



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 property investment and management, property development, development consultancy and project management, construction and construction-related

businesses, hotel ownership and management, securities brokering, promotions and communications 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 HK\$' million	Contribution HK\$' million
By activity:		
Property investment and management	271.1	124.3
Property development	1,041.8	(209.7)
Construction and construction-related businesses	252.3	(16.8)
Development consultancy and project management	6.0	(3.8)
Hotel ownership and management	2,966.3	475.1
Other operations and investments	136.8	(1,016.1)
	<u>4,674.3</u>	<u>(647.0)</u>
By geographical location:		
Hong Kong	2,408.0	392.3
The United States of America	2,098.4	(644.1)
Others	167.9	(395.2)
	<u>4,674.3</u>	<u>(647.0)</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 62 to 134.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

The Group continued to enjoy a healthy cash inflow from its property business during the year under review. With the gradual recovery of the tourist industry in Hong Kong, the downward trend in operations of the Group's local hotels flattened in 1999. 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 a considerable improvement in net cash inflow from hotel operating activities. Overall, the Group recorded a net cash inflow from operating activities of HK\$1,156.0 million, as compared with the corresponding amount of HK\$2,082.0 million last year, which largely comprised deposits received from unit sales of the Park Royale residential development in Yuen Long.

Capital expenditure of the Group during the year on property projects amounted to HK\$260.0 million, and a further loan of HK\$178.6 million was advanced to a joint venture in respect of a luxury residential development project in Stanley, in which Paliburg Holdings Limited ("PHL") and Regal Hotels International Holdings Limited ("RHIHL"), the listed subsidiary companies of the Group, holds 40% and 30% shareholding interest respectively. In addition, HK\$107.6 million was expended on fixed assets, which was mainly incurred

for progressive renovation of several Regal hotels in the United States. The capital expenditure incurred for 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 RHIHL in 1999 was HK\$684.5 million. Subsequent to the year end date, RHIHL 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 in December 2001, with interest accruing at 7% per annum, subject to any payment obligation of RHIHL 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 to RHIHL. Together with other scheduled repayment of loans of HK\$116.0 million total loan repayment by RHIHL in 1999 amounted to HK\$888.3 million. On the other hand, RHIHL had made drawdown of loans of HK\$267.5 million mainly for the development of the Regal Airport Hotel.



Apart from the disposal by RHIHL of its hotel interests in the United States, PHL also undertook an asset disposal program through a combination of asset sales and joint venture.

In June 1999, the investment property at Tsuen Wan Hoover Plaza in Tsuen Wan was sold by PHL at a consideration of HK\$200 million.

In the following September, PHL completed the disposal of its 70% interest in the development project at Ap Lei Chau Inland Lot No. 129 through the establishment of a joint venture with independent third parties, in which it retains 30% interest. The total consideration was \$399 million, of which HK\$300 million was received on completion with the balance of HK\$99 million received in March 2000.

The majority of the sale proceeds was used to settle interests and borrowings of PHL.

As at 31st December, 1999, the Group's borrowings net of cash and bank balances amounted to HK\$9,610.3 million as compared to 1998's HK\$13,615.5 million.

Details of the maturity profile of the Group's borrowings are set out in notes 30 to 32 to the financial statements.

Subsequent to the balance sheet date, in January and March 2000, 138 million and 120 million new shares were issued by the Company to Mr. Lo Yuk Sui, the Chairman and controlling shareholder of the Company, at HK\$0.37 per share, and YSL International Holdings Limited ("YSL Int'l"), a company controlled by Mr. Lo Yuk Sui, at HK\$1.00 per share, respectively following

two separate placements, through placing agent, by Mr. Lo Yuk Sui and YSL Int'l of 138 million and 120 million shares in the Company at HK\$0.37 per share and HK\$1.00 per share respectively. Total cash inflow to the Company from the new share issues amounted to approximately HK\$170.0 million, out of which approximately HK\$135.0 million was applied in repayment of bank debts.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. As the Group's businesses are principally conducted in Hong Kong and the United States, the Group's borrowings are predominantly denominated in Hong Kong and US dollars. However, forward foreign exchange contracts and interest swaps arranged, where appropriate, to hedge against the Group's currency and interest rate exposures.

Remuneration Policy

The Group employs approximately 2,900 staff in Hong Kong and approximately 400 staff in Canada and approximately 1,000 staff in the PRC.

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



The Company as well as PHL and RHIHL each maintains an Executive Share Option Scheme, pursuant to which certain share options were granted under the Executive Share Option Schemes of PHL and RHIHL to selected eligible executives, with a view to providing senior management with an appropriate incentive interest in the growth of the Group.

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

DIVIDENDS

No interim dividend was paid during the year.

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

DIRECTORS

The Directors of the Company are:

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

Messrs. Daniel Bong Shu Yin and Michael Choi Chi Wing retired as Directors at the Annual General Meeting of the Company held on 23rd June, 1999.

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.

In accordance with Bye-laws 100 and 109(A) of the Company's Bye-laws, Mr. Anthony Chuang, Mrs. Kitty Lo Lee Kit Tai and Mr. Jimmy Lo Chun To 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, 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:

	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	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
	Mr. Ng Siu Chan	Ordinary	-	15,453,000	-	15,453,000
	Name of Associated Corporation					
2. PHL	Mr. Lo Yuk Sui	Ordinary	222,765	-	1,401,024,977	1,401,247,742
					(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	-	2,907,644,944	2,907,864,944
					(Notes a & c)	
		Preference	-	-	3,440	3,440
					(Note a)	
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	370,000	-	-	370,000
4. Argosy Capital Corporation	Mr. Lo Yuk Sui	Ordinary	-	-	1,130,349	1,130,349
					(Note a)	



Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
5. Century King Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	5,000 (Note a)	5,000
6. Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,000 (Note a)	7,000
7. Chi Cheung Investment Company, Limited	Mr. Lo Yuk Sui	Ordinary	-	-	214,188,951 (Note a)	214,188,951
8. Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,500 (Note a)	7,500
9. Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	85 (Note a)	85
10. Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	-	- (Note a)	75	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 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 of the Company 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 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 were charged by a wholly-owned subsidiary company of PHL in favour of a trustee, covering the exchange rights of the holders of the Exchangeable Bonds issued by another wholly-owned subsidiary company of PHL. The Exchangeable Bonds are exchangeable into those existing ordinary shares of RHIHL during the period from 6th April, 1996 to 23rd January, 2001 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 the Company.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 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 Shares Held
Master City Limited (Notes i & ii)	319,084,492
Shui To Co., Limited (Note i)	440,269,831
YSL International Holdings Limited ("YSL Int'l") (Note i)	931,998,340

Notes:

- (i) These companies are controlled by Mr. Lo Yuk Sui and their said shareholdings were included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under Directors' Interests in Share Capital.
- (ii) This company is a subsidiary of YSL Int'l and its interests in the shares of the Company are included in the interests held by YSL Int'l.



MOVEMENTS IN SHARE OPTIONS OF PALIBURG HOLDINGS LIMITED

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

Description of Event	Number of Shares under the Options Granted on 15/9/1995						Granted on 22/2/1997	Total
	Granted on 22/2/1994	<i>with</i> <i>Original</i> Grant Date of 22/2/1992	<i>with</i> <i>Original</i> Grant Date of 28/8/1992	<i>with</i> <i>Original</i> Grant Date of 22/2/1993	<i>with</i> <i>Original</i> Grant Date of 22/2/1994	<i>with</i> <i>Original</i> Grant Date of 22/2/1994		
Balance at beginning of year	16,500,000	46,392,518	772,983	1,757,812	13,141,326	8,437,500	87,002,139	
Exercised during the year	-	(59,967)	-	-	-	-	(59,967)	
Cancelled during the year	(4,375,000)	(4,746,096)	(341,797)	-	(8,593,750)	(2,812,500)	(20,869,143)	
Balance at end of year	12,125,000	41,586,455	431,186	1,757,812	4,547,576	5,625,000	66,073,029	
	(Note a)	(Note b)	(Note c)	(Note d)	(Note e)	(Note f)		
Exercise price per share (HK\$)	10.4000	0.6656	1.3260	1.1571	3.5392	6.6720		

Notes:

- The options for 6,062,500 shares are exercisable at any time. The options for the remaining 6,062,500 shares are exercisable in stages commencing six years from the date of grant.
- The options for 22,030,777 shares are exercisable at any time. The options for the remaining 19,555,678 shares are exercisable in stages commencing eight years from the Original Grant Date.
- The option for 108,918 shares is exercisable at any time. The option for the remaining 322,268 shares is exercisable in stages commencing eight years from the Original Grant Date.
- The option for 1,054,687 shares is exercisable at any time. The option for the remaining 703,125 shares is exercisable in stages commencing seven years from the Original Grant Date.
- The options for 1,891,326 shares are exercisable at any time. The options for the remaining 2,656,250 shares are exercisable in stages commencing six years from the Original Grant Date.
- The options for 1,125,000 are exercisable at any time. The options for the remaining 4,500,000 shares in stages commencing three years from the date of grant.



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

Share Options

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

Description of Event	Number of Ordinary Shares under the Options					Total
	Granted on 22/2/1992	Granted on 28/8/1992	Granted on 5/8/1993	Granted on 23/2/1995	Granted on 22/2/1997	
Balance at beginning of year	59,304,000	2,280,000	1,770,000	2,400,000	13,800,000	79,554,000
Exercised during the year	(48,000)	-	-	-	-	(48,000)
Cancelled during the year	(4,962,000)	(1,920,000)	(390,000)	(2,400,000)	(8,040,000)	(17,712,000)
Balance at end of year	54,294,000	360,000	1,380,000	-	5,760,000	61,794,000
	(Note a)	(Note b)	(Note c)		(Note d)	
Exercise price per ordinary share (HK\$)	0.7083	0.9250	1.1083	1.2083	2.1083	

Notes:

- The options for 32,262,000 ordinary shares are exercisable at any time. The options for the remaining 22,032,000 ordinary shares are exercisable in stages commencing eight years from the date of grant.
- The option for 180,000 ordinary shares is exercisable at any time. The option for the remaining 180,000 ordinary shares is exercisable in stages commencing eight years from the date of grant.
- The options for 780,000 ordinary shares are exercisable at any time. The options for the remaining 600,000 ordinary shares are exercisable in stages commencing seven years from the date of grant.
- The options for 1,152,000 ordinary shares are exercisable at any time. The options for the remaining 4,608,000 ordinary shares are exercisable in stages commencing three years from the date of grant.



5¹/₄% Convertible Cumulative Redeemable Preference Shares

Details of the 5¹/₄% convertible cumulative redeemable preference shares with par value of US\$10.00 each ("Preference Shares") of RHIHL are set out below:-

	Number of Preference Shares
Balance at beginning and at end of year	<u>18,948</u>

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

ISSUE OF NEW SHARES UNDER THE 20% GENERAL MANDATE

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

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

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

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



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

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

The 120M Subscription was to raise capital for the Company while boardening the shareholders base and the capital base of the Company. Out of the net proceeds of approximately HK\$117.0 million from the 120M

Subscription Shares approximately HK\$85.0 million were used for the repayment of bank loans of the Group, with the remaining proceeds for general working purposes.

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

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; and the “PHL/RHIHL Group” refers to PHL and its subsidiary companies, including those comprising the RHIHL Group.

CONNECTED TRANSACTIONS

ON-GOING TRANSACTIONS

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



The Stock Exchange, on application by the Company, issued a letter to the Company granting a waiver (the "Waiver") of strict compliance by the Company with the announcing requirement under the Listing Rules in respect of the Future Connected Transactions, subject to, inter alia, the approval by independent shareholders of the Company of the authority to be granted to the Directors in relation to such transactions. Details of the Connected Transactions and the Waiver were set out in a circular dated 9th February, 1998 issued by the Company. At the Special General Meeting of the Company held on 26th February, 1998, the required approval were 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\$21.7 million in the financial year of 1999. The term of the lease of the head office accommodation was for a period of two years to December 1999. The lease has been renewed for a further period of two years to December 2001.

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

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

The aggregate amounts of such rentals and corporate management costs apportioned to PHL and RHIHL for the year ended 31st December, 1999 were approximately HK\$39.9 million (comprising rentals of HK\$12.9 million and management costs of HK\$27.0 million) and HK\$34.3 million (comprising rentals of HK\$7.3 million and management costs of HK\$27.0 million) respectively. The payment obligations in respect of the rentals were assumed by PHL and RHIHL respectively.



Miscellaneous Connected Transactions

Members 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) a member of the CCIHL Group has been providing advertising and promotional services to the PHL Group and the RHIHL Group on retainers of approximately HK\$1.5 million and HK\$2.8 million respectively for the year 1999 and at a standard fee of HK\$0.6 million and HK\$1.9 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 member of the CCIHL Group has been engaged, as its principal business activity, in providing advertising and promotion services to the PHL Group and the RHIHL Group; and
- (2) the CCIHL Group has leased space in Regal Hongkong Hotel from the RHIHL Group as staff quarters. Rentals paid under such lease by the CCIHL Group in the year 1999 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, 1999 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, 1998 adjusted to take into account of the results for the six-month period ended 30th June, 1999 (the "NTA"), which had dropped

significantly as compared with that of the previous years. The Company shall make submission to the Stock Exchange with respect to necessary compliance of announcing or other requirements under the Listing Rules in relation thereto. The aggregate amount of the retainer fees and standard fees received by the CCIHL Group and the rental paid to the RHIHL Group under the Miscellaneous Connected Transactions for the year ended 31st December, 1999 was within the cap as set out in the Waiver of 0.25% of the NTA.

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, 1999 that they consider that the On-going Transactions have received the approval of the Board of Directors, and that they consider that the On-going 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.



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 the Company, 30% by Inroad Technology Limited ("RBVI"), a wholly owned subsidiary of RHIHL, 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, the Company warranted to the Subscribers that the proforma audited consolidated net assets of the 8D-BVI and its subsidiary, namely 8D International Limited ("8D") (together, the "8D Group") as at 31st December, 1999 were not be 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 the Company.

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 the Company, PHL and RHIHL. 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 the Company in 1986 and has been providing promotions and communications services to the 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 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 Development Limited ("Chest Gain"), a jointly controlled entity owned as to 40% by PHL, 30% by RHIHL and 30% by China Overseas Land & Investments Limited, which is independent of, and not connected with the Company, PHL and RHIHL, the respective directors, chief executive and substantial shareholders of the Company, PHL and RHIHL and any of their respective 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, 1999 are set out below:

Advances	PHL Group (HK\$'million)	RHIHL Group (HK\$'million)	PHL/RHIHL Group (HK\$'million)
(A) Principal Amount of Advances	1,429.8	1,072.5	2,502.3
(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>2,966.5</u>	<u>2,225.0</u>	<u>5,191.5</u>
(A)+(B)+(C)(b)	<u>2,650.9</u>	<u>1,988.3</u>	<u>4,639.2</u>

The above advances to Chest Gain including interest receivable thereon, in an aggregate sum of HK\$1,646.5 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\$1,235.0 million (before a provision of HK\$700.0 million representing the RHIHL Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site of Chest Gain) were provided by the RHIHL Group. Such contribution of funds to Chest Gain are provided in the form of shareholders' loans in proportion to the respective shareholding interests of the shareholders of Chest Gain. The advances are unsecured and have no fixed term of repayment, and related interest is being accrued at prime rate. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of its property project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Stanley Site"). The Stanley Site was acquired by Chest Gain at the government land auction held on 3rd June, 1997. The above guarantees were provided by PHL and RHIHL on 28th October, 1997 on a several basis in proportion to their respective shareholding interests in Chest Gain and were given in respect



of the bank loan facilities of HK\$3,300.0 million made available to Chest Gain for the purposes of refinancing part of the consideration for the acquisition of the Stanley Site and financing the estimated construction costs required for the luxury residential development at the Stanley Site.

Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 31st December, 1999 provided by the PHL/RHIHL Group to Chest Gain in the respective sums of (a) HK\$5,191.5 million (based on the total available amount of the bank facilities) and (b) HK\$4,639.2 million (based on the amount of bank facilities drawdown) represented (a) 324.3% and (b) 289.8% of the consolidated net tangible assets of the Company of HK\$1,600.7 million (the "Century 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 PHL Group and the RHIHL 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) 2,502.3	(B) 379.2	(C)(i) 2,310.0	(C)(ii) 1,757.7
Cheerjoy Development Limited	(D) 123.3 (Interest Rate: Prime Rate)	(E) 3.1	Nil	Nil
Century King Investment Limited	(F) 2.3 (Interest Rate: 10% p.a.)	(G) 0.4	Nil	Nil
Bostonian Hotel Limited Partnership	(H) 24.5 (Interest Rate: 6% p.a.)	—	Nil	Nil
			Total:(A)+(B)+(C)(i)+(D) to (H)	5,345.1
			(A)+(B)+(C)(ii)+(D) to (H)	4,792.8

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 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 subsidiaries or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans and, according to the terms of the shareholders' agreement in respect of this joint venture, would not be provided in proportion to PHL's shareholding interest in Cheerjoy. The advances were provided for the purpose of funding the working capital requirements of Cheerjoy, are unsecured and have no fixed term of repayment.

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 subsidiaries 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.

RHIHL owns 51% limited partnership interest in Bostonian Hotel Limited Partnership ("Bostonian") and 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 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 RHIHL Group in proportion to RHIHL'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 PHL/RHIHL Group in the respective sums of (a) HK\$5,345.1 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$4,792.8 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 333.9% and (b) 299.4% of the Century NTA.

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

	Pro-forma combined balance sheet (HK\$' million)	Group's attributable interest (HK\$' million)
Non-current assets	5,121.1	1,751.9
Current assets	20.8	4.8
Current liabilities	(87.0)	(30.4)
Non-current liabilities	(7,538.8)	(2,717.3)
Net liabilities	<u>(2,483.9)</u>	<u>(991.0)</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 PHL Group and 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, 1999 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
PHL Group	(a)	117.7	September 1999	Note (i)
	(b)	35.0	September 1999	Note (ii)
Total:		<u>152.7</u>		
RHIHL Group	(a)	1,075.0	July 2007	Note (iii)
	(b)	3,818.2	September 2004	Note (iv)
Total:		<u>4,893.2</u>		

Notes:

- (i) (a) The Company, which owns a 60.4% shareholding interest in PHL, shall not, whether directly or indirectly, cease to be beneficially interested in at least 50.1% of shares in PHL in issue from time to time; or
(b) The Company shall not cease to maintain the right to appoint or remove a majority of the directors on the board of directors of PHL.
- (ii) PHL shall not cease to be a subsidiary of the Company.
- (iii) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of 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 in RHIHL.
- (iv) 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.



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.

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\$7.4 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 fixed assets during the year are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

The details of movements in properties under development during the year are set out in note 18 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 19 to the financial statements.

BORROWINGS

The details of Group's borrowings at the balance sheet date are set out in notes 30 to 32 to the financial statements.



SHARE CAPITAL AND WARRANTS

The details of movements in the share capital and warrants 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/ PARTNERSHIPS

Particulars of the Company's principal subsidiary companies/partnerships 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 20 and 21 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, 1999, the Company's reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda amounted to HK\$625.6 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\$111.8 million were capitalised during the year in respect of the Group's property development projects and construction contracts.

SUBSEQUENT EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 51 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 May, 2000