

REVIEW OF OPERATIONS

Sales of the joint venture developments at Tai Kok Tsui Phases 1 and 2, are also progressing well with the developments being approximately 86% and 46% sold, respectively, as at 31 December 2000. At the year end, Island Harbourview, Park Avenue and Central Park had 303, 513 and 1,068 units, respectively, remaining available for sale in the coming year.

INVESTMENT PROPERTIES

Gross rental revenue from investment properties in 2000 amounted to HK\$465 million (1999: HK\$476 million). In accordance with its accounting policies, the Group conducted a revaluation of its investment properties at the year end.

The addition of Aigburth, a luxury development located adjacent to Tavistock II, to the Group's investment portfolio has helped to reinforce its recurrent income base. Aigburth comprises sixty standard apartments measuring between 2,980 square feet and 3,080 square feet. It has four single floor apartments and a top floor duplex penthouse. It is leasing well with the building being approximately 89% leased as at 31 December 2000.

Construction of Olympian Tower and Olympian City 1, being the office block and the commercial podium in the Phase 1 development of the Tai Kok Tsui project, was also completed during the year. These properties add a total of approximately 88,000 square feet to the Group's investment property portfolio and will help to further strengthen the recurrent rental income base.

Apart from the exceptional location and quality of its properties, the Group also strives to provide its residents with the best professional building management services through Kerry Property Management Services Limited. These include a wide array of home services such as insurance, daily newspaper, housekeeping services and experienced licensed technicians to look after repairs and maintenance needs of the apartments. Security in the Group's developments is also enhanced by the use of advanced CCTV system and a computerised security checking schedule whenever possible.



Aigburth lobby



REVIEW OF OPERATIONS

In view of the above, the Group continues to generate strong recurrent rental income from its investment properties and has maintained good leasing results with average occupancy rates for the entire portfolio being approximately 97% at the year end.



Ocean Pointe Living Room

DEVELOPMENT PROPERTIES

The occupation permit of Ocean Pointe in Sham Tseng was issued in December 2000 with the public launch of the project commencing subsequent to the year end on 20 February 2001. The entire project is expected to be completed in early 2001.

Ocean Pointe offers a total of 560 units comprising 329 two-bedroom apartments with a multifunction room and 227 three-bedroom apartments ranging from 888 square feet to 1,088 square feet, respectively. In addition, there are 4 duplexes measuring 2,130 square feet.

The unique half-moon design of the development provides its residents with a breathtaking view of the Tsing Ma Bridge. In line with the Group's practice in providing the best possible materials in its developments, specially selected marble from Turkey was imported to create an impressive luxury ambience for its residents. The spacious 50,000 square feet outdoor podium roof complex and the 20,000 square feet clubhouse also provide the residents with a wide range of facilities ranging from golf driving range, barbecue area to gymnasium and jacuzzi. In addition, the provision of a high-tech building management system, specially designed intranet and broadband internet access with dedicated bandwidth incorporated into every unit, all form part of Ocean Pointe's 21st Century appeal thus providing a spacious, relaxing and delightful environment for those who desire the best.



Tai Po Kau Interactive Nature Centre

REVIEW OF OPERATIONS

To meet customer needs and enhance the value of all the Group's buildings, the Group is planning to provide all new developments with broadband telecommunications infrastructure supported by intelligent building management services. This idea will then be implemented in existing buildings with a longer term objective of building a virtual community amongst the Group's developments in order to form a sizeable customer base for e-commerce.

The construction of the structural frames for the residential towers of Constellation Cove in Tai Po Kau are in progress. Finishing works to the apartments and houses have also commenced whilst construction of the underground drainage works and landscape deck are in progress. Constellation Cove offers twelve 9 storey apartment blocks with a total of 208 apartments, 50 detached houses and 28 duplex villas. The completion of the apartments and houses are expected by the end of 2001. The recreation park named Tai Po Kau Interactive Nature Centre (the "Centre") was completed and fully operational at the year end.



Constellation Cove



Tai Po Kau Interactive Nature Centre, Museum of Ethnology

The Group works closely with local environmental associations to promote awareness and knowledge in relation to environmental conservation issues. The Centre consists of the first interactive ethnological museum in Hong Kong, Museum of Ethnology, "Ethnic Village", an outdoor park, activity area and a multifunctional building. The presence of a mangrove swamp and rare species trees makes it an ideal place for such a nature park.

Phase II of Enterprise Square, a 27 storey industrial office building constructed on NKIL 6204 in Kowloon Bay, is nearing completion and is awaiting sales consent. The development is specifically designed to cater for the high tech requirements of its tenants with pre-installed optical fibre and broadband network. Certain floors in the building are also equipped with dual power supply and thus can be suitable for use as data centres. Incorporating a hotel-style lobby and other facilities such as flexible air-conditioning and advanced CCTV systems to meet different tenants requirements, the Group is confident that the property will be well received when launched. The structural frame of the development is completed up to the roof and external finishes are in progress. The project is expected to be completed by the second quarter of 2001.



Enterprise Square 2 lobby

ACQUISITIONS AND FUTURE PLANS

In April 2000, the Group accepted a land premium offer of HK\$688.14 million from the Government for the Ava Mansion project. The premium was paid to the Government in June 2000. Demolition has been completed and design work for the residential tower is in progress.

Ava Mansion, is located at the prestigious address of 3 Tregunter Path, Mid-Levels, adjacent to another of the Group's luxury residential buildings, Branksome. The Group has made use of the unutilised plot ratio in the Branksome site to maximize its land use to build Ava Mansion.

The site area of the proposed development is approximately 78,790 square feet with buildable gross floor area of approximately 142,848 square feet. The development will comprise a 39 storey

luxury residential building with ancillary carparks and clubhouse facilities offering panoramic sea views of the city and the harbour. Ava Mansion, when completed, will provide 68 apartments inclusive of 2 duplex penthouses with unit sizes ranging from 2,230 square feet to 5,400 square feet. Each penthouse will have an exclusive swimming pool.

The two industrial office sites in Kowloon Bay NKIL 5927 and NKIL 5877 have been rezoned to "Business Use" under the draft Outline Zoning Plan gazetted on 19 January 2001. These two sites are planned to be developed into Enterprise Square phases three and four. Construction of phase three will start this year providing 553,872 square feet of commercial and office space. Phase four which is still under the planning stage would provide approximately 1.6 million square feet when completed.

The Enterprise Square Developments will become a cluster of quality offices and retail complexes establishing a unique high tech grade A commercial community of its own in Kowloon Bay. These developments when completed, are expected to be amongst the best available office properties in the Kowloon Bay area.

The land exchange and land premium negotiations for the 1 million square feet Hoh Fuk Tong Redevelopment Project is expected to be settled by end 2001. The development will be completed in phases to 2007.

The Town Planning Board confirmed the Residential Zoning for Ap Lei Chau Inland Lot No. 129 and the relevant Executive Council approval was received in February 2001. The Group acquired this site in August 1999 and the Group's share of gross floor area of this development is 328,532 square feet. This site is intended to be developed into a residential project.

In August 2000, the Group acquired a 50% interest in Tsuen Wan Town Lot 404 at auction jointly with Sino Land Company Limited for HK\$292 million. The site area of this residential development is approximately 75,025 square feet with buildable gross floor area of approximately 225,066 square feet. Site investigation works have commenced and the conceptual design for the development is being finalised with completion expected in late 2003.

The Group's total property portfolio in Hong Kong is approximately 7.6 million square feet. The gross asset value of the Group's properties in Hong Kong was approximately HK\$19,847 million (1999: HK\$20,293 million) as at 31 December 2000 comprising HK\$14,842 million (1999: HK\$15,157 million) and HK\$5,005 million (1999: HK\$5,136 million) of residential and commercial properties, respectively.