



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 was given by independent shareholders in respect of the Future Connected Transactions.

Corporate Services Transactions

The present head office accommodation of the CCIHL Group located at 18th to 22nd Floors of Paliburg Plaza, which is an office and commercial building in Causeway Bay, Hong Kong and owned by the PHL Group, is being shared with the CCIHL Group by the PHL Group and the RHIHL Group. Relevant rentals paid to the PHL Group under the lease of the head office accommodation, which was determined by reference to market rental on an arm's length basis, amounted to about HK\$17.9 million in the financial year of 2000. The term of the lease of the head office accommodation was for a period of two years to December 2001. In September 2000, the term of lease was revised to end on 28th March, 2001 which is now running on a month to month basis at HK\$1.5 million per month pending finalisation of the renewal terms.

The 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. The payment obligation in respect of such rentals is assumed by the three companies.

Further, members of the CCIHL Group provide corporate management services, such as finance and accounting as well as administrative and secretarial services, to members of the PHL Group and RHIHL Group, the fees for which are charged by apportionment of actual costs among the Company, PHL and RHIHL on a fair proportionate basis by reference to individual consolidated turnover, profit 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, 2000 were approximately HK\$29.8 million (comprising rentals of HK\$10.2 million and management costs of HK\$19.6 million) and HK\$26.7 million (comprising rentals of HK\$7.1 million and management costs of HK\$19.6 million) respectively.

Miscellaneous Connected Transactions

An associate of the CCIHL Group (previously a member of the CCIHL Group till January 2000) and a member of the



CCIHL Group are also engaged in the following transactions conducted in the ordinary and usual course of business of the companies of the CCIHL Group, PHL Group and RHIHL Group which are parties to such transactions:

- (1) the associate of the CCIHL Group which is owned as to 10% by the CCIHL Group, 30% by the RHIHL Group, 30% indirectly by Mr. Lo Yuk Sui, the Chairman and controlling shareholder of the Company, and 30% by an associate (as defined in the Listing Rules) of Mr. Jimmy Lo Chun To, a director of each of the Company, PHL and RHIHL, which is jointly owned by his sister, has been providing advertising and promotional services to the PHL Group and the RHIHL Group on retainers of approximately HK\$0.7 million and HK\$2.3 million respectively for the year 2000 and at a standard fee of HK\$0.3 million and HK\$5.2 million respectively based on total costs involved, in addition to which actual costs and out-of-pocket expense incurred are reimbursed. Since the Group was established, the said associate of the CCIHL Group has been engaged, as its principal business activity, in providing advertising and promotion services to the PHL Group and the RHIHL Group; 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 2000 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, 2000 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, 1999 adjusted to take into account of the results for the six-month period ended 30th June, 2000 (the "NTA"), which had dropped significantly as compared with that of the previous years. The aggregate amount of the retainer fees and standard fees received by the associate of the CCIHL Group and the rental paid to the RHIHL Group under the Miscellaneous Connected Transactions for the year ended 31st December, 2000 exceeded the cap as set out in the Waiver of 0.25% of the NTA. The Company will make submission to the Stock Exchange with respect to necessary compliance of announcing or other requirements under the Listing Rules in relation thereto.

The On-going Transactions have been reviewed by the Directors (including the independent Non-Executive Directors) and the independent Non-Executive Directors have confirmed that they consider that the above transactions were conducted:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
- (c) on a fair and reasonable basis so far as the shareholders of the Company are concerned.

The Auditors of the Company have confirmed to the Directors in writing in respect of the On-going Transactions occurring during the financial year ended 31st December, 2000 that the relevant transactions have received the approval of the Board of Directors, and that they consider that the relevant transactions have been entered into on normal commercial



terms or have been entered into in accordance with the terms of the agreement relating to the transaction in question or, where there is no such agreement, on terms no less favourable than terms available to or from independent third parties.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Practice Note 19 ("PN19") of the Listing Rules.

Advances to an Entity (Paragraph 3.2.1 of PN19)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 40% by PHL, 30% by RHIHL and 30% by China Overseas Land & 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 subsidiary companies or any of their respective associates (as defined in the Listing Rules), by the PHL Group and the RHIHL Group as at 31st December, 2000 are set out below:

Advances	PHL Group (HK\$'million)	RHIHL Group (HK\$'million)	PHL/RHIHL Group (HK\$'million)
(A) Principal Amount of Advances	1,512.3	1,134.2	2,646.5
(B) Interest Receivable	216.7	162.5	379.2
(C) Several Guarantees for:			
(a) Principal Amount of Bank Facilities	1,320.0	990.0	2,310.0
(b) Amount of Bank Facilities Drawdown	1,004.4	753.3	1,757.7
Total: (A)+(B)+(C)(a)	<u>3,049.0</u>	<u>2,286.7</u>	<u>5,335.7</u>
(A)+(B)+(C)(b)	<u>2,733.4</u>	<u>2,050.0</u>	<u>4,783.4</u>

The above advances to Chest Gain including interest receivable thereon, in an aggregate sum of HK\$1,729.0 million (before a provision of HK\$933.3 million representing the PHL Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site (as referred to below) of Chest Gain) were provided by the PHL Group. The above advances to Chest Gain, including interest receivable thereon, in an aggregate sum of HK\$1,296.7 million (before a provision of HK\$700.0 million representing the RHIHL Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site of Chest Gain) were provided by the RHIHL Group. Such contribution of funds to Chest Gain are provided in the form of shareholders' loans in proportion to the respective shareholding interests of the shareholders of Chest Gain. The advances are unsecured and have no fixed term of repayment, and related interest is being accrued at prime rate. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of its property project at Rural Building Lot No. 1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Stanley Site"). The Stanley Site was

acquired by Chest Gain at the government land auction held on 3rd June, 1997. The above guarantees were provided by 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, 2000 provided by the PHL/RHIHL Group to Chest Gain in the respective sums of (a) HK\$5,335.7 million (based on the total available amount of the bank facilities) and (b) HK\$4,783.4 million (based on the amount of bank facilities drawdown) represented (a) 361.8% and (b) 324.3% of the consolidated net tangible assets of the Company of HK\$1,474.8 million (the "Century NTA"), by reference to its latest audited financial statements for the year ended 31st December, 2000.

Financial Assistance provided to and Guarantees given for Affiliated Companies (Paragraph 3.3 of PN19)

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 31st December, 2000 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Bank Facilities	
			(i) Principal Amount of Bank Facilities (HK\$'million)	(ii) Amount of Bank Facilities Drawdown (HK\$'million)
Chest Gain	(A) 2,646.5	(B) 379.2	(C)(i) 2,310.0	(C)(ii) 1,757.7
Cheerjoy Development Limited	(D) 126.4 (Interest Rate: Prime Rate)	(E) 11.6	Nil	Nil
Talent Faith Investments Ltd.	(F) 78.6	-	Nil	Nil
Century King Investment Limited	(G) 2.9 (Interest Rate: 10% p.a.)	(H) 0.6	Nil	Nil
8D International (BVI) Limited	(I) 24.1	-	Nil	Nil
8D Matrix Limited	(J) 1.0	-	Nil	Nil
			Total: (A)+(B)+(C)(i)+(D) to (J)	5,580.9
			(A)+(B)+(C)(ii)+(D) to (J)	5,028.6



Relevant details in respect of the financial assistance provided to and guarantees given for Chest Gain are disclosed above under Paragraph 3.2.1 of PN19 of the Listing Rules.

Cheerjoy Development Limited ("Cheerjoy") was a wholly owned subsidiary company of PHL and became a 30% owned associate of PHL during 1999. Cheerjoy owns the development property at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East, Hong Kong. The remaining 70% shareholding interest in Cheerjoy is owned by a third party, which is independent of, and not connected with PHL, the directors, chief executive and substantial shareholders of PHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans and, according to the terms of the shareholders' agreement in respect of this joint venture, would not be 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.

Talent Faith Investments Ltd. ("Talent Faith"), previously a wholly owned subsidiary company of PHL owning 65% interest in a joint venture company, which in turn owns 70% interest in an equity joint venture in Beijing, the People's Republic of China involved in property development activity, became a 50% owned associate of PHL during the year. The remaining 50% shareholding interest in Talent Faith is owned by a third party, which is independent of, and not connected with PHL, the directors, chief executive and substantial shareholders of PHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans in accordance with the terms in the sale and purchase agreement entered into with the said third party in relation to the disposal of the PHL Group's 50% interest in Talent Faith, for the purpose of funding the working capital requirements of Talent Faith. The advances are unsecured, interest free and have no fixed terms of repayment.

Century King Investment Limited ("Century King") is a 50% owned associate of RHIHL, which is engaged in the operation of a Japanese restaurant. The remaining 50% shareholding interest in Century King is owned by a third party, which is independent of, and not connected with RHIHL, the directors, chief executive and substantial shareholders of RHIHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the RHIHL Group in the form of shareholder's loans in proportion to RHIHL's shareholding interest in Century King, for the purpose of funding the capital requirements of Century King. The advances are unsecured and have no fixed term of repayment.

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of RHIHL, which is involved in information technology business in connection with broadband national railway fibre optic network in the People's Republic of China. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by the Company and 60% by Mr. Lo Yuk Sui. The advances were provided by the CCIHL Group and the RHIHL Group in the form of shareholders' loans in proportion to the respective shareholding interests of the Company and RHIHL in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest free and have no fixed term of repayment.



8D Matrix Limited ("8D Matrix") is a 30% owned associate of RHIHL, which is involved in promotions, communications and information technology businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by the Company, 30% indirectly by Mr. Lo Yuk Sui and 30% by an associate (as defined in the Listing Rules) of Mr. Jimmy Lo Chun To, a director of each of the Company, PHL and RHIHL, which is jointly owned by his sister. The advances were provided by the CCIHL Group and the RHIHL Group in the form of shareholders' loans in proportion to the respective shareholding interests of the Company and RHIHL in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest free and have no fixed term of repayment.

Calculated on the basis shown above, as at 31st December, 2000, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$5,580.9 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$5,028.6 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 378.4% and (b) 341.0% 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	5,076.0	1,760.5
Current assets	10.9	2.5
Current liabilities	(111.0)	(38.1)
Non-current liabilities	(8,223.3)	(2,969.9)
Net liabilities	<u>(3,247.4)</u>	<u>(1,245.0)</u>

**Loan agreements with covenants relating to specific performance obligation of the controlling shareholders (Paragraphs 3.7.1 and 3.7.2 of PN19)****Paragraph 3.7.1 of PN19**

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

		Outstanding Balance of Bank Facilities as at 31st December, 2000 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
RHIHL Group	(a)	1,072.0	July 2007	Note (i)
	(b)	3,822.1	September 2004	Note (ii)
Total:		<u>4,894.1</u>		

Notes:

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of the Company (which owns a 59.2% shareholding interest in PHL (which in turn owns a 72.8% shareholding interest in RHIHL), and/or members of his immediate family or a trust, or trusts under which they are beneficially interested (collectively, "Mr. Lo") shall not cease to maintain controlling interest (directly or indirectly) in respect of shareholding (as defined under the Listing Rules) and management control in RHIHL.
- (ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in RHIHL.

Breach of the above specific performance obligations will constitute events of default of the bank facilities. As a result, the bank facilities may become immediately due and payable on demand by the relevant lenders according to the respective terms and conditions of the bank facilities.

Paragraph 3.7.2 of PN19

Details of breach of certain terms of the above loan agreements are set out in note 2 to the financial statements.

CORPORATE GOVERNANCE

The Company has during the year complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent Non-Executive Directors of the Company were not appointed for specific terms. However, they were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the By-laws of the Company.

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee comprising Mr. Ng Siu Chan (Chairman of the Committee) and Mr. Anthony Chuang, both of whom are independent Non-Executive Directors of the Company. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

FIXED ASSETS

The details of movements in fixed assets during the year are set out in note 15 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

The details of movements in properties under development during the year are set out in note 16 to the financial statements.

PROPERTIES HELD FOR FUTURE DEVELOPMENT

The details of movements in properties held for future development during the year are set out in note 17 to the financial statements.

BORROWINGS

The details of the Company's and the Group's borrowings at the balance sheet date are set out in notes 29 to 31 to the financial statements.

SHARE CAPITAL

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



SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 37 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 38 to the financial statements.

CAPITAL RESERVE

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

REVALUATION RESERVES

The details of movements in the revaluation reserve account during the year are set out in note 40 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 41 to the financial statements.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 42 to the financial statements.

JOINTLY CONTROLLED ENTITY AND ASSOCIATES

Particulars of the Group's interests in jointly controlled entity and associates are set out in notes 18 and 19 to the financial statements, respectively.

CONTRIBUTED SURPLUS

The details of movements in the contributed surplus account during the year are set out in note 43 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2000, the Company's reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda amounted to HK\$329.7 million.

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

INTEREST CAPITALISED

Interest expenses in the amount of HK\$34.8 million were capitalised during the year in respect of the Group's property development projects and construction contracts.

POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 50 to the financial statements.

AUDITORS

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

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong

17th April, 2001