

29. CAPITAL REDEMPTION RESERVE

GROUP AND COMPANY

	2000 HK\$'million	1999 HK\$'million
Balance at beginning and at end of year	13.5	13.5

30. CAPITAL RESERVE

GROUP

	2000 HK\$'million	1999 HK\$'million
Balance at beginning of year	1,206.6	146.0
Goodwill eliminated against capital reserve released on disposal of subsidiary companies/partnerships	—	1,058.6
Goodwill eliminated against capital reserve released on disposal of an associate	—	2.0
Share of goodwill of an associate eliminated directly against reserves	(12.8)	—
Balance at end of year	1,193.8	1,206.6

**31. REVALUATION RESERVES****GROUP**

	Associates*	Property under development	Hotel properties	Investment properties	Long term investments	Total
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
At 1st January, 1999	84.5	1,212.8	3,199.8	67.1	(124.2)	4,440.0
Movement in fair value	-	-	-	-	51.8	51.8
Surplus on revaluation	1.4	110.9	285.9	-	-	398.2
Release on disposal	(55.9)	-	(716.9)	(67.1)	(9.3)	(849.2)
Reclassifications	-	(994.3)	994.3	-	-	-
At 31st December, 1999 and 1st January, 2000	30.0	329.4	3,763.1	-	(81.7)	4,040.8
Movement in fair value	-	-	-	-	(50.5)	(50.5)
Surplus on revaluation	-	-	108.1	-	-	108.1
Release on disposal	(30.0)	-	-	-	0.9	(29.1)
Reclassifications	-	(329.4)	329.4	-	-	-
At 31st December, 2000	-	-	4,200.6	-	(131.3)	4,069.3

* This represents the Group's share of revaluation reserves of associates in relation to hotel properties.

The revaluation of the Group's hotel properties in Hong Kong does not constitute a timing difference because the realisation of the revaluation surplus would not be subject to Hong Kong profits tax.

32. EXCHANGE EQUALISATION RESERVE

	GROUP	
	2000 HK\$'million	1999 HK\$'million
Balance at beginning of year	(7.3)	(12.7)
Exchange adjustment on translation of the financial statements of overseas subsidiary companies/partnerships	(0.2)	15.6
Release on disposal of overseas subsidiary companies/partnerships	-	(10.2)
Release on disposal of an overseas associate	(4.8)	-
Balance at end of year	(12.3)	(7.3)

33. INTERESTS IN SUBSIDIARY COMPANIES

	COMPANY	
	2000 HK\$'million	1999 HK\$'million
Unlisted shares, at cost	5,552.2	5,552.2
Amount due from a subsidiary company	1,584.4	1,587.2
	7,136.6	7,139.4
Provisions for permanent diminutions in values	(648.1)	(433.9)
	6,488.5	6,705.5

The amount due from a subsidiary company is unsecured, interest free and has no fixed terms of repayment.



Details of the principal subsidiary companies are as follows:

Name	Place of incorporation/ registration	Issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Bauhinia Hotels Limited	Hong Kong	HK\$2	100	100	Hotel ownership
Camomile Investments Limited	Hong Kong	HK\$2	100	100	Property investment
Century Win Investment Limited	Hong Kong	HK\$10,000	90	90	Restaurant operations
Charter Capital Development Limited	Hong Kong	HK\$2	100	100	Property investment
Cityability Limited	Hong Kong	HK\$10,000	100	100	Hotel ownership
Come On Investment Company Limited	Hong Kong	HK\$10,000	100	100	Securities investment and trading
Cranfield Investments Limited	Hong Kong	HK\$2	100	100	Wedding services
Fortune Nice Investment Limited	Hong Kong	HK\$2	100	100	Financing
Gala Hotels Limited	Hong Kong	HK\$2	100	100	Hotel ownership
Gaud Limited	Hong Kong	HK\$2	100	100	Plant nursery and florist
Kaifeng Yatai Brewery Co., Ltd.*	The People's Republic of China	RMB35,923,300	90	90	Production and distribution of beer
Kaifeng Yatai Brewery Second Co., Ltd.*	The People's Republic of China	RMB30,576,700	90	90	Production and distribution of beer
Key Winner Investment Limited	Hong Kong	HK\$2	100	100	Financing
Kingford View Investments Limited	British Virgin Islands	US\$1	100	100	Securities investment



Name	Place of incorporation/ registration	Issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Ragout Investments Limited	British Virgin Islands	US\$1	100	100	Securities investment
Regal Century Investment Limited	Hong Kong	HK\$2	100	100	Investment holding and management services
Regal Constellation Hotel Limited	Canada	CAN\$1	100	100	Hotel ownership
Regal Hotels Company Limited	Hong Kong	HK\$2	100	100	Financing
Regal Hotels (Holdings) Limited	Hong Kong	HK\$1,151,598,638	100	100	Investment holding
Regal Hotels International Limited	Hong Kong	HK\$100,000	100	100	Hotel management
Regal Hotels Management (BVI) Limited	British Virgin Islands	US\$1	100	100	Hotel management
Regal International Limited	British Virgin Islands	US\$20	100	100	Investment and trademark holding
Regal International (BVI) Holdings Limited	British Virgin Islands	HK\$10.1	100	100	Investment holding
Regal Laundry Services Limited	Hong Kong	HK\$2	100	100	Laundry operations
Regal Pacific (Holdings) Limited	Canada	CAN\$2,005,200	100	100	Investment holding
Regal Riverside Hotel Limited	Hong Kong	HK\$2	100	100	Hotel ownership



Name	Place of incorporation/ registration	Issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2000	1999	
Regal Supplies Limited	Hong Kong	HK\$2	100	100	Bakery operations
R.H.I. Licensing B.V.	The Netherlands	NLG40,000	100	100	Trademark holding
Ricobem Limited	Hong Kong	HK\$2	100	100	Hotel ownership
Stareast Travel Limited	Hong Kong	HK\$1,500,000	100	100	Travel services
Tenshine Limited	Hong Kong	HK\$2	100	100	Restaurant operations
Unicorn Star Limited	British Virgin Islands	US\$1	100	100	Securities investment
Widebase Limited	British Virgin Islands	US\$1	100	100	Securities investment
Winner Team Investment Limited	Hong Kong	HK\$2	100	100	Securities investment
World Way Management Limited	Hong Kong	HK\$2	100	100	Management services

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

Except for Regal International (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.

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.

34. CONTRIBUTED SURPLUS

The contributed surplus arose in 1989 as a result of the Group reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiary companies.

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

35. 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	213.8	(298.2)
Write off/Provisions against other loans and interest receivable	-	57.3
Provision for tax indemnity in respect of the disposal of overseas subsidiary companies/partnerships in the prior year	24.2	-
Provisions for impairments in values of long term investments	-	27.5
Interest income	(46.7)	(53.9)
Depreciation	41.9	127.0
Amortisation of management contracts and lease rights	-	1.6
Loss on disposal of fixed assets	1.5	0.5
Loss on disposal of subsidiary companies/ partnerships	-	693.4
Loss/(Gain) on disposal of an associate	(68.3)	2.4
Deficit on revaluation of investment properties	5.2	13.1
Dividend income from long term investments	(0.8)	-
Gain on disposal of long term investments	(0.7)	(6.8)
Write down in/(Write back of) value of short term investments	4.6	(0.1)
Provisions for doubtful debts	3.1	0.5
Decrease/(Increase) in short term investments	(10.3)	0.1
Decrease/(Increase) in debtors, deposits and prepayments	3.9	(4.5)
Increase in hotel and other inventories	(2.3)	(1.1)
Increase/(Decrease) in creditors and accruals	(29.8)	67.4
Exchange difference	1.8	5.8
Net cash inflow from operating activities	141.1	632.0



(b) Analysis of changes in financing

	Share capital (including share premium) HK\$'million	Bank loans, other loans and notes payable HK\$'million	Minority interests HK\$'million
Balance at 1st January, 1999	2,048.9	9,008.7	6.0
Net cash inflow/(outflow) from financing	-	(620.8)	0.2
Share of profit for the year	-	-	0.8
Disposal of subsidiary companies/ partnerships	-	(3,200.2)	(1.4)
Dividends paid to minority partners of subsidiary partnerships	-	-	(2.3)
Effect of foreign exchange rate changes	-	33.0	-
Balance at 31st December, 1999 and 1st January, 2000	2,048.9	5,220.7	3.3
Net cash outflow from financing	-	(108.3)	(0.8)
Share of loss for the year	-	-	(1.6)
Effect of foreign exchange rate changes	-	(1.5)	-
Balance at 31st December, 2000	2,048.9	5,110.9	0.9

(c) Major non-cash transaction

During the year, an amount of HK\$15.0 million (1999 - HK\$42.6 million) was deducted from the advance payment balance made to Chatwin Engineering Limited in prior years in respect of the settlement of construction work performed for the Group relating to the construction of the new Regal Airport Hotel in Chek Lap Kok (note 36(a)).

(d) The prior year net cash inflow from operating activities of HK\$632.0 million included a cash inflow of HK\$22.8 million relating to compensation received from the cancellation of a tenancy agreement as further explained in note 5 to the financial statements.



(e) Disposal of subsidiary companies/partnerships

	2000 HK\$'million	1999 HK\$'million
Net assets disposed of:		
Fixed assets	—	4,822.3
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	—	215.0
Cash and bank balances	—	427.4
Creditors and accruals	—	(349.7)
Tax payable	—	(15.5)
Interest bearing bank and other borrowings	—	(3,200.2)
Minority interests	—	(1.4)
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		2,129.7
Goodwill released on disposal	—	1,058.6
Revaluation reserves realised on disposal	—	(839.9)
Exchange equalisation reserve realised on disposal	—	(10.2)
Loss on disposal of subsidiary companies/ partnerships	—	(693.4)
		<hr/>
		1,644.8
		<hr/>
Satisfied by:		
Other long term receivable (note 20(c))	—	349.7
Other short term receivable	—	183.2
Cash	—	1,111.9
		<hr/>
		1,644.8
		<hr/>
Cash consideration	—	1,111.9
Cash and bank balances disposed of	—	(427.4)
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Net inflow of cash and cash equivalents in respect of disposal of subsidiary companies/partnerships	—	684.5
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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.

**36. CONNECTED AND RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2000 HK\$'million	1999 HK\$'million
Construction work performed by a subsidiary company of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company	(a)	20.0	112.9
Operating lease rentals in respect of land and buildings paid to wholly-owned subsidiary companies of PHL	(b)	21.3	28.5
Consultancy fees in respect of the hotel property development project paid to a wholly-owned subsidiary company of PHL	(c)	15.0	3.0
Advertising and promotion fees (including cost reimbursements) paid to a wholly-owned subsidiary company of Century City International Holdings Limited ("CCIHL"), the listed ultimate holding company of the Company	(d)	-	17.9
Advertising and promotion fees (including cost reimbursements) paid to an associate	(d)	27.2	-
Management costs allocated from CCIHL	(e)	26.7	34.3
Guarantee given in respect of a bank loan of a jointly controlled entity	(f)	990.0	990.0

Notes:

- (a) The construction work related to the hotel foundation and superstructure, carpark and walkway constructions performed by a subsidiary company of PHL in connection with the new airport hotel in Chek Lap Kok. The amount payable was determined in accordance with an agreement between the Group and PHL, in stages based on construction work certified by the architects.

An outstanding amount of HK\$96.1 million (1999 - HK\$112.6 million) existing at the balance sheet date was included in debtors, deposits and prepayments, which represented the balance of an advance payment to Chatwin Engineering Limited ("Chatwin") in respect of the construction work of the new Regal Airport Hotel in Chek Lap Kok for which Chatwin is the main contractor. Chatwin is also a fellow subsidiary company of the Group. To make up for the delay occasioned in the approval of the building plans by the relevant government authorities, an accelerated construction programme for the hotel construction work was agreed with Chatwin, pursuant to which an advance payment of HK\$180.0 million, primarily to compensate Chatwin for the additional costs associated