



| Name | Place of incorporation/ registration | Issued share capital/ registered capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|--|--|------|---|
| | | | 2000 | 1999 | |
| Kaifeng Yatai Brewery Co., Ltd.** | The People's Republic of China | RMB 35,923,300 | 66.4 | 66.6 | Production and distribution of beer |
| Keifeng Yatai Brewery Second Co., Ltd.** | The People's Republic of China | RMB 30,576,700 | 66.4 | 66.6 | Production and distribution of beer |
| Key Winner Investment Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Financing |
| Kingford View Investments Limited | British Virgin Islands | US\$1 | 73.8 | 74.0 | Securities investment |
| Ragout Investments Limited | British Virgin Islands | US\$1 | 73.8 | 74.0 | Securities investment |
| Regal Century Investment Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Investment holding and management services |
| Regal Constellation Hotel Limited | Canada | CAN\$1 | 73.8 | 74.0 | Hotel ownership |
| Regal Hotels Company Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Financing |
| Regal Hotels (Holdings) Limited | Hong Kong | HK\$1,151,598,638 | 73.8 | 74.0 | Investment holding |
| Regal Hotels International Limited | Hong Kong | HK\$100,000 | 73.8 | 74.0 | Hotel management |
| Regal Hotels Management (BVI) Limited | British Virgin Islands | US\$1 | 73.8 | 74.0 | Hotel management |
| Regal International Limited | British Virgin Islands | US\$20 | 73.8 | 74.0 | Investment and trademark holding |



| Name | Place of incorporation/ registration | Issued share capital/ registered capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|---|--|--|------|--------------------------|
| | | | 2000 | 1999 | |
| Regal International (BVI) Holdings Limited | British Virgin Islands | HK\$10.1 | 73.8 | 74.0 | Investment holding |
| Regal Laundry Services Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Laundry operations |
| Regal Pacific (Holdings) Limited | Canada | CAN\$2,005,200 | 73.8 | 74.0 | Investment holding |
| Regal Riverside Hotel Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Hotel ownership |
| Regal Supplies Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Bakery operations |
| R.H.I. Licensing B.V. | The Netherlands | NLG40,000 | 73.8 | 74.0 | Trademark holding |
| Ricobem Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Hotel ownership |
| Stareast Travel Limited | Hong Kong | HK\$1,500,000 | 73.8 | 74.0 | Travel services |
| Tenshine Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Restaurant operations |
| Unicorn Star Limited | British Virgin Islands | US\$1 | 73.8 | 74.0 | Securities investment |
| Widebase Limited | British Virgin Islands | US\$1 | 73.8 | 74.0 | Securities investment |
| Winner Team Investment Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Securities investment |
| World Way Management Limited | Hong Kong | HK\$2 | 73.8 | 74.0 | Management services |

* The interests in these subsidiary companies were partially disposed of during the year (note 20).

** These subsidiary companies are sino-foreign co-operative joint venture companies established in the People's Republic of China (the "PRC").

These subsidiary companies are sino-foreign equity joint venture companies established in the PRC.



Except for Paliburg Development BVI Holdings Limited, all principal subsidiary companies are indirectly held by the Company.

All of the above subsidiary companies operate in the place of their incorporation/registration, except for Good Focus Holdings Limited, Paliburg Finance (C.B. 2002) Limited, Paliburg International Finance Limited, Paliburg International Holdings Limited, Treasure Spot Investments Limited and Regal Hotels International Holdings Limited, which are incorporated in either Bermuda or the British Virgin Islands, but operate in Hong Kong.

The above table lists the subsidiary companies of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiary companies would, in the opinion of the Directors, result in particulars of excessive length.

41. CONTRIBUTED SURPLUS

The contributed surplus arose in 1993 as a result of a group reorganisation in preparation for a separate listing of the Company's shares. The original balance represented the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then consolidated net asset value of the subsidiary companies at the date of acquisition.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain circumstances.

**42. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**

- (a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities

| | 2000 HK\$' million | 1999 HK\$' million |
|--|-----------------------|-----------------------|
| Profit/(Loss) from operating activities | 278.0 | (337.6) |
| Loss on disposal of ordinary shares in the listed subsidiary company | - | 4.0 |
| Loss on disposal of overseas subsidiary companies/partnerships | 13.8 | 693.4 |
| Loss/(Profit) on disposal of an overseas associate | (65.8) | 2.4 |
| Provision for deposit paid | 4.7 | - |
| Write off/Provisions against advances and interest receivable | 13.1 | 57.5 |
| Provisions for impairments in values of long term investments | - | 42.7 |
| Gain on disposal of investment properties | - | (0.6) |
| Provisions for losses against properties | 106.0 | 406.7 |
| Provision for tax indemnity in respect of the disposal of overseas subsidiary companies/partnerships in the prior year | 24.2 | - |
| Write back of provision for guarantee given | (29.9) | - |
| Write back of provision against advances and interest receivable | (9.6) | - |
| Write back of provision for loss on deposit paid | (10.0) | - |
| Interest income | (80.8) | (78.6) |
| Dividend income from listed and unlisted investments | (2.1) | (1.0) |
| Depreciation | 56.5 | 151.8 |
| Amortisation of hotel management contracts and lease rights | - | 1.6 |
| Provisions for doubtful debts | 5.9 | 3.6 |
| Loss on disposal of fixed assets | 3.3 | 12.9 |
| Profit on sale of properties | (3.9) | (260.6) |
| Gain on disposal of long term investments | (0.7) | (6.2) |
| Net proceeds from sale of properties | 143.8 | 445.9 |
| Additions to properties under development for sale and properties held for future development | (54.5) | (260.0) |
| Decrease/(Increase) in debtors, deposits and prepayments | (2.6) | 251.2 |
| Decrease/(Increase) in short term investments | (4.3) | 5.0 |
| Decrease/(Increase) in hotel and other inventories | (0.3) | 12.1 |
| Decrease in creditors and accruals | (128.2) | (7.2) |
| Decrease in deposits received | (0.4) | (16.6) |
| Exchange difference | 11.6 | 19.0 |
| Net cash inflow from operating activities | 267.8 | 1,141.4 |



(b) Analysis of changes in financing

| | Share capital (including share premium) HK\$'million | Loans, notes payable, exchangeable bonds, convertible bonds and advances from minority shareholders of subsidiary companies HK\$'million | Minority interests HK\$'million |
|---|--|---|---------------------------------------|
| Balance at 1st January, 1999 | 2,386.7 | 13,945.0 | 1,916.6 |
| Net cash inflow/(outflow) from financing | 0.1 | (1,043.6) | - |
| Share of loss for the year | - | - | (285.0) |
| Share of revaluation surplus | - | - | 111.2 |
| Share of exchange difference on consolidation | - | - | 4.2 |
| Share of capital reserve on consolidation | - | - | 0.5 |
| Arising from disposal of ordinary shares in the listed subsidiary company | - | - | 16.4 |
| Disposal of subsidiary companies/ partnerships | - | (3,200.2) | 52.8 |
| Dividends paid to minority partners of subsidiary partnerships | - | - | (2.3) |
| Write back of dividend payable to preference shareholders of the listed subsidiary company | - | - | (0.4) |
| Effect of foreign exchange rate changes | - | 43.6 | - |
| Balance at 31st December, 1999 | <u>2,386.8</u> | <u>9,744.8</u> | <u>1,814.0</u> |



| | Share capital (including share premium) HK\$'million | Loans, notes payable, exchangeable bonds, convertible bonds and advances from minority shareholders of subsidiary companies HK\$'million | Minority interests HK\$'million |
|--|--|---|---------------------------------------|
| Balance at 1st January, 2000 | 2,386.8 | 9,744.8 | 1,814.0 |
| Net cash outflow from financing | - | (1.2) | (0.8) |
| Share of loss for the year | - | - | (67.2) |
| Share of revaluation surplus | - | - | 15.3 |
| Share of exchange difference on consolidation | - | - | (0.2) |
| Share of capital reserve on consolidation | - | - | (3.4) |
| Arising from deemed disposal of interest in the listed subsidiary company | - | - | (0.1) |
| Disposal of subsidiary companies | - | (98.9) | - |
| Disposal of an overseas associate | - | - | (9.1) |
| Interest expenses capitalised | - | 2.6 | - |
| Effect of foreign exchange rate changes | - | 8.9 | - |
| Balance at 31st December, 2000 | <u>2,386.8</u> | <u>9,656.2</u> | <u>1,748.5</u> |



(c) Disposal of subsidiary companies/partnerships

| | 2000 HK\$' million | 1999 HK\$' million |
|--|-----------------------|-----------------------|
| Net assets disposed of: | | |
| Fixed assets | 0.3 | 4,822.3 |
| Properties under development | 596.8 | - |
| Interests in associates | - | 120.3 |
| Long term investments | - | 1.6 |
| Lease rights | - | 17.9 |
| Management contracts | - | 5.6 |
| Deferred expenditure | - | 45.3 |
| Hotel and other inventories | - | 41.1 |
| Debtors, deposits and prepayments | 0.3 | 215.0 |
| Cash and bank balances | 0.5 | 427.4 |
| Creditors and accruals | (21.9) | (349.7) |
| Tax payable | - | (15.5) |
| Interest bearing bank and other borrowings | - | (3,200.2) |
| Advances from minority shareholders | (98.9) | - |
| Minority interests | - | (1.4) |
| | 477.1 | 2,129.7 |
| Goodwill released on disposal | - | 783.4 |
| Revaluation reserves realised on disposal | - | (621.6) |
| Exchange equalisation reserve realised on disposal | (2.3) | (7.5) |
| Release of reserves attributable to minority shareholders | - | 54.2 |
| Loss on disposal | (13.8) | (693.4) |
| | 461.0 | 1,644.8 |
| Satisfied by: | | |
| Cash | 71.3 | 1,111.9 |
| Debtors | 8.2 | 183.2 |
| Long term loan receivable | - | 349.7 |
| Reclassification to long term investments | 298.9 | - |
| Reclassification to interests in associates | 82.6 | - |
| | 461.0 | 1,644.8 |

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiary companies/partnerships:

| | 2000 HK\$' million | 1999 HK\$' million |
|---|-----------------------|-----------------------|
| Cash and bank balances disposed of | (0.5) | (427.4) |
| Cash consideration | 71.3 | 1,111.9 |
| Net inflow of cash and cash equivalents in respect of disposal of subsidiary companies/partnerships | <u>70.8</u> | <u>684.5</u> |

The subsidiary companies disposed of during the year contributed HK\$5.1 million to the Group's net operating cash flows and utilised HK\$54.5 million for investing activities.

The subsidiary companies/partnerships disposed of in the prior year contributed HK\$514.7 million to the Group's net operating cash flows, paid HK\$279.3 million in respect of the net returns on investments and servicing of finance, paid HK\$16.2 million in respect of tax, utilised HK\$80.3 million for investing activities and paid HK\$82.0 million for financing activities.

- (d) The prior year net cash inflow from operating activities of HK\$1,141.4 million included a cash inflow of HK\$22.8 million relating to compensation received from the cancellation of a tenancy agreement as disclosed in note 5 to the financial statements.



43. CONNECTED AND RELATED PARTY TRANSACTIONS

The Group had the following material connected and related parties transactions during the year:

| | Notes | 2000 HK\$' million | 1999 HK\$' million |
|---|-------|-----------------------|-----------------------|
| Operating lease rentals in respect of land and buildings received from a wholly-owned subsidiary company of Century City International Holdings Limited ("CCIHL"), the listed ultimate holding company of the Company | (a) | 17.9 | 21.7 |
| Advertising and promotion fees (including cost reimbursements) paid to a wholly-owned subsidiary company of CCIHL | (b) | – | 22.9 |
| Advertising and promotion fees (including cost reimbursements) paid to an associate of CCIHL | (b) | 29.5 | – |
| Management costs allocated from CCIHL | (c) | 56.5 | 74.2 |
| Gross construction fee income from a jointly controlled entity | (d) | – | 47.8 |
| Interest on loans to associates | (e) | 11.8 | 4.7 |
| Guarantees given in respect of a banking facility of a jointly controlled entity | (f) | 2,310.0 | 2,310.0 |
| Guarantee given in respect of a banking facility of an associate | (g) | 109.0 | 246.6 |
| Guarantee given in respect of a banking facility of a non wholly-owned subsidiary company | (h) | 160.0 | 212.5 |

Notes:

- (a) The rental income related to the provision of head office accommodation to CCIHL. The rental was determined by reference to market rental for offices of similar quality in the same district obtained from independent sources. There was no outstanding rental as at 31st December, 2000.
- (b) The advertising and promotion fees comprised a retainer determined by reference to the estimated volume of advertising and promotional activities of the Group and a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred were reimbursed.
- (c) The management costs included rentals and other overheads allocated from CCIHL either on the basis of actual usage or on a proportionate basis by reference to individual consolidated turnover and asset values of the Group and CCIHL for each financial year.

- (d) The gross construction fee income from a jointly controlled entity was charged to Chest Gain Development Limited ("Chest Gain") in respect of a property development project, pursuant to construction contracts awarded through competitive tendering process.
- (e) The interest income from associates arose from loans to Bostonian Hotel Limited Partnership, The EI Dorado Partnership, Limited, Century King Investment Limited and Cheerjoy Development Limited. The details of the terms of such loans are disclosed in note 19 to the financial statements.
- (f) The corporate guarantees were given by the Company and RHIHL in respect of a banking facility granted to Chest Gain.
- (g) The corporate guarantee was given by the Company in respect of a banking facility granted to Rapid Growth Holdings Limited, the holding company of Chi Cheung Investment Company, Limited. The obligation under the guarantee was fully provided for in prior year.
- (h) The corporate guarantee was given by the Company in respect of a banking facility granted to Chatwin Engineering Limited, a 80% owned subsidiary company of the Group.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal and usual course of business.

The related party transactions set out in notes 43(a), (b), (c) and (h) above also constituted connected transactions as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to the Company. The relevant disclosures and other requirements in accordance with the Listing Rules with respect to such transactions have been made or met, which related details are disclosed in the Directors' Report of the Company for the financial year ended 31st December, 2000 accompanying the financial statements.

The related party transactions set out in notes 43(d) to (g) above did not constitute connected transactions as defined in the Listing Rules to the Company.

44. PLEDGE OF ASSETS

At the balance sheet date, certain of the Group's time deposits, listed investments, fixed assets including properties and equipment, properties under development, inventories and receivables with a total carrying value of HK\$14,235.0 million (1999 - HK\$14,448.6 million) and certain ordinary shares in a listed subsidiary company and the shares in a jointly controlled entity were pledged to secure general banking facilities granted to the Group and the jointly controlled entity and to secure exchange rights under the exchangeable bonds issued by the Group.