



construction cost (excluding professional costs) of the works. The scale of the consultancy fees is based on the scope of services provided and the quantum of construction works involved. Based on the contracted construction cost of the works, the consultancy fee will amount to approximately HK\$3.8 million. The fee is payable upon the completion of the works or in stages according to the progress of the works. The terms of these appointments are until completion of the works, including the making good of defects therein, if any. No consultancy fee was paid in the year 2000.

#### Construction Works

- (1) On 3rd March, 1997, Bauhinia issued a letter of intent to Chatwin Engineering Limited ("Chatwin"), an 80% owned subsidiary company of PHL, which letter was accepted by Chatwin on 5th March, 1997, in respect of the appointment of Chatwin as the contractor for the superstructure main contract works of the Carpark and Walkway Development at the contract sum of HK\$187.8 million. The contract sum was payable in stages in accordance with work progress. The development was completed in June 1998. The total progress payments paid till 1999 amounted to HK\$172.1 million. During the year, no further progress payment was paid.
- (2) On 3rd April, 1997, Bauhinia issued a letter of intent to Chatwin, which letter was accepted by Chatwin on 10th April, 1997, in relation to the appointment of Chatwin as the contractor for the foundation works for the Hotel Development (the "Hotel Foundation Construction") at the contract sum of HK\$82.4 million. The

contract sum was payable in stages in accordance with the progress of the Hotel Foundation Construction. The construction work was completed in February 1998. The total progress payments paid till 1999 amounted to HK\$81.8 million. The relevant progress payment paid in 2000 amounted to HK\$3.0 million.

#### Leasing of Spaces

The Group is currently leasing various office and commercial spaces in Paliburg Plaza and Kowloon City Plaza from Treasure Spot Investments Limited ("Treasure Spot") and Good Focus Holdings Limited, both wholly-owned subsidiary companies of PHL (the "Existing Leases"). In September 2000, Treasure Spot acquired Paliburg Plaza from Athlone Limited, a wholly-owned subsidiary company of PHL. There are twelve Existing Leases encompassing office spaces having a total gross area of approximately 4,700 sq. ft. and commercial spaces having a total lettable area of approximately 34,400 sq. ft. and the terms of which range from half to eighteen years, apart from about 60 carparking spaces at Paliburg Plaza licensed on a monthly basis. The spaces are used for a number of different purposes which are within the ordinary course of businesses of the respective subsidiaries of the Company leasing or licensing such spaces. Rentals paid under the Existing Leases in the year 2000 amounted to about HK\$20.8 million.

During the year, the leases by the Group of certain other commercial spaces in Paliburg Plaza and in Redhill Plaza from Real Charm Investment Limited, a wholly-owned subsidiary company of PHL, were terminated (the "Terminated Leases"). There were two Terminated Leases encompassing commercial spaces having a total lettable area of approximately 5,400 sq. ft.. Rentals paid under the Terminated Leases in 2000 amounted to about HK\$0.5 million.

### Corporate Services Transactions

The present head office accommodation of the CCIHL Group is located at 18th to 22nd Floors of Paliburg Plaza, which, as mentioned above, is owned by the PHL Group, and is shared with the CCIHL Group by the PHL Group and the Group. The rental charge of such accommodation is allocated among CCIHL, PHL and the Company, according to the estimates from time to time by the directors of CCIHL, and, as appropriate, with the endorsement of the directors of PHL and the Directors, of fair proportional use, based on actual area occupied. The balance of the areas used in common as well as corporate management overheads are apportioned based on a sharing among the Group, the CCIHL Group and the PHL Group by reference to individual consolidated turnover, profit and asset values of the Company, CCIHL and PHL for each financial year.

The aggregate amount of such rentals and corporate management costs apportioned to the Company for 2000 was approximately HK\$26.7 million, comprising rentals of HK\$7.1 million, the payment obligation of which was assumed by the Company, and corporate management costs of HK\$19.6 million.

### Miscellaneous Connected Transactions

(1) An associate of the CCIHL Group (previously a wholly-owned subsidiary of the CCIHL Group till January 2000) provided advertising and promotion services to the Group on retainers of about HK\$2.3 million for the year 2000 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 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, PHL and RHIHL, which is jointly owned by his sister.

(2) Spaces in Regal Hongkong Hotel were leased from the Group by the CCIHL Group as staff quarters. Rentals payable under such lease by the CCIHL Group in the year 2000 amounted to about HK\$2.1 million.

### Compliance with the Waiver Conditions

The On-going Transactions were carried out on normal commercial terms and on an arm's length basis. The relevant amounts payable under the On-going Transactions for 2000 were within the respective caps set out in the Waiver, as detailed below:

- (a) the aggregate amount of HK\$15.0 million payable to PD Consultants for services rendered in the Hotel Development in 2000 did not exceed 1.5% 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 "Consolidated NTA");
- (b) the contract sum of HK\$3.0 million payable to Chatwin for 2000 in respect of the superstructure main contract works of the Hotel Foundation Construction did not exceed 5% of the Consolidated NTA;



- (c) the aggregate annual rental of HK\$21.3 million payable to the PHL Group in respect of Leasing of Spaces by the Group from the PHL Group for 2000 did not exceed 0.5% of the Consolidated NTA;
- (d) the aggregate amount of corporate management costs of HK\$19.6 million payable to the CCIHL Group in respect of Corporate Services Transactions for 2000 did not exceed 0.5% of the Consolidated NTA; and
- (e) the aggregate amount of HK\$4.4 million payable for Miscellaneous Connected Transactions for 2000 did not exceed 0.25% of the Consolidated NTA.

The above transactions have been reviewed by the Directors and separately by the independent Non-executive Directors, and the independent Non-executive Directors have confirmed that they consider that the above transactions were entered in the ordinary and usual course of business, on normal commercial terms and 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 that they consider that the transactions have been entered into on normal commercial terms and in accordance with the terms of

the agreement relating to the transaction in question or, if there is no such agreement, on terms no less favourable than terms available to or from independent third parties.

### **Main Hotel Contract**

By way of a letter of intent dated 30th December, 1997 issued by Bauhinia and accepted by Chatwin, the main contract work for the Hotel Development (the "Main Hotel Contract") was awarded to Chatwin at the contract sum of HK\$1,180 million, conditional upon the approval by independent shareholders of the Company. At the SGM, the award of the Main Hotel Contract and the relevant authority to the Directors in relation to the implementation of the Main Hotel Contract were approved by independent shareholders of the Company. The contract sum is payable in stages in accordance with the progress of the Main Hotel Contract. The progress payment for 2000 amounted to HK\$17.0 million. The final contract sum is still subject to final account adjustment and the total progress payments up to 31st December, 2000 amounted to HK\$943.5 million.

Information relating to the On-going Transactions and the Main Hotel Contract is also contained in note 36 to the financial statements.

## 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 by the Company and its subsidiary companies (the "Group") as at 31st December, 2000 are set out below:

Advances	Group (HK\$'million)
(A) Principal Amount of Advances	1,134.2
(B) Interest Receivable	162.5
(C) Several Guarantees for:	
(a) Principal Amount of Bank Facilities	990.0
(b) Amount of Bank Facilities Drawdown	753.3
Total: (A)+(B)+(C)(a)	2,286.7
(A)+(B)+(C)(b)	2,050.0

The above advances to Chest Gain in an aggregate sum of HK\$1,296.7 million (before a provision of HK\$700.0 million representing the 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 Group. Further details of the advances to and the guarantee given for Chest Gain are set out in the sub-section headed "Financial Assistance to a Jointly Controlled Entity" under "Connected Transactions" above.

Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 31st December, 2000 provided by the Group to Chest Gain in the respective sums of (a) HK\$2,286.7 million (based on the total available amount of the bank facilities) and (b) HK\$2,050.0 (based on the amount of bank facilities drawdown) represented (a) 35.4% and (b) 31.7% of the consolidated net tangible assets of the Company of HK\$6,456.8 million (the "Regal 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) 1,134.2	(B) 162.5	(C)(i) 990.0	(C)(ii) 753.3
Century King Investment Limited	(D) 2.9 (Interest Rate: 10% p.a.)	(E) 0.6	Nil	Nil
8D International (BVI) Limited	(F) 18.1	-	Nil	Nil
8D Matrix Limited	(G) 0.8	-	Nil	Nil
Total:			(A)+(B)+(C)(i)+(D)to(G)	2,309.1
			(A)+(B)+(C)(ii)+(D)to(G)	2,072.4

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.

Century King Investment Limited ("Century King") is a 50% owned associate of the Company, 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 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 Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Century King, for the purpose of funding the working 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 the Company, 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 CCIHL and 60% by Mr. Lo Yuk Sui. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company'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 the Company, which is involved in promotions, communications and information technology businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL, 30% indirectly by Mr. Lo Yuk Sui and 30% by an associate (as defined in the Listing Rules) of Mr. Jimmy Lo Chu To, a director of each of CCIHL, PHL and the Company, which is jointly owned by his sister. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company'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 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\$2,309.1 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$2,072.4 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 35.8% and (b) 32.1% of the Regal 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 combined balance sheet (HK\$'million)</b>	<b>The Group's attributable interest (HK\$'million)</b>
Non-current assets	4,173.0	1,252.1
Current assets	10.0	3.3
Current liabilities	(81.8)	(25.2)
Non-current liabilities	(7,508.3)	(2,253.5)
Net liabilities	<u>(3,407.1)</u>	<u>(1,023.3)</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 Group impose specific performance obligations on the controlling shareholders of the Company:

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



**Notes:**

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of CCIHL, which owns a 59.2% shareholding interest in PHL (which in turn owns a 72.8% shareholding interest in the Company), 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 of the Company.
- (ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in the Company.

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 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 Bye-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. William Henry Woo (Chairman of the Committee) and Mr. Dominic Lai, both of which are independent Non-Executive Directors of the Company, and Mr. Daniel Bong Shu Yin, a Non-Executive Director 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 the Group's fixed assets during the year are set out in note 15 to the financial statements.

**PROPERTY UNDER DEVELOPMENT**

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

**BORROWINGS**

The details of the Group's borrowings at the balance sheet date are set out in note 25 to the financial statements.

**SHARE CAPITAL AND SHARE OPTIONS**

The details of movements in the share capital and share options of the Company during the year are set out in note 26 to the financial statements.

**SHARE PREMIUM ACCOUNT**

The details of movements in the share premium account during the year are set out in note 28 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 29 to the financial statements.

**CAPITAL RESERVE**

The details of movements in the capital reserve account during the year are set out in note 30 to the financial statements.

**REVALUATION RESERVES**

The details of movements in the revaluation reserve account during the year are set out in note 31 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 32 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\$4,424.4 million.

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

**SUBSIDIARY COMPANIES**

Particulars of the Company's principal subsidiary companies are set out in note 33 to the financial statements.

**JOINTLY CONTROLLED ENTITY AND ASSOCIATES**

Particulars of the Group's interests in its jointly controlled entity and associates are set out in notes 17 and 18 to the financial statements, respectively.

**CONTRIBUTED SURPLUS**

The details of movements in the contributed surplus account during the year are set out in note 34 to the financial statements.





#### **INTEREST CAPITALISED**

Interest expenses in the amount of HK\$32.4 million were capitalised during the year in respect of the Group's property under development.

#### **POST BALANCE SHEET EVENT**

Details of the significant event which occurred subsequent to the balance sheet date are set out in note 40 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

17th April, 2001