CapitaLand

2009 SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT
Message from CEOs

<u>Ms Patricia Chia, CEO, CapitaLand Residential Singapore</u>

“We are encouraged by the strong buying interest in the first half of this year for several mass-market to mid-tier residential launches. Buyers are taking a position to benefit from the long-term upside potential of the market. Buying interest will continue to be focused on projects that are well-located.

“The Wharf Residence, located within the River Valley Conservation Area, received strong buyer response and we have sold about 95% of the 173 apartments to-date. At The Orchard Residences, we have also sold about 83% of the 175 apartments.

“In the second half of 2009, CapitaLand will have over 1,000 units launch-ready. We are working with the internationally renowned Office for Metropolitan Architecture to redevelop this large-scale site in the lush Southern Ridge area into an innovative lifestyle destination with 1,000 apartments. In addition, we will also be developing 165 resort-styled apartments with Kerry Hill Architects on the former Char Yong Gardens site. The apartments, set in a tranquil oasis that contrasts with the bustling surroundings, are set to capitalise on the makeover of the Orchard Road precinct.

“While we will have over 1,000 units launch-ready in the second half of 2009, we can afford to pace the release of these new projects as CapitaLand is in a very strong financial position. This gives us quite a lot of flexibility in planning launches. In this market where we have strong pre-sales, we will time our launches at the appropriate windows to optimise the value of the projects and potential return to shareholders.

“We are also comfortable with our healthy residential pipeline of approximately 4.5 million square feet of gross floor area (including joint venture partners’ stakes). As a real estate developer, CapitaLand will be interested in any well-located and attractively priced site available.”

Ee Chee Hong, CEO, CapitaLand Commercial

“The Singapore office and industrial property markets have been susceptible to the global financial crisis and weakening of the local economy. Grade A and prime office rentals have contracted in three successive quarters. Although further downward pressure on rents is expected given the continuing economic challenges, the pace of decrease has eased and this trend is likely to continue for the rest of 2009. With new supply coming on stream from now till 2013, market vacancy rates are expected to rise. Notwithstanding these challenges, we will continue to manage our portfolio through proactive leasing, cost-saving, risk management and value add to tenants to build on our customer relationships.

“In other parts of Asia like Vietnam, although the general economics and real estate market have proved to be challenging, we are heartened by recent positive signs. Real estate land prices remain firm and the latest property launches have generated interest from genuine homebuyers. For our maiden residential project in Vietnam, The Vista in Ho Chi Minh City, sales are progressing well, which is testament to the quality of the project. Construction works at the site are also on track. For the rest of 2009, we will be focusing on our new residential project located in Hanoi, a prime 2.4-hectare site with approximately 1,500 units located in the city’s new Central Business District.

“We were fortunate to have divested most of our office assets over the last two years in a rising market, yielding attractive gains. As our business is cyclical in nature, we are in a good position to reconstitute our portfolio in this down cycle. Looking ahead, we will continue efforts to monetise non-core assets and redeploy capital that we have recycled over the last few years for new acquisitions to enhance our portfolio over the next two to three years.”

Lim Beng Chee, CEO, CapitaLand Retail

“Despite the continued uncertainty of the global economy, CapitaLand Retail’s portfolio of quality malls, which cater to the day-to-day shopping needs of local populations, have been resilient in tough times and will outperform when conditions recover.

“The gradual return of consumer confidence and sentiments in Singapore is observed with sales receipts at our malls registering a slower year-on-year decline in 2Q2009 (3.1%), compared to the quarter before (3.4%). Shopper traffic had also risen by 2.2% over the previous quarter.

“Development of new malls remains as a major component of our long-term value creation. And in this challenging environment, the successful completion and opening of ION Orchard on 21 July 2009 is an outstanding achievement. The iconic shopping destination in Singapore is well-committed with 96% of the mall leased, and 70% of its tenants new-to-market brands, well above its 60% target.

“Three malls were also completed and opened in China since the start of 2009, bringing the total number of operational malls in the country to 31. Another seven malls are scheduled to open by the end of this year and 20 more are under construction. Our footprint of 58 retail malls in China will be in good stead to ride on the growth of China’s economy as it recovers under the government’s stimulus measures and anticipated boost to domestic consumption.

“Our presence in India took shape with the opening of our first mall, Forum Value Mall Whitefield, in Bangalore on 18 June 2009. Malaysia has been relatively less affected by the global credit crisis and the malls are expected to perform within expectations. In Japan, we take a more conservative stance and will focus on strengthening of our existing operations there as the economy continues to face challenges.”

Lim Ming Yan, CEO, The Ascott Group

“In the first half of this year, we opened seven new properties, secured three management contracts and won a total of 11 accolades. Besides launching our first Citadines properties in Singapore and Japan which are both well received, we expanded our presence in China with the opening of our second property in Tianjin in June, and another two properties in Chongqing and Shenzhen on 1 July. We also opened two INSEAD residences in France after we clinched the management contracts from the leading graduate business school. In addition, we secured a management contract for the premier Ascott Shanghai near the famous Xintiandi.

“While the economic downturn has impacted the hospitality industry worldwide, the serviced residence market is more resilient compared to hotels as we cater mainly to extended stay travellers. Business has picked up since the first quarter of this year. Our properties in countries like Vietnam, Philippines, Malaysia, Indonesia and Korea continue to perform well.

“We expect to open another six properties in the second half of this year, which will increase our operating income, and management fees. Moving forward, Ascott will continue to grow its fee-based income by securing new management contracts and maximising the asset yield of our current properties through active yield management and cost containment measures. Ascott will also continue with the strategy of reconstituting its asset portfolio and optimising returns through divestments and selective investments.

“2009 is a significant year for Ascott. We are celebrating our 25th Anniversary since we opened Asia Pacific’s first international-class serviced residence property in Singapore in 1984. Our Citadines Apart’hotel brand also started operations in Europe the same year. To reward our customers, we are running special promotions globally, including the unprecedented grand prize of free stays for one for the next 25 years.

“Together, we aim to report a meaningful 25th Anniversary year for Ascott and stay ahead of the pack as the world’s largest international serviced residence owner-operator.”

Wong Heang Fine, CEO, CapitaLand Integrated Leisure, Entertainment and Conventions

"The global economic downturn, credit crisis and the drop in oil prices have affected the various markets in the Gulf Cooperation Council region and present several challenges for our integrated developments in Bahrain and the United Arab Emirates, namely Raffles City Bahrain in Manama and Arzanah in Abu Dhabi.

"To deal with these challenges, we have put in place several initiatives like deferring residential sales campaigns till sentiments improve and balancing project works at hand with the cash flow available. In the meantime, design development works are continuing for Raffles City Bahrain as we refine the designs to better suit changing market demand caused by the credit crunch. For Abu Dhabi, together with our partner Mubadala, we remain committed to developing a landmark integrated development around the iconic Zayed Stadium. Our current focus is on construction and sale of Rihan Heights residential units which is Phase 1 of Arzanah.

"We will continue to monitor the market closely as the region is expected to pick up again after the summer holidays and Ramadan season."

Lui Chong Chee, CEO, CapitaLand Financial

"We manage five REITs and 17 private equity funds with assets under management of more than S$25 billion. With the continuing economic downturn, strategic capital management and active cash flow management remain our priority for 2009. Several CapitaLand-sponsored REITs embarked on fund raising efforts in the first half of 2009 and they are now well-capitalised. The recent rights issues of CapitaMall Trust and CapitaCommercial Trust were positively received by the market, raising S$1.23 billion and S$828.3 million respectively. In this challenging environment, we will continue with our prudent approach in managing our cash flows while at the same time balancing the pace of project development works and new investments.

"The majority of our real estate private equity funds have been substantially drawn down. Generally, our pool of private fund investors has fulfilled their capital commitments and we remain confident that the bulk of these investors will continue to meet their commitments for the rest of the year. Most of our investors are long term players such as sovereign wealth funds, state pension funds and insurance companies – all with strong balance sheets – as well as high net worth individuals. Despite the tight credit environment, we continue to see interest for real estate related funds and joint ventures.

"Looking ahead, we will proactively engage our pool of investors while building up the CapitaLand brand in order to grow our portfolio of real estate financial products and services, with continued focus in Asia-Pacific."

Jason Leow, CEO, CapitaLand China Holdings

"CapitaLand has been operating in China for 15 years. Today, we are one of the leading international real estate companies in the country. China remains a core and growing market for the Group.

"In the residential sector, market sentiments have been improving and industry-wide residential sales have been increasing since early this year. In 1H2009, there was strong buyer response to CapitaLand's residential launches, namely The Riveria, Riverside Ville and Beau Residences in Foshan, and The Loft in Chengdu. In Shanghai, Westwood Green (East) received good response from buyers. In Hangzhou, ongoing sales of CapitaLand's I-World residential development have also been strong and the development has been fully sold. In Ningbo, the first two phases of Summit Residences were fully sold and we are seeing good sales for the recently-launched third phase. For 2009, we expect sales to reach 2,000 homes.

"Our strategy is to progressively time the release of residential projects for sale according to market conditions. In 2H2009, we plan to launch projects in Beijing, Chengdu, Foshan and Ningbo, including Beaufort, a new residential development in Beijing.

"In June, we successfully opened the retail mall of Raffles City Beijing with strong lease commitments and launched the 'Raffles City' brand in Ningbo, our fifth such integrated development in China after Shanghai, Beijing, Chengdu and Hangzhou. Raffles City Shanghai continues to perform well and is a popular shopping destination in the city. Construction has begun for Raffles City Chengdu and Raffles City Ningbo while planning and design works have commenced for Raffles City Hangzhou.

"Given our strong balance sheet and low level of landbank in our pipeline, CapitaLand is well-positioned to take advantage of the current market to replenish land supply and continue building its franchise in China. The strategic co-operation agreements we signed in June with two established Chinese banks for a credit limit allocation of up to RMB25 billion will help support the Group's growth plans across China.

Bob Johnston, Managing Director & CEO, Australand Holdings

"Despite the difficult market conditions experienced during the period, all divisions contributed to the operating profit. We also successfully executed on our key strategies and priorities in the first half of the year, ensuring that all refinancing requirements were met in what has been a very challenging environment. Securing three new finance facilities along with the full repayment of the A$563 million of CMBS notes and the extension of the Multi-Option Facility were significant achievements for Australand.

"Our Investment Property portfolio has continued to perform well with strong occupancy of 99%. Development activity for both the Residential and Commercial & Industrial divisions however, was curtailed during the first half to maintain balance sheet strength and liquidity. This prudent approach coupled with the challenges being faced across the property sector has led to a decline in earnings and the impairment of inventory for both divisions.

"On 27 July, we announced a non-renounceable pro-rata entitlement offer to raise approximately A$475 million. The equity raising will significantly enhance Australand's competitive position and provide flexibility to take advantage of opportunities for each of our divisions and to reposition the business for the longer term. The underlying fundamentals for each of our divisions are sound and as economic conditions improve we want to ensure that we are well positioned with a strong balance sheet to participate in the recovery.

"It is expected that the remainder of 2009 will continue to be challenging. However, there are signs of stabilisation emerging in each of our major markets which should see conditions improve in 2010."

Issued by: CapitaLand Limited (Co. Regn.: 198900036N)
Date: 30 July 2009

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