AIG Tower Investment

AIG Tower is located on one of the very rare 999-year leasehold (which is tantamount to freehold) office sites in Central, Hong Kong. This is generally not a well-known fact. The Grade A AIG Tower was valued at about HK$10,600 psf on a completed basis by professional valuers, Knight Frank (Services) Limited, about three months ago, in December 2002.

Recent transactions of HK$6,000 to HK$7,000 psf were for strata-titled 50-year leasehold buildings in Central and Admiralty, Hong Kong. One cannot compare a Grade A 999-year leasehold property in a prime harbourfront location with 50-year strata-titled properties and expect similar valuations. Generally, strata-titled properties are of lower quality.

In real estate, certain properties, by virtue of their characteristics, such as prime location, quality and long tenure, will always hold their value well.

AIG Tower stands in this category. Given its 999-year leasehold status and prestigious location at 1 Connaught Road in Central, at the heart of Hong Kong's business district, AIG Tower is a rare premium asset. AIG, our international partner, is a well-known global real estate player. We are happy to be partners in taking an additional stake in AIG Tower.

On the financial terms, the recent acquisition of an additional 20% stake in AIG Tower works out to an average of HK$8,000 psf of gross floor area on a completed basis. This represents a 25% discount on valuation. This recent transaction at HK$8,000 psf is an opportunistic acquisition and therefore attractive for CapitaLand. On the whole, the average price of the partners' combined stake works out to about HK$9,000 psf on a completed basis, which is still below Knight Frank's recent HK$10,600 psf valuation.

Based on the above, there is currently no need for a write-down. Any external estimates regarding write-downs are conjecture and premature. Generally, CapitaLand's practice is to review the value of its investment properties annually. The next valuation of AIG Tower is expected to be done at the end of 2003.