countries. With this global portfolio, M&C's earnings base will be enlarged significantly.

The hotel industry will, without doubt, be one of the main beneficiaries of the Internet revolution. The use of the Internet could potentially lead to lower distribution costs and hence higher profit margins for hotel owners and operators. In this regard, the Company is studying ways of reaping maximum advantage from the many revenue-gain and productivity-improvement opportunities created by the Internet.

Following the final completion of the group reorganization exercise in January 2000, CDL Hotels is in a prime position to explore all options with regard to its future direction. It is actively conducting a thoughtful and thorough study of the various options. The Company will announce its plans in due course and is confident that it will embark on the best course of action to maximize value for the shareholders.

Barring any unforeseen circumstances, the Group is expected to continue to perform well.