

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, 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiary companies are property development and investment, property management, construction and construction-related businesses, hotel ownership and management, and other investments (including investment and trading in marketable securities).

The Group ceased its securities brokering businesses during the year.

The turnover and contribution to trading results by each principal activity and by geographical location are set out in note 5 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 76 to 161.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

During the year under review, net cash inflow from operating activities amounted to HK\$333.2 million (2000 - HK\$254.0 million). Net interest payment for the year amounted to HK\$397.0 million (2000 - HK\$748.1 million).

Subsequent to the balance sheet date, in March 2002, 250 million new shares ("Consideration Shares") of the Company were allotted, issued and credited as fully paid to a nominee of Prism Communications International Limited ("Prism") at HK\$0.10 per Consideration Share in satisfaction of the consideration for the subscription by Expert Link Technology Limited, a wholly-owned subsidiary company of the Company, for 10 million new shares of HK\$0.01 each in Prism pursuant to the Share Exchange Agreement dated 18th February, 2002 made between, inter alia, the Company and Prism (the "Share Transaction"). Further details relating to the Share Transaction are set out in the section headed "Issue of New Shares under the 20% General Mandate" below.



As at 31st December, 2001, the Group's gross borrowings net of cash and bank balances amounted to HK\$10,135.4 million (2000 - HK\$9,969.4 million). The Group's gearing ratio based on total assets of HK\$14,634.5 million (2000 - HK\$17,873.5 million) was 69% (2000 - 56%). As at 31st December, 2001, the Company recorded a consolidated negative net worth of HK\$160.3 million, which was primarily the result of significant losses incurred and the continuing downward adjustment in the valuation of the investment and hotel properties owned by the Group.

Details of the Group's pledge of assets and contingent liabilities are shown in notes 49 and 50, respectively, to the financial statements.

The majority of the Group's borrowings are denominated in Hong Kong dollar currency and there is no material foreign exchange exposure. Details of the maturity profile of the Group's borrowings are set out in notes 30 to 32 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. Currency and interest rate exposures are hedged where circumstances are considered appropriate.

Remuneration Policy

The Group employs approximately 2,500 staff in Hong Kong, 300 staff in Canada and 900 staff in The People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed 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 Paliburg Holdings Limited ("PHL") and Regal Hotels International Holdings Limited ("RHIHL"), the listed subsidiary companies of the Company, 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
Mr. Tommy Lam Chi Chung
Mrs. Kitty Lo Lee Kit Tai
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan

On 11th February 2002, Mr. Tommy Lam Chi Chung was appointed as a Director.

In accordance with Bye-laws 100 and 109(A) of the Company's Bye-laws, Mr. Anthony Chuang, Mr. Tommy Lam Chi Chung and Mrs. Kitty Lo Lee Kit Tai 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, 2001, 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:

(A) Interests in Shares

	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	–	1,373,024,977	1,373,247,742
						(Notes a & b)	
		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	–	2,865,596,944	2,865,816,944	
					(Notes a & c)		
		Preference	–	–	3,440	3,440	
					(Note a)		
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,370,000	–	–	2,370,000	



	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
				Personal Interests	Family Interests	Corporate Interests	
4.	8D International (BVI) Limited ("8D-BVI")	Mr. Lo Yuk Sui	Ordinary	–	–	1,000 (Note d)	1,000
5.	8D Matrix Limited ("8D Matrix")	Mr. Lo Yuk Sui	Ordinary	–	–	2,000,000 (Note e)	2,000,000
6.	8D International Limited ("8D")	Mr. Lo Yuk Sui	Ordinary	–	–	10,000 (Note f)	10,000
7.	Argosy Capital Corporation	Mr. Lo Yuk Sui	Ordinary	–	–	1,130,349 (Note a)	1,130,349
8.	Century Win Investment Limited	Mr. Lo Yuk Sui	Ordinary	–	–	9,000 (Note a)	9,000
9.	Cheerjoy Development Limited ("Cheerjoy")	Mr. Lo Yuk Sui	Ordinary	–	–	(Note g)	(Note g)
10.	Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	–	–	7,000 (Note a)	7,000
11.	Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	–	–	7,500 (Note a)	7,500
12.	Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	–	–	85 (Note a)	85
13.	Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	–	–	75 (Note a)	75
14.	Polarfine Inc	Mr. Lo Yuk Sui	Ordinary	–	–	3,000,000 (Notes a & h)	3,000,000
15.	Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	–	–	25,000 (Note a)	25,000

Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
16. Talent Faith Investments Ltd.	Mr. Lo Yuk Sui	Ordinary	–	–	50 (Note a)	50
17. Villawood Developments Limited	Mr. Lo Yuk Sui	Ordinary	–	–	65 (Note a)	65
18. 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 494,707,200 shares 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 April, 2001 (which period was extended by 90 days from 23rd January, 2001) at an adjusted effective exchange price of HK\$2.0144 per share (cum entitlements as provided in the relevant trust deed).
- (d) 400 shares were held through companies controlled by the Company and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.
- (e) 800,000 shares were held through companies controlled by the Company and 1,200,000 shares were held through companies controlled by Mr. Lo Yuk Sui (including 8D-BVI).
- (f) 8D is a wholly-owned subsidiary company of 8D Matrix.
- (g) 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.
- (h) Including security interest over 600,000 shares under a share mortgage held by a subsidiary company of the Company.



(B) Interests in Share Options Granted by 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.

Further information relating to the Executive Share Option Scheme of the Company (the "CCIHL Option Scheme") approved by its shareholders on 28th June, 1990 is disclosed under the section headed "Directors' Interests in and Movements in Share Options granted by the Company" below.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2001, 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 Interests in Shares of Directors' Interests in Share Capital.

DIRECTORS' INTERESTS IN AND MOVEMENTS IN SHARE OPTIONS GRANTED BY THE COMPANY

No option has so far been granted by the Company pursuant to the CCIHL Option Scheme approved by its shareholders on 28th June, 1990. The following summarised information on the CCIHL Option Scheme is disclosed in compliance with the disclosure requirements under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"):

- Purpose:* As incentive to selected eligible executives
- Participants:* Eligible executive means any director and any person who is an employee of the Group (including the Company, its subsidiary companies and other bodies corporate in which the Company or its subsidiary companies, or a combination of them, hold not less than 40% of the issued voting shares), or who devotes a material amount of time to the management of the affairs of the Group

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| 3. <i>Total number of shares subject to outstanding options under the CCIHL Option Scheme and as a percentage of the issued share capital as at 31st December, 2001:</i> | Nil |
| 4. <i>Maximum entitlement of each participant under the CCIHL Option Scheme:</i> | Not exceeding 25% of the total number of shares included in options outstanding at the time of grant |
| 5. <i>The period within which the shares must be taken up under an option:</i> | From the time when the options become vested to no later than ten years after the Date of Grant |
| 6. <i>Minimum period for which an option must be held before it can be exercised:</i> | Not less than one year following the Date of Grant |
| 7. <i>Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:</i> | N/A |
| 8. <i>The basis of determining the exercise price:</i> | At the discretion of the Board but shall not be less than the par value of the shares nor at a discount of more than 10% below the average closing prices of the shares on the Stock Exchange on the five dealing days immediately preceding the date on which the invitation to apply for an option is resolved by the Board to be given |
| 9. <i>The remaining life of the CCIHL Option Scheme:</i> | The life of the CCIHL Option Scheme commenced from 28th June, 1990, date of adoption, and ended on 28th June, 2000. |



DIRECTORS' INTERESTS IN AND MOVEMENTS IN SHARE OPTIONS GRANTED BY PALIBURG HOLDINGS LIMITED

During the year, details of Directors' interests in and movements in share options granted by PHL pursuant to the Executive Share Option Scheme of PHL (the "PHL Option Scheme") adopted by its shareholder on 23rd November, 1993 and subsequently approved by the independent shareholders of Paiburg International Holdings Limited, formerly the immediate listed holding company of PHL, ("PIHL") on 15th December, 1993 are as follows:

Terms of Option	Grantee	No. of Shares under the Options		
		Options Outstanding As at 1/1/2001	Lapsed during the Year	Options Outstanding As at 31/12/2001
(A) Date of Grant: 22/2/1994 Exercise Price: HK\$10.40 per share: Vesting Period: Note 1 Exercise Period: Note 1	Mr. Lo Yuk Sui (Note 7) Mr. Kenneth Ng Kwai Kai Employees (excluding Directors), in aggregate	Vested: 2,737,500 Unvested: 1,825,000 Vested: 600,000 Unvested: 400,000 Vested: 3,375,000 Unvested: 2,250,000	Note 1(b) Note 1(b) (306,250) (131,250)	Vested: 3,193,750 Unvested: 1,368,750 Vested: 700,000 Unvested: 300,000 Vested: 3,631,250 Unvested: 1,556,250
(B) Date of Grant: 15/9/1995 (Original Grant Date (Note 2)): 22/2/1992 Exercise Price: HK\$0.6656 per share: Vesting Period: Note 3 Exercise Period: Note 3	Mr. Lo Yuk Sui (Note 7) Mr. Kenneth Ng Kwai Kai Employees (excluding Directors), in aggregate	Vested: 14,062,500 Unvested: 4,687,500 Vested: 3,076,872 Unvested: 2,050,784 Vested: 10,969,912 Unvested: 5,917,980	Note 3(d) Note 3(d) Note 3(d)	Vested: 18,750,000 Unvested: - Vested: 5,127,656 Unvested: - Vested: 16,887,892 Unvested: -
(C) Date of Grant: 15/9/1995 (Original Grant Date (Note 2)): 22/2/1993 Exercise Price: HK\$1.1571 per share: Vesting Period: Note 5 Exercise Period: Note 5	Employees, in aggregate	Vested: 1,230,468 Unvested: 527,344	Note 5(c)	Vested: 1,406,249 Unvested: 351,563
(D) Date of Grant: 15/9/1995 (Original Grant Date (Note 2)): 22/2/1994 Exercise Price: HK\$3.5392 per share: Vesting Period: Note 6 Exercise Period: Note 6	Employees, in aggregate	Vested: 1,875,000 Unvested: 1,250,000	Note 6(b)	Vested: 2,187,500 Unvested: 937,500
(E) Date of Grant: 22/2/1997 Exercise Price: HK\$6.672 per share: Vesting Period: Note 1 Exercise Period: Note 1	Employees, in aggregate	Vested: 1,687,500 Unvested: 3,937,500	(1,000,000) Note 1(b) (1,500,000)	Vested: 1,250,000 Unvested: 1,875,000

Notes:

1. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) 2 years after Date of Grant	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after Date of Grant)
(b) 3 years to 9 years after Date of Grant	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year) (commencing from 3 years after Date of Grant)	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after Date of Grant upon vesting (exercisable until 10 years after Date of Grant))
(c) 9½ years after Date of Grant	100%	100% (exercisable until 10 years after Date of Grant)

2. Consequent upon the group reorganization resulting in the effective merger of PHL and PIHL on 17th August, 1995 and in accordance with the terms of the executive share option scheme of PIHL ("PIHL Option Scheme"), the outstanding options held under the PIHL Option Scheme ("PIHL Options") lapsed on 17th August, 1995 and in conjunction therewith, PHL granted the same number of options to subscribe for the new consolidated shares of HK\$1.00 each of PHL under the PHL Option Scheme ("PHL Options") at the same prices and otherwise on the same terms as held by and applicable to the holders of the then outstanding PIHL Options. The above Original Grant Dates are the dates of grant of the PIHL Options and are used to determine the timing when the rights to exercise the PHL Options vest with the holders thereof.

3. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) Exercisable at any time	PHL Options were granted as vested options under the PHL Option Scheme for those PIHL Options already vested under PIHL Option Scheme (see note 2)	Exercisable until 10 years after Original Grant Date
(b) 4 years after Original Grant Date	1/7 x 100%	1/7 x 100% upon vesting (exercisable until 10 years after Original Grant Date)
(c) 5 years to 9 years after Original Grant Date	Cumulative 2/7 x 100% to 6/7 x 100% (with 1/7 x 100% additional percentage vested each subsequent year) (commencing from 5 years after Original Grant Date)	Cumulative 2/7 x 100% to 6/7 x 100% (with 1/7 x 100% additional percentage exercisable each subsequent year (commencing from 5 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(d) 9½ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)

4. Lapsed after expiry of the relevant exercise period on 22nd February, 2002.



5. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) Exercisable at any time	PHL Options were granted as vested options under the PHL Option Scheme for those PIHL Options already vested under PIHL Option Scheme (see note 2)	Exercisable until 10 years after Original Grant Date
(b) 3 years after Original Grant Date	1/8 x 100%	1/8 x 100% upon vesting (exercisable until 10 years after Original Grant Date)
(c) 4 years to 9 years after Original Grant Date	Cumulative 2/8 x 100% to 7/8 x 100% (with 1/8 x 100% additional percentage vested each subsequent year (commencing from 4 years after Original Grant Date))	Cumulative 2/8 x 100% to 7/8 x 100% (with 1/8 x 100% additional percentage exercisable each subsequent year (commencing from 4 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(d) 9½ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)

6. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) 2 years after Original Grant Date	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after Original Grant Date)
(b) 3 years to 9 years after Original Grant Date	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after Original Grant Date))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(c) 9½ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)

7. The aggregate number of shares under options previously granted was in excess of the individual maximum limit of 1% of the shares in issue in the 12 month-period up to the date of latest grant of options.

8. In the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted.



The following summarised information on the PHL Option Scheme is disclosed in compliance with the disclosure requirements under Chapter 17 of the Listing Rules:

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|--|---|
| 1. <i>Purpose:</i> | As incentive to selected eligible executives |
| 2. <i>Participants:</i> | Eligible executive means any director, officer and any person who is an employee of PHL and its subsidiary companies |
| 3. <i>Total number of shares subject to outstanding options under the PHL Option Scheme and as a percentage of the issued share capital as at 31st December, 2001:</i> | 59,523,360 shares (approximately 2.6%) |
| 4. <i>Maximum entitlement of each participant under the PHL Option Scheme:</i> | Not exceeding 25% of the total number of shares included in options outstanding at the time of grant |
| 5. <i>The period within which the shares must be taken up under an option:</i> | From the time when the options become vested to no later than ten years after the Date of Grant |
| 6. <i>Minimum period for which an option must be held before it can be exercised:</i> | Not less than one year following the Date of Grant |
| 7. <i>Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:</i> | N/A |
| 8. <i>The basis of determining the exercise price:</i> | At the discretion of the board of PHL but shall not be less than the par value of the shares nor at a discount of more than 20% below the average closing prices of the shares on the Stock Exchange on the five dealing days immediately preceding the date on which the invitation to apply for an option is resolved by the board of PHL to be given |
| 9. <i>The remaining life of the PHL Option Scheme:</i> | The life of the PHL Option Scheme commenced from 23rd November, 1993, date of adoption, and will end on 23rd November, 2003. |



DIRECTORS' INTERESTS IN AND MOVEMENTS IN SHARE OPTIONS GRANTED BY REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

During the year, details of Directors' interests in and movements in share options granted by RHIHL pursuant to the Executive Share Option Scheme of RHIHL (the "RHIHL Share Option Scheme) approved by its shareholders on 28th June, 1990 are as follows:

Terms of Option	Grantee	No. of Ordinary Shares under the Options				
		Options Outstanding As at 1/1/2001	Lapsed during the Year	Options Outstanding As at 31/12/2001		
(A) Date of Grant: 22/2/1992 Exercise Price: HK\$0.7083 per share: Vesting Period: Note 1 Exercise Period: Note 1	Mr. Lo Yuk Sui	Vested: 20,160,000 Unvested: 6,720,000	Note 1(c)	-	Vested: 26,880,000 Unvested: -	Notes 1(c)&2
	Mr. Kenneth Ng	Vested: 6,480,000 Unvested: 1,920,000	Note 1(c)	-	Vested: 8,400,000 Unvested: -	Notes 1(c)&2
	Employees (excluding Directors), in aggregate	Vested: 9,930,000 Unvested: 4,884,000	Note 1(c)	-	Vested: 14,814,000 Unvested: -	Notes 1(c)&2
(B) Date of Grant: 5/8/1993 Exercise Price: HK\$1.1083 per share: Vesting Period: Note 1 Exercise Period: Note 1	Employees, in aggregate	Vested: 930,000 Unvested: 450,000	Note 1(b)	-	Vested: 1,080,000 Unvested: 300,000	Note 1(b)
	Employees, in aggregate	Vested: 864,000 Unvested: 2,016,000	Note 1(b)	(720,000) (1,080,000)	Vested: 432,000 Unvested: 648,000	Note 1(b)
(C) Date of Grant: 22/2/1997 Exercise Price: HK\$2.1083 per share: Vesting Period: Note 1 Exercise Period: Note 1	Employees, in aggregate	Vested: 864,000 Unvested: 2,016,000	Note 1(b)	(720,000) (1,080,000)	Vested: 432,000 Unvested: 648,000	Note 1(b)

Notes:

1. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) 2 years after Date of Grant	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after Date of Grant)
(b) 3 years to 9 years after Date of Grant	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after Date of Grant))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after Date of Grant) upon vesting (exercisable until 10 years after Date of Grant))
(c) 9½ years after Date of Grant	100%	100% (exercisable until 10 years after Date of Grant)

2. Lapsed after expiry of the relevant exercise period on 22nd February, 2002.
3. In the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted.

The following summarised information on the RHIHL Option Scheme is disclosed in compliance with the disclosure requirements under Chapter 17 of the Listing Rules:

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|---|---|
| 1. <i>Purpose:</i> | As incentive to selected eligible executives |
| 2. <i>Participants:</i> | Eligible executive means any director and any person who is an employee of the RHIHL Group (including RHIHL, its subsidiary companies and other bodies corporate in which RHIHL or its subsidiary companies, or a combination of them, hold not less than 40% of the issued voting shares), or of any other company or corporation forming part of the Group, for so long as RHIHL is part of the Group, and who (in the opinion of the board of RHIHL) devotes a material amount of time to the management of the affairs of the RHIHL Group |
| 3. <i>Total number of ordinary shares subject to outstanding options under the RHIHL Option Scheme and as a percentage of the issued share capital as at 31st December, 2001:</i> | 52,554,000 ordinary shares (approximately 1.3%) |
| 4. <i>Maximum entitlement of each participant under the RHIHL Share Option Scheme:</i> | Not exceeding 25% of the total number of ordinary shares included in options outstanding at the time of grant |
| 5. <i>The period within which the shares must be taken up under an option:</i> | From the time when the options become vested to no later than ten years after the Date of Grant |
| 6. <i>Minimum period for which an option must be held before it can be exercised:</i> | Not less than one year following the Date of Grant |
| 7. <i>Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:</i> | N/A |



8. *The basis of determining the exercise price:* At the discretion of the board of RHIHL but shall not be less than the par value of the ordinary shares nor at a discount of more than 10% below the average closing prices of the shares on the Stock Exchange on the five dealing days immediately preceding the date on which the invitation to apply for an option is resolved by the board of RHIHL to be given
9. *The remaining life of the RHIHL Option Scheme:* The life of the RHIHL Option Scheme commenced from 28th June, 1990, date of adoption, and ended on 28th June, 2000.

Save as disclosed in the respective sections headed "Directors' Interests in and Movements in Share Options granted by Paliburg Holdings Limited" and "Directors' Interests in and Movements in Share Options granted by Regal Hotels International Holdings Limited" above, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debenture of the subsidiary companies of the Company, and no option granted to such persons has been cancelled and lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants.

MOVEMENTS IN 5¼% CONVERTIBLE CUMULATIVE REDEEMABLE PREFERENCE SHARES OF REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

Movements during the year in 5¼% 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 and 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

Pursuant to the share exchange agreement dated 18th February, 2002 made between, inter alia, the Company and Prism Communications International Limited ("Prism"), on 8th March, 2002, 250 million new shares ("Consideration Shares") of HK\$0.10 each in the share capital of the Company (the "Shares") were allotted, issued and credited as fully paid to a nominee of Prism at HK\$0.10 per Consideration Share (the "Issue Price") in satisfaction of the consideration for the subscription by Expert Link Technology Limited, a wholly-owned subsidiary company of the Company, for 10 million new shares of HK\$0.01 each in the share capital of Prism (the "Share Transaction").

The Issue Price represented (i) a premium of 163% over the closing price of HK\$0.038 of the Shares as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18th February, 2002 and (ii) a premium of 159% over the average closing price of HK\$0.0386 of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days ending on 18th February, 2002.

The Consideration Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 12th June, 2001 and rank pari passu in all respects with the then existing issued Shares.

The Directors of the Company considered the Share Transaction to be in the interest of the Company as it provided an opportunity for the Company to increase its involvement in information technology and telecommunications businesses, while enlarging the Company's capital base.

Details of the Share Transaction were disclosed in an announcement dated 19th February, 2002 made by the Company.

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 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 2001. The term of the lease of the head office accommodation was previously for a term of six months ended 28th March, 2001 at a rental of approximately HK\$1.5 million per month. Subsequently, the lease was renewed twice for a term of six months to 28th September, 2001 at approximately HK\$1.5 million per month and then for another term of six months to 28th March, 2002 at approximately HK\$0.8 million per month. The lease is being renewed 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 areas used in common, shared among such members of the CCIHL Group, the PHL Group and the RHIHL Group by reference to individual consolidated turnover, profit (as applicable) 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 (as applicable) 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, 2001 were approximately HK\$29.9 million (comprising rentals of HK\$8.9 million and management costs of HK\$21.0 million) and HK\$27.4 million (comprising rentals of HK\$6.3 million and management costs of HK\$21.1 million) respectively.

Miscellaneous Connected Transactions

An associate of the CCIHL Group 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 (the CCIHL Group and RHIHL Group also hold additional 2% and 6% attributable interests in the associate respectively through their respective holdings in 8D-BVI) and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI, 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 2001 and at a standard fee of HK\$0.2 million and HK\$4.0 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.



- (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 2001 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, 2001 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, 2000 adjusted to take into account of the results for the six-month period ended 30th June, 2001 (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 rentals paid to the RHIHL Group under the Miscellaneous Connected Transactions for the year ended 31st December, 2001 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, 2001 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 & Investment 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, 2001 are set out below:

Advances	PHL Group (HK\$'million)	RHIHL Group (HK\$'million)	PHL/RHIHL Group (HK\$'million)
(A) Principal Amount of Advances	1,489.2	1,185.7	2,674.9
(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>3,025.9</u>	<u>2,338.2</u>	<u>5,364.1</u>
(A)+(B)+(C)(b)	<u>2,710.3</u>	<u>2,101.5</u>	<u>4,811.8</u>

The above advances to Chest Gain including interest receivable thereon, in an aggregate sum of HK\$1,705.9 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\$1,348.2 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 required to be 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 had been accrued at prime rate up to 31st December, 1998. 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.

As the Company reported a consolidated deficiency in assets of HK\$160.3 million by reference to its latest audited financial statements for the year ended 31st December, 2001, the calculation of the percentage of the aggregate amount of advances and other financial assistance mentioned above to net tangible assets is not applicable.

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, 2001 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) 2,674.9	(B) 379.2	(C)(i) 2,310.0	(C)(ii) 1,757.7
Cheerjoy Development Limited	(D) 138.0 (Interest Rate: Prime Rate)	(E) 9.7	Nil	Nil
Talent Faith Investments Ltd.	(F) 78.6	–	Nil	Nil
8D International (BVI) Limited	(G) 37.2	–	Nil	Nil
8D Matrix Limited	(H) 1.0	–	Nil	Nil
Total: (A)+(B)+(C)(i)+(D) to (H)				5,628.6
(A)+(B)+(C)(ii)+(D) to (H)				5,076.3

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 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") was previously a wholly-owned subsidiary company of PHL. Talent Faith owns a 65% interest in a joint venture company which, in turn, owns a 70% interest in an equity joint venture in The People's Republic of China involved in a property development project in Beijing. Talent Faith became a 50% owned associate of PHL during 2000. 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 and, in accordance with the terms in the agreement entered into with the said third party in relation to the disposal of the PHL Group's 50% interest in Talent Faith, would not be in proportion to PHL's shareholding interest in Talent Faith. The advances were provided for the purpose of funding the working capital requirements of Talent Faith, are unsecured, interest free and have no fixed terms of repayment.

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of RHIHL, which is involved in information technology businesses in connection with a broadband fibre optic network project in The People's Republic of China and information technology systems development, and promotions and communications businesses. 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 (RHIHL also holds an additional 6% attributable interest through its holding in 8D-BVI), 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 (the Company also holds an additional 2% attributable interest through its holding in 8D-BVI) and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI. 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.

As the Company reported a consolidated deficiency in assets of HK\$160.3 million by reference to its latest audited financial statements for the year ended 31st December, 2001, the calculation of the percentage of the aggregate amount of financial assistance and guarantees mentioned above to net tangible assets is not applicable.



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	4,913.5	1,648.4
Current assets	17.7	4.8
Current liabilities	(174.3)	(62.0)
Non-current liabilities	(8,670.5)	(3,048.9)
Net liabilities	<u>(3,913.6)</u>	<u>(1,457.7)</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, 2001 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
RHIHL Group	(a)	1,079.5	July 2007	Note (i)
	(b)	3,822.1	September 2004	Note (ii)
Total:		<u>4,901.6</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 69.6% 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 the shareholding (as defined under the Listing Rules) and management control of 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 the breach of certain terms and financial covenants of the above loan agreements are set out in note 3 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 30 to 32 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 36 to the financial statements.



SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 38 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 39 to the financial statements.

CAPITAL RESERVE

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

REVALUATION RESERVES

The details of movements in the revaluation reserve account during the year are set out in note 41 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 42 to the financial statements.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 43 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 44 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2001, the Company had no reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda.

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\$2.5 million were capitalised during the year in respect of the Group's construction contracts.

POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 54 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

19th April, 2002

