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REVIEW AND OUTLOOK

For the six months ended 30th June, 2004, the Group recorded an unaudited consolidated net profit attributable to shareholders of HK\$36.7 million, as compared with a net profit of HK\$283.1 million attained in the corresponding period in 2003. It should however be noted that, as explained before, the net profit attained in the corresponding period last year was primarily the result of an accounting profit recognised on the deemed disposal of shareholding interest in Paliburg Holdings Limited.

During the period under review, the Company continued to engage primarily in the negotiations with its financial creditors with a view to concluding a consensual debt restructuring. As previously reported, the financial restructuring proposal presented by the Company essentially involves the settlement of a large majority of the outstanding indebtedness of the Century City Group by their conversion into one or more financial instruments and convertible securities proposed to be issued by the Century City Group and the remaining small minority portion of the outstanding indebtedness to be replaced by new loans. In January this year, the Company obtained the written in-principle approvals of the proposal from all its financial creditors. Those approvals were not legally binding and would be subject to finalisation and execution of the definitive legal agreements among the parties concerned.

Due to the complexity of the debt restructuring and the number of financial creditors involved, the process for the finalisation of the proposal has taken much longer time than originally expected. As announced by the Company on 29th June, 2004, the parties to the Share Swap Agreement entered into a third supplemental agreement to extend the Exchange Period under the Share Swap Agreement from 30th June, 2004 to 30th September, 2004. The purpose of the further extension is to allow the Company to continue to have the benefit of the mechanism provided in the Share Swap Agreement to maintain a majority shareholding interest in Paliburg, with a view to facilitating the ongoing negotiations with the financial creditors of the Century City Group for the finalisation of the debt restructuring.

As most of the outstanding issues with the financial creditors have now been resolved, it is anticipated that, barring any unforeseen circumstances, the detailed terms of the debt restructuring should be able to be finalised and concluded within a relatively short time. Nevertheless, it should also be cautioned that the implementation of the consensual debt restructuring would require the formal agreement of all the financial creditors involved and all necessary approvals required being obtained. Shareholders will be kept posted on any material development in this respect.

For the six months ended 30th June, 2004, Paliburg attained an unaudited consolidated net profit attributable to shareholders of HK\$127.5 million, representing an increase of about 7 times as compared with the HK\$15.8 million recorded in the corresponding period in 2003.

Since the beginning of this year, Paliburg has undertaken a number of equity placements with a view to strengthening its capital base. Aggregate net equity funds of approximately HK\$106.4 million were raised under those share placements, part of which had been utilised to fund the acquisition by Paliburg of additional interests in Regal Hotels International Holdings Limited.



Following the final release in July 2004 of all the Regal shares remaining to be delivered to the former bondholders of Paliburg pursuant to the Bonds Settlement, Paliburg still holds at present approximately 45.0% of the existing issued shares of Regal. In addition, Paliburg is holding approximately 43.1% of the outstanding warrants of Regal issued by Regal pursuant to its bonus issue of warrants in August 2004 as well as certain outstanding convertible preference shares of Regal. It is the intention of Paliburg to maintain the holding of an effective controlling shareholding interest in Regal, which presently constitutes Paliburg's most significant investment asset.

As previously reported, the rezoning of the development site at Ap Lei Chau Inland Lot No.129, in which Paliburg retains a 30% joint venture interest, has been formally approved. The proposed development entails primarily residential accommodation having gross floor area of about 900,000 square feet together with certain ancillary retail, recreational and car parking facilities. It is anticipated that the basic terms of the lease modification will be issued before the end of this year.

The certificate of compliance for the "Rainbow Lodge" residential development at 9 Ping Shan Lane in Yuen Long was issued in January this year. This development has a total of 16 duplex units with aggregate gross floor area of about 30,800 square feet. The sale programme has progressed satisfactorily and the profits realised from the units sold have been reflected in the results for the period under review.

Paliburg has retained professional consultants to advise on the formulation of a revised proposal for an overall comprehensive development scheme centering on the various lots owned in Sharp Island, Sai Kung, which entails resort hotel, water sports, recreational, spa and other related accommodations and facilities. In this regard, due consultations with the relevant government departments are in progress.

Paliburg continues to hold for rental income all the office floors with total gross floor area of about 60,900 square feet, and certain ground floor shops with total gross floor area of 2,200 square feet, at the commercial building at 211 Johnston Road, Wanchai. As the local market for commercial properties continues to recover, the sale programme previously contemplated has been put in abeyance for the time being.

In the People's Republic of China, negotiations are continuing with the third party purchaser for the possible remedy of its default under the agreement entered into in July 2003 for the sale of Paliburg's equity interest in the joint venture project at Gong Ren Ti Yu Chang Street East, Chao Yang District in Beijing. With regard to the other joint venture development project at Chao Yang Men Wai Da Jie in Chao Yang District in Beijing, while Paliburg continues to negotiate with prospective investors for the sale of its interest held at an indicative price substantially above its carrying value (which was stated at HK\$56.9 million as at 30th June, 2004), the joint venture parties involved have been actively negotiating with the relevant local government authorities to secure the vesting of the requisite land title into the joint venture entity.

For the six months ended 30th June, 2004, Regal 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 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, management of Regal 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 Regal's hotel businesses.

Despite recent concerns over the possible increase in the future supply of hotel rooms in Hong Kong, Regal 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, Regal is actively reviewing plans to refurbish or upgrade, in stages, its hotel properties in Hong Kong. In the meantime, Regal 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, Regal may consider acquiring or developing new hotel properties in Hong Kong, given Regal'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, Regal is actively considering a long-term refinancing proposal for the Regal group's existing bank loans.

As announced on 8th June, 2004, Regal 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 by Regal to the purchaser of 195.0 million new ordinary shares of Regal. 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 Regal 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, Regal 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 Regal 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 Regal and steps are being taken to convert the brewery into an entity wholly owned by Regal. 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, Regal 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 Regal 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 Regal's bank indebtedness.

In that same joint announcement, Regal also announced a proposal for the bonus issue of warrants to its shareholders on the basis of one warrant with subscription right of HK\$0.25 for every 10 ordinary shares held in Regal. Pursuant to the bonus warrants proposal, warrants carrying aggregate subscription rights of approximately HK\$208.5 million, including the relevant entitlements receivable by Paliburg, had been duly issued by Regal in early August 2004. The warrants will be exercisable by their holders for subscription of new ordinary shares of Regal 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, Regal will receive additional equity funds of approximately HK\$208.5 million.



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. Regal 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 five Regal 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 Regal for the whole year of 2004 should significantly surpass those recorded for the financial year of 2003.

Having now fully stabilised its overall financial position, Paliburg will seek to further expand its capital base with a view to providing additional funds for its business expansion plans. Paliburg will also seek to capitalise on its vast experience and expertise in the property and related businesses to explore appropriate development and investment opportunities in Hong Kong, as well as in certain selected cities in Mainland China, so as to strengthen and revitalise its asset portfolio.

If the Company's consensual debt restructuring can be successfully implemented, management believes that the Century City Group would equally be able to rebuild its financial strength and to progress steadily forward towards sustained revival, as what Regal and Paliburg have been capable to achieve.

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 an interim dividend for the financial year ending 31st December, 2004 (2003 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

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

Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities amounted to HK\$133.9 million (2003 - HK\$54.3 million). Net interest payment for the period amounted to HK\$52.2 million (2003 - HK\$53.7 million).

During the period under review, there was no change in the capital structure of the Company.

Borrowings

As at 30th June, 2004, the Group's gross borrowings net of cash and bank balances amounted to HK\$5,388.2 million (31st December, 2003 - HK\$5,431.6 million). Gearing ratio based on total assets of HK\$10,107.0 million (31st December, 2003 - HK\$9,893.1 million) was 53.3% (31st December, 2003 - 54.9%). As disclosed in note 2 to the condensed consolidated financial statements, the Company itself is in the course of finalising the detailed terms of a debt restructuring proposal with its financial creditors.



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 RHIHL Group (comprising Regal Hotels International Holdings Limited ("RHIHL") and its subsidiary companies), engaged in 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 certain corporate guarantees in the amount of HK\$720.8 million (31st December, 2003 - HK\$2,255.4 million) provided in respect of the outstanding bank loan under certain banking facilities granted to the jointly controlled entity. These banking facilities were granted to the jointly controlled entity solely for the purpose to finance the Regalia Bay development.

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 RHIHL Group concluded a loan rescheduling agreement (the "Rescheduling Agreement") with its bank lenders on 30th September, 2003 relating to the RHIHL Group's 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 RHIHL 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 RHIHL Group entered into a sale and purchase agreement (the "SP Agreement") for the disposal of its 100% interest in a subsidiary company which indirectly owns the Regal Oriental Hotel. Subsequently, on 30th March, 2004, the parties to the SP Agreement entered into a supplemental agreement to the SP Agreement to extend the completion date of the SP Agreement to 30th June, 2004 and to reinstate the termination option (in a revised form) to the RHIHL Group to terminate the SP Agreement (the "ROH Option"). The arrangement under the supplemental agreement was intended to facilitate the RHIHL Group's formulation of alternative business plans, whereby the relevant debt reduction milestones required under the Rescheduling Agreement could be met without the disposal of its hotel properties.

On 3rd June, 2004, the RHIHL 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 RHIHL 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 new ordinary shares of RHIHL 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. 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 1,800 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 benefit plans maintained by the Group include provident fund scheme and medical and life insurance.

Paliburg Holdings Limited ("PHL"), the immediate listed subsidiary company of the Company, and RHIHL, the listed subsidiary company of PHL, each maintains an Executive Share Option Scheme, pursuant to which certain share options were granted under the Executive Share Option Schemes of PHL and RHIHL 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	3	570.4	396.1
Cost of sales		(352.1)	(322.9)
Gross profit		218.3	73.2
Other revenue	5	60.8	345.7
Administrative expenses		(40.0)	(48.2)
Other operating expenses, net	6	(72.3)	(40.9)
Loss on disposal of overseas subsidiary companies		–	(9.7)
Write-back of impairment of properties		–	39.6
Write-back of impairment of a hotel property		165.8	–
PROFIT FROM OPERATING ACTIVITIES	3	332.6	359.7
Finance costs	7	(105.1)	(149.8)
Share of profits less losses of:			
Jointly controlled entity		59.3	(0.1)
Associates		(9.2)	(2.0)
PROFIT BEFORE TAX		277.6	207.8
Tax	8	(2.8)	48.9
PROFIT BEFORE MINORITY INTERESTS		274.8	256.7
Minority interests		(238.1)	26.4
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		36.7	283.1
Earnings/(Loss) per share (HK\$):	9		
Basic		0.007	0.074
Diluted		0.001	(0.003)

**Condensed Consolidated Balance Sheet**

		30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Fixed assets		7,339.8	7,186.6
Goodwill		254.5	260.5
Negative goodwill		(57.9)	(15.1)
Properties under development		7.2	7.2
Property held for future development		26.7	26.7
Interest in a jointly controlled entity		1,391.4	1,298.6
Interests in associates		240.5	250.2
Long term investments	11	171.3	163.5
Loans and other long term receivable		106.0	109.1
Deferred tax assets		10.8	10.4
Deferred expenditure		33.6	38.7
Other assets		0.3	0.3
		<u>9,524.2</u>	<u>9,336.7</u>
CURRENT ASSETS			
Short term investments		18.1	18.1
Properties held for sale		203.4	215.1
Hotel and other inventories		22.7	23.0
Debtors, deposits and prepayments	12	134.8	131.8
Pledged time deposits		5.1	25.9
Time deposits		168.8	112.4
Cash and bank balances		29.9	30.1
		<u>582.8</u>	<u>556.4</u>
CURRENT LIABILITIES			
Creditors and accruals	13	723.0	725.3
Tax payable		19.1	16.0
Interest bearing bank and other borrowings		2,135.4	2,053.3
Deposits received		99.5	81.6
Provisions		371.2	355.4
		<u>3,348.2</u>	<u>3,231.6</u>
NET CURRENT LIABILITIES		(2,765.4)	(2,675.2)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,758.8	6,661.5

**Condensed Consolidated Balance Sheet (Cont'd)**

		30th June, 2004 (Unaudited)	31st December, 2003 (Audited)
	Note	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES		6,758.8	6,661.5
NON-CURRENT LIABILITIES			
Interest bearing bank and other borrowings		(3,456.6)	(3,546.7)
Advances from minority shareholders of subsidiary companies		(42.4)	(42.4)
Deferred tax liabilities		(65.7)	(64.4)
Other payable		(28.7)	(28.7)
		(3,593.4)	(3,682.2)
Minority interests	14	(4,075.2)	(3,712.2)
		(909.8)	(732.9)
CAPITAL AND RESERVES			
Issued capital		539.7	539.7
Reserves		(1,449.5)	(1,272.6)
		(909.8)	(732.9)



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2004

	Share capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital 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, 2004	539.7	888.4	4.4	2,191.6	(5.9)	0.9	(4,352.0)	(732.9)
Movement in fair value of long term investments	-	-	-	-	1.3	-	-	1.3
Release on deemed disposal of the Group's interests in listed subsidiary companies	-	-	-	(215.9)	1.2	(0.2)	-	(214.9)
Net profit for the period	-	-	-	-	-	-	36.7	36.7
At 30th June, 2004	539.7	888.4	4.4	1,975.7	(3.4)	0.7	(4,315.3)	(909.8)
	Share capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital 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	381.7	888.4	4.4	2,980.3	(7.9)	(2.2)	(4,766.2)	(521.5)
Movement in fair value of long term investments	-	-	-	-	2.1	-	-	2.1
Release on deemed disposal of the Group's interests in listed subsidiary companies	-	-	-	(684.5)	2.2	0.5	-	(681.8)
Release on disposal of overseas subsidiary companies	-	-	-	(12.3)	-	-	-	(12.3)
Exchange realignments	-	-	-	-	-	3.0	-	3.0
Net profit for the period	-	-	-	-	-	-	283.1	283.1
At 30th June, 2003	381.7	888.4	4.4	2,283.5	(3.6)	1.3	(4,483.1)	(927.4)

**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	133.9	54.3
Net cash inflow/(outflow) from investing activities	(142.2)	16.0
Net cash inflow/(outflow) from financing activities	64.2	(126.7)
Net increase/(decrease) in cash and cash equivalents	55.9	(56.4)
Cash and cash equivalents at beginning of period	142.3	125.1
Effect of foreign exchange rate changes, net	–	1.1
Cash and cash equivalents at end of period	198.2	69.8
Analysis of balances of cash and cash equivalents		
Cash and bank balances	29.9	59.4
Non-pledged time deposits with original maturity of less than three months when acquired	168.8	12.8
	198.7	72.2
Bank overdrafts	(0.5)	(2.4)
	198.2	69.8

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. Basis of Presentation

As previously reported, the Group, excluding Paliburg Holdings Limited ("PHL") and its subsidiary companies, (the "CCIHL Group"), has been conducting discussions with its financial creditors with a view to formulating a consensual debt restructuring proposal to replace the current informal standstill arrangement under which repayment of their indebtedness has been suspended. In October 2002, the CCIHL Group presented a debt restructuring proposal (the "Debt Restructuring") to its financial creditors for their consideration. In January 2004, all the financial creditors confirmed their written in-principle support of the Debt Restructuring. The CCIHL Group expects to finalise the detailed terms of the Debt Restructuring with its financial creditors in the near future.

On the basis that the CCIHL Group's Debt Restructuring will be successful, 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 the 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, the leasing of office and commercial premises and the provision of estate agency services;
- (b) the construction and building related segment is engaged in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and other software development and distribution (the property management segment, which was previously separately disclosed as a business segment, was combined with the construction and building related segment in the current period in order to better reflect the performance of similar businesses within the Group);
- (c) the hotel ownership and management segment is engaged in hotel operations and the provision of hotel management services;
- (d) the brewery operations segment represents the Group's brewery operations in Mainland China; and
- (e) the others segment mainly comprises the Group's securities trading, 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

	Property development and investment		Construction and building related businesses		Hotel ownership and management		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	Six months ended 30th June, 2004	2003
	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	32.6	6.0	55.5	47.3	454.3	323.0	26.1	17.6	1.9	2.2	-	-	570.4	396.1
Intersegment sales	0.5	0.5	21.2	9.8	1.2	0.1	-	-	4.9	4.1	(27.8)	(14.5)	-	-
Total	33.1	6.5	76.7	57.1	455.5	323.1	26.1	17.6	6.8	6.3	(27.8)	(14.5)	570.4	396.1
Segment results	12.5	39.2	(0.9)	16.1	289.2	8.0	(0.1)	(3.9)	(2.1)	2.8	-	-	298.6	62.2
Interest income and unallocated non-operating and corporate gains													59.3	343.1
Unallocated non-operating and corporate expenses, net													(25.3)	(45.6)
Profit from operating activities													332.6	359.7
Finance costs													(105.1)	(149.8)
Share of profits less losses of:														
Jointly controlled entity	59.3	(0.1)	-	-	-	-	-	-	-	-	-	-	59.3	(0.1)
Associates	-	-	-	-	(0.2)	(0.5)	-	-	(9.0)	(1.5)	-	-	(9.2)	(2.0)
Profit before tax													277.6	207.8
Tax													(2.8)	48.9
Profit before minority interests													274.8	256.7
Minority interests													(238.1)	26.4
Net profit from ordinary activities attributable to shareholders													36.7	283.1

(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:	544.1	346.2	26.3	17.7	-	32.2	-	-	570.4	396.1
Sales to external customers										





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

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Profit on disposal of listed investments	0.1	-
Profit on sale of properties	8.8	-
	<u> </u>	<u> </u>

4. Discontinued Operation

As previously reported, on 3rd September, 2002, Regal Hotels International Holdings Limited ("RHIHL"), a listed subsidiary company of the Company, and its subsidiary companies (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 prior period's 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\$195.8 million) have no recourse against the RHIHL Group.

The turnover, expenses and results from the discontinued operation for the period from 1st January, 2003 to 25th June, 2003 (the 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	(37.3)
	<u> </u>
Gross loss	(5.1)
Administrative expenses	(1.9)
Other operating expenses	(1.1)
	<u> </u>
LOSS FROM OPERATING ACTIVITIES	(8.1)
Finance costs	(4.2)
	<u> </u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u> </u> <u> </u> (12.3)

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

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



5. Other Revenue

Other revenue includes the following major items:

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Interest income	1.6	3.4
Dividend income	2.0	0.4
Gain on deemed disposal of the Group's interest in a listed subsidiary company	55.7	337.4

6. Other Operating Expenses, net

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

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Depreciation	20.4	21.7
Amortisation of goodwill	6.3	7.2
Loss on deemed disposal of the Group's interest in a listed subsidiary company	–	4.6
Termination fee in respect of cancellation of the disposal of a hotel property	39.0	–



7. Finance Costs

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
Interest on bank loans and overdrafts, convertible bonds, promissory notes and other loans wholly repayable within five years	99.9	146.7
Interest capitalised in respect of property development projects and construction contracts	—	(0.4)
	<u>99.9</u>	<u>146.3</u>
Amortisation of deferred expenditure	5.1	3.5
Other loan costs	0.1	—
	<u>105.1</u>	<u>149.8</u>

8. Tax

	Six months ended 30th June, 2004 (Unaudited)	Six months ended 30th June, 2003 (Unaudited)
	HK\$'million	HK\$'million
The Group:		
Provision for tax in respect of profits for the period:		
Hong Kong	1.8	1.4
Overseas	0.1	0.1
Deferred tax expenses/(income)	0.9	(50.4)
	<u>2.8</u>	<u>(48.9)</u>

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 17.5% (2003 - 17.5%) 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 (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.



9. Earnings/(Loss) Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$36.7 million (2003 - HK\$283.1 million) and on the weighted average of 5,396.8 million (2003 - 3,816.8 million) shares of the Company in issue during the period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the period ended 30th June, 2004 is based on the adjusted net profit from ordinary activities attributable to shareholders for the period of HK\$10.3 million as adjusted for the deemed changes in the Group's interests in the listed subsidiary companies and on the adjusted weighted average of 16,416.8 million shares of the Company that would have been in issue during the period assuming (i) all outstanding convertible preference shares and optional convertible bonds of the RHIHL Group were converted into ordinary shares of RHIHL at the beginning of the period; and (ii) all the 1,990.0 million convertible preference shares of PHL (the "Paliburg Convertible Preference Shares") were converted into the same number of ordinary shares of PHL at the beginning of the period; and (iii) 11,020.0 million shares were issued by the Company to acquire 2,755.0 million ordinary shares of PHL (including the 1,990.0 million ordinary shares of PHL so converted as noted in (ii)) pursuant to the relevant terms under a share swap agreement, at the beginning of the period. The exercise prices of share options of PHL and RHIHL outstanding during the period are higher than the average market prices of the respective ordinary shares of PHL and RHIHL and, accordingly, they have no dilutive effect on the basic earnings per share.

The calculation of diluted loss per share for the period ended 30th June, 2003 was based on the adjusted net loss from ordinary activities attributable to shareholders for the prior period of HK\$48.6 million as adjusted for the deemed changes in the Group's interests in the listed subsidiary companies and on the adjusted weighted average of 17,216.8 million shares of the Company that would have been in issue during the prior period assuming (i) all outstanding convertible preference shares and convertible bonds (including optional convertible bonds) of the RHIHL Group were converted into ordinary shares of RHIHL at the beginning of the prior period; and (ii) all the 3,450.0 million Paliburg Convertible Preference Shares were converted into the same number of ordinary shares of PHL, of which 3,350.0 million shares were acquired by the Company through issuing 13,400.0 million shares of the Company pursuant to the relevant terms under a share swap agreement, at the beginning of the prior period. The exercise of share options of PHL and RHIHL was anti-dilutive.

10. Dividend

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



11. Long Term Investments

Included in the long term investments is an amount of HK\$56.9 million (31st December, 2003 - HK\$56.9 million) which represents the PHL Group's unlisted investments comprising a 23% interest each in two sino-foreign joint venture companies, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. (collectively, the "Investee Companies") established in Beijing, the People's Republic of China (the "PRC"). Despite the PHL Group's holding of 23% interests in the Investee Companies, the directors of PHL confirm that the PHL Group is not in a position to exercise significant influence over the financial and operating policies of the Investee Companies due to a previous contractual arrangement made with the independent third parties to exchange the PHL Group's entire interests in the Investee Companies for the hotel portion of the land site beneficially and collectively held by the Investee Companies in accordance with the agreed terms. Accordingly, the directors of PHL consider it appropriate to account for the investments therein as long term investments.

As explained 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 the grounds of its prolonged idle condition. The PHL 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 made in 2001) was made against the investments by reference to an independent valuation of the hotel portion of the land site. The valuation was conducted on the assumption that the PHL Group has enforceable title to the land site.

In December 2003, approval on the overall development plan on the subject land site was obtained from the relevant government authorities. However, in the opinion of the directors of PHL, it is not possible to determine with reasonable certainty the ultimate outcome of the negotiations with respect to the grant of the land use rights and the resolution of certain other outstanding issues with the other parties involved in the Investee Companies.

In the meantime, the PHL Group continues to negotiate with prospective investors for possible disposal of its investments in the Investee Companies at an indicative price which is substantially higher than its written down carrying value. Having regard to the circumstances developed to date, the directors of PHL consider that no further provision is required to be made against the PHL Group's investments in the Investee Companies.

12. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$69.6 million (31st December, 2003 - HK\$49.3 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	61.9	44.0
Between 4 to 6 months	2.8	3.0
Between 7 to 12 months	4.3	3.2
Over 1 year	18.9	18.6
	<hr/>	<hr/>
	87.9	68.8
Provisions	(18.3)	(19.5)
	<hr/>	<hr/>
	69.6	49.3
	<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.

13. Creditors and Accruals

Included in the balance is an amount of HK\$55.4 million (31st December, 2003 - HK\$60.0 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	43.4	47.6
Between 4 to 6 months	5.3	6.0
Between 7 to 12 months	2.5	0.7
Over 1 year	4.2	5.7
	55.4	60.0
	55.4	60.0

14. Minority Interests

Included in the minority interests is an amount of HK\$39.0 million (31st December, 2003 - Nil) which represents the value of new ordinary shares to be issued by RHIHL as explained below.

Following the termination of the sale and purchase agreement, as supplemented, in respect of the disposal of a hotel property of the RHIHL Group (the "SP Agreement"), which took effect on 24th June, 2004, RHIHL 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 RHIHL at an issue price of HK\$0.20 per share.

15. 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
Advertising and promotion fees (including cost reimbursements) paid to an associate	3.5	3.1
Gross construction fee income from a jointly controlled entity	42.6	-
	42.6	-
	42.6	-

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, 2003.

At the balance sheet date, the Group also had guarantees given in respect of banking facilities granted to a jointly controlled entity as detailed in note 17(a).



16. Pledge of Assets

At 30th June, 2004, certain of the Group's time deposits, properties held for sale, listed investments, interests in associates, fixed assets including properties and equipment, inventories and receivables with a total carrying value of HK\$7,816.5 million (31st December, 2003 - HK\$7,732.4 million) and the shares held in certain subsidiary companies, including certain ordinary shares held in the listed subsidiary companies, and a jointly controlled entity, were pledged to secure general banking facilities granted to the Group and the jointly controlled entity.

17. Contingent Liabilities

- (a) At 30th June, 2004, corporate guarantees in the amount of HK\$2,359.0 million (31st December, 2003 - HK\$2,359.0 million) had been given by the Group in respect of banking facilities granted to a jointly controlled entity. The amount outstanding on these facilities attributable to the Group 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\$10.8 million as at 30th June, 2004 (31st December, 2003 - HK\$13.1 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.

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 10 months 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	18.2	15.8
In the second to fifth years, inclusive	12.3	12.7
	<u>30.5</u>	<u>28.5</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	3.2	4.7
In the second to fifth years, inclusive	8.8	10.1
After the fifth year	1.4	2.5
	<u>13.4</u>	<u>17.3</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, 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
	<u>63.7</u>	<u>90.3</u>



20. Post Balance Sheet Events

Subsequent to the balance sheet date, in addition to the events detailed elsewhere in the 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, 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 RHIHL, of 2% Guaranteed Convertible Bonds due 2007, guaranteed by, and convertible into ordinary shares of, RHIHL (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 by the RHIHL Group substantially for repayment of its bank indebtedness. The Firm Bonds will be convertible into a total of 800.0 million new ordinary shares of RHIHL, 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 RHIHL on 18th August, 2004, holds a 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 special general meeting of RHIHL held on 19th July, 2004, an ordinary resolution was duly passed by the shareholders of RHIHL with respect to a bonus issue of warrants ("Warrants") of RHIHL 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 RHIHL held by its shareholders on the register of members of RHIHL 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 RHIHL. The Warrants confer rights on their holders to subscribe for up to approximately 834.0 million new ordinary shares of RHIHL 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 balance sheet date, PHL had a 53.7% voting interest and a 44.9% economic interest in RHIHL. Pursuant to certain settlement proposal described in two circulars to the respective shareholders of the Company and PHL, both dated 26th August, 2002, and completed in October 2002 (the "Bonds Settlement"), 1,896.5 million ordinary shares of RHIHL (the "Relevant RHIHL Shares") were transferred to a special purpose vehicle company (the "SPV") wholly owned by PHL, which were subject to a phased release to the bondholders. The rights to dividends relating to these shares were with the bondholders. The Relevant RHIHL Shares were to be held by the SPV for a period of 12 months, subject to certain early release provisions, after the completion of the Bonds Settlement (i.e. from 1st November, 2002 to 31st October, 2003) following which they would be released, subject to certain conditions, at the option of the bondholders in phases. Up to the balance sheet date, a total of 1,179.9 million Relevant RHIHL Shares have been released to the bondholders while the remaining 716.6 million Relevant RHIHL Shares (including those entitled by but not yet released to the bondholders), representing 8.8% of the total issued ordinary shares of RHIHL, continued to be held by the SPV at the balance sheet date.

By 31st July, 2004, the remaining Relevant RHIHL Shares have been fully released in accordance with the terms under the Bonds Settlement. Accordingly, PHL's voting interest in RHIHL fell below 50% and thereafter RHIHL ceased to be a subsidiary company and became an associate of PHL. Based on the issued share capital of RHIHL as at the date of approval of these condensed consolidated financial statements, PHL had an economic and voting interest in RHIHL of 45.0%, after taking into account the additional interests acquired subsequent to the balance sheet date.

21. Share Options

The Company does not maintain any share option scheme during the period.

Share Options Granted by Paliburg Holdings Limited

PHL operates an executive share option scheme (the "PHL Share Option Scheme"). The PHL Share Option Scheme was adopted by PHL'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 PHL, 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 PHL 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, 2004	Lapsed during the period	At 30th June, 2004		
22nd February, 1994	Directors					
	Mr. Lo Yuk Sui (Note 2)					
	Vested:	4,562,500	(4,562,500)	–	Notes 3 & 4	10.40
	Mr. Kenneth Ng Kwai Kai					
	Vested:	1,000,000	(1,000,000)	–	Notes 3 & 4	10.40
	Other Employees					
	Employees, in aggregate					
	Vested:	3,375,000	(3,375,000)	–	Notes 3 & 4	10.40
		<u>8,937,500</u>	<u>(8,937,500)</u>	<u>–</u>		



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, 1994)	Other Employees Employees, in aggregate Vested:	3,125,000	(3,125,000)	-	Notes 4 & 5	3.5392
22nd February, 1997	Other Employees Employees, in aggregate Vested: Unvested:	1,500,000 1,000,000	- -	1,750,000 750,000	Note 3 Note 3	6.672
		<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>		
	Total:	<u>14,562,500</u>	<u>(12,062,500)</u>	<u>2,500,000</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 share capital of PHL.

Notes:

- Consequent upon the group reorganization resulting in the effective merger of PHL and PIHL 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, PHL granted the same number of options to subscribe for the new consolidated shares of HK\$1.00 each of PHL under the PHL Share 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.
- 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 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, 2004.

5. 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)

6. In the absence of a readily available market value, the directors of PHL 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 PHL, resulted in the issue of 1.7 million additional ordinary shares and share premium of HK\$11.7 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 the outstanding share option granted by RHIHL pursuant to the RHIHL Share Option Scheme are as follows:

Date of grant of share option	Name or category of participant	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	Other Employees					
	Employees, in aggregate					
	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 RHIHL'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 of RHIHL 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 RHIHL, 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				Other Interests	Total (Approximate percentage of the Issued Shares as at 30th June, 2004)
			Personal Interests	Family Interests	Corporate Interests			
1.	The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	543,344,843	-	2,185,994,246 (Note a(i))	-	2,729,339,089
			(ii) unissued	-	-	10,210,000,000 (Note a(ii))	-	10,210,000,000
						Total (i) & (ii):		12,939,339,089 (239.76%)
		Mrs. Kitty Lo Lee Kit Tai	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%)
		Mr. Ng Siu Chan	Ordinary (issued)	-	15,453,000	-	-	15,453,000 (0.286%)



	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.	Paliburg 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		
									Total (i) & (ii):	4,717,260,242 (93.25%)
			Preference (issued)	-	-	1,240,000,000 (Notes a(iv) & c)	-	1,240,000,000 (100%)		
		Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	100,000	-	-	-	100,000 (0.002%)		
		Mr. Jimmy Lo Chun To	Ordinary (issued)	284,000	-	-	-	284,000 (0.006%)		
		Mr. Ng Siu Chan	Ordinary (issued)	-	536,500	-	-	536,500 (0.011%)		
3.	Regal Hotels International Holdings Limited ("RHHL")	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	Ordinary (issued)	2,370,000	-	-	-	2,370,000 (0.032%)		
4.	8D International (BVI) Limited ("8D-BVI")	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	1,000 (Note e)	-	1,000 (100%)		
5.	8D Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	2,000,000 (Note f)	-	2,000,000 (100%)		



	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	
6.	8D International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	500,000 (Note g)	-	500,000 (100%)
7.	Century Digital Communications (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	1 (Note h)	-	1 (100%)
8.	Century Digital Communications Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	2 (Note i)	-	2 (100%)
9.	Century Digital Enterprise Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	100 (Note j)	-	100 (100%)
10.	Century Digital Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	3 (Note k)	-	3 (100%)
11.	Century Digital Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	49,968 (Note l)	-	49,968 (99.94%)
12.	Full Range Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	10,000 (Note m)	-	10,000 (100%)
13.	Giant Forward Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	1 (Note n)	-	1 (100%)
14.	Grand Modern Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	330 (Note o)	-	330 (100%)
15.	Important Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	10,000 (Note p)	-	10,000 (100%)
16.	Net Age Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	97 (Note q)	-	97 (97%)



	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	
17.	Net Community Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	3 (Note r)	-	3 (100%)
18.	Network Sky Limited	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	-	-	50,000 (Note s)	-	50,000 (25%)
19.	Regal International (China) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	1 (Note t)	-	1 (100%)
20.	Speedway Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	50,000 (Note u)	-	50,000 (100%)
21.	Task Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	1 (Note v)	-	1 (100%)
22.	Top Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	10,000 (Note w)	-	10,000 (100%)
23.	Treasure Collection International Limited	Mr. Lo Yuk Sui	Ordinary (issued)	-	-	2 (Note x)	-	2 (100%)

Notes:

- (a) (i) The shares were held through companies wholly owned by Mr. Lo Yuk Sui and a company, namely Master City Limited, 99.9% owned by Mr. Lo Yuk Sui.
- (ii) The interests in these shares 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 the Company, 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 the Company 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 the Company 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. Subsequently, 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) 400 shares were held through companies controlled by the Company and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.
- (f) 800,000 shares were held through companies controlled by the Company and 1,200,000 shares were held through companies controlled by Mr. Lo Yuk Sui (including 8D-BVI).
- (g) The interests in these shares of 8D International Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	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
	8D Matrix Limited	Century Digital Holdings Limited	60.00
	8D Matrix Limited	Century City BVI Holdings Limited	40.00

(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
	8D Matrix Limited	Century Digital Holdings Limited	60.00

- (h) The interest in the share of Century Digital Communications (BVI) Limited was 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

(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

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

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
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
Century Digital Communications (BVI) 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
Century Digital Communications (BVI) Limited	Century Digital Holdings Limited	100.00



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

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	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
	Century Digital Investments Limited	Century Digital Holdings Limited	99.93

(b)	Name of corporation	Controlled by	% of control
	Century Digital Investments Limited	Century Digital Holdings Limited	99.93
	Net Age Technology Limited	Century Digital Investments Limited	100.00

(c)	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
	Century Digital Investments Limited	Century Digital Holdings Limited	99.93

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

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

(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



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

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	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
(b)	Name of corporation	Controlled by	% of control
	Century Digital Holdings Limited	Net Community Limited	100.00
	Important Holdings Limited	Century Digital Holdings Limited	100.00
	Top Technologies Limited	Century Digital Holdings Limited	100.00
(c)	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
(d)	Name of corporation	Controlled by	% of control
	Century Digital Holdings Limited	Net Community Limited	100.00
	Important Holdings Limited	Century Digital Holdings Limited	100.00
	Top Technologies Limited	Century Digital Holdings Limited	100.00

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

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



- (n) The interest in the share of Giant Forward Holdings Limited was 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
	8D Matrix Limited	Century Digital Holdings Limited	60.00
	8D Matrix Limited	Century City BVI Holdings Limited	40.00

(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
	8D Matrix Limited	Century Digital Holdings Limited	60.00

- (o) The interests in these shares of Grand Modern Investments Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

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

(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
	Ultra Performance Limited	Mr. Lo Yuk Sui	100.00

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

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

(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	100.00
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

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

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
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
Century Digital Investments Limited	Century Digital Holdings Limited	99.93

(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
Century Digital Investments Limited	Century Digital Holdings Limited	99.93



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

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

(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50

- (s) The shares were held through a company wholly owned by Mrs. Kitty Lo Lee Kit Tai.
- (t) The interest in the share of Regal International (China) Limited was 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
	8D Matrix Limited	Century Digital Holdings Limited	60.00
	8D Matrix Limited	Century City BVI Holdings Limited	40.00

(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
	8D Matrix Limited	Century Digital Holdings Limited	60.00

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

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

(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

- (v) The interest in the share of Task Master Technology Limited was 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

(b) Name of corporation	Controlled by	% of control
Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
8D International (BVI) Limited	Manyways Technology Limited	60.00

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

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

(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



- (x) The interests in these shares of Treasure Collection International Limited were held through corporations controlled by Mr. Lo Yuk Sui as detailed below:

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	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
	8D Matrix Limited	Century Digital Holdings Limited	60.00
	8D Matrix Limited	Century City BVI Holdings Limited	40.00
	Giant Forward Holdings Limited	8D Matrix 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
	8D Matrix Limited	Century Digital Holdings Limited	60.00
	Giant Forward Holdings Limited	8D Matrix Limited	100.00

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 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 under the share option scheme (as referred to in note 21 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:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of the issued ordinary shares as at 30th June, 2004
YSL International Holdings Limited ("YSL Int'l") (Note i)	931,998,340	–	931,998,340	17.27
Manyways Technology Limited ("Manyways") (Notes i and ii)	790,000,000	10,210,000,000	11,000,000,000	203.83
8D International (BVI) Limited ("8D BVI") (Notes i, ii and iii)	790,000,000	10,210,000,000	11,000,000,000	203.83
Task Master Technology Limited ("Task Master") (Notes i, ii and iv)	790,000,000	10,210,000,000	11,000,000,000	203.83
Secure Way Technology Limited ("Secure Way") (Notes i and ii)	790,000,000	10,210,000,000	11,000,000,000	203.83
Net Community Limited ("Net Community") (Notes i, ii and v)	790,000,000	10,210,000,000	11,000,000,000	203.83
Century Digital Holdings Limited ("Century Digital") (Notes i, ii and vi)	790,000,000	10,210,000,000	11,000,000,000	203.83
Grand Modern Investments Limited ("Grand Modern") (Notes i, ii and vii)	790,000,000	10,210,000,000	11,000,000,000	203.83



Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of the issued ordinary shares as at 30th June, 2004
Miss Lo Po Man (Note viii)	–	810,000,000	810,000,000	15.01
Wealth Master International Limited ("Wealth Master") (Notes viii and ix)	–	810,000,000	810,000,000	15.01
Select Wise Holdings Limited ("Select Wise") (Notes viii and x)	–	810,000,000	810,000,000	15.01

Notes:

- (i) These companies are controlled by Mr. Lo Yuk Sui and their said shareholdings are included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed above.
- (ii) The interests in these underlying shares are directly held by Grand Modern.
- (iii) 8D BVI is 60% owned by Manyways.
- (iv) Task Master is wholly owned by 8D BVI.
- (v) Net Community is 33.33% owned by Task Master and 66.67% owned by Secure Way.
- (vi) Century Digital is wholly owned by Net Community.
- (vii) Grand Modern is wholly owned by Century Digital.
- (viii) The interests in 810,000,000 unissued shares are directly held by Select Wise.
- (ix) As at 30th June, 2004, Wealth Master was wholly owned by Miss Lo Po Man.
- (x) Select Wise is wholly owned by Wealth Master.

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 Rule 13.13, 13.16 and 13.18 of Chapter 13 of the Listing Rules.

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to Chest Gain Development Limited (“Chest Gain”), a jointly controlled entity owned as to 70% by RHIHL and 30% by China Overseas Land & Investment Limited, which is independent of, and not connected with the Company and RHIHL, the respective directors, chief executive and substantial shareholders of the Company and RHIHL and any of their respective subsidiary companies or any of their respective associates (as defined in the Listing Rules), by the RHIHL Group as at 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 Guarantees 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 the PHL Group (comprising PHL and its subsidiaries (excluding RHIHL and its subsidiaries)) 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 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 RHIHL on a several basis in proportion to its 70% 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. In addition, PHL 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 the RHIHL Group in 2002.



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 Group 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 38.2% of the consolidated total assets of the Company of 10,107.0 million (the "Century 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
Cheerjoy Development Limited	(D) 155.2	–	Nil
Talent Faith Investments Ltd.	(E) 78.6	–	Nil
8D International (BVI) Limited	(F) 38.5	–	Nil
8D Matrix Limited	(G) 0.7	–	Nil
Bright Future (HK) Limited	(H) 5.6	–	Nil
Network Sky Limited	(I) 1.9	–	Nil
Smart Tactic Limited	(J) 0.4	–	Nil
	Total : (A)+(B)+(C)+(D) to (J)		<u>4,144.7</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.



Cheerjoy Development Limited (“Cheerjoy”) was a wholly-owned subsidiary company of PHL and became a 30% owned associate of PHL 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 PHL, the directors, chief executive and substantial shareholders of PHL 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 PHL’s shareholding interest in Cheerjoy. The advances were provided for the purpose of funding the working capital requirements of Cheerjoy, are unsecured, interest free and have no fixed term of repayment.

Talent Faith Investments Ltd. (“Talent Faith”) was previously a 50% owned associate of PHL. Talent Faith owns a 65% interest in a joint venture company which, in turn, owns 70% interest in an equity joint venture in the People’s Republic of China involved in property development project in Beijing. The other 50% beneficial interest in Talent Faith was previously held by the purchaser (the “Purchaser”) under a sale and purchase agreement for the sale by the PHL Group of a 50% interest in Talent Faith entered into in 2000 (the “Former SP Agreement”). Due to the default by the Purchaser under the Former SP Agreement, PHL Group has enforced its rights in the prior year to repossess the 50% interest in Talent Faith sold to the Purchaser under the Former SP Agreement. In July 2003, the PHL Group entered into a new sale and purchase agreement with the Purchaser for the sale of the PHL Group’s 100% interest in Talent Faith for a gross consideration of HK\$181.9 million (the “New SP Agreement”), with completion stipulated for November 2003. Though the PHL Group has received from the Purchaser certain deposits and part payments, the Purchaser has failed to comply with the stipulated schedule for the full settlement of the consideration payable under the New SP Agreement. While the PHL Group is legally retaining the entire shareholding ownership in Talent Faith, the PHL Group is negotiating with the Purchaser for its remedy of the default. Under these circumstances, despite the holding of a 100% shareholding interest in Talent Faith at the balance sheet date, the directors of PHL consider it appropriate to continue to account for the PHL Group’s interest therein as an associate, as the PHL Group’s control over Talent Faith may be temporary, subject to the outcome of the New SP Agreement. The advances were provided by the PHL Group in the form of shareholder’s loans and, in accordance with the terms in the Former SP Agreement, would not be in proportion to PHL’s shareholding interest in Talent Faith. The advances were provided for the purpose of funding the working capital requirements of Talent Faith, are unsecured, interest free and have no fixed terms of repayment.

8D International (BVI) Limited (“8D-BVI”) is a 30% owned associate of RHIHL, which is now principally involved in the development and distribution of technologically advanced security and building related systems and software development and promotions businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by the Company and 60% by Mr. Lo Yuk Sui. The advances were provided by the CCIHL Group and the RHIHL Group in the form of shareholders’ loans in proportion to the respective shareholding interests of the Company and RHIHL 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 and communications businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by the Company (the Company also holds an additional 2% attributable interest through its holding in 8D-BVI) 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 CCIHL Group and the RHIHL Group in the form of shareholders' loans in proportion to the respective shareholding interests of the Company and RHIHL 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 each of PHL and RHIHL, 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 Mrs. Kitty Lo Lee Kit Tai, a director of PHL and RHIHL (until 18th August, 2004), through her associate (as defined in the Listing Rules) and 25% directly by a third party which is independent of, and not connected with PHL and RHIHL, the directors, chief executive and substantial shareholders of PHL and RHIHL 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 PHL Group and RHIHL Group in the form of shareholder's loans in proportion to their respective shareholding interests in Network Sky, for the purpose of financing the working capital of Network Sky. The advances are unsecured, interest free and have no fixed term of repayment.

Smart Tactic Limited ("Smart Tactic"), a 30% owned associate of PHL, is engaged in carrying on business in sourcing, trading and distributing biometric security products primarily in The People's Republic of China. The remaining 70% shareholding interest in Smart Tactic is owned by a third party, which is independent of, and not connected with PHL, the directors, chief executive and substantial shareholders of PHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances to Smart Tactic were provided by PHL in the form of shareholder's loans in proportion to PHL's shareholding interest in Smart Tactic, for the purpose of funding the working capital requirements of Smart Tactic. The advances to Smart Tactic are unsecured, interest free and have no fixed term of repayment.

Calculated on the basis shown above, as at 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\$4,144.7 million (based on the amount of bank loans outstanding of Chest Gain) represented 41.0% of the Century TA.

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

	Pro-forma combined balance sheet (HK\$'million)	The Group's attributable interest (HK\$'million)
Non-current assets	1,049.9	186.8
Current assets	3,667.4	402.1
Current liabilities	(1,428.7)	(172.5)
Non-current liabilities	(7,097.2)	(836.5)
	<u> </u>	<u> </u>
Net liabilities	<u>(3,808.6)</u>	<u>(420.1)</u>

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

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

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

Notes:

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



CORPORATE GOVERNANCE

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 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. As at the date of approval of this interim report, the Audited Committee comprised Mr. Ng Siu Chan (Chairman of the Committee) and Mr. Anthony Chuang, both 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 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 Century City International Holdings Limited" (the "Century 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 Century 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
Century City International Holdings Limited**

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 10 to 30.

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 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 - Investments in two investee companies

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 11 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 in 2000 of a land site beneficially and collectively held by two investee companies (the "Investee Companies"), which is included in long term investments under non-current assets of Paliburg Holdings Limited ("PHL"), a principal listed subsidiary company of the Group, and its subsidiary companies (the "PHL Group"). The carrying value of the PHL Group's investments in the Investee Companies amounted to HK\$56.9 million (31st December, 2003 - HK\$56.9 million) as at 30th June, 2004. As further described in note 11 to the interim financial report, the directors of PHL are not able to determine with reasonable certainty the ultimate outcome of the negotiations with respect to the grant of



the land use rights and the resolution of certain other outstanding issues with the other parties involved in the Investee Companies. Should the Investee Companies ultimately fail to secure the title to the land site or the PHL Group's proposed disposal of its investments in the Investee Companies fail to materialise, appropriate adjustment against the carrying value of the PHL Group's investments in the Investee Companies might be required. Details of the circumstances relating to this fundamental uncertainty are described in note 11 to the interim financial report.

Fundamental uncertainty relating to the going concern basis

In arriving at our review conclusion, we have also considered the adequacy of the disclosures made in note 2 to the interim financial report which explain the circumstances giving rise to the fundamental uncertainty relating to the successful implementation of the debt restructuring proposal (the "Debt Restructuring") to replace the Group's existing informal standstill arrangement.

The interim financial report has been prepared on a going concern basis, the validity of which depends upon the successful implementation of the Debt Restructuring. The interim financial report does not include any adjustments that would result from the failure of the Debt Restructuring. Details of the circumstances relating to this fundamental uncertainty are described in note 2 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, 2004.

Ernst & Young

Certified Public Accountants

Hong Kong
16th September, 2004