MASNET No. 118 OF 28.08.2003
Announcement No. 118

CITY DEVELOPMENTS LIMITED

Unaudited Second Quarter And Half Year Financial Statement Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

These figures have not been audited.

	The Group Second quarter ended 30 June			The Group Half year ended 30 June		
	2003	2002	Increase/ (Decrease)	2003	2002	Increase/ (Decrease)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	552,125	566,848	(2.6)	1,062,977	1,109,239	(4.2)
Cost of sales	(328,562)	(275,704)	19.2	(603,244)	(525,909)	14.7
Gross profit	223,563	291,144	(23.2)	459,733	583,330	(21.2)
Other operating income	8,473	9,896	(14.4)	46,451	19,627	136.7
Administrative expenses	(92,016)	(103,730)	(11.3)	(183,933)	(210,429)	(12.6)
Other operating expenses	(98,435)	(98,945)	(0.5)	(191,455)	(180,563)	6.0
Profit from operations	41,585	98,365	(57.7)	130,796	211,965	(38.3)
Finance costs	(47,009)	(47,038)	(0.1)	(90,395)	(97,363)	(7.2)
(Loss)/Profit before share of results of associated companies and jointly controlled entities	(5,424)	51,327	NM	40,401	114,602	(64.7)
Share of loss of associated companies	(22)	(102)	(78.4)	(42)	(417)	(89.9)
Share of profit of jointly controlled entities	1,980	16,045	(87.7)	15,970	14,001	14.1
(Loss)/Profit from ordinary activities before taxation (1)	(3,466)	67,270	NM	56,329	128,186	(56.1)
Taxation (2)	5,922	(22,571)	NM	(5,904)	(48,564)	(87.8)
Profit from ordinary activities after taxation	2,456	44,699	(94.5)	50,425	79,622	(36.7)
Minority interests	8,224	(9,382)	NM	(1,599)	(8,930)	(82.1)
Net profit	10,680	35,317	(69.8)	48,826	70,692	(30.9)
Earnings per share (basic and fully diluted)	1.33 cents	4.41 cents		6.10 cents	8.83 cents	

NM : Not meaningful

Note :

(1) (Loss)/Profit from ordinary activities before taxation includes the following :

	The Group Second quarter ended 30 June 2003 S$'000	The Group Second quarter ended 30 June 2002 S$'000	The Group Half year ended 30 June 2003 S$'000	The Group Half year ended 30 June 2002 S$'000
(a) Other operating income				
Interest income	10,031	7,751	20,470	15,157
Profit on sale of investments, property, plant and equipment[3]	1,092	753	18,123	1,036
Net exchange (loss)/gain	(2,672)	-	5,418	-
(b) Other expenses				
Depreciation	(42,522)	(53,290)	(84,124)	(107,831)
Amortisation	(1,102)	(1,275)	(2,568)	(2,536)
Write-back of foreseeable losses on development properties (net)	75	2,211	2	29,471
(Allowance for)/write-back of doubtful debts				
- trade	(1,021)	172	(738)	-
- non-trade [4]	(13,652)	-	(13,652)	-
Write-back of/(Allowance for) diminution in value of investments (net)	1,525	(998)	1,962	(723)
Net exchange gain/(loss)	-	1,890	-	(2,294)

(2) Taxation for the second quarter and half year ended 30 June 2003 is derived at by applying the varying statutory tax rates of the different countries in which the Group operates on its taxable profit/(losses) and taxable temporary differences.

Taxation charge for the Group includes overprovision in respect of prior years of $122,000 for the second quarter (2002: $2,296,000) and $4,651,000 for the half year ended 30 June 2003 (2002 : $830,000).

(3) This includes profit of approximately $17m achieved in Q1 2003 on the disposal of non-core assets of subsidiaries comprising a staff hostel in London and a partly built hotel in China.

(4) This relates to a provision against a loan note on a hotel in Florida sold by a subsidiary. Part of the consideration for the sale was in the form of a loan note to the subsidiary secured on the property. The purchaser has now filed for protection from bankruptcy and the subsidiary has therefore decided that it is prudent to make a provision against the loan note.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	<--------- The Group --------->		<----- The Company ----->	
	As at 30.6.2003 S$'000	As at 31.12.2002 S$'000	As at 30.6.2003 S$'000	As at 31.12.2002 S$'000
Non-Current Assets				
Property, plant and equipment	9,040,257	7,397,005	672,518	670,453
Investments in subsidiaries	-	-	2,128,806	2,125,806
Investments in associated companies	4,116	27,651	-	-
Investments in jointly controlled entities	217,851	159,246	63,385	63,385
Financial assets	26,443	22,101	16,825	16,825
Deferred financial charges	16,858	19,284	487	390
Intangible assets	215	253	-	-
Other non-current assets	116,283	115,238	36,265	36,807
Current Assets				
Development properties	2,248,293	2,178,284	1,839,699	1,777,621
Consumable stocks	11,953	12,491	1,197	1,219
Financial assets	18,388	20,528	-	-
Trade and other receivables	702,164	701,596	657,573	687,451
Cash and cash equivalents	548,896	614,787	189,924	191,316
	3,529,694	**3,527,686**	**2,688,393**	**2,657,607**
Less:				
Current Liabilities				
Bank overdrafts	5,237	4,980	-	-
Trade and other payables	706,268	695,585	705,377	639,341
Bank loans	23,181	108,631	17,053	102,681
Current portion of long-term liabilities	375,463	475,581	254,209	200,000
Bonds and notes - repayable within 12 months	338,607	190,351	162,000	147,000
Employee benefits	14,507	15,045	1,366	1,519
Provision for taxation	84,867	123,302	37,447	51,138
Provisions	5,376	-	-	-
	1,553,506	**1,613,475**	**1,177,452**	**1,141,679**
Net Current Assets	**1,976,188**	**1,914,211**	**1,510,941**	**1,515,928**
Less:				
Non-Current Liabilities				
Interest-bearing loans and other borrowings	4,230,640	4,071,027	967,576	938,199
Employee benefits	13,717	11,784	-	-
Deferred tax liabilities	732,002	317,126	25,163	21,841
Provisions	8,192	10,335	-	-
	4,984,551	**4,410,272**	**992,739**	**960,040**
Less:				
Minority Interests	1,964,230	1,382,546	-	-
NET ASSETS	**4,449,430**	**3,862,171**	**3,436,488**	**3,469,554**
CAPITAL AND RESERVES				
Share capital	400,511	400,511	400,511	400,511
Reserves	4,048,919	3,461,660	3,035,977	3,069,043
	4,449,430	**3,862,171**	**3,436,488**	**3,469,554**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30.6.2003		As at 31.12.2002	
Secured	Unsecured	Secured	Unsecured
$69,313,000	$668,308,000	$187,772,000	$586,988,000

Amount repayable after one year

As at 30.6.2003		As at 31.12.2002	
Secured	Unsecured	Secured	Unsecured
$2,778,894,000	$1,428,455,000	$2,780,289,000	$1,266,305,000

Details of any collateral

The borrowings by subsidiaries are generally secured by :
- mortgages on their land and buildings, properties under development, development properties for sale and/or hotel properties and/or
- assignment of all rights and benefits to sale, lease and/or insurance proceeds and any alienation of properties.

The borrowings by the Company are unsecured.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Second quarter ended 30 June 2003 S$'000	Second quarter ended 30 June 2002 S$'000	Half year ended 30 June 2003 S$'000	Half year ended 30 June 2002 S$'000
Cash Flows from Operating Activities				
(Loss)/profit before taxation and minority interests	(3,466)	67,270	56,329	128,186
Adjustments for:				
Amortisation of deferred financial charges	1,099	1,272	2,561	2,529
Amortisation of intangible assets	3	3	7	7
Depreciation	42,522	53,290	84,124	107,831
Deferred financial charges written off	-	155	39	171
Property, plant and equipment written off	9	-	316	82
Profit on sale of property, plant and equipment	(1,083)	(753)	(12,020)	(1,036)
Share of loss of associated companies	22	102	42	417
Share of profit of jointly controlled entities	(1,980)	(16,045)	(15,970)	(14,001)
Interest income	(10,031)	(7,751)	(20,470)	(15,157)
Finance costs	47,009	47,038	90,395	97,363
Dividend income	(1,751)	(1,048)	(3,172)	(1,155)
Allowance for diminution in value of investments (written back)/made (net)	(1,525)	998	(1,962)	723
Allowance for foreseeable losses on development properties written back (net)	(75)	(2,211)	(2)	(29,471)
Allowance for doubtful debts made/ (written back) (net)	14,673	(172)	14,390	-
Operating profit before working capital changes	85,426	142,148	194,607	276,489
Changes in working capital				
Development properties	(28,072)	81,044	(63,062)	170,793
Stocks, trade and other receivables	12,924	12,656	(6,470)	(18,126)
Related corporations	(3,249)	(78,555)	(10,374)	(23,122)
Trade and other payables	(4,830)	(17,352)	16,429	4,994
Employee benefits	(1,038)	(371)	1,588	(9,827)
(Decrease)/Increase in working capital	(24,265)	(2,578)	(61,889)	124,712
Income tax paid	(25,241)	(18,358)	(28,594)	(24,208)
Net cash generated from operating activities carried forward	35,920	121,212	104,124	376,993

	Second quarter ended 30 June 2003 S$'000	Second quarter ended 30 June 2002 S$'000	Half year ended 30 June 2003 S$'000	Half year ended 30 June 2002 S$'000
Net cash generated from operating activities brought forward	35,920	121,212	104,124	376,993
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(39,348)	(20,586)	(71,027)	(40,564)
Proceeds from sale of property, plant and equipment	6,723	1,355	20,303	1,751
Increase in deferred financial charges	(29)	(112)	(832)	(196)
Decrease in intangible assets	-	145	-	-
Decrease in investments in jointly controlled entities	-	4,176	-	4,176
Cash flow on acquisition of subsidiaries (net of cash)	-	-	(44,204)	-
Decrease in financial assets	9,515	1,826	6,474	2,116
Interest received (including amounts capitalised as property, plant and equipment and development properties)	10,051	7,768	20,511	15,224
Dividend received from investments	1,751	1,048	3,172	1,155
Net cash used in investing activities	(11,337)	(4,380)	(65,603)	(16,338)
Cash Flows from Financing Activities				
Capital contribution (to)/from minority shareholders	(48,814)	1,477	(48,814)	1,477
Proceeds from term loans	132,330	292,264	325,954	707,916
Repayment of term loans	(217,143)	(364,780)	(355,154)	(744,429)
Repayment to finance lease creditors	(402)	(994)	(589)	(1,551)
Proceeds from issuance of bonds and notes	192,516	120,000	272,516	255,000
Repayment of bonds and notes	(20,000)	(491,401)	(75,000)	(541,401)
(Decrease)/Increase in other long-term liabilities	(1,183)	2,342	(1,380)	(3,621)
Proceeds from bank loans	21,520	131,328	58,880	226,631
Repayment of bank loans	(96,392)	(61,283)	(144,747)	(213,761)
Dividend paid	(46,860)	(46,860)	(46,860)	(46,860)
Interest paid (including amounts capitalised as property, plant and equipment and development properties)	(50,301)	(51,730)	(97,717)	(107,741)
Net cash used in financing activities	(134,729)	(469,637)	(112,911)	(468,340)
Net decrease in cash and cash equivalents	(110,146)	(352,805)	(74,390)	(107,685)
Exchange differences arising on translation of foreign subsidiaries' cash and cash equivalents	5,846	100	8,242	(4,347)
Cash and cash equivalents at the beginning of the period (net of bank overdraft)	647,959	938,847	609,807	698,174
Cash and cash equivalents at the end of the period (net of bank overdraft)	543,659	586,142	543,659	586,142

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

The Group	Share Capital S$'000	Share Premium S$'000	Capital Reserve S$'000	Asset Revaluation Reserve S$'000	Exchange Fluctuation Reserve S$'000	Retained Profits S$'000	Total S$'000
At 1 January 2003	400,511	945,032	148,143	-	114,935	2,253,550	3,862,171
Exchange differences arising on consolidation of foreign subsidiaries	-	-	-	-	19,750	-	19,750
Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities	-	-	-	-	3,197	-	3,197
Surplus on revaluation of hotel properties	-	-	-	522,518	-	-	522,518
Profit for the period	-	-	-	-	-	38,146	38,146
At 31 March 2003	400,511	945,032	148,143	522,518	137,882	2,291,696	4,445,782
Exchange differences arising on consolidation of foreign subsidiaries	-	-	-	-	35,666	-	35,666
Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities	-	-	-	-	(3,326)	-	(3,326)
Exchange differences	-	-	-	7,488	-	-	7,488
Profit for the period	-	-	-	-	-	10,680	10,680
Dividends	-	-	-	-	-	(46,860)	(46,860)
At 30 June 2003	400,511	945,032	148,143	530,006	170,222	2,255,516	4,449,430
At 1 January 2002	400,511	945,032	148,721	-	122,852	2,154,932	3,772,048
Exchange differences arising on consolidation of foreign subsidiaries	-	-	-	-	(9,602)	-	(9,602)
Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities	-	-	-	-	(141)	-	(141)
Profit for the period	-	-	-	-	-	35,375	35,375
At 31 March 2002	400,511	945,032	148,721	-	113,109	2,190,307	3,797,680
Exchange differences arising on consolidation of foreign subsidiaries	-	-	-	-	(6,888)	-	(6,888)
Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities	-	-	-	-	(263)	-	(263)
Profit for the period	-	-	-	-	-	35,317	35,317
Dividends	-	-	-	-	-	(46,860)	(46,860)
At 30 June 2002	400,511	945,032	148,721	-	105,958	2,178,764	3,778,986

The Company	Share Capital S$'000	Share Premium S$'000	Capital Reserve S$'000	Asset Revaluation Reserve S$'000	Exchange Fluctuation Reserve S$'000	Retained Profits S$'000	Total S$'000
At 1 January 2003	400,511	931,910	63,743	-	(679)	2,074,069	3,469,554
Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities	-	-	-	-	157	-	157
Surplus on revaluation of a hotel property	-	-	-	855	-	-	855
Profit for the period	-	-	-	-	-	5,051	5,051
At 31 March 2003	400,511	931,910	63,743	855	(522)	2,079,120	3,475,617
Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities	-	-	-	-	(79)	-	(79)
Profit for the period	-	-	-	-	-	7,810	7,810
Dividends	-	-	-	-	-	(46,860)	(46,860)
At 30 June 2003	400,511	931,910	63,743	855	(601)	2,040,070	3,436,488
At 1 January 2002	400,511	931,910	63,743	-	(255)	2,031,267	3,427,176
Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities	-	-	-	-	39	-	39
Profit for the period	-	-	-	-	-	24,127	24,127
At 31 March 2002	400,511	931,910	63,743	-	(216)	2,055,394	3,451,342
Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities	-	-	-	-	(344)	-	(344)
Profit for the period	-	-	-	-	-	14,422	14,422
Dividends	-	-	-	-	-	(46,860)	(46,860)
At 30 June 2002	400,511	931,910	63,743	-	(560)	2,022,956	3,418,560

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There was no change in the company's issued share capital during the period.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have neither been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in item 5 below, the accounting policies and methods of computation adopted are consistent with those applied in the audited financial statements for the year ended 31 December 2002.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

With effect from 1 January 2003, the Group has changed its accounting policy on hotel properties from stating the properties at cost less depreciation to stating the properties at revalued amounts less depreciation. Consequentially, the residual value of the core component of the hotel buildings has been re-evaluated. With this re-evaluation, the directors have concluded that the estimates of residual value used by Millennium & Copthorne Hotels plc ("M&C") are appropriate for use by the Group.

The revalued amounts of the hotel properties are based on the revalued amounts adopted by M&C. The latter's policy is to revalue approximately one-third of its hotel properties each year.

These changes, which are applied prospectively, have the following impact on the net profit for the half year ended 30 June 2003 :

	The Group S$'000
Net profit before change in accounting policy on hotel properties	35,651
Effect of change	13,175
Net profit for the half year	48,826

In addition, an asset revaluation reserve of $530 million on hotel properties was recognised. These resulted in an increase in net asset value per share by $0.68 to $5.55.

The Group continues to adopt its practice of stating its investment properties at cost less depreciation.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Basic earnings per ordinary share of 6.10 cents (2002: 8.83 cents) for the half year ended 30 June 2003 is based on net profit of $48,826,000 (2002: $70,692,000) and 801,021,724 ordinary shares in issue.

Basic earnings per ordinary share of 1.33 cents (2002: 4.41 cents) for the second quarter ended 30 June 2003 is based on net profit of $10,680,000 (2002: $35,317,000) and 801,021,724 ordinary shares in issue.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	The Group		The Company	
	30.6.2003 S$	31.12.2002 S$	30.6.2003 S$	31.12.2002 S$
Net asset value per ordinary share on issued share capital at the end of the financial period/year	5.55	4.82	4.29	4.33

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

The Group achieved turnover of $552.1 million for Q2 2003 (2002: $566.8 million) and $1,063.0 million for 1H 2003 (2002: $1,109.2 million). After-tax profit attributable to shareholders amounted to $10.7 million for Q2 2003 (2002: $35.3 million) and $48.8 million for 1H 2003 (2002: $70.7 million).

The decrease in profit is due mainly to a lower contribution from property sales, lower rental income because of office rate war and negative contribution from hotels.

Property

The 2nd quarter began on a sombre note with the on-going Iraq war and the continued spread of Severe Acute Respiratory Syndrome (SARS).

However, towards the end of April when the war showed signs of an early resolution and with the number of new SARS cases falling, the Group took the lead to launch Phase 1 of The Pier at Robertson. 70% of the 100 units launched were sold within 4 weeks. The successful launch revived sentiments in the market and propelled a chain of project launches by other developers. This contributed to the healthy sales volume industry wide with 1,917 units registered in Q2 compared to 427 units in Q1.

With the better sentiments, the Group also launched an additional 150 units of Savannah CondoPark in the second phase in mid June, receiving an encouraging response.

However, because of the accounting policy we adopt for recognising profits from development properties, the profits from the sale of The Pier, as well as Edelweiss Park (belonging to an associated company of the Group), have yet to be recognised as they are at the early stages of construction. In addition, no profits have been recognised for Phase 2 of Savannah CondoPark.

Industry wide, prices declined by a marginal 0.6% showing signs of a resilient market despite the impact of the Iraq war and SARS.

Office

The office sector continued to be challenging with rental falling by about 2.4%. The uncertainty of the war and SARS slowed down business activities resulting in a slower take-up. Average occupancy fell to 83% industry wide. The government's decision to postpone the launch of the Business and Financial Centre at Marina Bay was a relief to the market.

Hotels

At the start of the year, the whole travel and hotel industry was confronted with a great deal of uncertainty – which translated into very difficult trading conditions.

An accelerated build-up of international tension and the subsequent Iraq war had a severe impact on travel. This was compounded by the outbreak of the SARS which had a dramatic impact in Asia, particularly in Singapore, Hong Kong and Taiwan. By April, all key markets in Asia were experiencing the worst trading conditions we had ever known. In Singapore, Hong Kong as well as in Taiwan, the governments introduced SARS Relief Packages to help the industry.

In the light of these dire trading circumstances, the Group managed its cost base well. To bring down costs and lessen the impact of this epidemic, the hotels implemented cost reduction measures such as shorter workweek for staff, temporary closure of unprofitable outlets and moth-balling of guestrooms.

Since the cessation of the hostilities in Iraq in early May and the containment of SARS, the SARS-hit countries have pumped in substantial resources to attract tourists back. Corporate travel is rapidly picking up followed by the leisure market.

The Millenium Hilton, which was damaged during the September 11 incident, was reopened on 5 May after restoration.

Although the trading performance of the hotel since it reopened has been better than expected, it incurred a net loss of US$11.3m (approx. S$19.7m) in the first half of 2003 due to ongoing fixed expenses, pre-opening cost and legal fees, compared to a net profit of US$4.5m (approx. S$8.2m) in 2002 from insurance claims. As the legal action with the insurance company has not been settled, we have no business interruption income from this hotel in the period under review.

To mitigate the effects of the challenging market conditions, Millennium & Copthorne Hotels plc ("M&C") maintained its position in the marketplace by driving sales at the local levels. Cost base was further reduced by reorganising certain functions in the business, redundancies and restricting expenses. There was a tight control on capital expenditure.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's performance for the quarter under review is in line with its expectations as disclosed in the announcement of results for Q1 2003, taking into account that the SARS situation in the region only came under control by the end of June 2003.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Property
The property market continues to be cautious with concern over unemployment and retrenchment as well as the patchy economic recovery.

Whilst the CPF rate cut may be of concern to some, the government has given its assurance that there will be a relief package to help homeowners in difficulty whilst some banks have indicated that they would be willing to provide assistance by rescheduling loan repayments. The rewards of an improved economy as a result of these measures to revive Singapore's competitiveness will have some benefits for the property sector. In the meantime, with the prevailing low interest rate environment and innovative financial packages offered by the banks, homebuyers can opt to match their repayment ability with their reduced income.

With recent developments such as the positive signs in the US economy, the Singapore-US Free Trade Agreement, as well as a more buoyant stock market and improved export figures, some optimism has returned to the market. If the government continues to defer the Land Sales programme through to at least the first six months of next year, which would be particularly helpful in the light of the CPF rate cut, we are optimistic that the prospects for the residential sector will be better.

The Group will be launching the 280-unit Monterey Park and Phase 3 of Savannah CondoPark shortly.

The Group took the opportunity to selectively acquire additional sites for development. A 30,153 sq ft site at Stevens Road next to an adjoining plot owned by the Group was purchased at a good price of $17.4 million. The combined site will make for more efficient development.

The Group, jointly with another developer, has entered into an agreement to purchase enbloc, the Parkview Condominium in the West Coast totalling 407,387 sq ft, at a reasonable price.

Office

Though still facing challenging conditions, office rental decline appears to have slowed down. Rental fell by 2.4% in Q2 compared to 3.5% in Q1. Overall, Singapore's office cost has fallen to 52nd position worldwide according to CB Richard Ellis, compared to the top 10 position some years back. This put Singapore in a much more competitive position to attract new businesses and investment.

Other new developments from the financial sector which may alleviate some of the difficulties facing the office sector would be the migration of offshore assets from Europe ahead of the new tax and banking law changes in 2005, as well as the shift of funds from the United States following the enactment of the Patriot Act. In addition to generating some demand for office space, other spin-offs from these developments include an increase in demand for hotel rooms and apartments amongst others.

For the rest of this year, we expect the office sector to remain subdued but slight improvement could be expected next year in tandem with the recovering economy.

Hotel

We are pleased that M&C's hotels worldwide, particularly in Asia are recovering much better than expected. We believe the worst for the hotel industry is behind us. Airlines are reinstating flights cancelled during the SARS outbreak, intra-regional travel is rising and economic growth forecasts are improving. We see occupancy rates recovering well, though room rates have yet to catch up.

The Millenium Hilton which reopened in May has recovered its market share with average occupancy hitting in excess of 70% since opening.

With M&C expected to return to profit in the second half of the year, our outlook for next year remains positive.

Group Prospects

Barring any other major crisis, the Group is expected to perform better in the second half of the year owing to the timing in profit recognition of property sales, together with the contribution expected from M&C.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended for the period under review.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year ()	Previous Full Year ()
Ordinary		
Preference		
Total:		

Not applicable

17. Interested Person Transactions

In the quarter ended 30 June 2003, the aggregate value of all interested person transactions conducted with the Hong Leong Investment Holdings Pte. Ltd. group of companies under the shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000), amounted to $184,224.

18. Subsequent Event

On 25 June 2003, City Developments Limited ("CDL") announced (the "Transfer Announcement") that it had entered into a share transfer agreement (the "Transfer Agreement") with Hong Leong Investment Holdings Pte. Ltd., and certain of its subsidiaries (collectively, the "Transferors") pursuant to which 120,409,779 issued and fully-paid ordinary shares of $0.05 each in the capital of Target Realty Limited ("TRL")("TRL Shares") representing 53.075% of TRL's issued share capital, would be transferred from the Transferors to certain subsidiaries of CDL (the "Transfer"), subject to the terms of the Transfer Agreement.

The Transfer entailed the exchange of 120,409,779 TRL Shares (the "Transfer Shares") for the issue of 15,536,746 new ordinary shares of $0.50 each in the capital of CDL (the "Consideration Shares"), representing 1.940% of CDL's issued share capital as at 25 June 2003 or 1.903% of CDL's enlarged share capital immediately following the issue of the Consideration Shares. The aggregate consideration for the Transfer was $72,245,867.40, which is equivalent to $0.60 for each Transfer Share.

On 17 July 2003, CDL announced (the "Offer Announcement") that all the conditions precedent to the Transfer had been satisfied. In accordance with Rule 14 of The Singapore Code on Take-overs and Mergers, CDL was required to make a mandatory unconditional general offer (the "Offer") for all the remaining TRL shares in issue, other than TRL Shares already held at the date of the Offer by CDL, its related corporations or the respective nominees of CDL or its related corporations. Before the Transfer, CDL Group held an equity interest of 2.419% in TRL. Upon completion of the Transfer on 28 July 2003, CDL Group's total equity interest in TRL increased from 2.419% to 55.493%, resulting in CDL becoming a controlling shareholder of TRL.

On 29 July 2003, CDL made the Offer and the Offer Document dated 29 July 2003 containing full details of the Offer was despatched to TRL shareholders.

By increasing its stake in TRL via the Transfer, CDL was able to, inter alia, acquire a controlling interest in a listed property company at a discount to the open market valuation of the underlying property assets. CDL is of the view that some of the five principal properties of the TRL Group have good potential for future development. The Transfer would position CDL to tap the redevelopment potential of these properties at the appropriate stage of the property market cycle. By acquiring a controlling stake in TRL, CDL will have a direct interest in, and will benefit from, any return arising upon the redevelopment of these properties. In addition, TRL benefits from a relatively strong balance sheet, in that it owns five income generating properties with no bank indebtedness.

Copies of the Transfer Announcement, the Offer Announcement and Offer Document are available at the website of Singapore Exchange Limited at www.sgx.com.sg.

The final outcome of the Offer will be reported in a separate announcement to be issued upon closure of the Offer on 11 September 2003.

BY ORDER OF THE BOARD

Shufen Loh @ Catherine Shufen Loh
Company Secretary
28/08/2003