



Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2000.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiary companies are property investment and management, property development, development consultancy and project management, construction and construction-related

businesses, hotel ownership and management, securities brokering and other investments (including investment and trading in financial instruments and marketable securities).

There have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity and by geographical location are as follows:

	Turnover		Contribution	
	2000	1999	2000	1999
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
By activity:				
Property investment and management	216.7	271.1	68.3	124.3
Property development	46.1	1,041.8	(88.2)	(209.7)
Construction and construction-related businesses	433.4	252.3	(0.4)	(16.8)
Development consultancy and project management	0.1	6.0	(9.1)	(3.8)
Hotel ownership and management	1,000.2	2,966.3	184.3	475.1
Other operations and investments	118.5	136.8	520.5	(1,016.1)
	<u>1,815.0</u>	<u>4,674.3</u>	<u>675.4</u>	<u>(647.0)</u>
By geographical location:				
Hong Kong	1,658.0	2,408.0	628.6	392.3
The United States of America	-	2,098.4	58.8	(644.1)
Canada	127.3	134.9	10.0	14.2
Others	29.7	33.0	(22.0)	(409.4)
	<u>1,815.0</u>	<u>4,674.3</u>	<u>675.4</u>	<u>(647.0)</u>

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 59 to 132.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

As Regal Hotels International Holdings Limited ("RHIHL"), the listed subsidiary company of the Group had substantially disposed of its hotel interests in the United States in December 1999, the turnover and gross profit contribution from hotel operating activities included in the Group's results for the year under review were significantly lower than those in 1999. Moreover, since there was no major development property completed and sold during the year, the turnover from property development has also substantially contracted as compared with 1999.

During the year under review, net cash inflow from operating activities amounted to HK\$254.0 million (1999 - HK\$1,156.0 million) and in addition, further sums in an aggregate of HK\$287.7 million were received from RHIHL's disposal of the hotel interests in the United States. Net interest payment for the year amounted to HK\$748.1 million (1999 - HK\$879.1 million).

In September 2000, Paliburg group completed a refinancing arrangement which involved a mortgage-backed securitisation of its two principal investment properties, namely Paliburg Plaza and Kowloon City Plaza. Out of the securitisation loan proceeds (before expenses) of HK\$1,247 million, approximately HK\$774 million was applied to fully repay the then existing bank loans attached to the two properties and the

majority of the balance was applied to reduce other indebtedness of Paliburg group.

In January and March 2000, 138 million and 120 million new shares were issued by the Company at HK\$0.37 per share and HK\$1.00 per share, respectively. Total cash inflow to the Company from the new share issues amounted to approximately HK\$170.0 million, out of which approximately HK\$135.0 million was applied in repayment of bank debts.

As at 31st December, 2000, the Group's borrowings net of cash and bank balances amounted to HK\$9,969.4 million, as compared to HK\$9,610.3 million in 1999. Gearing ratio based on total assets of HK\$17,873.5 million (1999 - HK\$18,840.0 million) was 56% (1999 - 51%).

Details of the maturity profile of the Group's borrowings are set out in notes 29 to 31 to the financial statements. Details of the Group's pledge of assets and contingent liabilities are shown in notes 46 and 47, respectively, to the financial statements.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. In addition to normal bank financing, issues of debt or equity-linked securities are considered and arranged to provide an alternative source of funding, when circumstances are appropriate.



Forward exchange contracts and interest swaps are arranged, where appropriate, to hedge against the Group's currency and interest rate exposures.

Remuneration Policy

The Group employs approximately 2,800 staff in Hong Kong and approximately 400 staff in Canada and approximately 900 staff in the PRC.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include provident fund scheme and medical and life insurance.

The Company as well as PHL and RHIHL each maintains an Executive Share Option Scheme, pursuant to which certain share options were granted under the Executive Share Option Schemes of PHL and RHIHL to selected eligible executives.

A detailed review of the business operations and the outlook of the Group is contained in the Chairman's Report which precedes this report.

DIVIDENDS

No interim dividend was paid during the year.

The Directors have resolved not to recommend the payment of a final dividend for the year.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Anthony Chuang
Mrs. Kitty Lo Lee Kit Tai
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan

There have been no changes in Directors during the year.

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Kenneth Ng Kwai Kai and Mr. Ng Siu Chan retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its subsidiary companies was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract with the Company or any of its subsidiary companies during the year.

At no time during the year was the Company or any of its subsidiary companies a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than under the Executive Share Option Scheme of the Company, under which no option has so far been granted to any Directors.

**DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at 31st December, 2000, the interests of the Directors in the share capital of the Company and its associated corporations as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary	543,344,843	-	1,395,994,246	1,939,339,089
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,510,000	-	-	2,510,000
	Mr. Jimmy Lo Chun To	Ordinary	1,659,800	-	-	1,659,800
	Mr. Ng Siu Chan	Ordinary	-	15,453,000	-	15,453,000
	Name of Associated Corporation					
2. PHL	Mr. Lo Yuk Sui	Ordinary	222,765	-	1,401,024,977 (Notes a & b)	1,401,247,742
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	100,000	-	-	100,000
	Mr. Jimmy Lo Chun To	Ordinary	284,000	-	-	284,000
	Mr. Ng Siu Chan	Ordinary	-	536,500	-	536,500
3. RHIHL	Mr. Lo Yuk Sui	Ordinary	220,000	-	2,907,644,944 (Notes a & c)	2,907,864,944
		Preference	-	-	3,440 (Note a)	3,440
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,370,000	-	-	2,370,000
4. Argosy Capital Corporation	Mr. Lo Yuk Sui	Ordinary	-	-	1,130,349 (Note a)	1,130,349



	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
				Personal Interests	Family Interests	Corporate Interests	
5.	Century King Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	5,000 (Note a)	5,000
6.	Century Win Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	9,000 (Note a)	9,000
7.	Cheerjoy Development Limited ("Cheerjoy")	Mr. Lo Yuk Sui	Ordinary	-	-	(Note d)	(Note d)
8.	Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,000 (Note a)	7,000
9.	Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,500 (Note a)	7,500
10.	Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	85 (Note a)	85
11.	Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	-	-	75 (Note a)	75
12.	Polarfine Inc	Mr. Lo Yuk Sui	Ordinary	-	-	3,000,000 (Notes a & e)	3,000,000
13.	Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	-	-	25,000 (Note a)	25,000
14.	Supreme Idea Enterprise Limited	Mr. Lo Yuk Sui	Ordinary	-	-	125 (Note a)	125
15.	Villawood Developments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	65 (Note a)	65
16.	Wealth Link Investments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	1 (Note a)	1

Notes:

- (a) The shares were held through companies controlled by the Company, of which Mr. Lo Yuk Sui is the Chairman and controlling shareholder.
- (b) Including the retained balance, i.e. 6,444,444 shares, (the "Retained Shares") of the consideration shares agreed to be sold at HK\$4.50 per share for the acquisition of the remaining 51% shareholding interest in The New China Hong Kong Financial Services Limited (now known as Century City Financial Services Limited) by a wholly-owned subsidiary company of the Company from a wholly-owned subsidiary company of The New China Hong Kong Group Limited (the "NCHK Company") pursuant to the conditional agreement dated 7th September, 1998 in respect of the said acquisition, which was completed on 17th September, 1998 (the "Completion Date"). The Retained Shares are retained by the Group until the first anniversary of the Completion Date in connection with the indemnity given by the NCHK Company under the said agreement.
- (c) A total of 536,755,200 shares (the "Exchange Property") were charged by a wholly-owned subsidiary company of PHL in favour of a trustee, covering the exchange rights of the holders of the Exchangeable Bonds issued by another wholly-owned subsidiary company of PHL. The Exchangeable Bonds are exchangeable into those existing ordinary shares of RHIHL during the period from 6th April, 1996 to 23rd January, 2001 (which period was extended by 90 days to 23rd April, 2001 pursuant to a second supplemental trust deed dated 23rd January, 2001) at an adjusted effective exchange price of HK\$2.0144 per share (cum entitlements as provided in the relevant trust deed). Subsequent to the year end date of 2000, a principal amount of US\$10,950,000 of the Exchangeable Bonds was exchanged into 42,048,000 shares. As a result, the number of shares comprising the Exchange Property was reduced to 494,707,200 shares.
- (d) A wholly-owned subsidiary company of PHL holds 30% attributable shareholding interest in Cheerjoy through Point Perfect Investments Limited ("Point Perfect") which is a 30% owned associate of such subsidiary company. Point Perfect holds all the issued shares of Cheerjoy, i.e. 2 shares.
- (e) Including security interest over 600,000 shares under a share mortgage held by a subsidiary company of the Company.

No right has been granted to, or exercised by, any Director of the Company, or to or by his spouse and children under 18 years of age, to subscribe for shares in or debentures of the Company during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2000, the interests of those persons (other than the Directors) in the share capital of the Company as recorded in the register kept under Section 16 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name of Shareholder	Number of Shares Held
Shui To Co., Limited (Note)	440,269,831
YSL International Holdings Limited (Note)	931,998,340

Note: These companies are controlled by Mr. Lo Yuk Sui and their said shareholdings were included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under Directors' Interests in Share Capital.

**MOVEMENTS IN SHARE OPTIONS OF PALIBURG HOLDINGS LIMITED**

Movements during the year in options granted by PHL pursuant to the Executive Share Option Scheme adopted on 23rd November, 1993 are detailed below:

Description of Event	Number of Shares under the Options Granted on 15/9/1995						Granted on 22/2/1997	Total
	Granted on 22/2/1994	<i>with</i>	<i>with</i>	<i>with</i>	<i>with</i>	Granted on 22/2/1994		
		<i>Original</i> Grant Date	<i>Original</i> Grant Date	<i>Original</i> Grant Date	<i>Original</i> Grant Date			
Balance at beginning of year	12,125,000	41,586,455	431,186	1,757,812	4,547,576	5,625,000	66,073,029	
Cancelled during the year	(937,500)	(820,907)	(431,186)	-	(1,422,576)	-	(3,612,169)	
Balance at end of year	11,187,500 (Note a)	40,765,548 (Note b)	-	1,757,812 (Note c)	3,125,000 (Note d)	5,625,000 (Note e)	62,460,860	
Exercise price per share (HK\$)	10.4000	0.6656	1.3260	1.1571	3.5392	6.6720		

Notes:

- The options for 6,712,500 shares are exercisable at any time. The options for the remaining 4,475,000 shares are exercisable in stages commencing seven years from the date of grant.
- The options for 28,109,248 shares are exercisable at any time. The options for the remaining 12,656,300 shares are exercisable in stages commencing nine years from the Original Grant Date.
- The option for 1,230,468 shares is exercisable at any time. The option for the remaining 527,344 shares is exercisable in stages commencing eight years from the Original Grant Date.
- The options for 1,875,000 shares are exercisable at any time. The options for the remaining 1,250,000 shares are exercisable in stages commencing seven years from the Original Grant Date.
- The options for 1,687,500 are exercisable at any time. The options for the remaining 3,937,500 shares in stages commencing four years from the date of grant.

MOVEMENTS IN SHARE OPTIONS AND 5¹/₄% CONVERTIBLE CUMULATIVE REDEEMABLE PREFERENCE SHARES OF REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

Share Options

Movements during the year in options granted by RHIHL pursuant to the Executive Share Option Scheme approved by its shareholders on 28th June, 1990 are detailed below:

Description of Event	Number of Ordinary Shares under the Options				Total
	Granted on 22/2/1992	Granted on 28/8/1992	Granted on 5/8/1993	Granted on 22/2/1997	
Balance at beginning of year	54,294,000	360,000	1,380,000	5,760,000	61,794,000
Cancelled during the year	(4,200,000)	(360,000)	-	(2,880,000)	(7,440,000)
Balance at end of year	50,094,000 (Note a)	-	1,380,000 (Note b)	2,880,000 (Note c)	54,354,000
Exercise price per ordinary share (HK\$)	0.7083	0.9250	1.1083	2.1083	

Notes:

- (a) The options for 36,570,000 ordinary shares are exercisable at any time. The options for the remaining 13,524,000 ordinary shares are exercisable in stages commencing nine years from the date of grant.
- (b) The options for 930,000 ordinary shares are exercisable at any time. The options for the remaining 450,000 ordinary shares are exercisable in stages commencing eight years from the date of grant.
- (c) The options for 864,000 ordinary shares are exercisable at any time. The options for the remaining 2,016,000 ordinary shares are exercisable in stages commencing four years from the date of grant.



5¹/₄% Convertible Cumulative Redeemable Preference Shares

Movements during the year in 5¹/₄% convertible cumulative redeemable preference shares with par value of US\$10.00 each ("Preference Shares") of RHIHL are detailed below:

	Number of Preference Shares
Balance at beginning of year	18,948
Converted during the year	(2,200)
Balance at end of year	<u>16,748</u>

Note: The Preference Shares are convertible into fully paid ordinary shares of HK\$0.10 each of RHIHL at any time until and including 5th December, 2008 at the adjusted conversion price of HK\$1.7037 per share (subject to adjustment) based on a reference amount of US\$1,000 per Preference Share at the fixed exchange rate of HK\$7.730255 to US\$1.00.

ISSUE OF NEW SHARES UNDER THE 20% GENERAL MANDATE

- (1) Pursuant to a subscription agreement dated 14th January, 2000 made between the Company and Mr. Lo Yuk Sui ("Mr. Lo"), the Chairman and controlling shareholder of the Company, Mr. Lo subscribed for a total of 138 million new shares (the "138M Subscription Shares") of HK\$0.10 each in the share capital of the Company (the "Shares") in cash at a subscription price of HK\$0.37 per Share (the "138M Subscription"). The subscription price of HK\$0.37 per Share represented (i) a discount of approximately 8.64% to the closing price of HK\$0.405 per Share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14th January, 2000; and (ii) a premium of approximately 0.41% over the average closing price of approximately HK\$0.3685 per Share as quoted on the Stock Exchange from 3rd January, 2000 to 14th January, 2000 (both dates inclusive), being the last ten trading days of the Shares before the date of the relevant announcement referred to below.

The 138M Subscription was subject to, inter alia, the placing of 138 million existing Shares held by Mr. Lo through Yuanta Brokerage Company Limited (the "Placing Agent") to independent investors, which was completed on 19th January, 2000. On 27th January, 2000, 138M Subscription Shares were issued to Mr. Lo. The 138M Subscription Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 23rd June, 1999 (the "General Mandate") and rank pari passu in all respects with the then existing issued Shares.

The 138M Subscription was intended to enlarge the capital base of the Company. The net proceeds of approximately HK\$50.0 million from the 138M Subscription were used for repayment of bank loans of the Group.

Details of the placing of 138 million existing Shares and the 138M Subscription were disclosed in an announcement dated 15th January, 2000 made by the Company.

- (2) Pursuant to a subscription agreement dated 10th March, 2000 made between the Company and YSL International Holdings Limited (“YSL Int’l”), a company controlled by Mr. Lo, YSL Int’l subscribed for a total of 120 million new Shares (the “120M Subscription Shares”) in cash at a subscription price of HK\$1.00 per Share (the “120M Subscription”). The subscription price of HK\$1.00 per Share represented (i) a discount of approximately 9.9% to the closing price of HK\$1.11 per Share as quoted on the Stock Exchange on 9th March, 2000; and (ii) a premium of approximately 3.7% over the average closing price of approximately HK\$0.964 per Share as quoted on the Stock Exchange from 25th February, 2000 to 9th March, 2000 (both dates inclusive), being the last ten trading days of the Shares before the suspension of trading in Shares on 10th March, 2000.

The 120M Subscription was subject to, inter alia, the placing of 120 million existing Shares held by YSL Int’l through the Placing Agent to independent investors, which was completed on 15th March, 2000. On 24th March, 2000, 120M Subscription Shares were issued to YSL Int’l. The 120M Subscription Shares were issued under the General Mandate and rank *pari passu* in all respects with the then existing issued Shares.

The 120M Subscription was to raise capital for the Company while boardening the shareholder and capital base of the Company. Out of the net proceeds of approximately HK\$117.0 million from the 120M Subscription, approximately HK\$85.0 million were used for the repayment

of bank loans of the Group, with the remaining proceeds for general working capital purposes.

Details of the placing of 120 million existing Shares and the 120M Subscription were disclosed in an announcement dated 11th March, 2000 made by the Company.

Details of movements in the share capital of the Company during the year are set out in note 35 of the financial statements.

For the purpose of the sections below headed “Connected Transactions” and “Disclosure pursuant to Practice Note 19”, the “RHIHL Group” refers to RHIHL and its subsidiary companies; the “PHL Group” refers to PHL and its subsidiary companies, other than those comprising the RHIHL Group; the “CCIHL Group” refers to the Company and its subsidiary companies, other than those comprising the PHL Group and the RHIHL Group; the “PHL/RHIHL Group” refers to PHL and its subsidiary companies, including those comprising the RHIHL Group; and the “Group” refers to the company and its subsidiary companies, including those comprising the PHL Group and the RHIHL Group.

CONNECTED TRANSACTIONS

ON-GOING TRANSACTIONS

The Company has from time to time engaged in various on-going transactions (the “On-going Transactions”) and future similar transactions (the “Future Connected Transactions”) (collectively, the “Connected Transactions”) between respective subsidiary companies of the CCIHL Group, the PHL Group and the RHIHL Group, all conducted within their ordinary and normal course of business. The said transactions constituted or will constitute connected transactions for the Company under the



Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Stock Exchange, on application by the Company, issued a letter to the Company granting a waiver (the "Waiver") of strict compliance by the Company with the announcing requirement under the Listing Rules in respect of the Future Connected Transactions, subject to, inter alia, the approval by independent shareholders of the Company of the authority to be granted to the Directors in relation to such transactions. Details of the Connected Transactions and the Waiver were set out in a circular dated 9th February, 1998 issued by the Company. At the Special General Meeting of the Company held on 26th February, 1998, the required approval was given by independent shareholders in respect of the Future Connected Transactions.

Corporate Services Transactions

The present head office accommodation of the CCIHL Group located at 18th to 22nd Floors of Paliburg Plaza, which is an office and commercial building in Causeway Bay, Hong Kong and owned by the PHL Group, is being shared with the CCIHL Group by the PHL Group and the RHIHL Group. Relevant rentals paid to the PHL Group under the lease of the head office accommodation, which was determined by reference to market rental on an arm's length basis, amounted to about HK\$17.9 million in the financial year of 2000. The term of the lease of the head office accommodation was for a period of two years to December 2001. In September 2000, the term of lease was revised to end on 28th March, 2001 which is now running on a month to month basis at HK\$1.5 million per month pending finalisation of the renewal terms.

The rental charge of such accommodation is allocated among the Company, PHL and RHIHL, the listed members of the Group, according to the estimates from time to time by the Directors and, as appropriate, with the endorsement of the directors of PHL and the directors of RHIHL, of fair proportional use, based on actual area occupied and the balance apportioned based on a sharing of the areas used in common, among such members of the CCIHL Group, the PHL Group and the RHIHL Group, by reference to individual consolidated turnover, profit and asset values of the Company, PHL and RHIHL for each financial year. The payment obligation in respect of such rentals is assumed by the three companies.

Further, members of the CCIHL Group provide corporate management services, such as finance and accounting as well as administrative and secretarial services, to members of the PHL Group and RHIHL Group, the fees for which are charged by apportionment of actual costs among the Company, PHL and RHIHL on a fair proportionate basis by reference to individual consolidated turnover, profit and asset values of the Company, PHL and RHIHL for each financial year.

The aggregate amounts of such rentals and corporate management costs apportioned to PHL and RHIHL for the year ended 31st December, 2000 were approximately HK\$29.8 million (comprising rentals of HK\$10.2 million and management costs of HK\$19.6 million) and HK\$26.7 million (comprising rentals of HK\$7.1 million and management costs of HK\$19.6 million) respectively.

Miscellaneous Connected Transactions

An associate of the CCIHL Group (previously a member of the CCIHL Group till January 2000) and a member of the

CCIHL Group are also engaged in the following transactions conducted in the ordinary and usual course of business of the companies of the CCIHL Group, PHL Group and RHIHL Group which are parties to such transactions:

- (1) the associate of the CCIHL Group which is owned as to 10% by the CCIHL Group, 30% by the RHIHL Group, 30% indirectly by Mr. Lo Yuk Sui, the Chairman and controlling shareholder of the Company, and 30% by an associate (as defined in the Listing Rules) of Mr. Jimmy Lo Chun To, a director of each of the Company, PHL and RHIHL, which is jointly owned by his sister, has been providing advertising and promotional services to the PHL Group and the RHIHL Group on retainers of approximately HK\$0.7 million and HK\$2.3 million respectively for the year 2000 and at a standard fee of HK\$0.3 million and HK\$5.2 million respectively based on total costs involved, in addition to which actual costs and out-of-pocket expense incurred are reimbursed. Since the Group was established, the said associate of the CCIHL Group has been engaged, as its principal business activity, in providing advertising and promotion services to the PHL Group and the RHIHL Group; and
- (2) the CCIHL Group has leased space in Regal Hongkong Hotel from the RHIHL Group as staff quarters. Rentals paid under such lease by the CCIHL Group in the year 2000 amounted to approximately HK\$2.1 million.

Compliance with Waiver Conditions

The aggregate amount of the rentals and corporate management costs received by the CCIHL Group under the Corporate Services Transactions for the year ended

31st December, 2000 exceeded the cap as set out in the Waiver of 1% of the latest published audited consolidated net tangible assets of the Group as at 31st December, 1999 adjusted to take into account of the results for the six-month period ended 30th June, 2000 (the "NTA"), which had dropped significantly as compared with that of the previous years. The aggregate amount of the retainer fees and standard fees received by the associate of the CCIHL Group and the rental paid to the RHIHL Group under the Miscellaneous Connected Transactions for the year ended 31st December, 2000 exceeded the cap as set out in the Waiver of 0.25% of the NTA. The Company will make submission to the Stock Exchange with respect to necessary compliance of announcing or other requirements under the Listing Rules in relation thereto.

The On-going Transactions have been reviewed by the Directors (including the independent Non-Executive Directors) and the independent Non-Executive Directors have confirmed that they consider that the above transactions were conducted:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
- (c) on a fair and reasonable basis so far as the shareholders of the Company are concerned.

The Auditors of the Company have confirmed to the Directors in writing in respect of the On-going Transactions occurring during the financial year ended 31st December, 2000 that the relevant transactions have received the approval of the Board of Directors, and that they consider that the relevant transactions have been entered into on normal commercial



terms or have been entered into in accordance with the terms of the agreement relating to the transaction in question or, where there is no such agreement, on terms no less favourable than terms available to or from independent third parties.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Practice Note 19 ("PN19") of the Listing Rules.

Advances to an Entity (Paragraph 3.2.1 of PN19)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 40% by PHL, 30% by RHIHL and 30% by China Overseas Land & Investments Limited, which is independent of, and not connected with the Company, PHL and RHIHL, the respective directors, chief executive and substantial shareholders of the Company, PHL and RHIHL and any of their respective subsidiary companies or any of their respective associates (as defined in the Listing Rules), by the PHL Group and the RHIHL Group as at 31st December, 2000 are set out below:

Advances	PHL Group (HK\$'million)	RHIHL Group (HK\$'million)	PHL/RHIHL Group (HK\$'million)
(A) Principal Amount of Advances	1,512.3	1,134.2	2,646.5
(B) Interest Receivable	216.7	162.5	379.2
(C) Several Guarantees for:			
(a) Principal Amount of Bank Facilities	1,320.0	990.0	2,310.0
(b) Amount of Bank Facilities Drawdown	1,004.4	753.3	1,757.7
Total: (A)+(B)+(C)(a)	<u>3,049.0</u>	<u>2,286.7</u>	<u>5,335.7</u>
(A)+(B)+(C)(b)	<u>2,733.4</u>	<u>2,050.0</u>	<u>4,783.4</u>

The above advances to Chest Gain including interest receivable thereon, in an aggregate sum of HK\$1,729.0 million (before a provision of HK\$933.3 million representing the PHL Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site (as referred to below) of Chest Gain) were provided by the PHL Group. The above advances to Chest Gain, including interest receivable thereon, in an aggregate sum of HK\$1,296.7 million (before a provision of HK\$700.0 million representing the RHIHL Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site of Chest Gain) were provided by the RHIHL Group. Such contribution of funds to Chest Gain are provided in the form of shareholders' loans in proportion to the respective shareholding interests of the shareholders of Chest Gain. The advances are unsecured and have no fixed term of repayment, and related interest is being accrued at prime rate. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of its property project at Rural Building Lot No. 1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Stanley Site"). The Stanley Site was

acquired by Chest Gain at the government land auction held on 3rd June, 1997. The above guarantees were provided by PHL and RHIHL on 28th October, 1997 on a several basis in proportion to their respective shareholding interests in Chest Gain and were given in respect of the bank loan facilities of HK\$3,300.0 million made available to Chest Gain for the purposes of refinancing part of the consideration for the acquisition of the Stanley Site and financing the estimated construction costs required for the luxury residential development at the Stanley Site.

Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 31st December, 2000 provided by the PHL/RHIHL Group to Chest Gain in the respective sums of (a) HK\$5,335.7 million (based on the total available amount of the bank facilities) and (b) HK\$4,783.4 million (based on the amount of bank facilities drawdown) represented (a) 361.8% and (b) 324.3% of the consolidated net tangible assets of the Company of HK\$1,474.8 million (the "Century NTA"), by reference to its latest audited financial statements for the year ended 31st December, 2000.

Financial Assistance provided to and Guarantees given for Affiliated Companies (Paragraph 3.3 of PN19)

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 31st December, 2000 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Bank Facilities	
			(i) Principal Amount of Bank Facilities (HK\$'million)	(ii) Amount of Bank Facilities Drawdown (HK\$'million)
Chest Gain	(A) 2,646.5	(B) 379.2	(C)(i) 2,310.0	(C)(ii) 1,757.7
Cheerjoy Development Limited	(D) 126.4 (Interest Rate: Prime Rate)	(E) 11.6	Nil	Nil
Talent Faith Investments Ltd.	(F) 78.6	-	Nil	Nil
Century King Investment Limited	(G) 2.9 (Interest Rate: 10% p.a.)	(H) 0.6	Nil	Nil
8D International (BVI) Limited	(I) 24.1	-	Nil	Nil
8D Matrix Limited	(J) 1.0	-	Nil	Nil
			Total: (A)+(B)+(C)(i)+(D) to (J)	5,580.9
			(A)+(B)+(C)(ii)+(D) to (J)	5,028.6



Relevant details in respect of the financial assistance provided to and guarantees given for Chest Gain are disclosed above under Paragraph 3.2.1 of PN19 of the Listing Rules.

Cheerjoy Development Limited ("Cheerjoy") was a wholly owned subsidiary company of PHL and became a 30% owned associate of PHL during 1999. Cheerjoy owns the development property at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East, Hong Kong. The remaining 70% shareholding interest in Cheerjoy is owned by a third party, which is independent of, and not connected with PHL, the directors, chief executive and substantial shareholders of PHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans and, according to the terms of the shareholders' agreement in respect of this joint venture, would not be provided in proportion to PHL's shareholding interest in Cheerjoy. The advances were provided for the purpose of funding the working capital requirements of Cheerjoy, are unsecured and have no fixed term of repayment.

Talent Faith Investments Ltd. ("Talent Faith"), previously a wholly owned subsidiary company of PHL owning 65% interest in a joint venture company, which in turn owns 70% interest in an equity joint venture in Beijing, the People's Republic of China involved in property development activity, became a 50% owned associate of PHL during the year. The remaining 50% shareholding interest in Talent Faith is owned by a third party, which is independent of, and not connected with PHL, the directors, chief executive and substantial shareholders of PHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans in accordance with the terms in the sale and purchase agreement entered into with the said third party in relation to the disposal of the PHL Group's 50% interest in Talent Faith, for the purpose of funding the working capital requirements of Talent Faith. The advances are unsecured, interest free and have no fixed terms of repayment.

Century King Investment Limited ("Century King") is a 50% owned associate of RHIHL, which is engaged in the operation of a Japanese restaurant. The remaining 50% shareholding interest in Century King is owned by a third party, which is independent of, and not connected with RHIHL, the directors, chief executive and substantial shareholders of RHIHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the RHIHL Group in the form of shareholder's loans in proportion to RHIHL's shareholding interest in Century King, for the purpose of funding the capital requirements of Century King. The advances are unsecured and have no fixed term of repayment.

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of RHIHL, which is involved in information technology business in connection with broadband national railway fibre optic network in the People's Republic of China. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by the Company and 60% by Mr. Lo Yuk Sui. The advances were provided by the CCIHL Group and the RHIHL Group in the form of shareholders' loans in proportion to the respective shareholding interests of the Company and RHIHL in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest free and have no fixed term of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of RHIHL, which is involved in promotions, communications and information technology businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by the Company, 30% indirectly by Mr. Lo Yuk Sui and 30% by an associate (as defined in the Listing Rules) of Mr. Jimmy Lo Chun To, a director of each of the Company, PHL and RHIHL, which is jointly owned by his sister. The advances were provided by the CCIHL Group and the RHIHL Group in the form of shareholders' loans in proportion to the respective shareholding interests of the Company and RHIHL in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest free and have no fixed term of repayment.

Calculated on the basis shown above, as at 31st December, 2000, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$5,580.9 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$5,028.6 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 378.4% and (b) 341.0% of the Century NTA.

A pro-forma combined balance sheet of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet (HK\$'million)	Group's attributable interest (HK\$'million)
Non-current assets	5,076.0	1,760.5
Current assets	10.9	2.5
Current liabilities	(111.0)	(38.1)
Non-current liabilities	(8,223.3)	(2,969.9)
Net liabilities	<u>(3,247.4)</u>	<u>(1,245.0)</u>

**Loan agreements with covenants relating to specific performance obligation of the controlling shareholders (Paragraphs 3.7.1 and 3.7.2 of PN19)****Paragraph 3.7.1 of PN19**

The agreements for the following loans to the RHIHL Group impose specific performance obligations on the controlling shareholders of the Company, PHL and RHIHL:

		Outstanding Balance of Bank Facilities as at 31st December, 2000 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
RHIHL Group	(a)	1,072.0	July 2007	Note (i)
	(b)	3,822.1	September 2004	Note (ii)
Total:		<u>4,894.1</u>		

Notes:

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of the Company (which owns a 59.2% shareholding interest in PHL (which in turn owns a 72.8% shareholding interest in RHIHL), and/or members of his immediate family or a trust, or trusts under which they are beneficially interested (collectively, "Mr. Lo") shall not cease to maintain controlling interest (directly or indirectly) in respect of shareholding (as defined under the Listing Rules) and management control in RHIHL.
- (ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in RHIHL.

Breach of the above specific performance obligations will constitute events of default of the bank facilities. As a result, the bank facilities may become immediately due and payable on demand by the relevant lenders according to the respective terms and conditions of the bank facilities.

Paragraph 3.7.2 of PN19

Details of breach of certain terms of the above loan agreements are set out in note 2 to the financial statements.

CORPORATE GOVERNANCE

The Company has during the year complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent Non-Executive Directors of the Company were not appointed for specific terms. However, they were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the By-laws of the Company.

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee comprising Mr. Ng Siu Chan (Chairman of the Committee) and Mr. Anthony Chuang, both of whom are independent Non-Executive Directors of the Company. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

FIXED ASSETS

The details of movements in fixed assets during the year are set out in note 15 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

The details of movements in properties under development during the year are set out in note 16 to the financial statements.

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The details of movements in properties held for future development during the year are set out in note 17 to the financial statements.

BORROWINGS

The details of the Company's and the Group's borrowings at the balance sheet date are set out in notes 29 to 31 to the financial statements.

SHARE CAPITAL

The details of movements in the share capital of the Company during the year are set out in note 35 to the financial statements.



SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 37 to the financial statements.

CAPITAL REDEMPTION RESERVE

The details of movements in the capital redemption reserve account during the year are set out in note 38 to the financial statements.

CAPITAL RESERVE

The details of movements in the capital reserve account during the year are set out in note 39 to the financial statements.

REVALUATION RESERVES

The details of movements in the revaluation reserve account during the year are set out in note 40 to the financial statements.

EXCHANGE EQUALISATION RESERVE

The details of movements in the exchange equalisation reserve account during the year are set out in note 41 to the financial statements.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 42 to the financial statements.

JOINTLY CONTROLLED ENTITY AND ASSOCIATES

Particulars of the Group's interests in jointly controlled entity and associates are set out in notes 18 and 19 to the financial statements, respectively.

CONTRIBUTED SURPLUS

The details of movements in the contributed surplus account during the year are set out in note 43 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2000, the Company's reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda amounted to HK\$329.7 million.

In addition, the Company's share premium may be distributed in the form of fully paid bonus shares.

INTEREST CAPITALISED

Interest expenses in the amount of HK\$34.8 million were capitalised during the year in respect of the Group's property development projects and construction contracts.

POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 50 to the financial statements.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong

17th April, 2001