

HONG KONG

REVIEW OF OPERATIONS

Kowloon - MTR Residential Project

Keppel Land is part of a consortium developing a large-scale 1,275-unit residential project at the Kowloon Station along the new MTR Airport Line. Other members in the consortium, which is led by Wing Tai, include Temasek Holdings, Singapore Land and Hong Kong Land's Lai Sun Development and Worldwide Investment.

Construction of the development is underway and is scheduled to be completed in 1999. It will only be five minutes' ride away from Central once the new MTR line is ready.



The 1,275-unit residential development, a joint venture project at the Kowloon Station.

MARKET REVIEW

Drop in residential prices in 1997

Residential prices in Hong Kong underwent much volatility during 1997. Prices rose by approximately 34% during the first half of 1997 and reached a peak in June. However, it dropped moderately after the SAR introduced its property stabilisation policy, in which it pledged to build 85,000 flats a year starting from 1999 and to increase land supply, with the aim of achieving a 70% home ownership rate in 10 years. Prices were further hit when the regional economic turmoil and soaring interest rates set in. There was uncertainty in the market, characterised by discounted property sales and a reluctance among end-users to purchase while prices were still seen to be falling. On average, residential prices have fallen by an estimated 15% to 20% since September 1997.

Sentiments improving though transactions still low

Sentiments began to improve during the first quarter of 1998 as Hong Kong's leading banks cut the prime interest rates by 25 basis points to 10%, easing mortgage interest payments. Moreover, the government's decision to defer the sale of some sites has quelled fears that an oversupply of public housing may drag down private residential property prices.

Although additional home-seekers returned to the market to shop around, there was no obvious increase in transaction volume. Homebuyers were still hesitant in the face of high interest rates and banks' tightened mortgage lending policy.

The outlook for the residential market will depend largely on the direction that prices and interest rates move. Property prices will be further affected if interest rates move upwards leading to a rise in mortgage interest payments.