



Report of the Directors

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

PRINCIPAL ACTIVITIES

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

consultancy and project management, construction and construction-related businesses, hotel ownership and management, and other investments (including investment and trading in financial instruments and marketable securities).

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

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

	Turnover		Contribution	
	2000	1999	2000	1999
	HK\$'million	HK\$'million	HK\$'million	HK\$'million
By activity:				
Property investment and management	229.8	288.5	81.4	137.8
Property development	46.1	1,041.8	(88.2)	(213.9)
Construction and construction-related businesses	433.4	252.3	(1.6)	(17.2)
Development consultancy and project management	0.1	6.0	(9.1)	(3.8)
Hotel ownership and management	1,000.2	2,966.3	184.3	467.9
Other operations and investments	70.4	109.4	111.2	(708.4)
	<u>1,780.0</u>	<u>4,664.3</u>	<u>278.0</u>	<u>(337.6)</u>
By geographical location:				
Hong Kong	1,623.5	2,398.0	224.7	381.1
The United States of America	-	2,098.4	65.8	(323.5)
Canada	127.3	134.8	10.0	14.2
Others	29.2	33.1	(22.5)	(409.4)
	<u>1,780.0</u>	<u>4,664.3</u>	<u>278.0</u>	<u>(337.6)</u>



FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 98.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

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

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

Net cash inflow from operating activities during the year under review amounted to HK\$267.8 million (1999 - HK\$1,141.4 million) and in addition, further sums in an

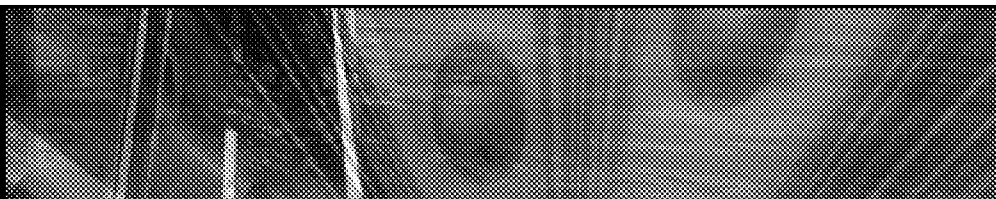
aggregate of HK\$287.7 million were received from RHIHL's disposal of the hotel interests in the United States. Net interest payment for the year amounted to HK\$617.9 million (1999 - HK\$879.5 million).

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

Details of the maturity profile of the Group's borrowings are set out in notes 27 to 29 to the financial statements. Details of the Group's pledge of assets and contingent liabilities are shown in notes 44 and 45, respectively, to the financial statements.

Funding and Treasury Policy

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



Remuneration Policy

The Group employs approximately 2,700 staff in Hong Kong, approximately 400 staff in Canada and approximately 900 staff in the PRC.

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

The Company and RHIHL each maintains an Executive Share Option Scheme under which share options are granted to selected eligible executives.

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

DIVIDENDS

No interim dividend was paid during the year.

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

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Cheng Yuk Lun
Mr. Francis Gonzalez Estrada
Mr. Donald Fan Tung
Mrs. Kitty Lo Lee Kit Tai
Mr. Jimmy Lo Chun To
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Dr. Alex Wu Shu Chih

There have been no changes in Directors during the year.

In accordance with Bye-law 102 of the Company's Bye-laws, Messrs. Cheng Yuk Lun, Francis Gonzalez Estrada and Kenneth Ng Kwai Kai retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

At no time during the year was the Company, or any of its holding companies, subsidiary companies or fellow subsidiary companies a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the Executive Share Option Schemes (the "Schemes") of the Company and its listed holding company, Century City International Holdings Limited ("CCIHL"), pursuant to which options have been granted to certain Directors under the Scheme of the Company.

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

**DIRECTORS' INTERESTS IN SHARE CAPITAL**

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

(A) Interests in Shares

	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary	222,765	-	1,401,024,977 (Notes a & b)	1,401,247,742
	Mr. Cheng Yuk Lun	Ordinary	2,325,000	-	-	2,325,000
	Mr. Donald Fan Tung	Ordinary	2,718	-	-	2,718
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	100,000	-	-	100,000
	Mr. Jimmy Lo Chun To	Ordinary	284,000	-	-	284,000
	Mr. Ng Siu Chan	Ordinary	-	536,500	-	536,500
	Name of Associated Corporation					
2. CCIHL	Mr. Lo Yuk Sui	Ordinary	543,344,843	-	1,395,994,246	1,939,339,089
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,510,000	-	-	2,510,000
	Mr. Jimmy Lo Chun To	Ordinary	1,659,800	-	-	1,659,800
	Mr. Ng Siu Chan	Ordinary	-	15,453,000	-	15,453,000
3. RHIHL	Mr. Lo Yuk Sui	Ordinary	220,000	-	2,907,644,944 (Notes a & c)	2,907,864,944
		Preference	-	-	3,440 (Note a)	3,440
	Mr. Cheng Yuk Lun	Ordinary	600,000	-	-	600,000
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,370,000	-	-	2,370,000
4. Argosy Capital Corporation	Mr. Lo Yuk Sui	Ordinary	-	-	1,130,349 (Note a)	1,130,349
5. Century King Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	5,000 (Note a)	5,000
6. Century Win Investment Limited	Mr. Lo Yuk Sui	Ordinary	-	-	9,000 (Note a)	9,000
7. Cheerjoy Development Limited ("Cheerjoy")	Mr. Lo Yuk Sui	Ordinary	-	-	(Note d)	(Note d)



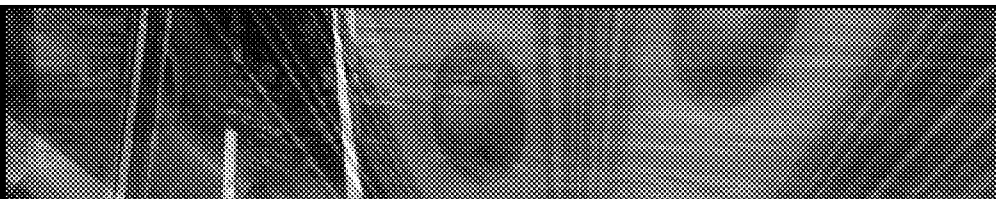
	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
				Personal Interests	Family Interests	Corporate Interests	
8.	Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,000 (Note a)	7,000
9.	Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	7,500 (Note a)	7,500
10.	Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	-	-	85 (Note a)	85
11.	Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	-	-	75 (Note a)	75
12.	Polarfine Inc	Mr. Lo Yuk Sui	Ordinary	-	-	3,000,000 (Notes a & e)	3,000,000
13.	Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	-	-	25,000 (Note a)	25,000
14.	Supreme Idea Enterprise Limited	Mr. Lo Yuk Sui	Ordinary	-	-	125 (Note a)	125
15.	Villawood Developments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	65 (Note a)	65
16.	Wealth Link Investments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	1 (Note a)	1

Notes:

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


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

Name of Director		As at 1/1/2000		Options Outstanding		
		Date of Grant (Original Grant Date) (Exercise Price per Share)	Options Outstanding (I) Vested (Note 1) (II) Unvested	As at 31/12/2000 (I) Vested (Note 1) (II) Unvested		
Mr. Lo Yuk Sui	(a)	22/2/1994 (HK\$10.40)	(I) 2,281,250	(I) 2,737,500		
			(II) 2,281,250 (Note 2)	(II) 1,825,000 (Note 6)		
	(b)	15/9/1995 (22/2/1992) (HK\$0.6656)	(I) 11,718,750	(I) 14,062,500		
			(II) 7,031,250 (Note 3)	(II) 4,687,500 (Note 7)		
Mr. Cheng Yuk Lun	(a)	22/2/1994 (HK\$10.40)	(I) 625,000	(I) 750,000		
			(II) 625,000 (Note 2)	(II) 500,000 (Note 6)		
	(b)	15/9/1995 (22/2/1992) (HK\$0.6656)	(I) 2,852,732	(I) 3,878,122		
			(II) 3,076,174 (Note 3)	(II) 2,050,784 (Note 7)		
Mr. Donald Fan Tung	(a)	22/2/1994 (HK\$10.40)	(I) 937,500	(I) 1,125,000		
			(II) 937,500 (Note 2)	(II) 750,000 (Note 6)		
	(b)	15/9/1995 (22/2/1992) (HK\$0.6656)	(I) 2,636,717	(I) 3,164,060		
			(II) 1,582,033 (Note 3)	(II) 1,054,690 (Note 7)		
	(c)	15/9/1995 (22/2/1993) (HK\$1.1571)	(I) 1,054,687	(I) 1,230,468		
			(II) 703,125 (Note 4)	(II) 527,344 (Note 3)		
	(d)	15/9/1995 (22/2/1994) (HK\$3.5392)	(I) 1,562,500	(I) 1,875,000		
			(II) 1,562,500 (Note 5)	(II) 1,250,000 (Note 4)		
Mr. Kenneth Ng Kwai Kai	(a)	22/2/1994 (HK\$10.40)	(I) 500,000	(I) 600,000		
			(II) 500,000 (Note 2)	(II) 400,000 (Note 6)		
	(b)	15/9/1995 (22/2/1992) (HK\$0.6656)	(I) 2,051,482	(I) 3,076,872		
			(II) 3,076,174 (Note 3)	(II) 2,050,784 (Note 7)		

**Notes:**

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

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

Name of Shareholder	Number of Shares held
CCIHL (Notes i and iii)	1,401,024,977
Century City BVI Holdings Limited (Notes ii and iii)	1,401,024,977
Century City Holdings Limited (Note ii)	827,458,989

Notes:-

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

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



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

Share Options

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

Number of Ordinary Shares under the Options

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

Notes:

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



5¼% Convertible Cumulative Redeemable Preference Shares

Movements during the year in 5¼% convertible cumulative redeemable preference shares with par value of US\$10.00 each ("Preference Shares") of RHIHL are detailed below:

	Number of Preference Shares
Balance at beginning of year	18,948
Converted during the year	(2,200)
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Balance at end of year	16,748
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Note: The Preference Shares are convertible into fully paid ordinary shares of HK\$0.10 each of RHIHL at any time until and including 5th December, 2008 at the adjusted conversion price of HK\$1.7037 per share (subject to adjustment) based on a reference amount of US\$1,000 per Preference Share at the fixed exchange rate of HK\$7.730255 to US\$1.00.

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

CONNECTED TRANSACTIONS

ON-GOING TRANSACTIONS

On 9th February, 1998, the Company issued a circular (the "Circular") to the shareholders containing information regarding, inter alia, various on-going transactions (the "On-going Transactions") and future similar transactions (the "Future Connected Transactions") between respective subsidiary companies of the CCIHL Group, the PHL Group and the RHIHL Group, all conducted within their ordinary and normal course of businesses.

The said transactions constituted or will constitute connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Stock Exchange, on application by the Company, granted a waiver (the "Waiver") of strict compliance by the Company with the announcing requirement under the Listing Rules in respect of Future Connected Transactions, details of which Waiver were contained in the Circular. Details of the On-going Transactions conducted during the year were as follows:

Corporate Services Transactions

The present head office accommodation of the CCIHL Group located at 18th to 22nd Floors of Paliburg Plaza is leased to the CCIHL Group by the PHL Group. Relevant rentals paid for the year ended 31st December, 2000 amounted to approximately HK\$17.9 million. The lease was previously for a term of two years ending 17th December, 2001 at a rental of approximately HK\$18 million per annum. In September 2000, the term of lease was revised to end on 28th March, 2001 which is now running



on a month to month basis at HK\$1.5 million per month pending finalisation of the renewal terms.

The head office accommodation of the CCIHL Group is shared with the CCIHL Group by the PHL Group and the RHIHL Group. The rental charge of the head office accommodation is allocated among the Company, CCIHL and RHIHL, according to estimates from time to time by the directors of CCIHL and, as appropriate, with endorsement of the respective directors of the Company and RHIHL, of fair proportional use, based on the actual area occupied. The rental in respect of the areas used in common among such members of the PHL Group, the CCIHL Group and the RHIHL Group is apportioned with reference to individual consolidated turnover, profit and assets values of the Company, CCIHL and RHIHL for each financial year. The payment obligation in respect of such rentals is assumed by the three companies.

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

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

Miscellaneous Connected Transactions

An associate of the CCIHL Group (previously a member of the CCIHL Group till January 2000) has been providing advertising and promotion services to the PHL Group on retainers and at a standard fee based on total costs involved, with actual costs and out-of-pocket expenses incurred reimbursed. The associate is owned as to 10% by the CCIHL Group, 30% by the RHIHL Group, 30% indirectly by Mr. Lo Yuk Sui, the Chairman and controlling shareholder of CCIHL, and 30% by an associate (as defined in the Listing Rules) of Mr. Jimmy Lo Chun To, a director of each of CCIHL, the Company and RHIHL, and his sister. The aggregate sum of the retainer fees and standard fees paid by the PHL Group to that associate of CCIHL Group in respect of such transactions for the year ended 31st December, 2000 amounted to approximately HK\$1.0 million.

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

Compliance with Waiver Conditions

The aggregate amounts of the rentals and corporate management costs under the Corporate Services Transactions apportioned to the Company and the retainer fees and standard fees under the Miscellaneous Connected Transactions paid by the PHL Group to the CCIHL Group for the year ended 31st December, 2000 were within the respective caps as set out in the Waiver of 0.5% and 0.25% of the latest published audited consolidated net tangible assets of the Group as at 31st December, 1999, adjusted to take into account of the results for the six-month period ended 30th June, 2000.