



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, 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiary companies are property development and investment, construction and building related businesses, hotel ownership and management, and other investments.

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 set out in note 5 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 97 to 191.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments constitute primarily its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of these hotels during the year under review, their future prospects as well as the commentary on the local hotel industry, changes in general market conditions and their potential impact on the operating performance of these hotels together with the progress and prospects on the Regalia Bay development are contained in the Chairman's Report which precedes this report. A detailed review of the other business operations and outlook of the Group is also contained in the Chairman's Report.

Cash Flow and Capital Structure

Net cash inflow from operating activities during the year under review amounted to HK\$247.8 million (2002 - HK\$281.3 million). Net interest payment for the year amounted to HK\$136.3 million (2002 - HK\$305.1 million).

In October 2003, 150 million new ordinary shares of HK\$0.01 each were issued by the Company to Almighty International Limited ("Almighty"), a wholly-owned subsidiary company of Century City International Holdings Limited ("CCIHL"), at HK\$0.113 per ordinary share following a placement by Almighty of 150 million issued ordinary shares in the Company at HK\$0.113 per ordinary share.



Subsequent to the balance sheet date, in January 2004, 180 million new ordinary shares were issued by the Company to Almighty at HK\$0.128 per ordinary share following a placement by Almighty of 180 million issued ordinary shares in the Company at HK\$0.128 per ordinary share.

Net cash inflows to the Company from the above new share issues amounted to an aggregate sum of approximately HK\$39.0 million and were used for general working capital purposes. Further details relating to such new share issues are set out in the section headed "Issue of New Shares under the 20% General Mandate" below.

As detailed in note 28 to the financial statements, during the year, Regal Hotels International Holdings Limited ("RHIHL") and its subsidiary companies (the "RHIHL Group") received cash proceeds in the sum of US\$48.8 million (approximately HK\$380.6 million) on settlement of certain deferred consideration in respect of the RHIHL Group's disposal of its hotel interests in the United States of America in 1999. The cash proceeds were substantially applied in repayment of the RHIHL Group's bank borrowings.

Borrowings

As at 31st December, 2003, the Group's gross borrowings net of cash and bank balances amounted to HK\$4,459.7 million, as compared to HK\$5,190.2 million in 2002. Gearing ratio based on total assets of HK\$9,825.6 million (2002 - HK\$9,647.6 million) was 45.4% (2002 - 53.8%). The Group expects that with the much improved outlook of the hotel business and the substantial surplus funds to be realised from the Regalia Bay development project, the Group's borrowings as well as its gearing level will be further reduced significantly.

Details of the Group's pledge of assets and contingent liabilities are shown in notes 48 and 49, respectively, to the financial statements. As disclosed in note 48, most of the Group's assets have been pledged to secure general banking facilities granted to the Group and the jointly controlled entity, which is 70% owned by the Group, engaged in the Regalia Bay luxury residential project at Wong Ma Kok Road in Stanley, Hong Kong. The Group does not consider such security arrangements to be unusual, having regard to the circumstances affecting the Group in prior year. As at 31st December, 2003, the Group has contingent liabilities under certain corporate guarantees in the amount of HK\$2,359.0 million (2002 - HK\$2,310.0 million) provided in respect of the banking facilities granted to the jointly controlled entity. These banking facilities were granted to the jointly controlled entity solely for the purpose to finance the Regalia Bay development project.

Details of the maturity profile of the Group's borrowings are set out in notes 31 and 32 to the financial statements. As disclosed in note 3 to the financial statements, the RHIHL Group concluded the Rescheduling Agreement with its bank lenders on 30th September, 2003 and accordingly, the maturity profile of the relevant bank loans in an aggregate amount of HK\$4,428.0 million is stated in accordance with the terms contained in the Rescheduling Agreement.



Material Disposals of Subsidiary Companies

As previously reported in the Company's 2003 Interim Report for the six months ended 30th June, 2003, in June 2003, following the default by a third party purchaser in the closing of a sale and purchase agreement dated 3rd September, 2002 for the disposal of the RHIHL Group's 100% interest in a subsidiary company owning the Regal Constellation Hotel in Canada, the RHIHL Group divested of its 100% shareholding interest in the immediate holding company of such subsidiary company to another third party purchaser for a nominal consideration, with sharing arrangements on any recovery from the defaulted purchaser. As the principal repayment obligation under the bank loan originally secured on the Regal Constellation Hotel was without recourse to the RHIHL Group, such bank loan in the principal sum of approximately HK\$195.8 million has been taken off the consolidated balance sheet of the RHIHL Group as at 30th June, 2003. Details of the transaction were disclosed in an announcement of the Company dated 7th July, 2003.

As contemplated under the financial restructuring proposal leading to the Rescheduling Agreement, on 29th August, 2003, the RHIHL Group entered into a sale and purchase agreement (the "SP Agreement") for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. Subsequently, on 30th March, 2004, the parties to the SP Agreement entered into a supplemental agreement to the SP Agreement to extend the completion date of the SP Agreement to 30th June, 2004 and to reinstate the termination option (in a revised form) to the RHIHL Group to terminate the SP Agreement. The arrangement under the supplemental agreement was intended to facilitate the RHIHL Group's formulation of alternative business plans whereby the relevant debt reduction milestones required under the Rescheduling Agreement could be met without the disposal of its hotel properties. Details of the SP Agreement and the supplemental agreement were disclosed in two announcements of the Company dated 4th September, 2003 and dated 31st March, 2004, respectively.

Save as otherwise disclosed herein, the Group has no immediate plans for material investments or capital assets.

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.

As the Group's borrowings are mostly denominated in Hong Kong dollar currency, being the same currency in which the Group's major revenues are derived, and with interest determined with reference to Interbank Offered Rates, the use of hedging instruments for currency or interest rates purposes is not considered to be necessary.



Remuneration Policy

The Group employs approximately 1,700 staff in Hong Kong and 800 staff in The People's Republic of China. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed 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, the listed subsidiary company of the Company, each maintains an Executive Share Option Scheme under which share options had been granted to selected eligible executives.

DIVIDENDS

No interim dividend was paid to ordinary shareholders during the year.

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

According to the terms of the convertible preference shares of the Company, the holders of the convertible preference shares are not entitled to any right of participation in the profits of the Company.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui

Mr. Donald Fan Tung

Mrs. Kitty Lo Lee Kit Tai

Mr. Jimmy Lo Chun To

Mr. Kenneth Ng Kwai Kai

Mr. Ng Siu Chan

Mr. Abraham Shek Lai Him

Dr. Alex Wu Shu Chih

On 2nd August, 2003, Mr. Cheng Yuk Lun resigned as an Executive Director.

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. Donald Fan Tung and Mr. Kenneth Ng Kwai Kai retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.



Report of the Directors (Cont'd)

The details of those Directors who are proposed to be re-elected at the forthcoming Annual General Meeting, which are required to be disclosed under Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are set out as follows:

Name of Director	(a) Length or Proposed Length of Service with the Company	(b) Position held with the members of the Group	Relationships with any Directors, Senior Management or Substantial or Controlling Shareholders of the Company	(a) Major Appointments and Qualifications	(b) Other directorships held in listed public companies in the last three years	(a) Interests in Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance	(b) Amount of the Director's Emoluments specified in Service Contract and the Basis of Determining the Director's Emoluments
Donald Fan Tung (Age : 47)	(a) Has been with the Group since 1987 and appointed as an Executive Director of the Company in July 1993	(b) An Executive Director of the Company and RHIHL and a director of a number of subsidiary companies of the Group	None other than being a director of a number of subsidiary companies of Century City International Holdings Limited ("CCIHL"), the controlling shareholder of the Company	(a) Qualified architect	(b) RHIHL	(a) Holds 2,718 issued Ordinary Shares in the Company	(b) Note
Kenneth Ng Kwai Kai (Age : 49)	(a) Has been with the Group since 1985 and appointed as an Executive Director of the Company in August 1995	(b) An Executive Director of the Company, and RHIHL and a director of a number of subsidiary companies of the Group	None other than being an Executive Director of CCIHL and a director of a number of subsidiary companies of CCIHL	(a) (1) Associate of The Institute of Chartered Secretaries and Administrators	(2) Associate of The Hong Kong Institute of Company Secretary	(a) Nil	(b) Note
				(b) (1) CCIHL	(2) RHIHL		



Note: None of the Directors proposed to be re-elected at the forthcoming Annual General Meeting has a service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation). The emoluments of Directors are determined by reference to industry norm and market conditions, with discretionary bonus based on performance.

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, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), 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 Scheme of the Company (the "Scheme"), pursuant to which options have been granted to certain Directors under the Scheme.

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

**DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at 31st December, 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

	Name of Director	Class of shares held	Number of Shares Held				Total (Approximate percentage of the Issued Shares)
			Personal interests	Family interests	Corporate interests	Other interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	442,765	—	2,526,817,477 (Notes a(iii))	200,000,000 (Note b)	2,727,260,242
		(ii) unissued	4,562,500 (Note e)	—	1,990,000,000 (Notes a(iv) & c)	—	1,994,562,500
							Total (i) & (ii): 4,721,822,742 (120.19%)
		Preference (issued)	—	—	1,990,000,000 (Notes a(iv) & c)	—	1,990,000,000 (100%)
	Mr. Donald Fan Tung	Ordinary (i) issued	2,718	—	—	—	2,718
		(ii) unissued	5,000,000 (Note e)	—	—	—	5,000,000
							Total (i) & (ii): 5,002,718 (0.127%)
	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	100,000	—	—	—	100,000 (0.003%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	284,000	—	—	—	284,000 (0.007%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	1,000,000 (Note e)	—	—	—	1,000,000 (0.025%)
Mr. Ng Siu Chan	Ordinary (issued)	—	536,500	—	—	536,500 (0.014%)	



Name of Associated Corporation	Name of Director	Class of shares held	Number of Shares Held				Other interests	Total (Approximate percentage of the Issued Shares)
			Personal interests	Family interests	Corporate interests			
2. CCIHL	Mr. Lo Yuk Sui	Ordinary (i) issued	543,344,843	—	2,185,994,246	—	2,729,339,089	
		(ii) unissued	—	—	(Note a(i))	—	10,210,000,000	
					10,210,000,000			
					(Note a(ii))			
						Total (i) & (ii): 12,939,339,089	(239.76%)	
3. RHIHL	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	2,510,000	—	—	—	2,510,000	(0.047%)
		Preference (issued)	—	—	3,440	—	3,440	(20.54%)
	Ordinary (issued)	2,370,000	—	—	—	2,370,000	(0.032%)	
4. 303 Company Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000	—	10,000	(100%)
						(Note f)		
5. 303 Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2	—	2	(100%)
						(Note f)		
6. 8D International (BVI) Limited ("8D-BVI")	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1,000	—	1,000	(100%)
						(Note g)		
7. Century Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2,666,667	—	2,666,667	(100%)
						(Note h)		
8. Dragonlink Ventures (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	100	—	100	(100%)
						(Note i)		
9. Evermax Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2	—	2	(100%)
						(Note j)		
10. Foremost Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1	—	1	(100%)
						(Note k)		



Report of the Directors (Cont'd)

Name of Associated Corporation	Name of Director	Class of shares held	Number of Shares Held				Total (Approximate percentage of the issued shares)
			Personal interests	Family interests	Corporate interests	Other interests	
11. Full Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1 (Note l)	—	1 (100%)
12. Leading Technology Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	100 (Note m)	—	100 (100%)
13. Mira Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	937,500 (Note n)	—	937,500 (100%)
14. Network Sky Limited	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	—	—	50,000 (Note o)	—	50,000 (25%)
15. Top-Most Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note p)	—	10,000 (100%)
16. World Momentum Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	130 (Note q)	—	130 (100%)

Notes:

- (a) (i) The shares were held through companies wholly owned by Mr. Lo Yuk Sui and a company, namely Master City Limited, 99.9% owned by Mr. Lo Yuk Sui.
- (ii) The interests in these shares of CCIHL were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00



(iii) The shares were held through companies wholly owned by CCIHL, in which Mr. Lo Yuk Sui held 50.57% shareholding interests.

(iv) The interests in these shares of the Company were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00

(v) The shares were held through companies wholly owned by the Company, in which CCIHL held 64.32% shareholding interests.

(b) Mr. Lo Yuk Sui is the trustee for Select Wise Trust, of which Select Wise Holdings Limited, a substantial shareholder of CCIHL and the Company, is the beneficiary.

(c) 1,990,000,000 convertible preference shares of the Company ("Paliburg Preference Shares") are convertible into 1,990,000,000 ordinary shares of the Company on the basis of one Paliburg Preference Share for one ordinary share of the Company.

(d) As at 31st December, 2003, a balance of 1,611,950,656 shares (the "Exchange Property") were charged by a wholly-owned subsidiary of the Company in favour of a trustee for the holders of the Series B Bonds issued as part of the restructuring and settlement proposal in respect of the then existing bonds of the Group which closed on 31st October, 2002 (the "Closing Date") to form the initial exchange property in respect of the Series B Bonds. The Exchange Property is to be released to the holders of the Series B Bonds in four quarterly tranches (with the first tranche comprising the balance of 189,575,656 shares as at 31st December, 2003, and the other three tranches each comprising 474,125,000 shares) on each dates falling 12, 15, 18 and 21 months after the Closing Date, subject to certain early release provisions.

(e) Details of Directors' interests in share options granted by the Company are set out in note 35 to the financial statements.



Report of the Directors (Cont'd)

- (f) The interests in these shares of 303 Company Limited and 303 Technology Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
	Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
	Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
	Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00
	World Momentum Limited	Leading Technology Holdings Limited	100.00
	Century Matrix Limited	World Momentum Limited	100.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	World Momentum Limited	Leading Technology Holdings Limited	100.00
	Century Matrix Limited	World Momentum Limited	100.00

- (g) 400 shares were held through companies controlled by CCIHL and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.

- (h) The interests in these shares of Century Matrix Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
	Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
	Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
	Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00
	World Momentum Limited	Leading Technology Holdings Limited	100.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	World Momentum Limited	Leading Technology Holdings Limited	100.00



- (i) The interests in these shares of Dragonlink Ventures (BVI) Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00

(c) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Delightful Thought Limited	Century City BVI Holdings Limited	100.00

(d) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
Regal Hotels International Holdings Limited	Paliburg Development BVI Holdings Limited	62.26
Regal International (BVI) Holdings Limited	Regal Hotels International Holdings Limited	100.00
Richtech Holdings Limited	Regal International (BVI) Holdings Limited	100.00
Ultimate Process Technology Limited	Richtech Holdings Limited	100.00

- (j) The interests in these shares of Evermax Technologies Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00
Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00
Full Master Technology Limited	Dragonlink Ventures (BVI) Limited	100.00



Report of the Directors (Cont'd)

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00
	Full Master Technology Limited	Dragonlink Ventures (BVI) Limited	100.00

(c)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Dragonlink Ventures (BVI) Limited	Century City BVI Holdings Limited	40.00
	Full Master Technology Limited	Dragonlink Ventures (BVI) Limited	100.00

(k) The interests in these shares of Foremost Technology Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
	Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
	Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
	Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00
	Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00

(c)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Dragonlink Ventures (BVI) Limited	Century City BVI Holdings Limited	40.00



- (l) The interests in these shares of Full Master Technology Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00
Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00

(c) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Dragonlink Ventures (BVI) Limited	Century City BVI Holdings Limited	40.00

- (m) The interests in these shares of Leading Technology Holdings Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00



Report of the Directors (Cont'd)

- (n) The interests in these shares of Mira Technology Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
	Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
	Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
	Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00
	Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00
	Foremost Technology Limited	Dragonlink Ventures (BVI) Limited	100.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00
	Foremost Technology Limited	Dragonlink Ventures (BVI) Limited	100.00

(c)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Dragonlink Ventures (BVI) Limited	Century City BVI Holdings Limited	40.00
	Foremost Technology Limited	Dragonlink Ventures (BVI) Limited	100.00

- (o) The shares were held through a company wholly owned by Mrs. Kitty Lo Lee Kit Tai.



- (p) The interests in these shares of Top-Most Technology Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
	Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
	Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
	Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00
	World Momentum Limited	Leading Technology Holdings Limited	100.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	World Momentum Limited	Leading Technology Holdings Limited	100.00

- (q) The interests in these shares of World Momentum Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	64.32
	Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
	Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00
	Leading Technology Holdings Limited	Venture Perfect Investments Limited	50.00

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00



Report of the Directors (Cont'd)

Save as disclosed herein, as at 31st December 2003, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed in note 35 to the financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company and no option granted to such persons has been cancelled and/or lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant with options granted in excess of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2003, the following substantial shareholders (as defined in the Listing Rules) (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Substantial Shareholder	Number of Issued Ordinary Shares held	Number of Underlying Ordinary Shares (Unissued) held	Total number of Ordinary Shares (Issued and Unissued) Held	Approximate percentage of the Issued Ordinary Shares
CCIHL (Notes i, ii and iii)	2,526,817,477	1,990,000,000	4,516,817,477	114.98%
Century City BVI Holdings Limited ("CCBVI") (Notes ii and iii)	2,526,817,477	1,990,000,000	4,516,817,477	114.98%
Almighty International Limited ("Almighty") (Notes ii and iii)	1,160,000,000	1,990,000,000	3,150,000,000	80.18%
Century City Holdings Limited ("CCH") (Notes ii and iii)	767,458,989	—	767,458,989	19.54%
Manyways Technology Limited ("Manyways") (Notes iii and iv)	—	2,552,500,000	2,552,500,000	64.97%
8D International (BVI) Limited ("8D BVI") (Notes iii, iv and v)	—	2,552,500,000	2,552,500,000	64.97%



Name of Substantial Shareholder	Number of Issued Ordinary Shares held	Number of Underlying Ordinary Shares (Unissued) held	Total number of Ordinary Shares (Issued and Unissued) held	Approximate percentage of the Issued Ordinary Shares
Task Master Technology Limited ("Task Master") (Notes iii, iv and vi)	—	2,552,500,000	2,552,500,000	64.97%
Secure Way Technology Limited ("Secure Way") (Notes iii and iv)	—	2,552,500,000	2,552,500,000	64.97%
Net Community Limited ("Net Community") (Notes iii, iv and vii)	—	2,552,500,000	2,552,500,000	64.97%
Century Digital Holdings Limited ("Century Digital") (Notes iii, iv and viii)	—	2,552,500,000	2,552,500,000	64.97%
Grand Modern Investments Limited ("Grand Modern") (Notes iii, iv and ix)	—	2,552,500,000	2,552,500,000	64.97%
Miss Lo Po Man (Note x)	303,546,000	202,500,000	506,046,000	12.88%
Wealth Master International Limited ("Wealth Master") (Notes x and xi)	303,546,000	202,500,000	506,046,000	12.88%
Select Wise Holdings Limited ("Select Wise") (Notes x and xii)	303,546,000	202,500,000	506,046,000	12.88%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly held 50.57% shareholding interests in CCIHL and the interests in these shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (ii) These companies are wholly owned by CCIHL and their interests in the shares of the Company were included in the interests held by CCIHL.
- (iii) These companies are controlled by Mr. Lo Yuk Sui and their interests in these shares of the Company were included in the corporate interests of Mr. Lo Yuk Sui in the shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (iv) The interests in these underlying shares were directly held by Grand Modern.
- (v) 8D BVI is 60% owned by Manyways.
- (vi) Task Master is wholly owned by 8D BVI.
- (vii) Net Community is 33.33% owned by Task Master and 66.67% owned by Secure Way.
- (viii) Century Digital is wholly owned by Net Community.
- (ix) Grand Modern is wholly owned by Century Digital.
- (x) The interests in 103,546,000 issued shares and 202,500,000 unissued shares are directly held by Select Wise and 200,000,000 issued shares are directly held by Select Wise Trust, of which Select Wise is the beneficiary.



- (xi) Wealth Master is wholly owned by Miss Lo Po Man.
- (xii) Select Wise is wholly owned by Wealth Master.

Save as disclosed herein, there is no person who, as at 31st December, 2003, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

- (1) Mr. Lo Yuk Sui, Mrs. Kitty Lo Lee Kit Tai, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai are directors of CCIHL.
- (2) Messrs. Lo Yuk Sui, Donald Fan Tung and Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and CCH.
- (3) Mr. Lo Yuk Sui is a director of Manyways and Secure Way.
- (4) Messrs. Lo Yuk Sui, Donald Fan Tung, Jimmy Lo Chun To and Kenneth Ng Kwai Kai are directors of 8D BVI, Task Master, Net Community, Century Digital and Grand Modern.
- (5) Mr. Jimmy Lo Chun To is a director of Wealth Master and Select Wise.

DIRECTORS' INTERESTS IN AND MOVEMENTS IN SHARE OPTIONS GRANTED BY REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

During the year, details of Directors' interests in and movements in share option granted by RHIHL pursuant to the Executive Share Option Scheme of RHIHL (the "RHIHL Option Scheme") approved by its shareholders on 28th June, 1990 are set out in note 35 to the financial statements.

Save as disclosed above, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debenture of the subsidiary companies of the Company, and no option granted to such persons has been cancelled and/or lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant with options granted in respect of the individual limit;
- (iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;
- (iv) any supplier of goods or services; and
- (v) any other participants.



MOVEMENTS IN 5¼% CONVERTIBLE CUMULATIVE REDEEMABLE PREFERENCE SHARES OF REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

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 and at end of year	<u>16,748</u>

Note: The Preference Shares are convertible into fully paid ordinary shares of HK\$0.01 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.

ISSUE OF NEW SHARES UNDER THE 20% GENERAL MANDATE

- (1) Pursuant to a subscription agreement dated 22nd October, 2003 made between the Company and Almighty International Limited ("Almighty"), a wholly-owned subsidiary company of CCIHL, Almighty subscribed for 150 million new ordinary shares (the "150M Subscription Shares") of HK\$0.01 each in the share capital of the Company (the "Shares") in cash at a subscription price of HK\$0.113 per Share (the "150M Subscription"). The subscription price of HK\$0.113 per Share represented (i) a discount of approximately 8.87% to the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on 22nd October, 2003 and (ii) a discount of approximately 13.74% to the average closing price of HK\$0.131 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 22nd October, 2003.

The 150M Subscription was subject to, inter alia, the placing of 150 million existing Shares held by Almighty through Uni-Alpha Securities Limited ("Uni-Alpha") as placing agent to independent investors, which was completed on 27th October, 2003. On 4th November, 2003, the 150M Subscription Shares were issued to Almighty. The 150M Subscription Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 12th June, 2003, ranking pari passu in all respects with the then existing issued Shares.

The 150M Subscription was intended to raise working capital for the Company while broadening the shareholder base and the capital base of the Company. The net proceeds of approximately HK\$16.5 million so raised were used for general working capital purposes.

Details of the placing of 150 million existing Shares and the 150M Subscription were disclosed in an announcement dated 22nd October, 2003 made by the Company.

- (2) Subsequent to the balance sheet date, pursuant to a subscription agreement dated 15th January, 2004 made between the Company and Almighty, Almighty subscribed for 180 million new Shares (the "180M Subscription Shares") of the Company in cash at a subscription price of HK\$0.128 per Share (the "180M Subscription"). The subscription price of HK\$0.128 per Share represented (i) a discount of approximately



9.86% to the closing price of HK\$0.142 per Share quoted on the Stock Exchange on 15th January, 2004 and (ii) a premium of approximately 0.79% over the average closing price of HK\$0.127 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 15th January, 2004.

The 180M Subscription was subject to, inter alia, the placing of 180 million existing Shares held by Almighty through Uni-Alpha as placing agent to independent investors, which was completed on 20th January, 2004. On 28th January, 2004, the 180M Subscription Shares were issued to Almighty. The 180M Subscription Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 12th June, 2003, ranking *pari passu* in all respects with the then existing issued Shares.

The 180M Subscription was intended to raise working capital for the Company while broadening the shareholder base and the capital base of the Company. The net proceeds of approximately HK\$22.5 million so raised were used for general working capital purposes.

Details of the placing of 180 million existing Shares and the 180M Subscription were disclosed in an announcement dated 15th January, 2004 made by the Company.

Details of movements in the share capital of the Company during the year are set out in note 35 of the financial statements.

For the purpose of the sections below headed "Connected Transactions" and "Disclosure pursuant to Rules 13.13, 13.16 and 13.18 of Chapter 13 of the Listing Rules", 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/RHIHL 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 Listing Rules. The Stock Exchange, on application by the Company, granted a waiver (the "1998 Waiver") of strict compliance by the Company with the announcing requirement under the Listing Rules in respect of Future Connected Transactions, details of which 1998 Waiver were contained in the Circular.



Miscellaneous Connected Transaction

An associate of the CCIHL Group 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 (the RHIHL Group also holds an additional 6% attributable interest through its holding in 8D BVI) and 60% indirectly by Mr. Lo Yuk Sui, the Chairman and controlling shareholder of CCIHL, through his associates (as defined in the Listing Rules), including 8D BVI. 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, 2003 amounted to approximately HK\$0.02 million.

Compliance with the 1998 Waiver Conditions

The aggregate amount of the retainer fees and standard fees under the Miscellaneous Connected Transaction paid by the PHL Group to the CCIHL Group for the year ended 31st December, 2003 was within the relevant cap as set out in the 1998 Waiver of 0.25% of the latest published audited consolidated net tangible assets of the Group as at 31st December, 2002, adjusted to take into account of the results for the six-month period ended 30th June, 2003.

The Miscellaneous Connected Transaction has been reviewed by the Directors (including the independent Non-Executive Directors), and the independent Non-Executive Directors of the Company have confirmed that they consider that the above transaction was conducted:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
- (c) 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 Miscellaneous Connected Transaction that the relevant transaction has received the approval of the Board of Directors, and that they consider that the relevant transaction to have been entered into on normal commercial terms and in accordance with the terms of the agreement relating to the transaction or, where there is no such agreement, on terms no less favourable than terms available to or from independent third parties.



Corporate Services Transactions

As disclosed in a joint announcement of CCIHL, the Company and RHIHL dated 12th January, 2004, details of the changed arrangements and the new waiver applicable to the On-going Connected Transactions previously covered by the 1998 Waiver with respect to the sharing of the corporate management services and the rental arrangement among the CCIHL Group, the PHL Group and the RHIHL Group are as follows:

Corporate Management Services shared by the CCIHL Group with the PHL Group and the RHIHL Group

The CCIHL Group has been sharing corporate management services with members of the PHL Group and the RHIHL Group, such as finance and accounting as well as administrative and secretarial services. Up to 31st December, 2002, the fees for such services were charged by apportionment of actual costs among the companies on a proportionate basis by reference to individual consolidated turnover, profit (before interest and tax) (as applicable) and gross asset value (excluding listed subsidiary(ies), if applicable) of CCIHL, the Company and RHIHL for each financial year. Due to the significant change in the business and asset holding structure of the PHL Group and the RHIHL Group as a result of the corporate restructuring transactions jointly announced by CCIHL, the Company and RHIHL on 2nd August, 2002 and completed in the 4th quarter of 2002, the previous cost sharing basis was subsequently reviewed by CCIHL, the Company and RHIHL in early 2003. While management expenses incurred directly for each individual group's respective operations or operational functions will continue to be subject to specific allocation, it has been agreed that the general corporate management expenses relating to those operational functions that are shared amongst the CCIHL Group, the PHL Group and the RHIHL Group will be allocated by reference to a predetermined ratio assessed by the management of the three groups based on the distribution of job responsibilities and the estimated time to be spent by the relevant staff in serving each of the three groups. The new sharing basis had been reviewed and approved, in principle, by the respective audit committees of CCIHL, the Company and RHIHL in May 2003 and it was agreed that the new sharing basis should be applied in the allocation of management expenses amongst the CCIHL Group, the PHL Group and the RHIHL Group commencing retrospectively from 1st January, 2003. The relevant ratio of allocations will be reviewed and re-assessed (if necessary) on an annual basis by the board of directors (including the independent non-executive directors) and the audit committee of each of CCIHL, the Company and RHIHL.

The sharing of corporate management services by the CCIHL Group with the PHL Group and the RHIHL Group has been and will continue to be conducted on normal commercial terms and in the ordinary and usual course of business of all of the companies concerned.

The Directors (including independent Non-Executive Directors) of the Company are of the view that sharing of corporate management services enables the three group companies to reduce operating cost and improve efficiency.

Based on the new sharing basis amongst the three listed groups, the aggregate amount of services fees that was allocated to the PHL Group and the RHIHL Group for the sharing of corporate management services was HK\$13.2 million for the year ended 31st December, 2003.



Rental Arrangement between the CCIHL Group, the PHL Group and the RHIHL Group

The CCIHL Group, the PHL Group and the RHIHL Group have been using the offices at 18th to 22nd Floors of Paliburg Plaza (the "Offices") as their management and administrative offices. Before the closing of the bonds settlement of the PHL Group on 31st October, 2002 (the "Bonds Settlement"), the Offices were owned by a member of the PHL Group. The relevant rentals for the Offices were directly assumed by each of the CCIHL Group, the PHL Group and the RHIHL Group. As part of the Bonds Settlement, the Paliburg Plaza, in which the Offices were located, was transferred in October 2002 from a member of the PHL Group to an independent third party not connected with CCIHL, the Company or RHIHL and/or any directors, chief executive and substantial shareholders of each of the three companies or their respective subsidiary companies or any of their respective associates. In order to simplify the administrative procedures and as a facilitation to the new landlord of the Offices, the CCIHL Group acts as the named tenant of the Offices and the rental is then allocated to the CCIHL Group, the PHL Group and the RHIHL Group. CCIHL does not receive any consideration from the Company and RHIHL for collecting and paying the rent on their behalf under the rental arrangement.

Prior to 1st January, 2003, the rental was allocated among the three groups on the following basis:

- (1) according to the floor areas of the Offices specifically occupied and used by each of the CCIHL Group, the PHL Group and the RHIHL Group (the "Specific Areas"); and
- (2) according to fair estimates of proportional use by each of the CCIHL Group, the PHL Group and the RHIHL Group as agreed by the boards of directors of CCIHL, the Company and RHIHL from time to time in respect of the floor areas of the Offices which are occupied and used by the CCIHL Group, the PHL Group and the RHIHL Group on a communal basis (the "Communal Area") by reference to individual consolidated turnover, profit (before interest and tax) (as applicable) and gross asset values (excluding listed subsidiary(ies), if applicable) of CCIHL, the Company and RHIHL for each financial year.

CCIHL, the Company and RHIHL reviewed the rental allocation basis after completion of the Bonds Settlement. With effect from 1st January, 2003, the rent for the Specific Area continues to be allocated based on the actual floor areas occupied by each of the listed groups, and the rent for Communal Area is shared amongst CCIHL, the Company and RHIHL by reference to a predetermined ratio assessed by the management of the three groups based on distribution of job responsibilities and the estimated time to be spent by those operating departments in serving each of the three listed groups and approved by each of the audit committee of CCIHL, the Company and RHIHL. The relevant ratio of allocations is to be reviewed and re-assessed (if necessary) on an annual basis by the directors (including the independent non-executive directors) and the audit committee of each of the three listed groups. The Directors (including independent Non-Executive Directors) of the Company consider that the above rental allocation basis is fair and reasonable to its shareholders.



The Directors (including independent Non-Executive Directors) of the Company also consider that the transactions are carried out in the ordinary and usual course of business of all the companies concerned and on normal commercial terms.

For the year ended 31st December, 2003, the aggregate amount of actual rental for the Offices allocated by CCIHL to the PHL Group and the RHIHL Group was HK\$3.1 million before a rental adjustment of HK\$1.4 million for the prior year.

New Waiver for Corporate Management Services and Rental Arrangement

As mentioned above, in 1998, the Company obtained from the Stock Exchange the 1998 Waiver in respect of, among other things, the Ongoing Connected Transactions relating to the Corporate Services Transactions. As set out in the Company's annual report for the year ended 31st December, 2002, the amount apportioned to the PHL Group under the corporate management services for the year ended 31st December, 2002 amounted to approximately HK\$19.2 million, which represented approximately 1.01% of the published audited consolidated net tangible assets of PHL for the year ended 31st December, 2001 as adjusted to take into account the interim results of the PHL Group for the six months ended 30th June, 2002 and exceeded the relevant cap of 0.50%. It was principally due to the decrease in the net tangible asset value of the PHL Group that led to the actual amount of the corporate management services apportioned to the PHL Group having exceeded the cap. The Company did not seek a separate waiver from the Stock Exchange at the time when the annual amount of the allocated corporate management services for 2002 was ascertained to have exceeded the cap amount due to an oversight. The Company has taken steps to strengthen its internal compliance procedures to ensure timely disclosure and compliance with the Listing Rules.

As stated above in the paragraph headed "Corporate Management Services shared by the CCIHL Group with the PHL Group and the RHIHL Group", the cost sharing basis of the corporate management services has changed with effect from 1st January, 2003. In addition, the above rental arrangement among the CCIHL Group, the PHL Group and the RHIHL Group constitutes an ongoing connected transaction for the Company. The Stock Exchange, on application by the Company, granted to the Company a new waiver for the Ongoing Connected Transactions under (a) the sharing of the Corporate Management Services among the three listed groups and (b) the Rental Arrangement among the CCIHL Group, the PHL Group and the RHIHL Group from strict compliance with the disclosure requirements under the Listing Rules in respect of the transactions subject to the conditions stated in the paragraph headed "Compliance with New Waiver Conditions" below.



Compliance with New Waiver Conditions

The Company has complied with the conditions of the above new waiver for the transactions under the sharing of Corporate Management Services and the Rental Arrangement set out below for the year ended 31st December, 2003:

- (1) the transactions were:
 - (i) entered into by the Group in the ordinary and usual course of its business; and
 - (ii) conducted on terms that are fair and reasonable so far as the shareholders of the Company are concerned and no less favourable to the Group than terms available from independent third parties;
- (2) the aggregate annual amount of each class of the transactions of the Group under the sharing of Corporate Management Services and the Rental Arrangement for the year of 2003 did not exceed 3% of the latest published consolidated net tangible asset value of the Company in the financial year of 2003;
- (3) the independent Non-Executive Directors of the Company have reviewed the sharing of Corporate Management Services and the Rental Arrangement for the year of 2003 and confirmed in this annual report of the Company for the financial year of 2003 that the sharing of Corporate Management Services and the Rental Arrangement were conducted in the manner as stated in paragraphs (1) and (2) above;
- (4) the Auditors of the Company have reviewed the subject transactions for the year of 2003 and confirmed in a letter to the Board of Directors of the Company (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating:
 - (i) the transactions have received the approval of the Board of Directors of the Company;
 - (ii) the transactions have been carried out in accordance with the terms of the agreements governing such transactions, if any; and
 - (iii) the aggregate annual amount of each class of the transactions under the sharing of Corporate Management Services and the Rental Agreement for the relevant financial year has not exceeded the maximum amount as stated in paragraph 2 above; and
- (5) details of the transactions of the sharing of Corporate Management Services and the Rental Arrangement in the financial year of 2003 have been disclosed according to the relevant disclosure requirements under the Listing Rules in this annual report of the Company for the financial year of 2003 together with a statement of the opinion of its independent Non-Executive Directors referred to in paragraph (3) above.

Information relating to the On-going Transactions is also contained in note 47 to the financial statements.



DISCLOSURE PURSUANT TO RULES 13.13, 13.16 AND 13.18 OF CHAPTER 13 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rules 13.13, 13.16 and 13.18 of Chapter 13 of the Listing Rules.

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 70% 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 RHIHL Group as at 31st December, 2003 are set out below:

Advances

	Group (HK\$'million)
(A) Principal Amount of Advances	2,730.3
(B) Interest Receivable	379.2
(C) Several Guarantees for:	
(a) Principal Amount of Bank Facilities	2,359.0
(b) Amount of Bank Facilities Drawdown	2,255.4
	<hr/>
Total: (A)+(B)+(C)(a)	5,468.5
	<hr/> <hr/>
(A)+(B)+(C)(b)	5,364.9
	<hr/> <hr/>

The above advances to Chest Gain in an aggregate sum of HK\$3,109.5 million (before a provision of HK\$1,407.6 million) included an amount of HK\$1,701.1 million, which represented the gross amount of the advances attributable to the additional 40% interest in Chest Gain acquired from the PHL Group in 2002 as detailed in last year's audited consolidated financial statements. Such contribution of funds to Chest Gain are required to be 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 had been accrued at prime rate up to 31st December, 1998. 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 guarantee was provided by RHIHL on a several basis in proportion to its 70% shareholding interests in Chest Gain and was given in respect of the bank loan facilities of HK\$3,370.0 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. In addition, the Company continued to provide a limited guarantee in respect of those bank loan facilities to Chest Gain attributable to the 40% interest in Chest Gain sold to RHIHL Group in 2002.



Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 31st December, 2003 provided by the Group to Chest Gain in the respective sums of (a) HK\$5,468.5 million (based on the total available amount of the bank facilities) and (b) HK\$5,364.9 million (based on the amount of bank facilities drawdown) represented (a) 55.7% and (b) 54.6% of the consolidated total assets of the Company of HK\$9,825.6 million (the "Paliburg TA"), by reference to its latest audited financial statements for the year ended 31st December, 2003.

Financial Assistance provided to and Guarantees given for Affiliated Companies (Rule 13.16 of Chapter 13)

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 31st December, 2003 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) 2,730.3	(B) 379.2	(C)(i) 2,359.0	(C)(ii) 2,255.4
Cheerjoy Development Limited	(D) 147.7	(E) 7.5	Nil	Nil
Talent Faith Investments Ltd.	(F) 78.6	–	Nil	Nil
8D International (BVI) Limited	(G) 28.8	–	Nil	Nil
8D Matrix Limited	(H) 0.5	–	Nil	Nil
Bright Future (HK) Limited	(I) 5.6	–	Nil	Nil
Network Sky Limited	(J) 1.5	–	Nil	Nil
Smart Tactic Limited	(K) 1.4	–	Nil	Nil
		Total:	(A)+(B)+(C)(i)+(D) to (K)	5,740.1
			(A)+(B)+(C)(ii)+(D) to (K)	5,636.5

Relevant details in respect of the financial assistance provided to and guarantees given for Chest Gain are disclosed above under Rule 13.13 of Chapter 13 of the Listing Rules.



Cheerjoy Development Limited ("Cheerjoy") was a wholly owned subsidiary 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, interest free in the current year (the loan bore interest at prime rate in the prior year) and have no fixed term of repayment.

Talent Faith Investments Ltd. ("Talent Faith") was previously a 50% owned associate of the Company. Talent Faith owns a 65% interest in a joint venture company which, in turn, owns 70% interest in an equity joint venture in the People's Republic of China involved in property development project in Beijing. The other 50% beneficial interest in Talent Faith was previously held by the purchaser ("the Purchaser") under a sale and purchase agreement for the sale by the Group of a 50% interest in Talent Faith entered into in 2000 (the "Former SP Agreement"). Due to the default by the Purchaser under the Former SP Agreement, the Group has enforced its rights during the year to repossess the 50% interest in Talent Faith sold to the Purchaser under the Former SP Agreement. In July 2003, the Group entered into a new sale and purchase agreement with the Purchaser for the sale of the Group's 100% interest in Talent Faith for a gross consideration of HK\$181.9 million (the "New SP Agreement"), with completion stipulated for November 2003. Though the Group has received from the Purchaser certain deposits and part payments, the Purchaser has failed to comply with the stipulated schedule for the full settlement of the consideration payable under the New SP Agreement. While the Group is legally retaining the entire shareholding ownership in Talent Faith, the Group is negotiating with the Purchaser for its remedy of the default. Under these circumstances, despite the holding of a 100% shareholding interest in Talent Faith at the balance sheet date, the Directors consider it appropriate to continue to account for the Group's interest therein as an associate as the Group's control over Talent Faith may be temporary, subject to the outcome of the New SP Agreement. The advances were provided by the PHL Group in the form of shareholder's loans and, in accordance with the terms in the Former SP Agreement, 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.

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of RHIHL, which is now principally involved in the development and distribution of technologically advanced security and building related systems and software development, and promotions 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 (RHIHL also holds an additional 6% attributable interest through its holding in 8D-BVI), which is involved in promotions businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL, 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.

Bright Future (HK) Limited (“Bright Future”), a 50% owned associate of RHIHL, owns a 90% effective equity interest in a foreign enterprise engaged in the operation of a hotel in Qinghai in The People’s Republic of China. The remaining 50% shareholding interest in Bright Future and the remaining 10% equity interest in the aforesaid foreign enterprise are owned by third parties respectively, which are 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 to Bright Future were provided by the RHIHL Group in the form of shareholder’s loans in proportion to RHIHL’s shareholding interest in Bright Future, for the purpose of funding the working capital requirements of Bright Future. The advances to Bright Future are unsecured, interest free and have no fixed term of repayment.

Network Sky Limited (“Network Sky”) is a 25% owned associate of the Company, which through its wholly-owned subsidiary company is engaged in the carrying on of a light refreshment operation. The other shareholding interests in Network Sky are owned as to 25% indirectly by RHIHL, 25% indirectly by Mrs. Kitty Lo Lee Kit Tai, a director of the Company and RHIHL, through her associate (as defined in the Listing Rules) and 25% directly 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 to Network Sky were provided by the Group in the form of shareholder’s loans in proportion to the Company’s shareholding interest in Network Sky, for the purpose of financing the working capital of Network Sky. The advances are unsecured, interest free and have no fixed term of repayment.

Smart Tactic Limited (“Smart Tactic”), a 30% owned associate of the Company, is engaged in carrying on business in sourcing, trading and distributing biometric security products primarily in the People’s Republic of China. The remaining 70% shareholding interest in Smart Tactic 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 to Smart Tactic were provided by the Group in the form of shareholder’s loans in proportion to the Company’s shareholding interest in Smart Tactic, for the purpose of funding the working capital requirements of Smart Tactic. The advances to Smart Tactic are unsecured, interest free and have no fixed term of repayment.



Calculated on the basis shown above, as at 31st December, 2003, 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\$5,740.1 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$5,636.5 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 58.4% and (b) 57.4% of the Paliburg TA.

A pro-forma combined balance sheet of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	1,069.8	531.6
Current assets	5,501.1	1,573.5
Current liabilities	(3,618.8)	(1,082.6)
Non-current liabilities	(6,731.7)	(2,092.8)
Net liabilities	<u>(3,779.6)</u>	<u>(1,070.3)</u>

Loan agreements with covenants relating to specific performance obligation of the controlling shareholders (Rule 13.18 of Chapter 13)

The agreements for the following loans to the RHIHL Group impose specific performance obligations on the controlling shareholders of the Company and RHIHL:

		Outstanding Balance of Bank Facilities as at 31st December, 2003 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
RHIHL Group	(a)	1,054.2	December 2012	Note (i)
	(b)	<u>3,373.8</u>	December 2006	Note (ii)
Total:		<u>4,428.0</u>		

Notes:

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of CCIHL which owns a 67.5% shareholding interest in the Company (which in turn owns a 59.7% 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 the shareholding (as defined under the Listing Rules) and management control of RHIHL.
- (ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in RHIHL.



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 which currently comprises Dr. Alex Wu Shu Chih (Chairman of the Committee), Mr. Abramam Shek Lai Him and Mr. Ng Siu Chan, all of whom are independent 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 good and services was in each case less than 30% of the total amount involved.

FIXED ASSETS

The details of movements in fixed assets during the year are set out in note 17 to the financial statements.

PROPERTIES UNDER DEVELOPMENT

The details of movements in property under development during the year are set out in note 19 to the financial statements.

PROPERTY HELD FOR FUTURE DEVELOPMENT

The details of movements in property held for future development during the year are set out in note 20 to the financial statements.

**BORROWINGS**

The details of the Group's borrowings at the balance sheet date are set out in notes 31 and 32 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company, together with reasons thereafter, during the year are set out in note 35 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 35 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 37 to the financial statements.

CAPITAL RESERVE

The details of movements in the capital reserve account during the year are set out in note 38 to the financial statements.

SPECIAL RESERVE

The details of movements in the special reserve account during the year are set out in note 39 to the financial statements.

REVALUATION RESERVES

The details of movements in the revaluation reserve account during the year are set out in note 40 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 41 to the financial statements.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 42 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 21 and 22 to the financial statements, respectively.



CONTRIBUTED SURPLUS

The details of movements in the contributed surplus account during the year are set out in note 43 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December, 2003, the Company's reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda amounted to HK\$1,900.9 million.

INTEREST CAPITALISED

Interest expenses in the amount of HK\$0.7 million were capitalised during the year in respect of the Group's property development projects.

POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 52 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

Hong Kong
15th April, 2004