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REVIEW AND OUTLOOK

For the six months ended 30th June, 2004, the Group achieved an unaudited consolidated net profit attributable to shareholders of HK\$285.1 million, while for the corresponding period in 2003, a net loss of HK\$69.1 million was recorded.

Aided by the phased relaxation of the Individual Visit Scheme in the People's Republic of China, the tourist industry in Hong Kong continued to recover rapidly. During the first six months of 2004, the total number of incoming visitors has surpassed 10 million, boosting an increase of over 68% as compared with the same period in 2003, although it should be noted that the comparative figure in 2003 had been distorted by the SARS effect. Visitors from the Mainland continued to account for more than 50% of the total visitor arrivals, but those from other major markets were gradually restoring to the pre-SARS levels. Benefiting from the influx of visitors, the average room occupancy and the average achieved hotel room rate for the hotels in Hong Kong during the period have rebounded by about 54.5% and 16.4%, respectively, comparing with the six months to June in 2003.

For the five Regal Hotels in Hong Kong, the combined average room occupancy attained in the period under review has similarly posted a strong increase of about 67.7% over the corresponding period last year, while the combined average room rate has at the same time improved by about 11.1%. During the past few years, the Group's management has spent strenuous efforts to put into position a lean and compact operating structure, geared to contain costs and to improve efficiency, and those efforts have been crucial to the significant enhancement now achieved in the operating profit margin of the Group's hotel businesses.

Despite recent concerns over the possible increase in the future supply of hotel rooms in Hong Kong, the Group believes that as what has transpired in the past, some of the announced hotel projects may not ultimately materialise due to the substantial cost involved and the long term nature of the investment. However, a gradual increase in the supply of hotel rooms driven up by market demands should be beneficial to the healthy development of the local hotel industry in the long run, particularly that the additional promotional campaigns by the new hotel players might in themselves help to attract more incoming tourists.

To reinforce its established brand name and to prepare for new market challenges, the Group is actively reviewing plans to refurbish or upgrade, in stages, its hotel properties in Hong Kong. In the meantime, the Group is also assessing various proposals for the more effective use of the underutilised space within its hotel properties as well as the feasibility of adding new extensions to certain of the hotels by utilising the developable area presently available. If circumstances are appropriate, the Group may consider acquiring or developing new hotel properties in Hong Kong, given the Group's intention to maintain its position as one of the largest hotel owners and operators in Hong Kong.

In order to provide additional flexibility for forward business planning, the Company is actively considering a long-term refinancing proposal for the Group's existing bank loans.

As announced on 8th June, 2004, the Group terminated the agreement for the sale of the Regal Oriental Hotel on 3rd June, 2004 and the agreed termination fee of HK\$39.0 million has been settled in July 2004 through the issue of 195.0 million new ordinary shares of the Company. As at the balance sheet date in 2003, the Regal Oriental Hotel was stated at a carrying value that was approximately equivalent to the net amount realisable by the Group under the terms of the original sale and purchase agreement. On account of the cancellation of the agreement, the payment of the termination fee of HK\$39.0 million and a write-back of impairment in the value of this hotel property in the sum of about HK\$165.8 million, determined by reference to its independent professional valuation of HK\$450.0 million as at the last balance sheet date on an open market, existing use basis, have been incorporated in the results for the half year period under review.

After a period of market consolidation over the past few months, the market activity for the luxury residential properties is anticipated soon to regain its momentum. In such anticipation, the Group is in the course of relaunching a large scale marketing and sale programme for the Regalia Bay in Stanley. The sale and purchase contracts of most of the houses previously sold have now been duly completed and the project loan outstanding on the development has thereby been largely repaid. A minor portion of the profit expected from this joint development was recognised in the interim results based on the houses sold during the first six months of 2004. There are presently 50 houses remaining unsold, many of which are of larger accommodation size and at more desirable locations within the development. Further significant profits and cash inflow are expected to be contributed to the Group upon the gradual sale of the remaining houses.

The Kaifeng brewery operation in Henan in China has achieved steady progress in the period under review. The overall operating results of the brewery are now close to breakeven and the brewery's management is hopeful that the brewery operations will be able to attain profitability in the near future. The Kaifeng brewery is presently 90% owned by the Group and steps are being taken to convert the brewery into an entity wholly owned by the Group. In the meanwhile, with a view to expanding its operational foothold, a new brewery with an initial production capacity of 50,000 tons per annum is being set up at a nearby location in Henan, which will be 90% owned by the Kaifeng brewery.

In the joint announcement by the Company dated 8th June, 2004, the Company announced a proposal for the issue of 2% Guaranteed Convertible Bonds due 2007 pursuant to two subscription agreements both dated 3rd June, 2004. Following the approval of the proposal by, among others, the shareholders of the Company at a Special General Meeting held on 19th July, 2004, Firm Bonds in an aggregate principal amount of HK\$200.0 million have been duly subscribed and issued and, pursuant to the terms of the subscription agreements, the subscribers have the right to subscribe for additional Optional Bonds in an aggregate principal amount of HK\$200.0 million. The Bonds will be convertible into new ordinary shares of the Company at an initial conversion price of HK\$0.25 per share, subject to adjustments, at any time from 21st January, 2005 to 14th July, 2007. The net proceeds received from the issue of the Firm Bonds have been applied substantially for the reduction of the Group's bank indebtedness.



In that same joint announcement, the Company also announced a proposal for the bonus issue of warrants to shareholders of the Company on the basis of one warrant with subscription right of HK\$0.25 for every 10 ordinary shares held in the Company. Pursuant to the bonus warrants proposal, which was also approved by the shareholders of the Company at the meeting held on 19th July, 2004, warrants carrying aggregate subscription rights of approximately HK\$208.5 million had been duly issued in early August 2004. The warrants will be exercisable for subscription of new ordinary shares of the Company at any time from 2nd February, 2005 to 26th July, 2007 at an initial subscription price of HK\$0.25 per share, same as the initial conversion price of the Bonds, and the subscription price is subject to substantially the same adjustments as those applicable to the conversion price of the Bonds. If all the subscription rights of the warrants are fully exercised, the Group will receive additional equity funds of approximately HK\$208.5 million.

Further details on the issue of the Bonds and the bonus issue of warrants were contained in the circular to shareholders dated 30th June, 2004.

With the Individual Visit Scheme extended to the whole of Guangdong province in May and further to nine more cities in other provinces of China in July this year, the influx of visitors from the Mainland is expected to continue. The scheduled opening of the Hong Kong Disneyland and the new International Exhibition Center at the Hong Kong International Airport will pose new and promising business opportunities for the tourist industry in Hong Kong. On account of its strategic location, the Regal Airport Hotel, which has a total room count of about 1,100, should particularly stand to be benefited. The Group will seek to capitalise on its extensive hotel development, investment and operational expertise to pursue appropriate expansion opportunities, while remaining focused to maintaining a high quality standard in its existing hotel businesses.

As the last few months of the year are traditionally the high season for the local hotel business, the operations of the Group's five hotels in Hong Kong in the second half year are anticipated to fare even better than what were attained in the period under review. Therefore, barring any unforeseen circumstances, the overall results of the Group for the whole year of 2004 should significantly surpass those recorded for the financial year of 2003.

On behalf of the Group and all its team members, I would like to take this opportunity to thank Mrs. Kitty LO LEE Kit Tai who resigned from the Board on 18th August, 2004 for her past contribution and to extend my hearty welcome to Dr. Francis CHOI Chee Ming and Miss LO Po Man who were appointed as a Non-executive Director and an Executive Director, respectively, on the same date. I am also pleased that Dr. Francis Choi has been elected by the Board as the Vice Chairman of the Company. As the Group moves further ahead in its continuing revival, the Group will no doubt be able to benefit from Dr. Francis Choi's invaluable advice on overall strategic planning and his very extensive business network in exploring new development opportunities.

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 16th September, 2004

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of any interim dividend in respect of the ordinary shares for the financial year ending 31st December, 2004 (2003 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

The Group's significant investments constitute primarily its ownership and operating interests in the five Regal Hotels in Hong Kong and the investment in the jointly controlled Regalia Bay development. The performance of these hotels during the 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, together with the progress and prospects of the Regalia Bay development are contained in the section above headed "Review and Outlook".

Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities totalled HK\$160.0 million (2003 – HK\$55.8 million). Net interest payment for the period amounted to HK\$49.8 million (2003 – HK\$51.8 million).

As previously disclosed in the 2003 Annual Report of the Company, in January 2004, Richtech Holdings Limited, a wholly owned subsidiary company of the Company, issued additional 5% guaranteed convertible bonds due 2004 ("5% Convertible Bonds") in an aggregate principal amount of HK\$30.0 million ("5% Optional Bonds") to a third party purchaser (the "CB Purchaser"), who subscribed for the HK\$30.0 million 5% Optional Bonds pursuant to the relevant subscription agreement dated 12th September, 2002 relating to the issue of the 5% Convertible Bonds. During January and February 2004, Guo Yui Investments Limited ("Guo Yui"), a wholly subsidiary company of Paliburg Holdings Limited, acquired from the CB Purchaser 5% Optional Bonds in an aggregate principal amount of HK\$28.0 million. In March 2004, such HK\$28.0 million 5% Optional Bonds acquired by Guo Yui and the remaining HK\$2.0 million 5% Optional Bonds held by the CB Purchaser were all converted and, as a result, a total of 624,999,999 new ordinary shares were issued based on the adjusted conversion price of HK\$0.048 per ordinary share.

Subsequent to the period under review, on 12th July, 2004, 195.0 million new ordinary shares were issued by the Company to the relevant purchaser under the SP Agreement (as supplemented) (as referred to in the sub-section headed "Material Disposals of Subsidiary Companies" below) at the issue price of HK\$0.20 per ordinary share in settlement of the termination fee payable by the Group for the termination of the SP Agreement. The 195.0 million new ordinary shares were issued pursuant to the general mandate granted to the Directors of the Company at the annual general meeting of the Company held on 12th June, 2003. Further details relating to the issue of the 195.0 million new ordinary shares were disclosed in the sub-section headed "Material Disposals of Subsidiary Companies" below.



On 3rd June, 2004, two conditional subscription agreements both dated 3rd June, 2004 (the "Subscription Agreements") were entered into between Cheerview Limited (the "Issuer"), a wholly owned subsidiary company of the Company, the Company and certain third party purchasers in relation to the issue by the Issuer of 2% Guaranteed Convertible Bonds due 2007, guaranteed by, and convertible into ordinary shares of, the Company (the "2% Convertible Bonds") up to an aggregate principal amount of HK\$400.0 million, comprising firm bonds in an aggregate principal amount of HK\$200.0 million (the "2% Firm Bonds") and optional bonds of up to an aggregate principal amount of HK\$200.0 million (the "2% Optional Bonds"). The 2% Firm Bonds and the 2% Optional Bonds, if fully subscribed for and issued, are convertible into a total of 1,600.0 million new ordinary shares of the Company at the initial conversion price of HK\$0.25 per ordinary share (subject to adjustments).

At the special general meeting of the Company held on 19th July, 2004 (the "SGM"), an ordinary resolution was duly passed by the shareholders of the Company with respect to the issue of the 2% Convertible Bonds pursuant to the Subscription Agreements. The issue of the 2% Convertible Bonds was also approved by the respective shareholders of Century City International Holdings Limited, the ultimate listed holding company of the Company, and Paliburg Holdings Limited, the immediate listed holding company of the Company, at their special general meetings both held on 19th July, 2004.

On 21st July, 2004, the 2% Firm Bonds were subscribed for by, and issued to, the relevant third party purchasers under the Subscription Agreements. The cash proceeds arising therefrom were applied substantially for repayment of bank indebtedness of the Group.

At the SGM, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company to its shareholders, on the basis of one unit of Warrants carrying a subscription right of HK\$0.25 for every ten ordinary shares of the Company held by the shareholders on the register of members of the Company on 19th July, 2004.

On 2nd August, 2004, Warrants carrying aggregate subscription rights of approximately HK\$208.5 million were issued to the shareholders of the Company. The Warrants confer on their holders the rights to subscribe for up to approximately 834.0 million new ordinary shares of the Company at the initial subscription price of HK\$0.25 per ordinary share (subject to adjustments). The Warrants are exercisable at any time from the date falling 6 months after the date of issue, i.e. 2nd February, 2005, to the date falling 7 days prior to the third anniversary of the date of issue, i.e. 26th July, 2007.

At the SGM, an ordinary resolution was duly passed by the shareholders of the Company with respect to the increase in the authorised share capital of the Company by the creation of an additional 10,000.0 million new ordinary shares of par value HK\$0.01 each of the Company. As a result, the authorised share capital of the Company now comprises HK\$200.0 million divided into 20,000.0 million ordinary shares and US\$167,480 divided into 16,748 5¼% convertible cumulative redeemable preference shares of par value US\$10 each.

Details relating to the issue of the 2% Convertible Bonds, the bonus issue of the Warrants and the increase in the authorised share capital of the Company were disclosed in the announcement dated 8th June, 2004 and the circular dated 30th June, 2004 of the Company.

Borrowings

As at 30th June, 2004, the Group's gross borrowings net of cash and bank balances amounted to HK\$4,267.4 million (31st December, 2003 – HK\$4,401.5 million). The Group's gearing ratio based on the total assets of HK\$9,085.0 million (31st December, 2003 – HK\$8,793.3 million) was about 47.0% (31st December, 2003 – 50.1%). The Group expects that its borrowings as well as its gearing levels will be further reduced significantly with the surplus funds to be realised from the Regalia Bay development.

Details of the Group's pledge of assets and contingent liabilities are shown in notes 13 and 14, respectively, to the condensed consolidated financial statements. As disclosed in note 13, 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, owning the Regalia Bay luxury residential development at Wong Ma Kok Road in Stanley, Hong Kong. The Group does not consider such security arrangements to be unusual, having regard to the circumstances affecting the Group in prior years. As at 30th June, 2004, the Group has contingent liabilities under a several corporate guarantee given by the Company in the amount of HK\$720.8 million (31st December, 2003 - HK\$2,255.4 million) in respect of the outstanding bank loan of the jointly controlled entity. The bank loan granted to the jointly controlled entity was solely for the purpose of financing the Regalia Bay development.

Information in relation to the maturity profile of the Group's borrowings as of 30th June, 2004 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2003. As previously disclosed in the consolidated financial statements for the year ended 31st December, 2003, the Group concluded with the Group's bank lenders a loan rescheduling agreement (the "Rescheduling Agreement") on 30th September, 2003 relating to two bank loans with an aggregate amount of HK\$4,428.0 million as at 31st December, 2003 and accordingly, the maturity profile of the bank loans is stated in accordance with the terms contained in the Rescheduling Agreement.

In order to provide additional flexibility for forward business planning, the Group is actively considering a long-term refinancing proposal for its existing bank loans.

Material Disposals of Subsidiary Companies

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



On 3rd June, 2004, the Group exercised the ROH Option and served the termination notice on the relevant purchaser to terminate the SP Agreement. The termination became effective on 24th June, 2004 and the Group had returned the HK\$30.0 million deposit and all interest earned thereon to the purchaser in accordance with the terms of the SP Agreement. A termination fee of HK\$39.0 million was paid to the purchaser pursuant to the terms of the SP Agreement, which was satisfied by the issue of 195.0 million new ordinary shares of the Company to the purchaser at an issue price of HK\$0.2 each, as agreed between the parties to the SP Agreement, on 12th July, 2004.

Details of the SP Agreement, the supplemental agreement and the termination of the SP Agreement were disclosed in the announcements of the Company dated 4th September, 2003, 31st March, 2004 and 8th June, 2004, respectively.

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

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. 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 1,600 staff in Hong Kong and 800 staff in Mainland 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 a provident fund scheme as well as medical and life insurance.

The Company adopted in 1990 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, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	Notes	HK\$'million	HK\$'million
TURNOVER	2	486.6	342.6
Cost of sales		<u>(285.4)</u>	<u>(290.7)</u>
Gross profit		201.2	51.9
Other revenue	4	0.5	0.3
Administrative expenses		(22.3)	(25.2)
Other operating expenses	5	(61.0)	(28.4)
Loss on disposal of overseas subsidiary companies		–	(34.4)
Write-back of impairment of a hotel property		<u>165.8</u>	<u>–</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	2	284.2	(35.8)
Finance costs	6	(50.5)	(82.0)
Share of profits less losses of:			
Jointly controlled entity		59.3	(0.1)
Associates		(6.9)	(1.5)
PROFIT/(LOSS) BEFORE TAX		286.1	(119.4)
Tax	7	(1.0)	50.3
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		285.1	(69.1)
Minority interests		<u>–</u>	<u>–</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>285.1</u>	<u>(69.1)</u>
Earnings/(Loss) per ordinary share (HK\$):	8		
Basic		<u>0.036</u>	<u>(0.011)</u>
Diluted		<u>0.035</u>	<u>N/A</u>

**Condensed Consolidated Balance Sheet**

		30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Fixed assets		7,354.8	7,182.0
Interest in a jointly controlled entity		1,319.3	1,226.5
Interests in associates		13.9	20.5
Long term investments		50.6	42.9
Other loan		78.0	78.0
Deferred expenditure		33.6	38.7
Deferred tax assets		10.8	10.4
		8,861.0	8,599.0
CURRENT ASSETS			
Hotel and other inventories		20.6	21.4
Debtors, deposits and prepayments	10	90.3	123.8
Pledged time deposits		5.1	25.9
Time deposits		92.6	14.8
Cash and bank balances		15.4	8.4
		224.0	194.3
CURRENT LIABILITIES			
Creditors and accruals	11	196.2	198.9
Tax payable		11.4	10.1
Interest bearing bank and other borrowings		923.9	903.9
		1,131.5	1,112.9
NET CURRENT LIABILITIES			
		(907.5)	(918.6)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		7,953.5	7,680.4

Condensed Consolidated Balance Sheet (Cont'd)

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES	7,953.5	7,680.4
NON-CURRENT LIABILITIES		
Interest bearing bank and other borrowings	(3,456.6)	(3,546.7)
Deferred tax liabilities	(65.7)	(64.4)
Other payable	(28.7)	(28.7)
	<u>(3,551.0)</u>	<u>(3,639.8)</u>
Minority interests	(0.3)	(0.1)
	<u>4,402.2</u>	<u>4,040.5</u>
CAPITAL AND RESERVES		
Issued capital	82.8	76.5
Reserves	4,319.4	3,964.0
	<u>4,402.2</u>	<u>4,040.5</u>



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2004

	Share capital (Unaudited)	Ordinary shares to be issued (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Retained profits (Unaudited)	Total (Unaudited)
	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million
At 1st January, 2004	76.5	-	513.2	-	1,062.3	2,281.5	1.4	105.6	4,040.5
Issue of shares	6.3	-	23.7	-	-	-	-	-	30.0
Movement in fair value of long term investments	-	-	-	-	-	7.7	-	-	7.7
Net profit for the period	-	-	-	-	-	-	-	285.1	285.1
Exchange realignments	-	-	-	-	-	-	(0.1)	-	(0.1)
Ordinary shares to be issued (Note)	-	39.0	-	-	-	-	-	-	39.0
At 30th June, 2004	82.8	39.0	536.9	-	1,062.3	2,289.2	1.3	390.7	4,402.2

	Share capital (Unaudited)	Ordinary shares to be issued (Unaudited)	Share premium account (Unaudited)	Capital reserve (Unaudited)	Special reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million	HKS'million
At 1st January, 2003	64.2	-	467.1	71.9	1,062.3	1,563.6	(14.3)	(102.2)	3,112.6
Issue of shares	2.3	-	8.8	-	-	-	-	-	11.1
Share issue expenses	-	-	(0.2)	-	-	-	-	-	(0.2)
Movement in fair value of long term investments	-	-	-	-	-	7.1	-	-	7.1
Net loss for the period	-	-	-	-	-	-	-	(69.1)	(69.1)
Release on disposal of overseas subsidiary companies	-	-	-	(71.9)	-	52.4	7.9	-	(11.6)
Exchange realignments	-	-	-	-	-	-	7.7	-	7.7
At 30th June, 2003	66.5	-	475.7	-	1,062.3	1,623.1	1.3	(171.3)	3,057.6

Note: Following the termination of the sale and purchase agreement, as supplemented, in respect of the disposal of a hotel property of the Group (the "SP Agreement"), which took effect on 24th June, 2004, the Company was committed to issue certain new ordinary shares in settlement of the termination fee in the amount of HK\$39.0 million payable to the purchaser under the terms of the SP Agreement. In this connection, subsequent to the balance sheet date, on 12th July, 2004, 195.0 million new ordinary shares of HK\$0.01 each were issued by the Company at an issue price of HK\$0.20 per share.

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Net cash inflow from operating activities	160.0	55.8
Net cash inflow/(outflow) from investing activities	(25.4)	38.1
Net cash outflow from financing activities	(49.8)	(105.8)
Net increase/(decrease) in cash and cash equivalents	84.8	(11.9)
Cash and cash equivalents at beginning of period	23.2	21.3
Effect of foreign exchange rate changes, net	–	1.1
Cash and cash equivalents at end of period	<u>108.0</u>	<u>10.5</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	15.4	6.9
Non-pledged time deposits with original maturity of less than three months when acquired	92.6	3.6
	<u>108.0</u>	<u>10.5</u>



Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

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

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, 2003.

2. 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 the other business segments. Summary details of the business segments are as follows:

- (a) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;
- (b) the property development and investment segment includes investments in properties for sale and for rental income, and the provision of property agency and management services;
- (c) the brewery operations segment represents the Group's brewery operations in Mainland China; and
- (d) the others segment mainly comprises the Group's laundry services, bakery operations and other investments.

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

	Hotel ownership and management		Property development and investment		Brewery operations		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003	Six months ended 30th June, 2004	2003
	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m	(Unaudited) HK\$'m
Segment revenue:												
Sales to external customers	454.3	323.0	5.1	-	26.1	17.6	1.1	2.0	-	-	486.6	342.6
Intersegment sales	1.2	0.1	0.2	0.2	-	-	4.9	4.1	(6.3)	(4.4)	-	-
Total	455.5	323.1	5.3	0.2	26.1	17.6	6.0	6.1	(6.3)	(4.4)	486.6	342.6
Segment results	289.2	(16.7)	2.9	-	(0.1)	(3.9)	0.8	0.2	-	-	292.8	(20.4)
Interest income and unallocated non-operating and corporate gains											0.5	0.2
Unallocated non-operating and corporate expenses											(9.1)	(15.6)
Profit/(Loss) from operating activities											284.2	(35.8)
Finance costs											(50.5)	(82.0)
Share of profits less losses of:												
Jointly controlled entity	-	-	59.3	(0.1)	-	-	-	-	-	-	59.3	(0.1)
Associates	(0.2)	(0.5)	-	-	-	-	(6.7)	(1.0)	-	-	(6.9)	(1.5)
Profit/(Loss) before tax											286.1	(119.4)
Tax											(1.0)	50.3
Profit/(Loss) before minority interests											285.1	(69.1)
Minority interests											-	-
Net profit/(loss) from ordinary activities attributable to shareholders											285.1	(69.1)





(b) Geographical segments

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

Group

	Hong Kong		Mainland China		Canada		Eliminations		Consolidated	
	Six months ended 30th June, 2004	2003 (Unaudited) HK\$'m	Six months ended 30th June, 2004	2003 (Unaudited) HK\$'m	Six months ended 30th June, 2004	2003 (Unaudited) HK\$'m	Six months ended 30th June, 2004	2003 (Unaudited) HK\$'m	Six months ended 30th June, 2004	2003 (Unaudited) HK\$'m
Segment revenue:										
Sales to external customers	460.5	292.8	26.1	17.6	-	32.2	-	-	486.6	342.6

3. Discontinued Operation

As previously reported, on 3rd September, 2002, the 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 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\$34.4 million was accounted for in the prior period's 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\$195.8 million) have no recourse against the Group.

The turnover, expenses and results attributable to the discontinued operation for the period from 1st January, 2003 to 25th June, 2003 (date of completion of disposal of the Canadian hotel operation) were as follows:

	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million
TURNOVER	32.2
Cost of sales	<u>(37.3)</u>
Gross loss	(5.1)
Administrative expenses	(1.9)
Other operating expenses	<u>(1.1)</u>
LOSS FROM OPERATING ACTIVITIES	(8.1)
Finance costs	<u>(4.2)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u><u>(12.3)</u></u>

The net cash flows attributable to the discontinued operation were as follows:

Operating	0.1
Investing	(0.3)
Financing	<u>(5.4)</u>
Net cash outflows	<u><u>(5.6)</u></u>

4. Other Revenue

Other revenue includes the following major item:

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Interest income	<u><u>0.2</u></u>	<u><u>0.1</u></u>

**5. Other Operating Expenses**

Other operating expenses include the following major items:

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	19.9	21.2
Termination fee in respect of cancellation of the disposal of a hotel property	39.0	-
	<u> </u>	<u> </u>

6. Finance Costs

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans, convertible bonds and other loans wholly repayable within five years	45.4	78.5
Amortisation of deferred expenditure	5.1	3.5
	<u> </u>	<u> </u>
Total finance costs	<u>50.5</u>	<u>82.0</u>

7. Tax

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Group:		
Current - overseas		
Provision for tax in respect of profits for the period	0.1	0.1
Deferred tax expenses/(income)	0.9	(50.4)
	<u> </u>	<u> </u>
Tax charge/(credit) for the period	<u>1.0</u>	<u>(50.3)</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits or had available tax losses brought forward from prior years to offset the assessable profits, derived from or earned in Hong Kong during the period (2003 - nil).

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 (2003 - nil).

Deferred tax expenses/(income) have been calculated by applying the rate that is expected to apply in the period when the asset is realised or the liability is settled.

8. 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\$285.1 million (2003 - net loss of HK\$69.1 million), adjusted for the unpaid preference dividend for the period of HK\$3.4 million (2003 - HK\$3.4 million), and on the weighted average of 7,885.1 million (2003 - 6,330.1 million) ordinary shares of the Company in issue during the period (including the effect of additional ordinary shares to be issued arising from the termination of the SP Agreement for the period from 24th June, 2004, the effective date of the termination of the SP Agreement, to 30th June, 2004).

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

The calculation of diluted earnings per ordinary share for the period ended 30th June, 2004 is based on the adjusted net profit from ordinary activities attributable to ordinary shareholders for the period of HK\$281.7 million as used in the basic earnings per ordinary share calculation, and on the adjusted weighted average of 8,152.9 million ordinary shares of the Company that would have been in issue during the period assuming all outstanding optional convertible bonds of the Group were converted into ordinary shares of the Company at the beginning of the period. The conversion of the outstanding convertible preference shares of the Company is anti-dilutive for the period. In addition, the exercise price of the share options of the Company outstanding during the period is higher than the average market price of the Company's ordinary shares and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

No diluted loss per ordinary share was presented for the period ended 30th June, 2003 as the exercise of share options and the conversion of convertible preference shares and convertible bonds of the Company were anti-dilutive for that period.

9. Dividend

The Directors have resolved not to declare the payment of any interim dividend in respect of the ordinary shares for the financial year ending 31st December, 2004 (2003 - nil).

At 30th June, 2004, there was cumulative unpaid dividend in arrears of HK\$38.1 million (31st December, 2003 - HK\$34.7 million) for the outstanding preference shares. Pursuant to the terms of the preference shares, if preference dividend is six months or more in arrears, the holders of the preference shares will have the right to receive notice of and, unless all such arrears have been paid prior to the time for holding the meeting, to attend and vote at general meetings of the Company. This unpaid dividend has not been incorporated in the interim condensed consolidated financial statements.



10. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$41.6 million (31st December, 2003 - HK\$38.2 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	36.5	35.9
Between 4 to 6 months	2.5	2.8
Between 7 to 12 months	4.0	3.0
Over 1 year	8.8	8.0
	<hr/>	<hr/>
	51.8	49.7
Provisions	(10.2)	(11.5)
	<hr/>	<hr/>
	41.6	38.2
	<hr/> <hr/>	<hr/> <hr/>

Credit terms

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

11. Creditors and Accruals

Included in the balance is an amount of HK\$52.4 million (31st December, 2003 - HK\$57.5 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	41.2	46.3
Between 4 to 6 months	5.2	6.0
Between 7 to 12 months	2.4	0.4
Over 1 year	3.6	4.8
	<hr/>	<hr/>
	52.4	57.5
	<hr/> <hr/>	<hr/> <hr/>

12. Related Party Transactions

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

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Consultancy fees in respect of hotel property development projects paid to a wholly-owned subsidiary company of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company (Note)	18.7	–
Advertising and promotion fees (including cost reimbursements) paid to an associate	3.4	2.9
Management costs allocated from Century City International Holdings Limited ("CCIHL"), the listed ultimate holding company of the Company	4.5	5.7
	<u>4.5</u>	<u>5.7</u>

Note: During the period, consultancy fees were paid to a subsidiary company of PHL for services rendered in connection with the settlement of certain claims with the Airport Authority Hong Kong (the "Airport Authority") relating to the construction of the Regal Airport Hotel at Chek Lap Kok. The fees include a basic fee plus a success fee calculated by reference to the term of the sub-lease extension concluded with the Airport Authority upon settlement of all claims.

The nature and terms of other related party transactions above are similar to those disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2003.

At the balance sheet date, the Group also had a guarantee given in respect of banking facilities granted to a jointly controlled entity as detailed in note 14(a).

13. Pledge of Assets

At 30th June, 2004, certain of the Group's time deposits, long term investments, hotel properties, leasehold properties and equipment, inventories and receivables with a total carrying value of HK\$7,620.7 million (31st December, 2003 - HK\$7,524.9 million) and the shares in certain subsidiary companies and a jointly controlled entity were pledged to secure general banking facilities granted to the Group and the jointly controlled entity.

**14. Contingent Liabilities**

- (a) At 30th June, 2004, a corporate guarantee in the amount of HK\$2,359.0 million (31st December, 2003 – HK\$2,359.0 million) had been given by the Company in respect of banking facilities granted to a jointly controlled entity. The amount outstanding on these facilities attributable to the Company at the end of the period amounted to HK\$720.8 million (31st December, 2003 – HK\$2,255.4 million).
- (b) The Group has a contingent liability in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of HK\$9.2 million as at 30th June, 2004 (31st December, 2003 – HK\$11.1 million). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group and are eligible for long service payments under the Employment Ordinance, if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

15. Operating Lease Arrangements

- (a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 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, 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Within one year	14.2	11.4
In the second to fifth years, inclusive	11.0	11.9
	<u>25.2</u>	<u>23.3</u>

- (b) As lessee

The Group leases certain office and shop units 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.

At 30th June, 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	2.4	3.9
In the second to fifth years, inclusive	8.8	10.1
After the fifth year	1.4	2.5
	<u>12.6</u>	<u>16.5</u>

16. Commitments

In addition to the operating lease commitments detailed in note 15(b) above, the Group had the following outstanding capital commitments:

	30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	HK\$'million	HK\$'million
Capital commitments in respect of the renovation of or improvements to the hotel properties:		
Authorised and contracted for	16.6	3.4
Authorised, but not contracted for	47.1	86.9
	63.7	90.3
	63.7	90.3

17. 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) At the special general meeting of the Company held on 19th July, 2004 (the "SGM"), an ordinary resolution was duly passed by the shareholders of the Company with respect to the issue by Cheerview Limited (the "Issuer"), a wholly owned subsidiary company of the Company, of 2% Guaranteed Convertible Bonds due 2007, guaranteed by, and convertible into ordinary shares of, the Company (the "2% Convertible Bonds") up to an aggregate principal amount of HK\$400.0 million (comprising firm bonds in an aggregate principal amount of HK\$200.0 million (the "Firm Bonds") and optional bonds of up to an aggregate principal amount of HK\$200.0 million) (the "Optional Bonds") to the relevant third party purchasers pursuant to the two subscription agreements both dated 3rd June, 2004 (the "Subscription Agreements") relating to the issue of the 2% Convertible Bonds.

On 21st July, 2004, two of the purchasers subscribed for, and to whom the Issuer issued, the Firm Bonds. The cash proceeds arising therefrom were used substantially for repayment of bank indebtedness of the Group. The Firm Bonds will be convertible into a total of 800.0 million new ordinary shares of the Company, at the initial conversion price of HK\$0.25 per ordinary share (subject to adjustments).

Dr. Francis Choi Chee Ming, who was subsequently appointed as a non-executive director and the vice-chairman of the Company on 18th August, 2004, holds 100% equity interest in the purchaser under one of the Subscription Agreements which subscribed for HK\$100.0 million of the Firm Bonds and has the right to subscribe for Optional Bonds up to principal amount of HK\$100.0 million.

- (ii) At the SGM, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company to its shareholders, on the basis of one unit of Warrants carrying a subscription right of HK\$0.25 for every ten ordinary shares of the Company held by the shareholders on the register of members of the Company on 19th July, 2004.

On 2nd August, 2004, Warrants carrying aggregate subscription rights of approximately HK\$208.5 million were issued to the shareholders of the Company. The Warrants confer rights on their holders to subscribe for up to approximately 834.0 million new ordinary shares of the Company at the initial subscription price of HK\$0.25 per ordinary share (subject to adjustments), at any time from the date falling 6 months after the date of issue to the date falling 7 days prior to the third anniversary of the date of issue.

- (iii) At the SGM, an ordinary resolution was duly passed by the shareholders of the Company with respect to the increase in the authorised share capital of the Company by the creation of an additional 10,000.0 million new ordinary shares of par value HK\$0.01 each of the Company. As a result, the authorised share capital of the Company now comprises HK\$200.0 million divided into 20,000.0 million ordinary shares and US\$167,480 divided into 16,748 5/4% convertible cumulative redeemable preference shares of par value US\$10 each.



18. Share Options

The Company operates an executive share option scheme (the "Share Option Scheme"). The Share Option Scheme was approved by the Company'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 Directors' interests in and movements in the outstanding share option granted by the Company pursuant to the Share Option Scheme are as follows:

Date of grant of share option	Name of Director	Number of ordinary shares under share option**			Vesting period*/ Exercise period of share option	Exercise price of share option** HK\$
		At 1st January, 2004	Movement during the period	At 30th June, 2004		
22nd February, 1997	Ms. Belinda Yeung Bik Yiu					
	Vested:	648,000	-	756,000	Note 1	2.1083
	Unvested:	432,000	-	324,000	Note 1	
	Total:	1,080,000	-	1,080,000		

* The vesting period of the share option 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.

Notes:

1. Vesting/Exercise Periods of Option:

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 are unable to arrive at an accurate assessment of the value of the option granted.

The exercise in full of the outstanding right which has vested with the holder of the option 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 0.8 million additional ordinary shares and share premium of HK\$1.6 million (before issue expenses).

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

	Name of Director	Class of Shares Held	Number of Shares Held				Total (Approximate percentage of the Issued Shares as at 30th June, 2004)
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (issued)	220,000	-	4,370,380,259 (Notes a(v) & d)	-	4,370,600,259 (53.66%)
		Preference (issued)	-	-	3,440 (Note a(v))	-	3,440 (20.54%)
	Mrs. Kitty Lo Lee Kit Tai (Note h)	Ordinary (issued)	2,370,000	-	-	-	2,370,000 (0.032%)
		Ordinary (unissued)	1,080,000 (Note e)	-	-	-	1,080,000 (0.013%)
	Name of Associated Corporation						
2. Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	543,344,843	-	2,185,994,246 (Note a(i))	-	2,729,339,089
		Ordinary (ii) unissued	-	-	10,210,000,000 (Note a(ii))	-	10,210,000,000
						Total (i) & (ii):	12,939,339,089 (239.76%)



	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held				Total (Approximate percentage of the Issued Shares as at 30th June, 2004)
				Personal Interests	Family Interests	Corporate Interests	Other Interests	
2.	CCIHL	Mrs. Kitty Lo Lee Kit Tai (Note h)	Ordinary (issued)	2,510,000	-	-	-	2,510,000 (0.047%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	1,659,800	-	-	-	1,659,800 (0.031%)
		Ms. Belinda Yeung Bik Yiu	Ordinary (issued)	2,000	-	-	-	2,000 (0.0001%)
3.	Pailburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary (i) issued	442,765	-	3,276,817,477 (Note a(iii))	200,000,000 (Note b)	3,477,260,242
			(ii) unissued	-	-	1,240,000,000 (Notes a(iv) & c)	-	1,240,000,000
			Preference (issued)	-	-	1,240,000,000 (Notes a(iv) & c)	-	1,240,000,000 (100%)
		Mr. Donald Fan Tung	Ordinary (issued)	2,718	-	-	-	2,718 (0.00005%)
		Mrs. Kitty Lo Lee Kit Tai (Note h)	Ordinary (issued)	100,000	-	-	-	100,000 (0.002%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	284,000	-	-	-	284,000 (0.006%)
4.	8D International (BVI) Limited ("8D-BVI")	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	1,000 (Note f)	-	1,000 (100%)
5.	Network Sky Limited	Mrs. Kitty Lo Lee Kit Tai (Note h)	Ordinary (issued)	-	-	50,000 (Note g)	-	50,000 (25%)
							Total (i) & (ii):	4,717,260,242 (93.25%)

Notes:

(a) (i) The shares were held through companies wholly owned by Mr. Lo Yuk Sui and a company, namely Master City Limited, 99.9% owned by Mr. Lo Yuk Sui.

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

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

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

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

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

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

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



- (v) The shares were held through companies wholly owned by PHL, in which CCIHL held 64.78% shareholding interests as at 30th June, 2004.
- (b) As at 30th June, 2004, Mr. Lo Yuk Sui was the trustee for Select Wise Trust, of which Select Wise Holdings Limited, a substantial shareholder of CCIHL and PHL, was the beneficiary.
- (c) 1,240,000,000 convertible preference shares of PHL ("PHL Preference Shares") are convertible into 1,240,000,000 ordinary shares of PHL on the basis of one PHL Preference Share for one ordinary share of PHL.
- (d) Included the balance of 716,576,649 shares charged by a wholly-owned subsidiary of PHL (the "SPV") in favour of a trustee for the holders of, and forming the exchange property (the "Exchange Property") in respect of, the Series B Bonds issued as part of the restructuring and settlement proposal in respect of the then existing bonds of the PHL Group on 31st October, 2002 (the "Settlement Closing Date"). The Exchange Property was to be released to the holders of the Series B Bonds (the "Series B Bondholders") in four quarterly tranches on each dates falling 12, 15, 18 and 21 months after the Settlement Closing Date, subject to certain early release provisions. A total balance of 242,451,649 shares under the first three tranches (the "Released Tranches") remained within the Exchange Property which were deliverable to the Series B Bondholders at any time upon request. The Exchange Property, including any remaining balance of shares under the Released Tranches and the fourth tranche comprising 474,125,000 shares, were released and ceased to be held by the SPV on 31st July, 2004.
- (e) Details of Directors' interests in share options granted by the Company are set out in note 18 to the condensed consolidated financial statements.
- (f) 400 shares were held through companies controlled by CCIHL and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.
- (g) The shares were held through a company wholly owned by Mrs. Kitty Lo Lee Kit Tai.
- (h) Mrs. Kitty Lo Lee Kit Tai resigned as a Director of the Company on 18th August, 2004.

Save as disclosed herein, as at 30th June, 2004, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Save as disclosed in note 18 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 under the Share Option Scheme (as referred to in note 18 to the condensed consolidated financial statements) and no option granted to such persons under the Share Option Scheme has been cancelled and lapsed:

- (i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;
- (ii) any participant under the Share Option Scheme 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 under the Share Option Scheme.



SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2004, the following substantial shareholders (as defined in the Listing Rules) (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

(I) Long Position

Name of Substantial Shareholder	Number of Issued Ordinary Shares Held	Number of Underlying Ordinary Shares (Unissued) Held	Approximate percentage of the Issued Ordinary Shares as at 30th June, 2004
CCIHL (Notes i and v)	4,376,558,443	–	53.73
Century City BVI Holdings Limited (Notes ii and v)	4,376,558,443	–	53.73
PHL (Notes iii and v)	4,376,558,443	–	53.73
Paliburg Development BVI Holdings Limited (Notes iv and v)	4,376,558,443	–	53.73
Paliburg International Holdings Limited (Note iv)	2,390,392,820	–	29.35
Paliburg BVI Holdings Limited (Note iv)	2,390,392,820	–	29.35
Taylor Investments Ltd. (Note iv)	1,402,111,870	–	17.21
Smart Emerald Limited ("Smart Emerald") (Notes iv and v)	722,524,833	–	8.87
Tower Bright Limited ("Tower Bright") (Notes iv and v)	722,524,833	–	8.87
AB (Ultimate Holdings) Limited ("ABUH")	723,043,170	–	8.88
AB Issuer (No.1) Limited ("ABI No.1") (Notes vi and vii)	723,043,170	–	8.88
AB Issuer (No.2) Limited ("ABI No.2") (Notes vi and vii)	723,043,170	–	8.88
Dr. CHOI Chee Ming (Note (viii))	–	800,000,000	9.82
Clovering Enterprise Limited (Notes (viii) and (xi))	–	800,000,000	9.82

(II) Short Position

Name of Substantial Shareholder	Number of Issued Ordinary Shares Held	Number of Underlying Ordinary Shares (Unissued) Held	Approximate percentage of the Issued Ordinary Shares as at 30th June, 2004
ABUH	723,043,170	–	8.88
ABI No. 1 (Notes vi and vii)	723,043,170	–	8.88
ABI No. 2 (Notes vi and vii)	723,043,170	–	8.88

Notes:

- (i) These interests in ordinary shares were duplicated in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under the section above headed "Directors' Interests in Share Capital" above.
- (ii) This company is a wholly owned subsidiary company of CCIHL and its interests in the ordinary shares of the Company are included in the interests held by CCIHL.
- (iii) PHL is a listed subsidiary company of CCIHL (which, as at 30th June, 2004, held 64.78% shareholding interests in PHL) and its interests in the ordinary shares of the Company are included in the interests held by CCIHL.
- (iv) These companies are wholly owned subsidiary companies of PHL and their interests in the ordinary shares of the Company are included in the interests held by PHL.
- (v) 722,524,833 ordinary shares were charged by Tower Bright in favour of a trustee for the holders of the Series B Bonds (as referred to in Note (d) under the section above headed "Directors' Interests in Share Capital"), as last reported by CCIHL and PHL prior to 30th June, 2004.
- (vi) These companies are wholly owned subsidiary companies of ABUH and their interests in the ordinary shares of the Company are included in the interests held by ABUH.
- (vii) 723,043,170 ordinary shares are deemed interests held by ABI No.1 and ABI No.2, which are the issuers of the Series B Bonds (as referred to in Note (d) under the section above headed "Directors' Interests in Share Capital"), as last reported by such companies prior to 30th June, 2004.
- (viii) The derivative interests in 800,000,000 new ordinary shares of the Company are indirectly held by Dr. Choi Chee Ming, through Clovering Enterprise Limited ("Clovering Enterprise"), and were acquired through the entering into of a conditional subscription agreement dated 3rd June, 2004 between Cheerview Limited ("Cheerview"), a wholly owned subsidiary of the Company, Clovering Enterprise and the Company relating to the issue by Cheerview to Clovering Enterprise 2% Guaranteed Convertible Bonds due 2007 (the "Bonds"), guaranteed by, and convertible into new ordinary shares of, the Company, up to an aggregate principal amount of HK\$200,000,000 (comprising firm bonds of an aggregate principal amount of HK\$100,000,000 (the "Firm Bonds") and optional bonds of up to an aggregate principal amount of HK\$100,000,000). The Bonds will be convertible into a total number of 800,000,000 new ordinary shares of the Company at the initial conversion price of HK\$0.25 per share (subject to adjustments). On 21st July, 2004, the Firm Bonds were issued to Clovering Enterprise. Subsequently, on 18th August, 2004, Dr. Choi Chee Ming was appointed as a Non-Executive Director and the Vice Chairman of the Company.



- (ix) Clovering Enterprise is wholly owned by Dr. Choi Chee Ming and its derivative interests in new ordinary shares of the Company are included in the interests held by Dr. Choi Chee Ming.

Save as disclosed herein, there is no person who, as at 30th June, 2004, 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 RULES 13.13, 13.16 AND 13.18 OF CHAPTER 13 OF THE LISTING RULES

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

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 70% by the Company and 30% by China Overseas Land & Investment Limited, 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), by the Company and its subsidiary companies (the "Group") as at 30th June, 2004 are set out below:

Advances	Group (HK\$'million)
(A) Principal Amount of Advances	2,763.8
(B) Interest Receivable	379.2
(C) Several Guarantee for Amount of Bank Loans Outstanding	720.8
Total: (A)+(B)+(C)	<u>3,863.8</u>

The above advances to Chest Gain in an aggregate sum of HK\$3,143.0 million (before a provision of HK\$1,407.6 million) included an amount of HK\$1,701.1 million, which represented the gross amount of the advances attributable to the additional 40% interest in Chest Gain acquired from PHL in 2002 as detailed in the audited consolidated financial statements for the year ended 31st December, 2002. Such contributions 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 the 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 the "Regalia Bay" luxury residential project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Regalia Bay Development"). The site for the Regalia Bay Development was acquired by Chest Gain at the government land auction held on 3rd June, 1997. The above guarantee was provided by the Company on a several basis in proportion to its shareholding interests in Chest Gain and was given in respect of the total 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 land site and financing the construction costs required for the Regalia Bay Development.



The sale programme for the Regalia Bay Development first commenced in September 2003 and the entire development was completed in March 2004. Net proceeds received from the sale of the houses at the Regalia Bay Development have been continuously applied towards repayment of the amounts drawn down and outstanding under the bank loan facilities. As any amounts repaid under the bank loan facilities cannot be redrawn, the amount of the above guarantee provided by the Company was calculated by reference to the loan amounts outstanding under the bank loan facilities as at 30th June, 2004.

Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 30th June, 2004 provided by the Group to Chest Gain in the sum of HK\$3,863.8 million (based on the amount of bank loans outstanding) represented 42.5% of the consolidated total assets of the Company of HK\$9,085.0 million (the "Regal TA"), by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2004.

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

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 30th June, 2004 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Bank Facilities based on the Amount of Bank Loans Outstanding (HK\$'million)
Chest Gain	(A) 2,763.8	(B) 379.2	(C) 720.8
8D International (BVI) Limited	(D) 28.9	–	Nil
8D Matrix Limited	(E) 0.5	–	Nil
Bright Future (HK) Limited	(F) 5.6	–	Nil
Network Sky Limited	(G) 1.1	–	Nil
		Total: (A)+(B)+(C)+(D) to (G)	<u>3,899.9</u>

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

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which is now principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo Yuk Sui. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest free and have no fixed term of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company (the Company 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 Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest free and have no fixed term of repayment.

Bright Future (HK) Limited ("Bright Future"), a 50% owned associate of the Company, 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 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 Bright Future were provided by the Group in the form of shareholder's loans in proportion to the Company'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 PHL, 25% indirectly by Mrs. Kitty Lo Lee Kit Tai, a director of the Company (until 18th August, 2004) and PHL, 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, 2004, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group in the sum of HK\$3,899.9 million (based on the amount of bank loans outstanding of Chest Gain) represented 42.9% of the Regal TA.



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

	Pro-forma combined balance sheet (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	38.1	14.5
Current assets	3,663.0	2,560.6
Current liabilities	(1,359.5)	(950.9)
Non-current liabilities	(6,311.5)	(4,375.0)
	<hr/>	<hr/>
Net liabilities	(3,969.9)	(2,750.8)
	<hr/> <hr/>	<hr/> <hr/>

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

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

		Outstanding Balance of Bank Facilities as at 30th June, 2004 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
The Group	(a)	1,034.2	December 2012	Note (i)
	(b)	3,323.8	December 2006	Note (ii)
		<hr/>		
Total:		4,358.0		
		<hr/> <hr/>		

Notes:

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of CCIHL, which holds a 63.21% shareholding interest in PHL (which in turn holds a 45.0% shareholding interest in the Company), and/or members of his immediate family, or a trust or trusts under which they are beneficially interested (collectively, "Mr. Lo") shall not cease to maintain controlling interest (directly or indirectly) in respect of shareholding (as defined under the Listing Rules) and management control of the Company.
- (ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in the Company.

CORPORATE GOVERNANCE

Code of Best Practice

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 specific terms. However, they were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the Bye-laws of the Company.

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee. At the date of approval of this interim report, the Audit Committee comprised Mr. Dominic Lai (Chairman of the Committee), Mr. Thomas Ng Wai Hung and Dr. Alex Wu Shu Chih, all being independent Non-Executive Directors of the Company, and Dr. Francis Choi Chee Ming, who was appointed as a Non-Executive Director and the Vice Chairman of the Company on 18th August, 2004 and a member of the Audit Committee on 6th September, 2004. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public 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, 2004.

Code of Conduct for Securities Transactions by Directors

The Company has adopted the "Code for Securities Transactions by Directors of Regal Hotels International Holdings Limited" (the "Regal Code"), on no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct governing the securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code and the Regal Code during the six months ended 30th June, 2004.

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 six months ended 30th June, 2004.



INDEPENDENT AUDITORS' REVIEW REPORT

**To the Board of Directors
Regal Hotels International Holdings Limited**

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 9 to 24.

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 Institute of Certified Public 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 Institute of Certified Public Accountants. A review consists principally of making enquiries of 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.

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, 2004.

Ernst & Young
Certified Public Accountants

Hong Kong
16th September, 2004