



Total Gross Floor Area 1,760,000 s.f.

The Complex includes:

- a 13-storey uniquely designed shopping mall
- a 53-storey Grade A office tower
- a 4-star hotel providing 758 guest rooms



Comprehensive Redevelopment

Mongkok



TSUEN WAN

Grade A
Office Tower

4-Star Hotel



Mong Kok

SHEUNG WAN

QUARRY BAY

CENTRAL

CHAI WAN

Shopping Mall



4. e-Business

We wrote off in 2001 HK\$23 million representing all of our remaining unlisted investments in this segment, which prospects remain highly uncertain. We have no further exposure in respect of these investments.

5. 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 17% to HK\$177.3 million. However as a result of effective cost and overheads control, the net contribution of the business declined only moderately.

FINANCIAL REVIEW

Debt

To finance the HK\$1,951 million acquisition price of the additional Citibank Tower office space in June 2001, we raised HK\$1,075 million in syndicated bank loan. The balance was funded by new equity issuance of HK\$300 million and drawdown of available liquidity. During the year, a mortgage loan of HK\$601.2 million equivalent was also taken out to fund the acquisition of 150 Spear Street, San Francisco at a cost of HK\$779.2 million equivalent.

Consolidated Net Attributable Debt outstanding (net of cash balances and debt attributable to minority interests) as of 31st December 2001 was HK\$11,076 million, an increase of HK\$2,170 million over that at year end 2000. The increased borrowings were mainly related to the acquisition of additional space in Citibank Tower and 150 Spear Street, with the rest being Mongkok project expenditures.

Consolidated Net Asset Value, based on independent valuation of the Group's investment properties and other assets at cost, amounted to HK\$15,123 million as of 31st December 2001, a decrease of HK\$2,379 million from that of year end 2000. The decline in NAV was in line with the general decline in value of commercial and hotel properties both locally and overseas. The resulting gearing ratio at 31st December 2001 was 73%.

With HK\$ interest rates trending lower throughout 2001, all of our HK\$ borrowings on floating-rate basis for most of the year, we were able to achieve significant savings in 2001. Towards the latter part of the year, when interest rates reached attractive levels, we proceeded to hedge part of our interest rate exposure by way of medium-term swaps. As at 31st December 2001, we had outstanding interest rate swap contracts with total notional principal of HK\$2,420 million, representing approximately 28% of our HK\$-denominated debts.

Our foreign currency debts, taken out to finance our overseas hotels and U.S. office properties, amounted to the equivalent of HK\$3,676 million as of 31st December 2001. Of this, HK\$1,474 million, or 40% of our foreign currency debts, were on fixed-rate basis. In conjunction with renewal of some of the loan facilities, the related fixed rates will likely be re-pegged at lower levels.

Finance Cost

The net finance cost incurred during 2001 was HK\$427.3 million, almost unchanged from the HK\$426.1 million recorded in 2000. Substantially lower interest rates had more or less offset the effects of the higher debt level arising from property acquisitions. In addition, HK\$244.2 million of finance cost relating to the Mongkok Project was

capitalized, down from HK\$424.3 million for 2000. Lower interest rates were a key factor. The 2000 figure also included a one-time charge of HK\$101 million, representing up-front loan arrangement fees.

Liquidity and Debt Maturity Profile

As of 31st December 2001, we had cash, bank deposits and secured but undrawn loan facilities totalling HK\$5,554.3 million. The vast majority of our loan facilities are medium-term in nature and are secured by properties with a comfortable value coverage. Their continuing availability is therefore well assured. The following is a profile of the maturity of our outstanding debts as of 31st December 2001.

Within 1 year	17.8%
1 - 2 years	13.8%
3 - 5 years	58.8%
More than 5 years	9.6%

Convertible Bonds

Convertible bonds in the equivalent of HK\$1.2 billion were redeemed in full upon their maturity in April 2001.

Pledge of Assets

At 31st December 2001, the Group's properties with a total carrying value of approximately HK\$27,773 million (2000: HK\$27,918 million) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and deposits of approximately HK\$95.4 million (2000: HK\$104.2 million) were mortgaged or pledged to secure credit facilities granted to the Group.

Commitments and Contingent Liabilities

The Group

At 31st December 2001, the Group had commitments and contingent liabilities not provided for in these financial statements, as follows:

- (a) estimated expenditure in respect of property under development amounting to approximately HK\$3,706.7 million (2000: HK\$3,954.9 million) of which approximately HK\$3,255.3 million (2000: HK\$468.6 million) were contracted for;
- (b) authorised capital expenditure amounting to approximately HK\$43.5 million (2000: HK\$716.3 million) of which approximately HK\$18.8 million (2000: HK\$629.4 million) were contracted for; and
- (c) commitments under foreign exchange future contracts to sell approximately HK\$143.9 million (2000: HK\$879.1 million) at fixed exchange rates.

The Company

At 31st December 2001, the Company had issued corporate guarantees to certain banks in respect of credit facilities drawn by its subsidiaries amounting to approximately HK\$9,248 million (2000: HK\$6,932.8 million).

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 31st December 2001.

OUTLOOK

It is unlikely that there will be any significant improvement in operating conditions for our office and hotel businesses in the first half of 2002. However there are early signs that the U.S. economy may be on a recovery path. Such recovery should have favourable implications on the global economy in the second half of the year.

The present weakness in the Hong Kong office market has largely been the result of a contraction in demand. Unlike the previous market trough of 1998/99, when unprecedented large supplies of new office space drove down the market, the supply of office space in the next few years will be way below historical average levels. The new completion pipeline will be particularly short in 2004 and 2005. Subsequent to September 11, many multinational corporations have downsized to the bare-bone. Once the economic recovery takes hold, it should result in a sharp rebound in demand for prime office space in Hong Kong.

Recent statistics have shown a bounce back in tourist arrivals in Hong Kong. With the loosening of tourist travel restrictions from the Mainland, these increasingly affluent Mainland travellers should provide a welcome boost in demand for hotel rooms in Hong Kong. Occupancy at our two Hong Kong hotels has held up very well even in this down market. There should be room for better pricing as demand increases in the coming year. Our international hotels are all located in prime districts in major cities. Their business should also benefit from a global economic recovery as most of them are business travel oriented.

In the mean time we will focus on development of the Mongkok project. While prudently managing the costs of this landmark development, we are committed to delivering a high level of quality that will make this one of the most exciting retail, hotel and office complexes in Hong Kong.

STAFF

The total number of employees in the Group was 2,656 as of 31st December 2001. In addition to salary payment, other benefits include discretionary bonus, education allowance, insurance, medical scheme and provident fund schemes. Certain terms of the Executive Share Option Scheme adopted in June 1999, in which senior employees (including executive directors) are entitled to participate, were amended on 20th December 2001 with the name of this share option scheme changed to Great Eagle Holdings Limited Share Option Scheme.

Finally, I would like to take this opportunity to address my sincere gratitude to my fellow Directors for their guidance and to all staff members for their hard-work contributed to the Group in the past year.

LO Ying Shek

Chairman

Hong Kong, 12th March 2002