

# GROUP PROFILE

*The Great Eagle Group is one of Hong Kong's leading property and hotel companies, with an experienced management team known for its track record in evaluating and capitalising on cycles in property markets.*

*Headquartered in Hong Kong, the Group develops, invests in and manages high quality office, retail, residential and hotel properties in Hong Kong, North America and Europe. Its core commercial properties comprise 1.36 million square feet of Grade-A office space in the prime commercial districts of Hong Kong. It is also developing a 1.76 million square feet office, retail and hotel complex in the prime shopping district of Mongkok, Kowloon. In the United States, it owns or has investment interests in five office buildings with a total floor area of 850,000 square feet. The Group's extensive hotel portfolio currently comprises seven properties with over 4,000 rooms, including two Great Eagle branded and managed hotels in Hong Kong and five luxury hotels in London, Toronto, Boston, Melbourne and Auckland managed by a variety of leading hotel names. An experienced asset management team from Great Eagle oversees the portfolio to enhance performance. The Group is also active in property management and maintenance services as well as building materials trading.*

*The Group was founded in 1963 in the form of The Great Eagle Company, Limited, which listed on the Hong Kong Stock Exchange in 1972. In 1990, Great Eagle Holdings Limited, a company incorporated in Bermuda, became the listed company and holding company of the Group.*

*The Group had a net profit of HK\$623 million (approximately US\$80 million) in financial year 2000 and a net asset value of HK\$17,392 million (approximately US\$2,230 million) as of 31st December 2000.*

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## CORPORATE INFORMATION

### DIRECTORS

LO Ying Shek,

*Chairman and Managing Director*

LO To Lee Kwan

LO Ka Shui,

*Deputy Chairman and  
Managing Director*

LO Kai Shui,

*Deputy Managing Director*

Brian Shane McELNEY

CHENG Hoi Chuen, Vincent

WONG Yue Chim, Richard

LO Hong Sui, Antony

LAW Wai Duen

LO Hong Sui, Vincent

LO Ying Sui, Archie

KAN Tak Kwong

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited

Citibank, N.A.

Hang Seng Bank Limited

### SOLICITORS

Johnson, Stokes & Master

Clifford Chance

Robin Bridge & John Liu

### AUDITORS

Deloitte Touche Tohmatsu

### SECRETARY

TSANG Yiu Wing, Peter

### PRINCIPAL REGISTRARS

Butterfield Corporate Services Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

### HONG KONG BRANCH REGISTRARS

Central Registration Hong Kong Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

### REGISTERED OFFICE

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

### PRINCIPAL OFFICE

33/E, Great Eagle Centre

23 Harbour Road

Wanchai

Hong Kong

### WEBSITE

<http://www.greateagle.com.hk>

## FINANCIAL HIGHLIGHTS

For the year ended 31st December 2000

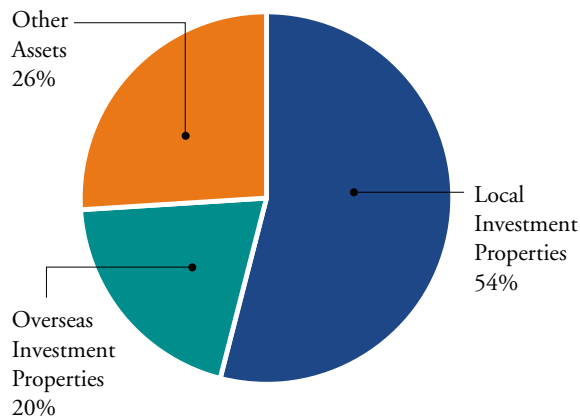
	<b>2000</b> <i>HK\$'000</i>	1999 <i>HK\$'000</i>	<i>Change %</i>
TURNOVER	<b>2,899,181</b>	2,888,827	<b>0%</b>
PROFIT BEFORE TAXATION	<b>763,247</b>	811,251	<b>-6%</b>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<b>622,953</b>	645,324	<b>-3%</b>
EARNINGS PER SHARE	<b>\$1.13</b>	\$1.18	<b>-4%</b>
DIVIDEND PER SHARE	<b>\$0.30</b>	\$0.30	<b>0%</b>
SHAREHOLDERS' FUNDS	<b>17,391,919</b>	15,807,493	<b>10%</b>
FIXED ASSETS	<b>27,961,846</b>	26,812,302	<b>4%</b>
TOTAL ASSETS	<b>29,291,891</b>	28,032,514	<b>4%</b>

## EMPLOYMENT OF ASSETS

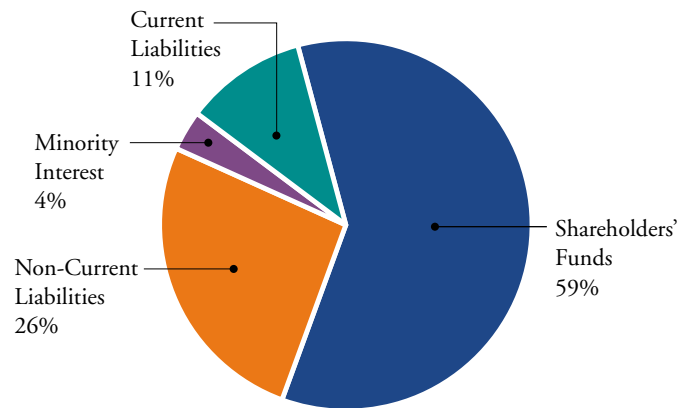
For the year ended 31st December 2000

### Assets Employed

(Total Assets HK\$29,292 Million)

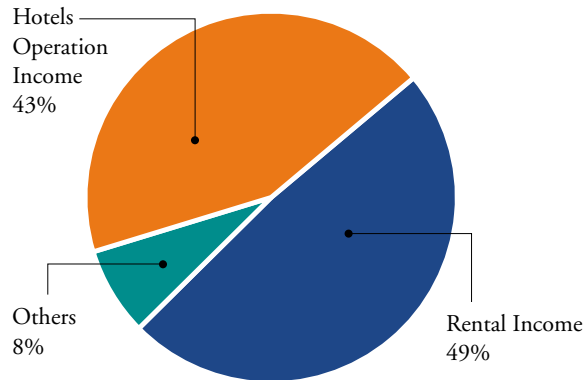


### Financed By

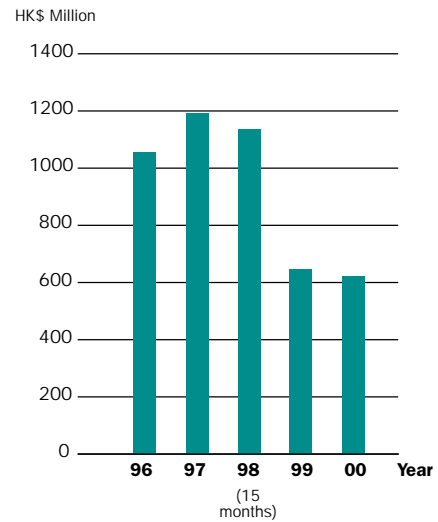


## PROFIT FROM OPERATIONS

(HK\$1,235 Million)



## PROFIT ATTRIBUTABLE TO SHAREHOLDERS



THE YEAR 2000  
SAW A SIGNIFICANT IMPROVEMENT IN  
*Great Eagle's*  
BUSINESS FUNDAMENTALS  
AND PROSPECTS



Our strong recurrent income base enabled us to turn in a steady financial performance. We have seen upward momentum in our rental and hotel revenue in the second half. The Hong Kong office market recovered strongly, with rentals for Grade-A space climbing sharply during the year as vacancy rates fell. This began to benefit the Group, as the pattern of rental reversions shifted in our favour in the second half. Occupancy at our hotels in Hong Kong also rose to very high levels, permitting a modest increase in average room rates. Our overseas hotels remained highly profitable overall.

This sets the scene for an upcycle in our businesses beginning in 2001. We expect this upcycle to gather pace on the back of Hong Kong's economic recovery. China's eventual entry to the World Trade Organization will further boost demand for Hong Kong offices and hotels. In the meantime falling interest rates will reduce our finance cost.

In addition, foundation work forged ahead at our large Mongkok development which, when complete, will constitute a dynamic urban commercial centre in one of the busiest shopping districts of Hong Kong. The project will increase our Hong Kong property portfolio by 78% when it is completed in the fourth quarter of 2003.

## DIVIDENDS

The Board has resolved to recommend to Shareholders at the forthcoming 2001 Annual General Meeting (the “2001 AGM”) the payment of a final dividend of HK20 cents per share for the year ended 31st December 2000 (1999: HK20 cents per share), to be satisfied by way of a scrip dividend with a cash option, to Shareholders whose names appear on the Register of Members on 9th May 2001. Together with the interim dividend of HK10 cents per share paid on 24th October 2000, on the assumption that every Shareholder elects to receive all final dividend in cash, the total dividend for the full year will be HK30 cents per share (1999: HK30 cents per share), amounting to not less than HK\$165,626,572 (1999: HK\$163,981,458).

Subject to the approval of Shareholders at the 2001 AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the new shares to be allotted and issued pursuant to the proposed distribution of a scrip dividend mentioned herein, each Shareholder will be allotted fully-paid shares having an aggregate market value equal to the total amount which such Shareholder could elect to receive in cash and will be given the option to elect to receive payment partly or wholly in cash instead of the allotment

of shares. Dividend warrants and share certificates in respect of the proposed dividend are expected to be despatched to Shareholders on or about 11th June 2001. Full details of the scrip dividend will be set out in a letter to be sent to Shareholders together with a form of election for cash soon after the 2001 AGM.

## OPERATIONS

### *Office Properties*

The Group’s office properties in Hong Kong saw rising levels of occupancy. At year-end 2000, occupancy at Citibank Plaza and Great Eagle Centre had reached 96% and 98% respectively.

The continuing recovery in the Hong Kong economy has been the main factor behind falling vacancy levels. The office market also benefited from a surge in demand from information and technology companies. Although our own exposure to this sector is limited, these companies absorbed much of the inventory in peripheral locations, contributing to lower vacancy rates for Grade A offices in prime districts.

At the same time, the heated price war that had been prevalent throughout 1999 among owners of major new office buildings in Central began to subside as those buildings became fully let. This allowed rental rates to begin increasing strongly in the second quarter of 2000.



The benefits of this favourable trend were not reflected in the financial performance of our office properties in 2000, partly owing to the rental reversion patterns of the existing tenancies, and the lag in time before increased market rents translate into higher rental income. However the reversion pattern has turned favourable in the second half of 2000, which should lead to an improved operating income from our office properties in the 2001 financial year.

Our office portfolio in the United States has again performed very well in 2000, with all buildings close to full occupancy. The Metropolitan Tower in New York was sold in December 2000 and another office building, 150 Spear Street in San Francisco was acquired in January 2001, to capture the higher yields available in the latter's market.

### **Hotels**

Our hotels in Hong Kong continued the recovery that began in late 1999. Occupancy at the Great Eagle Hotel jumped to 83% in 2000 from 71% in 1999, while average room rates edged up. At the Eaton Hotel, occupancy reached 88.5% in 2000, up from 83.8% in the previous year, and average room rates also rose.

High levels of occupancy and favourable room rates continued at our

overseas hotels. The Langham Hilton in London, Delta Chelsea Hotel in Toronto and Le Meridien Boston and Sheraton Melbourne all reported modest increase in net operating income, although Sheraton Auckland showed a small decline. The overall satisfactory performance continues our solid track record overseas since our first investment in the Langham Hilton in 1996. Not only have these hotels generated good recurrent income, their capital values have also appreciated substantially.

### **Mongkok Project**

Following the completion of Land Grant formalities in February 2000, construction of the foundations of the Mongkok project is well underway and should be completed in the latter part of 2001. The entire project is scheduled for occupation towards the end of 2003. This project will add 1.76 million square feet of prime entertainment/shopping, office and hotel facilities, enlarging our Hong Kong property portfolio by 78%. By creating a dynamic new centre in the most popular shopping district in Kowloon, we are confident of achieving favourable returns on the project.

The total expenditure incurred in relation to the project, including property acquisition, land premium,

construction and interest capitalised amounted to HK\$6,012 million as of year end 2000. In August 2000, we successfully arranged a HK\$5,100 million six-year term loan, which should be sufficient to fund the cost-to-complete as well as related financing costs.

### ***e-Business***

During the year we made certain investments in Internet-related start-up businesses. All are at early stages of development. In view of the uncertain business prospects for e-commerce and the drastic reduction in valuations for information and technology companies, we have prudently made provisions totalling HK\$33 million in our 2000 income statement against some of these investments. We have taken steps to contain further exposure to these investments. Their negative impact on our profits in future years will not be significant.

### ***Financing***

Ample liquidity in the Hong Kong commercial banking market has enabled us to obtain significantly more favourable financing terms. In December 2000 we were successful in refinancing Citibank Plaza with a HK\$3,600 million facility at a significant reduction in interest spread as compared with the old facility. With 66% of our borrowings in the form of

floating-rate debt, the recent rapid decline in global interest rates will also lead to substantial financing cost savings for us in the coming year.

We are committed to maintaining a prudent financial structure.

Consolidated net attributable debt amounted to HK\$8,906 million as of 31st December 2000. Overall gearing ratio was 51%, the bulk of which was attributable to our overseas investments. The higher debt levels of the overseas properties are comfortably supported by their generally higher yields. The borrowings against these properties are all in their respective local currencies so as to mitigate exchange rate risks. Our Hong Kong assets have remained lowly geared.

Our current liabilities as of 31st December 2000 included outstanding convertible bonds of HK\$1.2 billion equivalent. We have arranged sufficient long-term funding to redeem the bonds when they mature in April 2001.

### **OUTLOOK**

We are very confident of the prospects for our Group in the coming year. Although the unsettled equity market in the United States may in the short term indirectly affect the growth in demand for Grade-A office space in

Hong Kong, the very low levels of new supply in 2001 and 2002 will lend support to rental rates. At current rate levels, positive rent reversions on our prime Hong Kong offices will gather pace in the coming two years. For our hotels, persistently high levels of occupancy in Hong Kong should result in further increases in room rates for 2001, which in turn will benefit our earnings. Income from our overseas hotels should also remain robust, although the rates of growth have slowed as some of the markets appear to have peaked. We are selectively examining proposals to divest some of these assets to realise gains and fund possible investments in Hong Kong. At the same time, our financial costs in 2001 will benefit from the sharp downward trend in global interest rates. All in all, the outlook for the coming year is generally favourable.

Finally, I would like to take this opportunity to thank all my fellow Directors and staff members for their contribution and loyal service provided to the Group in the past year.

### **LO Ying Shek**

*Chairman*

Hong Kong, 13th March 2001



HONG KONG & OVERSEAS

# Offices

*O*ccupancy rates  
in Citibank Plaza  
and Great Eagle  
Centre improved  
significantly.

*R*ental rates  
increased by 60-70%.

### 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.





HONG KONG & OVERSEAS

# *Hotels*

*O*ur hotels in  
Hong Kong continued  
their recovery.

*S*teady performance  
at our overseas hotels.

## *Hotels and Furnished Apartments*

Total revenue of the Group's hotels for Year 2000 amounted to HK\$1,763.4 million, made up of HK\$421.1 million and HK\$1,342.3 million from Hong Kong and overseas operations respectively. Total EBITDA amounted to HK\$548.7 million, a growth of 11% over 1999.

### **HONG KONG OPERATIONS**

The Hong Kong economy recovered strongly in Year 2000 from a low base in 1999. Visitor arrivals for the year surpassed 13 million, an increase of more than 15% over 1999. There were no significant additions to the inventory of hotel rooms during the year. Our Hong Kong hotel operations have benefited from these positive factors.

#### ***Great Eagle Hotel, Hong Kong***

This 5-star hotel completed the refurbishment of all guest rooms, the ballroom and public areas during 2000. The average room occupancy in 2000 jumped to 83% from 71% in 1999. The average room rate also increased moderately from HK\$767 to HK\$798. The resulting improvement in Revenue Per Available Room in turn led to a 56% increase in Net Operating Profit for the hotel in 2000.

#### ***Eaton Hotel, Hong Kong***

Average room occupancy at this 4-star hotel, which caters to mid-priced business and leisure travellers, successfully improved its market mix during 2000. The achieved average occupancy of 89% for 2000 was a further improvement from the 84% level experienced in 1999. On the back of the very high level of occupancy, the hotel was able to increase the average room rate to HK\$436 from HK\$373. Though the Net Operating Profit jumped 107% in 2000, the absolute contribution by the hotel remained rather small. We anticipate further improvement in the hotel's performance in 2001 when we should see more increases in room rates.

#### ***Eaton House Furnished Apartments, Hong Kong***

Our furnished apartments performed strongly in 2000 largely due to the general improvement in the economy, which created demand for accommodation by transient executives. The average occupancy rate rose to 85% in 2000 as compared with 67% in 1999. Total revenue increased 28% to HK\$37 million from HK\$29 million in 1999.



## **INTERNATIONAL OPERATIONS**

### ***The Langham Hilton, London***

The addition of 47 Concierge Club deluxe rooms with a spa/health club and a swimming pool was completed in the second half of 2000, bringing the total number of guest rooms to 429. The additional facilities have been well-received and have considerably enhanced the hotel's market mix and yield. In 2000, the hotel achieved an average room occupancy of 77% and an average room rate of UK£176 as compared with 76% and UK£169 in 1999.

### ***Sheraton Towers Southgate Hotel, Melbourne***

This 5-star hotel managed to hold its position in a highly competitive market. Although Australia's economy continued to grow in 2000, there had been little growth in visitor arrivals for Melbourne. The much anticipated Olympics traffic spin-off never materialised. In the meantime, there had been a significant new supply of luxury hotel rooms. As a result, average room occupancy of 74% and average room rate of A\$238 for 2000 were almost unchanged from 1999 levels.

### ***Sheraton Auckland Hotel and Towers, Auckland***

There had been no improvement in the business of the Auckland hotel during 2000 in the midst of an oversupplied market. Its average room occupancy was 64% as compared with 65% in 1999. The average room rate also declined to NZ\$159 from NZ\$165.

### ***Hotel Le Meridien, Boston***

Underpinned by the strength of the US economy, the Boston lodging market continued to perform well. In 2000, the 5-star Hotel Le Meridien achieved average room occupancy of 77%, up from 74% in 1999. The average room rate also edged up to US\$261 from US\$253.

### ***Delta Chelsea Hotel, Toronto***

Due to fewer convention events being staged in Toronto in 2000, coupled with increased supply of hotel rooms, the average occupancy rate at the 4-star Delta Chelsea Hotel declined slightly to 75% from 76% in 1999. It was, however, able to improve its average room rate to C\$138 for 2000 as compared with C\$134 the previous year.



## *Properties Under Development*

### **MONGKOK PROJECT**

The Land Grant for the new development was executed in February 2000, and the balance of the land premium was also paid in full. Construction of the foundations has been progressing in earnest. Some delay has been experienced due to difficult underground conditions, but alternative designs have been successfully adopted. As a result, completion of the foundation works is expected in the latter part of 2001. Efforts will be made to make up part of the slippage during the sub-structure and superstructure construction stages. Occupancy of the entire project is currently targeted for the last quarter of 2003.

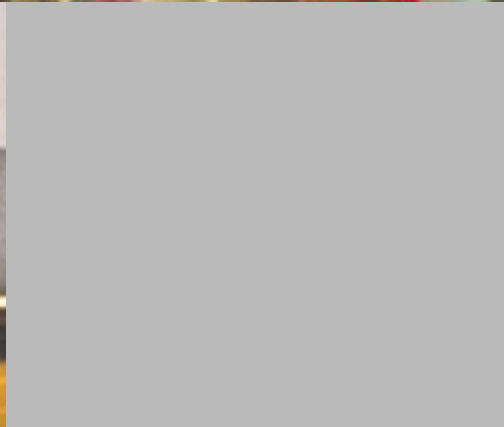
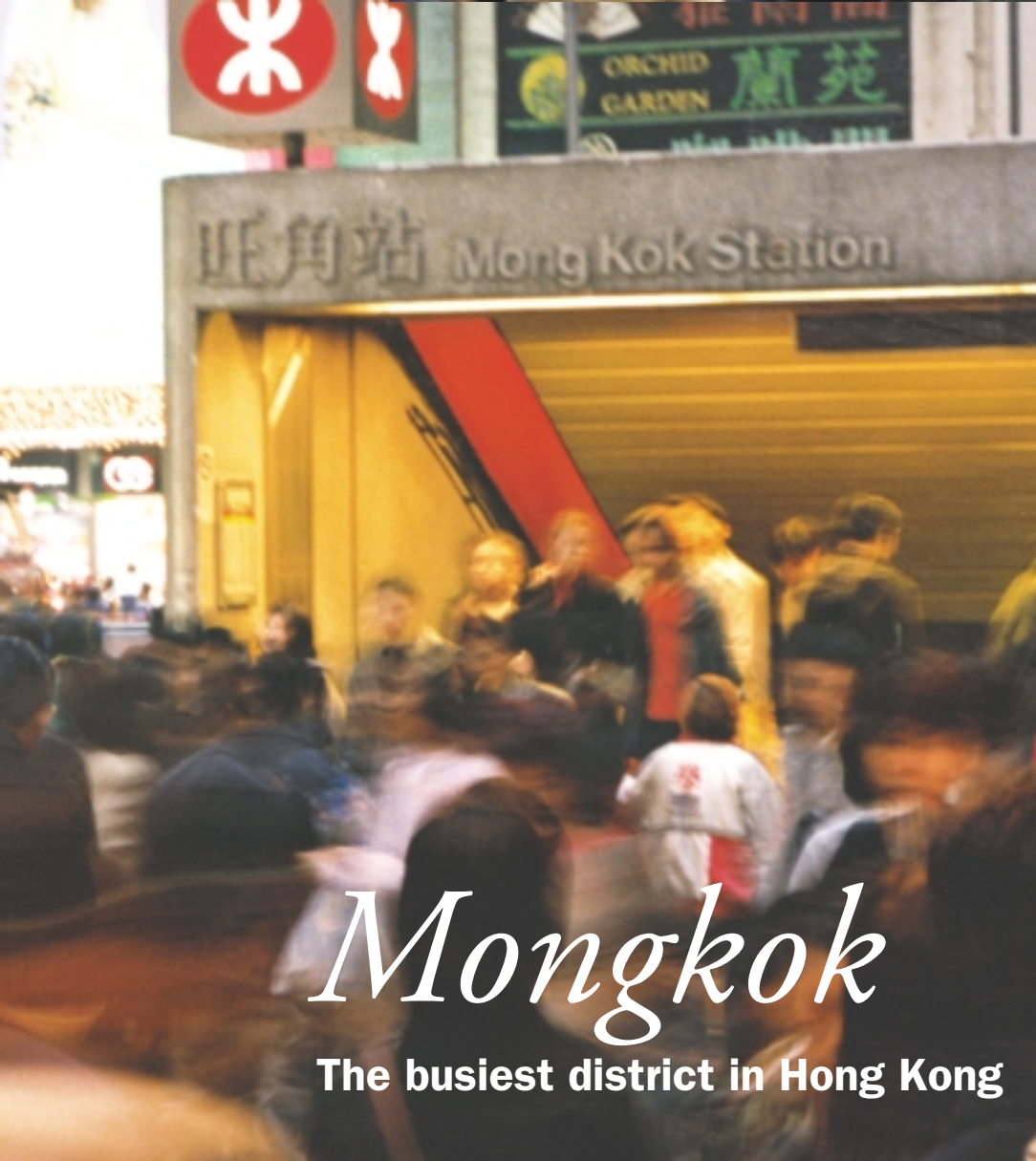


An initial agreement has been reached with the Mass Transit Railway Corporation to construct an underground tunnel directly linking the MTR Mongkok Station to the Second Basement of our development. Statutory procedures are underway.

Planning approval was obtained in November 2000 to roof-over the open space between the office tower and the retail tower to create a 170 feet tall grand atrium, with a footprint of 20,000 square feet. Approval was also obtained in February 2001 from the Building Authority for the construction of this unprecedented indoor green environment, which will enhance the ambience of the multi-level shopping centre and permit a major improvement in the vertical circulation within the structure. Rentable value of the shop spaces will be significantly enhanced as a result.

The total expenditure incurred in relation to the project, including property acquisition, tenants' compensation, site construction works, professional fees and interest capitalised, amounted to HK\$6,012 million as of 31st December 2000.

In August 2000, a HK\$5,100 million, 6-year term construction facility was obtained from a syndicate of banks at favourable terms.



## **TRADING**

Hong Kong's housing market was sluggish during 2000, adversely affecting the performance of Toptech Co. Limited. Revenue from sales of building and architectural products decreased 24% to HK\$213.5 million. However as a result of effective cost and overheads control, the net contribution of the business declined only moderately.

## **FINANCIAL REVIEW**

### **DEBT**

Consolidated Net Attributable Debt of the Group as of 31st December 2000 was HK\$8,906 million, an increase of HK\$413 million over the HK\$8,493 million at year end 1999. Construction expenditures and capitalised interest expenses on the Mongkok project accounted for the bulk of the increase. The year-end debt outstanding was temporarily reduced as a result of the sale of Metropolitan Tower in December 2000, before the acquisition of 150 Spear Street was completed in January 2001.

Consolidated Net Asset Value as of 31st December 2000, based on revaluation of the Group's investment properties by independent appraisers and other assets at historical book costs, amounted to HK\$17,392 million. The overall gearing ratio was 51% as of 31st December 2000. Similar to the previous year, the gearing was mainly related to mortgage debts on overseas office and hotel properties, where the strong underlying cashflow was more than sufficient to support the related debt-servicing requirement. The borrowings, mostly on non-recourse or limited recourse basis, against the overseas properties are all in their respective local currencies to mitigate exchange rate risks. The gearing of our Hong Kong assets remained at a low level.

As of year end 2000, 66% of the Group's debts were on a floating-rate basis, which will enable us to achieve substantial savings in our borrowing costs in a global environment of declining interest rates.

The current liabilities of the Group as of 31st December 2000 included outstanding convertible bonds equivalent to HK\$1.2 billion, with a maturity date of 3rd April 2001. Sufficient long-term funding has been arranged to redeem the bonds in full upon maturity.

In December 2000, we refinanced an existing mortgage loan on Citibank Plaza with a HK\$3,600 million syndicated term loan facility on favourable terms. In the process we managed to raise approximately HK\$1,200 million in incremental funding for our Group. There was also a significant reduction in the interest spread charged by the banks. This has been possible because of the ample liquidity in the Hong Kong commercial banking market. We will regularly review our credit facilities to take advantage of favourable borrowing conditions.

## **FINANCE COST**

The net finance cost incurred during Financial Year 2000 was HK\$426 million, which was HK\$33 million higher than for Financial Year 1999. The increase was mainly due to interest charges arising from the acquisition of the 353 Sacramento Street property. The finance cost relating to the Mongkok Project accounted for almost the entire HK\$424 million of finance expenses capitalised in 2000, as compared with HK\$261 million in 1999. The 2000 figure included a one-time charge of HK\$105 million, being the loan arrangement fees paid up-front for the syndicated loan facilities set up to fund the Mongkok Project. As finance expenses charged to the project are capitalised, it was considered unnecessary to amortise the loan fees over time.

## **CONVERTIBLE BONDS**

There was no conversion or redemption of the bonds during the past financial year.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

Mr. LO Ying Shek, aged 88, has been Chairman and Managing Director since establishment of the Group in 1963 and actively involved in property development and investment and building construction in Hong Kong for more than 40 years.

Madam LO TO Lee Kwan, aged 81, has been a Director of the Group since 1963. She is the wife of the Chairman, Mr. LO Ying Shek.

Dr. LO Ka Shui, aged 54, has been appointed to the Board since 1980 and is now Deputy Chairman and Managing Director of the Group. He is the non-executive Chairman of Panda-Recruit Limited and a Director of City e-Solutions Limited, The HSBC China Fund Limited, The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited and Phoenix Satellite Television Holdings Limited. He is also a Director of Hong Kong Exchanges and Clearing Limited and Chairman of the Listing Committee of Growth Enterprise Market, a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Member of Long Term Housing Strategy Advisory Committee and a member of the Council of Advisors on Innovation and Technology and Chairman of the Hospital Authority. Dr. LO is a son of the Chairman, Mr. LO Ying Shek. He graduated with B. Sc. from McGill University and M.D. from Cornell University, certified in Cardiology. He has more than 21 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. LO Kai Shui, aged 41, has been appointed to the Board since 1984 and is now Deputy Managing Director of the Group. He is a part-time member of Central Policy Unit of the Government of the Hong Kong Special Administrative Region. Mr. LO is a son of the Chairman, Mr. LO Ying Shek. He graduated from Columbia University with a Bachelor's Degree in Engineering. He has more than 18 years' experience in property development and investment and building construction.

\* Mr. Brian Shane McELNEY, who was born in Hong Kong, now aged 68, has been a Director of the Group since 1972 and is a retired solicitor. Before his retirement in 1992, he was a consultant with Johnson, Stokes & Master, a leading solicitor's firm in Hong Kong and from April 1971 to 31st March 1983, was senior partner of that firm.

\* Mr. CHENG Hoi Chuen, Vincent, aged 52, was appointed a Director in 1994. He is the Vice-Chairman and Chief Executive of Hang Seng Bank Limited, a Director of The Hongkong and Shanghai Banking Corporation Limited and Kowloon-Canton Railway Corporation. He is also Chairman of the Process Review Panel for the Securities and Futures Commission, Vice President and Chairman of the Hong Kong Institute of Bankers and a member of the Long Term Housing Strategy Advisory Committee. He graduated from The Chinese University of Hong Kong with B.S.Sc. and from The University of Auckland with M. Phil in Economics.

\* Professor WONG Yue Chim, Richard, aged 48, was appointed a Director in 1995. He is a Professor in the School of Economics and Finance and the Director of the School of Business at the University of Hong Kong. He is also a member of the Economic Advisory Committee of the Hong Kong Special Administrative Region Government and Exchange Fund Advisory Committee, the Housing Authority and the University Grants Committee of Hong Kong. Professor WONG studied economics at the University of Chicago and graduated with B.A., M.A., and Ph. D.

Mr. LO Hong Sui, Antony, aged 59, was first appointed a Director of the Group in 1967. He has been actively involved in property development, construction and investment for more than 32 years. Mr. LO is a son of the Chairman, Mr. LO Ying Shek. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce.

Madam LAW Wai Duen, aged 64, has been a Director of the Group since 1963. She graduated from the University of Hong Kong with a Bachelor's Degree in Arts and since then has been actively involved in the Group's property development and investment in Hong Kong for more than 36 years. She is a daughter of the Chairman, Mr. LO Ying Shek.

Mr. LO Hong Sui, Vincent, aged 53, has been a Director of the Group since 1970. He is the founder of the Shui On Group which is engaged in construction, construction materials and property development in Hong Kong, North America and Chinese Mainland. He is the Chairman of Shui On Construction and Materials Limited. Mr. LO is a son of the Chairman, Mr. LO Ying Shek.

Dr. LO Ying Sui, Archie, aged 48, has been a Director since 1993. Dr. LO is a son of the Chairman, Mr. LO Ying Shek, and is a practising Cardiologist.

Mr. KAN Tak Kwong, aged 49, joined the Group in 1981 and was appointed a Director in 1988. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional societies including the Hong Kong Society of Accountants. Mr. KAN has more than 25 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

\* Independent non-executive Director

Note:

As at 31st December 2000, Shui Sing Holdings Limited ("SSHL"), Shui Sing (BVI) Limited ("SS (BVI)"), Shui Sing Company, Limited ("SSCL") and Galtee Investment Limited ("Galtee") have interests in the share capital of the Company which were disclosed to the Company and The Stock Exchange of Hong Kong Limited under the provision of part II of the Securities (Disclosure of Interests) Ordinance of Hong Kong. Mr. LO Ying Shek, Madam LO TO Lee Kwan, Dr. LO Ka Shui, Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie are Directors of SSHL, SSCL and Galtee. Mr. LO Hong Sui, Vincent is a Director of SSCL. Dr. Lo Ka Shui and Mr. Lo Kai Shui are Directors of SS (BVI).

## **SENIOR MANAGEMENT**

Mr. TONG Chun Wan, aged 53, joined the Group in 1983 and is now an Assistant Director. He is also the Managing Director of The Great Eagle Development and Project Management Limited. He graduated from the University of Hong Kong with a Bachelor's Degree in Architectural Studies and a Bachelor's Degree in Architecture. He is a registered architect with the Architect's Registration Board, Hong Kong. Mr. TONG has over 22 years' experience in property development and project management in Hong Kong, mainland China and overseas.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LEE Ching Ming, Adrian, aged 49, joined the Group in 1994 as an Assistant Director. He is responsible for finance, investment and corporate communications. As a Director and the General Manager of The Great Eagle Estate Agents Limited, he is also responsible for the marketing, leasing and sales of the Group's properties. He graduated from the University of Hong Kong with a Bachelor of Social Sciences Degree. Before joining the Group, Mr. LEE had worked in a major international bank for over 20 years.

Miss NG Yin San, Regina, aged 44, joined the Group in 1993 as an Assistant Director. She is responsible for dealing with and the negotiation of commercial investments and projects as well as overseeing the legal matters of the Group. She holds graduate and post-graduate qualifications in law from the University of Hong Kong and the University of London. Before joining the Group, Miss NG has practised as solicitor for more than 10 years.

Mr. CHAN Chi Keung, Albert, aged 55, joined the Group in 1990 and is now a Director and the General Manager of The Great Eagle Properties Management Company, Limited. He is a Fellow of both the Chartered Institute of Housing of England and the Hong Kong Institute of Housing. Mr. CHAN has over 29 years' experience in property management

Mr. MOK Siu Bun, Terry, aged 47, joined the Group in 1981 and is now the Group's Financial Controller. He has a Master's Degree in Business Administration and has over 19 years' experience in accounting and finance in the real estate industry.

Mr. LAM Chin To, Toby, aged 52, joined the Group in 2000 as Vice President, Finance and Administration at the hotels division overseeing its Financial and Business development activities. Mr. LAM has over 20 years' experience at senior capacity on both corporate and operation levels with major international hotel management and owning companies in North America, Asia and Australia.

Mr. Kevin Brendan MURPHY, aged 55, joined the Group in 1995 and is responsible for the international hotel expansion of the Group. With over 28 years' international experience on 5 continents gained in senior corporate positions with several major hotel operating and owning companies, he is now the Vice President of International Operations and Development of the Group's hotels division focusing on international operations and future growth.

Mr. CHEUNG Tai Ming, Ringo, aged 39, joined the Group in 1986 and is now the Managing Director of Toptech Co. Limited, the Group's wholly-owned subsidiary, which is involved in the trading of building and architectural products in Hong Kong and mainland China. Mr. CHEUNG has extensive experience in trading of building and architectural products.

Mr. TSANG Yiu Wing, Peter, aged 50, joined the Group in 1994 as Company Secretary. He is responsible for the Group's company secretarial matters and also responsible for personnel, office administration and insurance matters in the Group's head office. Mr. TSANG is a Fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Company Secretaries and is also a member of the Company Secretaries Panel in the latter Institute. He has 20 years' experience in company secretarial practice.

## **REPORT OF THE DIRECTORS**

For the year ended 31st December 2000

(Expressed in Hong Kong Dollars)

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December 2000.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development, property investment, hotel and restaurant operation, trading of building materials, share investment, provision of management and maintenance services, property management and insurance agency.

### **RESULTS AND DIVIDENDS**

The results of the Group for the year are set out in the consolidated income statement. Dividends paid and proposed for the year are set out in note 11 to the financial statements.

### **RESERVES**

Movements during the year in the reserves of the Group and the Company are set out in note 25 to the financial statements.

### **FIVE YEARS' FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in Appendix II.

### **FIXED ASSETS**

The movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

Details of the major interests in properties of the Group at 31st December 2000 are set out in Appendix I.

### **SHARE CAPITAL**

The movements in share capital of the Company during the year are set out in note 24 to the financial statements.

### **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## **EXECUTIVE SHARE OPTION SCHEME**

Details of the outstanding share options granted under the Executive Share Option Scheme are set out in note 24(c) to the financial statements.

## **DIRECTORS**

The Directors of the Company during the year and up to the date of this report were:

Mr. LO Ying Shek

Madam LO TO Lee Kwan

Dr. LO Ka Shui

Mr. LO Kai Shui

Mr. Brian Shane McELNEY\*

Mr. CHENG Hoi Chuen, Vincent\*

Professor WONG Yue Chim, Richard\*

Mr. LO Hong Sui, Antony

Madam LAW Wai Duen

Mr. LO Hong Sui, Vincent

Dr. LO Ying Sui, Archie

Mr. KAN Tak Kwong

\* Independent Non-Executive Director

In accordance with the Company's Bye-Laws, Madam LO TO Lee Kwan, Mr. LO Hong Sui, Antony and Dr. LO Ying Sui, Archie shall retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The term of office of each Independent Non-Executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

## DIRECTORS' INTERESTS IN SHARES AND BONDS OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31st December 2000, the interests of the Directors and their associates in the securities of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance") were as follows:

### (A) SHARES

#### *The company*

Name of Director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
LO Ying Shek	4,897,555	–	–	–	4,897,555
LO TO Lee Kwan	–	–	–	–	–
LO Ka Shui	5,423,110	–	6,507,441	321,595,042	333,525,593
			Note (6)	Note (1)	
LO Kai Shui	–	–	658,459	321,595,042	322,253,501
			Note (7)	Note (1)	
Brian Shane McELNEY	14,000	–	–	–	14,000
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000
WONG Yue Chim, Richard	–	–	–	–	–
LO Hong Sui, Antony	2,676	–	–	–	2,676
LAW Wai Duen	233,924	1,455	–	321,595,042	321,830,421
				Note (1)	
LO Hong Sui, Vincent	272	–	–	–	272
LO Ying Sui, Archie	1,178,547	3,662	300,000	321,595,042	323,077,251
			Note (8)	Note (1)	
KAN Tak Kwong	308,385	–	–	–	308,385

**DIRECTORS' INTERESTS IN SHARES AND BONDS OF THE COMPANY AND ASSOCIATED CORPORATIONS (Cont'd)****(A) SHARES (Cont'd)*****Subsidiary company*****Century Faith Investment Limited**

Name of Director	Number of shares held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
LO Hong Sui, Vincent	–	–	2	–	2
			Note (9)		

**(B) US\$125 MILLION 3.25% CONVERTIBLE GUARANTEED BONDS DUE ON 3RD APRIL 2001*****Subsidiary company*****Great Eagle Finance (Cayman) Limited**

Name of Director	Nominal amount expressed in US\$				Total
	Personal interests	Family interests	Corporate interests	Other interests	
LO Ka Shui	–	–	–	6,450,000	6,450,000
				Note (5)	
LO Kai Shui	–	–	–	6,450,000	6,450,000
				Note (5)	
LAW Wai Duen	–	–	–	6,450,000	6,450,000
				Note (5)	
LO Ying Sui, Archie	–	–	–	6,450,000	6,450,000
				Note (5)	

## DIRECTORS' INTERESTS IN SHARES AND BONDS OF THE COMPANY AND ASSOCIATED CORPORATIONS (Cont'd)

As at 31st December 2000, the Directors who held share options granted under the Executive Share Option Scheme of the Company are as follows:

Name of Director	No. of shares comprising the share options	Date granted	Period during which rights exercisable	Subscription price per share (\$)
LO Ying Shek	150,000	08.05.1996	09.05.1998 – 08.05.2001	19.584
	120,000	15.04.1997	16.04.1999 – 15.04.2002	21.519
	300,000	22.01.1998	23.01.2000 – 22.01.2003	6.912
	120,000	12.03.1999	13.03.2001 – 12.03.2004	7.020
	130,000	14.02.2000	15.02.2002 – 14.02.2005	10.116
LO Ka Shui	150,000	08.05.1996	09.05.1998 – 08.05.2001	19.584
	120,000	15.04.1997	16.04.1999 – 15.04.2002	21.519
	300,000	22.01.1998	23.01.2000 – 22.01.2003	6.912
	120,000	12.03.1999	13.03.2001 – 12.03.2004	7.020
	130,000	14.02.2000	15.02.2002 – 14.02.2005	10.116
LO Kai Shui	150,000	08.05.1996	09.05.1998 – 08.05.2001	19.584
	120,000	15.04.1997	16.04.1999 – 15.04.2002	21.519
	300,000	22.01.1998	23.01.2000 – 22.01.2003	6.912
	120,000	12.03.1999	13.03.2001 – 12.03.2004	7.020
	130,000	14.02.2000	15.02.2002 – 14.02.2005	10.116
KAN Tak Kwong	60,000	08.05.1996	09.05.1998 – 08.05.2001	19.584
	50,000	15.04.1997	16.04.1999 – 15.04.2002	21.519
	450,000	22.01.1998	23.01.2000 – 22.01.2003	6.912
	25,000	12.03.1999	13.03.2001 – 12.03.2004	7.020
	50,000	14.02.2000	15.02.2002 – 14.02.2005	10.116

**DIRECTORS' INTERESTS IN SHARES AND BONDS OF THE COMPANY AND ASSOCIATED CORPORATIONS (Cont'd)**

Notes:

- (i) Options granted in the years of 1996 to 1999 were granted under the old Executive Share Option Scheme which expired on 16th March 1999. Options granted in 2000 were granted under a new Executive Share Option Scheme adopted on 10th June 1999.
- (ii) Consideration paid for each grant of option was \$1.00.

During the year, none of the Directors exercised any share options to subscribe for shares of the Company.

Other than as disclosed above, none of the Directors nor their associates had any interest in any securities of the Company or its associated corporations as defined in the SDI Ordinance. Furthermore, none of the Directors nor any of their spouses or children under the age of 18 were granted any right to subscribe for the securities of the Company or had exercised any such right during the year.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY**

As at 31st December 2000, the following Shareholders, not being Directors of the Company, were recorded in the register kept pursuant to Section 16(1) of SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company:

Name of Shareholder	Number of shares	Notes
LO Hung Suen	321,595,042	(1)
LO Wai Ki, Gwen	324,614,168	(1)
Shui Sing Company, Limited	80,203,616	(2)
Galtee Investment Limited	91,879,378	(2)
Shui Sing Holdings Limited	272,318,218	(3)
Shui Sing (BVI) Limited	272,318,218	(3)
HSBC Group*	321,869,042	(4)

\* HSBC Group included HSBC Holdings plc and its subsidiaries, namely, HSBC Finance (Netherlands), HSBC Holdings B.V., HSBC Investment Bank Holdings B.V. and HSBC International Trustee Limited.

Notes:

- (1) The 321,595,042 shares of Dr. LO Ka Shui, Mr. LO Kai Shui, Madam LAW Wai Duen, Dr. LO Ying Sui, Archie and Madam LO Hung Suen and 321,595,042 of the 324,614,168 shares of Madam LO Wai Ki, Gwen were the same parcel of shares.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY (Cont'd)**

- (2) The 80,203,616 shares held by Shui Sing Company, Limited and the 91,879,378 shares held by Galtee Investment Limited duplicated with the interests described in Note (3). Both of these companies were direct wholly-owned subsidiaries of Shui Sing (BVI) Limited which was a direct wholly-owned subsidiary of Shui Sing Holdings Limited.
- (3) These 272,318,218 shares held by Shui Sing Holdings Limited and Shui Sing (BVI) Limited were the same parcel of shares and were duplicated in the interests described in Note (1).
- (4) 321,595,042 shares of the 321,869,042 shares were the same parcel of shares as described in Note (1). HSBC International Trustee Limited ("HKIT"), as trustee of a discretionary trust in which the persons mentioned in Note (1) are the beneficiaries, were interested and/or deemed to be interested in the said 321,595,042 shares. HKIT was also the trustee of other discretionary trusts which was holding 274,000 shares.
- (5) The US\$6,450,000 3.25% convertible bonds of Dr. LO Ka Shui, Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie were the same parcel of convertible bonds in which the discretionary trust mentioned in Note (4) was deemed to be interested.
- (6) The 6,507,441 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (7) The 658,459 shares were held by a company in which Mr. LO Kai Shui had entire interest.
- (8) The 300,000 shares were held by a company in which Dr. LO Ying Sui, Archie had entire interest.
- (9) The 2 shares in Century Faith Investment Limited were held by a company in which Mr. LO Hong Sui, Vincent was interested.

## **DIRECTORS' INTEREST IN CONTRACTS**

Save as disclosed under connected transactions below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **CONNECTED TRANSACTIONS**

### ***Acquisition of additional interest in Citibank Plaza Joint Venture and sale of office premises in Great Eagle Centre***

On 30th June 2000, the Group completed the acquisition from Manhattan Garments Holdings Limited of the latter's 10% interest in the Citibank Plaza consortium and the sale to Manhattan of approximately 92,000 sq. ft. of office premises in the Great Eagle Centre. Details of the transactions were set out in the section "Connected Transactions" of the Report of the Directors contained in the 1999 Annual Report.

### ***Mongkok Urban Renewal Scheme***

As disclosed in the 1998 and 1999 annual reports, Renaissance City Development Company Limited appointed, under normal commercial terms, various companies of the Sun Fook Kong Group ( the "SFK Group" ) as contractors to carry out certain demolition and foundation works for the Mongkok Urban Renewal Scheme. The Contractor is owned as to approximately 96.15% by and controlled by certain members of the family of Mr LO Ying Shek and their related trusts and companies (the "LYS Group"). Since the LYS Group also beneficially owns a controlling interest in the issued shares of the Company, the abovementioned transactions constituted connected transactions of the Company and announcements were accordingly made in 1998 and 1999 respectively.

During the year, an aggregate sum of approximately HK\$65 million (1999: HK\$30 million) was paid to the SFK Group for work done under the demolition and foundation works contracts.

## **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

Except for the Executive Share Option Scheme established by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **SERVICE CONTRACTS**

There is no service contract with a Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensations).

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Bye-Laws although there is no statutory restriction against such rights under the laws in Bermuda.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of total sales and purchases respectively.

## **CODE OF BEST PRACTICE**

The Company has complied throughout the year ended 31st December 2000 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **DONATIONS**

Donations made by the Group for charitable and other purposes amounted to \$298,091.

## **AUDITORS**

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**LO Ying Shek**

*Chairman*

Hong Kong, 13th March 2001

## NOTICE OF 2001 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2001 Annual General Meeting of Members of Great Eagle Holdings Limited (“the Company”) will be held at the Penthouse, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Wednesday, 9th May 2001 at 3:00 p.m. for the purpose of transacting the following business:

### **As Ordinary Business**

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors of the Company for the year ended 31st December 2000.
2. To declare the payment of a Final Dividend.
3. To elect Directors in place of those retiring.
4. To fix a maximum number of Directors and authorise the Directors to appoint additional Directors up to such maximum number.
5. To fix Directors’ fees.
6. To appoint Auditors and authorise the Directors to fix their remuneration.

### **As Special Business**

7. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions :

(A) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined below) of all the powers of the Company to purchase or repurchase the shares of the Company (“Shares”), be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased or repurchased by the Company on The Stock Exchange of Hong Kong Limited, or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases, pursuant to the authority in paragraph (a) above, shall not exceed 10 per cent of the aggregate nominal amount of the Shares in issue at the date of passing this Resolution, and the said authority shall be limited accordingly; and

- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
- (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended) (or any other applicable law of Bermuda) to be held; and
  - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting.”

(B) **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional Shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above, shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the authority in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into Shares, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire Shares or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws of the Company, shall not exceed the aggregate of:– (aa) 20 per cent of the aggregate nominal amount of the Shares in issue at the date of passing this Resolution plus (bb) (if the Directors are so authorised by a separate ordinary resolution of the members of the Company) the aggregate nominal amount of Shares purchased or repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent of the aggregate nominal amount of the Shares in issue at the date of passing this Resolution), and the said authority shall be limited accordingly; and

- (d) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of :
- (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended) (or any other applicable law of Bermuda) to be held; and
  - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

- (C) “**THAT** the Directors be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution No. 7(B) in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such Resolution.”

By Order of the Board  
**TSANG Yiu Wing, Peter**  
*Company Secretary*

Hong Kong, 13th March 2001

**Registered Office:**

Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

**Principal Office:**

33rd Floor, Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

**Notes:**

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. A proxy need not be a member of the Company.
2. In order to be valid, forms of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at 33rd Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

## CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2000

(Expressed in Hong Kong Dollars)

	Notes	<b>2000</b> <i>\$'000</i>	1999 <i>\$'000</i>
Turnover	4	<b>2,899,181</b>	2,888,827
Cost of sales and operating costs		<b>(1,564,513)</b>	(1,588,738)
Gross profit		<b>1,334,668</b>	1,300,089
Other revenue	5	<b>76,798</b>	70,690
Administrative expenses		<b>(111,610)</b>	(105,242)
Other operating expenses		<b>(64,374)</b>	(8,765)
Profit from operations	6	<b>1,235,482</b>	1,256,772
Finance costs	7	<b>(460,448)</b>	(452,080)
Share of results of associates		<b>(11,787)</b>	6,559
Profit before taxation		<b>763,247</b>	811,251
Taxation	9	<b>(99,630)</b>	(97,015)
Profit after taxation		<b>663,617</b>	714,236
Minority interests		<b>(40,664)</b>	(68,912)
Profit attributable to shareholders	10	<b>622,953</b>	645,324
Dividends	11	<b>(165,690)</b>	(163,918)
Profit for the year, retained		<b>457,263</b>	481,406
Basic earnings per share	12	<b>\$1.13</b>	\$1.18
Diluted earnings per share	12	<b>\$1.13</b>	\$1.18

## BALANCE SHEETS

As at 31st December 2000

(Expressed in Hong Kong Dollars)

	Notes	THE GROUP		THE COMPANY	
		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
Non-current assets					
Fixed assets	13	<b>27,961,846</b>	26,812,302	-	-
Other assets	14	<b>8,196</b>	20,287	-	-
Interests in subsidiaries	15	-	-	<b>5,282,315</b>	5,188,937
Interests in associates	16	<b>44,604</b>	71,900	-	-
Other investments	17	<b>44,919</b>	23,355	-	-
Pledged bank deposits	18	<b>104,156</b>	120,940	-	-
		<b>28,163,721</b>	27,048,784	<b>5,282,315</b>	5,188,937
Current assets					
Inventories	19	<b>58,271</b>	77,105	-	-
Debtors, deposits and prepayments	20	<b>534,478</b>	331,675	<b>182</b>	370
Bank balances and cash		<b>535,421</b>	574,950	<b>1,260</b>	1,280
		<b>1,128,170</b>	983,730	<b>1,442</b>	1,650
		<b>29,291,891</b>	28,032,514	<b>5,283,757</b>	5,190,587

## BALANCE SHEETS

	Notes	THE GROUP		THE COMPANY	
		2000	1999	2000	1999
		\$'000	\$'000	\$'000	\$'000
<b>LIABILITIES</b>					
Current liabilities					
Creditors, deposits and accruals	21	<b>562,058</b>	564,652	<b>1,655</b>	2,613
Borrowings due within one year	22	<b>2,302,161</b>	1,079,047	-	-
Provision for taxation		<b>208,592</b>	215,274	-	-
Proposed final dividend		<b>110,421</b>	109,280	<b>110,421</b>	109,280
		<b>3,183,232</b>	1,968,253	<b>112,076</b>	111,893
Non-current liabilities					
Borrowings due after one year	22	<b>7,506,902</b>	8,431,502	-	-
Deferred taxation	23	<b>173,289</b>	133,867	-	-
		<b>7,680,191</b>	8,565,369	-	-
		<b>10,863,423</b>	10,533,622	-	-
<b>MINORITY INTERESTS</b>					
		<b>1,036,549</b>	1,691,399	-	-
		<b>11,899,972</b>	12,225,021	<b>112,076</b>	111,893
<b>NET ASSETS</b>					
		<b>17,391,919</b>	15,807,493	<b>5,171,681</b>	5,078,694
<b>REPRESENTED BY</b>					
Share capital	24	<b>276,052</b>	273,201	<b>276,052</b>	273,201
Reserves	25	<b>17,115,867</b>	15,534,292	<b>4,895,629</b>	4,805,493
<b>TOTAL SHAREHOLDERS' FUNDS</b>					
		<b>17,391,919</b>	15,807,493	<b>5,171,681</b>	5,078,694

The financial statements on pages 38 to 82 were approved by the Board of Directors on 13th March 2001 and are signed on its behalf by:

**LO Ka Shui**  
*Director*

**LO Kai Shui**  
*Director*

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st December 2000

(Expressed in Hong Kong Dollars)

	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Revaluation increase in investment properties	<b>1,192,156</b>	968,387
Revaluation (decrease) increase in investments in securities	<b>(350)</b>	886
Exchange differences arising on translation of overseas operations	<b>(52,607)</b>	13,380
Net gains not recognised in the income statement	<b>1,139,199</b>	982,653
Profit attributable to shareholders	<b>622,953</b>	645,324
Total net recognised gains	<b>1,762,152</b>	1,627,977

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2000

(Expressed in Hong Kong Dollars)

	Notes	2000 \$'000	1999 \$'000
<b>Net cash inflow from operating activities</b>	26	<b>963,908</b>	1,140,714
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>34,743</b>	65,592
Interest paid		<b>(685,661)</b>	(643,524)
Dividends received from unlisted investments		<b>6,044</b>	1,730
Dividends received from listed investments		<b>76</b>	–
Dividends received from associates		<b>42,602</b>	10,961
Dividends paid to shareholders		<b>(101,009)</b>	(218,548)
Dividends paid to minority shareholders		<b>(95,776)</b>	(6,621)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(798,981)</b>	(790,410)
<b>Taxation</b>			
Hong Kong Profits Tax paid		<b>(29,157)</b>	(41,331)
Hong Kong Profits Tax refunded		<b>21</b>	15,943
Other jurisdictions tax paid		<b>(62,301)</b>	(35,211)
Other jurisdictions tax refunded		–	1,244
<b>Net tax paid</b>		<b>(91,437)</b>	(59,355)
<b>Investing activities</b>			
Purchase of fixed assets		<b>(978,846)</b>	(986,619)
Proceeds on disposal of fixed assets		<b>547,971</b>	–
Investment in an associate		<b>(13,440)</b>	–
Proceeds on disposal of an associate		–	794
Consideration for acquisition of additional interest in subsidiaries		<b>(65,154)</b>	–
(Increase) decrease in other investments		<b>(49,510)</b>	1,021
Decrease in pledged deposits		<b>16,784</b>	67,840
<b>Net cash outflow from investing activities</b>		<b>(542,195)</b>	(916,964)
<b>Net cash outflow before financing</b>		<b>(468,705)</b>	(626,015)

		<b>2000</b>	1999
	Notes	<b><i>\$'000</i></b>	<i>\$'000</i>
<b>Financing</b>	28		
Issue of shares		<b>4,168</b>	406
Share issue expenses		<b>(66)</b>	(6)
Change in equity holding and net repayment to minority shareholders		<b>(27,267)</b>	(23,431)
New long-term loans		<b>2,881,908</b>	2,489,686
Repayments of long-term loans		<b>(2,488,157)</b>	(2,643,348)
<b>Net cash inflow (outflow) from financing</b>		<b>370,586</b>	(176,693)
<b>Decrease in cash and cash equivalents</b>		<b>(98,119)</b>	(802,708)
<b>Effect of foreign exchange rates changes</b>		<b>10,996</b>	17,528
<b>Cash and cash equivalents at the beginning of the year</b>		<b>459,439</b>	1,244,619
<b>Cash and cash equivalents at the end of the year</b>	29	<b>372,316</b>	459,439

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2000

(Expressed in Hong Kong Dollars)

### 1. GENERAL

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development, property investment, hotel and restaurant operation, trading of building materials, share investment, provision of management and maintenance services, property management and insurance agency.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

#### ***Goodwill***

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is eliminated against reserves immediately on acquisition. Negative goodwill, which represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary, is credited to reserves.

Any premium or discount arising on the acquisition of interests in associates, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associates at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On the disposal of an investment in a subsidiary or an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

## **2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### ***Investments in subsidiaries***

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, controls more than half of the voting power or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary that is other than temporary.

### ***Investments in associates***

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

### ***Revenue recognition***

Rental income, including rentals invoiced in advance under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Hotel operation income is recognised upon the utilisation of the facilities and the provision of services.

Interest income is recognised on a time proportion basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### ***Investment properties***

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

## **2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### ***Investment properties (Cont'd)***

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On the disposal of an investment property, the balance on the property revaluation reserve attributable to the property disposed of is credited to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

### ***Properties under development***

Land and buildings in the course of development for sale, rental or administrative purposes or for purposes not yet determined are carried at cost less any provision for impairment loss considered necessary by the Directors. Cost includes land costs, development costs, borrowing costs capitalised and other direct costs attributable to such properties.

Properties under development which are intended to be held for the long term for their investment potential are shown as non-current assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties under development which are intended to be held for sale will be treated as properties under development for sale and are shown as current assets.

### ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### **Fixed assets**

Fixed assets other than investment properties and properties under development are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of the assets other than investment properties and properties under development over their estimated useful lives to their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease, or 50 years
Furniture and fixtures, motor vehicles and plant and machinery	20%

### **Other assets**

Other assets include convertible bond issuing expenses, licence fees and other arrangement fees.

Convertible bond issuing expenses are amortised on a straight-line basis over the duration of the convertible bonds from the date of issuance to their final redemption date.

Licence fees are amortised on a straight-line basis over the licence period.

Other arrangement fees are amortised on a straight-line basis over the expected lives of the respective assets.

## **2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### ***Other investments***

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Where securities are held for trading purposes, unrealised gains or losses are included in net profit or loss for the period. Investments in securities acquired other than for trading purposes are stated at fair value at the subsequent reporting dates. Unrealised gains and losses arising on investments acquired other than for trading purposes are dealt with as movements in reserves, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Unlisted investments are accounted for as fixed return investments where the income to be derived from such interests is predetermined in accordance with the provisions of the relevant agreements. Such investments are initially recorded at cost. Payments receivable each year under the relevant agreements are apportioned between income and reduction of the carrying value of the investments so as to give a constant periodic rate of return on the net investment.

Where the estimated recoverable amount of these investments fall below their carrying value, the carrying value of the investments, to the extent that it is considered to be irrecoverable, is written off immediately to the income statement.

### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### ***Completed properties for sale***

Completed properties for sale are stated at the lower of cost and net realisable value.

Cost is determined by an apportionment of the total land and development costs attributable to the unsold properties.

Net realisable value is determined by reference to the proceeds of properties sold after the balance sheet date less selling expenses, or by management estimates based on prevailing market conditions.

## **2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

### ***Foreign currencies***

The accounting records are maintained in Hong Kong Dollars.

Transactions in currencies other than Hong Kong dollars are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement. Gains and losses arising on the translation of foreign currency borrowings used to finance net investments in overseas operations/subsidiaries are taken directly to reserves.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than the Hong Kong dollar are translated at the rates of exchange ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

### ***Convertible bonds***

Convertible bonds are stated at the aggregate of the gross proceeds from the issue plus the proportionate premium payable upon redemption. Premium payable on redemption in respect of outstanding convertible bonds is accrued as borrowing expenses over the duration of the convertible bonds on a straight-line basis.

### ***Taxation***

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### ***Operating leases***

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

### ***Cash and cash equivalents***

Cash and cash equivalents represent short-term and highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of advance.

**3. SEGMENTAL INFORMATION**

The Group's turnover and contribution to profit from operations, analysed by principal activities are as follows:

	<b>2000</b>	<b>2000</b>	1999	1999
	<b>Turnover</b>	<b>Contribution to profit from operations</b>	Turnover	Contribution to profit from operations
	<i>\$'000</i>	<i>'000</i>	<i>\$'000</i>	<i>\$'000</i>
Rental income	<b>827,136</b>	<b>601,757</b>	826,155	632,500
Hotel operation income	<b>1,763,359</b>	<b>538,335</b>	1,698,901	492,781
Others	<b>308,686</b>	<b>95,390</b>	363,771	131,491
	<b>2,899,181</b>	<b>1,235,482</b>	2,888,827	1,256,772

A geographical analysis of the Group's turnover and contribution to profit from operations, by location of market, is as follows:

	<b>2000</b>	<b>2000</b>	1999	1999
	<b>Turnover</b>	<b>Contribution to profit from operations</b>	Turnover	Contribution to profit from operations
	<i>\$'000</i>	<i>'000</i>	<i>\$'000</i>	<i>\$'000</i>
Hong Kong	<b>1,371,409</b>	<b>721,040</b>	1,390,676	755,799
North America	<b>889,038</b>	<b>299,952</b>	835,261	289,670
Europe	<b>349,980</b>	<b>141,206</b>	338,882	134,667
Asia Pacific, other than Hong Kong	<b>288,754</b>	<b>73,284</b>	324,008	76,636
	<b>2,899,181</b>	<b>1,235,482</b>	2,888,827	1,256,772

#### 4. TURNOVER

Turnover represents the aggregate of gross rental income, income from hotel and restaurant operations, management and maintenance income, proceeds from sales of building materials and agency commission during the year, and is analysed as follows:

	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Rental income	<b>827,136</b>	826,155
Hotel operation income	<b>1,763,359</b>	1,698,901
Others	<b>308,686</b>	363,771
	<b>2,899,181</b>	2,888,827

#### 5. OTHER REVENUE

	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Included in other revenue are as follows:		
Dividends from unlisted investments	<b>7,513</b>	3,479
Dividends from listed investments	<b>76</b>	-
Profit on disposal of listed investments	<b>466</b>	-
Profit on disposal of fixed assets	<b>17,518</b>	-
Profit on disposal of an associate	-	787
Profit on deemed disposal of interest in an associate	<b>12,358</b>	-
Interest income	<b>34,346</b>	58,994

**6. PROFIT FROM OPERATIONS**

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Profit from operations has been arrived at after charging:		
Depreciation on fixed assets	<b>14,440</b>	8,095
Amortisation on other assets	<b>4,218</b>	5,093
Other assets written off	<b>786</b>	1,432
Fixed assets written off	<b>19,947</b>	4,771
Auditors' remuneration	<b>4,344</b>	3,922
Net exchange loss	<b>3,984</b>	5,113
Operating lease charges on premises	<b>2,110</b>	1,839
Provision for loss on other investments	<b>23,765</b>	–
Staff costs, excluding directors' emoluments	<b>567,670</b>	565,083
and after crediting:		
Rental income from investment properties less related outgoings	<b>717,495</b>	726,500

## 7. FINANCE COSTS

	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Bank interest	<b>540,643</b>	473,323
Interest on other loans wholly repayable within 5 years	<b>134,189</b>	122,437
Interest on convertible bonds	<b>31,653</b>	31,521
Amortisation on convertible bond issuing expenses	<b>5,572</b>	5,572
Provision for premium on redemption of convertible bonds	<b>51,404</b>	47,682
Other borrowing costs	<b>121,253</b>	33,057
Total borrowing costs	<b>884,714</b>	713,592
Less: Amount capitalised to properties under development	<b>(424,266)</b>	(261,512)
	<b>460,448</b>	452,080

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### *Directors' emoluments*

	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Fees:		
Directors	<b>198</b>	198
Independent Non-Executive Directors	<b>44</b>	44
	<b>242</b>	242
Other emoluments:		
Directors		
Salaries and other benefits	<b>12,498</b>	12,499
Deemed benefits of share options granted (Note)	<b>15</b>	955
Provident fund scheme contributions	<b>349</b>	349
Independent Non-Executive Directors	-	-
	<b>12,862</b>	13,803
	<b>13,104</b>	14,045

**8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)****Directors' emoluments (Cont'd)**

Mr. CHENG Hoi Chuen, Vincent, an Independent Non-Executive Director, has waived his director's fee with effect from the financial year 1998. Save as afore-mentioned, none of the Directors has waived the rights to receive their emoluments.

	<b>2000</b>	1999
	<b>Number of Directors</b>	Number of Directors
Bands:		
Nil to \$1,000,000	<b>7</b>	7
\$1,000,001 – \$1,500,000	<b>2</b>	2
\$2,000,001 – \$2,500,000	<b>1</b>	1
\$2,500,001 – \$3,000,000	<b>1</b>	1
\$4,500,001 – \$5,000,000	<b>1</b>	–
\$5,000,001 – \$5,500,000	–	1
	<b>12</b>	12

**Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, three were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals were as follows:

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Salaries and other benefits	<b>4,290</b>	4,290
Deemed benefits of share options granted (Note)	<b>2</b>	62
Provident fund scheme contributions	<b>140</b>	140
	<b>4,432</b>	4,492

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

### *Employees' emoluments (Cont'd)*

	<b>2000</b>	1999
	<b>Number of employees</b>	Number of employees
Bands:		
\$1,500,001 – \$2,000,000	<b>1</b>	1
\$2,000,001 – \$2,500,000	<b>1</b>	1
	<b>2</b>	2

Note: Under the Group's Executive Share Option Scheme, share options have been granted to qualified Directors and employees. The deemed benefits were arrived at by multiplying the difference between the subscription price and the open market closing price of the Company's shares at the date of granting of the share options by the number of shares convertible under the share options granted during the relevant year.

## 9. TAXATION

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Company and subsidiaries:		
Hong Kong	<b>28,160</b>	34,150
Other jurisdictions	<b>56,789</b>	48,544
Deferred taxation (note 23)	<b>13,631</b>	13,633
Share of taxation of associates:		
Hong Kong	<b>271</b>	58
Deferred taxation	<b>779</b>	630
	<b>99,630</b>	97,015

Hong Kong Profits Tax is calculated at 16% of the estimate assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

Profit attributable to shareholders dealt with in the income statement of the Company amounted to \$191,035,000 (1999: \$218,049,000) for the year.

**11. DIVIDENDS**

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Interim dividend at 10 cents per share on 552,055,908 shares (1999: 10 cents per share on 546,373,530 shares)	<b>55,205</b>	54,638
Proposed final dividend at 20 cents per share on 552,104,908 shares (1999: 20 cents per share on 546,401,530 shares)	<b>110,421</b>	109,280
Underprovision of 1999 final dividend at 20 cents per share on 319,000 shares	<b>64</b>	–
	<b>165,690</b>	163,918

**12. EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share is based on the following data:

**Earnings**

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Earnings for the purpose of basic and diluted earnings per share	<b>622,953</b>	645,324

**Number of shares**

	<b>2000</b>	1999
Weighted average number of shares for the purpose of basic earnings per share	<b>549,137,096</b>	546,372,072
Effect of dilutive potential shares:		
Share options	<b>1,145,048</b>	996,662
Weighted average number of shares for the purpose of diluted earnings per share	<b>550,282,144</b>	547,368,734

## 12. EARNINGS PER SHARE (Cont'd)

The computation of diluted earnings per share does not assume the conversion of the Group's outstanding convertible bonds since their exercise would result in an increase in net profit per share. Also, the computation does not assume the exercise of certain Company's outstanding share options as the exercise prices of those options are higher than the average market prices of the Company's shares for both 2000 and 1999.

## 13. FIXED ASSETS

	<b>Investment properties</b> \$'000	<b>Properties under development</b> \$'000	<b>Land and buildings situated in Hong Kong</b> \$'000	<b>Furniture and fixtures</b> \$'000	<b>Motor vehicles</b> \$'000	<b>Plant and machinery</b> \$'000	<b>Total</b> \$'000
THE GROUP							
COST/VALUATION							
At 1st January 2000	21,660,924	5,138,977	44	57,911	4,384	2,782	26,865,022
Exchange differences	(298,188)	(10,506)	–	8	–	–	(308,686)
Additions	242,288	1,082,203	10,702	6,314	662	83	1,342,252
Transfer in (out)	(106,227)	(198,773)	305,000	–	–	–	–
Disposals/written off	(1,055,256)	–	(4,261)	(864)	(410)	–	(1,060,791)
Revaluation increase	1,190,027	–	–	–	–	–	1,190,027
At 31st December							
2000	21,633,568	6,011,901	311,485	63,369	4,636	2,865	28,027,824

**13. FIXED ASSETS (Cont'd)**

	<b>Investment properties</b> \$'000	<b>Properties under development</b> \$'000	<b>Land and buildings situated in Hong Kong</b> \$'000	<b>Furniture and fixtures</b> \$'000	<b>Motor vehicles</b> \$'000	<b>Plant and machinery</b> \$'000	<b>Total</b> \$'000
DEPRECIATION							
At 1st January 2000	–	–	10	47,580	3,273	1,857	52,720
Exchange differences	–	–	–	8	–	–	8
Charge for the year	–	–	6,229	7,116	555	540	14,440
Eliminated on disposal	–	–	–	(779)	(411)	–	(1,190)
At 31st December 2000	–	–	6,239	53,925	3,417	2,397	65,978
NET BOOK VALUE							
At 31st December 2000	21,633,568	6,011,901	305,246	9,444	1,219	468	27,961,846
At 31st December 1999	21,660,924	5,138,977	34	10,331	1,111	925	26,812,302
Represented by:							
At cost	–	6,011,901	311,485	63,369	4,636	2,865	6,394,256
At valuation	21,633,568	–	–	–	–	–	21,633,568
	21,633,568	6,011,901	311,485	63,369	4,636	2,865	28,027,824

### 13. FIXED ASSETS (Cont'd)

(a) Investment properties

Investment properties were revalued on an open market value basis at 31st December 2000 by independent professional valuers as follows:

Investment properties in Hong Kong – Chesterton Petty Ltd.

Investment properties in United Kingdom – Chesterton Plc.

Investment properties in Canada – Colliers International Realty Advisors Inc.

Investment properties in Australia – CB Richard Ellis (V) Pty Ltd.

Investment properties in New Zealand – CB Richard Ellis Ltd.

Investment properties in USA – Arthur Andersen LLP and Integra Realty Resources, Schultz Northington Atlanta

The above-mentioned valuations have been adopted by the Directors in these financial statements and the revaluation increase arising on revaluation has been credited to the property revaluation reserve.

The carrying amount of investment properties comprises land situated in Hong Kong and outside Hong Kong as follows:

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Long lease in Hong Kong	<b>2,232,100</b>	4,101,000
Medium-term lease in Hong Kong	<b>13,443,000</b>	11,012,000
Freehold land outside Hong Kong	<b>5,958,468</b>	6,547,924
	<b>21,633,568</b>	21,660,924

(b) Properties under development

The properties under development comprise property situated in Hong Kong held under medium-term lease amounting to \$6,011,900,000 (1999: \$5,015,576,000) and property situated outside Hong Kong under freehold land amounting to \$nil (1999: \$123,401,000).

Included in properties under development are borrowing costs capitalised of approximately \$1,525,304,000 (1999: \$1,106,002,000). The effective interest rate capitalised for the project during the year was 8.13% (1999: 7.15%).

(c) Land and buildings situated in Hong Kong are held under medium-term lease.

**14. OTHER ASSETS**

	<b>Convertible bonds issuing expenses</b> \$'000	<b>Licence fee</b> \$'000	<b>Others</b> \$'000	<b>Total</b> \$'000
<b>THE GROUP</b>				
COST				
At 1st January 2000	27,622	18,289	3,866	49,777
Exchange difference	–	(2,665)	6	(2,659)
Written off	–	–	(1,852)	(1,852)
At 31st December 2000	27,622	15,624	2,020	45,266
AMORTISATION				
At 1st January 2000	20,817	7,316	1,357	29,490
Exchange difference	–	(1,145)	1	(1,144)
Charge for the year	5,572	3,203	1,015	9,790
Eliminated on written off	–	–	(1,066)	(1,066)
At 31st December 2000	26,389	9,374	1,307	37,070
CARRYING AMOUNT				
At 31st December 2000	1,233	6,250	713	8,196
At 31st December 1999	6,805	10,973	2,509	20,287

## 15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2000 \$'000	1999 \$'000
Unlisted shares, at cost	<b>1,572,734</b>	1,572,734
Amounts due from subsidiaries	<b>3,709,581</b>	3,616,203
	<b>5,282,315</b>	5,188,937

The amounts are unsecured, interest free and have no fixed repayment term. The Company has agreed not to demand for repayment within the next twelve months from the balance sheet date and accordingly, they are classified as non-current.

Particulars regarding the principal subsidiaries are set out in note 34.

## 16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2000 \$'000	1999 \$'000
Share of net assets:		
Listed securities in Hong Kong	<b>31,636</b>	–
Unlisted shares	<b>12,968</b>	71,900
	<b>44,604</b>	71,900
Market value of listed securities	<b>29,803</b>	–

Particulars regarding the principal associates are set out in note 35.

**17. OTHER INVESTMENTS**

	<b>THE GROUP</b>	
	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Fixed return investment in other regions of the People's Republic of China, unlisted	<b>15,599</b>	19,430
Not-for-trading securities		
Unlisted in Hong Kong	<b>246</b>	246
Listed in Hong Kong	<b>3,329</b>	3,679
Unlisted overseas	<b>25,745</b>	–
	<b>44,919</b>	23,355
Market value of listed securities	<b>3,329</b>	3,679

**18. PLEDGED BANK DEPOSITS**

The pledged deposits have been placed in a designated bank as part of the security for long term facilities granted to the Group.

**19. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Completed properties for sale	<b>42</b>	42
Raw materials	<b>35,636</b>	30,199
Provisions and beverages	<b>15,699</b>	16,573
Work in progress	<b>6,894</b>	30,291
	<b>58,271</b>	77,105

## 20. TRADE DEBTORS

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The ageing analysis of trade debtors is as follows:

	THE GROUP	
	2000 \$'000	1999 \$'000
0 – 3 months	<b>152,880</b>	131,449
3 – 6 months	<b>14,562</b>	12,017
Over 6 months	<b>27,326</b>	30,446
	<b>194,768</b>	173,912

## 21. TRADE CREDITORS

The ageing analysis of trade creditors is as follows:

	THE GROUP	
	2000 \$'000	1999 \$'000
0 – 3 months	<b>122,189</b>	141,361
3 – 6 months	<b>240</b>	7,029
Over 6 months	<b>691</b>	593
	<b>123,120</b>	148,983

**22. BORROWINGS**

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Bank loans and overdrafts (unsecured)	<b>3,105</b>	20,511	-	-
Bank loans (secured)	<b>7,326,391</b>	6,650,447	-	-
Bills payable	<b>254</b>	238	-	-
Convertible bonds	<b>1,189,709</b>	1,134,243	-	-
Other long term loans	<b>1,289,604</b>	1,705,110	-	-
	<b>9,809,063</b>	9,510,549	-	-
The maturity of the above loans and overdrafts is as follows:				
On demand or within one year	<b>2,302,161</b>	1,079,047	-	-
More than one year but not exceeding two years	<b>2,468,410</b>	2,182,563	-	-
More than two years but not exceeding five years	<b>5,038,492</b>	5,075,485	-	-
More than five years	-	1,173,454	-	-
	<b>9,809,063</b>	9,510,549	-	-
Less: Amount due within one year shown under current liabilities	<b>(2,302,161)</b>	(1,079,047)	-	-
Amount due after one year	<b>7,506,902</b>	8,431,502	-	-

Secured bank loans include a loan of \$2,000 million (1999: \$1,450 million) obtained from a syndicate of banks by an indirect subsidiary in which the Group has a 85.93% (1999: 75.93%) interest.

Convertible bonds carry interest at 3.25% per annum payable in arrears and are redeemable on 3rd April 2001 at a premium. The bonds are guaranteed by the Company and listed on the Luxembourg Stock Exchange.

## 22. BORROWINGS (Cont'd)

Following a placing and subscription exercise in prior years and pursuant to the terms of the Trust Deed, the conversion price for the convertible bonds was adjusted from \$26.208 to \$25.50 per share with effect from 7th November 1997.

Other long-term loans bear interest at various rates and are repayable by instalments.

## 23. DEFERRED TAXATION

	THE GROUP	
	2000 \$'000	1999 \$'000
Balance at beginning of the year	<b>133,867</b>	119,844
Exchange translation difference	<b>487</b>	390
Deferred tax liabilities arose from acquisition of properties	<b>25,304</b>	–
Charge for the year (note 9)	<b>13,631</b>	13,633
Balance at end of the year	<b>173,289</b>	133,867

At the balance sheet date, the major components of the deferred taxation liability, provided and unprovided, were as follows:

	PROVIDED		UNPROVIDED	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Deferred taxation of a subsidiary acquired relating to gain on disposal of overseas properties	<b>139,455</b>	110,277	–	–
Deferred taxation relating to the surplus arising from the revaluation of properties located overseas	–	–	<b>794,070</b>	1,031,005
Other timing differences	<b>33,834</b>	23,590	–	–
	<b>173,289</b>	133,867	<b>794,070</b>	1,031,005

**23. DEFERRED TAXATION (Cont'd)**

The amount of unprovided deferred taxation (credit) charge of the Group for the year was as follows:

	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
(Decrease) increase arising from the revaluation of properties located overseas	<b>(236,935)</b>	531,290

Deferred taxation has not been provided on the surplus arising on the Group's properties in Hong Kong and investments in securities not held for trading because profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference.

The Company did not have other significant deferred taxation assets or liabilities at the balance sheet date.

**24. SHARE CAPITAL****(a) Authorised:**

	<b>2000</b>	<b>2000</b>	1999	1999
	<b>Number</b>	<b>Nominal</b>	Number	Nominal
	<b>of shares</b>	<b>value</b>	of shares	value
	<i>'000</i>	<i>\$'000</i>	<i>'000</i>	<i>\$'000</i>
Shares of \$0.50 each				
Balance brought forward and carried forward	<b>800,000</b>	<b>400,000</b>	800,000	400,000

## 24. SHARE CAPITAL (Cont'd)

### (b) Issued and fully paid:

	<b>2000</b>	<b>2000</b>	1999	1999
	<b>Number</b>	<b>Nominal</b>	Number	Nominal
	<b>of shares</b>	<b>value</b>	of shares	value
	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>
Shares of \$0.50 each				
Balance brought forward	<b>546,401</b>	<b>273,201</b>	546,368	273,184
Issued upon exercise of share options				
under the Executive Share Option Scheme	<b>575</b>	<b>287</b>	33	17
Issued as scrip dividends	<b>5,129</b>	<b>2,564</b>	–	–
Balance carried forward	<b>552,105</b>	<b>276,052</b>	546,401	273,201

### (c) Executive Share Option Scheme

At the balance sheet date, the Company had outstanding options granted to qualifying Directors and employees to subscribe for shares of the Company, as follows:

<b>Date of grant</b>	<b>Number</b>	<b>Subscription</b>	<b>Exercisable period</b>
	<b>of shares</b>	<b>price</b>	
	<b>under options</b>	<b>per share</b>	
		(\$)	
8th May 1996	799,000	19.584	9th May 1998 – 8th May 2001
15th April 1997	670,000	21.519	16th April 1999 – 15th April 2002
22nd January 1998	1,704,000	6.912	23rd January 2000 – 22nd January 2003
12th March 1999	541,000	7.020	13th March 2001 – 12th March 2004
14th February 2000	729,000	10.116	15th February 2002 – 14th February 2005

During the year, certain share options were exercised to subscribe for 575,000 shares of the Company.

**25. RESERVES**

	Notes	THE GROUP		THE COMPANY	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Share premium	(a)	<b>2,709,343</b>	2,644,552	<b>2,709,343</b>	2,644,552
Property revaluation reserve	(b)	<b>7,785,370</b>	6,672,892	–	–
Investment revaluation reserve	(c)	<b>536</b>	886	–	–
Capital redemption reserve		<b>1,650</b>	1,650	<b>1,650</b>	1,650
Contributed surplus	(d)	<b>402,291</b>	402,291	<b>426,203</b>	426,203
Exchange translation reserve	(e)	<b>(80,632)</b>	(28,025)	–	–
Retained profits	(f)	<b>6,297,309</b>	5,840,046	<b>1,758,433</b>	1,733,088
		<b>17,115,867</b>	15,534,292	<b>4,895,629</b>	4,805,493

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to \$2,184,636,000 (1999: \$2,159,291,000).

Notes:

**(a) Share premium**

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	<b>2,644,552</b>	2,644,169	<b>2,644,552</b>	2,644,169
Premium on issue of shares upon scrip dividend and exercise of share options	<b>64,857</b>	389	<b>64,857</b>	389
Expenses on share issue	<b>(66)</b>	(6)	<b>(66)</b>	(6)
Balance carried forward	<b>2,709,343</b>	2,644,552	<b>2,709,343</b>	2,644,552

## 25. RESERVES (Cont'd)

### (b) Property revaluation reserve

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	6,672,892	5,704,505	-	-
Exchange translation adjustments	(52,836)	21,750	-	-
Revaluation increase attributable to additional interest in subsidiaries acquired from minority shareholder	177,870	-	-	-
Revaluation increase arising from revaluation during the year	1,064,804	946,637	-	-
Released upon disposal	(79,678)	-	-	-
Share of associates	7,783,052	6,672,892	-	-
Revaluation increase arising from revaluation during the year	2,318	-	-	-
Balance carried forward	7,785,370	6,672,892	-	-

### (c) Investment revaluation reserve

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	886	-	-	-
Revaluation (decrease) increase arising from revaluation during the year	(350)	886	-	-
Balance carried forward	536	886	-	-

**25. RESERVES (Cont'd)****(d) Contributed surplus**

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	<b>402,291</b>	402,287	<b>426,203</b>	426,203
Amount written back upon disposal of an associate	-	4	-	-
Balance carried forward	<b>402,291</b>	402,291	<b>426,203</b>	426,203

Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Companies Act of 1981 of Bermuda, the contributed surplus is available for distribution to shareholders.

**(e) Exchange translation reserve**

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	<b>(28,025)</b>	(41,405)	-	-
Exchange difference on translation of net overseas investments	<b>(75,945)</b>	8,694	-	-
Net exchange gain on forward contracts	<b>23,338</b>	4,686	-	-
Balance carried forward	<b>(80,632)</b>	(28,025)	-	-

## 25. RESERVES (Cont'd)

### (f) Retained profits

	THE GROUP		THE COMPANY	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance brought forward	<b>5,840,046</b>	5,358,640	<b>1,733,088</b>	1,678,957
Profit for the year	<b>622,953</b>	645,324	<b>191,035</b>	218,049
Dividends	<b>(165,690)</b>	(163,918)	<b>(165,690)</b>	(163,918)
Balance carried forward	<b>6,297,309</b>	5,840,046	<b>1,758,433</b>	1,733,088
Profits retained by:				
The Company	<b>1,758,433</b>	1,733,088		
Subsidiaries	<b>4,520,153</b>	4,032,796		
Associates	<b>18,723</b>	74,162		
	<b>6,297,309</b>	5,840,046		

**26. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Profit before taxation	<b>763,247</b>	811,251
Share of results of associates	<b>11,787</b>	(6,559)
Interest income	<b>(34,346)</b>	(58,994)
Interest expenses	<b>388,956</b>	380,535
Provision for premium on redemption of convertible bonds	<b>51,404</b>	47,682
Dividends received from unlisted investments	<b>(7,513)</b>	(3,479)
Dividends received from listed investments	<b>(76)</b>	–
Profit on disposal of fixed assets	<b>(17,518)</b>	–
Profit on disposal of an associate	–	(787)
Profit on deemed disposal of interest in an associate	<b>(12,358)</b>	–
Depreciation on fixed assets	<b>14,440</b>	8,095
Amortisation on other assets	<b>4,218</b>	5,093
Other assets written off	<b>786</b>	1,432
Fixed assets written off	<b>19,947</b>	4,771
Provision for loss on other investments	<b>23,765</b>	–
Decrease in inventories	<b>18,834</b>	10,086
Increase in debtors, deposits and prepayments	<b>(192,451)</b>	(62,525)
(Decrease) increase in bills payable, creditors, deposits and accruals	<b>(63,276)</b>	12,600
(Increase) decrease in amounts due from associates	<b>(5,438)</b>	42
Decrease in amounts due to associates	<b>(500)</b>	(8,529)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>963,908</b>	1,140,714

## 27. MAJOR NON-CASH TRANSACTIONS

On 30th June 2000, the Group completed the acquisition from Manhattan Garments Holdings Limited of the latter's 10% interest in the Citibank Plaza consortium and the sale to Manhattan of approximately 92,000 sq. ft. of office premises in the Great Eagle Centre. The net cash outflow in respect of the transactions amounted to \$65,154,000.

## 28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<b>Share capital and premium \$'000</b>	<b>Contributed surplus \$'000</b>	<b>Long-term loans \$'000</b>	<b>Convertible bonds \$'000</b>	<b>Minority interests \$'000</b>
Balance at 1st January 1999	2,917,353	402,287	8,361,743	1,083,156	1,595,595
Exchange translation adjustments	–	–	52,476	3,405	–
Issue of shares	406	–	–	–	–
Share issue expenses	(6)	–	–	–	–
Advances during the year	–	–	2,489,686	–	–
Repayments during the year	–	–	(2,643,348)	–	–
Premium on redemption	–	–	–	47,682	–
Amount written back upon disposal of an associate	–	4	–	–	–
Acquisition of additional interest in subsidiaries	–	–	–	–	(55,463)
Minority interests in					
– profit	–	–	–	–	68,912
– property revaluation reserve	–	–	–	–	112,407
– net change in equity holding and repayment	–	–	–	–	(23,431)
Dividends paid to minority shareholders	–	–	–	–	(6,621)

**28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR (Cont'd)**

	<b>Share capital and premium</b>	<b>Contributed surplus</b>	<b>Long-term loans</b>	<b>Convertible bonds</b>	<b>Minority interests</b>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 31st December 1999	2,917,753	402,291	8,260,557	1,134,243	1,691,399
Exchange translation adjustments	–	–	(198,313)	4,062	(3)
Issue of shares	4,168	–	–	–	–
Scrip dividends	63,540	–	–	–	–
Share issue expenses	(66)	–	–	–	–
Advances during the year	–	–	2,881,908	–	–
Repayments during the year	–	–	(2,488,157)	–	–
Premium on redemption	–	–	–	51,404	–
Acquisition of additional interest in subsidiaries	–	–	–	–	(697,691)
Minority interests in					
– profit	–	–	–	–	40,664
– property revaluation reserve	–	–	–	–	125,223
– net change in equity holding and repayment	–	–	–	–	(27,267)
Dividends paid to minority shareholders	–	–	–	–	(95,776)
Balance at 31st December 2000	2,985,395	402,291	8,455,995	1,189,709	1,036,549

**29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS**

	<b>2000</b>	1999
	<i>\$'000</i>	<i>\$'000</i>
Bank balances and deposits	<b>535,421</b>	574,950
Unsecured bank loans and overdrafts	<b>(3,105)</b>	(20,511)
Secured bank loans	<b>(160,000)</b>	(95,000)
	<b>372,316</b>	459,439

### 30. PROVIDENT FUND SCHEMES

The Group has established various provident fund schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom. Forfeited contributions for the year ended 31st December 2000 amounted to \$3,013,000 (1999: \$3,416,000) have been used to reduce the existing level of contributions. Total contribution to provident fund schemes for the year ended 31st December 2000 charged to the income statement amounted to \$21,622,000 (1999: \$21,892,000).

The Occupational Retirement Scheme in Hong Kong has now been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administrative Region.

From 1st December 2000 onwards, the new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5%, while the employees are required to contribute 5% of their salaries to the Scheme.

### 31. PLEDGE OF ASSETS

At 31st December 2000, the Group's properties with a total book value of approximately \$27,918,000,000 (1999: \$21,661,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and deposits of approximately \$104,156,000 (1999: \$121,000,000) were mortgaged or pledged to secure credit facilities granted to the Group.

### 32. COMMITMENTS AND CONTINGENT LIABILITIES

#### ***The Group***

At 31st December 2000, the Group had commitments and contingent liabilities not provided for in these financial statements, as follows:

- (a) estimated expenditure in respect of properties under development amounting to approximately \$3,954,860,000 (1999: \$4,297,000,000) of which approximately \$468,555,000 (1999: \$767,737,000) were contracted for;
- (b) authorised capital expenditure amounting to approximately \$716,330,000 (1999: \$168,878,000) of which approximately \$629,388,000 (1999: \$153,737,000) were contracted for;
- (c) commitments under foreign exchange future contracts to sell approximately \$879,132,000 (1999: \$114,861,000) at fixed exchange rate; and

**32. COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)**

**The Group (Cont'd)**

(d) commitments under operating leases in respect of land and buildings to make payments in the next year as follows:

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Operating leases which expire:		
– within one year	<b>387</b>	722
– in the second to fifth years inclusive	<b>1,449</b>	734
	<b>1,836</b>	1,456

**The Company**

At 31st December 2000, the Company had issued corporate guarantees to certain banks in respect of credit facilities drawn by its subsidiaries and associates amounting to approximately \$6,932,838,000 (1999: \$6,001,688,000) and approximately \$nil (1999: \$32,573,000) respectively.

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 31st December 2000.

### 33. RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the year and balances at balance sheet date with certain companies in which certain shareholders and directors of the Company have beneficial interest. The transactions were carried out in the normal course of the Group's business and on terms similar to those applicable to transactions with unrelated parties.

	<b>2000</b>	1999
	<b>\$'000</b>	\$'000
Nature of transactions:		
Trading income	<b>13,842</b>	13,524
Rental income	<b>2,114</b>	2,063
Management fee received	<b>540</b>	240
Rental charge paid for Director's accommodation	<b>2,400</b>	2,400
Cost and expenses paid for demolition and foundation works	<b>64,709</b>	29,513
Balance as at 31 December:		
Debtors, deposits and prepayments		
– Related parties	<b>7,430</b>	2,228
– Amounts due from associates	<b>18,072</b>	12,634
Creditors, deposits and accruals		
– Amounts due to associates	<b>3,224</b>	3,724

**34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES**

Details of the Company's principal subsidiaries at 31st December 2000 are set out below:

<b>Direct subsidiary</b>	<b>Issued and paid up share capital</b>	<b>Principal activity</b>	<b>Percentage of issued share capital held by the Company</b>
– incorporated and operating in the British Virgin Islands:			
Jolly Trend Limited	2 shares of US\$1 each	Investment holding	100%
<b>Indirect subsidiaries</b>	<b>Issued and paid up share capital</b>	<b>Principal activities</b>	<b>Percentage of issued share capital held by the Company</b>
– incorporated and operating in Hong Kong:			
Bon Project Limited	2 shares of HK\$1 each	Property investment	100%
Capital Win Development Limited	2 shares of HK\$1 each	Property investment	100%
Chance Mark Limited	2 shares of HK\$1 each	Property investment	100%
Clever Gain Investment Limited	2 shares of HK\$1 each	Restaurant operation	100%
Ease Billion Limited	2 shares of HK\$1 each	Property investment	100%
Easy Wealth Limited	2 shares of HK\$1 each	Property investment	100%
Eaton House International Limited	2 shares of HK\$10 each	Management of furnished apartments	100%
Fortuna Wealth Company Limited	2 shares of HK\$1 each	Property investment	100%
G E Advertising Agency Limited	2 shares of HK\$1 each	Advertising agency	100%
Gold Epoch Investment Limited	2 shares of HK\$1 each	Property investment	100%
Grow On Development Limited	5,000 shares of HK\$1 each	Property investment	100%
Harvest Star International Limited	2 shares of HK\$1 each	Property investment	100%
Keysen Engineering Company, Limited	2 shares of HK\$1 each	Maintenance services	100%
Longworth Management Limited	10,000 shares of HK\$1 each	Property management	100%

### 34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

<b>Indirect subsidiaries</b>	<b>Issued and paid up share capital</b>	<b>Principal activities</b>	<b>Percentage of issued share capital held by the Company</b>
– incorporated and operating			
in Hong Kong (Cont'd) :			
Million Prime Company Limited	2 shares of HK\$1 each	Property investment	100%
Moon Yik Company, Limited	10,000,000 shares of HK\$1 each	Property investment	100%
Panhy Limited	2 shares of HK\$1 each	Property investment	100%
Renaissance City Development Company Limited	2 shares of HK\$10 each	Property development	100%
Selex Properties Management Company, Limited	2 shares of HK\$1 each	Property management	100%
The Great Eagle Company, Limited	2,000,000 shares of HK\$0.5 each	Investment holding	100%
The Great Eagle Development and Project Management Limited	2 shares of HK\$10 each	Project management	100%
The Great Eagle Engineering Company Limited	2 shares of HK\$1 each	Maintenance services	100%
The Great Eagle Estate Agents Limited	2 shares of HK\$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK\$100 each	Loan financing	100%
The Great Eagle Insurance Company, Limited	1,000 shares of HK\$1 each	Insurance agency	100%
The Great Eagle Properties Management Company, Limited	100,000 shares of HK\$1 each	Property management	100%
Toptech Co. Limited	600,000 shares of HK\$1 each	Trading of building materials	100%
Venus Glory Company Limited	2 shares of HK\$1 each	Property investment	100%
Well Charm Development Limited	2 shares of HK\$1 each	Property investment	100%

**34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)**

<b>Indirect subsidiaries</b>	<b>Issued and paid up share capital</b>	<b>Principal activities</b>	<b>Percentage of issued share capital held by the Company</b>
– incorporated and operating in Hong Kong ( <i>Cont'd</i> ) :			
Worth Bright Company Limited	2 shares of HK\$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK\$10 each	Property investment	100%
Maple Court Limited	2 shares of HK\$1 each	Property investment	85.93%
Missleton Finance Limited	1,000,000 shares of HK\$1 each	Loan financing	85.93%
Shine Hill Development Limited	1,000,000 shares of HK\$1 each	Property investment	85.93%
Century Faith Investment Limited	9 shares of HK\$1 each	Investment holding	66.67%
– incorporated and operating in Cayman Islands:			
Great Eagle Finance (Cayman) Limited	2 shares of US\$1 each	Financial services	100%
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US\$1	Property investment	100%
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C\$1 each	Property investment	100%
– incorporated in the British Virgin Islands and operating in Australia:			
Katesbridge Group Limited	1 share of US\$1	Investment holding	100%

### 34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Cont'd)

<b>Indirect subsidiaries</b>	<b>Issued and paid up share capital</b>	<b>Principal activities</b>	<b>Percentage of issued share capital held by the Company</b>
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A\$2 each	Hotel operation	100%
– incorporated in the British Virgin Islands and operating in New Zealand:			
Great Eagle Hotels (New Zealand) Limited	1 share of US\$1	Property investment	100%
– incorporated and operating in New Zealand:			
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%
– incorporated and operating in USA:			
* Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%
* Pacific Wilshire Corporation	100 shares of US\$0.001 each	Property investment	100%
* Pacific Ygnacio Corporation	100 shares of no par value	Property investment	100%
* Shorthills N.J. Inc.	100 shares of US\$1 each	Property investment	100%

Note: All these subsidiaries have no loan capital subsisting at the end of the year or at any time during the year.

\* Companies not audited by Deloitte Touche Tohmatsu.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

**35. PARTICULARS OF PRINCIPAL ASSOCIATES**

Particulars regarding the principal associates are as follows:

<b>Indirect associates</b>	<b>Issued and paid up share capital</b>	<b>Principal activities</b>	<b>Percentage of issued share capital held by the Group</b>
– incorporated in Cayman Islands and operating in Hong Kong:			
* Panda-Recruit Limited	1,125,000,000 shares of HK\$0.05 each	Investment holding and publishing	29.43%
– incorporated in the British Virgin Islands and operating in Hong Kong:			
PPG Investments Limited	10,000 shares of US\$1 each	Investment holding	30.89%
– incorporated and operating in Hong Kong:			
Hong Kong Transit Publishing Co. Limited	105,000 shares of HK\$1 each	Newspaper publishing	29.43%

\* Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The list contains only the particulars of the associates which materially affect the results or assets and liabilities of the Group.

## APPENDIX I LIST OF MAJOR PROPERTIES

As at 31st December 2000

### (A) PROPERTY UNDER DEVELOPMENT

Location	Use	Stage of completion	Site area (sq.ft.)	Approximate floor area (sq.ft.)	Expected	Group's interest
					completion date	
KIL No. 11099 at the junction of Argyle Street/Shanghai Street, Mongkok, Kowloon Hong Kong	Office/ Commercial/ Hotel	Foundation	128,908	1,760,780	End of 2003	100% Income*

\* Subject to certain rights of Land Development Corporation.

### (B) PROPERTIES HELD FOR LONG TERM INVESTMENT

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
<b>Under Long Lease</b>			
Apartment tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	10,000	100%
Eaton Hotel, 380 Nathan Road, Kowloon, Hong Kong	Hotel/Commercial	242,000	100%
Eaton House, 100 Blue Pool Road, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
<b>Under medium-term lease</b>			
Citibank Plaza, 3 Garden Road, Hong Kong	Commercial/Office	1,227,000	85.93%
	Office	70,000	100%

APPENDIX I  
LIST OF MAJOR PROPERTIES

**(B) PROPERTIES HELD FOR LONG TERM INVESTMENT (Cont'd)**

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
<b>Under medium-term lease (Cont'd)</b>			
Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong	Office	28,000	100%
Eaton House, 4H Village Road, Hong Kong	Furnished apartments	23,000	100%
Eaton House, Nos. 3 – 5 Wanchai Gap Road, Hong Kong	Furnished apartments	35,000	100%
Great Eagle Hotel, 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong	Hotel/Commercial	364,000	100%
<b>Freehold</b>			
The Langham Hilton, 1 Portland Place, Regent Street, London, W1N 4JA, United Kingdom	Hotel/Commercial	373,000	100%
Delta Chelsea Hotel, 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
Sheraton Towers Southgate Hotel, One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
Sheraton Auckland Hotel and Towers 83 Symonds Street, Auckland 1, New Zealand	Hotel/Commercial	309,000	100%
Pacific Ygnacio Plaza, 500 Ygnacio Valley Road, Walnut Creek, CA 94596, USA	Office	121,000	100%
Hotel Le Meridien, 250 Franklin Street, Boston, MA 02110, USA	Hotel/Commercial	281,000	100%
Pacific Wilshire Plaza, 9701 Wilshire Boulevard, Beverly Hills, CA 90212, USA	Commercial/Office	118,000	100%
353 Sacramento Street, San Francisco, CA 94111, USA	Commercial/Office	307,000	100%

## APPENDIX II FIVE YEARS' FINANCIAL SUMMARY

(Expressed in Hong Kong Dollars)

	For the year ended 30th September 1996 \$'000	For the year ended 30th September 1997 \$'000	1.10.1997 to 31.12.1998 \$'000	For the year ended 31st December 1999 \$'000	<b>For the year ended 31st December 2000 \$'000</b>
<b>RESULTS</b>					
Turnover	2,237,086	3,349,373	3,850,619	2,888,827	<b>2,899,181</b>
Profit from operations	1,289,728	1,420,930	1,333,357	804,692	<b>775,034</b>
Share of results of associates	17,415	26,819	8,063	6,559	<b>(11,787)</b>
Profit before taxation	1,307,143	1,447,749	1,341,420	811,251	<b>763,247</b>
Taxation	(61,696)	(114,046)	(96,243)	(97,015)	<b>(99,630)</b>
Profit after taxation	1,245,447	1,333,703	1,245,177	714,236	<b>663,617</b>
Minority interests	(190,061)	(141,747)	(108,009)	(68,912)	<b>(40,664)</b>
Profit attributable to shareholders	1,055,386	1,191,956	1,137,168	645,324	<b>622,953</b>
<b>ASSETS AND LIABILITIES</b>					
Total assets	31,801,936	36,280,343	27,421,215	28,032,514	<b>29,291,891</b>
Total liabilities	(7,733,183)	(9,796,159)	(11,482,590)	(10,533,622)	<b>(10,863,423)</b>
Minority interests	(3,626,608)	(3,569,315)	(1,595,595)	(1,691,399)	<b>(1,036,549)</b>
Shareholders' funds	20,442,145	22,914,869	14,343,030	15,807,493	<b>17,391,919</b>

## REPORT OF THE AUDITORS

### 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

#### TO THE SHAREHOLDERS OF GREAT EAGLE HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 38 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 13th March 2001

## SHAREHOLDERS' CALENDAR

- **Closure of Transfer Books:**
  - from 2nd May 2001 to 9th May 2001 (both days inclusive)
- **2001 Annual General Meeting:**
  - 9th May 2001
- **Dividends:**
  - Interim : HK10 cents per share  
Date of Payment : 24th October 2000
  - Final : HK20 cents per share  
Date of Payment : 11th June 2001