
CITY DEVELOPMENTS LIMITED

50 YEARS of TRUST

# HALF YEAR FINANCIAL REPORT

## 1 Jan – 30 Jun 2013

**6 August 2013**
**ANALYST / MEDIA BRIEFING**

# AGENDA

**1. FINANCIAL HIGHLIGHTS**

**2. SINGAPORE PROPERTY MARKET**

**3. OPERATIONS REVIEW**

- **Property Development**
- **Hotel Operations & CDLHT**

**4. MOVING FORWARD**

***Artist's Impression of D'Nest***

# FINANCIAL HIGHLIGHTS


*Quayside Isle*

# KEY FINANCIAL HIGHLIGHTS

- Achieved sterling performance with profit up 48.0% for Q2 2013.
- No revaluation surpluses on investment properties and hotels (including CDL Hospitality Trusts).
- No profit recognition from fully sold Executive Condominiums (ECs) until completion of construction, in accordance with prevailing accounting treatment.
- Strong balance sheet with cash and cash equivalents of $2.5 billion as at 30 June 2013.
- Healthy net gearing ratio at 22% (excluding any revaluation surpluses for investment properties) and interest cover at 15.0 times for 1H 2013.
- Special interim ordinary dividend of 8.0 cents per ordinary share.

# SUMMARY OF FINANCIAL HIGHLIGHTS

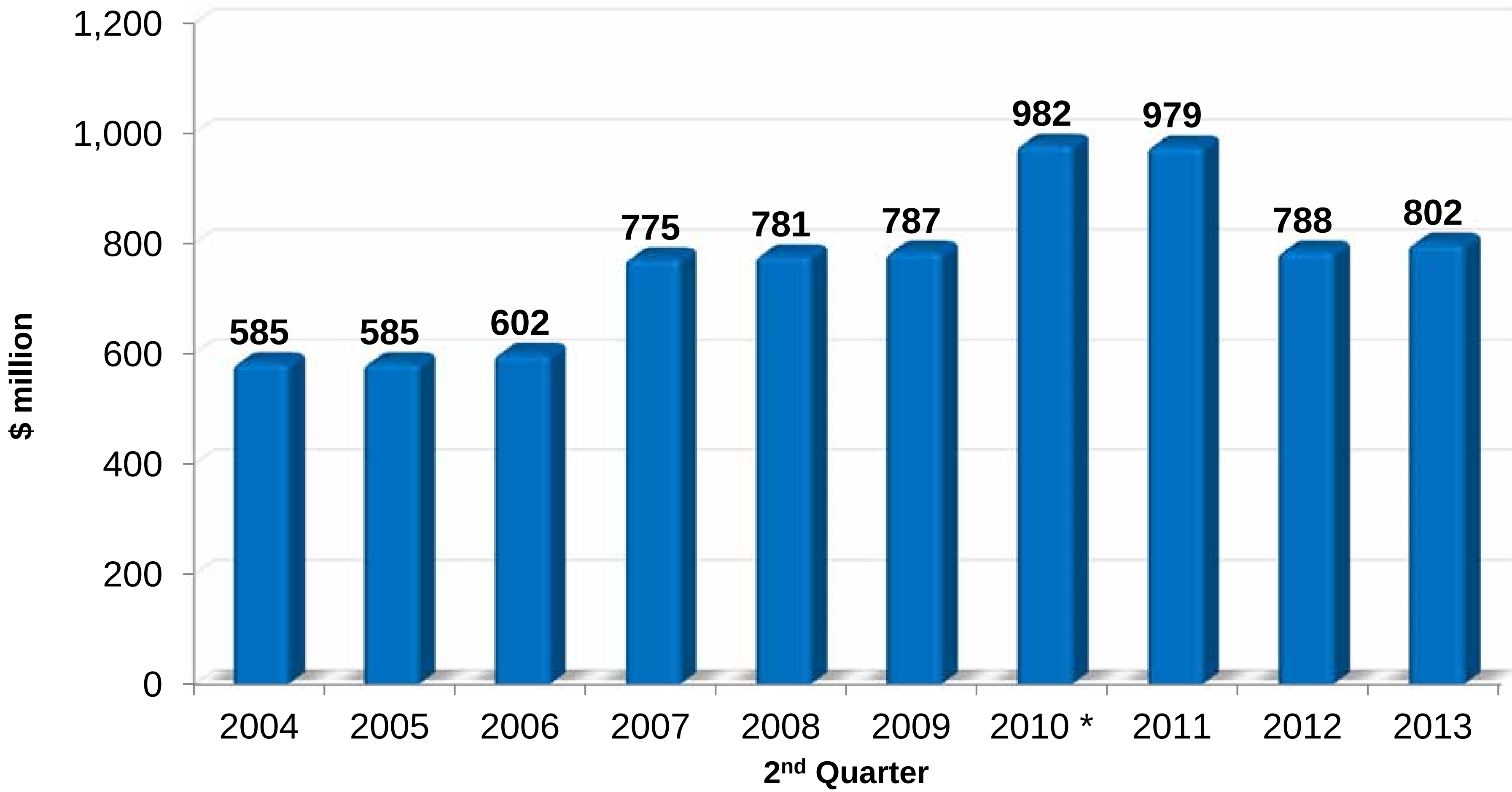
| | Q2 2013 | Q2 2012 | % Change | 1H 2013 | 1H 2012 | % Change |
|---|---|---|---|---|---|---|
| **Revenue ($m)** | **802** | 788 | 1.8 | **1,565** | 1,635 | (4.2) |
| **Profit Before Tax ($m)** | **273** | 203 | 34.6 | **459** | 418 | 9.8 |
| **PATMI ($m)** | **204** | 138 | 48.0 | **341** | 294 | 16.0 |
| **Basic Earnings Per Share (cents)** | **21.7** | 14.4 | 50.7 | **36.8** | 31.7 | 16.1 |
| **NAV Per Share ($)** | | | | **8.30** | 7.66 | 8.4 |

No fair value adopted on investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

# FINANCIAL HIGHLIGHTS

**Revenue for the 2nd Quarter (2004 – 2013)**

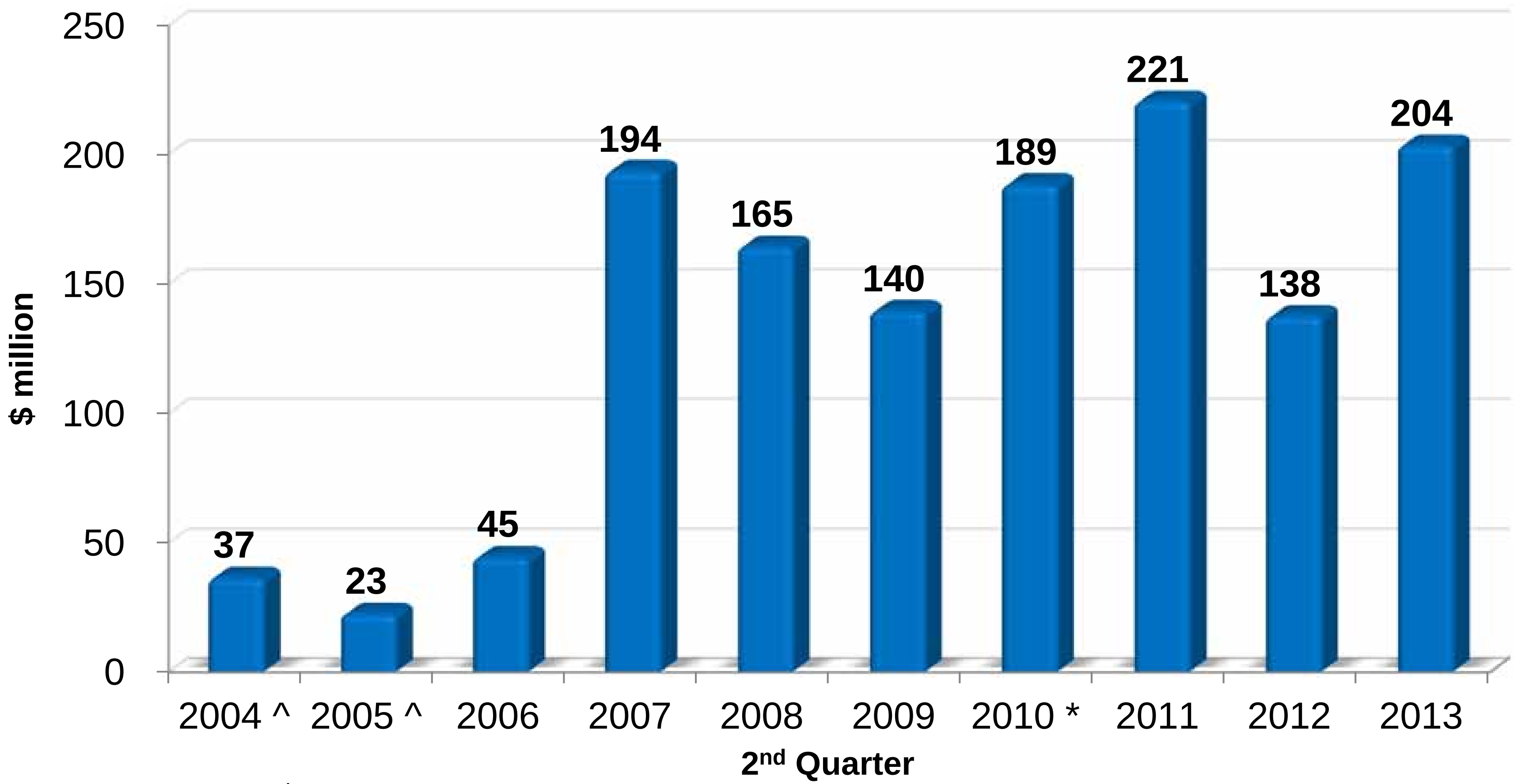



* Restated due to the adoption of INT FRS 115 for 2010 only.

Note : The above financial information is extracted from half-yearly announcements of respective years.

# FINANCIAL HIGHLIGHTS

## PATMI for 2nd Quarter (2004 – 2013)




^ Restated

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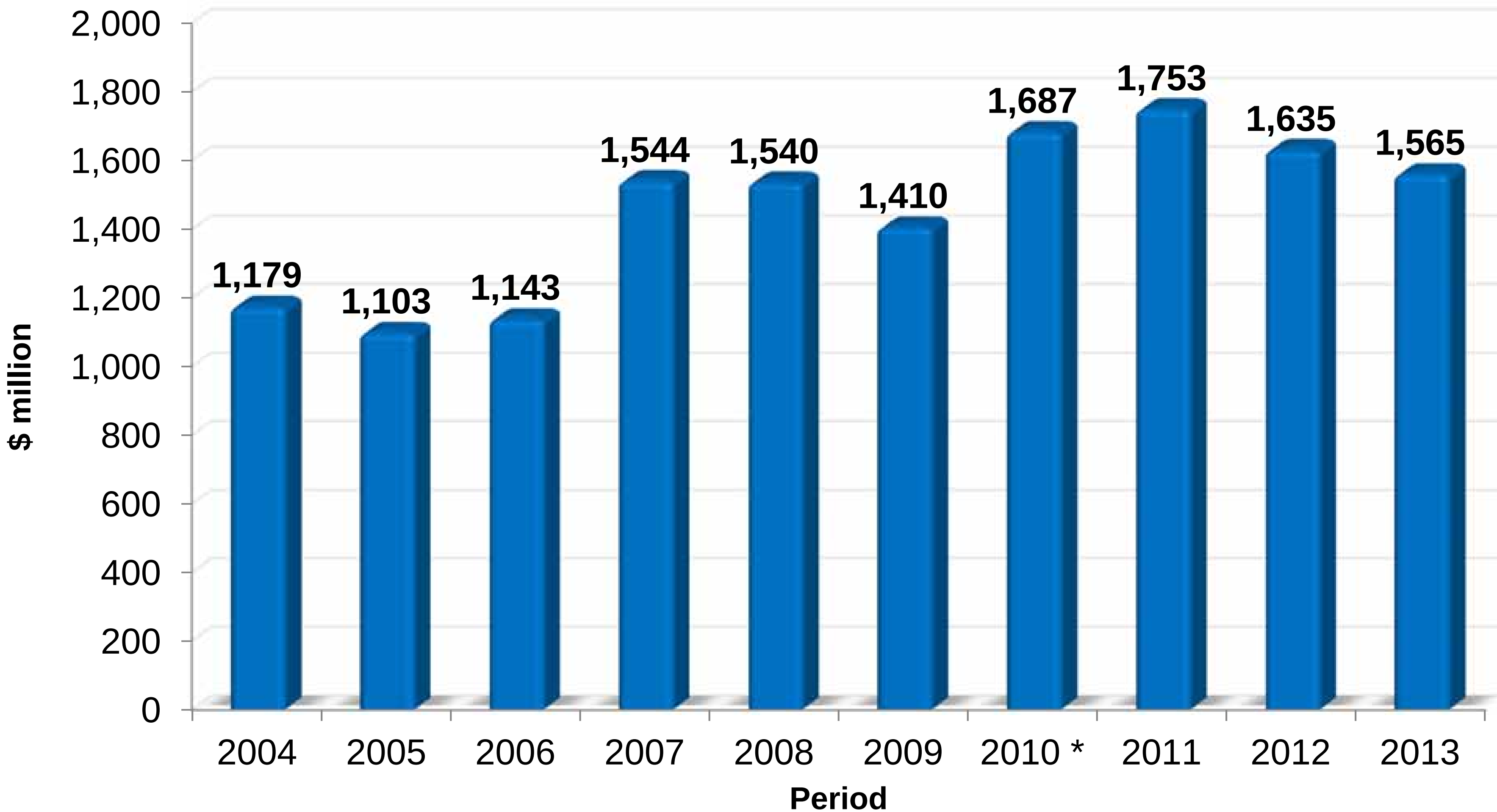
Note : The above financial information is extracted from half-yearly announcements of respective years.

The Group has adopted FRS 40 cost model whereby its investment properties continue to be stated at cost less accumulated depreciation and accumulated impairment losses with effect from 1 Jan 2007.

# FINANCIAL HIGHLIGHTS

## Revenue for the Period Ended 30 Jun (2004 – 2013)

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# FINANCIAL HIGHLIGHTS

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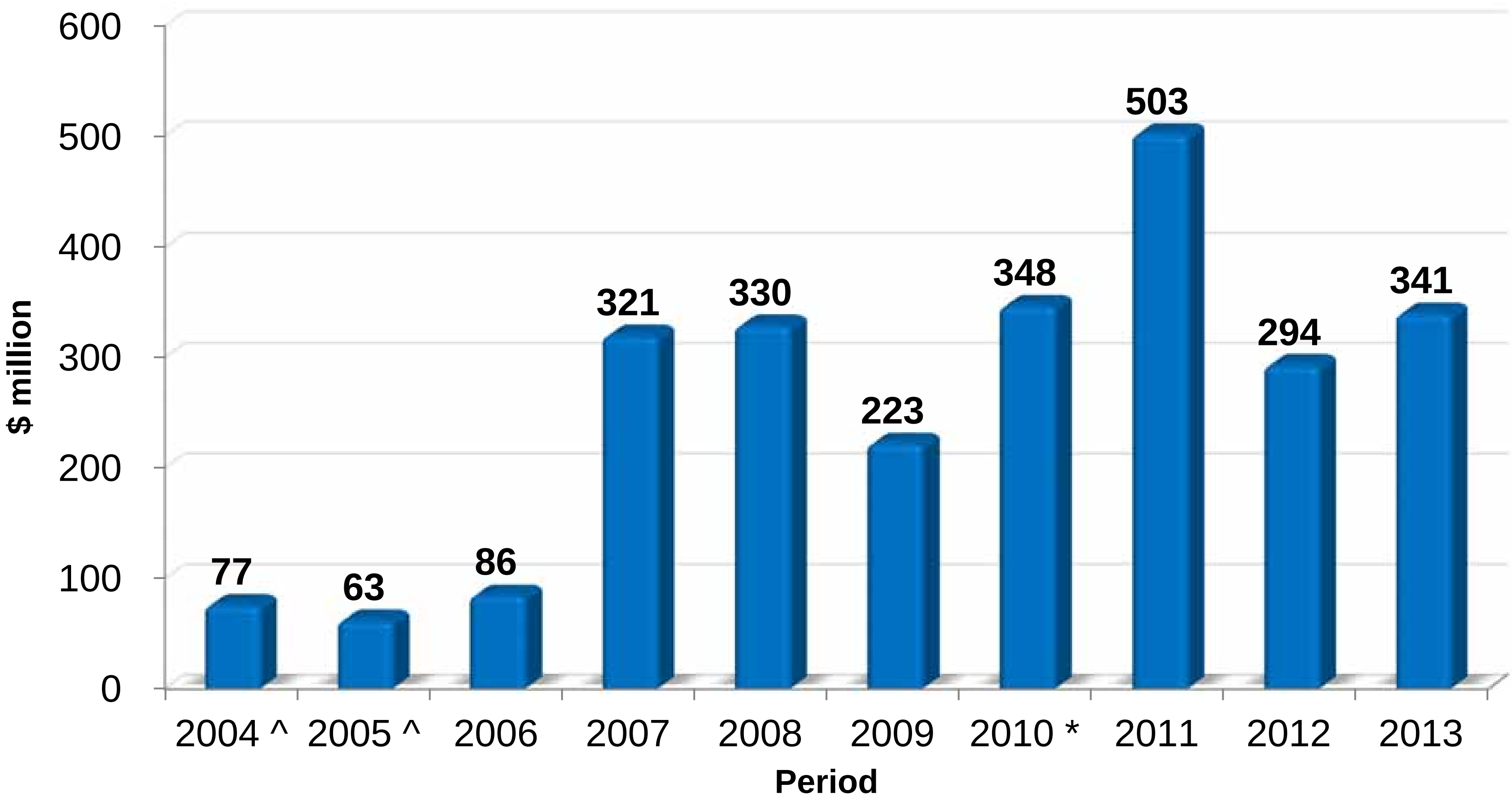


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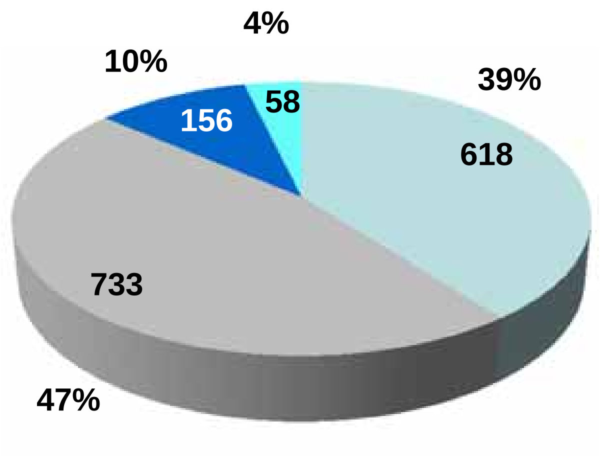
The Group adopted FRS 40 cost model whereby its investment properties continue to be stated at cost less accumulated depreciation and accumulated impairment losses with effect from 1 Jan 2007.

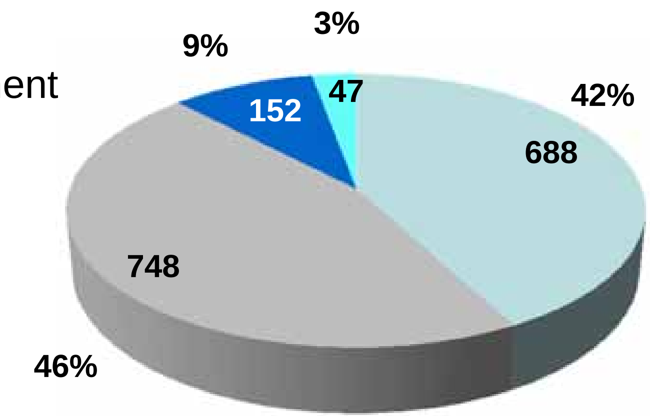
# FINANCIAL HIGHLIGHTS

## Revenue by Segment – 1H 2013 vs 1H 2012

**1H 2013**




**1H 2012**




Property Development
Hotel Operations
Rental Properties
Others

**$1,565m**

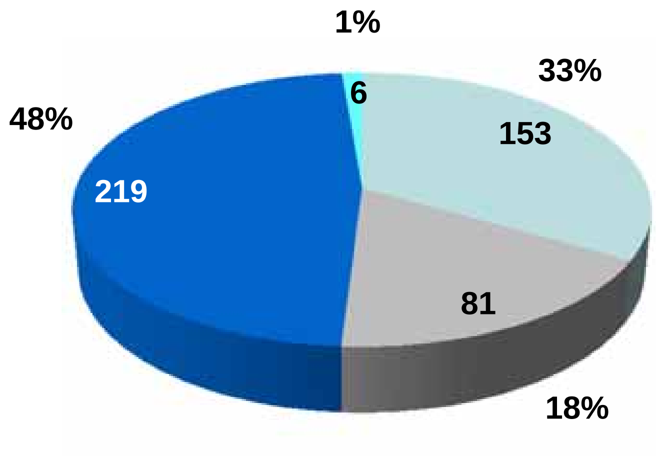
**$1,635m**

**Overall change = ⬇ 4%**

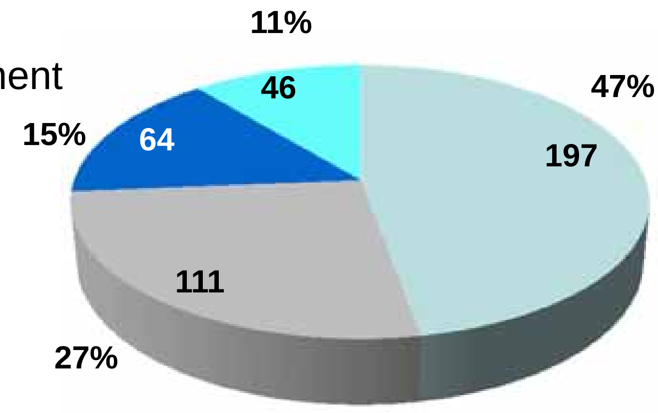
# FINANCIAL HIGHLIGHTS

**Profit before Tax by Segment – 1H 2013 vs 1H 2012**

**1H 2013**




**1H 2012**




Property Development
Hotel Operations
Rental Properties
Others

**$459m**

**$418m**

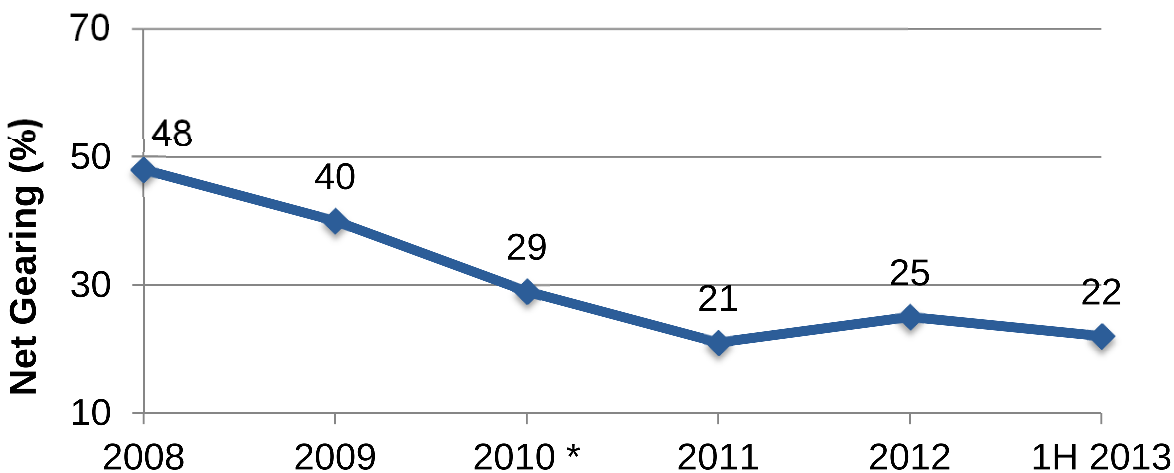
**Overall change**
**= ⬆ 10%**

# FINANCIAL HIGHLIGHTS

## Capital Management

| CDL Group Total | As at 30/06/13 | As at 31/12/12 | As at 30/06/12 |
|---|---|---|---|
| Net Borrowings | **$2,087m** | $2,357m | $1,876m |
| Interest Cover Ratio | **15.0 x** | 17.4 x | 16.3 x |
| Cash and cash equivalents | **$2,518m** | $2,162m | $2,310m |
| Gearing ratio without taking in fair value gains on investment properties | **22%** | 25% | 21% |

## CDL's Net Gearing (%) (2008 – 1H 2013)

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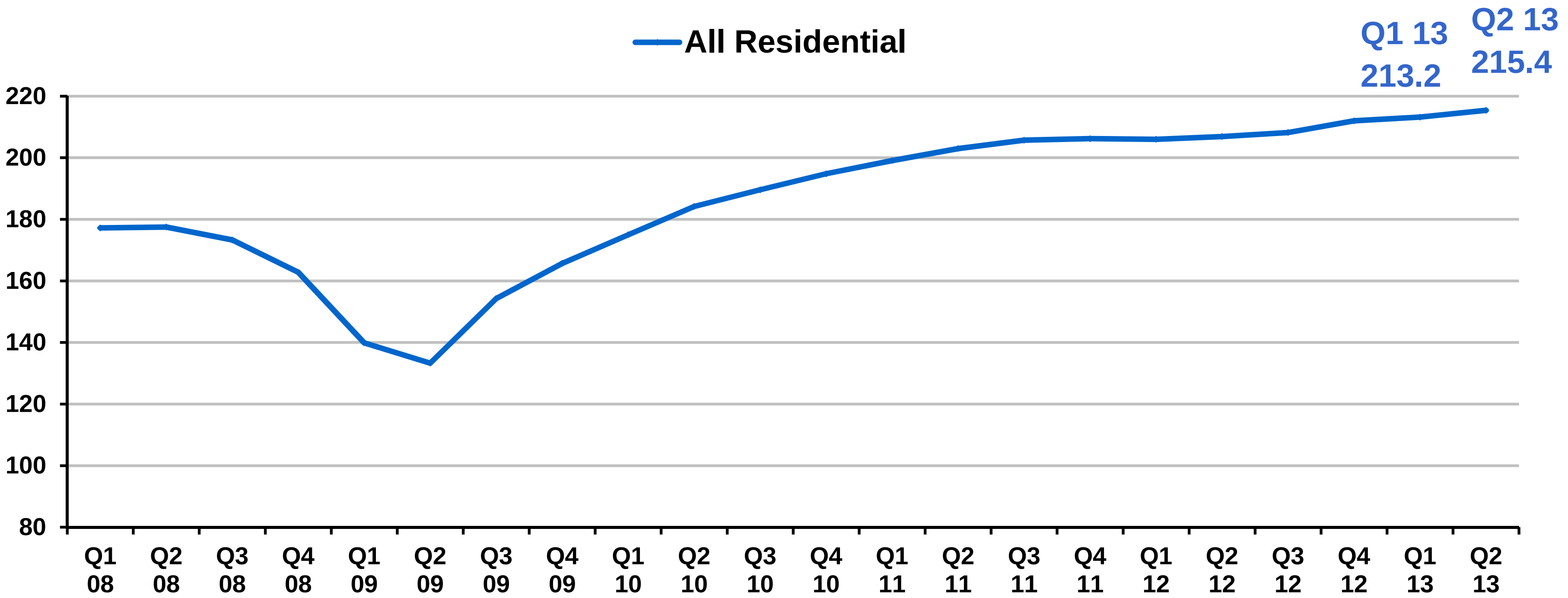
# SINGAPORE PROPERTY MARKET

*Artist's Impression of Lush Acres*

# SINGAPORE PROPERTY MARKET

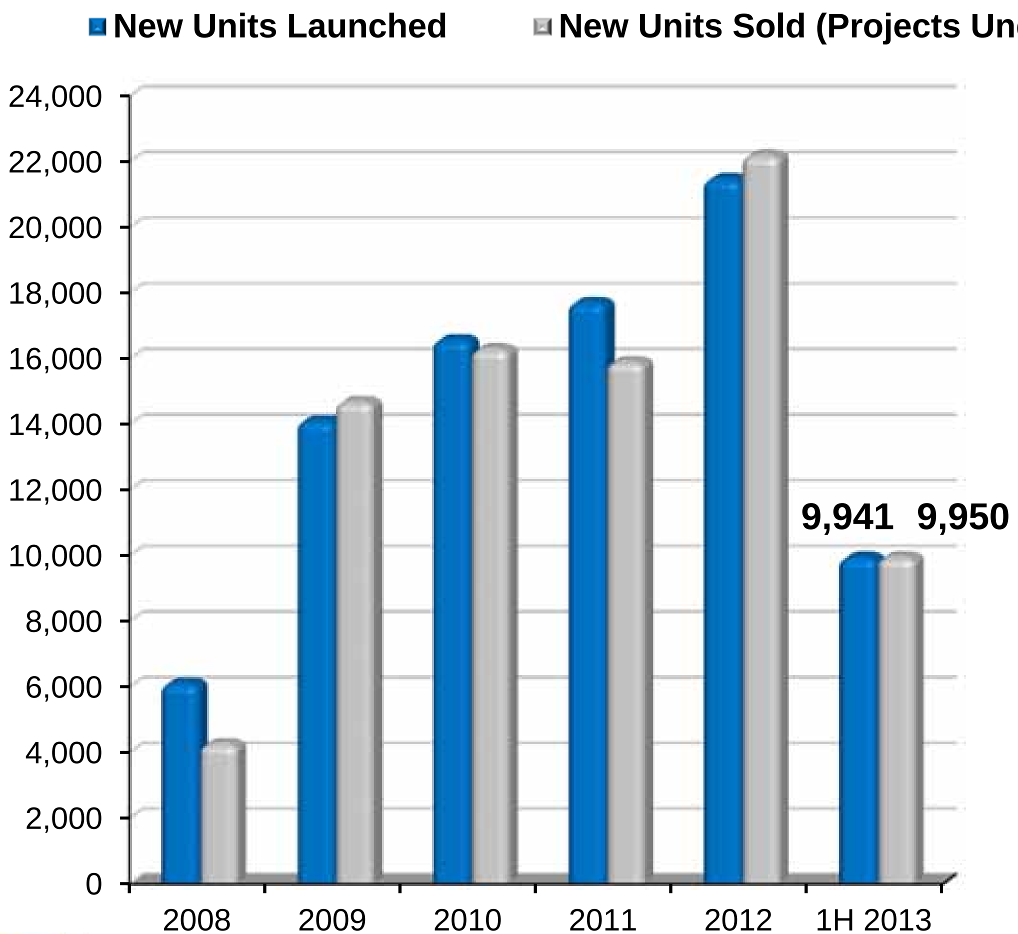
## Property Price Index – Residential (2008 – 1H 2013)




Source : URA, Q2 2013

# SINGAPORE PROPERTY MARKET

## No. of New Private Residential Units Launched vs Units Sold (Projects under Construction) (2008 – 1H 2013)

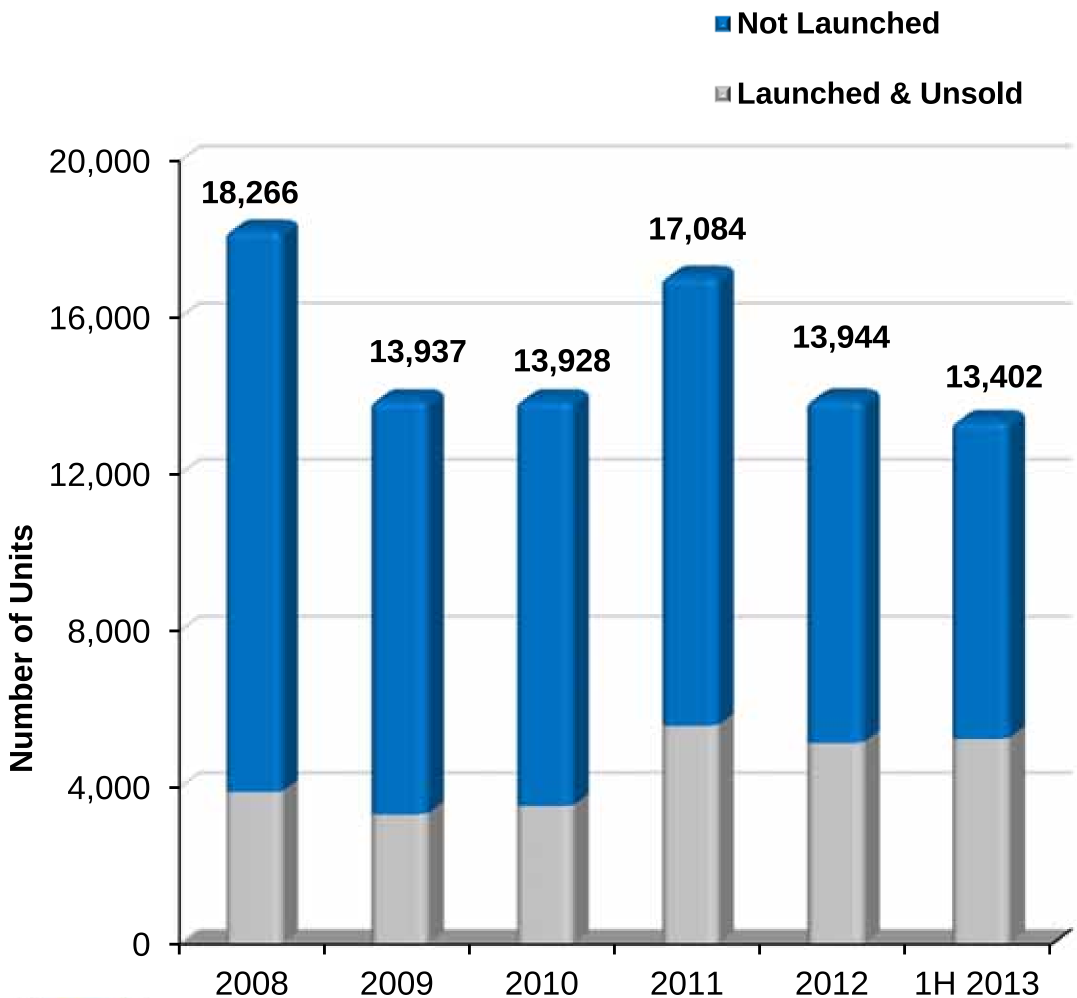



| | New Units Launch (excl. EC units) | New Units Sold Directly By Developers (excl. EC units) |
|---|---|---|
| **2008** | 6,107 | 4,264 |
| **2009** | 14,103 | 14,688 |
| **2010** | 16,575 | 16,292 |
| **2011** | 17,710 | 15,904 |
| **2012** | 21,478 | 22,197 |
| **1H 2013** | 9,941 | 9,950 |

Source : URA, Q2 2013

# SINGAPORE PROPERTY MARKET

## No. of Uncompleted Private Residential Units Available (2008 – 1H 2013)

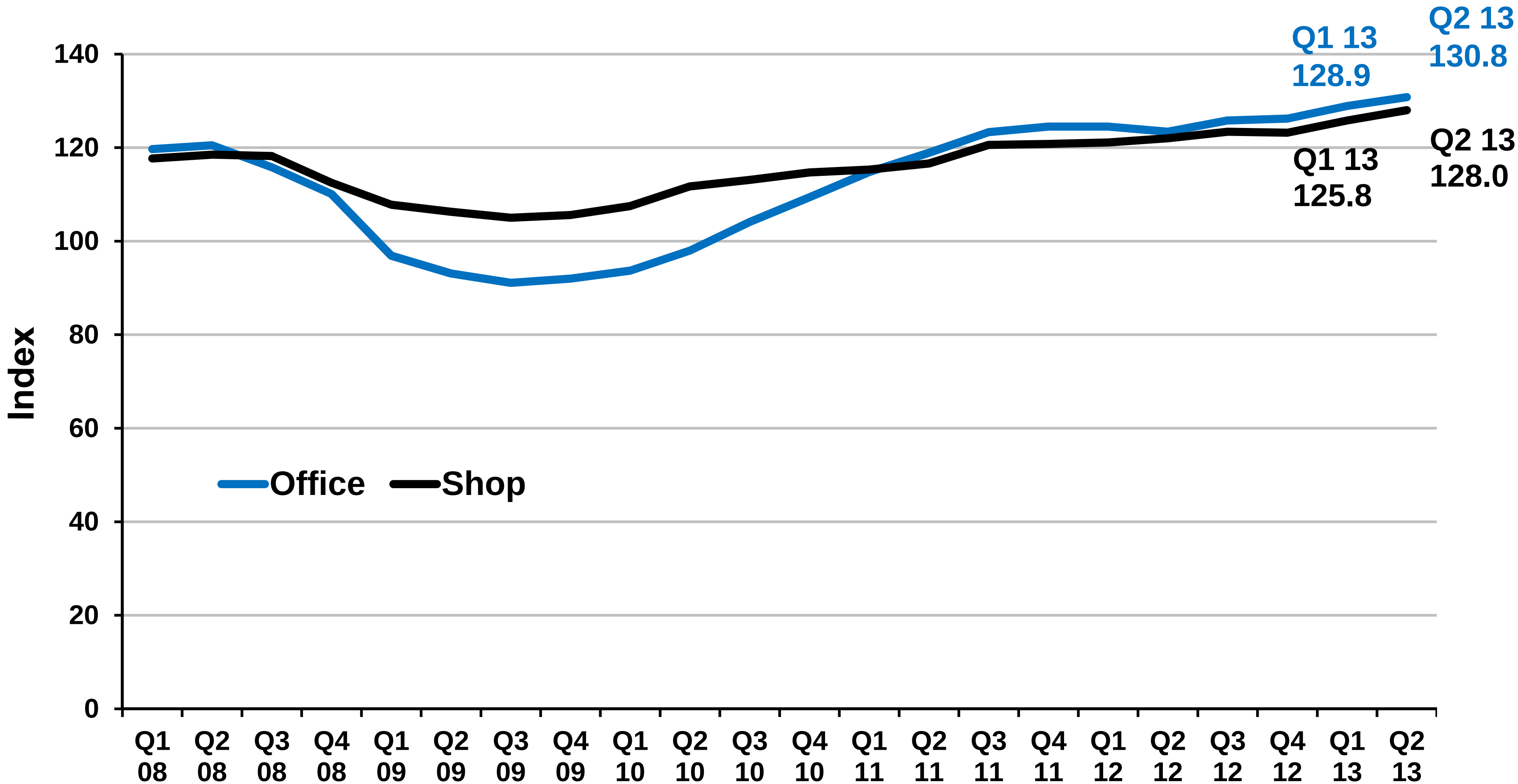



| | Launched & Unsold | Not Launched | Total |
|---|---|---|---|
| **2008** | 3,880 | 14,386 | 18,266 |
| **2009** | 3,317 | 10,620 | 13,937 |
| **2010** | 3,528 | 10,400 | 13,928 |
| **2011** | 5,584 | 11,500 | 17,084 |
| **2012** | 5,137 | 8,807 | 13,944 |
| **1H 2013** | 5,243 | 8,159 | 13,402 |

Source : URA, Q2 2013

# SINGAPORE PROPERTY MARKET

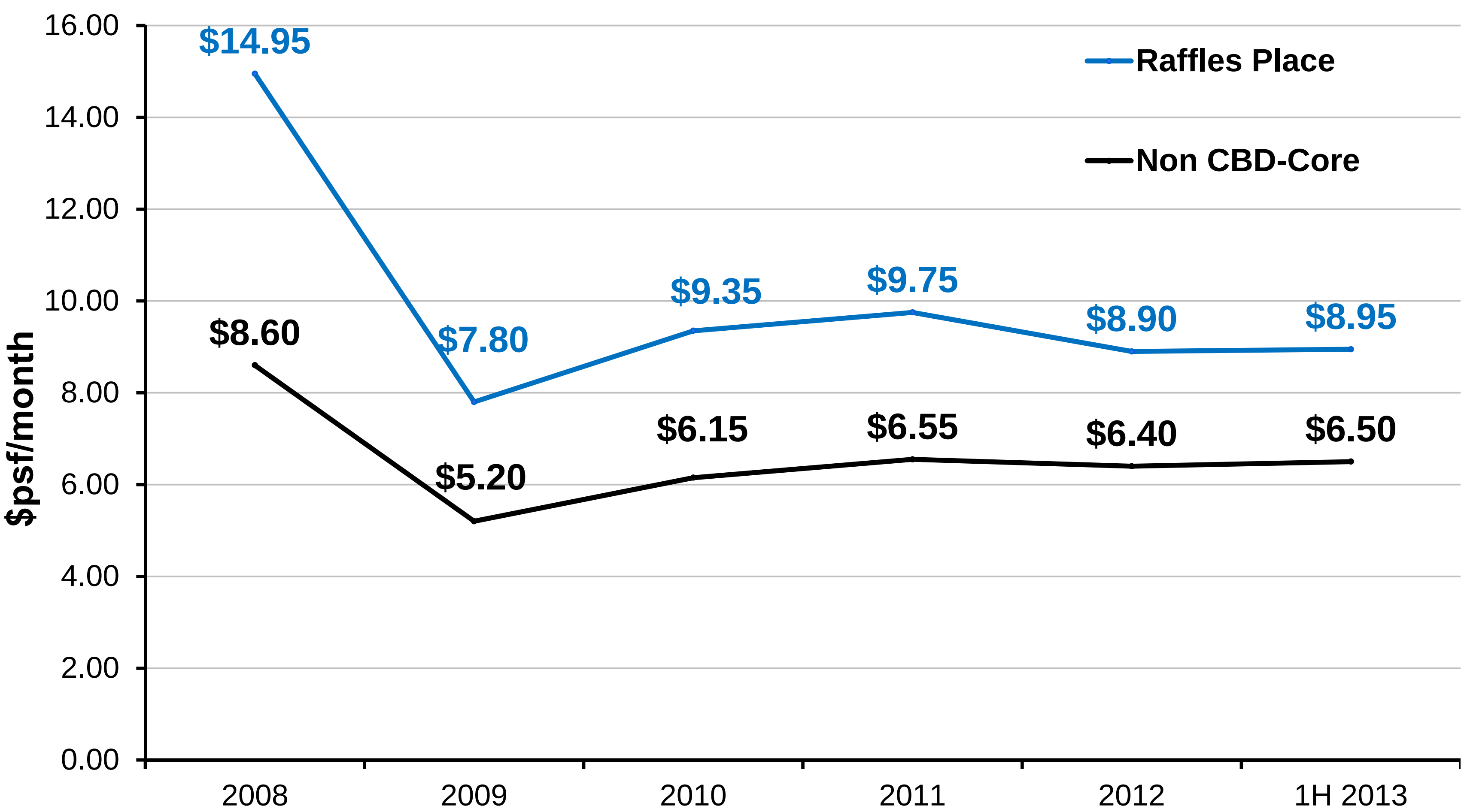
## Property Price Index – Commercial (2008 – 1H 2013)




Source : URA, Q2 2013

# SINGAPORE PROPERTY MARKET

**Average Office Rental in CBD (2008 – 1H 2013)**




Source : JLL Research, Q2 2013

# OPERATIONS REVIEW

*Artist's Impression of D'Nest*

# PROPERTY DEVELOPMENT

***Jewel @ Buangkok***
***For Illustration Only***

# PROPERTY DEVELOPMENT

## Units Booked / Sold

| | Sales Value* $'000 | No. of Units* | Total Floor Area* (sq ft) |
|---|---|---|---|
| **1H 2013** | $2,244,777 | 2,114 | 1,956,269 |
| **1H 2012** | $1,245,847 | 1,299 | 1,353,957 |

* Includes share of JV partners

# PROPERTY DEVELOPMENT

**Planned Residential Project Launches for 2H 2013**

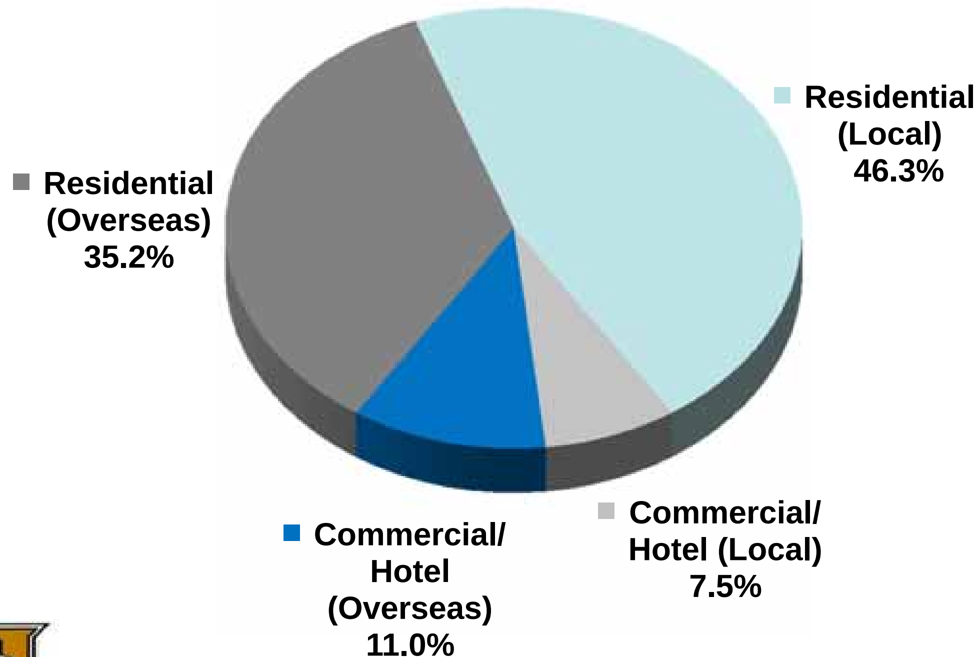
**(subject to market conditions)**

| Projects | Units | Launch Date |
|---|---|---|
| **Lush Acres EC** (Total: 380) | 380 | Aug 2013 |
| **Tai Thong project**<br>(Junction of Upp Serangoon & MacPherson Rds)<br>(Total: 266 apartments, 28 shops) | 200 Apts<br>28 Shops | Sep 2013 |
| **Total:** | **608** | |

# OPERATIONS REVIEW

## Land Bank by Sector (as at 30 June 2013) – CDL's Attributable Share

| Type of Development | Land Area (Sq ft) | | | |
|---|---|---|---|---|
| | Local | Overseas | Total (Local & Overseas) | % |
| **Residential** | 1,225,651 | 932,831 | 2,158,482 | 81.6% |
| **Commercial / Hotel** | 197,661 | 290,363 | 488,024 | 18.4% |
| **Total** | **1,423,312** | **1,223,194** | **2,646,506** | **100%** |




**Proposed GFA –**

(a) Singapore – 3.50 million sq ft

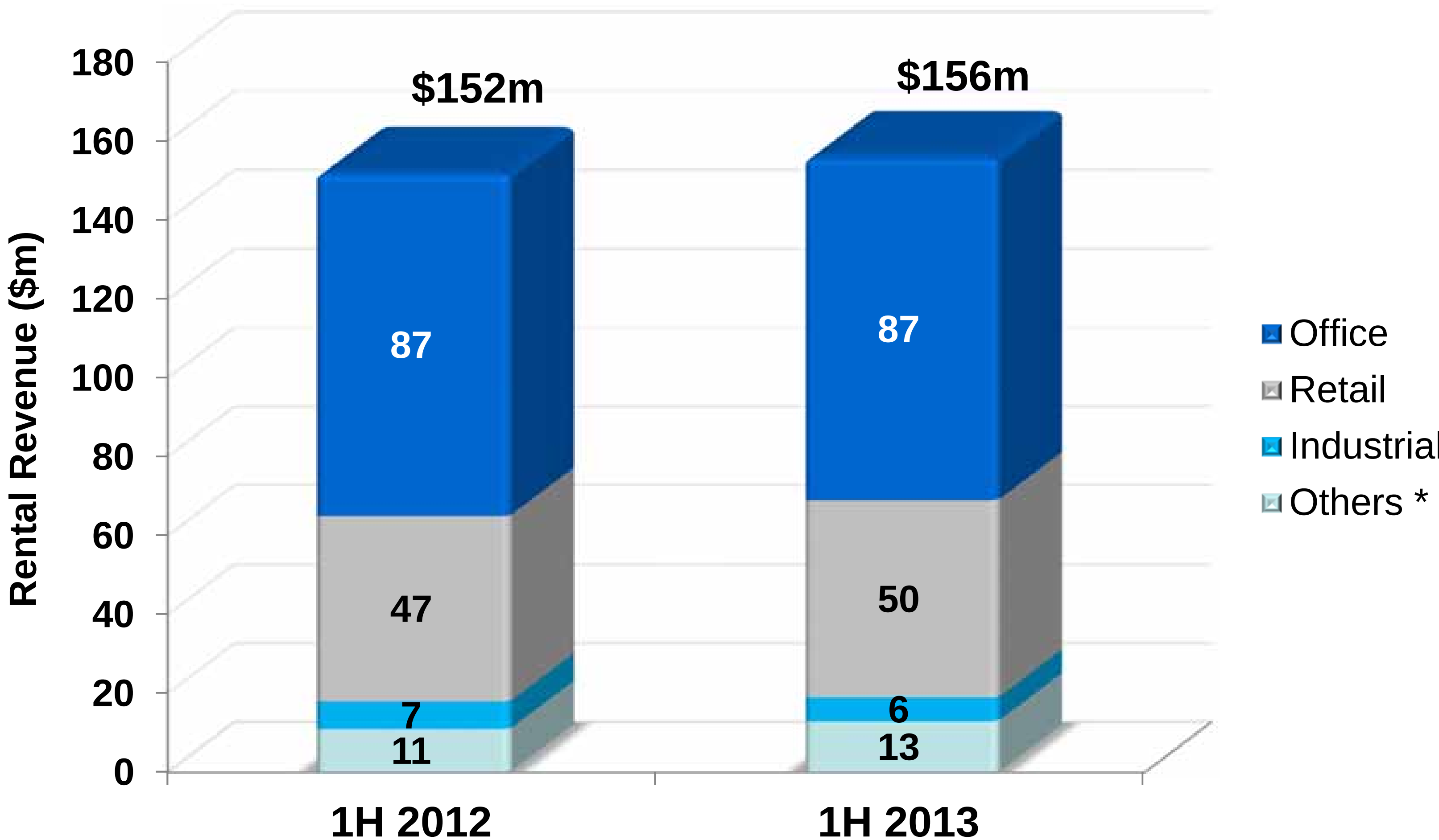
(b) Malaysia – 0.31 million sq ft

(c) CDL China – 3.86 million sq ft

Total 7.67 million sq ft

# OPERATIONS REVIEW

## Rental Properties Revenue by Sector




* Including car park, serviced apartment and residential

# HOTEL OPERATIONS & CDLHT

*W Singapore – Sentosa Cove*

# HOTEL OPERATIONS

## M&C Group

- Both revenues and profits were affected by challenging conditions in some of their key markets, in particular:-
  - Continuing slowdown in Singapore corporate business and increasing cost pressures;
  - Lower number of Japanese visitors in Seoul arising from the geo-political tensions between Japan and South Korea over Dokdo Island; and
  - Global refurbishment programme resulting in 181,000 room nights removed for 1H 2013.

- Improvement in RevPAR (in reported currency) driven by increase in both occupancy and higher average room rate:

| RevPAR | | |
|---|---|---|
| 1H 2013 | £67.27 | ↑ 4.1% |
| Q2 2013 | £74.29 | ↑ 6.0% |

- RevPAR growth for 1H 2013 driven by:
  - London 3.4%
  - New York 8.6%
  - Regional US 9.5%
  - Australiasia 14.5%

*Millennium Minneapolis*

**Strong Balance Sheet**

- Zero gearing.
- Strong financial position with net cash as at 30 June 2013 of £43.9m (31 December 2012: £52.2m).

# HOTEL OPERATIONS

## M&C Group – Hotel Room Count and Pipeline

| | Hotels | | Rooms | |
|---|---|---|---|---|
| **Hotel and Room Count** | **30 Jun 2013** | **31 Dec 2012** | **30 Jun 2013** | **31 Dec 2012** |
| **By region:** | | | | |
| • New York | 3 | 3 | 1,758 | 1,758 |
| • Regional US | 16 | 16 | 4,938 | 5,554 |
| • London | 7 | 7 | 2,493 | 2,493 |
| • Rest of Europe | 16 | 16 | 2,695 | 2,695 |
| • Middle East | 15 | 14 | 4,283 | 4,211 |
| • Singapore | 6 | 6 | 2,716 | 2,716 |
| • Rest of Asia | 18 | 17 | 7,422 | 6,861 |
| • Australasia | 31 | 31 | 4,651 | 4,651 |
| **Total:** | **112** | **110** | **30,956** | **30,939** |
| **Pipeline** | | | | |
| **By region:** | | | | |
| • Middle East | 17 | 18 | 4,517 | 4,772 |
| • Rest of Asia | 4 | 3 | 1,178 | 668 |
| **Total:** | **21** | **21** | **5,695** | **5,440** |

*ONE UN New York*

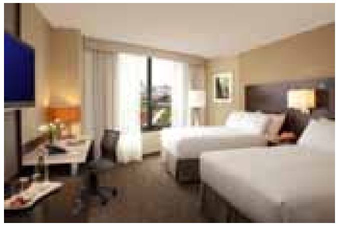
The Group's pipeline comprises 21 hotels offering 5,695 rooms, which are mainly management contracts.

# HOTEL OPERATIONS

## M&C Group – Asset Enhancement (on-going)

- Out of the £240m refurbishment programme, £77.8m had been spent up to 30 June 2013 since the commencement in 2011.
- £31.6m was spent under the programme in 1H 2013. Most of this was accounted for by works undertaken at Millennium Minneapolis and Grand Hyatt Taipei.
- £30.4m anticipated to be spent in 2H 2013.
- In Q2 2013, the renovation of the west wing of Grand Hyatt Taipei was completed and reopened in June 2013. The next phase will be renovation of the 392-room east wing earmarked to commence in August 2013. Completion scheduled to be mid 2014.
- Millennium Minneapolis reopened in May 2013 after the successful completion of its £15m refurbishment.

*Grand Hyatt Taipei*



*Millennium Minneapolis*

# HOTEL OPERATIONS

## M&C Group – Asset Enhancement (Plans)

- Refurbishment plans are on-going for a number of regional US hotels, including Millennium Hotel St Louis, Millennium Scottsdale Resort and Villas, Millennium Hotel Durham and Millennium Hotel Cincinnati.

*Millennium Scottsdale Resort and Villas*

*Millennium Hotel Durham*

*Millennium Hotel Cincinnati*

*Millennium Hotel St Louis*

- Discussions are undergoing for Millennium Hotel London Mayfair and Millennium Hotel London Knightsbridge.

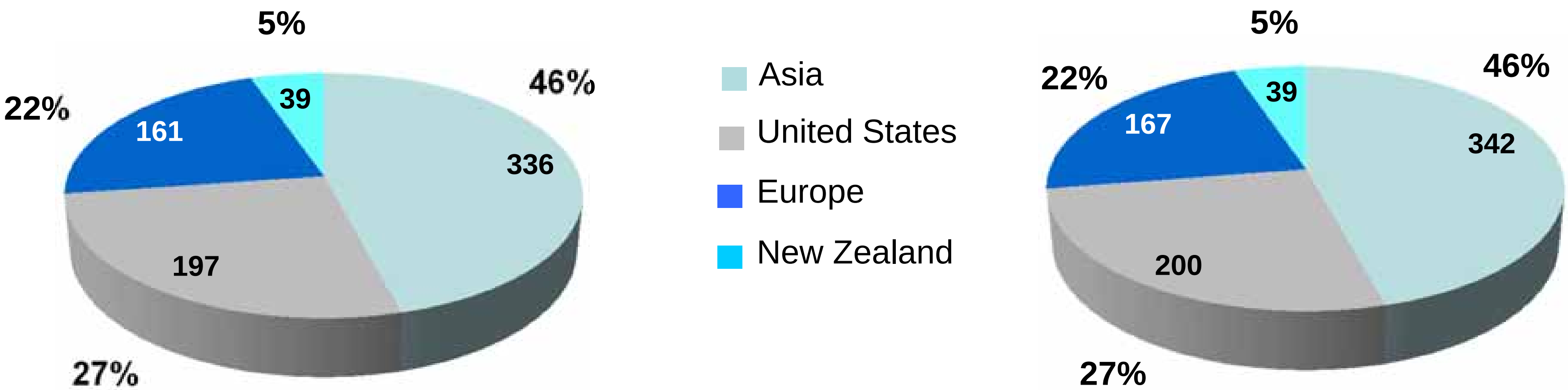
*Millennium Hotel London Mayfair*

*Millennium Hotel London Knightsbridge*

# HOTEL OPERATIONS

## Hotel Revenue by Region

**1H 2013** | **1H 2012**

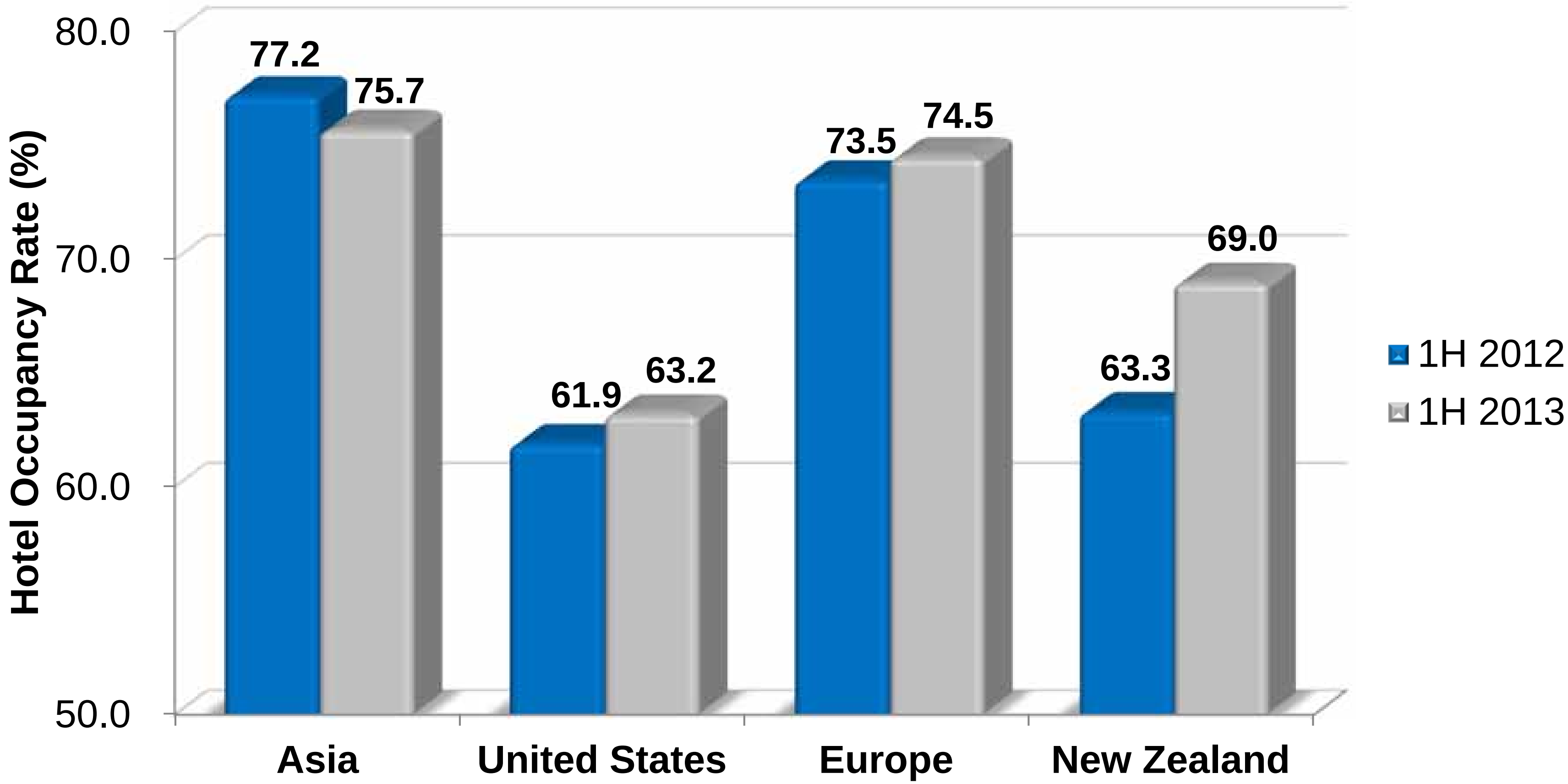



**$733m** | **$748m**

**Overall change**
**= ⬇ 2%**

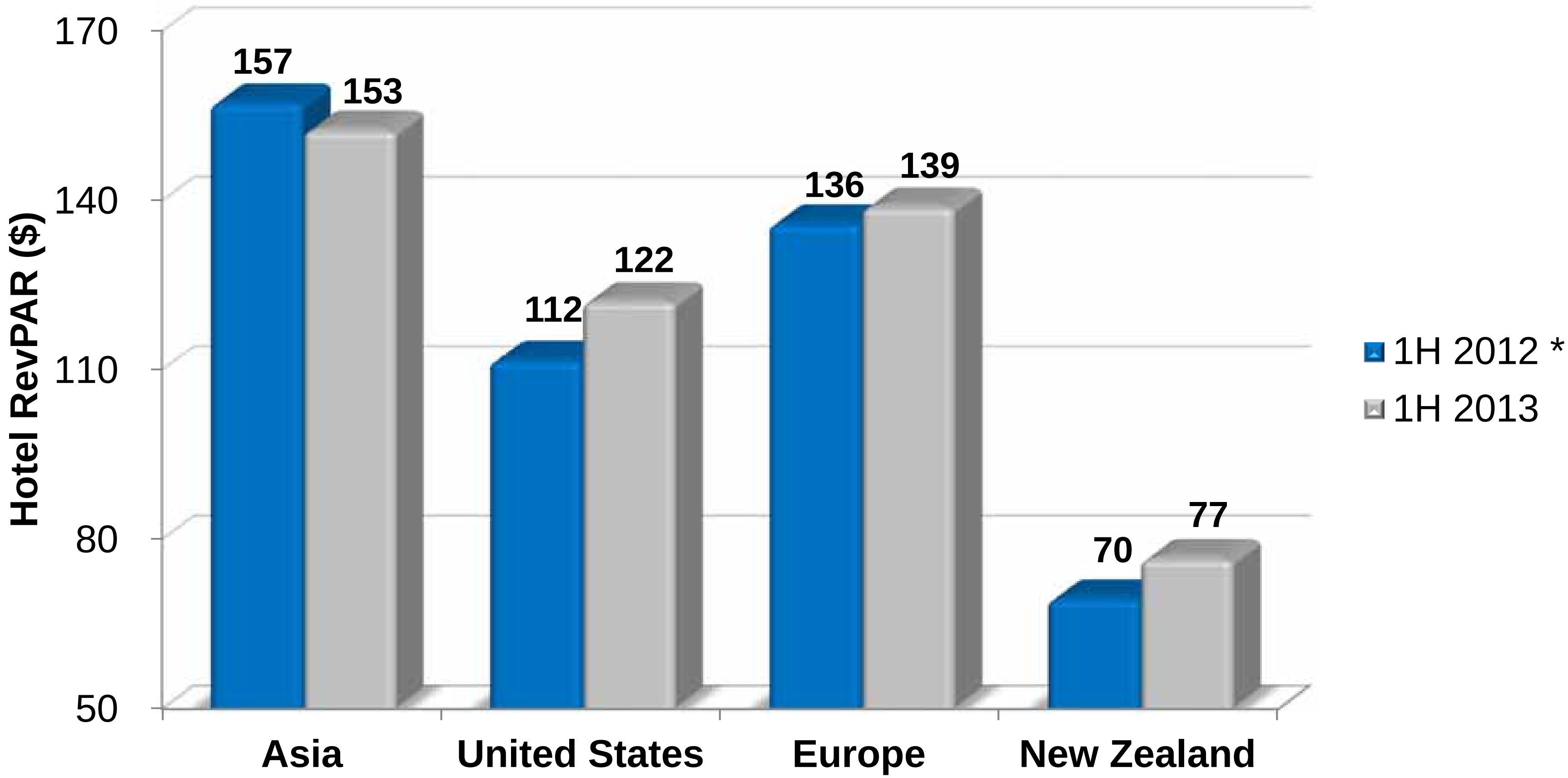
# HOTEL OPERATIONS

**Hotel Occupancy by Region**



# HOTEL OPERATIONS

## Hotel Revenue Per Available Room at Constant Currency




* For comparability, 1H 2012 RevPAR has been translated at constant exchange rates (30 Jun 2013).

# CDL HOSPITALITY TRUSTS (CDLHT)

| S$'000 | 1H 2013 | 1H 2012 | Change |
|---|---|---|---|
| Gross Revenue | 73,498 | 75,055 | ⬇ 2.1% |
| Net Property Income | 67,890 | 70,125 | ⬇ 3.2% |

*Angsana Velavaru*

- Gross revenue decreases mainly due to lower gross revenue from the Singapore hotels, partially mitigated by overseas properties like Angsana Velavaru located in the Republic of Maldives, acquired on 31 January 2013, which contributed revenue of $3.1m.

- Singapore hotels' performance was affected by:
  - ❖ Increased competition due to additional new supply of hotel rooms introduced to the market.
  - ❖ Weaker corporate demand as many companies globally exercised restraint in corporate travel.
  - ❖ Absence of the bi-annual Food & Hotel Asia event in April.
  - ❖ Transboundary haze from Indonesia in mid-June which impacted demand slightly.


*Artist's Impression of South Beach*

# MOVING FORWARD

- Global economic outlook for 2H 2013 remains unpredictable.
- The Group has established various synergistic platforms for growth and will be developing overseas engines for a balanced and diversified portfolio in Singapore and abroad.

**Property Development**

- Locked-in profits from pre-sold projects and its two fully sold ECs yet to be booked.
- Limited inventory stock in the mass market.
- Some headwinds can be expected in view of the latest Government property cooling measures
- Maintains a cautious approach in land replenishment strategy.

# MOVING FORWARD

**Rental Properties**

- Rental properties segment expected to remain stable. Current occupancy of 96.2% (as at 30 June 2013) is higher than national average.

**Hotel Operations**

- Continue to remain a significant contributor to the Group's revenue.
- M&C will continue to strategically refurbish and reposition its key assets, and upgrade some of its properties, so that they may reap the benefits when the economy recovers.
- Potential of its hospitality REIT platform can be further exploited.

**Integrated Development – South Beach**

- Healthy interest for Office Tower (North Tower) in view of the stabilising office market.

# MOVING FORWARD

**Overseas Projects**

Focus on developing its existing overseas growth engines via:

**(1) China**

- **CDL China Limited** – CDL's wholly-owned subsidiary
  Developments in Chongqing and Suzhou

- **First Sponsor Capital Limited** (FSCL) – M&C's associate
  Developments in Chengdu

**(2) Real estate development arm in London**

**(3) Participate in private equity opportunities**

**Disclaimer:**

*This document may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other developments or companies, shifts in customer demands, customers and partners, expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.*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