



## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). For the purpose of this section, Regal Hotels International Holdings Limited (“RHIHL”) (in which the Company owns a 72.8% shareholding interest) and its subsidiary companies will be referred to as the “RHIHL Group”; the Company and its subsidiary companies, excluding the RHIHL Group, will be referred to as the “PHL Group”; the Company and its subsidiary companies, including the RHIHL Group, will be referred to as the “PHL/RHIHL Group” or the “Group”.

### *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 the Company, 30% by RHIHL and 30% by China Overseas Land & Investment Limited, which is independent of, and not connected with the Company and RHIHL, the respective directors, chief executive and substantial shareholders of the Company 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 30th June, 2001 are set out below:

| Advances                                   | PHL Group<br>(HK\$'million) | RHIHL Group<br>(HK\$'million) | PHL/RHIHL<br>Group<br>(HK\$'million) |
|--|-----------------------------|-------------------------------|--------------------------------------|
| (A) Principal Amount of Advances           | 1,554.9                     | 1,166.2                       | 2,721.1                              |
| (B) Interest Receivable                    | 216.7                       | 162.5                         | 379.2                                |
| (C) Several Guarantees for:                |                             |                               |                                      |
| (a) Principal Amount of<br>Bank Facilities | 1,320.0                     | 990.0                         | 2,310.0                              |
| (b) Amount of Bank<br>Facilities Drawdown  | 1,004.4                     | 753.3                         | 1,757.7                              |
| Total: (A)+(B)+(C)(a)                      | <u>3,091.6</u>              | <u>2,318.7</u>                | <u>5,410.3</u>                       |
| (A)+(B)+(C)(b)                             | <u>2,776.0</u>              | <u>2,082.0</u>                | <u>4,858.0</u>                       |

The above advances to Chest Gain, including interest receivable thereon, in an aggregate sum of HK\$1,771.6 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\$1,328.7 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 the Company 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 30th June, 2001 provided by the PHL/RHIHL Group to Chest Gain in the respective sums of (a) HK\$5,410.3 million (based on the total available amount of the bank facilities) and (b) HK\$4,858.0 million (based on the amount of bank facilities drawdown) represented (a) 124.5% and (b) 111.8% of the consolidated net tangible assets of the Company of HK\$4,347.0 million (the "Paliburg NTA"), by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2001.

***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 30th June, 2001 are set out below:

| Name of<br>Affiliated<br>Companies | Principal<br>Amount<br>of Advances<br>(HK\$'million) | Interest<br>Receivable<br>(HK\$'million) | Guarantee given for Bank Facilities                                |  |
|------------------------------------|--|--|--|--|
|                                    |  |  | (i)<br>Principal<br>Amount of<br>Bank Facilities<br>(HK\$'million) | (ii)<br>Amount of<br>Bank Facilities<br>Drawdown<br>(HK\$'million) |
| Chest Gain                         | (A) 2,721.1  | (B) 379.2                                | (C)(i) 2,310.0   | (C)(ii) 1,757.7  |
| Cheerjoy Development<br>Limited    | (D) 138.0<br>(Interest Rate:<br>Prime Rate)          | (E) 5.5                                  | Nil  | Nil  |
| Talent Faith<br>Investments Ltd.   | (F) 78.6   | -  | Nil  | Nil  |
| Century King<br>Investment Limited | (G) 3.2<br>(Interest Rate:<br>10% p.a.)              | (H) 0.8                                  | Nil  | Nil  |
| 8D International<br>(BVI) Limited  | (I) 27.1   | -  | Nil  | Nil  |
| 8D Matrix Limited                  | (J) 0.8  | -  | Nil  | Nil  |
| Total: (A)+(B)+(C)(i)+(D) to (J)   |  |  |  | 5,664.3  |
| (A)+(B)+(C)(ii)+(D) to (J)         |  |  |  | 5,112.0  |

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 the Company and became a 30% owned associate of the Company 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 the Company, the Directors, chief executive and substantial shareholders of the Company 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 in proportion to the Company’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”) was previously a wholly owned subsidiary company of the Company. Talent Faith owns a 65% interest in a joint venture company which, in turn, owns a 70% interest in an equity joint venture in the People’s Republic of China involved in a property development project in Beijing. Talent Faith became a 50% owned associate of the Company during 2000. The remaining 50% shareholding interest in Talent Faith is owned by a third party, which is independent of, and not connected with the Company, the Directors, chief executive and substantial shareholders of the Company 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, in accordance with the terms in the agreement entered into with the said third party in relation to the disposal of the Group’s 50% interest in Talent Faith, would not be in proportion to the Company’s shareholding interest in Talent Faith. The advances were provided for the purpose of funding the working capital requirements of Talent Faith, are unsecured, interest free and have no fixed terms of repayment.

As at 30th June, 2001, Century King Investment Limited (“Century King”) was a 50% owned associate of RHIHL, which was engaged in the operation of a Japanese restaurant. The remaining 50% shareholding interest in Century King was owned by a third party, which was 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 had been provided by the RHIHL Group in the form of shareholder’s loans in proportion to RHIHL’s then shareholding interest in Century King, for the purpose of funding the working capital requirements of Century King. The advances were unsecured and had no fixed term of repayment. Subsequent to 30th June, 2001, Century King became a wholly-owned subsidiary company of RHIHL and ceased its Japanese restaurant business.

8D International (BVI) Limited (“8D-BVI”) is a 30% owned associate of RHIHL, which is involved in information technology businesses in connection with broadband national railway fibre optic network in the People’s Republic of China and information technology systems development, and promotions and communications businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo Yuk Sui. The advances were provided by the RHIHL Group in the form of shareholder’s loans in proportion to RHIHL’s shareholding interest 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 interest in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI. The advances were provided by the RHIHL Group in the form of shareholder's loans in proportion to RHIHL's shareholding interest 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 30th June, 2001, 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\$5,664.3 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$5,112.0 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 130.3% and (b) 117.6% of the Paliburg 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:

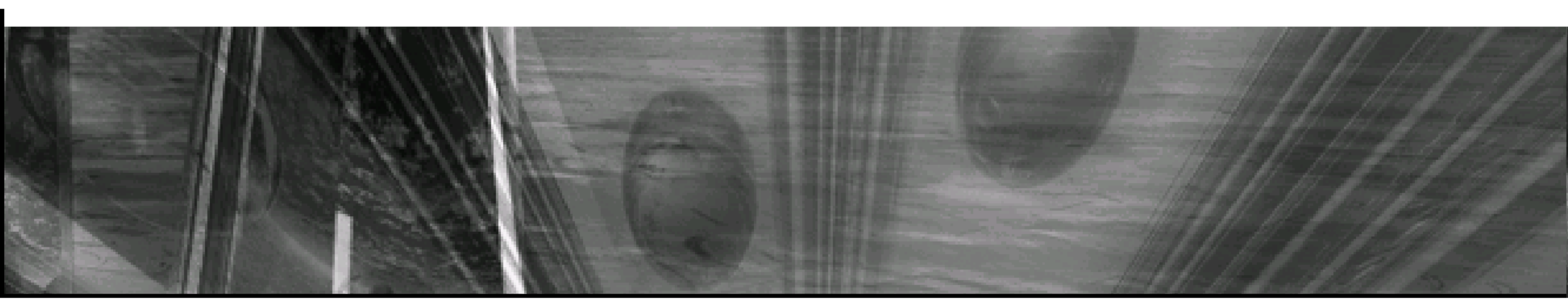
|                         | <b>Pro-forma<br/>combined<br/>balance sheet<br/>(HK\$'million)</b> | <b>Group's<br/>attributable<br/>interest<br/>(HK\$'million)</b> |
|-------------------------|--|---|
| Non-current assets      | 5,125.8  | 2,910.0   |
| Current assets          | 15.6   | 5.9   |
| Current liabilities     | (130.9)  | (76.2)  |
| Non-current liabilities | (8,502.4)  | (5,032.9)   |
| Net liabilities         | <u>(3,491.9)</u>   | <u>(2,193.2)</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 and RHIHL:

|                    |     | <b>Outstanding<br/>Balance of Bank<br/>Facilities as at<br/>30th June, 2001<br/>(HK\$'million)</b> | <b>Final Maturity<br/>of Bank<br/>Facilities</b> | <b>Specific<br/>Performance<br/>Obligations</b> |
|--------------------|-----|--|--|---|
| <b>RHIHL Group</b> | (a) | 1,079.5  | July 2007  | Note (i)  |
|                    | (b) | 3,822.1  | September 2004                                   | Note (ii)                                       |
| <b>Total:</b>      |     | <u>4,901.6</u>   |  |   |



**Notes:**

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of CCIHL which owns a 59.2% shareholding interest in the Company (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 the terms of the above loan agreements are set out in note 2 to the condensed consolidated financial statements.