CITY DEVELOPMENTS LIMITED
(REG. NO. 196300316Z)

UNAUDITED SECOND QUARTER AND HALF YEAR FINANCIAL STATEMENT FOR THE PERIOD ENDED 30 JUNE 2018

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

1(a)(i) 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 2018 S$'000	The Group Second quarter ended 30 June 2017 (Restated)* S$'000	Incr/ (Decr) %	The Group Half year ended 30 June 2018 S$'000	The Group Half year ended 30 June 2017 (Restated)* S$'000	Incr/ (Decr) %
Revenue (1)	1,359,541	853,965	59.2	2,417,370	1,637,625	47.6
Cost of sales	(778,394)	(436,248)	78.4	(1,473,087)	(852,613)	72.8
Gross profit (2)	581,147	417,717	39.1	944,283	785,012	20.3
Other operating income (3)	693	524	32.3	31,918	2,023	NM
Administrative expenses	(129,404)	(128,317)	0.8	(254,303)	(259,619)	(2.0)
Other operating expenses (4)	(107,916)	(86,544)	24.7	(206,527)	(181,735)	13.6
Profit from operating activities	344,520	203,380	69.4	515,371	345,681	49.1
Finance income	18,579	14,424	28.8	26,200	26,469	(1.0)
Finance costs	(40,583)	(29,064)	39.6	(60,556)	(67,268)	(10.0)
Net finance costs (5)	(22,004)	(14,640)	50.3	(34,356)	(40,799)	(15.8)
Share of after-tax profit of associates (6)	3,877	2,959	31.0	9,668	7,625	26.8
Share of after-tax (loss)/profit of joint ventures (7)	(1,029)	(2,566)	(59.9)	2,083	1,864	11.7
Profit before tax	325,364	189,133	72.0	492,766	314,371	56.7
Tax expense (8)	(90,356)	(31,292)	188.8	(123,856)	(46,798)	164.7
Profit for the period	235,008	157,841	48.9	368,910	267,573	37.9
Attributable to:						
Owners of the Company	**204,794**	**114,078**	79.5	**284,823**	**209,693**	35.8
Non-controlling interests	30,214	43,763	(31.0)	84,087	57,880	45.3
Profit for the period	235,008	157,841	48.9	368,910	267,573	37.9
Earnings per share						
- basic	21.8 cents	11.8 cents	84.7	30.6 cents	22.4 cents	36.6
- diluted	21.5 cents	11.8 cents	82.2	29.8 cents	22.0 cents	35.5

NM: not meaningful

* The 2017 comparative figures have been restated to take into account the retrospective adjustments on adoption of Singapore Financial Reporting Standards (International) SFRS(I) framework and new/revised SFRS(I) as detailed in item 5 of this announcement.

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Notes to the Group's Income Statement:

(1) The increases for Q2 2018 and 1H 2018 were primarily propelled by the higher revenue achieved from the property development in Singapore and China. Items 14 and 15 of this announcement further analyse the performance by segments.

(2) The increases for Q2 2018 and 1H 2018 were largely due to higher gross profit generated by the property development segment. Gross profit margin for 1H 2018 of 39% was lower than that of 1H 2017 of 48% due to compressed profit margin for The Criterion Executive Condominium (EC) relative to other projects in Singapore.

(3) Other operating income which comprises mainly management fee, miscellaneous income and profit on realisation/sale of investments, investment properties and property, plant and equipment, remained stable at $0.7 million (Q2 2017: $0.5 million) for Q2 2018 but increased by $29.9 million to $31.9 million (1H 2017: $2.0 million) for 1H 2018. The increase for 1H 2018 was mainly due to a gain of approximately $29 million recognised on divestment of Mercure Brisbane and Ibis Brisbane by CDL Hospitality Trusts (CDLHT), an indirect subsidiary of the Group, in Q1 2018.

(4) Other operating expenses comprise mainly property taxes and insurance on hotels, other operating expenses on hotels, professional fees and impairment loss made/(write-back of impairment loss) on loans to joint ventures. This had increased by $21.4 million to $107.9 million (Restated Q2 2017: $86.5 million) for Q2 2018 and $24.8 million to $206.5 million (Restated 1H 2017: $181.7 million) for 1H 2018 due to absence of one-off items included in comparative periods. Included in both Q2 2017 and 1H 2017 was a write-back of impairment loss of approximately $22 million previously provided on loans advanced by the Group's 65% owned subsidiary, Millennium & Copthorne plc (M&C), to a joint venture, Fena Estate Co. Ltd (Fena). There was also an impairment loss made on goodwill arising from the acquisition of The Lowry Hotel by CDLHT in Q2 2017.

(5) Net finance costs comprise the following:

	The Group Second quarter ended 30 June			The Group Half year ended 30 June		
	2018 S$'000	2017 (Restated) S$'000	Incr/ (Decr) %	2018 S$'000	2017 (Restated) S$'000	Incr/ (Decr) %
Finance income						
Interest income	12,722	14,133	(10.0)	26,347	24,543	7.4
Fair value gain on financial derivatives (i)	5,943	-	NM	-	-	-
Fair value gain on financial assets measured at fair value through profit or loss	-	364	NM	-	2,096	NM
Finance income capitalised	(86)	(73)	17.8	(147)	(170)	(13.5)
	18,579	14,424	28.8	26,200	26,469	(1.0)
Finance costs						
Amortisation of transaction costs capitalised	(1,326)	(1,685)	(21.3)	(2,603)	(3,603)	(27.8)
Interest expenses	(31,560)	(32,539)	(3.0)	(60,666)	(66,083)	(8.2)
Fair value loss on financial derivatives (i)	-	-	-	(342)	-	NM
Fair value loss on financial assets measured at fair value through profit or loss (ii)	(4,499)	-	NM	(7,077)	-	NM
Net exchange (loss)/gain (iii)	(10,110)	868	NM	1,581	(7,052)	NM
Unwinding of discount on non-current provisions	(451)	(559)	(19.3)	(922)	(1,152)	(20.0)
Finance costs capitalised	7,363	4,851	51.8	9,473	10,622	(10.8)
	(40,583)	(29,064)	39.6	(60,556)	(67,268)	(10.0)
Net finance costs	**(22,004)**	**(14,640)**	50.3	**(34,356)**	**(40,799)**	(15.8)

NM: not meaningful

(i) Fair value gain/(loss) on financial derivatives relates mainly to the re-measurement of foreign exchange forward contracts and Euro/United States dollar cross-currency interest swap contract entered into by CDLHT and Japanese Yen/Singapore dollar cross-currency swaps entered into by the Company.

(ii) This mainly arose from re-measurement of unquoted debt instruments to fair value.

(iii) The net exchange loss in Q2 2018 mainly relates to translation losses from CDLHT arising from its United States dollar denominated bank loans as well as the depreciation of Australian dollar receivables and cash balances against Singapore dollar.

(6) Share of after-tax profit of associates relates primarily to the Group's share of results of First Sponsor Group Limited (FSGL). This had increased by $0.9 million to $3.9 million (Q2 2017: $3.0 million) for Q2 2018 and $2.1 million to $9.7 million (1H 2017: $7.6 million) for 1H 2018. The increases for Q2 2018 and 1H 2018 were mainly due to the contribution from its property financing segment derived from net penalty interest income recognised from successful enforcement on three of the defaulted loans.

(7) In Q2 2018, the Group reported lower share of after-tax loss from joint ventures at $1.0 million (Restated Q2 2017: $2.6 million), boosted mainly by improved performance from JW Marriott Hotel Singapore South Beach.

(8) Tax expense for the period is derived at by applying the varying statutory tax rates on the taxable profits/(losses) and taxable/deductible temporary differences of the different countries in which the Group operates.

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2018	2017 (Restated)	2018	2017 (Restated)
The tax charge relates to the following:	S$'m	S$'m	S$'m	S$'m
Profit for the period	62.1	32.8	89.8	54.8
Land appreciation tax	32.4	6.2	37.4	11.2
Overprovision in respect of prior periods	(4.1)	(7.7)	(3.3)	(19.2)
	90.4	31.3	123.9	46.8

(9) Profit before tax includes the following:

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2018	2017 (Restated)	2018	2017 (Restated)
	S$'000	S$'000	S$'000	S$'000
Dividend income	1,347	1,147	1,590	1,410
Profit/(loss) on sale/realisation of investment properties, investments and property, plant and equipment (net)	71	(34)	29,378	965
Allowance written back for foreseeable loss on a development property	-	15,352	-	15,352
Depreciation and amortisation	(54,417)	(54,282)	(104,489)	(107,113)
Write-back of impairment loss on loans to a joint venture (net)	-	22,434	-	22,188
Impairment loss on goodwill arising from acquisition of a subsidiary	-	(6,648)	-	(6,648)

1(a)(ii) Consolidated Statement of Comprehensive Income

	The Group Second quarter ended 30 June		The Group Half year ended 30 June	
	2018	2017 (Restated)	2018	2017 (Restated)
	S$'000	S$'000	S$'000	S$'000
Profit for the period	235,008	157,841	368,910	267,573
Other comprehensive income:				
Item that will not be reclassified to profit or loss:				
Change in fair value of equity instruments measured at fair value through other comprehensive income	(830)	-	(1,341)	-
Items that are or may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale equity investments	-	(2,356)	-	3,918
Effective portion of changes in fair value of cash flow hedges	(591)	(1,075)	(4,896)	(1,075)
Exchange differences on hedges of net investment in foreign operations	(14,740)	10,104	(5,490)	14,401
Exchange differences on monetary items forming part of net investment in foreign operations	(961)	384	10,200	(19,107)
Exchange differences reclassified to profit or loss on liquidation/cessation of business of foreign operations	(81)	-	760	-
Translation differences arising on consolidation of foreign operations	8,320	22,605	19,807	(50,157)
Total other comprehensive income for the period, net of tax	**(8,883)**	**29,662**	**19,040**	**(52,020)**
Total comprehensive income for the period	**226,125**	**187,503**	**387,950**	**215,553**
Attributable to:				
Owners of the Company	**186,766**	**135,002**	**324,317**	**159,167**
Non-controlling interests	39,359	52,501	63,633	56,386
Total comprehensive income for the period	**226,125**	**187,503**	**387,950**	**215,553**

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

	Note	The Group			The Company		
		As at 30.06.2018	As at 31.12.2017 (Restated)	As at 31.12.2016 (Restated)	As at 30.06.2018	As at 31.12.2017 (Restated)	As at 31.12.2016 (Restated)
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Non-current assets							
Property, plant and equipment		5,117,385	4,998,887	5,119,383	10,918	7,735	8,368
Investment properties		2,367,946	2,448,901	2,346,114	455,705	453,365	444,682
Lease premium prepayment		105,665	106,288	113,587	-	-	-
Investments in subsidiaries		-	-	-	2,130,433	2,131,243	2,132,213
Investments in associates	(1)	464,943	389,360	371,370	-	-	-
Investments in joint ventures		1,154,689	1,150,308	1,070,858	37,360	37,360	37,360
Investments in financial assets	(2)	773,673	432,923	398,603	395,145	30,561	28,329
Other non-current assets	(3)	640,300	483,740	261,353	2,578,780	2,540,071	1,861,215
		10,624,601	**10,010,407**	**9,681,268**	**5,608,341**	**5,200,335**	**4,512,167**
Current assets							
Lease premium prepayment		3,839	3,793	3,913	-	-	-
Development properties	(4)	5,813,416	4,575,583	5,225,247	193,618	366,350	506,333
Consumable stocks		9,477	11,018	11,823	-	-	-
Financial assets		15,758	15,770	16,399	-	-	-
Assets classified as held for sale	(5)	1,223	56,618	-	1,223	-	-
Trade and other receivables		1,091,118	1,035,936	1,166,493	4,431,767	4,352,813	4,335,835
Cash and cash equivalents		2,711,843	3,775,909	3,673,037	1,087,431	1,384,157	2,043,714
		9,646,674	**9,474,627**	**10,096,912**	**5,714,039**	**6,103,320**	**6,885,882**
Total assets		**20,271,275**	**19,485,034**	**19,778,180**	**11,322,380**	**11,303,655**	**11,398,049**
Equity attributable to Owners of the Company							
Share capital		1,991,397	1,991,397	1,991,397	1,991,397	1,991,397	1,991,397
Reserves		8,129,825	7,572,576	7,280,566	4,773,708	4,475,907	4,529,189
		10,121,222	9,563,973	9,271,963	6,765,105	6,467,304	6,520,586
Non-controlling interests		2,266,145	2,256,181	2,114,773	-	-	-
Total equity		**12,387,367**	**11,820,154**	**11,386,736**	**6,765,105**	**6,467,304**	**6,520,586**
Non-current liabilities							
Interest-bearing borrowings*	(6)	4,418,517	3,755,650	3,954,937	1,562,728	1,780,524	1,808,330
Employee benefits		33,373	34,387	42,837	-	-	-
Other liabilities		341,863	356,222	375,646	61,828	119,311	170,137
Provisions		55,513	75,198	84,917	-	-	-
Deferred tax liabilities		145,925	180,932	272,409	19,372	50,157	67,805
		4,995,191	**4,402,389**	**4,730,746**	**1,643,928**	**1,949,992**	**2,046,272**
Current liabilities							
Trade and other payables		1,461,703	1,605,240	1,576,660	2,290,658	2,164,002	1,809,538
Interest-bearing borrowings*	(6)	986,234	1,266,032	1,782,830	554,772	672,176	998,216
Employee benefits		27,189	24,560	24,544	2,434	2,205	2,282
Provision for taxation		361,883	318,080	251,509	65,483	47,976	21,155
Provisions		51,708	48,579	25,155	-	-	-
		2,888,717	**3,262,491**	**3,660,698**	**2,913,347**	**2,886,359**	**2,831,191**
Total liabilities		**7,883,908**	**7,664,880**	**8,391,444**	**4,557,275**	**4,836,351**	**4,877,463**
Total equity and liabilities		**20,271,275**	**19,485,034**	**19,778,180**	**11,322,380**	**11,303,655**	**11,398,049**

* These balances are stated at amortised cost after taking into consideration their related transaction costs.

Notes to the statements of financial position of the Group and the Company

1) The increase in investment in associates at the Group was mainly due to M&C, via its indirect subsidiaries, having subscribed its full entitlement of its associate, FSGL's rights issue of new perpetual convertible capital securities in April 2018 for a total cost of $58.2 million, coupled with share of profit from FSGL and net translation gain.

2) The increases in investments in financial assets at the Company and the Group were mainly due to measurement of certain unquoted equity investment at fair value following the adoption of SFRS(I) 9 *Financial Instruments* on 1 January 2018. The increase at the Group was however partially offset by the redemption of units by a fund that the Group invested previously.

3) The increase in other non-current assets at the Group was mainly due to reclassification of restricted deposits from cash and cash equivalents to other non-current assets to correspond with the repayment schedule of the related bank borrowings in which the deposits are being pledged for.

4) The decrease in development properties at the Company was mainly due to the completion of both Phase 1 and Phase 2 of Coco Palms in 1H 2018.

   The increase in development properties at the Group was primarily due to acquisition of several land plots including the sites at Amber Park, Handy Road, West Coast Vale and Sumang Walk. This was partially offset by the completion of well sold Coco Palms and The Criterion EC as well as the progressive sales of New Futura and Gramercy Park.

5) The decrease in assets classified as held for sale at the Group was due to completion of the divestment of Mercure Brisbane and Ibis Brisbane in January 2018. Assets held for sale as at 30 June 2018 pertained to a vacant shophouse plot at Jalan Besar for which the Company had issued an option to purchase to an external party to sell this investment property.

6) The net increase in interest-bearing borrowings (current and non-current portion) at the Group was due to loans taken up for the acquisition of land sites at Amber Park and Sumang Walk, partially offset by settlement of borrowings (including redemption of a medium term note of the Company).

   The net decrease in interest-bearing borrowings (current and non-current portion) at the Company was due to repayment of borrowings mainly from the sale proceeds from New Futura.

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

The Group's net borrowings refer to aggregate borrowings from banks, financial institutions and finance lease creditors, after deducting cash and cash equivalents. Unamortised balance of transaction costs have not been deducted from the gross borrowings.

		As at 30.06.2018 S$'000	As at 31.12.2017 S$'000
Unsecured			
- repayable within one year		831,199	1,104,330
- repayable after one year		3,249,015	3,327,613
	(a)	4,080,214	4,431,943
Secured			
- repayable within one year		155,844	162,873
- repayable after one year		1,182,371	441,417
	(b)	1,338,215	604,290
Gross borrowings	(a) + (b)	5,418,429	5,036,233
Less: cash and cash equivalents as shown in the statement of financial position		(2,711,843)	(3,775,909)
Less: restricted deposits included in other non-current assets		(371,098)	(213,531)
Net borrowings		2,335,488	1,046,793

Details of any collateral

Where secured, borrowings are collateralised by:

- mortgages on the borrowing companies' hotels, investment and development properties;
- assignment of all rights and benefits to sale, lease and insurance proceeds in respect of hotels, investment and development properties;
- pledge of cash deposits;
- pledge of shares in subsidiaries;
- a statutory lien on certain assets of a foreign subsidiary; and
- statutory preferred right over the assets of foreign subsidiaries.

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

	Second Quarter Ended 30 June		Half Year Ended 30 June	
	2018	2017 (Restated)	2018	2017 (Restated)
	S$'000	S$'000	S$'000	S$'000
Cash flows from operating activities				
Profit for the period	235,008	157,841	368,910	267,573
Adjustments for:				
Depreciation and amortisation	54,417	54,282	104,489	107,113
Dividend income	(1,347)	(1,147)	(1,590)	(1,410)
Equity settled share-based transactions	544	(529)	1,095	-
Finance costs	40,583	29,064	60,556	67,268
Finance income	(18,579)	(14,424)	(26,200)	(26,469)
Gain on liquidation of subsidiaries	(71)	-	(71)	-
Impairment loss on goodwill arising from acquisition of a subsidiary	-	6,648	-	6,648
Loss/(Profit) on realisation of investments	-	8	-	(969)
(Profit)/Loss on sale of property, plant and equipment and investment properties	(71)	26	(29,378)	4
Property, plant and equipment and investment properties written off	83	3,907	354	4,065
Share of after-tax profit of associates	(3,877)	(2,959)	(9,668)	(7,625)
Share of after-tax loss/(profit) of joint ventures	1,029	2,566	(2,083)	(1,864)
Tax expense	90,356	31,292	123,856	46,798
Write-back of impairment loss on loans to a joint venture (net)	-	(22,434)	-	(22,188)
Operating profit before working capital changes	398,075	244,141	590,270	438,944
Changes in working capital				
Development properties	(1,479,564)	83,337	(1,207,472)	67,307
Consumable stocks and trade and other receivables	246,187	(43,052)	(43,763)	(65,488)
Trade and other payables	(123,709)	74,762	(306,561)	44,139
Employee benefits	1,255	(40)	1,655	(830)
Cash (used in)/generated from operations	(957,756)	359,148	(965,871)	484,072
Tax paid	(84,202)	(57,512)	(112,939)	(100,146)
Net cash (used in)/from operating activities [1]	**(1,041,958)**	**301,636**	**(1,078,810)**	**383,926**
Cash flows from investing activities				
Acquisition of a subsidiary (net of cash acquired) [2]	(800)	(92,576)	(800)	(92,576)
Capital expenditure on investment properties	(16,300)	(10,315)	(28,462)	(16,363)
Dividends received				
- an associate	2,791	2,114	2,791	2,114
- financial investments	1,347	1,147	1,590	1,410
- joint ventures	14,100	18,990	21,300	18,990
Decrease/(Increase) in amounts owing by equity-accounted investee (non-trade)	35,954	16	(18,266)	30,299
Increase in investments in associates [3]	(60,645)	-	(60,645)	-
Increase in investments in joint ventures [4]	(10,059)	(8,149)	(18,325)	(24,731)
Interest received	12,993	11,150	23,865	19,376
Payment for intangible assets	(3)	(5)	(3)	(14)
Payments for purchase of property, plant and equipment	(33,877)	(25,903)	(87,589)	(59,951)
Proceeds from realisation/(Purchase) of financial assets	15,524	(7,842)	14,209	(7,971)
Proceeds from sale of property, plant and equipment and investment properties [5]	122	69	80,697	619
Settlement of financial derivatives	-	-	(1,827)	-
Cash flows used in investing activities	**(38,853)**	**(111,304)**	**(71,465)**	**(128,798)**

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	Second quarter ended 30 June		Half year ended 30 June	
	2018	2017 (Restated)	2018	2017 (Restated)
	S$'000	S$'000	S$'000	S$'000
Financing Activities				
Acquisition of non-controlling interests	(48)	(7,652)	(48)	(20,976)
Capital contribution from/(distribution to) non-controlling interests	1,600	-	(544)	(2,100)
Decrease/(Increase) in deposits pledged to financial institutions	5,824	14,341	12,674	(102,590)
Dividends paid	(150,034)	(135,431)	(184,345)	(172,408)
Finance lease payments	(47)	(54)	(93)	(198)
(Increase)/Decrease in restricted cash	(335)	(348)	137	120
Interest paid (including amounts capitalised in investment properties, property, plant and equipment and development properties)	(32,712)	(32,879)	(56,949)	(67,352)
Net advances from fellow subsidiaries (non-trade)	145,465	1,710	139,132	3,690
Net repayments from revolving credit facilities and short-term bank borrowings	(146,862)	(250,780)	(231,170)	(115,186)
Payment of issue expenses by a subsidiary	(30)	-	(30)	-
Payment of financing transaction costs	(1,686)	(2,651)	(2,905)	(5,212)
Proceeds from borrowings	1,000,860	187,453	1,019,022	187,453
Proceeds from issuance of bonds and notes	-	100,000	18,300	100,000
Repayment of bank borrowings	(155,769)	(266,870)	(245,521)	(268,351)
Repayment of bonds and notes	(120,000)	-	(220,000)	(250,000)
Repayment of other long-term liabilities	(3,604)	(65)	(3,884)	(399)
Cash flows from/(used in) financing activities (6)	**542,622**	**(393,226)**	**243,776**	**(713,509)**
Net decrease in cash and cash equivalents	**(538,189)**	**(202,894)**	**(906,499)**	**(458,381)**
Cash and cash equivalents at beginning of the period	3,240,893	3,287,400	3,599,044	3,566,757
Effect of exchange rate changes on balances held in foreign currencies	764	6,997	10,923	(16,873)
Cash and cash equivalents at end of the period	**2,703,468**	**3,091,503**	**2,703,468**	**3,091,503**
Cash and cash equivalents comprise:-				
Cash and cash equivalents as shown in the statement of financial position	2,711,843	3,295,478	2,711,843	3,295,478
Restricted deposits included in other non-current assets	371,098	213,531	371,098	213,531
Less: Deposits pledged to financial institutions	(378,332)	(416,168)	(378,332)	(416,168)
Less: Restricted cash	(1,141)	(1,338)	(1,141)	(1,338)
	2,703,468	**3,091,503**	**2,703,468**	**3,091,503**

Notes to the statement of cash flows

(1) The cash outflows for Q2 2018 and 1H 2018 relate to the progress payment for government land sites (including stamp duty) at Handy Road, West Coast Vale and Sumang Walk as well as the completion of the acquisition of Amber Park (via collective en bloc sale) amounted to $1.8 billion and $2.1 billion respectively. Excluding the payments of these land sites acquisitions, the Group would have net cash from operating activities of $0.8 billion for Q2 2018 and $1 billion for 1H 2018.

(2) The acquisition of a subsidiary for Q2 2017 and 1H 2017 relate to the acquisition of The Lowry Hotel by CDLHT in May 2017.

(3) The increase in investments in associates for Q2 2018 and 1H 2018 relate mainly to the subscription for FSGL's rights issue of new perpetual convertible capital securities in April 2018.

(4) The investments in joint ventures for Q2 2018 and 1H 2018 relate mainly to the Group's progressive investment in South Beach Consortium (SBC). Q2 2017 and 1H 2017 relate to the Group's progressive investment in SBC and Shanghai Distrii Technology Development Co., Ltd, a leading operator of co-working spaces in China.

(5) The proceeds from sale of property, plant and equipment and investment properties for 1H 2018 relate mainly to the proceeds received from the divestment of Mercure Brisbane and Ibis Brisbane by CDLHT in Q1 2018.

(6) The Group had net cash inflows from financing activities of $542.6 million (Q2 2017: net cash outflows of $393.2 million) for Q2 2018 and $243.8 million (1H 2017: net cash outflows of $713.5 million) for 1H 2018.

The increases for Q2 2018 and 1H 2018 were mainly due to increase in borrowings of $578.2 million and $340.6 million respectively, arising from the purchase of the land sites of Amber Park and Sumang Walk which the Group has 80% and 60% interest respectively. Further, advances from fellow subsidiaries for their share of contribution towards the acquisition of the above 2 sites also attributed to the net cash inflow positions. These were partially offset by the dividend paid during the current period.

In comparison, for Q2 2017, the net cash outflow was due to net repayment of borrowings of $230.2 million coupled with dividend paid and acquisition of non-controlling interests relating to the purchase of additional shares in M&C.

For 1H 2017, the net cash outflow was due to higher net repayment of borrowings of $346.1 million, deposits pledged to financial institutions, dividend paid as well as the acquisition of non-controlling interests relating to purchase of remaining 5.31% preferred equity share capital in Tempus Platinum Investments Tokutei Mokuteki Kaisha that the Group does not own in Q1 2017 and purchase of shares in M&C in Q2 2017.

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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$m	Cap. Res. S$m	Other Res.* S$m	Exch. Fluct. Res. S$m	Accum. Profits S$m	Total S$m	Non-controlling Interests S$m	Total Equity S$m
	Attributable to Owners of the Company							
At 31 December 2017, previously reported	1,991.4	182.1	42.2	(584.7)	7,952.6	9,583.6	2,257.5	11,841.1
Adoption of SFRS(I) 1 and 15	-	-	-	489.2	(508.8)	(19.6)	(1.3)	(20.9)
At 31 December 2017, restated	1,991.4	182.1	42.2	(95.5)	7,443.8	9,564.0	2,256.2	11,820.2
Adoption of SFRS(I) 9	-	-	0.4	-	362.7	363.1	-	363.1
At 1 January 2018, restated	1,991.4	182.1	42.6	(95.5)	7,806.5	9,927.1	2,256.2	12,183.3
Profit for the period	-	-	-	-	80.0	80.0	53.9	133.9
Other comprehensive income for the period, net of tax	-	-	(3.3)	60.8	-	57.5	(29.6)	27.9
Total comprehensive income for the period	-	-	(3.3)	60.8	80.0	137.5	24.3	161.8
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Capital distribution to non-controlling interests	-	-	-	-	-	-	(2.1)	(2.1)
Dividends	-	-	-	-	-	-	(34.3)	(34.3)
Share-based payment transactions	-	-	0.4	-	-	0.4	0.1	0.5
Total contributions by and distributions to owners	-	-	0.4	-	-	0.4	(36.3)	(35.9)
Change in ownership interests in subsidiaries								
Change of interests in subsidiaries without loss of control	-	1.5	-	-	-	1.5	(1.5)	-
Total change in ownership interests in subsidiaries	-	1.5	-	-	-	1.5	(1.5)	-
Total transactions with owners	-	1.5	0.4	-	-	1.9	(37.8)	(35.9)
At 31 March 2018	**1,991.4**	**183.6**	**39.7**	**(34.7)**	**7,886.5**	**10,066.5**	**2,242.7**	**12,309.2**
Profit for the period	-	-	-	-	204.8	204.8	30.2	235.0
Other comprehensive income for the period, net of tax	-	-	(1.2)	(16.8)	-	(18.0)	9.1	(8.9)
Total comprehensive income for the period	-	-	(1.2)	(16.8)	204.8	186.8	39.3	226.1
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Capital contribution from non-controlling interests	-	-	-	-	-	-	1.6	1.6
Dividends	-	-	-	-	(133.7)	(133.7)	(16.3)	(150.0)
Share-based payment transactions	-	-	0.3	-	-	0.3	0.2	0.5
Transfer to statutory reserve	-	-	1.3	-	(1.3)	-		-
Total contributions by and distributions to owners	-	-	1.6	-	(135.0)	(133.4)	(14.5)	(147.9)
Changes in ownership interests in subsidiaries								
Change of interests in subsidiaries without loss of control	-	1.3	-	-	-	1.3	(1.3)	-
Total change in ownership interests in subsidiaries	-	1.3	-	-	-	1.3	(1.3)	-
Total transactions with owners	-	1.3	1.6	-	(135.0)	(132.1)	(15.8)	(147.9)
At 30 June 2018	**1,991.4**	**184.9**	**40.1**	**(51.5)**	**7,956.3**	**10,121.2**	**2,266.2**	**12,387.4**

* *Other reserves comprise mainly fair value reserve arising from re-measurement of financial assets at fair value through other comprehensive income, share of other reserve of associates, statutory reserve and share option reserve.*

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The Group	Share Capital S$m	Cap. Res. S$m	Other Res.* S$m	Exch. Fluct. Res. S$m	Accum. Profits S$m	Total S$m	Non-controlling Interests S$m	Total Equity S$m
	Attributable to Owners of the Company							
At 1 January 2017, as previously reported	1,991.4	175.5	29.7	(478.9)	7,576.1	9,293.8	2,114.9	11,408.7
Adoption of SFRS(I) 1 and 15	-	-	-	478.9	(500.7)	(21.8)	(0.1)	(21.9)
At 1 January 2017, restated	1,991.4	175.5	29.7	-	7,075.4	9,272.0	2,114.8	11,386.8
Profit for the period, restated	-	-	-	-	95.6	95.6	14.1	109.7
Other comprehensive income for the period, net of tax	-	-	6.3	(77.8)	-	(71.5)	(10.2)	(81.7)
Total comprehensive income for the period	-	-	6.3	(77.8)	95.6	24.1	3.9	28.0
Transactions with owners, recorded directly in equity								
<u>Contributions by and distributions to owners</u>								
Capital distribution to non-controlling interests	-	-	-	-	-	-	(2.1)	(2.1)
Dividends	-	-	-	-	-	-	(37.0)	(37.0)
Share-based payment transactions	-	-	0.4	-	-	0.4	0.1	0.5
Transfer to statutory reserves	-	-	4.8	-	(4.8)	-	-	-
Total contributions by and distributions to owners	-	-	5.2	-	(4.8)	0.4	(39.0)	(38.6)
<u>Change in ownership interests in subsidiaries</u>								
Change of interests in subsidiaries without loss of control	-	(4.5)	-	-	-	(4.5)	(8.8)	(13.3)
Total change in ownership interests in subsidiaries	-	(4.5)	-	-	-	(4.5)	(8.8)	(13.3)
Total transactions with owners	-	(4.5)	5.2	-	(4.8)	(4.1)	(47.8)	(51.9)
At 31 March 2017	**1,991.4**	**171.0**	**41.2**	**(77.8)**	**7,166.2**	**9,292.0**	**2,070.9**	**11,362.9**
Profit for the period, restated	-	-	-	-	114.1	114.1	43.7	157.8
Other comprehensive income for the period, net of tax	-	-	(3.1)	24.0	-	20.9	8.8	29.7
Total comprehensive income for the period	-	-	(3.1)	24.0	114.1	135.0	52.5	187.5
Transactions with owners, recorded directly in equity								
<u>Contributions by and distributions to owners</u>								
Dividends	-	-	-	-	(115.5)	(115.5)	(19.9)	(135.4)
Share-based payment transactions	-	-	(0.3)	-	-	(0.3)	(0.2)	(0.5)
Total contributions by and distributions to owners	-	-	(0.3)	-	(115.5)	(115.8)	(20.1)	(135.9)
<u>Changes in ownership interests in subsidiaries</u>								
Change of interests in subsidiaries without loss of control	-	2.7	-	0.1	0.1	2.9	(10.6)	(7.7)
Total change in ownership interests in subsidiaries	-	2.7	-	0.1	0.1	2.9	(10.6)	(7.7)
Total transactions with owners	-	2.7	(0.3)	0.1	(115.4)	(112.9)	(30.7)	(143.6)
At 30 June 2017	**1,991.4**	**173.7**	**37.8**	**(53.7)**	**7,164.9**	**9,314.1**	**2,092.7**	**11,406.8**

* *Other reserves comprise mainly fair value reserve arising from remeasurement of financial assets at fair value through other comprehensive income, share of other reserve of associates, statutory reserve and share option reserve.*

The Company	Share Capital S$m	Capital Reserve S$m	Fair Value Reserve S$m	Accumulated Profits S$m	Total S$m
At 31 December 2017, previously reported	1,991.4	63.7	14.6	4,392.1	6,461.8
Adoption of SFRS(I) 15	-	-	-	5.5	5.5
At 31 December 2017, previously reported	1,991.4	63.7	14.6	4,397.6	6,467.3
Adoption of SFRS(I) 9	-	-	(0.5)	366.1	365.6
At 1 January 2018, restated	1,991.4	63.7	14.1	4,763.7	6,832.9
Profit for the period	-	-	-	65.8	65.8
Total other comprehensive income for the period, net of tax	-	-	(0.4)	-	(0.4)
Total comprehensive income for the period	-	-	(0.4)	65.8	65.4
At 31 March 2018	**1,991.4**	**63.7**	**13.7**	**4,829.5**	**6,898.3**
Profit for the period	-	-	-	1.0	1.0
Total other comprehensive income for the period, net of tax	-	-	(0.5)	-	(0.5)
Total comprehensive income for the period	-	-	(0.5)	1.0	0.5
Transaction with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends	-	-	-	(133.7)	(133.7)
Total contributions by and distributions to owners	-	-	-	(133.7)	(133.7)
Total transactions with owners	-	-	-	(133.7)	(133.7)
At 30 June 2018	**1,991.4**	**63.7**	**13.2**	**4,696.8**	**6,765.1**
At 1 January 2017, previously reported	1,991.4	63.7	12.3	4,446.0	6,513.4
Effect of adoption of SFRS(I) 15	-	-	-	7.2	7.2
At 1 January 2017, restated	1,991.4	63.7	12.3	4,453.2	6,520.6
Profit for the period, restated	-	-	-	33.1	33.1
Total other comprehensive income for the period, net of tax	-	-	4.3	-	4.3
Total comprehensive income for the period	-	-	4.3	33.1	37.4
At 31 March 2017	**1,991.4**	**63.7**	**16.6**	**4,486.3**	**6,558.0**
Profit for the period, restated	-	-	-	5.2	5.2
Total other comprehensive income for the period, net of tax	-	-	(1.6)	-	(1.6)
Total comprehensive income for the period	-	-	(1.6)	5.2	3.6
Transaction with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends	-	-	-	(115.5)	(115.5)
Total contributions by and distributions to owners	-	-	-	(115.5)	(115.5)
Total transactions with owners	-	-	-	(115.5)	(115.5)
At 30 June 2017	**1,991.4**	**63.7**	**15.0**	**4,376.0**	**6,446.1**

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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the Company, 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

There was no change in the Company’s issued share capital during the three months ended 30 June 2018.

Preference share capital

There was no change in the Company’s issued preference share capital during the three months ended 30 June 2018.

As at 30 June 2018, the maximum number of ordinary shares that may be issued upon full conversion of all of the non-redeemable convertible non-cumulative preference shares of the Company (“Preference Shares”) at the sole option of the Company is 44,998,898 ordinary shares (30 June 2017: 44,998,898 ordinary shares).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company did not hold any treasury shares as at 30 June 2018, 31 December 2017 and 30 June 2017.

The total number of issued ordinary shares (excluding treasury shares) as at 30 June 2018 and 31 December 2017 is 909,301,330.

The total number of issued Preference Shares as at 30 June 2018 and 31 December 2017 is 330,874,257.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 30 June 2018.

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.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied in the Group's most recently audited financial statements for the year ended 31 December 2017.

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.

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)), which comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) issued by the International Accounting Statutory Board. The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I) and IFRS.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2017, except for the adoption of the SFRS(I) framework as described above and the new/revised SFRS(I) applicable for the financial period beginning 1 January 2018 as follows:

- SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*
- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*

a) SFRS(I) 1

In adopting the new framework, the Group is required to apply the specific transition requirements in SFRS(I). The Group has applied SFRS(I) with 1 January 2017 as the date of transition for the Group and the Company, on a retrospective basis, as if such accounting policies had always been applied. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application. The Group has elected various optional exemptions in SFRS(I) 1, including those set out below which impact the financial statements:

- Use of fair values of certain hotel properties, previously adopted by its subsidiary, as their new cost; and
- Resetting the foreign currency translation reserve to zero.

b) SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 using the retrospective approach with practical expedients.

Success-based sales commissions

The Group pays sales commissions to both external and internal property sales agents for securing property sales contracts for the Group on a success basis. In the past, the Group recognised sales commissions as an expense when incurred. Under SFRS(I) 15, the Group capitalises such incremental costs as a contract cost asset as they are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue. The Group previously recognised both revenue and cost of sales (including land costs) on Singapore development properties sold by reference to the stage of completion of construction activity at the end of the reporting period (percentage of completion method).

Accounting for contract costs relating to development properties

Under SFRS(I) 15, the Group continues to recognise revenue from sale of development properties and land costs of the sold units using the percentage of completion method. Construction costs incurred for sold units are, however, no longer recognised as cost of sales using the percentage of completion method. Instead, such costs are recognised as cost of sales as and when they are incurred to the extent of the units sold.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

The Group has elected to apply the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated profits and reserves as at 1 January 2018.

The adoption of SFRS(I) 9 has resulted in the reclassification of certain equity investments as financial assets measured at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) and loans and receivables as financial assets measured at FVTPL.

In addition, certain unquoted equity investments of the Group and the Company, which were previously classified as available for sale and measured at cost have been reclassified as financial assets at FVOCI and measured at fair value, resulting in an increase in accumulated profits as at 1 January 2018.

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group adopts the simplified approach and records lifetime expected losses on all trade receivables. The impairment calculated using the expected credit loss model does not have a significant impact on the financial statements.

Impact on the comparatives for the financial statements of this reporting quarter on adoption of SFRS(I) framework and new/revised accounting standards

Income Statement

	Second quarter ended 30 June 2017 $'000	Half year ended 30 June 2017 $'000
Decrease in revenue	(120)	(211)
Decrease in cost of sales	1,561	2,991
Decrease in administrative expenses	45	381
Increase in finance costs	-	(172)
Increase in share of after-tax profit of joint ventures	2,240	11,141
Increase in tax expense	(483)	(390)
Decrease in non-controlling interests	957	608
Increase in profit attributable to owners of the Company	4,200	14,348
Increase in basic earnings per share (cents)	0.4	1.6

Statements of Financial Position

	As at 1.1.2018 $'000	As at 31.12.2017 $'000	As at 1.1.2017 $'000
Decrease in property, plant and equipment	-	(14,880)	(16,305)
Decrease in investments in joint ventures	-	(18,142)	(19,284)
Increase in development properties	-	14,764	16,347
Increase in financial assets	363,135	-	-
Increase/(decrease) in accumulative profits	362,675	(508,768)	(500,793)
Increase in fair value reserve	460	-	-
Decrease in deficit of foreign exchange translation reserve	-	489,167	478,948
Increase in deferred tax liabilities	-	1,753	1,396
Increase/(decrease) in provision for taxation	-	47	(120)
Increase in trade and other payables	-	938	1,430
Decrease in non-controlling interests	-	(1,395)	(103)

In addition, with effect from Q2 2018 the Group has also reclassified net exchange gain/(loss), previously accounted under "other operating expenses" to net finance costs as the Group is of the view that such reclassification better reflects the substance of the transactions. Accordingly, the prior period comparatives have been restated to conform to such presentation.

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.

	Second quarter ended 30 June		Half year ended 30 June	
	2018	2017 (Restated)	2018	2017 (Restated)
Basic Earnings per share (cents)	21.8	11.8	30.6	22.4
Diluted Earnings per share (cents)	21.5	11.8	29.8	22.0
Earnings per share is calculated based on:				
a) Profit attributable to owners of the Company (S$'000) (*)	198,360	107,679	278,389	203,294
b) Profit used for computing diluted earnings per share (S$'000)	204,794	107,679	284,823	209,693
c) Weighted average number of ordinary shares in issue:				
- basic	909,301,330	909,301,330	909,301,330	909,301,330
- diluted (**)	954,300,228	909,301,330	954,300,228	954,300,228

* *After deducting preference dividends of $6,434,000 paid in Q2 2018 (Q2 2017: $6,399,000 paid).*

** *For computation of diluted earnings per share, the weighted average number of ordinary shares has been adjusted for any dilutive effect of potential ordinary shares arising from the conversion of all preference shares. For the second quarter ended 30.6.2017, the preference shares were anti-dilutive and therefore were excluded from the calculation of fully diluted earnings per share.*

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares (excluding treasury shares) of the issuer at the end of the: -
(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	30.06.2018 S$	31.12.2017 (Restated) S$	30.06.2018 S$	31.12.2017 (Restated) S$
Net Asset Value per ordinary share based on the number of issued 909,301,330 ordinary shares (excluding treasury shares) as at 30 June 2018 (909,301,330 ordinary shares (excluding treasury shares) as at 31 December 2017)	11.13	10.52	7.44	7.11

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.

<u>**Group Performance**</u>

For the second quarter (Q2 2018) and half year ended 30 June 2018 (1H 2018), the Group delivered a strong set of financial results, boosted by the noteworthy performance of its property development segment. Revenue increased 59.2% to $1.36 billion for Q2 2018 (Restated Q2 2017: $854.0 million) and 47.6% to $2.42 billion for 1H 2018 (Restated 1H 2017: $1.64 billion). Net attributable profit after tax and non-controlling interests (PATMI) soared 79.5% to $204.8 million (Restated Q2 2017: $114.1 million) for Q2 2018 and 35.8% for 1H 2018 to $284.8 million (Restated 1H 2017: $209.7 million) backed by strong sales recognition in the period under review.

The strong performance from the Group's property development segment for Q2 2018 was powered mainly by three projects – New Futura and Gramercy Park in Singapore, and Hong Leong City Center (HLCC) in Suzhou, China. The contribution from HLCC relates to Phase 2, completed in May 2018, and profits recognised in entirety for 58% of the units handed over to purchasers in the current quarter. This segment also included profits from the Group's joint venture (JV) development Park Court Aoyama The Tower in Tokyo, Japan. The Criterion Executive Condominium (EC), which is now fully sold, achieved its Temporary Occupation Permit (TOP) in Q1 2018 and boosted the revenue for 1H 2018.

Notably, while The Tapestry had achieved stellar sales since its Phase 1 launch in March 2018, this project is still in its initial stages of construction. Profits will continue to be recognised progressively.

In terms of 1H 2018 pre-tax profits, the property development segment contributed 68.1% sustained by healthy profit margins. The Group's overseas diversification strategy augurs well with China and Japan contributing 40% of the property development segment for 1H 2018. Pre-tax profit of the rental properties segment increased 53.1%, propelled by the divestment gain of $29 million recognised in Q1 2018 by the Group's indirect subsidiary, CDL Hospitality Trusts (CDLHT) (Group's effective interest is 24%).

The hotel operations segment led by the Group's subsidiary, Millennium & Copthorne Hotels plc (M&C), continued to face challenges, with lower revenue and profits reported for Q2 2018. This was largely attributed to its UK hotels which under-performed partly due to their slow adjustment to competitive market conditions, coupled with the bigger impact from the phased closure of Millennium Hotel London Mayfair (Mayfair hotel), which was undergoing refurbishment and is now fully closed as of the beginning of July 2018. Furthermore, the weakened USD in the current period also negatively affected contributions from the US hotels when reported in SGD, the Group's reporting currency.

Basic earnings per share increased by 84.7% to 21.8 cents for Q2 2018 (Restated Q2 2017: 11.8 cents) and 36.6% to 30.6 cents for 1H 2018 (Restated 1H 2017: 22.4 cents).

The balance sheet remains robust. As at 30 June 2018, the net gearing ratio of the Group increased to 19% following the full payment of the recent Singapore land sites acquired. Interest cover remains strong at 18.4 times to weather any risks of impending rate hikes.

The Board is pleased to declare payment of a tax-exempt (one-tier) special interim dividend of 6.0 cents per ordinary share.

<u>Property</u>

Urban Redevelopment Authority (URA) data indicated that private residential property prices increased by 3.4% in Q2 2018, compared with the 3.9% increase in the previous quarter, bringing the total to 7.4% rise in 1H 2018. This marks the fourth consecutive quarter of price growth pointing to a recovery of the private residential market, affirming that prices have bottomed out after 15 consecutive quarters of price decline from Q3 2013 to Q2 2017. This increase registered a cumulative 9.1% improvement in private home prices since the trough in Q2 2017.

On 5 July 2018, the Government deemed the nascent recovery in Singapore's private residential market as too exuberant and took pre-emptive actions by announcing a set of new property cooling measures aimed at keeping price increases in line with economic fundamentals. This includes raising the Additional Buyer's Stamp Duty (ABSD) rates by 5% for Singapore Citizens (SCs) and Singapore Permanent Residents (SPRs) buying their second and subsequent homes as well as for foreign buyers. In addition, developers are now subject to another 10% increase in ABSD rates from the current 15%, plus another 5% that is not remissible, bringing the total ABSD to 30%. At the same time, the Loan to Value (LTV) ratio for financing purposes was further tightened by 5% for all housing loans.

Fortunately, the impact on SCs and SPRs purchasing their first residential property was relatively minor, with ABSD rates retained at 0% and 5% respectively and LTV ratios reduced by 5%. This group of first-time homebuyers typically support the demand for mass market projects.

In Q2 2018, developers sold 2,366 new private homes excluding ECs, a 23% decline versus the 3,077 units sold in Q2 2017. For 1H 2018, developers sold 3,947 units compared with the 6,039 units in 1H 2017, a drastic decrease of 35%. Likewise, in the last 12 months, over 30 en bloc attempts were unsuccessful with no bidders willing to meet the reserve price. As such, the market was already finding an equilibrium in an environment of rising land prices and home prices but moderated by low transaction volumes in 1H 2018.

The Group's launched projects performed well in 1H 2018, pre-cooling measures. The 124-unit New Futura at Leonie Hill Road continued to achieve steady sales. In January, Phase 1, comprising the 64-unit South Tower was launched and is now almost sold-out. On the back of the strong sales, the Group released the 60-unit North Tower in May. To date, 92 units (over 74%) of the development have been sold achieving an average selling price (ASP) of about $3,500 per square foot (psf). About 80% of the buyers were foreigners and SPRs, mainly from Asia.

Phase 1 of The Tapestry, the Group's 861-unit condominium at Tampines Avenue 10, was launched in March 2018. To date, 488 or 89% of the 550 units released have been sold, achieving an ASP of about $1,350 psf. 80% of the buyers were Singaporeans, mainly first-time home buyers.

The Group's 174-unit Gramercy Park at Grange Road, launched in March 2016, is now 100% sold.

The Group, together with its JV associates, sold 651 units including ECs, with a total sales value of $1.29 billion in 1H 2018 (1H 2017: 691 units with total sales value of $1.15 billion).

For the period under review, profit was booked from The Tapestry, New Futura and Gramercy Park. Profits were also booked in for JV projects namely Coco Palms and Forest Woods.

For the office sector, URA data reflected an increase of 1.9% in the overall price index for office space in Central Region in Q2 2018, extending the 1.3% increase in the previous quarter. Similarly, the overall rental index for office space increased by 1.6% in Q2 2018, adding to the 2.6% increase in the previous quarter, signalling that the office sector is recovering amidst the improving economic conditions. The Group's office portfolio continued to enjoy a healthy occupancy rate of 91.9% as at end of Q2 2018, compared with an island-wide occupancy rate of 87.8%.

There is increasing confidence in the office market. Strong leasing results have allayed fears that a glut of office supply would break the market. These are positive indicators that the market will continue its upward trend in the second half of the year and beyond.

Overseas Markets

Australia

The Group's JV 476-unit residential project in Brisbane, Ivy and Eve, was completed in February and majority of the sales have achieved settlement.

The Group's collaboration with Waterbrook Lifestyle Resorts to develop two five-star luxury retirement villages in New South Wales is progressing as planned.

Given the strong economic fundamentals and stable population growth, the Group continues to explore ways to increase its exposure in Australia.

Japan

The completed Park Court Aoyama The Tower, a prime freehold 160-unit residential development in central Tokyo in which the Group holds a 20% interest, achieved an ASP higher than budgeted. To date, 135 units have been handed over to buyers.

The Group's rare freehold residential redevelopment site at the prestigious residential enclave of Shirokane in central Tokyo will remain in the Group's land bank and should appreciate significantly in value over time.

The Group remains positive on the outlook for Japan's real estate market and will continue to seek attractive investment opportunities in the residential, office and hospitality segments to grow its presence there.

UK

Teddington Riverside, the Group's 240-unit development that overlooks the River Thames in the Borough of Richmond, continues to receive encouraging levels of enquiries. Despite the subdued UK housing market, London remains one of the most desirable cities to live and work. Located in a historic neighbourhood, with views of the tranquil riverside and abundant landscape, the development is only 12 miles (19 km) drive from central London, with excellent motorway links to Heathrow Airport and convenient access to public transport into London. The launch expected in September 2018 will feature an on-site marketing suite and three show units fully-fitted. The project is on track for completion by Q1 2020.

For Chesham Street in Belgravia (6 units) and Hans Road in Knightsbridge (3 units), which are expected to be fully-fitted by Q3 2018, new boutique sales and marketing agencies have been appointed in July 2018 to introduce these two prime freehold projects to the market. Similarly, a sales and marketing agency has been appointed for 90-100 Sydney Street in Chelsea (9 units) and it is on track to complete its fit-out by Q1 2019.

28 Pavilion Road which is currently a freehold car park site of 102,000 sq ft has just received planning approval to be converted into a mixed-use scheme of 135,379 sq ft GFA. The mixed-use scheme will consist of a restaurant and a health club on the ground and basement levels with 24 private residential units on the upper floor.

The 28,000 sq ft Development House located at 56-64 Leonard Street, Shoreditch remains fully leased, with vacant possession expected from Q3 2018. The site has obtained planning approval to be redeveloped into a 9-storey office building consisting of approximately 63,500 sq ft of office, 7,200 sq ft of affordable office and 2,000 sq ft of retail.

Planning approvals and construction schedules for the Group's other UK developments are in progress.

China

China's economy continues to face uncertainty from issues of debt and the trade war with the U.S. Although residential property prices decreased slightly in the first four months of 2018 due to property cooling measures, they rose at the fastest pace ever in 19 months up to May, reflecting the resilience of the China residential property sector. With real estate being a key driver of China's economy, it will be in the government's interest to ensure the market continues to be robust amid a challenging economic landscape. The Group will remain prudent in investing in China and continue to seek development opportunities in Tier 1 and Tier 2 cities.

In China, the Group, together with its JV associates, sold 170 units and villas with a total sales value of RMB 691.06 million ($138 million) in 1H 2018.

Huang Huayuan and Eling Palace are two residential projects in Chongqing which the Group, through its wholly-owned subsidiary CDL China Limited (CDL China), partially divested its equity stake to China Vanke Co., Ltd (Vanke) and is now jointly developing both sites with them. Eling Palace relaunched in May 2018 and sold 24 units with a sales value of RMB 133 million (about $27 million). Huang Huayuan will be rebranded Emerald under Vanke's portfolio of luxury residential developments for presale in Q4 2018. Emerald is expected to complete by end 2020.

For the luxurious Hongqiao Royal Lake with 85 villas in the high-end residential enclave of Qingpu, the Group sold 46 villas with a sales value of RMB 972 million (about $194 million). Some of the villas will be retained for long-term investment due to their scarcity in Shanghai.

Hong Leong Plaza Hongqiao, which comprises five office towers, has obtained legal completion certificate in July 2018. Situated in Hongqiao CBD, the project has vast potential as the district undergoes a transformation to become a new commercial hub for Shanghai.

HLCC, CDL China's first integrated development in Suzhou Industrial Park district, has sold 1,267 residential units (92%) of the Phase 1 launch with a sales value of RMB 2.76 billion (about $551 million). 281 units (65%) of the Phase 2 residential tower have been sold with a sales value of RMB 934 million (about $187 million) and are currently being handed over to buyers progressively. To date, the total sales generated by HLCC is RMB 3.69 billion (about $737 million). Leasing activities for HLCC's 30,000 sqm premium Grade A office tower in Phase 2 will start from Q3 2018. M&C will be operating the 5-star M Social hotel in Phase 2 of HLCC by Q3 2019. In June 2018, the project marked yet another milestone with the official opening of the HLCC mall. Ahead of its opening, the mall achieved a 90% pre-lease commitment for its 56,000 sqm of retail space.

Further advancing its strategy to enhance recurring income portfolio, the Group acquired an office block within the Yaojiang International complex in Shanghai's prime North Bund Business District, minutes from the Bund and Lujiazui CBD, for RMB 148 million (about $30 million). A long master lease agreement has been signed with the Distrii, the coworking company in China that the Group has an equity stake in it. This will remove all lease-up risk. An Asset Enhancement Initiative (AEI) will be carried out to enhance the asset.

The Group's investments in China's technology and innovation sector continues to make notable progress. Fast-growing Chinese online apartment rental platform mamahome's Series A+ fundraising is expected to close at a higher valuation shortly, with several new strategic investors coming in. Similarly, Distrii's Series A+ fundraising is also expected to close soon with new strategic investors like Fortuna Capital, a private equity fund manager backed by China's largest private equity and venture capital fund manager, IDG Capital.

Furthermore, the Group invested HK$237.81 million (approximately $41.4 million) in the Initial Public Offering (IPO) of E-House, a leading data-based real estate transaction service provider with a geographic footprint spanning 186 cities and 30 provinces in China. Being the only Singapore company invited to be a cornerstone investor in this IPO, CDL joins several top Chinese developers including China Evergrande Group, China Vanke and Country Garden Holdings which are existing shareholders of E-House. The other cornerstone investors participating in this IPO are Alibaba, Overseas Chinese Town Holding and an associate company to Henderson Land Development, a leading developer in HK. The Group also has a strategic agreement with E-house such that it has priority access to market its Singapore and London properties to Chinese buyers through the E-House platform.

Fund Management

The Group has a two-pronged strategy to develop its fund management business. The first strategy is via organic growth. On this front, the Group will partner with institutional investors in countries and asset classes where it has deep domain knowledge and a good track record – primarily Singapore and China. The asset classes are commercial, residential and hospitality. Outside of Singapore and China, it will accelerate the setting up of a local team for acquisitions and asset management. Some of the assets will subsequently be transferred into a fund as seed assets.

The second part of this two-pronged strategy is via mergers and acquisitions. This strategy will help accelerate the growth of the fund management business. On this front, the Group has been looking to acquire both listed and unlisted real estate platforms to try to fast-track its fund management business. It is targeting platforms with a good track record, strong management teams and a culture which is aligned with the Group's values.

The Group and its JV partner Alpha Investment Partners Limited (Alpha) have received interest from potential buyers on both Manulife Centre and 7 & 9 Tampines Grande. These two assets were put up for sale via separate Expression of Interest (EOI) processes. The Group and Alpha are actively engaging these potential buyers to get the best possible outcome for the consortium. The potential buyers are cognisant that in a rising office market, Manulife Centre, which is in the process of changing its tenant mix, will benefit from the opportunity to secure better rental yields.

<u>Hotels</u>

M&C, in which the Group holds a 65.2% interest, achieved PATMI of £20 million for Q2 2018 (Q2 2017: £39 million) and £28 million for 1H 2018 (1H 2017: £42 million). The decline was mainly due to the refurbishment of the Mayfair hotel which was partially closed since November 2017 and weaker performance in M&C's London hotels due to less demand in corporate business, which offset higher contributions from property, M&C's REIT-associate CDL Hospitality Trusts (CDLHT) and a small number of recently opened or refurbished hotels.

For 1H 2018, M&C's total revenue decreased by 1.6% to £477 million (1H 2017: £485 million), which included a £5 million contribution from increased residential section sales in New Zealand and £3 million from CDLHT, helped mainly from recently acquired hotels. In constant currency, total revenue increased by £14 million or 3.0%.

Results in 1H 2018 were mixed. M&C's hotel revenue for 1H 2018 dipped 3.3% to £404 million (1H 2017: £418 million) due to exchange loss of £19 million arising from the stronger pound. In constant currency, hotel revenue increased by 1.3%. Whilst North Asia and New Zealand saw higher revenue, M&C's London hotels under-performed partly due to their slow adjustment to competitive market conditions in addition to the impact of refurbishment at its Mayfair property. Although New York RevPAR was up, mainly due to improvements at Millennium Hilton New York One UN Plaza (re-branded in August 2017), the region remains unprofitable.

Global revenue per available room (RevPAR) in reported currency decreased by 4.3% to £75.29 for 1H 2018 (1H 2017: £78.69). In constant currency, it grew by 0.5%. RevPAR for M&C's London hotels in 1H 2018 was down 15.1% compared to 1H 2017, mainly due to the phased closure of its Mayfair hotel during the first half of the year. The closure of the Mayfair hotel resulted in about 81% of the drop in London revenue.

On a like-for-like basis (excluding the impact of acquisitions, closures and refurbishments), RevPAR increased by 2.0% in constant currency for 1H 2018. US RevPAR increased by 2.5%, propelled by New York RevPAR which increased 6.0% as a result of increases in both occupancy and average room rate. Asia RevPAR was up 2.8% and Australasia also grew by 7.3%. Comparatively, Europe RevPAR for 1H 2018 fell by 8.2%. In Singapore, RevPAR was down by 0.4%. Although visitor numbers are increasing and the growth in hotel rooms is levelling off, it remains highly competitive with recent additions to hotel inventory seeking to build market share.

In line with M&C's commitment to step up investment in its assets, the Mayfair hotel was entirely closed at the start of July 2018 for refurbishment. It will be repositioned within a new luxury competitive set and re-opened as M&C's flagship property in Q1 2019. In addition, M&C is reviewing refurbishment plans for some of its other properties in London and New York.

As previously announced, Ms Jennifer Fox, an industry veteran with over 30 years of experience in global hospitality, assumed the helm as M&C CEO on 19 June 2018. The Group is eager for M&C to quickly improve its operating performance and will leverage her expertise to execute its twin strategy of being both owner and operator of hotels – a DNA that is unique to M&C. M&C has several priorities to address and investors are looking for revenue growth and enhanced operational efficiency, especially with regards to the critical turnaround of the underperforming U.S. region and also completing the major renovation and repositioning of the Mayfair hotel in the shortest possible timeframe. The loss of income from the complete closure of the Mayfair hotel will have an adverse impact on M&C's operating performance. The success of these initiatives will result in a strong improvement to M&C's earnings which will be well received by all stakeholders.

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 period under review is in line with its expectations as disclosed in the announcement of results for the first quarter ended 31 March 2018.

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.

<u>Property</u>

In 1H 2018, the Singapore private residential sector saw a healthy pick up. However, the unexpectedly harsh property cooling measures which took effect from 6 July 2018 have changed the market dynamics, prompting a more cautious approach.

Market watchers expect the velocity of sales to moderate post cooling measures. Property prices may be sustained for a few well-located, good quality projects with strong attributes especially in locales where there is limited supply and pent-up demand.

The demographics of buyers is expected to shift towards first-time home buyers as demand from foreigners and second-time home buyers wanes due to the higher ABSD. Future supply of new homes is expected to moderate as collective sales are likely to be severely curtailed with the cooling measures, especially the additional ABSD on developers.

The Group is in a stable position and currently has sufficient projects at hand. Since October last year, the Group has acquired four land sites and has enough pipeline to last for several years. However, given that land is a crucial raw material for property development activities, the Group will continue to monitor the market closely and capitalise on available opportunities while maintaining strict price discipline for land bids.

The Group's project in West Coast Vale, Whistler Grand, is scheduled for launch in Q4 2018 as planned. It will comprise two 36-storey towers with 716 apartments and two shops, commanding views of the Sungei Pandan River. New projects nearby are almost sold-out, achieving ASPs of about $1,400 psf, in line with the Group's price projection. Buyers of mass/mid-market projects are largely first-time homebuyers who are less impacted by the recent property cooling measures.

The planned launch of two JV projects, namely the 190-unit South Beach Residences on Beach Road and the 154-unit development on the former Boulevard Hotel site named Boulevard 88, are currently under review. Buyers for these high-end properties are largely foreigners and need more time to ascertain their sentiment towards the higher ABSD measures. Singapore remains a stable, sustainable and safe city for long-term capital appreciation. Notably, these two developments have no ABSD or QC time pressures.

The property market is largely sentiment driven. In just a few hours before the recent cooling measures came into effect on 6 July 2018, three developers brought forward their launches and buyers rushed and snapped up over 1,000 units across three projects. After the cooling measures took effect, sales transactions have been lukewarm for new launches. For those which have managed to attract stronger interest, they would likely have considered the impact of the latest round of cooling measures and adjusted their launch prices to move sales. However, despite this, sales volume for new launches are still lower than pre-cooling measures. A few developers who offered 5% discount on existing inventory did not result in much success. Those who offered more discount were able to move some units. The subdued response affirms that buyers are embracing a wait-and-see approach, which if prolonged, will inevitably impact overall sales volume and prices.

With Singapore's home ownership rate at over 90%, growth in real estate value is important to ensure a stable and sustainable property market for all stakeholders. While it is easy to curb the market quickly, propping it up will take a longer time.

The real estate industry is disappointed that the property cooling measures were introduced at a time when the market is still in the infancy of recovery after four challenging years. The global economic outlook remains delicate with uncertainties over geopolitical tensions, global trade, Brexit, rising interest rates and other disruptions.

The Group notes that the Government is cognisant of the healthy supply of private housing in the pipeline and has kept the total supply of units for the 2H 2018 GLS programme at about the same level as 1H 2018. It has also indicated that it will continue to monitor the property market closely and adjust the supply from future GLS programmes. This will help to stabilise the market. It is heartened that the Government will remain nimble and calibrate its policies when needed, in a timely manner.

The new property cooling measures have only recently taken effect and the Group has sufficient time to assess the market and tweak its strategies where necessary. The Group continues to prepare its other sites to be launch ready for 2019. They include Whistler Grand, the former Amber Park site purchased through en bloc sale, the Handy Road site and the Sumang Walk EC site in Punggol. The Group has a diversified portfolio that caters to all segments of the market, such as EC, mass, mid to high-end projects that spread across the island.

The office sector continues to remain robust and there are no significant headwinds foreseeable. This is evident by the quarter-on-quarter increase in rental and occupancy rates.

Office investments will inevitably attract more interest as internal and external forces both necessitate a change in capital flows. Internally, the new ABSD measures may affect investment in the residential sector and investors are likely to deploy their capital into commercial properties. Externally, Singapore has always been held in high regard for its business transparency and ease of doing business. Consequently, it is often the first port of call for many companies looking to secure a firm footing in this region. Considering these factors, the Singapore commercial investment landscape remains positive in the mid to long-term.

The $70 million AEI for the Group's flagship Republic Plaza is in progress and is expected to complete by 2H 2019.

Meanwhile, the refurbishment of Le Grove Serviced Residences has just completed ahead of schedule. It now has 173 apartments (an increase from the original 97 apartments) and received its first guest in mid-July 2018. Occupancy is healthy and the strong response in the first few weeks of operations is extremely robust.

Hotels

Given current volatile political and economic conditions – especially Brexit and the unfolding trade tensions between the US, China and Europe, M&C continues to be cautious about the immediate future. However, this will not affect its plan to step up investments in its hotels as this is essential to M&C's long-term health.

Management Appointments

In June 2018, the Group appointed two new senior executives to head its asset management and property development divisions. Ms Yvonne Ong, with over 20 years of experience in the industry, was named CEO, Commercial. She will spearhead asset management strategies to drive the performance of the Group's global portfolio of office, retail, industrial and residential leased assets by implementing effective leasing strategies, facilitating AEI's and identifying redevelopment opportunities. Her focus is to optimise the Group's asset yields, boost recurring income and unlock asset values.

Ms Lee Mei Ling was promoted to Executive Vice President, Head of Property Development. She has over 30 years of experience and will be responsible for the full spectrum of the product development cycle, from advising on land tenders and innovating project design to managing the construction phase and ensuring high levels of customer service.

The new appointments and revamped organisational structure are in line with the Group's focus to enhance operational efficiency by promoting greater teamwork, better execution and more innovation.

Group Prospects

The Group has navigated through many property cooling measures over the past few decades and has learned that sentiment and timing are critical. Its land bank was bought relatively early before land prices rose further and this allows the Group more flexibility when it comes to sales launches and construction commencement.

The Group has always had a globally diversified portfolio in residential development and recurring income properties such as offices, retail and hotels. This enables it to weather headwinds that may impact specific asset classes or markets. The Group remains focused on growing its recurring income significantly over the next 10 years through acquisitions and organic growth which will help to mitigate the volatility of development projects in Singapore and overseas. The prospects for the office sector are looking bright and should provide greater support to the Group in the near-term, especially when Republic Plaza's AEI is completed next year.

Real estate is a cyclical industry and the Group has ample funds to capitalise on opportunities and stay ahead of the competition, even in an expected rising interest rate environment.

With low gearing, the Group is cognisant of the need to deploy its capital astutely and its investment horizon remains long-term. It will adopt a disciplined approach to acquisitions that will maximise returns to all shareholders.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

The Company had on 11 May 2018 declared a tax-exempt (one-tier) non-cumulative preference dividend to holders of City Developments Limited Preference Shares of 1.94 cents per Preference Share, calculated at the dividend rate of 3.9% per annum of the issued price of $1.00 for each Preference Share, for the dividend period from 31 December 2017 to 30 June 2018. The said preference dividend was paid on 2 July 2018.

On 7 August 2018, the Board of Directors declared a tax-exempt (one-tier) special interim ordinary dividend of 6.0 cents per ordinary share.

(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	Tax exempt (One-tier) Special Interim Ordinary Dividend	Tax exempt (One-tier) Preference Dividend
Date of payment	13 September 2017	30 June 2017
Dividend type	Cash	Cash
Dividend amount (in cents)	4.0 cents per Ordinary Share	1.93 cents per Preference Share^
Dividend rate (in %)	N.A.	3.9% per annum on the issue price of each Preference Share
Dividend period	N.A.	From 31 December 2016 to 29 June 2017 (both dates inclusive)
Issue price	N.A.	$1.00 per Preference Share

^ *Preference dividend for each Preference Share is calculated at the dividend rate of 3.9% per annum of the issue price of $1.00 for each Preference Share on the basis of the actual number of days comprised in the dividend period divided by 365 days.*

(c) Date payable

The tax-exempt (one-tier) special interim ordinary dividend will be paid on 12 September 2018.

(d) Books Closure Date

5pm on 27 August 2018.

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

Not applicable.

13. Interested Person Transactions

Interested Persons	Aggregate value of all interested person transactions conducted in the second quarter ended 30 June 2018 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Hong Leong Investment Holdings Pte. Ltd. group of companies	Property-related Provision to interested persons of (i) project management services; (ii) marketing services; and (iii) property management and maintenance and customer services — $17,938,981.80 Management and Support Services Provision to interested persons of (i) accounting services; and (ii) financial services — $818,934.00 **Total: $18,757,915.80**
Directors and their immediate family members	Nil

14. Segment Reporting

By Business Segments

	The Group			
	Second quarter ended 30 June		Half year ended 30 June	
	2018	2017 (Restated)	2018	2017 (Restated)
	S$'000	S$'000	S$'000	S$'000
Revenue				
Property Development	818,676	302,995	1,381,881	602,044
Hotel Operations*	420,711	432,197	798,471	798,700
Rental Properties	84,540	86,330	168,756	171,569
Others	35,614	32,443	68,262	65,312
	1,359,541	**853,965**	**2,417,370**	**1,637,625**
Profit before tax**				
Property Development	254,935	87,480	335,744	179,490
Hotel Operations	35,636	68,636	56,446	73,778
Rental Properties	25,986	28,460	87,077	56,869
Others	8,807	4,557	13,499	4,234
	325,364	**189,133**	**492,766**	**314,371**

***** *Revenue from hotel operations includes room revenue of $536.6 million (1H 2017: $537.8 million) for 1H 2018 from hotels that are owned by the Group.*

****** *Includes share of after-tax profit/(loss) of associates and joint ventures.*

15. 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

Revenue increased by $515.7 million to $818.7 million (Q2 2017: $303.0 million) for Q2 2018 and $779.9 million to $1,381.9 million (1H 2017: $602.0 million) for 1H 2018.

Pre-tax profits increased by $167.4 million to $254.9 million (Restated Q2 2017: $87.5 million) for Q2 2018 and $156.2 million to $335.7 million (Restated 1H 2017: $179.5 million) for 1H 2018.

Projects that contributed to both revenue and profit in 1H 2018 include Coco Palms, Gramercy Park, New Futura, The Brownstone EC, The Criterion EC, The Tapestry, Park Court Aoyama The Tower, Hongqiao Royal Lake and Suzhou Hong Leong City Center (HLCC). In accordance with the Group's policy of equity accounting for the results of its joint ventures, whilst revenue from joint venture developments such as Forest Woods had not been consolidated into the Group's total revenue, the Group's share of profits arising from joint venture developments had been included in pre-tax profits.

The significant increase in revenue for Q2 2018 and 1H 2018 were largely boosted by maiden contribution from New Futura, Park Court Aoyama The Tower as well as contribution from Phase 2 of HLCC. Phase 2 of HLCC was completed in May 2018 and profit was recognised in entirety for 248 units that were handed over to purchasers in Q2 2018. For 1H 2018, the full recognition from The Criterion EC, which obtained Temporary Occupation Permit (TOP) in February 2018 also attributed to the increase. Under prevailing accounting standards, both revenue and profit for EC are recognised in entirety upon TOP. The increases were however partially offset by absence of contribution from The Venue Residences and lower revenue accounted for Coco Palms following their completion in Q4 2017 and 1H 2018 respectively.

The increases in pre-tax profits for Q2 2018 and 1H 2018 were in tandem with the increases in revenue, coupled with the higher share of contribution from Forest Woods (a joint venture project). The increases were however partially offset by the absence of writeback of allowance for foreseeable losses for The Venue Residences of $15.4 million accounted in Q2 2017 and share of contribution from Commonwealth Towers (another joint venture project which was completed in Q4 2017). In addition, share of contribution from FSGL to this segment had decreased in 2018 due to lesser residential units in the Millennium Waterfront project being handed over in current year.

Hotel Operations

Revenue for this segment decreased by $11.5 million to $420.7 million (Q2 2017: $432.2 million) for Q2 2018 but remained flat at $798.5 million (1H 2017: $798.7 million) for 1H 2018.

Pre-tax profits decreased by $33.0 million to $35.6 million (Restated Q2 2017: $68.6 million) for Q2 2018 and $17.4 million to $56.4 million (Restated 1H 2017: $73.8 million) for 1H 2018.

The decrease in revenue for Q2 2018 was due largely to weaker trading in the London hotels mainly due to lower corporate business, coupled with the phased closure of Millennium Hotel London Mayfair undergoing refurbishment. Further, the weakened USD in the current period also negatively impacted hotel revenue, despite higher RevPAR in constant currency, which was mainly contributed by Millennium Hilton New York One UN Plaza (rebranded in August 2017).

1H 2018 revenue remained flat due to contributions from M Social Auckland and Grand Hyatt Taipei which mitigated the decline in contribution from London, Maldives and US hotels.

Other than the lower revenue for hotel operations, which directly reduces pre-tax profit, Q2 2018 registered lower hotel operating profit led by lower revenue. In addition, there were several one-off items in Q2 2017 such as the writeback of impairment loans of $22 million on loans granted to Fena and an impairment of goodwill arising from the acquisition of The Lowry Hotel.

For 1H 2018, pre-tax profits excluding the one-off items remained fairly constant.

Rental Properties

Revenue for this segment remained relatively constant at $84.5 million (Q2 2017: $86.3 million) for Q2 2018 and $168.8 million (1H 2017: $171.6 million) for 1H 2018.

Pre-tax profits remained relatively flat at $26.0 million (Q2 2017: $28.5 million) for Q2 2018 but increased by $30.2 million to $87.1 million (1H 2017: $56.9 million) for 1H 2018.

The substantial increase in pre-tax profit for 1H 2018 was primarily due to a gain of approximately $29 million recognised on divestment of Mercure Brisbane and Ibis Brisbane in January 2018 by CDLHT.

Others

Revenue, comprising mainly income from building maintenance contracts, project management, club operations, laundry services and dividend income, increased by $3.2 million to $35.6 million (Restated Q2 2017: $32.4 million) for Q2 2018 and $3.0 million to $68.3 million (Restated 1H 2017: $65.3 million) for 1H 2018. These were due to higher management fees earned.

Pre-tax profits increased by $4.2 million to $8.8 million (Restated Q2 2017: $4.6 million) for Q2 2018 and $9.3 million to $13.5 million (Restated 1H 2017: $4.2 million) for 1H 2018. The increases were attributable to higher share of profit from FSGL's property financing business as it continued to recognise net penalty interest income upon successful enforcement action on two defaulted loans in Q2 2018 and one in Q1 2018 as well as increased interest income earned from higher loans granted to its associates and joint ventures to fund their acquisitions in Europe.

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 18 of Appendix 7.2 for the required details*)

	Full Year 2017 S$'000	Full Year 2016 S$'000
Ordinary	72,744	72,744
Special	90,930	72,744
Preference	12,904	12,922
Total	**176,578**	**158,410**

The final tax-exempt (one-tier) ordinary dividend and special final tax-exempt (one-tier) ordinary dividend for the year ended 31 December 2017 of 8.0 cents and 6.0 cents respectively per ordinary share had been approved by the ordinary shareholders at the Annual General Meeting held on 25 April 2018 and the dividend amounts are based on the number of issued ordinary shares as at 2 May 2018.

17. A breakdown of sales and operating profit after tax for first half year and second half year.

Not applicable.

18. Confirmation pursuant to Rule 720(1) of the Listing Manual

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 in accordance with Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Shufen Loh @ Catherine Shufen Loh
Company Secretary
8 August 2018

CITY DEVELOPMENTS LIMITED
(REG. NO. 196300316Z)

CONFIRMATION BY THE BOARD

The Directors of the Company hereby confirm, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited financial results for the second quarter and the half year ended 30 June 2018 to be false or misleading in any material respect.

On behalf of the Board of Directors

Kwek Leng Beng
Executive Chairman

Lim Yin Nee
Director

Singapore, 8 August 2018