

OPERATIONS REVIEW

Hong Kong Commercial Properties

(a) Completion of acquisition of additional interest in Citibank Plaza Joint Venture and sale of office premises in Great Eagle Centre

In March 1999, we contracted to acquire a 10% interest in the Citibank Plaza consortium and to sell 92,000 square feet of office premises in Great Eagle Centre. The transactions were completed simultaneously on 30th June 2000.

(b) Rental Income for the year ended 31st December 2000

	Group's Interest	Gross Floor Area (sq.ft.)				Parking Spaces	Gross Rental Income (HK\$ million)
		Office	Commercial	Residential			
Citibank Plaza	85.93%	968,000	49,000	–	537	448.04	
	100%	70,000	–	–	3	29.54	
Great Eagle Centre	100%	193,000	77,000	–	296	93.86	
Astor Plaza	100%	–	70,000	–	–	5.65	
Concordia Plaza	100%	28,000	–	–	5	4.49	
Convention Plaza	100%	–	–	10,000	–	1.75	
Apartments							
						583.33	



(c) *Occupancy and Rental Trend*

	Occupancy at 31st December 2000		
	Office	Commercial	Residential
Citibank Plaza			
85.93%-owned Portion	95.7%	100.0%	–
100%-owned Portion	96.2%	–	–
Great Eagle Centre	98.3%	98.4%	–
Astor Plaza	–	10.3%	–
Concordia Plaza	100.0%	–	–
Convention Plaza Apartments	–	–	86.3%

Occupancy rates of offices in Citibank Plaza and Great Eagle Centre improved significantly during 2000 once the overhang of competing new supply of the previous two years had been absorbed. Faced with a drastically lower level of new Grade-A supply for the year, while demand continued unabated, the office leasing market quickly improved. Inducements to tenants which had been prevalent in 1999 were substantially cut back, resulting in much higher effective rental rates. The rise in rental rates gathered pace in the second quarter of 2000. For the full year, effective rental rates for prime office space had increased by 60-70%. For 2001, the projected supply of new Grade-A space will again be at one of

the lowest levels in a decade. There should be room for further increases in rental rates.

The commercial portion of Citibank Plaza was fully let during the year though the rental income had been hampered by the weak performance of one of the restaurant tenants. In early 2001, we replaced it with a stronger restaurant operator to boost performance and to provide a better catering service to office users. Occupancy of the shops in Great Eagle Centre remained at a high level and rental income was also stable. We terminated most of the leases in the Astor Plaza during 2000 to allow a complete renovation and repositioning of the shopping arcade.



U. S. Commercial Properties

	Occupancy at 31 December 2000	Floor Area (sq.ft.)		Parking Spaces	Gross Rental Income (US\$ million)
		Office	Commercial		
Pacific Wilshire Plaza	100%	117,000	1,000	274	3.66
Metropolitan Tower	N/A	265,000	4,000	89	7.62
Pacific Ygnacio Plaza	100%	121,000	–	379	2.91
353 Sacramento Street	100%	297,000	10,000	–	8.74
					22.93

The year 2000 was an excellent year for our US office properties. The strong US economy resulted in a strong real estate market. All our assets enjoyed very high rates of occupancy during the year. In addition, as their rental rates are below current market rates, their income should be well-shielded from the effects of a slowing US economy in 2001.

In December 2000, the Group completed the sale of the offices at Metropolitan Tower, Manhattan, New York for US\$73 million. The proceeds were used to fund part of the US\$102 million acquisition cost of another Class-A office building at 150 Spear Street in San Francisco in January 2001. This will allow us to capture the higher yields available in the San Francisco market. This 18-storey, Class-A office building of 256,000 square feet is located in the financial district and was over 99% occupied by strong tenants as at 31st December 2000.

