

INDONESIA

REVIEW OF OPERATIONS

Jakarta - Pasadena Garden

Pasadenia Garden is Keppel Land's first residential project in Indonesia. Phase 1 was completed in late 1996. It comprises 147 condominium apartments, 50 rental apartments and full clubhouse facilities. Almost half of the condominium apartments has been sold with some of the remaining units leased. The rental apartments are enjoying good occupancy despite the difficult market conditions. Phase 2 of the project is currently in the planning stage.

The development is a joint venture with three other Indonesian partners, Yayasan Pulomas Jaya (owned by the Jakarta City government), the Gemala Group and the Ongko Group. Keppel Land has a 25% equity stake in this project.

Yogyakarta - Melia Purosani Hotel

Melia Purosani is a 296-room five-star hotel located in the heart of Yogyakarta city. It commenced operations in 1994. The hotel achieved an average occupancy of 48% in 1997. This was due to the difficult market conditions during the year which resulted in a drop in international tourist arrivals as well as competition from new international-chain hotels which opened in Yogyakarta.



Pasadenia Garden is the Group's first residential development in Pulomas, a fast growing residential district in East Jakarta.

Melia Purosani Hotel is 20% owned by Keppel Land. Its three other shareholders are Singapore Airlines, P T Suryaraya Idaman and Grupo Sol.

Bintan - Ria Bintan

Ria Bintan is an integrated beach resort spanning 447 ha of land at the north coast of Pulau Bintan. This is a joint venture with the Salim Group. Club Med Ria Bintan, the first hotel in Ria Bintan was opened in October 1997. A multitude of activities is available at the village such as archery, sailing, canoeing, tennis and swimming. Other facilities include an animation theatre, games room, karaoke lounge, a 250-capacity conference room and a 455-capacity theatre. The hotel achieved an average occupancy of 71.5% in 1997.

MARKET REVIEW

Jakarta

Over supply in the residential sector aggravated by the currency crisis and escalating interest rates

As at end-December 1997, Jakarta's apartment stock totalled 23,020 units. This was a 33% increase from mid-year which worsened the existing over supply situation. The credit crunch in the aftermath of the currency crisis in the latter part of the year, and the escalating interest rates which shot up to 30-50%, resulted in the decline in affordability demand for property. In 1997, capital values of prime apartments fell by 15% and are expected to fall further in 1998. Leased apartments however, performed better with vacancies averaging 14.6%. In South Jakarta, the preferred area for expatriates, vacancies of leased apartments averaged a low of 3.6%.

Also under construction at Ria Bintan are a 27-hole golf course designed by Gary Player and a golf clubhouse. This Phase 1 development is expected to be completed by the end of 1998.

Manado - Hotel Sedona Manado

Manado, the capital of North Sulawesi, has some of the world's most magnificent diving sites. Hotel Sedona Manado, when completed in early 1999, will have 247 rooms and suites with recreational facilities like a private swimming lagoon, swimming pool, tennis court, fitness club and other sea-sports. It also offers easy access to the diving sites. Keppel Land has a 50% equity stake in this hotel. The two other partners of this development are Singapore Airlines and the Salim Group.



Part of Keppel Land's newly completed integrated resort in Bintan, Club Med Ria Bintan has 300 rooms with breathtaking views of the sea and forest.

the first hotel in this resort is in progress. Keppel Land has a 26% equity stake in this development.

Bali - Tanah Lot Resort

Tanah Lot Resort is an integrated resort development spanning 150 ha of land along the southwestern coastline of Bali. The resort will comprise world-class hotels, resort homes and a signature golf course. In 1997, the new road leading to the Ngurah Rai International Airport was completed. This halved the travelling time from the airport to about 45 minutes. While land acquisition to expand the site is ongoing, planning for development of

Surabaya - Galleria Tunjungan

The second largest city in Indonesia, Surabaya is also the capital of East Java. Galleria Tunjungan is located on a 23,384 sm site in the heart of the Central Business District of Surabaya. Planning approval for a mixed-use development comprising a shopping mall, office and residential towers has been obtained. The first phase of this project will be the shopping mall with a rentable area of about 76,000 sm. The project is currently still in the planning stage. Keppel Land has a 80% equity stake in this joint venture with P T Pusindotrada.

MARKET REVIEW

Surabaya

Retail sector was firm in 1997 but may face over-supply in the next few years

Cumulative supply of retail space in Surabaya as at the end of 1997 was 213,000 sm, with average occupancy hovering above 90%. Rentals for specialty space in established suburban centres have stayed firm at US\$40-60 psm. However, forecasted supply of retail space over the next two years is high, with new supply exceeding another 200,000 sm if 43 projects are completed as planned. Suppressed economic growth and decrease in consumer spending are expected to exert downward pressure on occupancy.