



Report of the Directors

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

PRINCIPAL ACTIVITIES

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

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

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

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

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



FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 104.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

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

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

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

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

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

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

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

Funding and Treasury Policy

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



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

Remuneration Policy

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

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

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

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

DIVIDENDS

No interim dividend was paid during the year.

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

DIRECTORS

The Directors of the Company are:

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

There have been no changes in Directors during the year.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

**DIRECTORS' INTERESTS IN SHARE CAPITAL**

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

	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary	543,344,843	-	1,395,994,246	1,939,339,089
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,510,000	-	-	2,510,000
	Mr. Jimmy Lo Chun To	Ordinary	1,659,800	-	-	1,659,800
	Mr. Ng Siu Chan	Ordinary	-	15,453,000	-	15,453,000
	Name of Associated Corporation					
2. PHL	Mr. Lo Yuk Sui	Ordinary	222,765	-	1,401,024,977	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	2,370,000	-	-	2,370,000
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.	Century Win Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	9,000 (Note a)	9,000
7.	Cheerjoy Development Limited ("Cheerjoy")	Mr. Lo Yuk Sui	Ordinary	-	-	(Note d)	(Note d)
8.	Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,000 (Note a)	7,000
9.	Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,500 (Note a)	7,500
10.	Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	85 (Note a)	85
11.	Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	-	-	75 (Note a)	75
12.	Polarfine Inc	Mr. Lo Yuk Sui	Ordinary	-	-	3,000,000 (Notes a & e)	3,000,000
13.	Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	-	-	25,000 (Note a)	25,000
14.	Supreme Idea Enterprise Limited	Mr. Lo Yuk Sui	Ordinary	-	-	125 (Note a)	125
15.	Villawood Developments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	65 (Note a)	65
16.	Wealth Link Investments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	1 (Note a)	1

**Notes:**

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

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

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

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

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

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

Description of Event	Number of Shares under the Options Granted on 15/9/1995						Granted on 22/2/1997	Total
	Granted on 22/2/1994	<i>with</i> Original	<i>with</i> Original	<i>with</i> Original	<i>with</i> Original	Granted on 22/2/1994		
		Grant Date of 22/2/1992	Grant Date of 28/8/1992	Grant Date of 22/2/1993	Grant Date of 22/2/1994			
Balance at beginning of year	12,125,000	41,586,455	431,186	1,757,812	4,547,576	5,625,000	66,073,029	
Cancelled during the year	(937,500)	(820,907)	(431,186)	-	(1,422,576)	-	(3,612,169)	
Balance at end of year	11,187,500 (Note a)	40,765,548 (Note b)	-	1,757,812 (Note c)	3,125,000 (Note d)	5,625,000 (Note e)	62,460,860	
Exercise price per share (HK\$)	10.4000	0.6656	1.3260	1.1571	3.5392	6.6720		

Notes:

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

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

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

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

Notes:

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



5¹/₄% Convertible Cumulative Redeemable Preference Shares

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

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

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

ISSUE OF NEW SHARES UNDER THE 20% GENERAL MANDATE

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

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

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

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



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

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

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

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

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

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

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

CONNECTED TRANSACTIONS

ON-GOING TRANSACTIONS

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