



CITY DEVELOPMENTS LIMITED

(REG. NO. 196300316Z)

UNAUDITED FULL YEAR FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

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 Full Year ended 31 December | | Incr/ (Decr) % |
|---|---|-----------------|----------------------|
| | 2004 S\$'000 | 2003 S\$'000 | |
| Revenue | 2,380,097 | 2,325,976 | 2.3 |
| Cost of sales | (1,189,466) | (1,327,036) | (10.4) |
| Gross profit | 1,190,631 | 998,940 | 19.2 |
| Other operating income ⁽²⁾ | 52,243 | 64,896 | (19.5) |
| Administrative expenses ⁽³⁾ | (415,381) | (405,246) | 2.5 |
| Other operating expenses ⁽⁴⁾ | (434,058) | (389,696) | 11.4 |
| Profit from operations ⁽¹⁾ | 393,435 | 268,894 | 46.3 |
| Finance costs ⁽⁵⁾ | (170,882) | (162,375) | 5.2 |
| Profit before share of results of associated companies and jointly controlled entities | 222,553 | 106,519 | 108.9 |
| Share of loss of associated companies | (72) | (78) | (7.7) |
| Share of profit of jointly controlled entities ⁽⁶⁾ | 194,973 | 107,376 | 81.6 |
| Profit from ordinary activities before taxation | 417,454 | 213,817 | 95.2 |
| Income tax expense ⁽⁷⁾ | (67,524) | (30,404) | 122.1 |
| Profit from ordinary activities after taxation | 349,930 | 183,413 | 90.8 |
| Minority interests ⁽⁸⁾ | (147,087) | (31,131) | 372.5 |
| Net profit for the year | 202,843 | 152,282 | 33.2 |
| Earnings per share | | | |
| - basic | 24.10 cents | 18.78 cents | |
| - fully diluted | 22.79 cents | 18.78 cents | |

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Notes to The Group's Income Statement :

- (1) Profit from operations includes the following :

| | The Group Full year ended 31 December | |
|---|---|-----------|
| | 2004 | 2003 |
| | S\$'000 | S\$'000 |
| Interest income | 33,281 | 26,985 |
| Investment income ⁽⁹⁾ | 6,528 | 8,806 |
| Profit on sale of investments, property, plant and equipment (net) ⁽¹⁰⁾ | 11,084 | 15,851 |
| Allowance for foreseeable losses on development properties made (net) | (12,616) | (47,574) |
| Amortisation | (7,125) | (6,788) |
| Allowance for doubtful debts written back/ (made)(net) | | |
| - trade | 8 | (2,202) |
| - non-trade ⁽¹¹⁾ | (405) | (13,935) |
| Depreciation | (166,702) | (166,355) |
| Impairment losses for property, plant and equipment | (49,317) | (13,522) |
| Net exchange (loss)/gain | (2,449) | 5,661 |

- (2) Other operating income comprises mainly interest income, profit on sale of investments, property, plant and equipment, net exchange gain and write-back of allowance for diminution in value of long-term investments.
- (3) Administrative expenses which comprise mainly depreciation, hotel administrative expenses, and salaries and related expenses, increased by \$10.2 million to \$415.4 million (2003 : \$405.2 million). The increase is mainly due to the strengthening of Sterling Pound against the Singapore Dollar and reclassification of certain expenses previously reported under Other operating expenses.
- (4) Other operating expenses, which comprise mainly property taxes and insurance on hotels, hotel other operating expenses and impairment losses for property, plant and equipment, increased by \$44.4 million to \$434.1 million (2003 : \$389.7 million) . The increase is mainly on account of higher impairment losses for property, plant and equipment.
- (5) Finance costs increased by \$8.5 million to \$170.9 million (2003 : \$162.4 million) mainly due to the strengthening of Sterling Pound against the Singapore Dollar.

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Notes to The Group's Income Statement : (cont'd)

- (6) Share of profit of jointly controlled entities increased significantly by \$87.6 million to \$195.0 million (2003: \$107.4 million). Profit for 2004 is mainly derived from sale of The Plaza, New York . Profit for 2003 relate primarily to profits on the sale of both Lot 1 Shoppers' Mall and the Group's 50% share in Seoul City Tower Co., Ltd.
- (7) Income tax expense for the year is derived at by applying the varying statutory tax rates on the taxable profit/(losses) and taxable temporary differences of the different countries in which the Group operates, and after adjusting for write-back of overprovision of taxation in prior years of \$75.5 million (2003 : \$11.7 million) for the Group which includes its share of those of its associated companies and jointly controlled entities.
- The write-back relates mainly to overprovision of deferred tax by overseas subsidiaries. The change in corporate tax rate from 22% to 20% in Singapore also resulted in some write-backs.
- (8) Minority interests increased by \$116.0 million to \$147.1 million (2003 : \$31.1 million) mainly on account of improved contributions from the hotel subsidiary - Millennium & Copthorne Hotels plc, in which the Group has a 52% interest .
- (9) Investment income includes dividend and profit/(loss) on sale of short-term investments.
- (10) The profit for 2004 includes the gain on disposal of the Birkenhead Point Shopping Centre and Marina Facility, Australia.
- (11) The allowance for doubtful debts for 2003 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.

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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 31.12.2004 S\$'000 | As at 31.12.2003 S\$'000 | As at 31.12.2004 S\$'000 | As at 31.12.2003 S\$'000 |
| Non-current assets | | | | |
| Property, plant and equipment | 8,891,410 | 9,145,659 | 580,938 | 664,638 |
| Investments in subsidiaries | - | - | 2,201,407 | 2,204,934 |
| Investments in associated companies | 1,241 | 1,383 | - | - |
| Investments in jointly controlled entities | 235,631 | 246,029 | 67,880 | 68,495 |
| Financial assets | 31,301 | 25,432 | 15,546 | 15,546 |
| Deferred financial charges | 8,549 | 13,368 | 535 | 397 |
| Intangible assets | 295 | 298 | - | - |
| Other non-current assets | 81,839 | 111,010 | 57,535 | 60,714 |
| | 9,250,266 | 9,543,179 | 2,923,841 | 3,014,724 |
| Current assets | | | | |
| Development properties | 1,944,358 | 2,237,893 | 1,599,119 | 1,861,622 |
| Consumable stocks | 13,508 | 13,159 | 1,061 | 1,159 |
| Financial assets | 35,642 | 30,158 | - | - |
| Trade and other receivables | 700,959 | 663,264 | 969,549 | 687,134 |
| Cash and cash equivalents | 827,834 | 571,400 | 385,282 | 255,477 |
| | 3,522,301 | 3,515,874 | 2,955,011 | 2,805,392 |
| Current liabilities | | | | |
| Bank overdrafts | (2,171) | (4,511) | - | - |
| Trade and other payables | (688,222) | (668,332) | (983,698) | (834,779) |
| Bank loans | (18,306) | (44,865) | (18,306) | (44,082) |
| Current portion of long-term liabilities | (817,126) | (367,906) | (48,876) | (125,000) |
| Bonds and notes - repayable within 12 months | (584,440) | (321,075) | (170,000) | (120,000) |
| Employee benefits | (14,566) | (11,861) | (1,153) | (1,112) |
| Provision for taxation | (115,173) | (76,308) | (35,065) | (15,081) |
| Provisions | (497) | (6,383) | - | - |
| | (2,240,501) | (1,501,241) | (1,257,098) | (1,140,054) |
| Net current assets | 1,281,800 | 2,014,633 | 1,697,913 | 1,665,338 |
| | 10,532,066 | 11,557,812 | 4,621,754 | 4,680,062 |
| Non-current liabilities | | | | |
| Interest-bearing loans and other liabilities | (2,631,581) | (4,160,705) | (944,067) | (1,083,824) |
| Employee benefits | (17,291) | (16,125) | - | - |
| Provisions | (9,830) | (10,839) | - | - |
| Deferred tax liabilities | (670,222) | (698,120) | (10,906) | (24,177) |
| | (3,328,924) | (4,885,789) | (954,973) | (1,108,001) |
| Minority interests | (2,252,438) | (2,069,015) | - | - |
| Net assets | 4,950,704 | 4,603,008 | 3,666,781 | 3,572,061 |
| Share capital | 452,541 | 413,593 | 452,541 | 413,593 |
| Reserves | 4,498,163 | 4,189,415 | 3,214,240 | 3,158,468 |
| Shareholders' equity | 4,950,704 | 4,603,008 | 3,666,781 | 3,572,061 |

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

| | As at 31/12/2004 S\$'000 | As at 31/12/2003 S\$'000 |
|----------------------------------|--------------------------------|--------------------------------|
| <u>Unsecured</u> | | |
| -repayable within one year | 564,306 | 420,576 |
| -repayable after one year | 1,267,339 | 1,488,780 |
| (a) | <u>1,831,645</u> | <u>1,909,356</u> |
| <u>Secured</u> | | |
| -repayable within one year | 855,296 | 315,342 |
| -repayable after one year | 1,334,272 | 2,632,492 |
| (b) | <u>2,189,568</u> | <u>2,947,834</u> |
| Gross borrowings | (a)+(b) 4,021,213 | 4,857,190 |
| Less : cash and cash equivalents | <u>(827,834)</u> | <u>(571,400)</u> |
| Net borrowings | <u>3,193,379</u> | <u>4,285,790</u> |

Net borrowings for the Group decreased significantly by \$1.1 billion or 25.6% to \$3.2 billion (2003 : \$4.3 billion) mainly due to repayment of loans which was primarily funded by the proceeds from sale of joint venture and property, plant and equipment and sale proceeds from development projects completed during the year.

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.

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

| | Full Year | |
|---|----------------|----------------|
| | 2004 | 2003 |
| | S\$'000 | S\$'000 |
| Operating Activities | | |
| Profit from ordinary activities before taxation | 417,454 | 213,817 |
| Adjustments for: | | |
| Amortisation | 7,125 | 6,788 |
| Depreciation | 166,702 | 166,355 |
| Deferred financial charges and intangibles written off | 136 | 32 |
| Property, plant and equipment written off | 411 | 466 |
| Profit on sale of property, plant and equipment | (10,746) | (9,755) |
| Share of loss of associated companies | 72 | 78 |
| Share of profit of jointly controlled entities | (194,973) | (107,376) |
| Interest income | (33,281) | (26,985) |
| Finance costs | 170,882 | 162,375 |
| Dividend income | (4,973) | (8,704) |
| Allowance for diminution in value of investments written back (net) | (975) | (1,772) |
| Allowance for foreseeable losses on development properties made (net) | 12,616 | 47,574 |
| Allowance for doubtful debts made (net) | 397 | 16,137 |
| Impairment losses for property, plant and equipment | 49,317 | 13,522 |
| Operating profit before working capital changes | 580,164 | 472,552 |
| Changes in working capital | | |
| Development properties | 388,003 | (85,153) |
| Stocks, trade and other receivables | (48,196) | 27,034 |
| Related corporations | 12,886 | 67,773 |
| Trade and other payables | 4,487 | (10,966) |
| Employee benefits | 3,502 | 1,128 |
| Cash generated from operations | 940,846 | 472,368 |
| Income tax paid | (47,180) | (69,150) |
| Cash flows from operating activities carried forward | 893,666 | 403,218 |

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| | Full Year | |
|---|------------------|------------------|
| | 2004 | 2003 |
| | S\$'000 | S\$'000 |
| Cash flows from operating activities brought forward | 893,666 | 403,218 |
| Investing Activities | | |
| Purchase of property, plant and equipment | (112,264) | (109,544) |
| Proceeds from sale of property, plant and equipment | 122,177 | 20,303 |
| Increase in deferred financial charges and intangible assets | (2,614) | (873) |
| Decrease in investments in jointly controlled entities | 26,634 | 2,198 |
| Payment of deferred consideration ⁽¹⁾ | - | (71,707) |
| Cash flow on acquisition of subsidiaries (net of cash) | - | (51,621) |
| Increase in financial assets | (10,139) | (8,386) |
| Interest received (including amounts capitalised as property, plant and equipment and development properties) | 33,413 | 27,149 |
| Dividends received | | |
| - investments | 4,973 | 8,704 |
| - jointly controlled entities | 292,816 | 45,460 |
| Cash flows from investing activities | 354,996 | (138,317) |
| Financing Activities | | |
| Proceeds from issue of shares (net of expenses) | 442,240 | - |
| Capital contribution to minority shareholders | (28,271) | (60,076) |
| Proceeds from term loans | 647,351 | 210,186 |
| Repayment of term loans | (1,520,974) | (319,286) |
| Repayment to finance lease creditors | (4,913) | (31,932) |
| Proceeds from issuance of bonds and notes | 486,711 | 379,304 |
| Increase in finance lease | 5 | - |
| Repayment of bonds and notes | (411,096) | (190,533) |
| Decrease in other long-term liabilities | (2,531) | (5,006) |
| Repayment of bank loans | (26,450) | (63,978) |
| Payment of interest on deferred consideration ⁽¹⁾ | - | (13,551) |
| Dividends paid | (387,753) | (46,860) |
| Interest paid (including amounts capitalised as property, plant and equipment and development properties) | (184,187) | (177,619) |
| Cash flows from financing activities | (989,868) | (319,351) |
| Net increase/(decrease) in cash and cash equivalents carried forward | 258,794 | (54,450) |

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| | Full Year | |
|--|----------------|-----------------|
| | 2004 | 2003 |
| | S\$'000 | S\$'000 |
| Net increase/(decrease) in cash and cash equivalents brought forward | 258,794 | (54,450) |
| Exchange differences arising on translation of foreign subsidiaries' cash and cash equivalents | (20) | 11,532 |
| Cash and cash equivalents at the beginning of the year (net of bank overdraft) | 566,889 | 609,807 |
| Cash and cash equivalents at the end of the year (net of bank overdraft) | 825,663 | 566,889 |

Note :-

(1) Deferred Consideration

In December 1999, a subsidiary of the Group acquired a number of hotels in USA and, under the terms of the acquisitions, US\$45.0m (plus interest) of the consideration for these hotels was deferred for a period of two years. This consideration was not paid when it originally fell due in December 2001 pending adequate financial assurances that the vendor could honour its indemnity obligations under the terms of the agreement. The parties have now reached agreement and a total of US\$48.8m (S\$85.3m) was paid during 2003. The full amount had already been fully provided for by the subsidiary of the Group.

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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 | Accumulated Profits S\$'000 | Total S\$'000 |
|---|-----------------------------|-----------------------------|-------------------------------|--|---|-----------------------------------|------------------|
| At 1 January 2003 | 400,511 | 945,032 | 148,143 | - | 114,935 | 2,253,550 | 3,862,171 |
| Surplus on revaluation of hotel properties arising from change in accounting policy | - | - | - | 436,467 | - | - | 436,467 |
| Exchange differences arising on consolidation of foreign subsidiaries | - | - | - | 24,959 | 50,956 | - | 75,915 |
| Issue of ordinary shares | 13,082 | 110,387 | - | - | - | - | 123,469 |
| Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities | - | - | - | - | (436) | - | (436) |
| Profit for the year | - | - | - | - | - | 152,282 | 152,282 |
| Dividends | - | - | - | - | - | (46,860) | (46,860) |
| At 31 December 2003 | 413,593 | 1,055,419 | 148,143 | 461,426 | 165,455 | 2,358,972 | 4,603,008 |
| Surplus on revaluation of hotel properties | - | - | - | 85,577 | - | - | 85,577 |
| Realised revaluation reserve transferred to accumulated profits | - | - | - | (23,878) | - | 23,878 | - |
| Transfer of depreciation on revaluation surplus | - | - | - | (1,647) | - | 1,647 | - |
| Exchange differences arising on consolidation of foreign subsidiaries | - | - | - | (6,151) | 9,601 | - | 3,450 |
| Issue of ordinary shares | 22,404 | 89,618 | - | - | - | - | 112,022 |
| Issue of preference shares (net of expenses) | 16,544 | 313,674 | - | - | - | - | 330,218 |
| Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities | - | - | - | - | 1,339 | - | 1,339 |
| Profit for the year | - | - | - | - | - | 202,843 | 202,843 |
| Dividends | - | - | - | - | - | (387,753) | (387,753) |
| At 31 December 2004 | 452,541 | 1,458,711 | 148,143 | 515,327 | 176,395 | 2,199,587 | 4,950,704 |

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| The Company | Share Capital S\$'000 | Share Premium S\$'000 | Capital Reserve S\$'000 | Asset Revaluation Reserve S\$'000 | Exchange Fluctuation Reserve S\$'000 | Accumulated Profits S\$'000 | Total S\$'000 |
|---|-----------------------------|-----------------------------|-------------------------------|--|---|-----------------------------------|------------------|
| At 1 January 2003 | 400,511 | 931,910 | 63,743 | - | (679) | 2,074,069 | 3,469,554 |
| Surplus on revaluation of a hotel property arising from change in accounting policy | - | - | - | 855 | - | - | 855 |
| Issue of ordinary shares | 13,082 | 110,387 | - | - | - | - | 123,469 |
| Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities | - | - | - | - | (144) | - | (144) |
| Profit for the year | - | - | - | - | - | 25,187 | 25,187 |
| Dividends | - | - | - | - | - | (46,860) | (46,860) |
| At 31 December 2003 | 413,593 | 1,042,297 | 63,743 | 855 | (823) | 2,052,396 | 3,572,061 |
| Issue of ordinary shares | 22,404 | 89,618 | - | - | - | - | 112,022 |
| Issue of preference shares (net of expenses) | 16,544 | 313,674 | - | - | - | - | 330,218 |
| Exchange differences arising on foreign currency liabilities (net of repayment) accounted for as a hedge of net investments in foreign entities | - | - | - | - | 688 | - | 688 |
| Profit for the year | - | - | - | - | - | 39,545 | 39,545 |
| Dividends | - | - | - | - | - | (387,753) | (387,753) |
| At 31 December 2004 | 452,541 | 1,445,589 | 63,743 | 855 | (135) | 1,704,188 | 3,666,781 |

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- 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 for 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.**

Ordinary share capital

On 11 May 2004, the Company issued 82,718,564 bonus warrants, which were subsequently listed on the Official List of the Singapore Exchange Securities Trading Limited on 13 May 2004. Each bonus warrant carries the right to subscribe in cash for one (1) ordinary share of \$0.50 each in the capital of the Company at the exercise price of \$2.50, subject to adjustments under certain circumstances in accordance with the terms and conditions of the bonus warrants as set out in a Deed Poll dated 6 May 2004.

Arising from the exercise of subscription rights by bonus warrant holders during the year ended 31 December 2004, the Company issued 44,808,865 new ordinary shares of \$0.50 each, thus bringing the total issued and paid up ordinary share capital as at 31 December 2004 to \$435,997,254 comprising 871,994,508 ordinary shares of \$0.50 each. As at 31 December 2004, the number of ordinary shares that may be issued on conversion of all the outstanding bonus warrants is 37,909,699 ordinary shares (31 December 2003 : Nil).

Preference share capital

On 9 June 2004, the Company issued 330,874,257 non-redeemable convertible non-cumulative preference shares ("Preference Shares") of \$0.05 each at an issue price of \$1.00 each, which were subsequently listed on the Official List of the Singapore Exchange Securities Trading Limited on 14 June 2004. The Preference Shares are convertible at the sole option of the Company at any time on or after the 2nd anniversary of the date of issue of the Preference Shares, into fully-paid ordinary shares of \$0.50 each in the capital of the Company at the conversion ratio of 0.136 ordinary share for each Preference Share.

As at 31 December 2004, the maximum number of ordinary shares that may be issued upon full conversion at the sole option of the Company of all the Preference Shares is 44,998,898 ordinary shares (31 December 2003 : Nil).

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

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 a 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.**

The accounting policies and methods of computation adopted are consistent with those applied in the audited financial statements for the year ended 31 December 2003.

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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.**

There was no change in the accounting policies and methods of computation.

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

| | Full year ended 31 December | |
|--|--------------------------------|-------------|
| | 2004 | 2003 |
| Basic Earnings per share (cents) | 24.10 | 18.78 |
| Fully Diluted Earnings per share (cents) | 22.79 | 18.78 |
| Earnings per share is calculated based on : | | |
| a)net profit for the year (S\$'000) | 202,843 | 152,282 |
| b)weighted average number of ordinary shares in issue : | | |
| - basic | 841,635,380 | 810,987,566 |
| - fully diluted (*) | 889,903,694 | 810,987,566 |

**For computation of fully diluted earnings per share, the weighted average number of ordinary shares has been adjusted for the dilutive effect of potential ordinary shares arising from the exercise of all outstanding bonus warrants and conversion of all preference shares.*

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 financial period reported on; and
(b) immediately preceding financial year.**

| | The Group | | The Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 31/12/2004 S\$ | 31/12/2003 S\$ | 31/12/2004 S\$ | 31/12/2003 S\$ |
| Net Asset Value per ordinary share based on issued share capital of 871,994,508 ordinary shares as at 31 December 2004 (827,185,643 ordinary shares as at 31 December 2003). | 5.68 | 5.56 | 4.21 | 4.32 |

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8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) 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; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Local Industry Review

The economy rebounded strongly with a GDP growth of 8.4% for the year under review. Employment prospects have improved significantly and unemployment rate fell to 3.7% from its peak of 4.6%. Concern over job insecurity has eased off.

In line with the improving economy, residential property prices made modest increases from Q2. On the full year basis, it increased by 0.9% compared to a decline of 2% in 2003.

Transaction volumes have improved by about 12% from 5,156 to 5,785 units for the year. Resale activity in the secondary market was also better, registering a 14.5% increase over 2003.

Group Performance

Despite the very challenging and difficult property market conditions during the last 8 years, the Group continued to remain profitable throughout this period.

The Group's pre-tax profit for the year increased by 95% to \$417.5 million (2003 : \$213.8 million). This is the highest since 2001. After-tax profit amounted to \$202.8 million (2003: \$152.3 million). The continued recovery in the hotel sector contributed substantially to the Group's performance for the year under review.

The Group continued to be the only listed Singapore property company which adopted a conservative accounting policy of depreciating its investment properties.

Net borrowings of the Group was reduced by 26% to \$3.2 billion (2003 : \$4.3 billion) mainly as a result of proceeds from the completion of various development projects and sale of joint venture assets.

During the year under review, the Company paid a one-off special cash dividend of approximately \$330.9 million (net) to reward its ordinary shareholders for their loyalty and continued support for the Company. This payment also allowed the Company to pass on approximately \$82.7 million of Section 44A tax credits to its ordinary shareholders.

The Company also issued approximately 330.9 million of non-redeemable convertible non-cumulative preference shares in the form of a 2-for-5 renounceable rights issue and approximately 82.7 million warrants by way of a 1-for-10 bonus issue. The net proceeds from the preference shares issue were principally used to fund the payment of the special cash dividend. The proceeds from the exercise of the warrants will further strengthen the Company's capital base and working capital position.

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Property

In view of the relatively slow market in 2004, the Group did not rush to launch new projects in the first 3 quarters as we expected prices to improve in the last quarter. We were reluctant to dispose of units in new launches at low prices as replenishment of land at reasonable cost is becoming increasingly difficult.

However in end October of Q4, the Group launched its high profile project, The Sail @ Marina Bay. This waterfront development, comprising a 70-storey tower and a 63-storey tower, with a total of 1,111 units, is set to be a global landmark. Only the 70-storey Marina Bay Tower with 681 units was released for sale while the Central Park Tower was retained for institutional enbloc sale, investment, REITS or other purposes to be decided in due course. We are currently evaluating various enbloc offers and will only sell it if the price is right.

The project received overwhelming response from local and international buyers. To date, foreign buyers have snapped up about 40% of the 618 units sold. With the strong response, the Group's 2004 market share of the residential property in Singapore surged from 12% to more than 17%.

The Group continued to book in profits, based on the completion of construction stages from pre-sold projects like The Esparis and Nuovo Executive Condominiums, The Pier at Robertson, Changi Rise, Savannah CondoPark, Monterey Park and Goldenhill Villas among others. However, profits from The Sail @ Marina Bay have not yet been accounted for as its construction has just commenced.

2004 was a year of recovery for the Singapore office market with strengthening demand and increasing rents. After more than two years of continuing decline, occupancy rate increased by 1.9% to close the year's average occupancy at 84%. Rental improved by 3.5% nationwide. Some property consultants suggest that well-located prime Grade A offices led the recovery with an increase by a larger margin of up to 10%.

Demand was dominated by renewals and relocation of tenants in a bid to lock in better deals. A clear example is the relocation of Fuji Xerox to our former IBM Towers, taking up 93,000 sq ft.

Hotel

2004 was a pivotal year for Millennium & Copthorne Hotels plc ("M&C"). Although we started the year facing trading uncertainties caused by numerous external events, we have finished with a significantly higher hotel operating performance and a substantial profit from the strategic disposal of 2 assets. M&C continued to recover with strong occupancies and RevPAR growth across all regions.

M&C successfully disposed of The Plaza, New York in October at a 46% premium to the net book value which includes a revaluation surplus of US\$61 million. Therefore, from a historical cost perspective, its share of the profit on disposal was US\$123.3 million or £68.9 million. It also disposed of The Birkenhead Point Shopping Centre and Marina Facility in Australia.

These disposals have significantly reduced M&C's gearing from 53% to 37% and enhanced its financial strength.

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Diversification of Earnings

The Group's strategy of diversification embarked in the early 1990s has helped ensure that we continue to remain profitable even through the cyclical nature of the property development business. Our strategy to be both a hotel owner and operator has proven to be successful as the hotel sector has been a major contributor to our earnings.

We can leverage on our expertise in the property business to extract real estate potentials from some of our hotel assets and these could generate substantial gains. An example of such a strategic move is the recent sale of The Plaza in New York.

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 year under review is in line with its expectations as disclosed in the announcement of results for third quarter and nine months ended 30 September 2004.

10. A commentary at the date of the announcement of the significant trends and 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 growth in the economy is expected to slow down to between 3% and 5% in 2005. Even though the pace will be moderated, the trend is still improving and such gradual and steady growth is healthy for Singapore's economy in the medium to the longer term.

Potential buyers have to a large extent familiarise themselves with the revised CPF rulings and changes to traditional wage structure. They now also have the option to tailor their housing loan installments based on their income.

Property consultants are forecasting the residential prices to improve by 5% to 15%. We are optimistic that the Singapore property market has the potential to grow and move in tandem with our regional neighbours like Malaysia, Hong Kong, Thailand and Indonesia, whose property markets continue to boom. The upside is that Singapore's real estate can offer better prospects and growth for buyers than other regions where prices have already increased.

The successful launch of The Sail @ Marina Bay created much buzz and was the catalyst that re-ignited buying interest in the residential market with many other developers following suit with new launches.

The Group will launch this year in stages the 910-unit City Square Residences, which is located at Serangoon Road, a 2 minutes' walk to Farrer Park MRT station along the North East Line. City Square, an important mega project of the Group, also comprises 721,000 sq ft retail complex with direct links to the MRT station, which may be sold as retail units or to a Real Estate Investment Trusts ("REITS"). City Square will gentrify and inject a new lifestyle and vibrancy to the area. Phase 1, comprising about 200 units is expected to be launched shortly.

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The Group has just soft launched the freehold 295-unit Parc Emily in which it has a 50% interest. Another high profile development in the pipeline is the upmarket project at Tomlinson/Tanglin Roads to be known as St Regis Residences. This is part of the prestigious hotel cum residences development featuring the world-renowned 6-star St Regis Hotel with 299 rooms. This integrated development will offer residents of the St. Regis Residences a first-of-its-kind concierge services and with hotel-styled facilities available. The project comprises 187 good sized units. The Group owns a one-third share in this joint-venture development with the remaining two thirds owned by other Hong Long members.

The office market has bottomed out and occupancy rate is improving steadily. Rental rates have turned around last year but are expected to improve more significantly this year on the back of an improving economy with strengthening demand.

Recent Government initiatives to promote the downtown area as an exciting work, live and play metropolitan have drawn renewed interests to city living as evidenced by the overwhelming response to The Sail @ Marina Bay. The Government has invited proposals for an Integrated Resort, incorporating a casino. One of the two designated locations is the Marina Bay. If this Integrated Resort is approved by the government, it will certainly bring more life into the downtown area and further enhance the value of the properties in the vicinity. With our many years of expertise in real estate development and our experience in hotel management, we have been approached by various casino operators/owners. However, to give us more flexibility, we will not tie up exclusively with any particular party at this point of time.

In the recently announced 2005 budget, the Government introduced more measures to further Singapore's competitiveness as a hub for listed REITS by proposing a 5 year exemption of stamp duty on the transfer of properties into REITS vehicles listed on the Singapore Exchange and a 10% reduced rate of withholding tax on distributions to non-resident institutional investors for 5 years. Taking these recent incentives into account, the Group will continue to review its office properties portfolio and evaluate the financial merits and options to the Group.

Diversification

The Group's push for diversification beyond its borders has taken an exciting turn with its establishment of a private real estate fund, Real Estate Capital Asia Partners, L.P. ("RECAP"). The Group will partner The Baupost Group L.L.C., on a 50:50 basis. The Baupost Group, which was established in 1982 and based in Boston, Massachusetts, USA, is an investment advisor that manages in excess of US\$5 billion of discretionary equity capital. RECAP is expected to invest its fund of US\$221 million (including interest of a minority partner) within a period of 3 years to tap selected markets and niches overseas with growth potentials. This will provide the Group with another platform for internationalization of its real estate portfolio and diversification of earnings from overseas projects, providing added depth and dimension to its blue chip status. With appropriate leverage, RECAP is expected to provide funds of up to US\$750 million.

Hotel

Although it is popular for hotels to be asset light and push towards management contracts, the Group's strategy remains committed to being an owner and operator of hotel assets. We believe that particularly in a rising market, this continues to be right for a Group of our scale and size and with our specific property and asset management skills.

Our core focus is to drive improved returns through operational excellence and continue actively to manage our property portfolio.

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We will continue to acquire hotel assets selectively in key gateway cities. Where opportunities present itself, we will explore management contracts with or without equity participation.

Group Prospects

The Group expects to continue to remain profitable over the next 12 months.

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

Yes.

On 10 November 2004, the Board of Directors pursuant to the recommendation of the Audit Committee declared the payment of a non-cumulative preference dividend to holders of City Developments Limited Non-redeemable Convertible Non-cumulative Preference Shares of \$0.05 each ("Preference Shares") in accordance with the terms of issue of the Preference Shares. The preference dividend for each Preference Share is calculated at the dividend rate of 3.9% (net) per annum of the issue price of \$1.00 for each Preference Share on the basis of 205 days, being the actual number of days comprised in the dividend period from 9 June 2004 to 30 December 2004, divided by 365 days. The preference dividend was paid on 31 December 2004.

| | |
|---|--|
| Name of Dividend | Preference Dividend |
| Dividend Type | Cash |
| Dividend Amount per Preference Share (in cents) | 2.19 cents (net) per Preference share |
| Dividend rate (in %) | 3.9% (net) per annum on the issue price of each Preference Share |
| Dividend period | From 9 June 2004 to 30 December 2004 (both dates inclusive) |
| Par value of Preference Shares | \$0.05 per Preference Share |
| Issue price of Preference Shares | \$1.00 per Preference share |
| Tax rate | 20% |

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Subject to ordinary shareholders' approval at the Annual General Meeting to be held on 27 April 2005, the following Ordinary dividend has been proposed :

| | |
|---|--------------------------|
| Name of Dividend | Proposed First & Final |
| Dividend Type | Cash |
| Dividend Amount per Ordinary Share (in cents) | 7.5 cents per share |
| Dividend rate (in %) | 15% per share (less tax) |
| Par Value of Ordinary Shares | \$0.50 per share |
| Tax rate | 20% |

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

| Name of Dividend | First & Final Ordinary Dividend | Special Ordinary Dividend |
|---|---------------------------------|---------------------------|
| Dividend Type | Cash | Cash |
| Dividend Amount per Ordinary Share (in cents) | 7.5 cents per share | 50 cents per share |
| Dividend rate (in %) | 15% per share (less tax) | 100% per share (less tax) |
| Par Value of Ordinary Shares | \$0.50 per share | \$0.50 per share |
| Tax rate | 20% | 20% |

(c) Date payable

Subject to ordinary shareholders' approval at the Annual General Meeting to be held on 27 April 2005, the proposed first and final ordinary dividend for 2004 will be payable on 19 May 2005.

(d) Books Closure Date

NOTICE IS HEREBY GIVEN that the subject to the ordinary shareholders' approval of the payment of a first and final ordinary dividend of 15% less 20% Singapore income tax in respect of the financial year ended 31 December 2004 at the Annual General Meeting to be held on 27 April 2005, the Ordinary Shares Transfer Books and Register of Holders of ordinary shares of the Company will be closed on 6 May 2005. Duly completed registrable transfers received by the Company's Registrar, M&C Services Private Limited of 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on 5 May 2005 will be registered to

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determine ordinary shareholders' entitlement to the dividend. In respect of ordinary shares in securities accounts with The Central Depository (Pte) Limited ("CDP"), the said first and final ordinary dividend will be paid by the Company to CDP who will distribute the ordinary dividend to the holders of the securities accounts.

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

Not applicable.

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.

By Business Segments

<-----The Group----->

| Revenue | | Profit before Tax | |
|---------|---------|-------------------|---------|
| 2004 | 2003 | 2004 | 2003 |
| S\$'000 | S\$'000 | S\$'000 | S\$'000 |

By Business Segments

| | | | | |
|----------------------|------------------|------------------|----------------|----------------|
| Property Development | 489,242 | 644,679 | 79,588 | 42,846 |
| Hotel Operations | 1,670,612 | 1,461,129 | 264,654 | 26,745 |
| Rental Properties | 175,058 | 179,368 | 50,819 | 129,945 |
| Others | 45,185 | 40,800 | 22,393 | 14,281 |
| | <u>2,380,097</u> | <u>2,325,976</u> | <u>417,454</u> | <u>213,817</u> |

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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.

Property Development

Pre-tax profit from this segment improved by \$36.7 million to \$79.6 million (2003 : \$42.9 million) although revenue decreased by \$155.5 million to \$489.2 million (2003 : \$644.7 million). This is mainly due to reduction in allowance for foreseeable losses by \$35.0 million to \$12.6 million (2003 : \$47.6 million). Projects that contributed to both turnover and profit include Changi Rise, Esparis EC, Goldenhill Villas , Savannah CondoPark, Nuovo EC and Monterey Park. Profit was also recognised for Edelweiss Park which is a project developed by a jointly controlled entity of the Group.

Hotel Operations

Revenue improved by \$209.5 million (or 14.3%) to \$1,670.6 million (2003 : \$1,461.1 million) and pre-tax profit soared to \$264.7 million (2003 : \$26.7 million).

The increase in both revenue and pre-tax profit resulted from the improvement in RevPAR across all regions including full year contribution from the successful re-opening of the Millenium Hilton New York in May 2003. The sale of The Plaza, New York also contributed to the increase in profit.

Rental Properties

Revenue decreased marginally by \$4.3 million to \$175.1 million (2003 : \$179.4 million) .

Pre-tax profit of \$50.8 million (2003 : \$129.9 million) was achieved. Higher profits attained in 2003 were due to the disposal of the Group's 50% share in Seoul City Tower Co., Ltd and Lot 1 Shoppers' Mall.

Others

Revenue comprises mainly income from hotel management, building maintenance contracts, project management, club operations, dividend income and profit from sale of investments.

Revenue increased by \$4.4 million to \$45.2 million (2003 : \$40.8 million) mainly due to higher hotel management fees and club income.

Pre-tax profit improved significantly by \$8.1 million to \$22.4 million (2003 : \$14.3 million) mainly on account of the Group's disposal of its effective interest in Amarin Plaza Public Company Limited.

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15. A breakdown of sales.

| | <-----The Group-----> | | | | | |
|--|-----------------------|---------------|------------------|---------------|---------------|------------------|
| | 2004 | | | 2003 | | |
| | 1H S\$'000 | 2H S\$'000 | Total S\$'000 | 1H S\$'000 | 2H S\$'000 | Total S\$'000 |
| Sales | 1,178,923 | 1,201,174 | 2,380,097 | 1,062,977 | 1,262,999 | 2,325,976 |
| Operating profit after tax before deducting minority interests | 116,390 | 233,540 | 349,930 | 50,425 | 132,988 | 183,413 |

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

| | Full Year 2004 S\$'000 | Full Year 2003 S\$'000 |
|--------------|------------------------------|------------------------------|
| Ordinary | 52,320 | 49,631 |
| Special | - | 330,874 |
| Preference | 7,248 | - |
| Total | 59,568 | 380,505 |

The first and final ordinary dividend for 2004 is subject to the approval of ordinary shareholders at the forthcoming Annual General Meeting and the dividend amounts are based on the number of issued ordinary shares as at 31 December 2004. The actual dividend payment can only be determined on the Books Closure Date.

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17. Interested Person Transactions

| Interested Persons | Aggregate value of all interested person transactions conducted in FY2004 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000) | | | | | | |
|--|---|--|-------------|--|-----------|--|--------------------|
| Hong Leong Investment Holdings Pte. Ltd. Group of companies | <table><tr><td data-bbox="644 712 1086 837">Property-related: <i>(leases, property maintenance and carpark management services)</i></td><td data-bbox="1090 712 1300 741" style="text-align: right;">\$2,465,880</td></tr><tr><td data-bbox="644 875 1086 943">Financial and Treasury-related : <i>(inter-company loans)</i></td><td data-bbox="1090 875 1300 904" style="text-align: right;">\$296,224</td></tr><tr><td></td><td data-bbox="1090 1003 1300 1032" style="text-align: right;"><u>\$2,762,104</u></td></tr></table> | Property-related: <i>(leases, property maintenance and carpark management services)</i> | \$2,465,880 | Financial and Treasury-related : <i>(inter-company loans)</i> | \$296,224 | | <u>\$2,762,104</u> |
| Property-related: <i>(leases, property maintenance and carpark management services)</i> | \$2,465,880 | | | | | | |
| Financial and Treasury-related : <i>(inter-company loans)</i> | \$296,224 | | | | | | |
| | <u>\$2,762,104</u> | | | | | | |
| Directors and their immediate family members | Nil | | | | | | |

18. Subsequent Events

- (a) On 17 January 2005, Myungdong Development Co. Ltd ("MDC"), a jointly controlled entity of the Group incorporated in the Republic of Korea, entered into a Sale and Purchase Agreement ("S&P") with Deka Immobilien Investment GmbH for the sale of certain properties owned by MDC at a consideration of Korean Won 62 billion (approximately S\$91.8 million) . The said properties comprised, inter alia, MyeongDong Central Building, a 16-storey freehold office building located in the prime district of MyeongDong in Seoul, Korea. The sale has been completed on 28 February 2005.

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- (b) As of 14 February 2005, Wideachieve Holdings Limited, a wholly-owned subsidiary of the Group, entered into an agreement with The Baupost Group L.L.C., SCG Capital Partners Ltd (the General Partner) and certain other limited partners to establish a private real estate fund, known as Real Estate Capital Asia Partners, L.P. ("RECAP"). RECAP is an exempted limited partnership organized under the laws of Cayman Islands and was formed for the purpose of making investments in real estate-related assets, portfolios and companies in selected markets in Asia. The Group has made a capital commitment of approximately US\$110 million in RECAP, which amounts to 49.78% of the total capital commitment in RECAP. The Baupost Group has also a 49.78% interest in RECAP with the General Partner and the other limited partners having a minority interest in RECAP. RECAP expects to invest its funds of US\$221 million within a period of 3 years.

BY ORDER OF THE BOARD

Shufen Loh @ Catherine Shufen Loh
Company Secretary
28 February 2005