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REVIEW AND OUTLOOK

For the six months ended 30th June 2003, the Group attained an unaudited consolidated net profit attributable to shareholders of HK\$15.8 million, as compared with a net loss of HK\$220.9 million (as restated) in the corresponding period in 2002.

As formerly reported, the Los Angeles Unified School District initiated proceedings to compulsorily acquire the Crown Hill site in Los Angeles owned by the Group based on an initially determined probable compensation of US\$10.0 million. The Group has retained legal and other advisers to object the probable compensation so determined, and in June this year, a settlement was reached with the Unified School District for the determination of the final compensation at approximately US\$13.9 million. The compensation money is expected to be paid to the Group shortly, most of which will be used for repayment of the Group's borrowings. A write back of the provision previously made has been reflected in the results for the period.

The Group had previously sold to an independent third party purchaser, pursuant to an agreement entered into in December 2000, a 50% equity interest in a then wholly owned subsidiary company which owned a 65% interest in a company that, in turn, owned a 70% interest in a Sino-foreign joint venture that held the development site at Gong Ren Ti Yu Chang Street East in Chao Yang District, Beijing in the PRC. The purchaser has defaulted to comply with certain of its obligations under that agreement and the Group has thereby enforced its rights of remedy to recover the 50% equity interest sold. In late July this year, the Group entered into a new agreement with that purchaser for the effective sale by the Group to that purchaser of the Group's entire equity interest in the relevant wholly owned subsidiary company for a gross consideration of about HK\$181.9 million. Under the new agreement, the net consideration payable is required to be paid by the purchaser in installments before the end of 2003.

In July 2003, the Group disposed of the majority equity interest in the wholly owned subsidiary company that indirectly held the development site in Shenyang in the PRC to an independent third party at a satisfactory price and the remaining interest is subject to certain put and call options between the Group and the purchaser. A write back of the provision previously made against this investment has also been reflected in the results for the period.

Meanwhile, the construction works for the residential development at Lot No. 1736 in D.D. 122 in Tong Yan San Tsuen in the New Territories, named as "Rainbow Lodge", are near completion. The project is 100% owned by the Group and consists of 16 duplex residential units with gross area of about 30,000 square feet and ancillary car parking facilities. Sale of the units is scheduled to be launched before the end of this year.

For the six months ended 30th June, 2003, Regal Hotels International Holdings Limited reported an unaudited consolidated net loss attributable to shareholders of HK\$69.1 million, as compared with the net loss of HK\$32.4 million (as restated) recorded for the same period in 2002.

The period under review witnessed the dramatic devastating effect caused by the outbreak of the Severe Acute Respiratory Syndrome, which seriously affected most facets of the economy in all infected regions. In particular, the tourism business in Hong Kong and Mainland China was drastically hit during the outbreak period. In Hong Kong, the encouraging growth gained in the number of visitor arrivals in the first two months was wholly wiped out by the swift downturn in the subsequent months and resulted in a negative growth of some 20% for the first half of 2003, compared on a year on year basis. Likewise, the average hotel room occupancy rate for all hotels in Hong Kong during this half year period sharply declined to a level of about 55%, with an all time low average of 17% having been recorded in the month of May. As compared with the same period in 2002, this represented a drop of some 33%, though the reduction in the average achieved hotel room rate of about 6% was relatively milder.

As reported before, business at the five Regal Hotels in Hong Kong also had a very good start in 2003 during the first two months of January and February, with gross operating profits significantly surpassing those recorded for the comparative period in 2002. However, due to the outbreak of the SARS, business in the ensuing months to June plummeted. Overall, for the first six months of 2003, the combined average occupancy for the Regal's five Hotels in Hong Kong was down by about 34%, but the combined average room rate was managed to be maintained at a level marginally above that of the same period last year. These had translated into a drastic reduction of about 54% in the total gross operating profits for these five hotels and, consequently, the results of Regal for the period under review were adversely affected.

The luxury residential development project located at Rural Building Lot No. 1138, Wong Ma Kok Road, Stanley, which is now 70% directly owned by Regal, has been formally named as the "Regalia Bay". The occupation permit for Phase I of the development, comprising 84 houses and the clubhouse facilities, was issued in March 2003. The construction works for Phase II, comprising the remaining 55 residential houses are advancing to the final stage and expected to be completed towards the end of this year. The presale programme for the Phase I houses is planned to be launched very shortly.

As was disclosed in the Annual Report for 2002, a Canadian subsidiary company of Regal had entered into a share purchase agreement with a third party purchaser in September 2002 for the sale of its 100% interest in the entity which directly owns the Regal Constellation Hotel in Toronto. At the request of the purchaser, the final closing date of the agreement was last extended to June 2003, but the purchaser had failed to proceed with the closing and Regal has consequently forfeited all the deposits paid by the purchaser under the agreement. Since the default by the purchaser, Regal has divested of its 100% shareholding interest in the Canadian subsidiary company to another third party purchaser for a nominal consideration, with sharing arrangements on any recovery from the defaulted purchaser. In this respect, relevant legal actions have been instituted against the defaulted purchaser and its personal guarantors. As the principal repayment obligations of the bank loan originally secured on the Regal Constellation Hotel was without recourse to the Group, such bank loan in the principal sum of approximately HK\$195.9 million has been taken off the consolidated balance sheet of the Group as at 30th June, 2003. A loss on disposal of the Group's investments in relation to the Regal Constellation Hotel has been fully accounted for in the results for the half year ended 30th June, 2003.





During the year to the date of this report, Regal has focused much of its efforts on achieving a consensual restructuring of its bank loans and the planned disposal of its non-core assets as part of the implementation process for such financial restructuring.

Following a series of continuing discussions with Regal's bank lenders, a financial restructuring proposal was finally formulated and presented to the Regal's bank lenders for their consideration in August this year. The proposal primarily aims to replace the present standstill arrangement with a consensual restructuring of Regal's outstanding bank loans, with the final repayment dates being extended and the interim debt reduction milestones set with due reference to the assets realisation plan and available cash flows of the Regal group. As of 3rd September, 2003, over 90% by value of Regal's bank lenders have in principle agreed to the proposal and Regal expects that unanimous approval will be obtained shortly.

As contemplated under the financial restructuring proposal, Regal mandated earlier in the year professional agency firms to market the sale of the Regal Oriental Hotel and the Regal Riverside Hotel, which are Regal's two hotels in Hong Kong of less strategic importance. However, due to the outbreak of the SARS, the response was rather mediocre. With the gradual recovery of the tourism business in Hong Kong beginning in July, Regal undertook discussions with a number of interested investors and has since successfully concluded an agreement with an independent third party purchaser for the sale of the interests in the Regal Oriental Hotel on 29th August, 2003. Under that agreement, the Regal group will sell its 100% shareholding interests in and intra-group loans to Chasehill Limited, a wholly-owned subsidiary company of Regal which indirectly, through its subsidiary company, owns the Regal Oriental Hotel for a consideration of HK\$350.0 million, subject to adjustments (including holdback and retention amounts for outstanding commitments and rectification works and warranties provided in respect of the hotel and its operations). A non-refundable deposit of HK\$30.0 million has been paid by the purchaser and completion of the transaction is scheduled to be on or before 31st March, 2004.

As was also disclosed in the Annual Report for 2002, the Regal group has instituted legal proceedings against the purchaser under a securities purchase agreement entered into in 1999 relating to the disposal of its hotel interests in the USA to recover the deferred consideration (together with accrued interest) which should be payable by the purchaser to the Regal group. In June 2003, a decision was issued by the District Court Judge in New York that granted the Regal group's motion for summary judgment with respect to a principal sum of approximately US\$39.3 million. A further hearing has been held on 4th September, 2003 to determine the amount of interest that may also be due. Most lately, the Regal group has agreed with the purchaser on the terms of a full and final settlement of the legal proceedings involving the payment to the Regal group by the purchaser of a gross settlement amount of US\$48.8 million and the total resolution and release of all claims by and between the Regal group and the purchaser under or in connection with the securities purchase agreement. The formal settlement agreement is being executed by all relevant parties and completion is expected very shortly.

Since the announcement of the Closer Economic Partnership Arrangement and the staged relaxation of individual traveling by PRC nationals to Hong Kong, there has been a clear recovery in the local tourist and hotel markets. Hotel room occupancies at the five Regal Hotels in Hong Kong during the months of July and August have rebounded to normal levels and, with the leaner and more compact operating structure now in place, the combined operating results of these five hotels in these two months have managed to surpass those of the comparative period last year. Meanwhile, the sentiments over the property market in Hong Kong are also improving gradually and it is anticipated that substantial cash proceeds will be generated from the units sale of the luxury residential development at Regalia Bay in Stanley.

The endorsement of the financial restructuring proposal is an indication of confidence by Regal's bank lenders and represents a major positive step in Regal group's financial restructuring process. On due implementation of the proposal, it will provide the Regal group with overall financial stability and a solid platform for its business recovery going forward. Moreover, the various measures on traveling relaxation recently introduced by the PRC government, the scheduled opening of the Disney World as well as the overall revival of the local economy will be expected to give a substantial boost to the hotel industry in Hong Kong. These positive developments will be conducive to Regal's achievement of improved operating performance in the coming years.

The Group has come a long way to achieve the corporate and financial restructurings since the encountering of the financial crisis in 1998 and in re-establishing its financial strength. The Group is now gradually restoring its profitability and is committed to a prudent and yet proactive plan for its overall growth in the years ahead.

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 19th September, 2003



INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2003 (2002 - nil).

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

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. The performance of these hotels during the period 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 are contained in the section above headed "Review and Outlook".

Cash Flow and Capital Structure

Net cash inflow from operating activities during the period under review amounted to HK\$57.8 million (2002 - HK\$139.1 million). Net interest payment for the period amounted to HK\$53.7 million (2002 - HK\$190.1 million).

As at 30th June, 2003, the Group's gross borrowings net of cash and bank balances amounted to HK\$5,029.8 million, as compared to HK\$5,190.2 million as at 31st December, 2002. Gearing ratio based on total assets of HK\$9,343.6 million (31st December, 2002 - HK\$9,647.6 million) was about 54% (31st December, 2002 - 54%). The Group is presently implementing plans for assets realisation with a view to reduce the Group's gearing levels.

Details of the Group's pledge of assets and contingent liabilities are shown in notes 16 and 17, respectively, to the condensed consolidated financial statements. As disclosed in note 16, 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 and engaged in the 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 relatively difficult financial circumstances affecting the Group in prior year. Adequate flexibility will, however, be retained in the disposition of assets under the consensual Financial Restructuring Proposal being finalised by Regal Hotels International Holdings Limited, the listed subsidiary company of the Company. The background and further details of such proposal are more fully discussed in the preceding "Review And Outlook" section and in note 2 to the condensed consolidated financial statements. As disclosed in note 17, as at 30th June, 2003, the Group has contingent liabilities under certain corporate guarantees in the amount of HK\$2,359.0 million (31st December, 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 its development of the residential project in Stanley.



Information in relation to the maturity profile of the Group's borrowings as of 30th June, 2003 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2002. As disclosed in note 2 to the condensed consolidated financial statements, the Group is finalising with the bank lenders of Regal the Financial Restructuring Proposal which, on due implementation, will have the final repayment dates of the relevant bank loans extended and the interim milestone payments set with due reference to the assets realisation plan and available cash flows of the Group. If the Financial Restructuring Proposal were taken as effected on 30th June, 2003, bank loans in the amount of HK\$2,202.2 million included under current liabilities as at that date would have been reclassified as non-current liabilities.

In June 2003, following the default of the relevant third party purchaser in the closing of a sale and purchase agreement dated 3rd September, 2002 for the disposal of the Group's 100% interest in a subsidiary company owning the Regal Constellation Hotel in Canada, the Group has 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. Details of the transaction were disclosed in an announcement of the Company dated 7th July, 2003.

Subsequent to the period under review, on 29th August, 2003, the Group entered into a sale and purchase agreement for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. Details of such disposal were disclosed in an announcement of the Company dated 4th September, 2003. At present, there are no immediate plans for material investments or capital assets other than, as previously reported, the possible disposal of the Group's other non-core hotel property, namely, the Regal Riverside Hotel, with a view to further reduce the overall debt levels.

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 Regal each maintains an Executive Share Option Scheme under which share options had been granted to selected eligible executives.



HALF YEAR RESULTS

Condensed Consolidated Profit and Loss Account

		Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited and restated)
	Notes	HK\$'million	HK\$'million
TURNOVER	3	395.9	696.4
Cost of sales		(323.0)	(497.3)
Gross profit		72.9	199.1
Other revenue	5	4.3	15.2
Administrative expenses		(42.8)	(68.8)
Other operating expenses, net	6	(1.3)	(100.8)
Loss on disposal of overseas subsidiary companies		(9.7)	–
PROFIT FROM OPERATING ACTIVITIES	3	23.4	44.7
Finance costs	7	(94.1)	(283.6)
Share of profits less losses of:			
Jointly controlled entity		(0.1)	–
Associates		(1.7)	2.4
LOSS BEFORE TAX		(72.5)	(236.5)
Tax	8	48.9	3.5
LOSS BEFORE MINORITY INTERESTS		(23.6)	(233.0)
Minority interests		39.4	12.1
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		15.8	(220.9)
Earnings/(Loss) per ordinary share (HK\$):	10		
Basic		0.006	(0.095)
Diluted		(0.006)	N/A





Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2003

	Share capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
At 1st January, 2003:								
As previously stated	368.2	-	1,073.2	689.6	(15.1)	(5.0)	-	2,110.9
Prior year adjustments (Note (i))	-	-	-	-	-	-	(48.9)	(48.9)
As restated	368.2	-	1,073.2	689.6	(15.1)	(5.0)	(48.9)	2,062.0
Conversion of convertible preference shares (Note (ii))	(131.4)	131.4	-	-	-	-	-	-
Movement in fair value of long term investments	-	-	-	-	3.3	-	-	3.3
Release on deemed disposal of the Group's interest in the listed subsidiary company	-	-	(17.3)	-	-	-	-	(17.3)
Release on disposal of overseas subsidiary companies	-	-	(33.8)	-	-	-	-	(33.8)
Exchange realignments	-	-	-	-	-	7.4	-	7.4
Net profit for the period	-	-	-	-	-	-	15.8	15.8
At 30th June, 2003	236.8	131.4	1,022.1	689.6	(11.8)	2.4	(33.1)	2,037.4
	Share capital (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Capital redemption reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
At 1st January, 2002:								
As previously stated	2,318.5	68.3	1,663.9	52.4	1,740.1	(8.3)	(3,654.3)	2,180.6
Prior year adjustments (Note (i))	-	-	-	-	-	-	(131.4)	(131.4)
As restated	2,318.5	68.3	1,663.9	52.4	1,740.1	(8.3)	(3,785.7)	2,049.2
Movement in fair value of long term investments	-	-	-	-	7.8	-	-	7.8
Release on disposal of ordinary shares in the listed subsidiary company	-	-	(78.0)	-	0.7	0.4	-	(76.9)
Release on disposal of investment property	-	-	-	-	(8.2)	-	-	(8.2)
Release on disposal of long term investments	-	-	-	-	2.3	-	-	2.3
Exchange realignments	-	-	-	-	-	1.2	-	1.2
Net loss for the period	-	-	-	-	-	-	(220.9)	(220.9)
Transfers	-	-	-	-	(2.9)	-	2.9	-
At 30th June, 2002	2,318.5	68.3	1,585.9	52.4	1,739.8	(6.7)	(4,003.7)	1,754.5

Notes:

- The prior year adjustments represented losses arising from the recognition of deferred tax liabilities in accordance with SSAP 12 (Revised), the accounting treatment of which was further explained in note 1 to the condensed consolidated financial statements.
- During the period, there were 1,460.0 million convertible preference shares of the Company of HK\$0.10 each converted into 1,460.0 million new ordinary shares of the Company of HK\$0.01 each.

Condensed Consolidated Balance Sheet

		30th June, 2003 (Unaudited)	31st December, 2002 (Restated)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Fixed assets		6,535.7	6,769.4
Intangible assets		0.9	–
Goodwill		267.6	–
Negative goodwill		(4.9)	(5.0)
Properties under development		26.7	16.7
Property held for future development		26.7	26.7
Interest in a jointly controlled entity		1,066.9	1,062.9
Interests in associates		244.9	519.9
Long term investments	12	102.3	95.3
Loans and other long term receivable		111.3	116.7
Deferred tax assets		7.4	–
Deferred expenditure		12.3	15.7
		8,397.8	8,618.3
CURRENT ASSETS			
Properties under development		26.3	94.4
Properties held for sale		166.3	194.3
Hotel and other inventories		21.6	24.4
Debtors, deposits and prepayments	13	653.7	550.2
Pledged time deposits		8.7	43.8
Time deposits		12.6	70.2
Cash and bank balances		56.6	52.0
		945.8	1,029.3
CURRENT LIABILITIES			
Creditors and accruals	14	458.9	432.4
Tax payable		33.4	32.2
Interest bearing bank and other borrowings		3,124.3	3,271.7
5% Convertible bonds		19.0	–
Deposits received		15.3	24.2
		3,650.9	3,760.5
NET CURRENT LIABILITIES		(2,705.1)	(2,731.2)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,692.7	5,887.1



Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2003 (Unaudited)	31st December, 2002 (Restated)
	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES	5,692.7	5,887.1
NON-CURRENT LIABILITIES		
Interest bearing bank and other borrowings	(1,964.4)	(2,034.5)
5% Convertible bonds	–	(50.0)
Advances from minority shareholders of subsidiary companies	(41.4)	(40.4)
Deferred tax liabilities	(59.2)	(102.2)
	<u>(2,065.0)</u>	<u>(2,227.1)</u>
MINORITY INTERESTS	<u>(1,590.3)</u>	<u>(1,598.0)</u>
	<u>2,037.4</u>	<u>2,062.0</u>
CAPITAL AND RESERVES		
Issued capital	236.8	368.2
Reserves	<u>1,800.6</u>	<u>1,693.8</u>
	<u>2,037.4</u>	<u>2,062.0</u>



Condensed Consolidated Cash Flow Statement

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
Net cash inflow from operating activities	57.8	139.1
Net cash inflow from investing activities	15.7	192.0
Net cash outflow from financing activities	(126.7)	(342.1)
Decrease in cash and cash equivalents	(53.2)	(11.0)
Cash and cash equivalents at beginning of period	119.9	196.9
Effect of foreign exchange rate changes, net	1.1	0.2
Cash and cash equivalents at end of period	67.8	186.1
Analysis of balances of cash and cash equivalents		
Cash and bank balances	56.6	41.6
Non-pledged time deposits with original maturity of less than three months when acquired	12.6	147.6
	69.2	189.2
Bank overdrafts	(1.4)	(3.1)
	67.8	186.1



Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31st December, 2002, except that the following revised SSAP and Interpretation have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

- SSAP 12 (Revised) : "Income taxes"
- Interpretation 18 : "Consolidation and equity method - potential voting rights and allocation of ownership interests"

A summary of their major effects is as follows:

SSAP 12 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these condensed consolidated financial statements is that deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future. In addition, deferred tax assets have been recognised for the unused tax losses arising in the current/prior periods, to the extent that it is probable that sufficient future taxable profits will be available against which the unused losses can be utilised.

SSAP 12 (Revised) has no specific transitional arrangement and therefore the provisions in SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies" should be applied, which requires the change in accounting policy to be applied retrospectively. Thus comparative amounts for 2002 have been restated accordingly. The opening accumulated losses at 1st January, 2002 and 2003 have been increased by approximately HK\$131.4 million and HK\$48.9 million respectively, which represented the cumulative effect of the change in accounting policy. The net loss from ordinary activities attributable to shareholders for the six months ended 30th June, 2002 was decreased by approximately HK\$9.1 million, which represented (i) the decrease in other operating expenses and tax expenses of approximately HK\$2.9 million and HK\$4.1 million, respectively; and (ii) the increase in loss shared by minority shareholders of approximately to HK\$2.1 million.

Interpretation 18 prescribes the existence and effect of potential voting rights that are presently exercisable or presently convertible which should be considered when assessing whether an enterprise controls or significantly influences another enterprise. The principal impact of this Interpretation on these condensed consolidated financial statements is that an associate which was previously accounted for in the consolidated balance sheet under the equity method of accounting is now consolidated in the Group's financial statements as a subsidiary company.



In addition to the above, the intangible assets of HK\$0.9 million as at 30th June, 2003 is recorded for the first time in the current period's condensed consolidated financial statements. The accounting policy for these intangible assets is as follows:

Intangible assets

Development costs

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 3 years, commencing from the date when the products are put into commercial production.

2. Corporate Update and Basis of Presentation

Following continuing discussions with the financial creditors of Regal Hotels International Holdings Limited ("RHIHL") and its subsidiary companies (the "RHIHL Group"), a proposal for a consensual restructuring of two loans in an aggregate amount of HK\$4,786.7 million as at 30th June, 2003 (the "Financial Restructuring Proposal"), comprising a syndicated loan of HK\$3,732.5 million (the "Syndicated Loan") and a construction loan of HK\$1,054.2 million (the "Construction Loan") (collectively the "Regal Loans") was formulated and presented by the RHIHL Group in August 2003 for consideration by the lenders of the Regal Loans (the "Lenders"), aimed to replace the present Standstill Agreement (details of which were disclosed in the audited consolidated financial statements for the year ended 31st December, 2002). As of 3rd September, 2003, over 90% by value of the Lenders have in principle agreed to the proposal and the RHIHL Group expects that unanimous approval will be obtained shortly. The proposal will be subject to the finalisation and signing of relevant loan documents by the RHIHL Group and the Lenders.

The principal terms of the Financial Restructuring Proposal are set out below:

- (i) That a sale and purchase agreement relating to the disposal of the Regal Oriental Hotel is signed, and a cash deposit of not less than HK\$30.0 million is paid under the agreement, on or before 31st August, 2003;
- (ii) Existing security for the standstill arrangement (as more fully described in the audited consolidated financial statements for the year ended 31st December, 2002) continues to form security for the restructured Regal Loans, comprising primarily security over the RHIHL Group's five hotels in Hong Kong, namely Regal Airport Hotel, Regal Hongkong Hotel, Regal Kowloon Hotel, Regal Riverside Hotel and Regal Oriental Hotel (until sold), the RHIHL Group's 70% interest in the luxury residential development at Stanley, Hong Kong and certain of the RHIHL Group's operating entities;
- (iii) Cash sweep arrangements on the operational income from the RHIHL Group's five hotels in Hong Kong (to the extent they remain as security for the restructured Regal Loans) and the surplus funds from the Stanley development project which are distributable to the RHIHL Group for interest servicing and milestone payments under the restructured Regal Loans; and
- (iv) The final repayment date of the Regal Loans will be extended from 8th September, 2003 to, in respect of the Syndicated Loan, 31st December, 2006 and, in respect of the Construction Loan, 31st December, 2012, subject to certain agreed milestone payments in respect of the Syndicated Loan and scheduled principal repayments in respect of the Construction Loan.

As contemplated under the Financial Restructuring Proposal, a sale and purchase agreement was entered into by the RHIHL Group on 29th August, 2003 for the disposal of the Regal Oriental Hotel to an independent third party for a consideration of HK\$350.0 million (subject to adjustments). Details of the disposal were contained in an announcement dated 4th September, 2003.





The directors of RHIHL believe that the endorsement by the Lenders of the Financial Restructuring Proposal represents a major positive step in the financial restructuring process of the RHIHL Group and, on due implementation of the proposal, it will provide the RHIHL Group with overall financial stability for its sustained business recovery going forward. If the Financial Restructuring Proposal were taken as effected on 30th June, 2003, bank loans in the amount of HK\$2,202.2 million included under current liabilities as at that date would have been reclassified as non-current liabilities.

With respect to the RHIHL Group's legal proceedings in the recovery of the US\$45.0 million (approximately HK\$351.0 million) deferred consideration plus interest (the "Consideration Receivable") in relation to the RHIHL Group's disposal of its hotel interests in the United States of America in 1999, as more fully described in note 13 to the condensed consolidated financial statements, the terms of a full and final settlement have most lately been agreed. The formal settlement agreement is expected to be completed very shortly, pursuant to which a settlement amount of US\$48.8 million (approximately HK\$380.6 million) will be received by the RHIHL Group. The receipt of the settlement amount will have a material positive effect on the cashflow of the RHIHL Group.

As previously reported, the RHIHL Group entered into a sale and purchase agreement (the "Constellation Hotel Agreement") with a purchaser (the "CH Purchaser") to dispose of its 100% interest in a hotel property in Canada. The CH Purchaser subsequently defaulted to proceed to complete the sale and purchase. On 25th June, 2003, the RHIHL Group disposed of its 100% shareholding interest in the Canadian subsidiary company then indirectly holding the hotel property to an independent third party for a nominal consideration of CAD2.00, with sharing arrangements on any recovery from the defaulted purchaser. As the principal repayment obligations of the bank loans secured on the hotel property in the principal sum of CAD 33.85 million (approximately HK\$195.9 million) were without recourse of the RHIHL Group, such bank loan has been taken off the RHIHL Group's condensed consolidated balance sheet as at 30th June, 2003.

In light of the foregoing and in particular, the positive developments in respect of the RHIHL Group's financial restructuring and the satisfactory resolution of the Consideration Receivable, and on the basis that unanimous approval will be obtained in respect of the Financial Restructuring Proposal, the Directors are satisfied that it is appropriate to prepare the financial statements of the Group on a going concern basis.

3. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the property development and investment segment comprises the development and sale of properties and the leasing of office and commercial premises;
- (b) the property management segment is engaged in the provision of property management services;
- (c) the construction and construction-related segment is engaged in construction works and construction-related businesses, including the provision of development consultancy and project management services and also security system and other software development and distribution;
- (d) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;
- (e) the brewery operations segment represents the Group's brewery operations in Mainland China; and
- (f) the other segments mainly comprise the Group's laundry services and restaurant operations.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following table presents revenue and profit/(loss) information for the Group's business segments.

GROUP

	Property development and investment		Property management		Construction and construction-related businesses		Hotel ownership and management		Brewery operations		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2002	Six months ended 30th June, 2003	Six months ended 30th June, 2002	Six months ended 30th June, 2003	Six months ended 30th June, 2002	Six months ended 30th June, 2003	Six months ended 30th June, 2002	Six months ended 30th June, 2003	Six months ended 30th June, 2002	Six months ended 30th June, 2003	Six months ended 30th June, 2002	Six months ended 30th June, 2003	Six months ended 30th June, 2002	Six months ended 30th June, 2003	Six months ended 30th June, 2002	Six months ended 30th June, 2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Segment revenue:																
Sales to external customers	6.0	94.6	11.8	11.1	35.5	109.8	323.0	467.2	17.6	9.2	2.0	4.5	-	-	395.9	696.4
Inter-segment sales	0.5	9.8	-	0.6	9.8	1.7	0.1	0.2	-	-	4.1	6.6	(14.5)	(18.9)	-	-
Total	6.5	104.4	11.8	11.7	45.3	111.5	323.1	467.4	17.6	9.2	6.1	11.1	(14.5)	(18.9)	395.9	696.4
Segment results	39.2	31.6	8.9	8.7	7.2	5.2	8.0	82.5	(3.9)	(7.2)	1.3	(4.5)	-	(2.4)	60.7	113.9
Interest income and unallocated non-operating and corporate gains															2.9	14.4
Unallocated non-operating and corporate expenses, net															(40.2)	*(83.6)
Profit from operating activities															23.4	44.7
Finance costs															(94.1)	(283.6)
Share of profits less losses of:																
Jointly controlled entity	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.1)	-
Associates	-	-	-	-	-	-	(0.5)	(0.2)	-	-	(1.2)	2.6	-	-	(1.7)	2.4
Loss before tax															(72.5)	(236.5)
Tax															48.9	3.5
Loss before minority interests															(23.6)	(233.0)
Minority interests															39.4	12.1
Net profit/(loss) from ordinary activities attributable to shareholders															15.8	(220.9)

* Inclusive of a write back of provision against a loan receivable amounting to HK\$14.2 million (note 6).





(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

GROUP

	Hong Kong		Canada		Mainland China		Eliminations		Consolidated	
	Six months ended 30th June, 2003	2002 (Unaudited) HK\$'m	Six months ended 30th June, 2003	2002 (Unaudited) HK\$'m	Six months ended 30th June, 2003	2002 (Unaudited) HK\$'m	Six months ended 30th June, 2003	2002 (Unaudited) HK\$'m	Six months ended 30th June, 2003	2002 (Unaudited) HK\$'m
Segment revenue:	346.0	639.1	32.2	48.0	17.7	9.3	-	-	395.9	696.4
Sales to external customers										

(c) An analysis of loss on sale of investments or properties of the Group is as follows:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited) and restated)
	HK\$'million	HK\$'million
Loss on disposal of listed investments	–	(54.8)
Loss on disposal of unlisted investments	–	(1.6)
Loss on sale of properties	–	(30.6)
	<u>–</u>	<u>(87.0)</u>

4. Discontinued Operation

As previously reported, the RHIHL Group entered into a sale and purchase agreement with a purchaser (the "CH Purchaser") to dispose of its 100% interest in a hotel property in Canada. The CH Purchaser subsequently defaulted to proceed to complete the sale and purchase. Since the default by the CH Purchaser, on 25th June, 2003, the RHIHL Group disposed of its 100% shareholding interest in the Canadian subsidiary company then indirectly holding the hotel property to an independent third party for a nominal consideration of CAD2.00, with sharing arrangements on any recovery from the defaulted purchaser. Accordingly, a loss on disposal of HK\$9.7 million was accounted for in the current period consolidated profit and loss account. The principal repayment obligations of the bank loans secured on the hotel property in the principal sum of approximately CAD33.85 million (approximately HK\$195.9 million) have no recourse against the RHIHL Group.

The carrying amounts of the total assets and liabilities relating to the discontinued operation at 31st December, 2002 are as follows:

	31st December, 2002 (Audited)
	HK\$'million
Total assets	226.9
Total liabilities	(170.7)
Net assets	<u>56.2</u>





The turnover, expenses and results from the discontinued operation for the six months ended 30th June, 2002 and 2003 are as follows:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
TURNOVER	32.2	48.0
Cost of sales	(37.3)	(46.0)
Gross profit/(loss)	(5.1)	2.0
Administrative expenses	(1.9)	(1.9)
Other operating expenses	(1.1)	(1.3)
LOSS FROM OPERATING ACTIVITIES	(8.1)	(1.2)
Finance costs	(4.2)	(3.0)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(12.3)	(4.2)
The net cash flows attributable to the discontinued operation are as follows:		
Operating	0.1	2.1
Investing	(0.3)	(0.2)
Financing	(5.4)	(3.0)
Net cash outflows	(5.6)	(1.1)

5. Other Revenue

Other revenue includes the following major item:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
Interest income	3.4	9.1

6. Other Operating Expenses, net

Other operating expenses, net, include the following major items:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited) and restated)
	HK\$'million	HK\$'million
Depreciation	21.5	28.0
Amortisation of goodwill	7.2	–
Loss on disposal of long term listed investments	–	1.1
Loss on disposal of long term unlisted investments	–	1.6
Loss on disposal of ordinary shares in the listed subsidiary company	–	53.7
Loss on deemed disposal of the Group's interest in the listed subsidiary company	4.6	–
Loss on disposal of investment property	–	30.6
Write back of provision against a loan receivable	–	(14.2)
Write back of provision for impairment against properties	(39.6)	–
	<u> </u>	<u> </u>

7. Finance Costs

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of:		
Bank loans and overdrafts	84.5	106.8
Other loans, exchangeable bonds and convertible bonds wholly repayable within five years	6.5	170.0
	<u> </u>	<u> </u>
	91.0	276.8
Interest capitalised in respect of property development projects and construction contracts	(0.4)	–
	<u> </u>	<u> </u>
	90.6	276.8
Amortisation of deferred expenditure	3.5	6.7
Other loan costs	–	0.1
	<u> </u>	<u> </u>
Total finance costs	<u>94.1</u>	<u>283.6</u>



8. Tax

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited) and restated)
	HK\$'million	HK\$'million
The Group:		
Provision for tax in respect of profits for the period:		
Hong Kong	1.4	0.5
Overseas	0.1	0.1
Deferred tax income	(50.4)	(4.1)
	<hr/>	<hr/>
Tax credit for the period	(48.9)	(3.5)
	<hr/>	<hr/>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2002 - 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

Tax on the profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing legislation, practices and interpretations thereof.

No provision for tax is required for the associates or the jointly controlled entity as no assessable profits were earned by these associates or the jointly controlled entity during the period.

Deferred tax income has been calculated by applying the rate that is expected to apply in the period when the asset is realised or the liability is settled.

9. Transfer from Other Reserves

In the prior period, an amount of HK\$2.9 million was transferred from reserves to accumulated losses.

10. Earnings/(Loss) Per Ordinary Share

(a) Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share is based on the net profit from ordinary activities attributable to ordinary shareholders for the period of HK\$15.8 million (2002 - net loss of HK\$220.9 million, as restated) and on the weighted average of 2,792.8 million (2002 - 2,318.5 million) ordinary shares of the Company in issue during the period.

(b) Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings/(loss) per ordinary share is based on the adjusted net loss from ordinary activities attributable to ordinary shareholders for the period of HK\$33.4 million and on the adjusted weighted average of 5,768.5 million ordinary shares of the Company that would have been in issue during the period assuming (i) all outstanding convertible preference shares and convertible bonds (including optional convertible bonds) of RHIHL were converted into ordinary shares of RHIHL at the beginning of the period; and (ii) all the 3,450 million convertible preference shares of the Company were converted into the same number of ordinary shares of the Company at the beginning of the period. The exercise of share options of the Company and RHIHL are anti-dilutive.



No diluted loss per ordinary share was presented for the period ended 30th June, 2002 as the exercise of share options and the conversion of then existing bonds convertible into shares of the Company were anti-dilutive for that period.

11. Dividend

The Directors have resolved not to declare the payment of any interim dividend for the financial year ending 31st December, 2003 (2002 - nil).

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

12. Long Term Investments

Included in the long term investments is an amount of HK\$56.9 million (31st December, 2002 – HK\$56.9 million) which represents the Group's investments of 23% interest each in two sino-foreign joint venture companies (collectively, the "Investee Companies") in Beijing, the People's Republic of China (the "PRC"). As disclosed in the Group's prior years' audited consolidated financial statements, a land site beneficially and collectively held by the Investee Companies was resumed by the Land Bureau in Beijing in 2000 on grounds of its prolonged idle condition. The Group and the other parties concerned have been undergoing negotiations with the relevant PRC government authorities with a view to safeguarding the Investee Companies' interest in the land site. During 2002, an impairment loss of HK\$62.0 million, further to an impairment loss of HK\$180.0 million already made in 2001, was made against the investments by reference to an independent valuation of the hotel portion of the land site, for which the Group can exchange its entire interests in the Investee Companies in accordance with the agreed terms pursuant to a contractual arrangement made with the other joint venture parties in the Investee Companies. The valuation was conducted on the assumption that the owners of the land site have enforceable title thereto. While there has been some progress in the negotiations, in the opinion of the Directors, it is still not possible to determine at this stage with reasonable certainty the ultimate outcome of the negotiations and hence any further provision required to be made against the Group's investments in the Investee Companies.

13. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$35.1 million (31st December, 2002 - HK\$77.3 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	28.8	72.4
Between 4 to 6 months	3.7	2.5
Between 7 to 12 months	4.5	2.4
Over 1 year	9.8	9.9
	<hr/>	<hr/>
	46.8	87.2
Provisions	(11.7)	(9.9)
	<hr/>	<hr/>
	35.1	77.3
	<hr/>	<hr/>



Included in debtors, deposits and prepayments is a receivable amount of approximately HK\$400.1 million, comprising (i) deferred consideration of US\$45.0 million (approximately HK\$351.0 million) (the "Deferred Consideration") which arose in connection with the RHIHL Group's disposal of its hotel interests in the United States of America ("USA") in December 1999 (the "Disposal"); and (ii) certain interest aggregating HK\$49.1 million accrued thereon at 7% per annum (collectively, the "Consideration Receivable"). Pursuant to the terms of the securities purchase agreement (the "Disposal Agreement") entered into between the RHIHL Group and the purchaser (the "Purchaser") in respect of the Disposal, the Deferred Consideration and the interest accrued thereon were due to be paid by the Purchaser on 17th December, 2001.

The RHIHL Group has agreed under the Disposal Agreement to indemnify the Purchaser for third party claims arising from events occurring before the completion of the Disposal Agreement in December 1999. As previously reported, while most of the claims for such pre-closing liabilities so far notified by the Purchaser to the RHIHL Group have been resolved and the aggregate amount of such remaining pre-closing liabilities claims has been reduced to significantly below the Deferred Consideration, the Purchaser has withheld payment of any of the Consideration Receivable on the ground that the RHIHL Group has failed to provide adequate assurance for any future pre-closing liabilities that may surface before the end of the indemnity period in December 2004. Having consulted with its legal advisers, the RHIHL Group was advised that the demand by the Purchaser was without grounds and has accordingly instituted legal proceedings against the Purchaser to recover the Consideration Receivable.

The legal proceedings against the Purchaser was undertaken in the form of a lawsuit in which a motion was made for summary judgement on a breach of contract claim in respect of a principal amount of US\$39.3 million (equivalent to approximately HK\$306.2 million), together with interest. This motion for summary judgement was, among others, heard in the United States District Court for the Southern District of New York on 30th May, 2003. A written decision dated 30th June, 2003 was issued by the District Court Judge, in which the RHIHL Group's motion for summary judgement on the breach of contract claim with regard to the amount of US\$39.3 million (equivalent to approximately HK\$306.2 million) was granted. A separate hearing was held on 4th September, 2003 to determine what amount of interest, if any, was also due.

The RHIHL Group and the Purchaser have subsequently agreed on the terms of a full and final settlement of the legal proceedings relating to the Consideration Receivable, involving the payment to the RHIHL Group by the Purchaser of a gross settlement amount of US\$48.8 million (approximately HK\$380.6 million) (the "Settlement Amount") and the total resolution and release of all claims by and between the RHIHL Group and the Purchaser under or in connection with the Disposal Agreement. The formal settlement agreement is expected to be completed very shortly.

The RHIHL Group's receipt of the Settlement Amount will effectively settle the Consideration Receivable and certain other related receivable of HK\$0.7 million, and at the same time eliminate a provision made against certain tax indemnity in the amount of HK\$24.2 million included in creditors and accruals under current liabilities.

Credit Terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less provisions for doubtful debts which are made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

14. Creditors and Accruals

Included in the balance is an amount of HK\$81.3 million (31st December, 2002 - HK\$100.5 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	66.4	82.8
Between 4 to 6 months	3.9	12.4
Between 7 to 12 months	6.5	1.3
Over 1 year	4.5	4.0
	<u>81.3</u>	<u>100.5</u>

15. Related Party Transactions

The Group had the following material related party transactions during the period:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
Minimum lease payment under operating leases in respect of land and buildings received from a wholly-owned subsidiary company of Century City International Holdings Limited ("CCIHL"), the listed ultimate holding company of the Company	–	4.7
Advertising, promotion and information technology service fees (including cost reimbursements) paid to an associate of CCIHL	3.0	5.6
Management costs allocated from CCIHL	7.8	23.6
Interest on loans to associates	–	3.8
Guarantees given in respect of a banking facility granted to a jointly controlled entity	<u>2,359.0</u>	<u>2,310.0</u>

The nature and terms of the above related party transactions are similar to those disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2002.





16. Pledge of Assets

At 30th June, 2003, certain of the Group's cash and bank balances, time deposits, listed investments, interests in associates, fixed assets including properties and equipment, properties under development, inventories and receivables with a total carrying value of HK\$7,524.0 million (31st December, 2002 - HK\$7,801.1 million) and the shares held in certain subsidiary companies, including certain ordinary shares held in the listed subsidiary company, and a jointly controlled entity were pledged to secure (i) general banking facilities granted to the Group and the jointly controlled entity; and (ii) the RHIHL Group's 5% guaranteed convertible bonds due 2004 (the "Convertible Bonds").

17. Contingent Liabilities

- (a) At 30th June, 2003, a corporate guarantee in the amount of HK\$2,359.0 million (31st December, 2002 - HK\$2,310.0 million) had been given by the Group in respect of banking facilities granted to a jointly controlled entity. The amount drawn against these facilities attributable to the Group at the end of the period amounted to HK\$2,114.9 million (31st December, 2002 - HK\$1,938.4 million).
- (b) At the balance sheet date, certain employees of the Group had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments upon termination of their employment. The Group is only liable to make such payments where the termination falls within the required circumstance specified in the Ordinance. If the termination of such employees falls within the circumstances required by the Ordinance, the Group's liability at the balance sheet date, after deducting the attributable asset balance of the employer's contribution to the Mandatory Provident Fund, would have increased by approximately HK\$16.6 million. No provision has been made for this amount in the condensed consolidated financial statements.
- (c) As described in note 13 to the condensed consolidated financial statements, the RHIHL Group entered into the Disposal Agreement with respect to the disposal of its hotel interests in the United States of America in 1999.

The Disposal Agreement contains representations, warranties and indemnification given by the RHIHL Group which are normal and usual for transactions of similar nature. As more fully described in note 13, all contingent liabilities of the RHIHL Group under or in connection with the Disposal Agreement will be released upon completion of the formal settlement agreement.

18. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 5 years. The terms of the leases generally also require the tenants to pay security deposits and in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK\$'million	HK\$'million
Within one year	16.3	21.2
In the second to fifth years, inclusive	4.8	8.7
	<u>21.1</u>	<u>29.9</u>

In the prior period, the Group recognised HK\$0.1 million in respect of contingent rentals receivable.

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms of 6 months, except for a lease which is negotiated for a term of 18 years and provides for periodic rent adjustments according to the then prevailing market conditions. In the prior year, leases for office equipment were negotiated for terms ranging between 5 months and 9 years.

At 30th June, 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	7.2	7.2
In the second to fifth years, inclusive	27.6	27.6
After the fifth year	11.5	15.0
	<u>46.3</u>	<u>49.8</u>
Other equipment:		
Within one year	–	3.6
In the second to fifth years, inclusive	–	0.6
	<u>–</u>	<u>4.2</u>
	<u>46.3</u>	<u>54.0</u>





19. Commitments

In addition to the operating lease commitments detailed in note 18(b) above, the Group had the following outstanding capital commitments:

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK\$'million	HK\$'million
Capital commitments in respect of the renovation of or improvements to the hotel properties:		
Authorised and contracted for	11.6	12.5
Authorised, but not contracted for	79.9	82.9
	<u>91.5</u>	<u>95.4</u>
Capital commitments in respect of a property development project:		
Authorised and contracted for	13.2	22.5
Authorised, but not contracted for	1.3	1.8
	<u>14.5</u>	<u>24.3</u>
	<u>106.0</u>	<u>119.7</u>

20. Post Balance Sheet Events

Subsequent to the balance sheet date, in addition to the events detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following significant transactions:

- (i) In July 2003, a total of 180.0 million new ordinary shares were issued by RHIHL through placement to certain independent investors, at a price of HK\$0.048 per ordinary share. Net proceeds arising therefrom in an aggregate sum of approximately HK\$8.4 million were used by the RHIHL Group for general working capital purposes.
- (ii) In July 2003, a total of 395.8 million new ordinary shares were allotted and issued by RHIHL upon conversion of the Convertible Bonds in the aggregate principal amount of HK\$19.0 million at the adjusted conversion price of HK\$0.048 per ordinary share.
- (iii) In July 2003, the relevant third party purchaser partially exercised the option to subscribe for additional Convertible Bonds of up to an aggregate principal amount of HK\$50.0 million (the "Optional Bonds") pursuant to the subscription agreement dated 12th September, 2002 relating to the Convertible Bonds. As a result, the RHIHL Group issued additional Optional Bonds in an aggregate principal amount of HK\$20.0 million to the purchaser. The cash proceeds arising therefrom were used by the RHIHL Group for general working purposes. The HK\$20.0 million Optional Bonds so issued have subsequently been converted into a total of 416.7 million new ordinary shares of RHIHL, at the adjusted conversion price of HK\$0.048 per ordinary share.

21. Share Options

Share Options Granted by the Company

The Company operates an executive share option scheme (the "PHL Share Option Scheme"). The PHL Share Option Scheme was adopted by the Company's shareholders on 23rd November, 1993 and subsequently approved by the independent shareholders of Paliburg International Holdings Limited ("PIHL"), formerly the immediate listed holding company of the Company, on 15th December, 1993. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the period, details of movements in share options granted by the Company pursuant to the PHL Share Option Scheme are as follows:

Date of grant of share options	Name or category of participant	Number of ordinary shares under share options**			Vesting period*/ Exercise period of share options	Exercise price of share options ** HK\$
		At 1st January, 2003	Lapsed during the period	At 30th June, 2003		
22nd February, 1994	Directors					
	Mr. Lo Yuk Sui (Note 2)					
	Vested:	3,650,000	–	4,106,250	Note 3	10.40
	Unvested:	912,500	–	456,250		
	Mr. Cheng Yuk Lun***					
	Vested:	1,000,000	–	1,125,000	Note 3	10.40
	Unvested:	250,000	–	125,000		
	Mr. Donald Fan Tung (Note 2)					
	Vested:	1,500,000	–	1,687,500	Note 3	10.40
	Unvested:	375,000	–	187,500		
	Mr. Kenneth Ng Kwai Kai					
	Vested:	800,000	–	900,000	Note 3	10.40
	Unvested:	200,000	–	100,000		
	Other Employees					
	Employees, in aggregate					
	Vested:	1,300,000	–	1,462,500	Note 3	10.40
	Unvested:	325,000	–	162,500		
		10,312,500	–	10,312,500		





Date of grant of share options	Name or category of participant	Number of ordinary shares under share options**			Vesting period*/Exercise period of share options	Exercise price of share options ** HK\$
		At 1st January, 2003	Lapsed during the period	At 30th June, 2003		
15th September, 1995 (Original Grant Date (Note 1): 22nd February, 1993)	Directors Mr. Donald Fan Tung (Note 2) Vested: Unvested:	1,757,812 –	(1,757,812) –	– –	Notes 4 & 5 Notes 4 & 5	1.1571
		<u>1,757,812</u>	<u>(1,757,812)</u>	<u>–</u>		
15th September, 1995 (Original Grant Date (Note 1): 22nd February, 1994)	Directors Mr. Donald Fan Tung (Note 2) Vested: Unvested:	2,500,000 625,000	– –	2,812,500 312,500	Note 6 Note 6	3.5392
		<u>3,125,000</u>	<u>–</u>	<u>3,125,000</u>		
22nd February, 1997	Other Employees Employees, in aggregate Vested: Unvested:	1,250,000 1,250,000	– –	1,500,000 1,000,000	Note 3 Note 3	6.672
		<u>2,500,000</u>	<u>–</u>	<u>2,500,000</u>		
	Total:	<u>17,695,312</u>	<u>(1,757,812)</u>	<u>15,937,500</u>		

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.

*** Resigned as a director with effect from 2nd August, 2003.

Notes:

1. Consequent upon the group reorganisation resulting in the effective merger of PIHL and the Company on 17th August, 1995 and in accordance with the terms of the executive share option scheme of PIHL ("PIHL Option Scheme"), the outstanding options held under the PIHL Option Scheme ("PIHL Options") lapsed on 17th August, 1995 and in conjunction therewith, the Company granted the same number of options to subscribe for the new consolidated shares of HK\$1.00 each of the Company under the PHL Option Scheme ("PHL Options") at the same prices and otherwise on the same terms as held by and applicable to the holders of the then outstanding PIHL Options. The above Original Grant Dates are the dates of grant of the PIHL Options and are used to determine the timing when the rights to exercise the PHL Options vest with the holders thereof.

2. The aggregate number of shares under options previously granted was in excess of the individual maximum limit of 1% of the shares in issue in the 12-month period up to the date of the latest grant of options.

3. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) 2 years after date of grant	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after date of grant)
(b) 3 years to 9 years after date of grant	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after date of grant))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after date of grant) upon vesting (exercisable until 10 years after date of grant))
(c) 9½ years after date of grant	100%	100% (exercisable until 10 years after date of grant)

4. Lapsed after expiry of the relevant exercise period on 22nd February, 2003.





5. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) Exercisable at any time	PHL Options were granted as vested options under the PHL Option Scheme for those PIHL Options already vested under PIHL Option Scheme (see Note 1)	Exercisable until 10 years after Original Grant Date
(b) 3 years after Original Grant Date	1/8 x 100%	1/8 x 100% upon vesting (exercisable until 10 years after Original Grant Date)
(c) 4 years to 9 years after Original Grant Date	Cumulative 2/8 x 100% to 7/8 x 100% (with 1/8 x 100% additional percentage vested each subsequent year (commencing from 4 years after Original Grant Date))	Cumulative 2/8 x 100% to 7/8 x 100% (with 1/8 x 100% additional percentage exercisable each subsequent year (commencing from 4 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(d) 9½ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)

6. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) 2 years after Original Grant Date	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after Original Grant Date)
(b) 3 years to 9 years after Original Grant Date	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after Original Grant Date))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(c) 9½ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)

7. In the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted.

The exercise in full of the outstanding rights which have vested with the holders of the options up to the date of approval of the financial statements by the Board of Directors, inclusive of those exercised since the period end date, would have, with the present capital structure of the Company, resulted in the issue of 12.5 million additional ordinary shares and share premium of HK\$104.7 million (before issue expenses).

Share Options Granted by Regal Hotels International Holdings Limited

RHIHL operates an executive share option scheme (the "RHIHL Share Option Scheme"). The RHIHL Share Option Scheme was approved by RHIHL's shareholders on 28th June, 1990. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the period, details of movements in share options granted by RHIHL pursuant to the RHIHL Share Option Scheme are as follows:

Date of grant of share options	Name or category of participant	Number of ordinary shares under share options**			Vesting period*/Exercise period of share options	Exercise price of share options** HK\$
		At 1st January, 2003	Lapsed during the period	At 30th June, 2003		
5th August, 1993	Directors					
	Mr. Donald Fan Tung					
	Vested:	1,080,000	–	1,200,000	Note 1	1.1083
	Unvested:	120,000	–	–	Note 1	
	Other Employees					
	Employees, in aggregate					
22nd February, 1997	Vested:	150,000	–	180,000	Note 1	1.1083
	Unvested:	30,000	–	–	Note 1	
		1,380,000	–	1,380,000		
	Other Employees					
	Employees, in aggregate					
	Vested:	540,000	–	648,000	Note 1	2.1083
	Unvested:	540,000	–	432,000	Note 1	
		1,080,000	–	1,080,000		
	Total:	2,460,000	–	2,460,000		

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** Subject to adjustment in the case of rights or bonus issues, or other relevant changes in RHIHL's share capital.



Notes:

1. Vesting/Exercise Periods of Options:

On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a) 2 years after date of grant	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after date of grant)
(b) 3 years to 9 years after date of grant	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after date of grant))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after date of grant) upon vesting (exercisable until 10 years after date of grant))
(c) 9½ years after date of grant	100%	100% (exercisable until 10 years after date of grant)

2. In the absence of a readily available market value, the directors of RHIHL are unable to arrive at an accurate assessment of the value of the options granted.

The exercise in full of the outstanding rights which have vested with the holders of the options up to the date of approval of the financial statements by the Board of Directors, inclusive of those exercised since the period end date, would have, with the present capital structure of RHIHL, resulted in the issue of 0.6 million additional ordinary shares and share premium of HK\$1.4 million (before issue expenses).

22. Comparative Amounts

As further explained in note 1 to the condensed consolidated financial statements, due to the adoption of SSAP 12 (Revised) during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current period's presentation.



DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 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 SFO) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("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 Companies 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	—	2,733,024,977 (Notes a(ii) & b)	—	2,733,467,742
		(ii) unissued	4,562,500 (Note f(i))	—	1,990,000,000 (Notes a(iii) & d)	100,000,000 (Note c)	2,094,562,500
							<hr/>
						Total (i) & (ii):	4,828,030,242 (127.78%)
	Mr. Cheng Yuk Lun (Note r)	Preference (issued)	—	—	1,990,000,000 (Notes a(iii) & d)	—	1,990,000,000 (100%)
		Ordinary (i) issued	2,325,000	—	—	—	2,325,000
		(ii) unissued	1,250,000 (Note f(i))	—	—	—	1,250,000
							<hr/>
						Total (i) & (ii):	3,575,000 (0.09%)
	Mr. Donald Fan Tung	Ordinary (i) issued	2,718	—	—	—	2,718
		(ii) unissued	5,000,000 (Note f(i))	—	—	—	5,000,000
							<hr/>
						Total (i) & (ii):	5,002,718 (0.13%)
	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 (0.008%)
	Mr. Kenneth Ng Kwai Kai	Ordinary (unissued)	1,000,000 (Note f(i))	—	—	—	1,000,000 (0.026%)
	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				Total (Approximate percentage of the issued shares)
			Personal interests	Family interests	Corporate interests	Other interests	
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	543,344,843	—	1,395,994,246	—	1,939,339,089
		(ii) unissued	—	—	11,000,000,000 (Note a(i))	400,000,000 (Note c)	11,400,000,000
						Total (i) & (ii):	13,339,339,089 (349.49%)
	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	2,510,000	—	—	—	2,510,000 (0.066%)
	Mr. Jimmy Lo Chun To	Ordinary (issued)	1,659,800	—	—	—	1,659,800 (0.043%)
3. Regal Hotels International Holdings Limited ("RHIHL")	Mr. Ng Siu Chan	Ordinary (issued)	—	15,453,000	—	—	15,453,000 (0.40%)
	Mr. Lo Yuk Sui	Ordinary (issued)	220,000	—	4,777,070,277 (Notes a(iv) & e)	—	4,777,290,277 (73.18%)
		Preference (issued)	—	—	3,440 (Note a(iv))	—	3,440 (20.54%)
	Mr. Cheng Yuk Lun	Ordinary (issued)	600,000	—	—	—	600,000 (0.009%)
	Mr. Donald Fan Tung	Ordinary (unissued)	2,280,000 (Note f(ii))	—	—	—	2,280,000 (0.035%)
4. 8D International (BVI) Limited ("8D-BVI")	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	2,370,000	—	—	—	2,370,000 (0.036%)
		Ordinary (issued)	—	—	1,000 (Note g)	—	1,000 (100%)
5. 303 Company Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note h)	—	10,000 (100%)
6. Century Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2,666,667 (Note i)	—	2,666,667 (100%)
7. Dragonlink Ventures (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	100 (Note j)	—	100 (100%)
8. Evermax Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2 (Note k)	—	2 (100%)
9. Foremost Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1 (Note l)	—	1 (100%)

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	
10. Full Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1 (Note m)	—	1 (100%)
11. Leading Technology Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	100 (Note n)	—	100 (100%)
12. Mira Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	937,500 (Note o)	—	937,500 (100%)
13. Network Sky Limited	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	—	—	50,000	—	50,000 (25%)
14. Top-Most Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note p)	—	10,000 (100%)
15. World Momentum Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	130 (Note q)	—	130 (100%)

Notes:

- (a) (i) The interests in these shares of CCIHL are 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	50.81
	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

- (ii) The shares were held through companies wholly owned by CCIHL, in which Mr. Lo Yuk Sui holds 50.81% shareholding interests.





- (iii) The interests in these shares of the Company are 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	50.81
	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

- (iv) The shares were held through companies wholly owned by the Company, in which, as at 30th June, 2003, CCIHL held 72.33% shareholding interests.
- (b) Including the retained balance, i.e. 6,444,444 shares, (the "Retained Shares") of the consideration shares agreed to be sold at HK\$4.50 per share for the acquisition of the remaining 51% shareholding interest in The New China Hong Kong Financial Services Limited (now known as Century City Financial Services Limited) by a wholly-owned subsidiary of Century from a wholly-owned subsidiary of The New China Hong Kong Group Limited (the "NCHK Company") pursuant to the conditional agreement dated 7th September, 1998 in respect of the said acquisition, which was completed on 17th September, 1998 (the "Completion Date"). The Retained Shares are retained by the Century City Group until the first anniversary of the Completion Date in connection with the indemnity given by the NCHK Company under the said agreement.
- (c) 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.
- (d) 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.
- (e) 1,706,500,000 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 284,125,000 shares 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.

- (f) (i) Details of Directors' interests in share options granted by the Company are set out in note 21 to the condensed consolidated financial statements.
- (ii) Details of Directors' interests in share options granted by RHIHL are set out in note 21 to the condensed consolidated financial statements.
- (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 303 Company Limited are 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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	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

- (i) The interests in these shares of Century Matrix Limited are 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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	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

(j) The interests in these shares of Dragonlink Ventures (BVI) Limited are 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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	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	50.81
	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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
	Regal Hotels International Holdings Limited	Paliburg Development BVI Holdings Limited	73.18
	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

- (k) The interests in these shares of Evermax Technologies Limited are 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	50.81
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
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

(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	50.81
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

- (l) The interests in these shares of Foremost Technology Limited are 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	50.81
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
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	50.81
	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 Full Master Technology Limited are 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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Dragonlink Ventures (BVI) Limited	Century City BVI Holdings Limited	40.00

- (n) The interests in these shares of Leading Technology Holdings Limited are 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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	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

- (o) The interests in these shares of Mira Technology Limited are 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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	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	50.81
	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





- (p) The interests in these shares of Top-Most Technology Limited are 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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	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 are 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	50.81
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	72.33
	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

Save as disclosed herein, as at 30th June 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 Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Save as disclosed in note 21 to the condensed consolidated financial statements, during the period, 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 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 30th June, 2003, the following persons (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 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
Century (Notes i, ii and iii)	2,733,024,977	1,990,000,000	4,723,024,977	125%
Century City BVI Holdings Limited (Notes ii and iii)	2,733,024,977	1,990,000,000	4,723,024,977	125%
Almighty International Limited (Notes ii and iii)	1,360,000,000	1,990,000,000	3,350,000,000	88.66%
Century City Holdings Limited (Notes ii and iii)	769,458,989	—	769,458,989	20.36%
Gold Concorde Holdings Limited (Notes ii and iii)	224,145,656	—	224,145,656	5.93%
Meylink Limited (Notes ii and iii)	201,364,332	—	201,364,332	5.33%





Name of 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
Manyways Technology Limited (Notes iv and v)	—	2,750,000,000	2,750,000,000	72.78%
8D International (BVI) Limited (Notes iv, v and vi)	—	2,750,000,000	2,750,000,000	72.78%
Task Master Technology Limited (Notes iv, v and vi)	—	2,750,000,000	2,750,000,000	72.78%
Secure Way Technology Limited (Notes iv and v)	—	2,750,000,000	2,750,000,000	72.78%
Net Community Limited (Notes iv, v and viii)	—	2,750,000,000	2,750,000,000	72.78%
Century Digital Holdings Limited (Notes iv, v and ix)	—	2,750,000,000	2,750,000,000	72.78%
Grand Modern Investments Limited (Notes iv, v and x)	—	2,750,000,000	2,750,000,000	72.78%
Miss Lo Po Man (Note xi)	103,546,000	600,000,000	703,546,000	18.62%
Wealth Master International Limited (Notes xi, xii and xiv)	103,546,000	600,000,000	703,546,000	18.62%
Mr. Anthony Ng (Notes xi and xv)	103,546,000	600,000,000	703,546,000	18.62%
Miss Cindy Ng (Notes xi and xv)	103,767,125* *(221,125 shares beneficially owned by Miss Cindy Ng)	600,000,000	703,767,125*	18.63%
Splendid Success Investment Limited (Notes xi, xiii, xiv and xv)	103,546,000	600,000,000	703,546,000	18.62%
Select Wise Holdings Limited (Notes xi and xiv)	103,546,000	600,000,000	703,546,000	18.62%

Notes:

- (i) Mr. Lo Yuk Sui directly and indirectly holds 50.81% 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 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) Including the retained balance of 6,444,444 issued ordinary shares as disclosed under Note (b) in the section headed "Directors' Interests in Share Capital" above.

- (iv) These companies are controlled by Mr. Lo Yuk Sui and their interests in shares of the Company were included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.
- (v) The interests in these underlying shares are directly held by Grand Modern Investments Limited ("Grand Modern").
- (vi) 8D International (BVI) Limited ("8D BVI") is 60% owned by Manyways Technology Limited.
- (vii) Task Master Technology Limited ("Task Master") is wholly owned by 8D BVI.
- (viii) Net Community Limited ("Net Community") is 33.33% owned by Task Master and 66.67% owned by Secure Way Technology Limited.
- (ix) Century Digital Holdings Limited ("CDHL") is wholly owned by Net Community.
- (x) Grand Modern is wholly owned by CDHL.
- (xi) The interests in 3,546,000 issued shares and 500,000,000 unissued shares are directly held by Select Wise Holdings Limited ("Select Wise") and 100,000,000 issued shares and 100,000,000 unissued shares are directly held by Select Wise Trust, of which Select Wise is the beneficiary.
- (xii) Wealth Master International Limited ("Wealth Master") is wholly owned by Miss Lo Po Man.
- (xiii) As at 30th June, 2003, Splendid Success Investment Limited ("Splendid Success") was owned as to 50% by each of Mr. Anthony Ng and Miss Cindy Ng.
- (xiv) As at 30th June, 2003, Select Wise was owned as to 50% by each of Wealth Master and Splendid Success. Select Wise became wholly owned by Wealth Master on 5th August, 2003.
- (xv) On 5th August, 2003, Mr. Anthony Ng, Miss Cindy Ng and Splendid Success ceased to be substantial shareholders of the Company.

Save as disclosed herein, there is no person who, as at 30th June, 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.





DISCLOSURE PURSUANT TO PRACTICE NOTE 19

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Practice Note 19 ("PN19") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For the purpose of this section, Regal Hotels International Holdings Limited ("RHIHL") (in which the Company holds a 63.5% shareholding interest) and its subsidiary companies will be referred to as the "RHIHL Group"; the Company and its subsidiary companies, excluding the RHIHL Group, will be referred to as the "PHL Group"; the Company and its subsidiary companies, including the RHIHL Group, will be referred to as the "PHL/RHIHL Group" or the "Group".

Advances to an Entity (Paragraph 3.2.1 of PN19)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 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 30th June, 2003 are set out below:

Advances	RHIHL Group (HK\$'million)
(A) Principal Amount of Advances	2,705.0
(B) Interest Receivable	379.2
(C) Several Guarantees for:	
(a) Principal Amount of Bank Facilities	2,359.0
(b) Amount of Bank Facilities Drawdown	2,114.9
Total: (A)+(B)+(C)(a)	<u>5,443.2</u>
(A)+(B)+(C)(b)	<u>5,199.1</u>

The above advances to Chest Gain, including interest receivable thereon, in an aggregate sum of HK\$3,084.2 million (before a provision of HK\$1,633.3 million) included an amount of HK\$1,701.1 million, before a provision of HK\$933.3 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. A 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 30th June, 2003 provided by the RHIHL Group to Chest Gain in the respective sums of (a) HK\$5,443.2 million (based on the total available amount of the bank facilities) and (b) HK\$5,199.1 million (based on the amount of bank facilities drawdown) represented (a) 309.0% and (b) 295.2% of the consolidated net tangible assets of the Company of HK\$1,761.5 million (the "Paliburg NTA"), by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2003.





**Financial Assistance provided to and Guarantees given for Affiliated Companies
(Paragraph 3.3 of PN19)**

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the PHL Group and the RHIHL Group as at 30th June, 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)	2,705.0	(B)	379.2	(C)(i) 2,359.0	(C)(ii) 2,114.9
Cheerjoy Development Limited	(D) (Interest Rate: Prime Rate)	147.7	(E)	7.5	Nil	Nil
Talent Faith Investments Ltd.	(F)	78.6		–	Nil	Nil
8D International (BVI) Limited	(G)	28.7		–	Nil	Nil
8D Matrix Limited	(H)	0.5		–	Nil	Nil
Bright Future (HK) Limited	(I)	5.6		–	Nil	Nil
Network Sky Limited	(J)	0.7		–	Nil	Nil
Total:				(A)+(B)+(C)(i)+(D) to (J)		5,712.5
				(A)+(B)+(C)(ii)+(D) to (J)		5,468.4

Relevant details in respect of the financial assistance provided to and guarantees given for Chest Gain are disclosed above under Paragraph 3.2.1 of PN19 of the Listing Rules.

Cheerjoy Development Limited ("Cheerjoy") was a wholly owned subsidiary company of the Company and became a 30% owned associate of the Company during 1999. Cheerjoy owns the development property at Ap Lei Chau Inland Lot No.129, Ap Lei Chau East, Hong Kong. The remaining 70% shareholding interest in Cheerjoy is owned by a third party, which is independent of, and not connected with the Company, the Directors, chief executive and substantial shareholders of the Company and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans and, according to the terms of the shareholders' agreement in respect of this joint venture, would not be in proportion to the Company's shareholding interest in Cheerjoy. The advances were provided for the purpose of funding the working capital requirements of Cheerjoy, are unsecured and have no fixed term of repayment.

Talent Faith Investments Ltd. ("Talent Faith") was previously a wholly owned subsidiary company of the Company. Talent Faith owns a 65% interest in a joint venture company which, in turn, owns a 70% interest in an equity joint venture in the People's Republic of China involved in a property development project in Beijing. Talent Faith became a 50% owned associate of the Company during 2000. The remaining 50% shareholding interest in Talent Faith is owned by a third party, which is independent of, and not connected with the Company, the Directors, chief executive and substantial shareholders of the Company and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans and, in accordance with the terms in the agreement entered into with the said third party in relation to the disposal of the Group's 50% interest in Talent Faith, would not be in proportion to the Company's shareholding interest in Talent Faith. The advances were provided for the purpose of funding the working capital requirements of Talent Faith, are unsecured, interest free and have no fixed terms of repayment.

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of RHIHL, which is involved in information technology businesses in connection with a broadband fibre optic network project in The People's Republic of China and 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 and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI. The advances were provided by the RHIHL Group in the form of shareholder's loans in proportion to RHIHL's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest free and have no fixed term of repayment.

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.

Calculated on the basis shown above, as at 30th June, 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\$5,712.5 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$5,468.4 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 324.3% and (b) 310.4% of the Paliburg NTA.

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

	Pro-forma combined balance sheet (HK\$'million)	Group's attributable interest (HK\$'million)
Non-current assets	1,071.4	375.4
Current assets	4,975.9	1,637.8
Current liabilities	(3,380.2)	(1,123.9)
Non-current liabilities	(6,582.8)	(2,174.9)
Net liabilities	<u>(3,915.7)</u>	<u>(1,285.6)</u>

Loan agreements with covenants relating to specific performance obligation of the controlling shareholders (Paragraphs 3.7.1 and 3.7.2 of PN19)

Paragraph 3.7.1 of PN19

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

		Outstanding Balance of Bank Facilities as at 30th June, 2003 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
RHIHL Group	(a)	1,054.2	July 2007	Note (i)
	(b)	3,732.5	September 2004	Note (ii)
Total:		<u>4,786.7</u>		

Notes:

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of CCIHL which owns a 66.9% shareholding interest in the Company (which in turn holds a 63.5% shareholding interest in RHIHL), and/or members of his immediate family, or a trust or trusts under which they are beneficially interested (collectively, "Mr. Lo") shall not cease to maintain controlling interest (directly or indirectly) in respect of shareholding (as defined under the Listing Rules) and management control in RHIHL.
- (ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in RHIHL.

Breach of the above specific performance obligations will constitute events of default of the bank facilities. As a result, the bank facilities may become immediately due and payable on demand by the relevant lenders according to the respective terms and conditions of the bank facilities.

Paragraph 3.7.2 of PN19

Details of the financial restructuring proposal relating to the above loan agreements are set out in note 2 to the condensed consolidated financial statements.





CORPORATE GOVERNANCE

The Directors of the Company are not aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except that the independent Non-Executive Directors of the Company were not appointed for specified 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. Ng Siu Chan and Mr. Abraham Shek Lai Him, all of whom are independent Non-Executive Directors 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.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30th June, 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the period under review.

INDEPENDENT AUDITORS' REVIEW REPORT

**To the Board of Directors
Paliburg Holdings Limited**

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 9 to 34.

Respective responsibilities of Directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.





Fundamental uncertainty - Provisions against investments in two investee companies

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 12 to the interim financial report concerning the outcome of the negotiations with the relevant government authorities in the People's Republic of China in respect of the resumption of a land site beneficially and collectively held by two investee companies (the "Investee Companies") during 2000. The carrying value of the Group's investments in the Investee Companies amounted to HK\$56.9 million (31st December, 2002 - HK\$56.9 million) as at 30th June, 2003 which is included in long term investments under non-current assets. As further described in note 12 to the interim financial report, the Directors are still not possible to determine at this stage with reasonable certainty the ultimate outcome of the negotiations for the reversion of the land site to the Investee Companies and hence any further provision required to be made against the Group's investments in the Investee Companies. Details of the circumstances relating to this fundamental uncertainty are described in note 12 to the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2003.

Ernst & Young

Certified Public Accountants

Hong Kong

19th September, 2003