

# Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiary companies are property development and investment, property management, construction and construction-related businesses, hotel ownership and management, and other investments (including investment and trading in marketable securities).

There have been no significant changes in these activities during the year.

The turnover and contribution to trading results by each principal activity and by geographical location are set out in note 5 to the financial statements.

## FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 70 to 168.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Highlights

Following the divestiture of two major investment properties of Paliburg Holdings Limited ("PHL"), a listed subsidiary company of the Company, the Group's significant investments constitute primarily

the ownership and operating interests in the five Regal Hotels in Hong Kong. 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 are contained in the Chairman's Report which precedes this report. A detailed review of the other business operations and outlook of the Group is also contained in the Chairman's Report.

### Cash Flow and Capital Structure

During the year under review, net cash inflow from operating activities amounted to HK\$263.3 million (2001 - HK\$311.2 million, as restated). Net interest payment for the year amounted to HK\$305.0 million (2001 - HK\$397.0 million).

In March 2002, 250 million new shares ("250M Consideration Shares") of the Company were allotted, issued and credited as fully paid to a nominee of Prism Communications International Limited ("Prism") at HK\$0.10 per 250M Consideration Share in satisfaction of the consideration for the subscription by Expert Link Technology Limited ("Expert Link"), a wholly owned subsidiary company of the Company, for 10 million new shares of HK\$0.01 each in Prism pursuant to a share exchange agreement (the "Share Exchange Agreement") dated 18th February, 2002 made between, inter alia, the Company and Prism (the "250M Share Transaction").

In July 2002, a total of 240 million new shares ("240M Consideration Shares") of the Company were allotted, issued and



credited as fully paid to nominees of Prism at HK\$0.10 per 240M Consideration Share in satisfaction of the consideration for the subscription by Expert Link for 9.6 million new shares of HK\$0.01 each in Prism, as a result of the partial exercise of an option granted by Prism to the Company pursuant to the Share Exchange Agreement (the "240M Share Transaction").

Further details relating to the 250M Share Transaction and the 240M Share Transaction are set out in the section headed "Issue of New Shares under the 20% General Mandate" below.

As at 31st December, 2002, the Group's gross borrowings net of cash and bank balances amounted to HK\$6,149.2 million as compared to HK\$10,135.4 million. Gearing ratio based on total assets of HK\$9,723.2 million (2001 - HK\$14,634.5 million) was 63% (2001 - 69%). As at 31st December, 2002, the Company recorded a consolidated negative net worth of HK\$492.6 million (2001 - HK\$160.3 million), which was primarily the result of further losses incurred and the continuing downward adjustment in the valuation of the investment and hotel properties owned by the Group.

Details of the Group's pledge of assets and contingent liabilities are shown in notes 54 and 55, respectively, to the financial statements. Details of the maturity profile of the Group's borrowings are set out in notes 33 and 38 to the financial statements.

### **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. Currency and interest rate exposures are hedged where circumstances are considered appropriate.

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 2,000 staff in Hong Kong, 300 staff in Canada and 800 staff in The People's Republic of China.

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.



PHL and Regal Hotels International Holdings Limited ("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. The Executive Share Option Scheme previously maintained by the Company has ended on 28th June, 2000.

#### **DIVIDENDS**

No interim dividend was paid during the year.

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

#### **DIRECTORS**

The Directors of the Company are:

Mr. Lo Yuk Sui  
Mr. Anthony Chuang  
Mr. Tommy Lam Chi Chung  
Mrs. Kitty Lo Lee Kit Tai  
Mr. Jimmy Lo Chun To  
Mr. Kenneth Ng Kwai Kai  
Mr. Ng Siu Chan

On 11th February, 2002, Mr. Tommy Lam Chi Chung was appointed as a Director.

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Jimmy Lo Chun To and Mr. Kenneth Ng Kwai Kai retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

#### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its subsidiary companies was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract with the Company or any of its subsidiary companies during the year.

At no time during the year was the Company or any of its subsidiary companies a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



**DIRECTORS' INTERESTS IN SHARE CAPITAL**

As at 31st December, 2002, the interests of the Directors in the share capital of the Company and its associated corporations as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (which was repealed and replaced by Part XV of the Securities and Futures Ordinance on 1st April, 2003) ("SDIO") were as follows:

**(A) Interests in Shares**

	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary	543,344,843	-	1,395,994,246	1,939,339,089
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,510,000	-	-	2,510,000
	Mr. Jimmy Lo Chun To	Ordinary	1,659,800	-	-	1,659,800
	Mr. Ng Siu Chan	Ordinary	-	15,453,000	-	15,453,000
	<b>Name of Associated Corporation</b>					
2. PHL	Mr. Lo Yuk Sui	Ordinary	222,765	-	1,373,024,977	1,373,247,742
					(Notes a & b)	
	Preference	-	-	3,450,000,000	3,450,000,000	
				(Notes a & h(i))		
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	100,000	-	-	100,000
3. RHIHL	Mr. Lo Yuk Sui	Ordinary	220,000	-	4,717,070,277	4,717,290,277
					(Notes a & c)	
	Preference	-	-	3,440	3,440	
				(Note a)		
	Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,370,000	-	-	2,370,000



## Report of the Directors (Cont'd)

	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
				Personal Interests	Family Interests	Corporate Interests	
4.	8D International (BVI) Limited ("8D-BVI")	Mr. Lo Yuk Sui	Ordinary	–	–	1,000 (Note d)	1,000
5.	8D Matrix Limited ("8D Matrix")	Mr. Lo Yuk Sui	Ordinary	–	–	2,000,000 (Note e)	2,000,000
6.	8D International Limited ("8D")	Mr. Lo Yuk Sui	Ordinary	–	–	10,000 (Note f)	10,000
7.	Almighty International Limited ("Almighty")	Mr. Lo Yuk Sui	Preference	–	–	11,800,000,000 (Notes h(ii) & (iii))	11,800,000,000
8.	Argosy Capital Corporation	Mr. Lo Yuk Sui	Ordinary	–	–	1,130,349 (Note a)	1,130,349
9.	Century Win Investment Limited	Mr. Lo Yuk Sui	Ordinary	–	–	9,000 (Note a)	9,000
10.	Cheerjoy Development Limited ("Cheerjoy")	Mr. Lo Yuk Sui	Ordinary	–	–	(Note g)	(Note g)
11.	Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	–	–	7,000 (Note a)	7,000
12.	Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	–	–	7,500 (Note a)	7,500
13.	Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	–	–	85 (Note a)	85
14.	Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	–	–	75 (Note a)	75
15.	Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	–	–	25,000 (Note a)	25,000



Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held			Total
			Personal Interests	Family Interests	Corporate Interests	
16. Talent Faith Investments Ltd.	Mr. Lo Yuk Sui	Ordinary	-	-	50 (Note a)	50
17. Villawood Developments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	65 (Note a)	65
18. Wealth Link Investments Limited	Mr. Lo Yuk Sui	Ordinary	-	-	1 (Note a)	1

**Notes:**

- (a) The shares were held through companies controlled by the Company, of which Mr. Lo Yuk Sui is the Chairman and controlling shareholder.
- (b) Including the retained balance, i.e. 6,444,444 shares, (the "Retained Shares") of the consideration shares agreed to be sold at HK\$4.50 per share for the acquisition of the remaining 51% shareholding interest in The New China Hong Kong Financial Services Limited (now known as Century City Financial Services Limited) by a wholly owned subsidiary company of the Company from a wholly owned subsidiary company of The New China Hong Kong Group Limited (the "NCHK Company") pursuant to the conditional agreement dated 7th September, 1998 in respect of the said acquisition, which was completed on 17th September, 1998 (the "Completion Date"). The Retained Shares are retained by the Group until the first anniversary of the Completion Date in connection with the indemnity given by the NCHK Company under the said agreement.
- (c) 1,706,500,000 shares (the "Exchange Property") were charged by a wholly owned subsidiary of PHL in favour of a trustee for the holders of the Series B Bonds issued as part of the restructuring and settlement proposal in respect of the then existing bonds of the PHL group which closed on 31st October, 2002 (the "Closing Date") to form the initial exchange property in respect of the Series B Bonds. The Exchange Property is to be released to the holders of the Series B Bonds in four quarterly tranches (with the first tranche comprising 284,125,000 shares and the other three tranches each comprising 474,125,000 shares) on each dates falling 12, 15, 18 and 21 months after the Closing Date, subject to certain early release provisions.
- (d) 400 shares were held through companies controlled by the Company and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.
- (e) 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).
- (f) 8D is a wholly owned subsidiary company of 8D Matrix.
- (g) A wholly owned subsidiary company of PHL holds 30% attributable shareholding interest in Cheerjoy through Point Perfect Investments Limited ("Point Perfect") which is a 30% owned associate of such subsidiary company. Point Perfect holds all the issued shares of Cheerjoy, i.e. 2 shares.



- (h) (i) Pursuant to the Agreement dated 2nd August, 2002 (as supplemented by a Supplemental Agreement dated 31st October, 2002) (the "Share Swap Agreement") entered into between Grand Modern Investments Limited ("Grand Modern"), Select Wise Holdings Limited and Splendid All Holdings Limited ("Splendid All") (collectively, the "VPI Vendors"), Almighty, which became a wholly owned subsidiary of the Company on 31st December, 2002 pursuant to the Share Swap Agreement, and the Company, the VPI Vendors sold to Almighty 3,450,000,000 non-voting convertible preference shares of HK\$0.10 each of PHL ("PHL Preference Shares"). The consideration for acquiring the 3,450,000,000 PHL Preference Shares was satisfied by the allotment and issue of an aggregate amount of 13,800,000,000 exchangeable preference shares of HK\$0.10 each of Almighty ("Almighty EP Shares") to the VPI Vendors, in the proportion of four Almighty EP Shares for each PHL Preference Share, on 31st December, 2002.
- (ii) Out of the 13,800,000,000 Almighty EP Shares, 11,000,000,000 Almighty EP Shares were allotted and issued to Grand Modern, a company controlled by Mr. Lo Yuk Sui, and were attached with rights to exchange for 2,750,000,000 PHL Preference Shares ("or 2,750,000,000 new ordinary shares of HK\$0.01 each of PHL ("PHL Ordinary Shares") so converted from the 2,750,000,000 PHL Preference Share), on the basis of one PHL Preference Share (or one PHL Ordinary Share) for every four Almighty EP Shares, subject to certain conditions and restrictions.
- (iii) Out of the 13,800,000,000 Almighty EP Shares, 800,000,000 Almighty EP Shares were allotted and issued to Splendid All and were attached with rights to exchange for 200,000,000 PHL Preference Shares (or 200,000,000 new PHL Ordinary Shares so converted from the 200,000,000 PHL Preference Shares), on the basis of one PHL Preference Share (or one PHL Ordinary Share) for every four Almighty EP Shares, subject to certain conditions and restrictions. Mr. Lo Yuk Sui holds the entire issued share capital of Splendid All as a trustee and may have discretion over the exercise of the voting right attaching to the entire issued share capital of Splendid All.
- (i) (i) On 23rd January, 2003, Splendid All exercised the exchange rights attached to 400,000,000 Almighty EP Shares held by it, which were as a result exchanged into 100,000,000 PHL Preference Shares on the basis of one PHL Preference Share for every four Almighty EP Shares so exchanged.
- (ii) On 24th January, 2003, Splendid All exercised the conversion rights attached to 100,000,000 PHL Preference Shares held by it for conversion into 100,000,000 new PHL Ordinary Shares on the basis of one new PHL Ordinary Share for one PHL Preference Share so converted. As a result, 100,000,000 new PHL Ordinary Shares were allotted and issued to Splendid All on 24th January, 2003.

### **(B) Interests in Share Options Granted by the Company**

No right has been granted to, or exercised by, any Director of the Company, or to or by his spouse and children under 18 years of age, to subscribe for shares in or debentures of the Company during the year.



### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2002, the interests of those persons (other than the Directors) in the share capital of the Company as recorded in the register kept under Section 16 of SDIO were as follows:

Name of Shareholder	Number of Shares Held
Shui To Co., Limited (Note)	440,269,831
YSL International Holdings Limited (Note)	931,998,340

**Note:** These companies are controlled by Mr. Lo Yuk Sui and their said shareholdings were included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under Interests in Shares of Directors' Interests in Share Capital.

### DIRECTORS' INTERESTS IN AND MOVEMENTS IN SHARE OPTIONS GRANTED BY PALIBURG HOLDINGS LIMITED

During the year, details of Directors' interests in and movements in share options granted by PHL pursuant to the Executive Share Option Scheme of PHL (the "PHL Option Scheme") adopted by its shareholder on 23rd November, 1993 and subsequently approved by the independent shareholders of Paiburg International Holdings Limited, formerly the immediate listed holding company of PHL, ("PIHL") on 15th December, 1993 are set out in note 41 to the financial statements.

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

During the year, details of Directors' interests in and movements in share options granted by RHIHL pursuant to the Executive Share Option Scheme of RHIHL (the "RHIHL Share Option Scheme") approved by its shareholders on 28th June, 1990 are set out in note 41 to the financial statements.

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

Movements during the year in 5¼% convertible cumulative redeemable preference shares with par value of US\$10.00 each ("Preference Shares") of RHIHL are detailed below:

	Number of Preference Shares
Balance at beginning and at end of year	16,748

**Note:** The Preference Shares are convertible into fully paid ordinary shares of HK\$0.01 each of RHIHL at any time until and including 5th December, 2008 at the adjusted conversion price of HK\$1.7037 per share (subject to adjustment) based on a reference amount of US\$1,000 per Preference Share at the fixed exchange rate of HK\$7.730255 to US\$1.00.



### **ISSUE OF NEW SHARES UNDER THE 20% GENERAL MANDATE**

Pursuant to the share exchange agreement (the "Share Exchange Agreement") dated 18th February, 2002 made between, inter alia, the Company and Prism Communications International Limited ("Prism"), on 8th March, 2002, 250 million new shares ("250M Consideration Shares") of HK\$0.10 each in the share capital of the Company ("Shares") were allotted, issued and credited as fully paid to a nominee of Prism at HK\$0.10 per 250M Consideration Share (the "250M Issue Price") in satisfaction of the consideration for the subscription by Expert Link Technology Limited ("Expert Link"), a wholly owned subsidiary company of the Company, for 10 million new shares of HK\$0.01 each in the share capital of Prism (the "Prism Shares") (the "250M Share Transaction").

The 250M Issue Price represented (i) a premium of 163% over the closing price of HK\$0.038 of the Shares as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18th February, 2002 and (ii) a premium of 159% over the average closing price of HK\$0.0386 of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days ending on 18th February, 2002.

The 250M Consideration Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 12th June, 2001 and rank *pari passu* in all respects with the then existing issued Shares.

The Directors of the Company considered that the 250M Share Transaction was in the interest of the Company as it provided an opportunity for the Company to increase its involvement in information technology and telecommunications businesses, while enlarging the Company's capital base.

Details of the 250M Share Transaction were disclosed in an announcement dated 19th February, 2002 made by the Company.

On 23rd July, 2002, 240 million new Shares ("240M Consideration Shares") of the Company were allotted, issued and credited as fully paid to nominees of Prism at HK\$0.10 per 240M Consideration Share (the "240M Issue Price") in satisfaction of the consideration for the subscription by Expert Link for 9.6 million new Prism Shares, as a result of the partial exercise of an option (the "Option") granted by Prism to the Company pursuant to the Share Exchange Agreement (the "240M Share Transaction"). Together with 10 million Prism shares already held by the Company, the Company held an aggregate of 19.6 million Prism Shares, representing approximately 9.7% of the then enlarged issued share capital of Prism.

The 240M Issue Price represented (i) a premium of 186% over the closing price of HK\$0.035 of the Shares as quoted on the Stock Exchange on 23rd July, 2002 and (ii) a premium of 165% over the average closing price of HK\$ 0.0377 of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days ending on 23rd July, 2002.



The 240M Consideration Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 12th June, 2002 and rank pari passu in all respects with the then existing issued Shares.

The Directors of the Company considered that the exercise of the Option was in the

interest of the Company as it provided an opportunity for the Company to further increase its involvement in information technology and telecommunications businesses, while enlarging the Company's capital base.

Details of the 240M Share Transaction were disclosed in an announcement dated 23rd July, 2002 made by the Company.

#### **APPLICATION OF CHAPTER 14 OF THE LISTING RULES TO THE COMPANY**

Chapter 14 of the Listing Rules requires listed companies to disclose details of certain categories of transactions, to send a circular to shareholders and to publish an announcement in the newspapers giving information about certain categories of transactions and, in the case of certain material transactions or certain transactions with connected persons (as defined in the Listing Rules), to obtain shareholders' prior approval. Certain categories of transactions are not subject to any disclosure or approval requirements at all.

The Group has recorded an audited deficiency in net tangible assets as at 31st December, 2001 primarily as a result of disposal of certain assets as part of the Group's restructuring and the adoption of new accounting standards in relation to goodwill treatment. The audited deficiency in net tangible asset value of the Group did not arise as a result of operational losses in the ordinary and usual course of business during the current and/or prior financial years.

As a result of the audited deficiency in net tangible asset value of the Group as described above, the Company encounters difficulties in complying fully with those provisions of the Listing Rules which require comparisons to be made with its net tangible assets or net assets and render the Company subject to all of the disclosure and shareholders' approval requirements in respect of any acquisition and disposal notwithstanding the value of such transaction may be insignificant in monetary terms or compared to the total assets of the Group. Upon the application of the Company, on 7th June, 2002, the Stock Exchange approved the Company's application for the adoption of the De-minimis Concession, Modified Calculation Concession and the right to apply the "modified assets test" (as described in the Stock Exchange's announcements dated 3rd May, 2001, 24th August, 2001 and 9th October, 2001). Details of the approved concession were set out in the Company's announcement dated 10th June, 2002 and described as below.



### **Basis for the Company's Application of "Modified Assets Test"**

The Company's application for the right to apply the "modified assets test" under the Modified Calculation Concession as described above was based on the Group's latest published audited financial statements as at 31st December, 2001. The "modified asset value" of the Group is equal to approximately HK\$7,560.6 million (the "Modified Asset Value", being the gross assets of the Group (approximately HK\$14,634.5 million) less intangibles (approximately HK\$49.4 million) and current liabilities (approximately HK\$7,024.5 million)).

### **Application for the Adoption of the De-Minimis Concession**

The Stock Exchange has approved the Company's application for the adoption of the De-minimis Concession for notifiable transactions (other than connected transactions). Each transaction carried out in the normal and ordinary course of business of the Group, which is entered into on normal commercial terms, and where the consideration or value of the transaction does not exceed HK\$1,000,000 will be considered as de-minimis. In such circumstances, the "assets test" and the "consideration test" shall not apply and such transaction shall not be subject to any disclosure or shareholder approval requirements.

### **Application for the Adoption of the Modified Calculation Concession**

The Stock Exchange has approved the Company's application for the adoption of the Modified Calculation Concession in accordance with the guidelines set forth in the above relevant announcements of the Stock Exchange in calculating the "assets test" and the "consideration test" in order to classify notifiable transactions (other than connected transactions) for the Company. Accordingly:

- (1) the "assets test" shall be performed by dividing the gross assets less intangibles and current liabilities of the asset to be acquired or realised by the Modified Asset Value; and
- (2) the "consideration test" shall be performed by dividing the consideration for the asset to be acquired or realised by the Modified Asset Value.

The "assets test" and the "consideration test" for the purposes of classifying notifiable transactions (other than connected transactions) shall be determined in accordance with the thresholds set out below.



**Classification of Notifiable Transactions (other than Connected Transactions)**

In relation to any transaction (other than a connected transaction and a transaction that is de-minimis) entered into by any member of the Group that:

- (1) is either an acquisition or realisation and the value of which does not exceed 5% of the Modified Asset Value (being approximately HK\$378.0 million), the Company shall not be required to comply with any disclosure or shareholder approval requirements in respect of such transaction;
- (2) is an acquisition of assets (including securities but excluding cash) for a consideration that includes the issue of securities by the Company for which listing will be sought, the Company shall comply with the requirements for share transactions in the event the value of the transaction is less than 5% of the Modified Asset Value (being approximately HK\$378.0 million);
- (3) is either an acquisition or realisation and the value of which is 5% of the Modified Asset Value (being approximately HK\$378.0 million) or above but does not exceed 15% of the Modified Asset Value (being approximately HK\$1,134.1 million), the Company shall comply with the requirements for discloseable transactions;
- (4) is an acquisition and the value of which is 15% of the Modified Asset Value (being approximately HK\$1,134.1 million) or above but does not exceed 25% of the Modified Asset Value (being approximately HK\$1,890.2 million), the Company shall comply with the requirements for major transactions;
- (5) is a realisation and the value of which is 15% of the Modified Asset Value (being approximately HK\$1,134.1 million) or above, the Company shall comply with the requirements for major transactions;
- (6) is an acquisition and the value of which is 25% of the Modified Asset Value (being approximately HK\$1,890.2 million) or above, the Company shall comply with the requirements for very substantial acquisitions.

These ratios would apply only to the "assets test" and the "consideration test". The "profits test" and "equity test" will remain applicable to the Company.



### **Application of the "Modified Assets Test" under the Modified Calculation Concession**

The Stock Exchange has approved the Company's application for the right to apply the "modified assets test" under the Modified Calculation Concession with respect to the following items set forth in the Announcements:

*Application of Modified Calculation Concession only while maintaining the percentage ratios prescribed under the relevant provisions of the Listing Rules*

In relation to references to net tangible assets, or net assets, as applicable, in the following provisions of the Listing Rules, the basis set out in the "modified assets test" under the Modified Calculation Concession will be adopted as the basis for comparison to determine the relevant disclosure requirements under those provisions of the Listing Rules:

- (A) Paragraph 17(2) of Appendix 7B;
- (B) Paragraph 36 of Appendix 16;
- (C) Paragraph 5.1 of Practice Note 13;
- (D) Paragraph 3(e)(ii) of Practice Note 15; and
- (E) Paragraph 1.3 of Practice Note 19.

Since the numerator and denominator will be determined on the same modified basis, no change will be made to the current percentage ratios prescribed under the above provisions.

*Application of Modified Calculation Concession but applying different percentage ratios*

In relation to references to net tangible assets or net assets, as applicable, in the provisions of the Listing Rules set out in column (a) below, such assets of the Group shall be calculated in accordance with the "modified assets test" under the Modified Calculation Concession but applying the relevant percentage ratios as are set against such rule in column (b) below. The relevant monetary threshold that is applicable to each such rule is set out in column (c) below.

(a)	(b)	(c)
(A) Paragraph 15.2 of Appendix 16	Ratio of 1%	approximately HK\$75.6 million
(B) Paragraph 23 of Appendix 16	Ratio of 5%	approximately HK\$378.0 million
(C) Paragraph 3.2.1 of Practice Note 19	Ratio of 8%	approximately HK\$604.8 million
(D) Paragraph 3.2.2 of Practice Note 19	Ratio of 3%	approximately HK\$226.8 million
(E) Paragraph 3.3 of Practice Note 19	Ratio of 8%	approximately HK\$604.8 million



*Connected Transactions - Rules 14.24(5), 14.25(1) and 14.25(2)(b)(i)*

In relation to references to net tangible assets or net assets, as applicable, set out in Rules 14.24(5), 14.25(1) and 14.25(2)(b)(i) of the Listing Rules for connected transactions, such assets of the Group shall be calculated in accordance with the "modified assets test" under the Modified Calculation Concession and the relevant percentage ratios applicable to such Listing Rules shall be as specified below.

- (A) For the purposes of Rule 14.24(5) of the Listing Rules, the threshold will be the higher of either:
  - (1) HK\$1,000,000; or
  - (2) 0.01% of the Modified Asset Value, being approximately HK\$756,060.
- (B) For the purposes of Rule 14.25(1) of the Listing Rules, the threshold will be the higher of either:
  - (1) HK\$10,000,000; or
  - (2) 1.0% of the Modified Asset Value, being approximately HK\$75.6 million.
- (C) For the purposes of Rule 14.25(2)(b)(i) of the Listing Rules, the threshold will be 5% of the Modified Asset Value, being approximately HK\$378.0 million.

**Period for which the De-Minimis Concession, the Modified Calculation Concession and the "Modified Assets Test" will apply**

The Stock Exchange's approval for the use of the De-minimis Concession, the Modified Calculation Concession and the "modified assets test" described above will remain in effect from 7th June, 2002 until the publication or the due date of publication of this annual report, whichever is earlier. Accordingly, the Company will apply to the Stock Exchange for the right to apply the De-minimis Concession, Modified Calculation Concession and the "Modified Assets Test" under the Modified Calculation Concession based on the Company's results for the year ended 31st December, 2002.



For the purpose of the sections below headed "Connected Transactions" and "Disclosure pursuant to Practice Note 19", the "RHIHL Group" refers to RHIHL and its subsidiary companies; the "PHL Group" refers to PHL and its subsidiary companies, other than those comprising the RHIHL Group; the "CCIHL Group" refers to the Company and its subsidiary companies, other than those comprising the PHL Group and the RHIHL Group; the "PHL/RHIHL Group" refers to PHL and its subsidiary companies, including those comprising the RHIHL Group; and the "Group" refers to the company and its subsidiary companies, including those comprising the PHL Group and the RHIHL Group.

### **CONNECTED TRANSACTIONS ON-GOING TRANSACTIONS**

The Company has from time to time engaged in various on-going transactions (the "On-going Transactions") and future similar transactions (the "Future Connected Transactions") (collectively, the "Connected Transactions") between respective subsidiary companies of the CCIHL Group, the PHL Group and the RHIHL Group, all conducted within their ordinary and normal course of business. The said transactions constituted or will constitute connected transactions for the Company under the Listing Rules.

The Stock Exchange, on application by the Company, issued a letter to the Company granting a waiver (the "Waiver") of strict compliance by the Company with the announcing requirement under the Listing

Rules in respect of the Future Connected Transactions, subject to, inter alia, the approval by independent shareholders of the Company of the authority to be granted to the Directors in relation to such transactions. Details of the Connected Transactions and the Waiver were set out in a circular dated 9th February, 1998 issued by the Company. At the Special General Meeting of the Company held on 26th February, 1998, the required approval was given by independent shareholders in respect of the Future Connected Transactions.

### **Corporate Services Transactions**

The present head office accommodation of the CCIHL Group located at 18th to 22nd Floors of Paliburg Plaza, which is an office and commercial building in Causeway Bay, Hong Kong and previously owned by the PHL Group before the closing of the bonds settlement of the PHL Group on 31st October, 2002, is being shared with the CCIHL Group by the PHL Group and the RHIHL Group. Relevant rentals paid to the PHL Group under the lease of the head office accommodation, which was determined by reference to market rental on an arm's length basis, amounted to about HK\$7.9 million in the financial year of 2002. The lease of the head office accommodation was last renewed for a term of six months to 28th September, 2002 at approximately HK\$0.8 million per month. Since then, the lease has been further renewed for terms of 6 months, but the rental terms for such lease renewals are yet to be finalised and agreed.



The rental charge of such accommodation is allocated among the Company, PHL and RHIHL, the listed members of the Group, according to the estimates from time to time by the Directors and, as appropriate, with the endorsement of the directors of PHL and the directors of RHIHL, of fair proportional use, based on actual area occupied, and the areas used in common, shared among such members of the CCIHL Group, the PHL Group and the RHIHL Group by reference to individual consolidated turnover, profit (as applicable) and asset values of the Company, PHL and RHIHL for each financial year. The payment obligation in respect of such rentals is assumed by the three companies.

Furthermore, members of the CCIHL Group provide corporate management services, such as finance and accounting as well as administrative and secretarial services, to members of the PHL Group and RHIHL Group, the fees for which are charged by apportionment of actual costs among the Company, PHL and RHIHL on a fair proportionate basis by reference to individual consolidated turnover, profit (as applicable) and asset values of the Company, PHL and RHIHL for each financial year.

The aggregate amounts of such rentals and corporate management costs apportioned to PHL and RHIHL for the year ended 31st December, 2002 were approximately HK\$23.2 million (comprising rentals of HK\$4.0 million and management costs of HK\$19.2 million) and HK\$22.6 million (comprising rentals of HK\$3.4 million and management costs of HK\$19.2 million), respectively.

### Miscellaneous Connected Transactions

An associate of the CCIHL Group and a member of the CCIHL Group are also engaged in the following transactions conducted in the ordinary and usual course of business of the companies of the CCIHL Group, PHL Group and RHIHL Group which are parties to such transactions:

- (1) the associate of the CCIHL Group which is owned as to 10% by the CCIHL Group, 30% by the RHIHL Group (the CCIHL Group and RHIHL Group also hold additional 2% and 6% attributable interests in the associate respectively through their respective holdings in 8D-BVI) and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI, has been providing advertising and promotional services to the PHL Group and the RHIHL Group on retainers of approximately HK\$0.5 million and HK\$2.1 million respectively for the year 2002 and at a standard fee of HK\$0.2 million and HK\$1.9 million respectively based on total costs involved, in addition to which actual costs and out-of-pocket expense incurred are reimbursed. Since the Group was established, the said associate of the CCIHL Group has been engaged, as its principal business activity, in providing advertising and promotion services to the PHL Group and the RHIHL Group.



- (2) the CCIHL Group has leased space in Regal Hongkong Hotel from the RHIHL Group as staff quarters. Rentals paid under such lease by the CCIHL Group in the year 2002 amounted to approximately HK\$2.1 million.

#### **Compliance with Waiver Conditions**

The aggregate amount of the rentals and corporate management costs received by the CCIHL Group under the Corporate Services Transactions for the year ended 31st December, 2001 exceeded the cap as set out in the Waiver of 1% of the latest published audited consolidated net tangible assets of the Group as at 31st December, 2001 adjusted to take into account of the results for the six-month period ended 30th June, 2002 (the "NTA"), which had dropped significantly as compared with that of the previous years. The aggregate amount of the retainer fees and standard fees received by the associate of the CCIHL Group and the rentals paid to the RHIHL Group under the Miscellaneous Connected Transactions for the year ended 31st December, 2002 exceeded the cap as set out in the Waiver of 0.25% of the NTA. The Company has made submission to the Stock Exchange to apply for new waiver in respect of such transactions.

The On-going Transactions have been reviewed by the Directors (including the independent Non-Executive Directors) and the independent Non-Executive Directors have confirmed that they consider that the above transactions were conducted:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
- (c) on a fair and reasonable basis so far as the shareholders of the Company are concerned.

The Auditors of the Company have confirmed to the Directors in writing in respect of the On-going Transactions occurring during the financial year ended 31st December, 2002 that the relevant transactions have received the approval of the Board of Directors, and that they consider that the relevant transactions have been entered into on normal commercial terms or have been entered into in accordance with the terms of the agreement relating to the transaction in question or, where there is no such agreement, on terms no less favourable than terms available to or from independent third parties.



**DISCLOSURE PURSUANT TO PRACTICE NOTE 19**

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Practice Note 19 ("PN19") of the Listing Rules.

**Advances to an Entity (Paragraph 3.2.1 of PN19)**

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 70% by RHIHL and 30% by China Overseas Land & Investment Limited, which is independent of, and not connected with the Company and RHIHL, the respective directors, chief executive and substantial shareholders of the Company and RHIHL and any of their respective subsidiary companies or any of their respective associates (as defined in the Listing Rules), by the RHIHL Group as at 31st December, 2002 are set out below:

<b>Advances</b>	<b>RHIHL Group (HK\$'million)</b>
(A) Principal Amount of Advances	2,700.9
(B) Interest Receivable	379.2
(C) Several Guarantees for:	
(a) Principal Amount of Bank Facilities	2,310.0
(b) Amount of Bank Facilities Drawdown	1,938.4
Total:(A)+(B)+(C)(a)	<u>5,390.1</u>
(A)+(B)+(C)(b)	<u>5,018.5</u>

The above advances to Chest Gain in an aggregate sum of HK\$3,080.1 million (before a provision of HK\$1,633.3 million) included an amount of HK\$1,701.1 million (before a provision of HK\$933.3 million), which represented the amount of advances attributable to PHL Group's 40% interest in Chest Gain transferred to the RHIHL Group pursuant to the Stanley Transfer as detailed in note 22 to the financial statements. Such contribution of funds to Chest Gain is required to be provided in the form of shareholder's loan in proportion to the shareholding interests of the shareholders of Chest Gain. The advances are unsecured and have no fixed term of repayment, and related interest had been accrued at prime rate up to 31st December, 1998. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of its property project at Rural Building Lot No. 1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Stanley Site"). The Stanley Site was acquired by Chest Gain at the government land auction held on 3rd June, 1997. The above guarantees were provided by PHL and RHIHL on 28th October, 1997 on a several basis in proportion to their then respective shareholding interests in Chest Gain and were given in respect of the bank loan facilities of HK\$3,300.0 million made available to Chest Gain for the purposes of refinancing part of the consideration for the acquisition of the Stanley Site and financing the estimated construction costs required for the luxury residential development at the Stanley Site.



As the Company reported a consolidated deficiency in assets of HK\$492.6 million by reference to its latest audited financial statements for the year ended 31st December, 2002, the calculation of the percentage of the aggregate amount of advances and other financial assistance mentioned above to net tangible assets is not applicable. Calculated on the basis of the Modified Asset Value of approximately HK\$7,560.6 million (as referred to in the announcement of the Company dated 10th June, 2002), the aggregate of advances and other financial assistance as at 31st December, 2002 provided by the PHL/RHIHL Group to Chest Gain in the respective sums of (a) HK\$5,390.1 million (based on the total available amount of the bank facilities) and (b) HK\$5,018.5 million (based on the amount of bank facilities drawdown) represented (a) 71.3% and (b) 66.4% of the Modified Asset Value.

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

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 31st December, 2002 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Bank Facilities	
			(i) Principal Amount of Bank Facilities (HK\$'million)	(ii) Amount of Bank Facilities Drawdown (HK\$'million)
Chest Gain	(A) 2,700.9	(B) 379.2	(C)(i) 2,310.0	(C)(ii) 1,938.4
Cheerjoy Development Limited	(D) 147.7 (Interest Rate: Prime Rate)	(E) 7.5	Nil	Nil
Talent Faith Investments Ltd.	(F) 78.6	–	Nil	Nil
8D International (BVI) Limited	(G) 38.2	–	Nil	Nil
8D Matrix Limited	(H) 0.7	–	Nil	Nil
Bright Future (HK) Limited	(I) 5.6	–	Nil	Nil
			Total: (A)+(B)+(C)(i)+(D) to (I)	5,668.4
			(A)+(B)+(C)(ii)+(D) to (I)	5,296.8

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



Cheerjoy Development Limited ("Cheerjoy") was a wholly owned subsidiary company of 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 and have no fixed term of repayment.

Talent Faith Investments Ltd. ("Talent Faith") was previously a wholly owned subsidiary company of PHL. Talent Faith owns a 65% interest in a joint venture company which, in turn, owns a 70% interest in an equity joint venture in The People's Republic of China involved in a property development project in Beijing. Talent Faith became a 50% owned associate of PHL during 2000. The remaining 50% shareholding interest in Talent Faith 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, in accordance with the terms in the agreement entered into with the said third party in relation to the disposal of the PHL Group's 50% interest in Talent Faith, 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 involved in information technology businesses in connection with a broadband fibre optic network in The People's Republic of China and the development and distribution of technologically advanced security and building related systems and software development, and promotions and communications 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 in The People's Republic of China engaged in the operation of a hotel in Qinghai. 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.

As the Company reported a consolidated deficiency in assets of HK\$492.6 million by reference to its latest audited financial statements for the year ended 31st December, 2002, the calculation of the percentage of the aggregate amount of financial assistance and guarantees mentioned above to net tangible assets is not applicable. Calculated on the basis of the Modified Asset Value, as at 31st December, 2002, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$5,668.4 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$5,296.8 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 75.0% and (b) 70.1% of the Modified Asset Value.



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

	<b>Pro-forma combined balance sheet (HK\$'million)</b>	<b>Group's attributable interest (HK\$'million)</b>
Non-current assets	1,069.3	226.3
Current assets	4,547.0	901.4
Current liabilities	(298.4)	(65.2)
Non-current liabilities	(9,229.1)	(1,840.6)
Net liabilities	<u>(3,911.2)</u>	<u>(778.1)</u>

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

#### **Paragraph 3.7.1 of PN19**

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

	<b>Outstanding Balance of Bank Facilities as at 31st December, 2002 (HK\$'million)</b>	<b>Final Maturity of Bank Facilities</b>	<b>Specific Performance Obligations</b>
<b>RHIHL Group</b>	(a) 1,060.8	July 2007	Note (i)
	(b) <u>3,755.8</u>	September 2004	Note (ii)
Total:	<u>4,816.6</u>		

#### **Notes:**

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of the Company which owns a 56.8% shareholding interest in PHL (which in turn owns a 74.9% 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.

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

#### **Paragraph 3.7.2 of PN19**

Details of the breach of certain terms and financial covenants of the above loan agreements are set out in note 3 to the financial statements.



### **CORPORATE GOVERNANCE**

The Company has during the year complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent Non-Executive Directors of the Company were not appointed for specific terms. However, they were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the By-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 comprising 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 Society of Accountants.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiary companies, of the listed securities of the Company.

### **PRE-EMPTIVE RIGHTS**

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

### **MAJOR CUSTOMERS AND SUPPLIERS**

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers and the percentage of turnover or sales attributable to the Group's 5 largest customers combined in respect of goods and services was in each case less than 30% of the total amount involved.

### **FIXED ASSETS**

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

### **PROPERTIES UNDER DEVELOPMENT**

The details of movements in properties under development during the year are set out in note 20 to the financial statements.

### **PROPERTY HELD FOR FUTURE DEVELOPMENT**

The details of movements in property held for future development during the year are set out in note 21 to the financial statements.

### **BORROWINGS**

The details of the Company's and the Group's borrowings at the balance sheet date are set out in notes 33 and 38 to the financial statements.

### **SHARE CAPITAL**

The details of movements in the share capital of the Company during the year are set out in note 41 to the financial statements.



**SHARE PREMIUM ACCOUNT**

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

**CAPITAL REDEMPTION RESERVE**

The details of movements in the capital redemption reserve account during the year are set out in note 44 to the financial statements.

**CAPITAL RESERVE**

The details of movements in the capital reserve account during the year are set out in note 45 to the financial statements.

**REVALUATION RESERVES**

The details of movements in the revaluation reserve account during the year are set out in note 46 to the financial statements.

**EXCHANGE EQUALISATION RESERVE**

The details of movements in the exchange equalisation reserve account during the year are set out in note 47 to the financial statements.

**SUBSIDIARY COMPANIES**

Particulars of the Company's principal subsidiary companies are set out in note 48 to the financial statements.

**JOINTLY CONTROLLED ENTITY AND ASSOCIATES**

Particulars of the Group's interests in jointly controlled entity and associates are set out in notes 22 and 23 to the financial statements, respectively.

**CONTRIBUTED SURPLUS**

The details of movements in the contributed surplus account during the year are set out in note 49 to the financial statements.

**DISTRIBUTABLE RESERVES**

As at 31st December, 2002, the Company had no reserves available for distribution calculated in accordance with The Companies Act 1981 of Bermuda.

The Company's share premium may be distributed in the form of fully paid bonus shares.

**INTEREST CAPITALISED**

Interest expenses in the amount of HK\$0.4 million were capitalised during the year in respect of the Group's construction contracts.

**POST BALANCE SHEET EVENTS**

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 59 to the financial statements.

**AUDITORS**

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**LO YUK SUI**

Chairman

Hong Kong

17th April, 2003

