



Report of the Directors

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 118 to 214.

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 on the Regalia Bay development are contained in the Chairman's Report which precedes this report. A detailed review of the other business operations and outlook of the Group is also contained in the Chairman's Report.

Cash Flow and Capital Structure

During the year under review, net cash inflow from operating activities amounted to HK\$247.0 million (2002 - HK\$263.3 million). Net interest payment for the year amounted to HK\$136.3 million (2002 - HK\$305.0 million).

As detailed in note 29 to the financial statements, during the year, Regal Hotels International Holdings Limited ("RHIHL") and its subsidiary companies (the "RHIHL Group") received cash proceeds in the sum of US\$48.8 million (approximately HK\$380.6 million) on settlement of certain deferred consideration in respect of the RHIHL Group's disposal of its hotel interests in the United States of America in 1999. The cash proceeds were substantially applied in repayment of the RHIHL Group's bank borrowings.



BORROWINGS

As at 31st December, 2003, the Group's gross borrowings net of cash and bank balances amounted to HK\$5,431.6 million, as compared to HK\$6,149.2 million in 2002. Gearing ratio based on total assets of HK\$9,893.1 million (2002 - HK\$9,723.2 million) was 54.9% (2002 - 63.2%). The Group expects that with the much improved outlook of the local hotel business and the substantial surplus funds to be realised from the Regalia Bay development project, the Group's borrowings as well as its gearing level will be further reduced significantly. As disclosed in note 3 to the financial statements, the Company itself is in the course of finalising the relevant documentation for a possible debt restructuring with its financial creditors.

Details of the Group's pledge of assets and contingent liabilities are shown in notes 51 and 52, respectively, to the financial statements. As disclosed in note 51, 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, engaged in the Regalia Bay luxury residential project at Wong Ma Kok Road in Stanley, Hong Kong. The Group does not consider such security arrangements to be unusual, having regard to the circumstances affecting the Group in prior year. As at 31st December, 2003, the Group has contingent liabilities under certain corporate guarantees in the amount of HK\$2,359.0 million (2002 - HK\$2,310.0 million) provided in respect of the banking facilities granted to the jointly controlled entity. These banking facilities were granted to the jointly controlled entity solely for the purpose to finance the Regalia Bay development project.

Details of the maturity profile of the Group's borrowings are set out in notes 32 and 34 to the financial statements. As disclosed in note 3 to the financial statements, the RHIHL Group concluded the Rescheduling Agreement with its bank lenders on 30th September, 2003 and accordingly, the maturity profile of the relevant bank loans in an aggregate amount of HK\$4,428.0 million is stated in accordance with the terms contained in the Rescheduling Agreement.

Material Disposals of Subsidiary Companies

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



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

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

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

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

Remuneration Policy

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

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff 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.



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

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Anthony Chuang and Mr. Ng Siu Chan retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.



Report of the Directors (Cont'd)

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

Name of Director	(a) Length or Proposed Length of Service with the Company (b) Position held with the members of the Group	Relationships with any Directors, Senior Management or Substantial or Controlling Shareholders of the Company	(a) Major Appointments and Qualifications (b) Other directorships held in listed public companies in the last three years	(a) Interests in Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (b) Amount of the Director's Emoluments specified in Service Contract and the Basis of determining the Director's Emoluments
Anthony Chuang (Age : 59)	(a) Appointed as an Independent Non-Executive Director of the Company in August 1993 (b) Independent Non-Executive Director of the Company	None	(a) Graduated from University of Notre Dame, U.S.A. (b) Nil	(a) Nil (b) Note
Ng Siu Chan (Age : 73)	(a) Appointed as an Independent Non-Executive Director of the Company in December 1994 (b) Independent Non-Executive Director of the Company and Palibug Holdings Limited ("PHL"), a listed subsidiary of the Company	None	(a) - (b) (1) Kowloon Development Company Limited (resigned on 7th February, 2002) (2) PHL (3) The Kowloon Motor Bus Holdings Limited (4) Wing Lung Bank Limited	(a) Holds, through family interests, 15,453,000 shares (b) Note

Note: None of the Directors proposed to be re-elected at the forthcoming Annual General Meeting has a service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).



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, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiary companies during the year.

At no time during the year was the Company or any of its 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, 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

	Name of Director	Class of Shares Held	Number of Shares Held				Total (Approximate percentage of the Issued Shares)
			Personal Interests	Family Interests	Corporate Interests	Other Interests	
1. The Company	Mr. Lo Yuk Sui	Ordinary (i) issued	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%)



Report of the Directors (Cont'd)

	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held				Total (Approximate percentage of the Issued Shares)			
				Personal Interests	Family Interests	Corporate Interests	Other Interests				
2.	PHL	Mr. Lo Yuk Sui	Ordinary (i) issued	442,765	—	2,526,817,477 (Notes a(iii))	200,000,000 (Note b)	2,727,260,242			
			Ordinary (ii) unissued	4,562,500 (Note e)	—	1,990,000,000 (Notes a(iv) & c)	—	1,994,562,500			
			Total (i) & (ii):							4,721,822,742 (120.19%)	
			Preference (issued)	—	—	1,990,000,000 (Notes a(iv) & c)	—	1,990,000,000 (100%)			
			Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	100,000	—	—	—	100,000 (0.003%)		
			Mr. Jimmy Lo Chun To	Ordinary (issued)	284,000	—	—	—	284,000 (0.007%)		
3.	RHIHL	Mr. Lo Yuk Sui	Ordinary (issued)	220,000	—	4,682,520,933 (Notes a(v) & d)	—	4,682,742,933 (62.27%)			
			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.	303 Company Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note i)	—	10,000 (100%)
			5.	303 Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2 (Note i)	—	2 (100%)
6.	8D International (BVI) Limited ("8D-BVI")	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1,000 (Note f)	—	1,000 (100%)			



	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held				Total (Approximate percentage of the Issued Shares)
				Personal Interests	Family Interests	Corporate Interests	Other Interests	
7.	8D Matrix Limited ("8D Matrix")	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2,000,000 (Note g)	—	2,000,000 (100%)
8.	8D International Limited ("8D")	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note h)	—	10,000 (100%)
9.	Century Digital Communications (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1 (Note j)	—	1 (100%)
10.	Century Digital Communications Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2 (Note k)	—	2 (100%)
11.	Century Digital Enterprise Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	100 (Note l)	—	100 (100%)
12.	Century Digital Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	3 (Note m)	—	3 (100%)
13.	Century Digital Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	49,968 (Note n)	—	49,968 (99.94%)
14.	Century Matrix Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2,666,667 (Note o)	—	2,666,667 (100%)
15.	Dragonlink Ventures (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	100 (Note p)	—	100 (100%)
16.	Evermax Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	2 (Note q)	—	2 (100%)
17.	Foremost Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1 (Note r)	—	1 (100%)
18.	Full Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1 (Note s)	—	1 (100%)



Report of the Directors (Cont'd)

	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held				Total (Approximate percentage of the Issued Shares)
				Personal Interests	Family Interests	Corporate Interests	Other Interests	
19.	Full Range Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note t)	—	10,000 (100%)
20.	Grand Modern Investments Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	330 (Note u)	—	330 (100%)
21.	Important Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note v)	—	10,000 (100%)
22.	Leading Technology Holdings Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	100 (Note w)	—	100 (100%)
23.	Mira Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	937,500 (Note x)	—	937,500 (100%)
24.	Net Age Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	97 (Note y)	—	97 (97%)
25.	Net Community Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	3 (Note z)	—	3 (100%)
26.	Network Sky Limited	Mrs. Kitty Lo Lee Kit Tai	Ordinary (issued)	—	—	50,000	—	50,000 (25%)
27.	Regal International (China) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1 (Note aa)	—	1 (100%)
28.	Speedway Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	50,000 (Note ab)	—	50,000 (100%)
29.	Task Master Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	1 (Note ac)	—	1 (100%)



Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held				Other Interests	Total (Approximate percentage of the Issued Shares)
			Personal Interests	Family Interests	Corporate Interests			
30. Top-Most Technology Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note ad)	—	10,000 (100%)	
31. Top Technologies Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	10,000 (Note ae)	—	10,000 (100%)	
32. World Momentum Limited	Mr. Lo Yuk Sui	Ordinary (issued)	—	—	130 (Note af)	—	130 (100%)	

Notes:

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

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

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

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



Report of the Directors (Cont'd)

- (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 64.32% shareholding interests.
- (b) Mr. Lo Yuk Sui is the trustee for Select Wise Trust, of which Select Wise Holdings Limited, a substantial shareholder of the Company and PHL, is the beneficiary.
- (c) 1,990,000,000 convertible preference shares of PHL ("Paliburg Preference Shares") are convertible into 1,990,000,000 ordinary shares of PHL on the basis of one Paliburg Preference Share for one ordinary share of Paliburg.
- (d) As at 31st December, 2003 a balance of 1,611,950,656 shares (the "Exchange Property") were charged by a wholly-owned subsidiary of 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 a balance of 189,575,656 shares, as at 31st December, 2003, and the other three tranches each comprising 474,125,000 shares) on each dates falling 12, 15, 18 and 21 months after the Closing Date, subject to certain early release provisions.
- (e) Details of Directors' interests in share options granted by PHL are set out in note 38 to the financial statements.
- (f) 400 shares were held through companies controlled by the Company and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.
- (g) 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).
- (h) 8D is a wholly-owned subsidiary of 8D Matrix.



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

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

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

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

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



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(k) 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

(l) 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



- (m) 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

- (n) 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



Report of the Directors (Cont'd)

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

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

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

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

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
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
Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
Delightful Thought Limited	Century City BVI Holdings Limited	100.00
Ultimate Process Technology Limited	Century City BVI Holdings Limited	30.00

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



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

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.81
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00
Dragonlink Ventures (BVI) Limited	Century City BVI Holdings Limited	40.00
Full Master Technology Limited	Dragonlink Ventures (BVI) Limited	100.00

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

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

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.81
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
8D International (BVI) Limited	Century City BVI Holdings Limited	40.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00
Dragonlink Ventures (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
Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00



Report of the Directors (Cont'd)

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

(a) Name of corporation	Controlled by	% of control
Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
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
Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00
Dragonlink Ventures (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
Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
8D International (BVI) Limited	Manyways Technology Limited	60.00
Task Master Technology Limited	8D International (BVI) Limited	100.00
Net Community Limited	Secure Way Technology Limited	66.67
Net Community Limited	Task Master Technology Limited	33.33
Century Digital Holdings Limited	Net Community Limited	100.00
Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00

- (t) 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



- (u) 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

- (v) 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



Report of the Directors (Cont'd)

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

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

(c)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	Paliburg Holdings Limited	Century City BVI Holdings Limited	56.77
	Paliburg Development BVI Holdings Limited	Paliburg Holdings Limited	100.00
	Venture Perfect Investments Limited	Paliburg Development BVI Holdings Limited	100.00

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

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	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
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	Dragonlink Ventures (BVI) Limited	Leading Technology Holdings Limited	60.00
	Dragonlink Ventures (BVI) Limited	Century City BVI Holdings Limited	40.00
	Foremost Technology Limited	Dragonlink Ventures (BVI) Limited	100.00

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



- (y) 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

- (z) 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



Report of the Directors (Cont'd)

(aa) The interests in these shares of Regal International (China) 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

(ab) 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



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

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

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

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	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	99.93
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	World Momentum Limited	Leading Technology Holdings Limited	100.00
(b)	Name of corporation	Controlled by	% of control
	Manyways Technology Limited	Mr. Lo Yuk Sui	100.00
	Secure Way Technology Limited	Mr. Lo Yuk Sui	92.50
	8D International (BVI) Limited	Manyways Technology Limited	60.00
	Task Master Technology Limited	8D International (BVI) Limited	100.00
	Net Community Limited	Secure Way Technology Limited	66.67
	Net Community Limited	Task Master Technology Limited	33.33
	Century Digital Holdings Limited	Net Community Limited	100.00
	Grand Modern Investments Limited	Century Digital Holdings Limited	100.00
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00
	World Momentum Limited	Leading Technology Holdings Limited	100.00



Report of the Directors (Cont'd)

(ae) 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

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

(a)	Name of corporation	Controlled by	% of control
	Century City International Holdings Limited	Mr. Lo Yuk Sui	50.57
	Century City BVI Holdings Limited	Century City International Holdings Limited	100.00
	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
	Leading Technology Holdings Limited	Grand Modern Investments Limited	50.00

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



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

Save as disclosed in note 38 to the financial statements, during the year, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debentures of the Company and no option granted to such persons has been cancelled and/or lapsed:

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



Report of the Directors (Cont'd)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

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

Name of Substantial Shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of the issued ordinary shares
YSL International Holdings Limited ("YSL Int'l") (Notes i)	931,998,340	—	931,998,340	17.27%
Manyways Technology Limited ("Manyways") (Notes i and ii)	790,000,000	10,210,000,000	10,210,000,000	189.19%
8D International (BVI) Limited ("8D BVI") (Notes i, ii and iii)	790,000,000	10,210,000,000	10,210,000,000	189.19%
Task Master Technology Limited ("Task Master") (Notes i, ii and iv)	790,000,000	10,210,000,000	10,210,000,000	189.19%
Secure Way Technology Limited ("Secure Way") (Notes i and ii)	790,000,000	10,210,000,000	10,210,000,000	189.19%
Net Community Limited ("Net Community") (Notes i, ii and v)	790,000,000	10,210,000,000	10,210,000,000	189.19%
Century Digital Holdings Limited ("Century Digital") (Notes i, ii and vi)	790,000,000	10,210,000,000	10,210,000,000	189.19%
Grand Modern Investments Limited ("Grand Modern") (Notes i, ii and vii)	790,000,000	10,210,000,000	10,210,000,000	189.19%
Miss Lo Po Man (Note viii)	—	810,000,000	810,000,000	15.01%
Wealth Master International Limited ("Wealth Master") (Notes viii, ix and x)	—	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 under the section headed "Directors' Interests in Share Capital" 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) Wealth Master is 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 31st December, 2003, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO.

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

- (1) Mr. Lo Yuk Sui is a director of YSL Int'l, Manyways and Secure Way.
- (2) Messrs. Lo Yuk Sui, Jimmy Lo Chun To and Kenneth Ng Kwai Kai are directors of 8D BVI, Task Master, Net Community, Century Digital and Grand Modern.
- (3) Mr. Jimmy Lo Chun To is a director of Wealth Master and Select Wise.

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 Paliburg International Holdings Limited ("PIHL"), formerly the immediate listed holding company of PHL, on 15th December, 1993 are set out in note 38 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 38 to the financial statements.

MOVEMENTS IN CONVERTIBLE PREFERENCE SHARES OF PALIBURG HOLDINGS LIMITED

Movements during the year in convertible preference shares with par value of HK\$0.10 each ("PHL Preference Shares") of PHL are detailed below:

	Number of PHL Preference Shares
Balance at beginning of year	3,450,000,000
Converted during the year	<u>(1,460,000,000)</u>
Balance at end of year	<u>1,990,000,000</u>

Note: The PHL Preference Shares are convertible into fully paid ordinary shares of HK\$0.01 each of PHL at any time until and including 31st December, 2005 on the basis of one ordinary share of PHL for one PHL Preference Share so converted.

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 ("RHIHL Preference Shares") of RHIHL are detailed below:

	Number of RHIHL Preference Shares
Balance at beginning and at end of year	<u>16,748</u>

Note: The RHIHL 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 RHIHL Preference Share at the fixed exchange rate of HK\$7.730255 to US\$1.00.



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.

As mentioned in the announcement dated 10th June, 2002 made by the Company relating to the previous approved concession given by the Stock Exchange on 7th June, 2002, the Group had 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 Group's audited deficiency in net tangible assets as at 31st December, 2002 was approximately HK\$532.2 million (as restated). 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 18th June, 2003, 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 19th June, 2003 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, 2002. The "modified asset value" of the Group is equal to approximately HK\$4,338.0 million (the "Modified Asset Value", being the gross assets of the Group (approximately HK\$9,723.2 million) less intangibles (approximately HK\$10.7 million) and current liabilities (approximately HK\$5,374.5 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\$216.9 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\$216.9 million);
- (3) is either an acquisition or realisation and the value of which is 5% of the Modified Asset Value (being approximately HK\$216.9 million) or above but below 15% of the Modified Asset Value (being approximately HK\$650.7 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\$650.7 million) or above but below 25% of the Modified Asset Value (being approximately HK\$1,084.5 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\$650.7 million) or above, the Company shall comply with the requirements for major transactions; and
- (6) is an acquisition and the value of which is 25% of the Modified Asset Value (being approximately HK\$1,084.5 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.



Report of the Directors (Cont'd)

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\$43.4 million
(B) Paragraph 23 of Appendix 16	Ratio of 5%	approximately HK\$216.9 million
(C) Paragraph 3.2.1 of Practice Note 19	Ratio of 8%	approximately HK\$347.0 million
(D) Paragraph 3.2.2 of Practice Note 19	Ratio of 3%	approximately HK\$130.1 million
(E) Paragraph 3.3 of Practice Note 19	Ratio of 8%	approximately HK\$347.0 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\$433,800.
- (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\$43.4 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\$216.9 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 18th June, 2003 until the publication or the due date of publication of this annual report, whichever is earlier.

For the purpose of the sections below headed "Connected Transactions" and "Disclosure pursuant to Rules 13.13, 13.16 and 13.18 of Chapter 13 of the Listing Rules", the "RHIHL Group" refers to RHIHL and its subsidiary companies; the "PHL Group" refers to 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 "1998 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 1998 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 and Miscellaneous Connected Transaction

As disclosed in a joint announcement of the Company, PHL and RHIHL dated 12th January, 2004, details of the changed arrangements and the new waiver applicable to the Corporate Services Transactions involving the sharing of the corporate management services and the Miscellaneous Connected Transaction involving the advertising and promotional services provided by 8D International Limited ("8D") are as follows:

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

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

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

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

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

**Advertising and promotional services provided by 8D International Limited**

8D has been providing advertising and promotional services to the Group on retainers and at a standard fee based on total costs involved, in addition to which actual costs and out-of-pocket expenses incurred are reimbursed. The charges of 8D to the Group are based upon the actual advertising fees, production costs and/or out-of-pocket expenses incurred by 8D plus an agreed standard fee which represents a mark-up percentage of the actual advertising fee or production costs incurred by 8D. The Company understand that the agreed fee rates are comparable to market rates and the Directors (including independent Non-Executive Directors) of the Company consider that such fee rates are fair and reasonable.

8D is owned as to 10% by the CCIHL Group, 30% by the RHIHL Group and 60% by a company which is indirectly owned as to approximately 3.3% by the CCIHL Group, 10% by the RHIHL Group, approximately 81.7% by Mr. Lo Yuk Sui ("Mr. Lo"), the substantial shareholder and the Chairman and Managing Director of the Company and the remaining 5% by an independent third party not connected with the directors, chief executive, substantial shareholders of the Company, PHL and RHIHL or any of their respective subsidiaries or any of their respective associates. 8D is therefore an associate of Mr. Lo and therefore a connected person of the Company, PHL and RHIHL.

The Company considers that the advertising and promotional services provided by 8D to the Group are on normal commercial terms and are conducted in the ordinary and usual course of business of the Group. The Group has established a long-term working relationship with 8D since the Group was established, as the management of 8D demonstrates a good understanding on the business needs of the respective members of the Group. The Directors of the Company are of the view that 8D has been providing quality services to the Group with reasonable fees.

The amount of services fees payable by the Group to 8D was HK\$3.1 million for the year ended 31st December, 2003.



New Waiver for Corporate Management Services and Advertising and Promotional Services

As set out in the announcement of the Company dated 30th May, 2002 and in its annual report for the year 2002, the Company had previously obtained the 1998 Waiver from the Stock Exchange for the Ongoing Connected Transactions under the sharing of corporate management services and rental arrangement amongst the CCIHL Group, the PHL Group and the RHIHL Group and also the provision of advertising and promotional services by 8D to the PHL Group and the RHIHL Group. It was also set out in the announcement and in its annual report for the year 2002 that the Company had failed to comply with the conditions of the waiver and the relevant requirements for connected transactions under the Listing Rules in respect of the sharing of corporate management services since the year ended 31st December, 1999 (including that sharing of corporate management services which took place during the financial year since 1st January, 2003) due primarily to its reduced net asset value and had failed to comply with the relevant requirements for connected transaction under the Listing Rules in respect of the provision of advertising and promotional services by 8D since 8D had become a connected person of the Company in 2000.

As stated above in the paragraph headed "Corporate Management Services shared by the CCIHL Group with the PHL Group and the RHIHL Group", the cost sharing basis of the corporate management services has changed with effect from 1st January, 2003. In addition, the advertising and promotional services provided by 8D constitute ongoing connected transactions for the Company. The Stock Exchange, on application by the Company, granted to the Company a new waiver for the Ongoing Connected Transactions under (a) the sharing of the Corporate Management Services among the three listed groups, and (b) the advertising and promotional services provided by 8D from strict compliance with the disclosure requirements under the Listing Rules in respect of the transactions subject to the conditions stated in the paragraph headed "Compliance with New Waiver Conditions" below.

Compliance with New Waiver Conditions

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

- (1) the transactions were:
 - (i) entered into by the Group in the ordinary and usual course of its business;
 - (ii) conducted on terms that are fair and reasonable so far as the shareholders of the Company and no less favourable to the Group than terms available from independent third parties; and
 - (iii) entered into on terms in accordance with the terms of the agreements governing the Transactions, if any;



- (2) the aggregate annual amount of the fees of each class of the transactions under the sharing of Corporate Management Services allocated by the CCIHL Group to the PHL Group and the RHIHL Group and the Advertising and Promotional Services payable by the Group did not exceed 1% of the published modified asset value of the Company in the financial year of 2003;
- (3) the independent Non-Executive Directors of the Company have reviewed the above transactions for the year of 2003 and confirmed in this annual report of the Company for the financial year of 2003 that they were conducted in the manner as stated in paragraphs (1) and (2) above;
- (4) the Auditors of the Company have reviewed the subject transactions for the year of 2003 and confirmed in a letter to the Board of Directors of the Company (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating:
 - (i) the transactions have received the approval of the Board of Directors of the Company;
 - (ii) the transactions have been carried out in accordance with the terms of the agreements governing such transactions, if any; and
 - (iii) the aggregate annual amount of each class of the transactions under for the financial year of 2003 has not exceeded the maximum amount as stated in paragraph (2) above; and
- (5) details of the transactions under the Corporate Management Services and the Advertising and Promotional Services in the financial year of 2003 have been disclosed according to the relevant disclosure requirements under the Listing Rules in this annual report of the Company for the financial year of 2003 together with a statement of the opinion of its independent Non-Executive Directors referred to in paragraph (3) above.

**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 31st December, 2003 are set out below:

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

The above advances to Chest Gain in an aggregate sum of HK\$3,109.5 million (before a provision of HK\$1,407.6 million) included an amount of HK\$1,701.1 million which represented the gross amount of the advances attributable to the additional 40% interest in Chest Gain acquired from the PHL Group in 2002 as detailed in last year's audited consolidated financial statements. Such contribution of funds to Chest Gain are required to be provided in the form of shareholders' loans in proportion to the respective shareholding interests of the shareholders of Chest Gain. The advances are unsecured and have no fixed term of repayment, and related interest had been accrued at prime rate up to 31st December, 1998. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of its property project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Stanley Site"). The Stanley Site was acquired by Chest Gain at the government land auction held on 3rd June, 1997. The above guarantee was provided by RHIHL on a several basis in proportion to its 70% shareholding interests in Chest Gain and was given in respect of the bank loan facilities of HK\$3,370.0 million made available to Chest Gain for the purposes of refinancing part of the consideration for the acquisition of the Stanley Site and financing the estimated construction costs required for the luxury residential development at the Stanley Site. In addition, 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 RHIHL Group in 2002.



Calculated on the basis of the Modified Asset Value of approximately HK\$4,338.0 million (as referred to in the announcement of the Company dated 19th June, 2003), the aggregate of advances and other financial assistance as at 31st December, 2003 provided by the PHL/RHIHL Group to Chest Gain in the respective sums of (a) HK\$5,468.5 million (based on the total available amount of the bank facilities) and (b) HK\$5,364.9 million (based on the amount of bank facilities drawdown) represented (a) 126.1% and (b) 123.7% of the Modified Asset Value.

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

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 31st December, 2003 are set out below:

Name of Affiliated Companies	Principal Amount of Advances (HK\$'million)	Interest Receivable (HK\$'million)	Guarantee given for Bank Facilities	
			(i) Principal Amount of Bank Facilities (HK\$'million)	(ii) Amount of Bank Facilities Drawdown (HK\$'million)
Chest Gain	(A) 2,730.3	(B) 379.2	(C)(i) 2,359.0	(C)(ii) 2,255.4
Cheerjoy Development Limited	(D) 147.7	(E) 7.5	Nil	Nil
Talent Faith Investments Ltd.	(F) 78.6	–	Nil	Nil
8D International (BVI) Limited	(G) 38.4	–	Nil	Nil
8D Matrix Limited	(H) 0.7	–	Nil	Nil
Bright Future (HK) Limited	(I) 5.6	–	Nil	Nil
Network Sky Limited	(J) 1.5	–	Nil	Nil
Smart Tactic Limited	(K) 1.4	–	Nil	Nil
			Total : (A)+(B)+(C)(i)+(D) to (K)	5,749.9
			(A)+(B)+(C)(ii)+(D) to (K)	5,646.3

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 in the current year (the loan bore interest at prime rate in the prior year) and have no fixed term of repayment.

Talent Faith Investments Ltd. ("Talent Faith") was previously a 50% owned associate of 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 during the 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 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 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, 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 of the Modified Asset Value, as at 31st December, 2003, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group in the respective sums of (a) HK\$5,749.9 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK\$5,646.3 million (based on the drawdown amount of bank facilities to Chest Gain) represented (a) 132.5% and (b) 130.2% 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:

	Pro-forma combined balance sheet (HK\$'million)	Group's attributable interest (HK\$'million)
Non-current assets	1,069.8	242.8
Current assets	5,501.1	706.4
Current liabilities	(3,618.8)	(485.7)
Non-current liabilities	(6,731.7)	(948.4)
Net liabilities	<u>(3,779.6)</u>	<u>(484.9)</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 31st December, 2002 (HK\$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
RHIHL Group	(a)	1,054.2	December 2012	Note (i)
	(b)	<u>3,373.8</u>	December 2006	Note (ii)
Total:		<u>4,428.0</u>		

Notes:

- (i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of the Company which owns a 67.5% shareholding interest in PHL (which in turn owns a 59.7% shareholding interest in RHIHL), and/or members of his immediate family or a trust or trusts under which they are beneficially interested (collectively, "Mr. Lo") shall not cease to maintain controlling interest (directly or indirectly) in respect of the shareholding (as defined under the Listing Rules) and management control of RHIHL.
- (ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in RHIHL.



CORPORATE GOVERNANCE

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

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee 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 19 to the financial statements.

PROPERTY HELD FOR FUTURE DEVELOPMENT

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

**BORROWINGS**

The details of the Company's and the Group's borrowings at the balance sheet date are set out in notes 32 and 34 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 38 to the financial statements.

SHARE PREMIUM ACCOUNT

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

CAPITAL RESERVE

The details of movements in the capital reserve account during the year are set out in note 42 to the financial statements.

REVALUATION RESERVES

The details of movements in the revaluation reserve account during the year are set out in note 43 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 44 to the financial statements.

SUBSIDIARY COMPANIES

Particulars of the Company's principal subsidiary companies are set out in note 45 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 21 and 22 to the financial statements, respectively.



CONTRIBUTED SURPLUS

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

DISTRIBUTABLE RESERVES

As at 31st December, 2003, 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\$0.7 million were capitalised during the year in respect of the Group's property development projects.

POST BALANCE SHEET EVENTS

Details of the significant events which occurred subsequent to the balance sheet date are set out in note 55 to the financial statements.

AUDITORS

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

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
15th April, 2004