



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, 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 HK\$'million	1999 HK\$'million	2000 HK\$'million	1999 HK\$'million
By activity:				
Property investment and management	229.8	288.5	81.4	137.8
Property development	46.1	1,041.8	(88.2)	(213.9)
Construction and construction-related businesses	433.4	252.3	(1.6)	(17.2)
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	467.9
Other operations and investments	70.4	109.4	111.2	(708.4)
	<u>1,780.0</u>	<u>4,664.3</u>	<u>278.0</u>	<u>(337.6)</u>
By geographical location:				
Hong Kong	1,623.5	2,398.0	224.7	381.1
The United States of America	–	2,098.4	65.8	(323.5)
Canada	127.3	134.8	10.0	14.2
Others	29.2	33.1	(22.5)	(409.4)
	<u>1,780.0</u>	<u>4,664.3</u>	<u>278.0</u>	<u>(337.6)</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 57 to 126.

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.

In September 2000, the Group completed a refinancing arrangement which involved a mortgage-backed securitisation of the Group's 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 the Group.

Net cash inflow from operating activities during the year under review amounted to HK\$267.8 million (1999 - HK\$1,141.4 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\$617.9 million (1999 - HK\$879.5 million).

As at 31st December, 2000, the Group's borrowings net of cash and bank balances amounted to HK\$9,072.8 million, as compared to HK\$8,798.6 million in 1999. Gearing ratio based on total assets of HK\$17,758.2 million (1999 - HK\$18,742.1 million) was 51% (1999 - 47%).

Details of the maturity profile of the Group's borrowings are set out in notes 27 to 29 to the financial statements. Details of the Group's pledge of assets and contingent liabilities are shown in notes 44 and 45, 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 2,700 staff in Hong Kong, 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 benefits plans maintained by the Group include provident fund scheme and medical and life insurance.

The Company and RHIHL each maintains an Executive Share Option Scheme under which share options are granted 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. Cheng Yuk Lun
Mr. Francis Gonzalez Estrada
Mr. Donald Fan Tung
Mrs. Kitty Lo Lee Kit Tai
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Dr. Alex Wu Shu Chih

There have been no changes in Directors during the year.

In accordance with Bye-law 102 of the Company's Bye-laws, Messrs. Cheng Yuk Lun, Francis Gonzalez Estrada and Kenneth Ng Kwai Kai 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 holding companies, subsidiary companies or fellow 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 holding companies, subsidiary companies or fellow 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 the Executive Share Option Schemes (the "Schemes") of the Company and its listed holding company, Century City International Holdings Limited ("CCIHL"), pursuant to which options have been granted to certain Directors under the Scheme of the Company.

During the year, none of the Directors exercised options to subscribe for shares under the Scheme of the Company.



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:

(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	222,765	-	1,401,024,977 (Notes a & b)	1,401,247,742
	Mr. Cheng Yuk Lun	Ordinary	2,325,000	-	-	2,325,000
	Mr. Donald Fan Tung	Ordinary	2,718	-	-	2,718
	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
	Name of Associated Corporation					
2. CCIHL	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
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
	Mr. Cheng Yuk Lun	Ordinary	600,000	-	-	600,000
	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
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)



	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
				Personal Interests	Family Interests	Corporate Interests	
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 CCIHL, 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 CCIHL 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 CCIHL 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 the Company in favour of a trustee, covering the exchange rights of the holders of the Exchangeable Bonds issued by another wholly-owned subsidiary company of the Company. 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 the Company 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 CCIHL.


(B) Interests in Share Options Granted by the Company
Number of Shares under the Options

Name of Director		As at 1/1/2000		Options		
		Date of Grant (Original Grant Date) (Exercise Price per Share)	Options		Outstanding	
			(I)	Outstanding Vested (Note 1)	(I)	Outstanding Vested (Note 1)
		(II)	Unvested	(II)	Unvested	
Mr. Lo Yuk Sui	(a)	22/2/1994	(I)	2,281,250	(I)	2,737,500
		(HK\$10.40)	(II)	2,281,250	(II)	1,825,000
				(Note 2)		(Note 6)
	(b)	15/9/1995	(I)	11,718,750	(I)	14,062,500
(22/2/1992) (HK\$0.6656)		(II)	7,031,250	(II)	4,687,500	
			(Note 3)		(Note 7)	
Mr. Cheng Yuk Lun	(a)	22/2/1994	(I)	625,000	(I)	750,000
		(HK\$10.40)	(II)	625,000	(II)	500,000
				(Note 2)		(Note 6)
	(b)	15/9/1995	(I)	2,852,732	(I)	3,878,122
(22/2/1992) (HK\$0.6656)		(II)	3,076,174	(II)	2,050,784	
			(Note 3)		(Note 7)	
Mr. Donald Fan Tung	(a)	22/2/1994	(I)	937,500	(I)	1,125,000
		(HK\$10.40)	(II)	937,500	(II)	750,000
				(Note 2)		(Note 6)
	(b)	15/9/1995	(I)	2,636,717	(I)	3,164,060
		(22/2/1992) (HK\$0.6656)	(II)	1,582,033	(II)	1,054,690
				(Note 3)		(Note 7)
	(c)	15/9/1995	(I)	1,054,687	(I)	1,230,468
		(22/2/1993) (HK\$1.1571)	(II)	703,125	(II)	527,344
			(Note 4)		(Note 3)	
(d)	15/9/1995	(I)	1,562,500	(I)	1,875,000	
	(22/2/1994) (HK\$3.5392)	(II)	1,562,500	(II)	1,250,000	
			(Note 5)		(Note 4)	
Mr. Kenneth Ng Kwai Kai	(a)	22/2/1994	(I)	500,000	(I)	600,000
		(HK\$10.40)	(II)	500,000	(II)	400,000
				(Note 2)		(Note 6)
	(b)	15/9/1995	(I)	2,051,482	(I)	3,076,872
(22/2/1992) (HK\$0.6656)		(II)	3,076,174	(II)	2,050,784	
			(Note 3)		(Note 7)	

**Notes:**

- (1) The options are exercisable at any time.
- (2) The options are exercisable in stages commencing six years from the date of grant.
- (3) The options are exercisable in stages commencing eight years from their respective Original Grant Dates.
- (4) The options are exercisable in stages commencing seven years from their respective Original Grant Dates.
- (5) The option is exercisable in stages commencing six years from the Original Grant Date.
- (6) The options are exercisable in stages commencing seven years from the date of grant.
- (7) The options are exercisable in stages commencing nine years from the Original Grant Date.

Save as mentioned above, no right has been granted to, or exercised by, any Director of the Company or 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
CCIHL (Notes i and iii)	1,401,024,977
Century City BVI Holdings Limited (Notes ii and iii)	1,401,024,977
Century City Holdings Limited (Note ii)	827,458,989

Notes:-

- (i) These shares were shown as the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under Interests in Shares of Directors' Interests in Share Capital.
- (ii) These companies are subsidiary companies of CCIHL and their interests in the shares of the Company are included in the interests held by CCIHL.
- (iii) Including the retained balance of 6,444,444 shares as disclosed under Note (b) to Interests in Shares of Directors' Interests in Share Capital.

Mr. Lo Yuk Sui, Mrs. Kitty Lo Lee Kit Tai, Mr. Jimmy Lo Chun To, Mr. Kenneth Ng Kwai Kai and Mr. Ng Siu Chan are directors of CCIHL. Messrs. Lo Yuk Sui, Cheng Yuk Lun, Donald Fan Tung and Kenneth Ng Kwai Kai are also directors of the abovenamed subsidiary companies of CCIHL.



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	<u>50,094,000</u> (Note a)	<u>-</u>	<u>1,380,000</u> (Note b)	<u>2,880,000</u> (Note c)	<u>54,354,000</u>
Exercise price per ordinary share (HK\$):	<u>0.7083</u>	<u>0.9250</u>	<u>1.1083</u>	<u>2.1083</u>	

Notes:

- 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.
- The option for 930,000 ordinary shares is exercisable at any time. The option for the remaining 450,000 ordinary shares is exercisable in stages commencing eight years from the date of grant.
- 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.



5¼% Convertible Cumulative Redeemable Preference Shares

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 of year	18,948
Converted during the year	(2,200)
	<hr/>
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.

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 the Company and its subsidiary companies, other than those comprising the RHIHL Group; the "CCIHL Group" refers to CCIHL and its subsidiary companies, other than those comprising the PHL Group and the RHIHL Group; and the "PHL/RHL Group" or the "Group" refers to the Company and its subsidiary companies, including those comprising the RHIHL Group.

CONNECTED TRANSACTIONS

ON-GOING TRANSACTIONS

On 9th February, 1998, the Company issued a circular (the "Circular") to the shareholders containing information regarding, inter alia, various on-going transactions (the "On-going Transactions") and future similar transactions (the "Future 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 businesses.

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 "Stock Exchange") (the "Listing Rules"). The Stock Exchange, on application by the Company, granted a waiver (the "Waiver") of strict compliance by the Company with the announcing requirement under the Listing Rules in respect of Future Connected Transactions, details of which Waiver were contained in the Circular. Details of the On-going Transactions conducted during the year were as follows:

Corporate Services Transactions

The present head office accommodation of the CCIHL Group located at 18th to 22nd Floors of Paliburg Plaza is leased to the CCIHL Group by the PHL Group. Relevant rentals paid for the year ended 31st December, 2000 amounted to approximately HK\$17.9 million. The lease was previously for a term of two years ending 17th December, 2001 at a rental of approximately HK\$18 million per annum. 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 head office accommodation of the CCIHL Group is shared with the CCIHL Group by the PHL Group and the RHIHL Group. The rental charge of the head office accommodation is allocated among the Company, CCIHL and RHIHL, according to estimates from time to time by the directors of CCIHL and, as appropriate, with endorsement of the respective directors of the Company and RHIHL, of fair proportional use, based on the actual area occupied. The rental in respect of the areas used in common among such members of the PHL Group, the CCIHL Group and the RHIHL Group is apportioned with reference to individual consolidated turnover, profit and assets values of the Company, CCIHL and RHIHL for each financial year. The payment obligation in respect of such rentals is assumed by the three companies.

Furthermore, the CCIHL Group provides corporate management services to the PHL Group and the RHIHL Group, the fees for which are charged by apportionment of actual costs among the Company, CCIHL and RHIHL on a fair proportionate basis by reference to individual consolidated turnover, profit and assets value of the Company, CCIHL and RHIHL for each financial year.

The aggregate amount of such rentals and corporate management costs apportioned to the Company and RHIHL for 2000 were approximately HK\$29.8 million (comprising rental of HK\$10.2 million) and HK\$26.7 million (comprising rental of HK\$7.1 million), respectively.

Miscellaneous Connected Transactions

An associate of the CCIHL Group (previously a member of the CCIHL Group till January 2000) has been providing advertising and promotion services to the PHL Group on retainers and at a standard fee based on total costs involved, with actual costs and out-of-pocket expenses incurred reimbursed. The associate 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 CCIHL, and 30% by an associate (as defined in the Listing Rules) of Mr. Jimmy Lo Chun To, a director of each of CCIHL, the Company and RHIHL, and his sister. The aggregate sum of the retainer fees and standard fees paid by the PHL Group to that associate of CCIHL Group in respect of such transactions for the year ended 31st December, 2000 amounted to approximately HK\$1.0 million.

Information relating to the On-going Transactions is also contained in note 43 to the financial statements.

Compliance with Waiver Conditions

The aggregate amounts of the rentals and corporate management costs under the Corporate Services Transactions apportioned to the Company and the retainer fees and standard fees under the Miscellaneous Connected Transactions paid by the PHL Group to the CCIHL Group for the year ended 31st December, 2000 were within the respective caps as set out in the Waiver of 0.5% and 0.25% 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 On-going Transactions have been reviewed by the Directors (including the independent Non-Executive Directors), and the independent Non-Executive Directors of the Company 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 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.

PROVISION OF FINANCIAL ASSISTANCE TO NON WHOLLY-OWNED SUBSIDIARY

On 21st January, 1999, the Company executed a Guarantee (the "Guarantee") in favour of The Bank of East Asia, Limited (the "Bank"), an independent third party, as part of the security to guarantee the entire amount outstanding under the HK\$200 million revolving loan facility (the "Facility") from the Bank to the Company's 80%-owned construction arm, Chatwin Engineering

Limited ("Chatwin"). Chatwin is the direct wholly-owned subsidiary of Polarfine Inc which is owned as to 80% by the Company indirectly and 20% by Double Bliss Limited, an associate of Mr. Kwan Chi Ping ("Mr. Kwan"), the Managing Director of Chatwin.

Apart from the Guarantee, the said loan facility was also secured by a charge over cash deposits in specified loan to deposit ratio placed with the Bank by Chatwin (the "Charge Over Cash Deposits").

In connection with the additional liabilities assumed by the Company under the Guarantee:

- (a) A Deed of Counter-Indemnity dated 21st January, 1999 was executed by Mr. Kwan in favour of the Company, whereby Mr. Kwan undertakes to counter-indemnify the Company from and against 20% of the Company's obligations and liabilities under the Guarantee (the "Indemnity"); and
- (b) A Share Mortgage dated 21st January, 1999 over the 20% shareholding interests in Polarfine Inc (the "Share Mortgage") was executed by Double Bliss Limited in favour of the Company as security for the obligations of Mr. Kwan under the Indemnity.

The amount of the Facility was increased to HK\$212.5 million on 22nd October, 1999 and subsequently, on 17th August, 2000, such amount was revised to HK\$160 million. The revised Facility is continued to be secured by the Guarantee and the Charge over Cash Deposits, and the Indemnity and the Share Mortgage continue to secure the obligations assumed by the Company under the Guarantee for the revised Facility.

The aforesaid transaction is disclosed in this annual report in accordance with Rule 14.25(2)(a) of the Listing Rules.

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 the Company, 30% by RHIHL and 30% by China Overseas Land & Investments Limited, which is independent of, and not connected with the Company and RHIHL, the respective directors, chief executive and substantial shareholders of the Company and RHIHL and any of their respective subsidiaries 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)	3,049.0	2,286.7	5,335.7
(A)+(B)+(C)(b)	2,733.4	2,050.0	4,783.4

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 the Company 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) 115.9% and (b) 103.9% of the consolidated net tangible assets of the Company of HK\$4,601.8 million (the "Paliburg 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 PHL Group and the RHIHL 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) 18.1	-	Nil	Nil
8D Matrix Limited	(J) 0.8	-	Nil	Nil
			Total: (A)+(B)+(C)(i)+(D)to(J)	
			<u>5,574.7</u>	
			(A)+(B)+(C)(ii)+(D)to(J)	
			<u>5,022.4</u>	



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 of the Company and became a 30% owned associate of the Company 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 the Company, the Directors, chief executive and substantial shareholders of the Company 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 the Company'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 the Company 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 the Company 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 the Company, the Directors, chief executive and substantial shareholders of the Company 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 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 CCIHL and 60% by Mr. Lo Yuk Sui. The advances were provided by the RHIHL Group in the form of shareholder's loans in proportion to RHIHL's shareholding interest 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 interest in 8D Matrix are owned as to 10% indirectly by CCIHL, 30% indirectly by Mr. Lo Yuk Sui and 30% by an associate (as defined in the Listing Rules) of Mr. Jimmy Lo Chun To, which is jointly owned by his sister. The advances were provided by the RHIHL



Group in the form of shareholder's loans in proportion to RHIHL's shareholding interest 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 PHL/RHIHL Group in the respective sums of (a) HK\$5,574.7 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$5,022.4 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 121.1% and (b) 109.1% of the Paliburg 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	2,908.8
Current assets	10.9	2.8
Current liabilities	(111.0)	(61.9)
Non-current liabilities	(8,223.3)	(4,904.5)
Net liabilities	<u>(3,247.4)</u>	<u>(2,054.8)</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 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)	<u>3,822.1</u>	September 2004	Note (ii)
Total:		<u><u>4,894.1</u></u>		

Notes:

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of CCIHL which owns a 59.2% shareholding interest in the Company (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 the 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 Dr. Alex Wu Shu Chih (Chairman of the Committee), Mr. Francis Gonzalez Estrada and Mr. Ng Siu Chan, all of whom are independent Non-Executive Director 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 Group's borrowings at the balance sheet date are set out in notes 27 to 29 to the financial statements.



SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company during the year are set out in note 33 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 35 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 36 to the financial statements.

CAPITAL RESERVE

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

REVALUATION RESERVES

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

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 40 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 41 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\$26.1 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 48 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