Keppel Land

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PRESS RELEASE

Keppel Land's Financial Highlights for the Half Year Ended 30 June 2006

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Keppel Land Achieved Strong Profit Growth of 20% for First Half of 2006

PATMI ($m)	Half-Year Ended		% Chg	Quarter Ended		% Chg
	30 Jun 06	30 Jun 05		30 Jun 06	30 Jun 05	
By Geographical Location						
Singapore	28.1	28.6	(1.7)	10.9	9.4	16.0
Other Countries	52.5	38.4	36.7	33.4	21.4	56.1
PATMI before EI	80.6	67.0	20.3	44.3	30.8	43.8
Exceptional Items	-	-	-	-	-	-
PATMI after EI	**80.6**	**67.0**	**20.3**	**44.3**	**30.8**	**43.8**
By Business Segment						
Property Trading	64.8	55.8	16.1	45.3	25.8	75.6
Property Investment	14.2	14.9	(4.7)	4.6	8.8	(47.7)
Others	1.6	(3.7)	nm	(5.6)	(3.8)	nm
PATMI before EI	80.6	67.0	20.3	44.3	30.8	43.8
Exceptional Items	-	-	-	-	-	-
PATMI after EI	**80.6**	**67.0**	**20.3**	**44.3**	**30.8**	**43.8**

Key Ratios	Half-Year Ended		% Chg	Quarter Ended		% Chg
	30 Jun 06	30 Jun 05		30 Jun 06	30 Jun 05	
Earnings Per Share (cts)	11.2	9.4	19.1	6.2	4.3	44.2
NTA Per Share ($)	2.06	2.29	(10.0)	2.06	2.29	(10.0)
Annualised ROE (%)	10.2	8.3	22.9	11.2	7.6	47.4

Highlights

- Group PATMI increased by 20.3% to $80.6 million in 1H2006 compared with $67.0 million in 1H2005.
- The share of overseas earnings reached 65% of PATMI in 1H2006 compared with 57% a year ago.
- Property trading was the main factor behind PATMI growth, on the back of higher profit contributions from China, India, Vietnam and Indonesia.
- Net tangible assets per share was $2.06 as at end-June 2006 following the completion of a distribution *in specie* to shareholders in April 2006.
- Annualised ROE increased to 10.2% in 1H2006 from 8.3% in 1H2005.

Property Trading Lifted Share of Overseas Earnings to 65% of Group PATMI

Keppel Land reported PATMI of $80.6 million for the six months ended 30 June 2006, up 20.3% from the first half of 2005. Overseas earnings made up 65% of PATMI in the first half of 2006 compared with 57% a year ago and 59% for FY2005. The 36.7% growth in overseas PATMI to $52.5 million in the first half of the year was due mainly to higher profit contributions from the Group's development projects in China, India, Vietnam and Indonesia.

PATMI from property trading rose 16.1% year-on-year to $64.8 million in the first six months of 2006, due primarily to the recognition of profit from the sale of a subsidiary which owns 133 ha of land in Tianjin, China by Dragon Land, a 71.3%-owned subsidiary of Keppel Land. Higher earnings from *The Seasons* and *The Waterfront* in China and *BG Junction* in Indonesia as well as new contributions from *Ritz Residences* in Singapore, *Elita Promenade* in India and *Villa Riviera* in Vietnam were also factors behind the increase in development profits.

PATMI from property investment was marginally lower at $14.2 million in the first half of this year, down 4.7% from a year ago largely due to the sale of four office buildings to K-REIT Asia in April 2006.

On an annualised basis, the Group's return on equity improved to 10.2% in the first half of 2006 against 8.3% for the same period last year.

Riding on Upturn in Residential and Office Markets

Recovery of the Singapore residential market remains well on track, with URA's flash estimates showing a ninth consecutive quarterly growth of 1.6% in private residential prices in 2Q2006. Compared with 2Q2005, the improvement was a stronger 5.8%, a level unseen since 2000.

Keppel Land's projects continued to receive good market response. *Ritz Residences*, which was soft-launched in April 2006, has sold about 80% of the 117 units released in Singapore, Hong Kong and Jakarta. Of the 361 units launched at *Park Infinia at Wee Nam*, about 91% have been sold while about 95% of the 801 available units at *Caribbean at Keppel Bay* (excluding the 168 units retained for corporate leasing) have been taken up.

Keppel Land will launch two iconic waterfront developments over the next nine months, namely Keppel Bay (Phase Two) and the residential tower under Phase One of the Business and Financial Centre.

On the Singapore office market, strong demand and tight supply of prime office space continued to drive up occupancy and rentals. According to CB Richard Ellis, average occupancy of Grade A office buildings increased further to 97.3% as at end-June 2006 from 95.1% a quarter ago. Likewise, Grade A average office rental rose by 13.3% to $6.80 psf from $6 psf in the first quarter of the year.

Given sustainable demand of prime office space amid constrained supply over the next few years due to limited new supply and declining stock as a result of conversion of older buildings to other use, occupancy and rentals of prime office space will continue to face upward pressures. New supply is estimated to average 0.7 million sf per annum from 2006 to 2010 while more than 800,000 sf of office space will be removed from the Shenton Way/CBD area due to conversion.

One Raffles Quay, a joint development between Keppel Land, Cheung Kong (Holdings) and Hongkong Land, is close to 100% commitment. The South Tower, which was completed in April 2006, will see tenants moving in progressively from August this year. The North Tower is expected to be ready by end-October 2006.

As part of its continuous efforts to consolidate interests in its office portfolio, Keppel Land has raised its stake in *Equity Plaza* from 35.37% to 64.63% by acquiring the 29.26% interest from Sumitomo Corporation and Sumitomo Corporation (Singapore).

Keppel Land-sponsored real estate investment trust, K-REIT Asia, commenced trading on the Singapore stock exchange on 28 April 2006. For its first interim results, it delivered a distribution per unit of 1.16 cents for the period from 26 April to 30 June 2006, outperforming its forecast by 17.5%. K-REIT Asia targets to grow its portfolio from $630.7 million now to about $2 billion within the next few years through selective acquisitions of prime commercial properties in Singapore and around the region. This is consistent with its strategy of growing into a Pan-Asian commercial REIT.

<u>Broaden Footprint and Increasing Depth in Overseas Markets</u>

Keppel Land remains committed to its strategic initiatives of developing quality housing and integrated townships targeting the middle to upper-middle income population in Asia. With its current focus in China, India, Vietnam, Indonesia and Thailand, the Group will continue to further expand its foothold and market depth in the region.

In India, Keppel Land has recently expanded its presence beyond Bangalore. Through a 74:26 joint venture, the Group has acquired a 10.1-ha site in Kolkata for the development of 1,670 condominium units. Phase One of the development is targeted for launch in mid-2007.

With the latest acquisition, Keppel Land will have a pipeline of more than 3,700 units for launch in India over the next few years. The Group's first housing project in Bangalore, *Elita Promenade*, has sold about 74% of the 748 units launched. Keppel Land will continue to explore development opportunities in other growth cities in the country.

In China, Keppel Land's projects continue to be well received by the market. *The Seasons* in Beijing has sold about 84% of 1,775 units launched while *The Waterfront* at Chengdu achieved sales of 91% of 1,063 units launched. Some 91% of 632 units launched under Phase Two of *The Botanica*, a township jointly developed with Surbana Corporation in Chengdu, have also been sold.

The Chinese government has recently introduced more measures to curb speculation and promote sustainable growth of the housing market. The latest move may keep potential buyers on the sideline as they adopt a wait-and-see attitude to assess the market reaction. Keppel Land believes its projects will not be significantly affected as its buyers are mainly genuine local owner-occupiers. Locals account for 70% to 90% of the buyers at *The Waterfront* and *The Seasons* while buyers at *The Botanica* are all locals. Looking beyond the current measures, the broad fundamentals of the market remain positive, with strong underlying demand for housing supported by economic growth, urbanization, an expanding middle-income group and rising homeownership aspirations.

Over at Vietnam, *Villa Riviera* at Ho Chi Minh City has sold a total of 48 villas. Vietnam's impending entry into the World Trade Organisation and further liberalisation of homeownership rules for Viet Kieus or overseas Vietnamese bodes well for housing demand in the long term.

BG Junction, Keppel Land's retail development in Surabaya, Indonesia, saw the soft-opening of its anchor tenant, Carrefour hypermarket, in May 2006. Carrefour occupies about a third of the retail complex or 12,000 sm of total gross lettable area of 40,000 sm. As at end-June 2006, *BG Junction* has sold more than 380 units, totalling about 4,500 sm in net floor area.