

OPERATING & FINANCIAL REVIEW

PROPERTY

WE ARE COMMITTED TO PROVIDING QUALITY AND INNOVATIVE REAL ESTATE SOLUTIONS.



EARNINGS HIGHLIGHTS (\$ million)

	2019	2018*	2017
Revenue	1,336	1,340	1,782
EBITDA	546	1,077	705
Operating Profit	508	1,044	668
Profit before Tax	707	1,193	844
Net Profit	517	942	650
Average Headcount (Number)	2,792	3,059	3,257
Manpower Cost	176	204	194

* 2018's financial figures have been restated due to an IFRIC agenda decision on SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*.

MAJOR DEVELOPMENTS IN 2019

Sold about 5,150 homes in Asia, mainly in China and Vietnam.

Divested assets worth \$400 million in Singapore and Vietnam.

Completed acquisitions amounting to about \$500 million in China, Vietnam and India.

Replenished residential landbank with addition of about 2,500 units across China and Vietnam.

Increased commercial portfolio with addition of about 136,000 square metres in China.

FOCUS FOR 2020/2021

Invest strategically in key markets of Singapore, China and Vietnam, while continuing to scale up in other markets such as Indonesia and India.

Increase the pace of capital recycling, reinvesting for growth and higher returns.

Scale up commercial presence to provide steady stream of recurring income.

Strengthen collaboration with strategic partners to capture opportunities in the region, as well as with Keppel Capital to tap third-party funds for growth.

Invest in and develop property technology and new real estate solutions.

EARNINGS REVIEW

The Property Division generated revenue of \$1.3 billion for FY 2019, a \$4 million decrease from FY 2018 mainly due to lower revenue from property trading projects in Singapore, partly offset by higher revenue from property trading projects in China.

The Division's net profit of \$517 million for FY 2019 was \$425 million lower than that of the previous year due to fewer en-bloc sales and divestments. This was partly offset by higher contribution from China property trading projects, higher investment income, higher fair value gains on investment properties and higher contribution from associated companies.

Excluding en-bloc sales and the effects of revaluations, major impairments and divestments in both years, Keppel Land's net profit in FY 2019 was about \$260 million, an improvement over the \$236 million in FY 2018.

OPERATING REVIEW

Singapore

Keppel Land sold about 250 residential units in Singapore in 2019, higher than the 160 units sold in 2018. The sales were mostly from The Garden Residences, which sold about 240 units as at end-2019. In January 2019, the new Cross Island MRT line was announced, and The Garden Residences will benefit from the future Serangoon North MRT station which will be a five-minute walk away. Over at Keppel Bay, a total of 85 units at Reflections and Corals were sold during the year. The two projects were 94% and 86% sold respectively as at end-2019.

Keppel Land will redevelop Nassim Woods into 19 Nassim, a luxurious condominium comprising about 100 homes. 19 Nassim will feature Singapore's first smart home to be powered by artificial intelligence with machine learning capabilities. Keppel Bay Plot 4, which is adjacent to Corals at Keppel Bay, will be developed into a world-class waterfront living development and launched at an opportune time, depending on market conditions. Keppel Land is also reviewing its plans for Keppel Bay Plot 6, a residential site located on Keppel Island.

On 1 January 2020, Keppel Bay Tower (KBT) became the first commercial development in Singapore to utilise renewable energy to power all its operations. In addition to the installation of photovoltaic (PV) panels on the roof of KBT, Keppel Land, through Keppel Electric, is purchasing renewable energy certificates generated from PV panels installed in Keppel Offshore & Marine's Singapore yards.

These initiatives, combined with the new and emerging technologies, such as an

energy-efficient air distribution system and intelligent building control system, are part of the continuing efforts to transform KBT into Singapore's first Super Low-Energy High-Rise Existing Commercial Building. Keppel Land will continue to leverage technologies to push the boundaries for environmental sustainability across its portfolio of assets.

Meanwhile, Keppel Land has submitted its redevelopment plans for Keppel Towers and Keppel Towers 2 to the Singapore authorities.

The retail mall, i12 Katong, will undergo major asset enhancement works in 2020, which are expected to be completed in 2021. Keppel Land is also collaborating with other Keppel entities to enhance customer experience at i12 Katong, such as the inclusion of online-to-offline and last-mile solutions with UrbanFox and through working with M1 on data analytics, amongst others.

China

In 2019, Keppel Land sold about 3,400 units in China, more than the 2,240 units sold in 2018. Sales were supported by healthy demand from Waterfront Residences, Park Avenue Heights and Seasons Residences in Wuxi, Seasons Residences in Tianjin, City Park in Chengdu and China Chic in Nanjing.

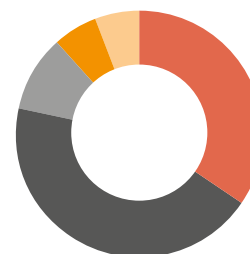
Keppel Land continued to deepen its presence in China, focusing on the Jing-Jin-Ji region, Yangtze River Delta, Greater Bay Area and the Chengdu metropolis. In 2019, it grew its commercial portfolio in Tier 1 cities in China with the acquisitions of three commercial properties in Beijing and Shanghai, and entered the Guangzhou market with the acquisition of a stake in Westmin Plaza. Following the success of China Chic, Keppel Land further expanded its presence in Nanjing, acquiring a 25% stake in a mixed-use development.

Harnessing synergies of the Group, Keppel Land collaborated with Keppel Capital to invest in prime properties with the latest acquisition of Yi Fang Tower in Shanghai. Leveraging the Group's strong track record in master development, Keppel Land, Keppel Urban Solutions (KUS) and Keppel Capital are exploring opportunities in cities where the Group has a presence. Keppel Land is also jointly working with KUS to establish a smart precinct in the Northern district of the Sino-Singapore Tianjin Eco-City.

Vietnam

In Vietnam, Keppel Land sold about 950 units in 2019, compared to 910 units sold in 2018. Sales were mainly from The Infiniti (Riviera Point Phase 1C), Palm Garden (Palm City Phase 2) and Narra Residences (Empire City Phase 4)

TOTAL ASSET DISTRIBUTION BY COUNTRY (%)
as at 31 December 2019



● Singapore	34.7
● China	43.9
● Vietnam	9.9
● Indonesia	5.9
● Others	5.6
Total	\$14.2 billion 100.0

TOTAL ASSET DISTRIBUTION BY SEGMENT (%)
as at 31 December 2019



● Property Trading	53.5
● Property Investments	44.4
● Others	2.1
Total	\$14.2 billion 100.0

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in Ho Chi Minh City (HCMC). As at end-2019, The Infiniti and Palm Garden were 93% and 98% sold respectively. Narra Residences, which was launched in December 2019, saw a strong take-up rate with 75% of its 278 launched units sold.

In January 2019, in line with its strategy to recycle assets to seek higher returns, Keppel Land divested a 70% stake in Dong Nai Waterfront City to Nam Long. With its remaining 30% stake, Keppel Land is working closely with Nam Long to develop the Dong Nai township.

Keppel Land will continue to turn its assets proactively through residential sales, en-bloc sales and divestments, while investing strategically for growth.

Keppel Land continued to expand its footprint in Vietnam during the year, acquiring a 60% stake in three land parcels in Nha Be district, Saigon South, HCMC. The three-phase project will yield over 2,300 premium apartments with ancillary shophouses, with the first phase launch expected in 2020.

In November 2019, Keppel Land and KUS broke ground for the 64-hectare (ha) Saigon Sports City. When completed, the project will yield about 4,300 premium homes located in a smart, vibrant and integrated township with a focus on sustainability, community, connectivity and innovation.

Others

In Indonesia, Keppel Land sold about 300 homes in 2019. Phase 1 of Wisteria,

Keppel Land's second joint development with PT Metropolitan Land Tbk, was launched and sold out within a day. Keppel Land expects to launch Phase 2 of Wisteria in 2020.

In India, Keppel Land sold about 250 units in Provident Park Square in Bangalore in 2019. As at end-2019, the project was 72% sold. To further scale up in India, Keppel Land entered into an agreement in 2019 with the Rustomjee Group to jointly develop an additional 7,400 homes and retail units with a total gross floor area (GFA) of about five million square feet in the 51.4-ha integrated township in Thane, Mumbai. Keppel Land also invested in Smartworks, a leading and fast-growing home-grown flexible space operator with presence across nine major cities in India.

In the Philippines, The Podium West Tower, a landmark Grade A office tower in Manila, was completed in May 2019 and the integrated mixed-use development was officially opened in September 2019 by Madam Halimah Yacob, President of the Republic of Singapore. The Podium was awarded the LEED Gold (Core & Shell) pre-certification by the US Green Building Council and is the first building in the Philippines to receive the provisional Green Mark Gold Award by Singapore's Building and Construction Authority.

Focused on Returns

Keppel Land adopts a proactive strategy to turn its assets to generate the best risk-adjusted returns.

In 2019, Keppel Land completed three divestments totalling about \$400 million, including the sale of its 70% stake in Dong Nai Waterfront City, Vietnam.

1 Riding on strong demand in HCMC, Keppel Land expanded its footprint into Nha Be district and plans to launch Phase 1 of the project in 2020.

2 During the year, Keppel Land completed nine acquisitions, including Shangdi Neo in Zhongguancun, Haidian District in Beijing, China.



Keppel Land also completed nine investments totalling about \$500 million, including residential sites in Nanjing, China and in HCMC, Vietnam; commercial properties in Beijing, Shanghai and Guangzhou, China and a commercial site in Bangalore, India.

Focused on generating higher returns, Keppel Land will continue to turn its assets proactively through residential sales, en-bloc sales and divestments, while investing strategically for growth.

MARKET REVIEW & OUTLOOK

Singapore

In 2019, Singapore's economy grew by 0.7%, the slowest pace in a decade. Singapore's residential property sector demonstrated resilience despite the slowing economy and cooling measures. The Urban Redevelopment Authority reported that about 9,900 homes were sold in 2019, 13% higher than in 2018. Overall prices also increased by 2.7%, but this was lower compared to the 7.9% growth registered in 2018.

During the year, there continued to be healthy demand for office space arising from the agile space, as well as technology, financial, consumer and industrial sectors. According to CBRE Research, average Grade A Core CBD office rent rose 6.9% year-on-year in 4Q 2019, and the vacancy rate of 3.9% was lower compared to the 5.0% in 4Q 2018. While future office demand may moderate in view of the macroeconomic uncertainties, the supply of Grade A office remains limited. As such, the office market is expected to remain stable.

Amidst the uncertain economic outlook coupled with the COVID-19 outbreak, whose effects are still unfolding, Keppel Land will continue to be on the lookout for good business opportunities in Singapore.

Overseas

Rapid urbanisation and a fast-growing middle class will continue to drive demand for high-quality homes in Asia. Riding on these trends, Keppel Land will continue to tap this demand with over 16,000 overseas launch-ready homes from 2020 to 2022.

In 2019, China's Gross Domestic Product (GDP) growth slowed to 6.1%. The People's Bank of China cut the cash reserve requirement ratio in 2019 to free up more funds to banks, and more support measures are expected to be announced.

While cooling measures have subdued transaction volumes in general, there have been varying trends across the different Chinese cities. With more stringent controls on the residential sector in Tier 1 cities, investor interest in the commercial sector has increased, underpinned by strong



local economies. Meanwhile, rapid urbanisation and a fast-growing middle class continue to drive demand for high-quality homes in Tier 2 cities. In 2020, Keppel Land will continue to watch the Chinese market closely, especially following the COVID-19 outbreak, and time the release of its 2,600 launch-ready homes across China accordingly.

In Vietnam, GDP growth in 2019 remained strong at 7%. The residential market in HCMC remains robust, underpinned by urbanisation trends and a growing middle class. Demand continued to outstrip supply in the condominium sector in 2019. According to CBRE, nearly 30,000 units were sold in 2019 compared with about 27,000 units launched in HCMC. Average selling prices of homes in HCMC increased across all segments in 2019. Meanwhile, Grade A office supply in HCMC's CBD remains limited, driving up rents by 1% in 2019.

In Indonesia, GDP growth was 5% in 2019. With the uncertainty of the presidential elections now over, investor sentiment is anticipated to improve. While the condominium and office markets are facing headwinds due to oversupply, the landed housing market remains stable.

In India, GDP growth softened to 4.9% in FY 2019/20. Notwithstanding the economic slowdown, the India

real estate market continues to remain resilient, underpinned by stable economic fundamentals in key cities.

With a pipeline of about 45,200 residential units and a total commercial footprint of 1.6 million square metres of GFA in key Asian cities, Keppel Land is well positioned to capitalise on the long-term demand for homes, office and retail spaces in its target markets.

New Business Engines

With disruptions challenging the traditional real estate business, Keppel Land is developing new business engines to cater to customers' evolving needs.

Keppel Land is growing its co-working platforms through KLOUD in Singapore, Myanmar and Vietnam as well as through Smartworks in India. Keppel Land is also experimenting with co-living concepts overseas via Waterfront Residences in Wuxi, China, and West Vista in Jakarta, Indonesia. Meanwhile, the retail mall i12 Katong in Singapore is undergoing major asset enhancements which, when completed, will offer intuitive and personalised services across a wide range of retail offerings to complement customers' lifestyles. With updated amenities and leveraging technology, the mall will also feature specially curated zones with modular learning spaces and open social areas to foster a sense of community.