



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, 1999.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiary companies are

hotel ownership and management, property investment 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 were as follows:

	Turnover HK\$'million	Contribution HK\$'million
By activity:		
Hotel ownership and management	2,966.3	461.9
Property investment	33.5	7.5
Other operations and investments	73.8	(767.6)
	<u>3,073.6</u>	<u>(298.2)</u>
By geographical location:		
Hong Kong	807.5	(20.9)
The United States of America	2,098.4	(287.7)
Others	167.7	10.4
	<u>3,073.6</u>	<u>(298.2)</u>



FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 1999 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 58 to 111.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

With the gradual recovery of the tourist industry in Hong Kong, the downward trend in the operations of the Group's local hotels flattened during the year under review. In addition, due to the commencement of business of the new Regal Airport Hotel since January 1999, and the increased contribution from the Group's hotel operations in the United States, the Group recorded net cash inflow from operating activities of HK\$632.0 million in 1999, representing a considerable improvement as compared with that of HK\$522.2 million attained in 1998.

The Group's net borrowing remained at a comparatively high level prior to the disposal of its hotel operations in the United States. In 1999, the Group incurred net interest payment of HK\$657.8 million (1998 - HK\$616.4 million).

During the year, the Group expended HK\$104.5 million on fixed assets, which was mainly incurred on the progressive renovation of several Regal hotels in the United States. The capital expenditure incurred on the development of the new Regal Airport Hotel in 1999 amounted to HK\$207.4 million.

As disclosed in the Major Transaction Circular dated 12th January, 2000, the transaction for the disposal of the hotel interests in the United States was completed in December 1999. Total gross proceeds received on completion amounted to

HK\$4,623.2 million, before working capital adjustments, taxation and expenses, out of which HK\$3,200.2 million was used to discharge indebtedness attached to the assets sold. Net sale proceeds received on completion amounted to HK\$1,111.9 million, and after taking into account the cash and bank balances disposed of under the disposal, the net cash flow impact of the disposal to the Group in 1999 was HK\$684.5 million. Subsequent to the year end date, the Group has received another HK\$183.2 million from the disposal, which related to certain completion account adjustment and the release of tax escrow. A further HK\$349.7 million, being the amount agreed to be withheld by the purchaser on completion, will be received by the Group in December 2001, with interest accruing at 7% per annum, subject to any payment obligation of the Group arising from warranties and indemnities provided in connection with the assets sold.

Out of the net sale proceeds received from the disposal of hotel interests in the United States, HK\$772.3 million was utilised to partially prepay a syndicated loan of the Group. Together with other scheduled repayment of loans of HK\$116.0 million, total loan repayment in 1999 amounted to HK\$888.3 million. On the other hand, the Group had made drawdown of loans of HK\$267.5 million, mainly for the development of the Regal Airport Hotel.

The disposal of the hotel interests in the United States reduced the gearing of the Group significantly as compared with 1998. As at 31st December, 1999, the gross borrowings of the Group amounted to HK\$5,220.7 million (1998 - HK\$9,011.6 million). After deducting the time deposits and cash balances of HK\$549.5 million, the net borrowings was HK\$4,671.2 million (1998 - HK\$8,186.4 million). The Group's gearing ratios based on the shareholders'



fund of HK\$6,703.6 million (1998 - HK\$7,122.5 million) and the total assets of HK\$12,323.4 million (1998 - HK\$16,868.5 million) were about 70% (1998 - 115%) and 38% (1998 - 49%) respectively. The maturity profile of the Group's borrowings at 31st December, 1999 is shown in note 26 to the financial statements.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Forward foreign 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 2,200 staff in Hong Kong, approximately 400 staff in Canada and approximately 1,000 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 and bonuses paid on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a provident fund scheme and pension contribution schemes, as well as medical and life insurance.

The Company adopted in 1990 an Executive Share Option Scheme under which share options are granted to selected eligible executives. These options are granted with a view to providing to senior management an appropriate long term incentive interest in the growth of the Group, thereby enhancing its continuing success.

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. Daniel Bong Shu Yin
Mr. Dominic Lai
Mrs. Kitty Lo Lee Kit Tai
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Mr. William Henry Woo

On 15th January, 1999, Mr. Richard Timothy Gallie resigned as a Director.

On 19th April, 1999, Mr. Dominic Lai was appointed as a Director.

On 1st July, 1999, Mr. Michael Choi Chi Wing resigned as a Director.

On 25th October, 1999, Mrs. Kitty Lo Lee Kit Tai and Mr. Jimmy Lo Chun To were appointed as Directors.

On 26th October, 1999, Mr. John Poon Cho Ming resigned as a Director.

On 24th June, 1999, Mr. Daniel Bong Shu Yin retired from his executive role as the Deputy Chairman and an Executive Director.

In accordance with Bye-laws 100 and 109(A) of the Company's Bye-laws, Mrs. Kitty Lo Lee Kit Tai, Mr. Jimmy Lo Chun To and Mr. William Henry Woo 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 under the Executive Share Option Schemes (the "Schemes") of the Company and its two listed holding companies, Century City International Holdings Limited ("CCIHL") and Paliburg Holdings Limited ("PHL"), pursuant to which options have been granted to certain Directors under the Schemes of the Company and PHL respectively.

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

DIRECTORS' INTERESTS IN SHARE CAPITAL

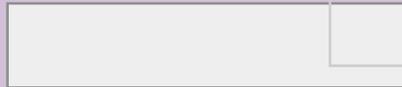
As at 31st December, 1999, the interests of the Directors in the share capital of the Company and its associated corporations as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

(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	220,000	-	2,907,644,944	2,907,864,944
		Preference	-	-	3,440	3,440
						(Notes a & c)
						(Note a)
	Mr. Daniel Bong Shu Yin	Ordinary	1,440,000	-	-	1,440,000
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	370,000	-	-	370,000
	Mr. William Henry Woo	Ordinary	1,753	-	-	1,753



	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
				Personal Interests	Family Interests	Corporate Interests	
2.	CCIHL	Mr. Lo Yuk Sui	Ordinary	524,434,843	-	1,395,994,246	1,920,429,089
		Mrs. Kitty Lo Lee Kit Tai	Ordinary	510,000	-	-	510,000
		Mr. Jimmy Lo Chun To	Ordinary	1,659,800	-	-	1,659,800
3.	PHL	Mr. Lo Yuk Sui	Ordinary	222,765	-	1,401,024,977	1,401,247,742 (Notes a & b)
		Mr. Daniel Bong Shu Yin	Ordinary	1,025,390	-	-	1,025,390
		Mrs. Kitty Lo Lee Kit Tai	Ordinary	100,000	-	-	100,000
		Mr. Jimmy Lo Chun To	Ordinary	284,000	-	-	284,000
4.	Argosy Capital Corporation	Mr. Lo Yuk Sui	Ordinary	-	-	1,130,349	1,130,349 (Note a)
5.	Century King Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	5,000	5,000 (Note a)
6.	Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,000	7,000 (Note a)
7.	Chi Cheung Investment Company, Limited	Mr. Lo Yuk Sui	Ordinary	-	-	214,188,951	214,188,951 (Note a)
8.	Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,500	7,500 (Note a)
9.	Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	85	85 (Note a)



Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
10. Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	-	-	75 (Note a)	75
11. Polarfine Inc	Mr. Lo Yuk Sui	Ordinary	-	-	3,000,000 (Notes a & d)	3,000,000
12. Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	-	-	25,000 (Note a)	25,000
13. Supreme Idea Enterprise Limited	Mr. Lo Yuk Sui	Ordinary	-	-	125 (Note a)	125
14. Villawood Developments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	65 (Note a)	65
15. 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 of CCIHL from a wholly-owned subsidiary 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 are 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 of PHL. The Exchangeable Bonds are exchangeable into those existing ordinary shares of the Company during the period from 6th April, 1996 to 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) Including security interest over 600,000 shares under a share mortgage held by a subsidiary of CCIHL.

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

Name of Director	Date of Grant (Exercise Price per Ordinary Share)	As at 1/1/1999		Options Outstanding As at 31/12/1999	
		(I) Vested (Note 1)	(II) Unvested (Note 2)	(I) Vested (Note 1)	(II) Unvested (Note 3)
Mr. Lo Yuk Sui	22/2/1992 (HK\$0.7083)	(I) 13,440,000 (II) 13,440,000 (Note 2)	(I) 16,800,000 (II) 10,080,000 (Note 3)		
Mr. Daniel Bong Shu Yin	22/2/1992 (HK\$0.7083)	(I) 1,440,000 (II) 5,760,000 (Note 2)	(I) 2,880,000 (II) 4,320,000 (Note 3)		
Mr. Kenneth Ng Kwai Kai	22/2/1992 (HK\$0.7083)	(I) 4,560,000 (II) 3,840,000 (Note 2)	(I) 5,520,000 (II) 2,880,000 (Note 3)		

Notes:

- (1) The options are exercisable at any time.
- (2) The options are exercisable in stages commencing seven years from the date of grant.
- (3) The options are exercisable in stages commencing eight years from the date of grant.

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, 1999, 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 Ordinary Shares Held
CCIHL (Notes i and iii)	2,907,644,944
Century City BVI Holdings Limited (Notes ii and iii)	2,907,644,944
Century City Holdings Limited (Notes ii and iii)	2,907,644,944
PHL (Notes ii and iii)	2,907,644,944
Paliburg Development BVI Holdings Limited (Notes ii and iii)	2,907,644,944
Paliburg International Holdings Limited (Notes ii and iii)	2,504,300,820
Paliburg BVI Holdings Limited (Notes ii and iii)	2,504,300,820
Taylor Investments Ltd. (Note ii)	1,462,111,870
Glaser Holdings Limited ("Glaser") (Notes ii and iii)	575,528,286

Notes:

- (i) These shares were shown in 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) 536,755,200 shares were charged by Glaser in favour of a trustee, covering the exchange rights of the holders of the Exchangeable Bonds as disclosed under Interests in Shares of Directors' Interests in Share Capital.

Messrs. Lo Yuk Sui and Kenneth Ng Kwai Kai are directors of all the above-named companies. Mrs. Kitty Lo Lee Kit Tai and Mr. Jimmy Lo Chun To are directors of CCIHL and PHL.



CONNECTED TRANSACTIONS

FINANCIAL ASSISTANCE TO A JOINTLY CONTROLLED ENTITY

In June 1997, Chest Gain Development Limited ("Chest Gain") was established to bid for the site located at Rural Building Lot No. 1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Stanley Site") at the public auction held on 3rd June, 1997. The Company holds 30% shareholding interests in Chest Gain, whilst PHL, the immediate listed holding company of the Company, and China Overseas Land & Investment Limited ("China Overseas"), an independent third party, hold 40% and 30% shareholding interests therein, respectively. Chest Gain was the successful bidder for the Stanley Site at a consideration of HK\$5,500 million (the "Consideration"). Listed below is information relating to the shareholders' loans to Chest Gain and guarantee from shareholders on external borrowings of Chest Gain, which constituted 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"), pursuant to Rule 14.25(2)(b)(ii) of the Listing Rules:

- (1) Shareholders' loans in the aggregate amount of HK\$3,574.7 million were provided for the working capital of Chest Gain, and the Consideration and the construction costs in respect of the luxury residential development at the Stanley Site not financed or refinanced by external borrowings

referred to hereunder. Such loans were all provided according to the proportion of the respective shareholding interests held by the shareholders in Chest Gain and upon normal commercial terms. The loans are unsecured and have no fixed term of repayment, and related interest (up to 31st December, 1998) is being accrued at prime rate.

- (2) On 28th October, 1997, the Company, PHL and China Overseas granted a guarantee on a several basis in accordance with their respective shareholdings in Chest Gain as security for the bank loan facilities of HK\$3,300 million made available to Chest Gain for the purposes of refinancing and/or financing part of the Consideration and the construction costs of the development at the Stanley Site.

Information relating to this jointly controlled entity and the guarantee is also contained in notes 18 and 40 to the financial statements.

ON-GOING TRANSACTIONS AND MAIN HOTEL CONTRACT

For the purpose of this sub-section, the "PHL Group" refers to PHL and its subsidiary companies other than those which comprise the Group, the "CCIHL Group" refers to CCIHL and its subsidiary companies other than those which comprise the PHL Group and the Group.



On 9th February, 1998, the Company issued a circular (the “Circular”) regarding various on-going transactions (“On-going Transactions”) and future similar transactions (“Future Connected Transactions”) between respective subsidiary companies of the CCIHL Group, the PHL Group and the Group, and the award of the Main Hotel Contract (referred to below) by the Group to the PHL Group (collectively, the “Connected Transactions”), all conducted within their ordinary and normal course of businesses.

The Connected 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 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. At the Special General Meeting held on 26th February, 1998 (the “SGM”), the required approvals were given by independent shareholders in respect of the Future Connected Transactions and the award of the Main Hotel Contract.

Development Consultancy Services

(1) On 13th August, 1997, Bauhinia Hotels Limited (“Bauhinia”), a wholly-owned

subsidiary of the Company, formally appointed Paliburg Development Consultants Limited (“PD Consultants”), a wholly-owned subsidiary of PHL, as the development consultant for co-ordinating and supervising the construction of the multi-storey carpark and walkway development adjacent to the new Regal Airport Hotel (the “Carpark and Walkway Development”) at a consultancy fee of 5% of the total construction cost (excluding professional fees) of this development. Based on the contracted construction cost of the development, the consultancy fee was estimated to be approximately HK\$9.4 million. The fee was payable in stages according to the progress of the development. The term of this appointment was until completion of the development, including the making good of defects therein, if any. The development was completed in June 1998, and the consultancy fee already paid amounted to HK\$8.9 million, out of which HK\$1.2 million was paid in 1999.

(2) On 13th August, 1997, Bauhinia formally appointed PD Consultants as the development consultant for architectural design, and co-ordinating and supervising the construction of the development of the new Regal Airport Hotel (the “Hotel Development”) at a consultancy fee of



5% of the total construction cost (excluding professional fees) of this development. Based on the contracted construction cost of the development, the consultancy fee will amount to approximately HK\$63.1 million. The fee is payable in stages according to the progress of the development. The term of this appointment is until completion of the development including the making good of defects therein, if any. The new Regal Airport Hotel was soft opened in January 1999, and the grand opening of the hotel is scheduled for the third quarter of 2000. The consultancy fee paid in 1999 amounted to HK\$1.8 million.

Construction Works

- (1) On 3rd March, 1997, Bauhinia issued a letter of intent to Chatwin Engineering Limited ("Chatwin"), an 80% owned subsidiary of PHL, which letter was accepted by Chatwin on 5th March, 1997, in respect of the appointment of Chatwin as the contractor for the superstructure main contract works of the Carpark and Walkway Development at the contract sum of HK\$187.8 million. The contract sum was payable in stages in accordance with the progress of this development. The development was completed in June 1998. The relevant progress payment paid in 1999 amounted to HK\$2.3 million.

- (2) On 3rd April, 1997, Bauhinia issued a letter of intent to Chatwin, which letter was accepted by Chatwin on 10th April, 1997, in relation to the appointment of Chatwin as the contractor for the foundation works for the Hotel Development (the "Hotel Foundation Construction") at the contract sum of HK\$82.4 million. The contract sum was payable in stages in accordance with the progress of the Hotel Foundation Construction. The construction works was completed in February 1998. The relevant progress payment paid in 1999 amounted to HK\$7.4 million.

Leasing of Spaces

The Group is currently leasing various office and commercial spaces in Paliburg Plaza and Kowloon City Plaza from Athlone Limited and Good Focus Holdings Limited, both wholly-owned subsidiaries of PHL, (the "Existing Leases"). There are nine Existing Leases encompassing office spaces having a total gross area of approximately 360 sq. ft. and commercial spaces having a total lettable area of approximately 35,400 sq. ft. and the terms of which range from one to eighteen years, apart from about 60 carparking spaces at Paliburg Plaza licensed on a monthly basis. The spaces are used for a number of different purposes which are within the ordinary course of businesses of the respective subsidiaries of the Company leasing or licensing such spaces. Rentals paid under the Existing Leases in the year of 1999 amounted to about HK\$19.9 million.

During the year and subsequent to the balance sheet date, the lease by the Group of various other office and commercial spaces in Paliburg Plaza, and in Tsuen Wan Hoover Plaza and Redhill Plaza from Honour Charm Investment Limited and Real Charm Investment Limited, both wholly-owned subsidiaries of PHL, were terminated (the "Terminated Leases"). There were five Terminated Leases encompassing office spaces having a total gross area of approximately 12,600 sq. ft. and commercial spaces having a total lettable area of approximately 8,800 sq. ft.. Rentals paid under the Terminated Leases in 1999 amounted to about HK\$8.6 million.

Corporate Services Transactions

The present head office accommodation of the CCIHL Group is located at 18th to 22nd Floors of Paliburg Plaza, which, as mentioned above, is owned by the PHL Group, and is shared with the CCIHL Group by the PHL Group and the Group. The rental charge of such accommodation is allocated among CCIHL, PHL and the Company, according to the estimates from time to time by the directors of CCIHL, and, as appropriate, with the endorsement of the directors of PHL and the Directors, of fair proportional use, based on actual area occupied. The balance of the areas used in common as well as corporate management overheads are apportioned based on a

sharing among the Group, the CCIHL Group and the PHL Group by reference to individual consolidated turnover, profit and asset values of the Company, CCIHL and PHL for each financial year.

The aggregate amount of such rentals and corporate management costs apportioned to the Company for 1999 was approximately HK\$34.3 million, comprising rentals of HK\$7.3 million, the payment obligation of which was assumed by the Company, and corporate management costs of HK\$27.0 million.

Miscellaneous Connected Transactions

- (1) A wholly-owned subsidiary of the CCIHL Group provided advertising and promotion services to the Group on retainers of about HK\$2.8 million for the year 1999 and at a standard fee based on total costs involved, with actual costs and out-of-pocket expenses incurred reimbursed.
- (2) Spaces in Regal Hongkong Hotel was leased from the Group by the CCIHL Group as staff quarters. Rentals payable under such lease by the CCIHL Group in the year 1999 amounted to about HK\$2.1 million.

Information relating to the On-going Transactions is also contained in note 38 to the financial statements.



Compliance with the Waiver Conditions

The On-going Transactions were carried out on normal commercial terms and on an arm's length basis. The relevant amounts payable under the On-going Transactions for 1999 were within the respective caps set out in the Waiver, as detailed below:

- (a) the aggregate amount of HK\$3.0 million payable to PD Consultants for services rendered in the Carpark and Walkway Development and the Hotel Development in 1999 did not exceed 1.5% of the latest published audited consolidated net tangible assets of the Group as at 31st December, 1998 adjusted to take into account of the results for the six-month period ended 30th June, 1999 (the "Consolidated NTA");
- (b) the aggregate contract sum of HK\$9.7 million payable to Chatwin for 1999 in respect of the superstructure main contract works of the Carpark and Walkway Development and the Hotel Foundation Construction did not exceed 5% of the Consolidated NTA;
- (c) the aggregate annual rental of HK\$28.5 million payable to the PHL Group in respect of Leasing of Spaces by the Group from the PHL Group for 1999 did not exceed 0.5% of the Consolidated NTA;
- (d) the aggregate amount of corporate management costs of HK\$27.0 million payable to the CCIHL Group in respect of Corporate Services Transactions for 1999 did not exceed 0.5% of the Consolidated NTA; and
- (e) the aggregate amount of HK\$4.9 million payable for Miscellaneous Connected Transactions for 1999 did not exceed 0.25% of the Consolidated NTA.

The above transactions have been reviewed by the Directors and separately by the independent Non-executive Directors, and the independent Non-executive Directors have confirmed that they consider that the above transactions were entered in the ordinary and usual course of business, on normal commercial terms and 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 they consider that the transactions have been entered into on normal commercial terms and in accordance with the terms of the agreement relating to the transaction in question or, if there is no such agreement, on terms no less favourable than terms available to or from independent third parties.

Main Hotel Contract

By way of a letter of intent dated 30th December, 1997 issued by Bauhinia and accepted by Chatwin, the main contract work for the Hotel Development (the "Main Hotel Contract") was awarded to Chatwin at the contract sum of HK\$1,180 million, conditional upon the approval by independent shareholders of the Company. At the SGM, the award of the Main Hotel Contract and the relevant authority to the Directors in relation to the implementation of the Main Hotel Contract were approved by independent shareholders of the Company. The contract sum is payable in stages in accordance with the progress of the Main Hotel Contract, which is expected to be fully completed during 2000. The progress payment for 1999 amounted to HK\$103.2 million.



JOINT VENTURE ON INFORMATION TECHNOLOGY BUSINESS

In January 2000, 8D International (BVI) Limited ("8D-BVI") was established as a joint venture company owned as to 10% by Worthy Aim International Limited ("CBVI"), a wholly owned subsidiary of CCIHL, 30% by Inroad Technology Limited ("RBVI"), a wholly owned subsidiary of the Company, 30% by Manyways Technology Limited ("YSL-BVI"), a company wholly owned by Mr. Lo Yuk Sui, and 30% by Speedway Technology Limited ("303-BVI"), a wholly owned subsidiary of 303 Company Limited ("303 Co."), through subscription of new shares of HK\$1.00 each of 8D-BVI ("8D-BVI Shares") as mentioned below. 303 Co. is owned as to approximately 33.3% by World Momentum Limited, which is beneficially owned by Mr. Lo Chun To and his sister, and approximately 66.7% by a group of information technology professionals and researchers.

RBVI, YSL-BVI and 303-BVI (the "Subscribers") each subscribed 300 new 8D-BVI Shares at a subscription price, in cash, of HK\$10,000 per share, totalling in each case HK\$3,000,000. As a result, the issued share capital of 8D-BVI was increased from HK\$100 comprising 100 8D-BVI Shares to HK\$1,000 comprising 1,000 8D-BVI Shares.

Following the above share subscriptions, CBVI's shareholding interest in 8D-BVI was diluted to 10%. In connection with the share subscriptions, CCIHL warranted to the Subscribers that the proforma audited consolidated net assets of 8D-BVI and 8D International Limited ("8D"), the then wholly-owned subsidiary of 8D-BVI (together, the "8D Group") as at 31st

December, 1999 were not less than HK\$1,000,000, and any excess or deficit of the proforma audited consolidated net assets as at such date over or below HK\$1,000,000 would be refunded to or made good by CCIHL.

With respect to the establishment of the 8D Group, apart from the subscriptions of new 8D-BVI Shares by RBVI, YSL-BVI and 303-BVI, there were no other contributions either in the form of equity capital or loans from CBVI, RBVI, YSL-BVI, 303-BVI and any connected persons of CCIHL, PHL and the Company. Future contributions to 8D-BVI were to be made by CBVI, RBVI, YSL-BVI and 303-BVI according to the proportion of their respective shareholding interests in 8D-BVI.

New Development of the 8D Group

8D was established by CCIHL in 1986 and has been providing promotions and communications services to the Century City Group (comprising CCIHL and its subsidiaries).

Following the establishment of the joint venture, the 8D Group primarily focuses its future activities on information technology business, including the provision of professional services to member companies of the Century City Group and third party clients. Projects currently being undertaken include a comprehensive solution for direct marketing and reservations for hotels, restaurants and other facilities, customer services and networking, and other related aspects of e-tourism.

The aforesaid transaction is disclosed in this annual report in accordance with Rule 14.25(1)(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 by the Company and its subsidiaries (the "Group") as at 31st December, 1999 are set out below:

Advances	Group (HK\$ million)
(A) Principal Amount of Advances	1,072.5
(B) Interest Receivable	162.5
(C) Several Guarantees for:	
(a) Principal Amount of Bank Facilities	990.0
(b) Amount of Bank Facilities Drawdown	753.3
Total: (A)+(B)+(C)(a)	<u>2,225.0</u>
(A)+(B)+(C)(b)	<u>1,988.3</u>

The above advances to Chest Gain in an aggregate sum of HK\$1,235.0 million (before a provision of HK\$700.0 million representing the Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site) were provided by the Group. Further details of the advances to and the guarantee given for Chest Gain are set out in the sub-section headed "Financial Assistance to a Jointly Controlled Entity" under "Connected Transactions" above.

Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 31st December, 1999 provided by the Group to Chest Gain in the respective sums of (a) HK\$2,225.0 million (based on the total available amount of the bank facilities) and (b) HK\$1,988.3 (based on the amount of bank facilities drawdown) represented (a) 33.4% and (b) 29.8% of the consolidated net tangible assets of the Company of HK\$6,666.6 million (the "Regal NTA"), by reference to its latest audited financial statements for the year ended 31st December, 1999.

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, 1999 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) 1,072.5	(B) 162.5	(C)(i) 990.0	(C)(ii) 753.3
Century King Investment Limited	(D) 2.3 (Interest Rate: 10% p.a.)	(E) 0.4	Nil	Nil
Bostonian Hotel Limited Partnership	(F) 24.5 (Interest Rate: 6% p.a.)	Nil	Nil	Nil
Total:			(A)+(B)+(C)(i)+(D)to(F)	2,252.2
			(A)+(B)+(C)(ii)+(D)to(F)	2,015.5

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.

Century King Investment Limited ("Century King") is a 50% owned associate of the Company, 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 the Company, the Directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Century King, for the purpose of funding the working capital requirements of Century King. The advances are unsecured and have no fixed term of repayment.

The Company owns 51% limited partnership interest in Bostonian Hotel Limited Partnership ("Bostonian") and 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 subsidiaries or any of their respective associates (as defined in the Listing Rules), owns the remaining 49% limited partnership interest. The advances were provided by the Group in proportion to the Company's equity interest in Bostonian, for the purpose of financing the working capital of Bostonian. The advances are unsecured and repayable by quarterly instalments with final due date in August 2026.



Calculated on the basis shown above, as at 31st December, 1999, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$2,252.2 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$2,015.5 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 33.8% and (b) 30.2% of the Regal 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)	The Group's attributable interest (HK\$' million)
Non-current assets	4,538.9	1,445.2
Current assets	20.8	10.5
Current liabilities	(86.4)	(28.9)
Non-current liabilities	<u>(7,115.8)</u>	<u>(2,181.1)</u>
Net liabilities	<u><u>(2,642.5)</u></u>	<u><u>(754.3)</u></u>

Covenants relating to specific performance obligation of the controlling shareholders contained in certain loan agreements (Paragraph 3.7.1 of PN19)

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

		Outstanding Balance of Bank Facilities as at 31st December, 1999 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
The Group	(a)	1,075.0	July 2007	Note(i)
	(b)	<u>3,818.2</u>	September 2004	Note(ii)
Total:		<u><u>4,893.2</u></u>		

Notes:

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of CCIHL, which owns a 60.4% shareholding interest in PHL (which in turn owns a 73.8% shareholding interest in the Company), 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 of the Company.
- (ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in the Company.

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.



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. William Henry Woo (Chairman of the Committee) and Mr. Dominic Lai, both of which are independent Non-Executive Directors of the Company, and Mr. Daniel Bong Shu Yin, a 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.

YEAR 2000 COMPLIANCE

Further to the information provided on Year 2000 compliance in previous interim and annual reports and in an announcement dated 12th October, 1999, the implementation of the Year 2000 compliance programme and the validation of contingency plans had been fully completed, as last re-scheduled, by November 1999. During the turn of the century and at the Year 2000 critical dates, the millennium issue had not caused any business disruption to the Group's operations.

The total cost incurred for the Year 2000 compliant project was within budget and amounted to about HK\$7.1 million, which was capitalised and amortised in the Group's accounts according to the accounting policies adopted by the Group.

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 the Group's fixed assets during the year are set out in note 16 to the financial statements.

PROPERTY UNDER DEVELOPMENT

The details of movements in property under 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 note 26 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 28 to the financial statements.



SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 30 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 31 to the financial statements.

CAPITAL RESERVE

The details of movements in the capital reserve account during the year are set out in note 32 to the financial statements.

REVALUATION RESERVES

The details of movements in the revaluation reserve account during the year are set out in note 33 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 34 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 1999, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$4,641.0 million.

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

SUBSIDIARY COMPANIES/ PARTNERSHIPS

Particulars of the Company's principal subsidiary companies/partnerships are set out in note 35 to the financial statements.

JOINTLY CONTROLLED ENTITY AND ASSOCIATES

Particulars of the Group's interests in its 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 36 to the financial statements.

INTEREST CAPITALISED

Interest expenses in the amount of HK\$70.8 million were capitalised during the year in respect of the Group's property under development.

AUDITORS

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

On behalf of the Board

LO YUK SUI
Chairman

Hong Kong
19th May, 2000