

## PRESS RELEASE

### Keppel Land's Financial Highlights for the Nine Months Ended 30 September 2008

22 October 2008

#### Results Affected by Economic Uncertainties

- Group PATMI for YTD September was \$159.1 million, or 23.3% lower from a year ago.
- Property trading posted lower contribution due mainly to the completion of several residential projects in Singapore and overseas.
- Fund management business posted an improved performance due to higher fees from K-REIT Asia's enlarged portfolio and Alpha Investment Partners.
- Net tangible assets per share rose to \$3.26 as at end-September 2008 compared with \$2.34 a year ago.

#### Summary of Results

PATMI (\$m)	Nine Months Ended		% Chg	Quarter Ended		% Chg
	30 Sep 08	30 Sep 07		30 Sep 08	30 Sep 07	
<b><u>By Geographical Location</u></b>						
Singapore	103.2	134.8	(23.4)	23.1	57.6	(59.9)
Other Countries	48.6	72.5	(33.0)	23.1	24.2	(4.5)
Gain on purchase of additional interest in an associate	7.3	-	nm	-	-	-
<b>PATMI</b>	<b>159.1</b>	<b>207.3</b>	<b>(23.3)</b>	<b>46.2</b>	<b>81.8</b>	<b>(43.5)</b>
<b><u>By Business Segment</u></b>						
Property Trading	122.3	193.0	(36.6)	43.1	80.4	(46.4)
Property Investment	24.1	25.8	(6.6)	8.9	4.7	89.4
Fund Management	14.1	6.0	135.0	4.7	2.6	80.8
Hotels and Resorts	(1.1)	(0.3)	nm	0.6	0.5	20.0
Others	(7.6)	(17.2)	nm	(11.1)	(6.4)	nm
Gain on purchase of additional interest in an associate	7.3	-	nm	-	-	-
<b>PATMI</b>	<b>159.1</b>	<b>207.3</b>	<b>(23.3)</b>	<b>46.2</b>	<b>81.8</b>	<b>(43.5)</b>

Key Ratios	Nine Months Ended		% Chg	Quarter Ended		% Chg
	30 Sep 08	30 Sep 07		30 Sep 08	30 Sep 07	
Earnings Per Share (cts)	22.1	28.8	(23.3)	6.4	11.4	(43.9)
NTA Per Share (\$)	3.26	2.34	39.3	3.26	2.34	39.3
Annualised ROE (%)	9.2	12.7	(27.6)	nm	nm	nm

### **Earnings Reined in by a Weaker Global Outlook**

Weaker earnings from property trading reduced Keppel Land's profit after tax and minority interests (PATMI) for the first nine months ended 30 September 2008 to \$159.1 million, or 23.3% lower than what was achieved for same period in 2007.

PATMI from property trading fell 36.6% year-on-year to \$122.3 million due to the completion of several residential projects in Singapore and overseas. Projects which were completed include Urbana and The Belvedere in Singapore, The Waterfront and The Seasons in China and Villa Riviera in Vietnam.

PATMI from property investment recorded a 6.6% year-on-year decline as higher rental income for the period was mitigated by the absence of a write-back of tax provision in 1Q2007 and the cessation of contribution from One Raffles Quay after the Group restructured the ownership of its one-third interest in the development to K-REIT Asia in December 2007.

PATMI from fund management grew by 135% to \$14.1 million in the first nine months of 2008 against the same period in 2007 with higher fee income contribution from K-REIT Asia as well as a stronger performance of the real estate funds managed by Alpha Investment Partners.

### **Cautious Sentiment in Residential Market**

Singapore's economy has entered into technical recession, with two consecutive quarters of negative growth of -5.7% and -6.3% in the second and third quarters of 2008. In the wake of a deepening global financial crisis, the Ministry of Trade and Industry has revised its full-year GDP growth forecast for 2008 to about 3%, down from its earlier forecast of 4–5%.

Economic uncertainties and stock market volatility continue to weigh down sentiments in the property market. Urban Redevelopment Authority's flash estimates for 3Q2008 show a 1.8% quarter-on-quarter drop in private residential prices. Demand for new units was about 1,600 units in 3Q2008, bringing the total number of new homes sold in the first nine months of 2008 to about 3,900 units. Faced with slower growth and weaker market sentiments, home prices and residential demand are expected to ease further until market visibility improves.

In 3Q2008, the Group released for sale the next phase of Reflections at Keppel Bay and the remaining units of Park Infinia at Wee Nam. To-date, 14 units of Reflections at Keppel Bay and 24 units of Park Infinia at Wee Nam have been sold respectively.

### **Global City Supports Demand for Quality Office Space**

As Singapore transforms into a global cosmopolitan city and multi-hub destination, foreign companies will continue to be attracted to set up operations here, and this will bolster demand for quality office space. Marina Bay Financial Centre (MBFC) continues to attract reputable tenants with 66% and 55% pre-commitments for Phase 1 and Phase 2 ahead of their respective completion in 2010 and 2012.

The Group's associate, K-REIT Asia, has seen positive rental reversion for its existing portfolio of five assets, which has achieved 99.4% committed occupancy as at end-September 2008. The commercial real estate investment trust achieved a distributable income of \$40.8 million for the first nine months of this year, a year-on-year increase of 173.8%.

Alpha Investment Partners (Alpha) will have assets under management (AUM) of about \$7.7 billion when its five funds are fully leveraged and invested. With the successful closing of its US\$1.2 billion (\$1.7 billion) Alpha Asia Macro Trends Fund, Alpha is well-positioned to capitalise on opportunities to invest in real estate assets that may arise with the economic slowdown. Together with K-REIT Asia's portfolio value of \$2.1 billion, Keppel Land Group's total AUM is now \$9.8 billion.

## **No Provision and Write-down**

Asian economies have been affected by the turmoil in the international financial markets, the extent of which will depend largely on how soon the global economic crisis finds its equilibrium as concerted efforts by both governments of developed and emerging countries take measures to restore market confidence.

In 3Q2008, softer market sentiments have affected the Group's residential sales in China, Vietnam, India and Indonesia. In the light of these market conditions, the Group will evaluate its strategy in various markets and time its launches and developments appropriately. The Group is in a position to ride through the market volatility and to capitalise on opportunities to acquire good assets. In the longer term, housing demand will be supported by rapid urbanisation, a young population and a growing middle class.

The Keppel Group is leading a Singapore consortium to jointly undertake the development of Tianjin Eco-city project with a Chinese consortium. The Company, as the property arm of the Keppel Group, will be involved in the ecologically sustainable development totalling 30 sq km. At the recent ground breaking ceremony, it was announced that the joint venture will develop more than 60 ha in the initial phase.

Evergro Properties, the Group's China-focused subsidiary, has recently completed its rights issue, raising a total of \$137 million to finance its future expansion in the country.

Keppel Land's disciplined and prudent management puts it in good stead to weather the financial turmoil. Strong sales in Singapore and overseas in the past two years will provide proceeds which will help fund its current development projects. No provision or write-down is required to be made against the Group's trading and investment properties as they are stated in the accounts at appropriate net carrying values.

## **Disclaimer**

*This release may contain statements which are subject to risks and uncertainties that could cause actual results to differ materially from such statements. You are cautioned not to place undue reliance on such statements, which are based in the current views of Management on future developments and events.*