

## HALF YEAR RESULTS

### Condensed Consolidated Profit and Loss Account

		Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited and restated)
	Notes	HK\$'million	HK\$'million
TURNOVER	3	396.1	693.3
Cost of sales		(322.9)	(497.3)
Gross profit		73.2	196.0
Other revenue	5	345.7	16.9
Administrative expenses		(48.2)	(71.9)
Other operating expenses, net	6	(1.3)	(105.6)
Loss on disposal of overseas subsidiary companies		(9.7)	–
PROFIT FROM OPERATING ACTIVITIES	3	359.7	35.4
Finance costs	7	(149.8)	(344.1)
Share of profits less losses of:			
Jointly controlled entity		(0.1)	–
Associates		(2.0)	3.3
PROFIT/(LOSS) BEFORE TAX		207.8	(305.4)
Tax	8	48.9	3.5
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		256.7	(301.9)
Minority interests		26.4	102.2
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		283.1	(199.7)
Earnings/(Loss) per share (HK\$):	10		
Basic		0.074	(0.057)
Diluted		(0.003)	N/A



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2003

	Share capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
At 1st January, 2003:								
As previously stated	381.7	888.4	4.4	2,980.3	(7.9)	(2.2)	(4,737.3)	(492.6)
Prior year adjustments (Note)	-	-	-	-	-	-	(28.9)	(28.9)
As restated	381.7	888.4	4.4	2,980.3	(7.9)	(2.2)	(4,766.2)	(521.5)
Movement in fair value of long term investments	-	-	-	-	2.1	-	-	2.1
Release on deemed disposal of the Group's interests in listed subsidiary companies	-	-	-	(684.5)	2.2	0.5	-	(681.8)
Release on disposal of overseas subsidiary companies	-	-	-	(12.3)	-	-	-	(12.3)
Exchange realignments	-	-	-	-	-	3.0	-	3.0
Net profit for the period	-	-	-	-	-	-	283.1	283.1
<b>At 30th June, 2003</b>	<b>381.7</b>	<b>888.4</b>	<b>4.4</b>	<b>2,283.5</b>	<b>(3.6)</b>	<b>1.3</b>	<b>(4,483.1)</b>	<b>(927.4)</b>
	Share capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
At 1st January, 2002:								
As previously stated	332.7	888.4	4.4	3,325.9	53.9	(4.2)	(4,761.4)	(160.3)
Prior year adjustments (Note)	-	-	-	-	-	-	(77.8)	(77.8)
As restated	332.7	888.4	4.4	3,325.9	53.9	(4.2)	(4,839.2)	(238.1)
Issue of new shares	25.0	-	-	-	-	-	-	25.0
Movement in fair value of long term investments	-	-	-	-	4.6	-	-	4.6
Release on disposal of ordinary shares in the listed subsidiary companies	-	-	-	(46.2)	0.4	0.2	-	(45.6)
Release on disposal of long term investments	-	-	-	-	2.5	-	-	2.5
Exchange realignments	-	-	-	-	-	0.7	-	0.7
Transfers	-	-	-	-	(1.7)	-	1.7	-
Net loss for the period	-	-	-	-	-	-	(199.7)	(199.7)
<b>At 30th June, 2002</b>	<b>357.7</b>	<b>888.4</b>	<b>4.4</b>	<b>3,279.7</b>	<b>59.7</b>	<b>(3.3)</b>	<b>(5,037.2)</b>	<b>(450.6)</b>

**Note:** The prior year adjustments represented losses arising from the recognition of deferred tax liabilities in accordance with SSAP 12 (Revised), the accounting treatment of which was further explained in note 1 to the condensed consolidated financial statements.



## Condensed Consolidated Balance Sheet

		30th June, 2003 (Unaudited)	31st December, 2002 (Restated)
	Notes	HK\$'million	HK\$'million
<b>NON-CURRENT ASSETS</b>			
Fixed assets		6,536.7	6,770.7
Intangible assets		0.9	–
Goodwill		267.6	–
Negative goodwill		(4.9)	(5.0)
Properties under development		26.7	16.7
Property held for future development		26.7	26.7
Interest in a jointly controlled entity		1,066.9	1,062.9
Interests in associates		250.0	525.3
Long term investments	12	151.8	144.8
Loans and other long term receivable		111.3	116.7
Deferred tax assets		7.4	–
Deferred expenditure		12.3	15.7
Other assets		0.3	0.3
		<b>8,453.7</b>	<b>8,674.8</b>
<b>CURRENT ASSETS</b>			
Short term investments		9.4	8.2
Properties under development		26.3	94.4
Properties held for sale		166.3	194.3
Hotel and other inventories		21.6	24.4
Debtors, deposits and prepayments	13	661.5	555.9
Pledged time deposits		8.7	43.8
Time deposits		12.8	72.0
Cash and bank balances		59.4	55.4
		<b>966.0</b>	<b>1,048.4</b>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	14	819.8	755.7
Tax payable		33.4	32.2
Interest bearing bank and other borrowings		4,095.0	4,235.9
5% Convertible bonds		19.0	–
Deposits received		15.1	24.0
Provisions		340.2	326.7
		<b>5,322.5</b>	<b>5,374.5</b>
<b>NET CURRENT LIABILITIES</b>		<b>(4,356.5)</b>	<b>(4,326.1)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,097.2</b>	<b>4,348.7</b>



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

	30th June, 2003 (Unaudited)	31st December, 2002 (Restated)
	HK\$'million	HK\$'million
TOTAL ASSETS LESS CURRENT LIABILITIES	4,097.2	4,348.7
NON-CURRENT LIABILITIES		
Interest bearing bank and other borrowings	(1,964.4)	(2,034.5)
5% Convertible bonds	-	(50.0)
Advances from minority shareholders of subsidiary companies	(41.4)	(40.4)
Deferred tax liabilities	(59.2)	(102.2)
	<u>(2,065.0)</u>	<u>(2,227.1)</u>
MINORITY INTERESTS	(2,959.6)	(2,643.1)
	<u>(927.4)</u>	<u>(521.5)</u>
CAPITAL AND RESERVES		
Issued capital	381.7	381.7
Reserves	(1,309.1)	(903.2)
	<u>(927.4)</u>	<u>(521.5)</u>



### Condensed Consolidated Cash Flow Statement

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
Net cash inflow from operating activities	54.3	120.4
Net cash inflow from investing activities	16.0	196.6
Net cash outflow from financing activities	(126.7)	(342.1)
Decrease in cash and cash equivalents	(56.4)	(25.1)
Cash and cash equivalents at beginning of period	125.1	215.8
Effect of foreign exchange rate changes, net	1.1	0.1
Cash and cash equivalents at end of period	69.8	190.8
Analysis of balances of cash and cash equivalents		
Cash and bank balances	59.4	45.1
Non-pledged time deposits with original maturity of less than three months when acquired	12.8	149.4
	72.2	194.5
Bank overdrafts	(2.4)	(3.7)
	69.8	190.8



## Notes to Condensed Consolidated Financial Statements

### 1. Accounting Policies

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

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

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

A summary of their major effects is as follows:

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

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

SSAP 12 (Revised) has no specific transitional arrangement and therefore the provisions in SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies" should be applied, which requires the change in accounting policy to be applied retrospectively. Thus comparative amounts for 2002 have been restated accordingly. The opening accumulated losses at 1st January, 2002 and 2003 have been increased by approximately HK\$77.8 million and HK\$28.9 million respectively, which represented the cumulative effect of the change in accounting policy. The net loss from ordinary activities attributable to shareholders for the six months ended 30th June, 2002 was decreased by approximately HK\$5.4 million, which represented the decrease in other operating expenses, tax expenses and loss shared by minority shareholders of approximately HK\$2.9 million, HK\$4.1 million and HK\$1.6 million, respectively.

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

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



## Intangible assets

### *Development costs*

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

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

## 2. Corporate Update and Basis of Presentation

As previously reported, the Group, excluding Paliburg Holdings Limited ("PHL") and its subsidiary companies, (the "CCIHL Group"), has been conducting discussions with its financial creditors with a view to formulating a consensual debt restructuring proposal to replace the current informal standstill arrangement under which repayment of their indebtedness has been suspended. In October 2002, the CCIHL Group, together with its independent financial adviser, presented a debt restructuring proposal (the "Debt Restructuring") to the financial creditors. The detail terms of the Debt Restructuring are still currently under consideration by the financial creditors.

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

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

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

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

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

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

As previously reported, the RHIHL Group entered into a sale and purchase agreement (the "Constellation Hotel Agreement") with a purchaser (the "CH Purchaser") to dispose of its 100% interest in a hotel property in Canada. The CH Purchaser subsequently defaulted to proceed to complete the sale and purchase. On 25th June, 2003, the RHIHL Group disposed of its 100% shareholding interest in the Canadian subsidiary company then indirectly holding the hotel property to an independent third party for a nominal consideration of CAD2.00, with sharing arrangements on any recovery from the defaulted purchaser. As the principal repayment obligations of the bank loans secured on the hotel property in the principal sum of CAD33.85 million (approximately HK\$195.9 million) were without recourse to the RHIHL Group, such bank loan has been taken off the RHIHL Group's condensed consolidated balance sheet as at 30th June, 2003.

In light of the foregoing and on the bases that the CCIHL Group's Debt Restructuring will be successful and unanimous approval will be obtained in respect of the RHIHL Group's Financial Restructuring Proposal, the Directors are satisfied that it is appropriate to prepare the financial statements of the Group on a going concern basis.





### 3. Segment Information

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

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

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

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

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



(a) Business segments

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

**GROUP**

	Property development and investment		Property management		Construction and construction-related businesses		Hotel ownership and management		Brewery operations		Others		Eliminations		Consolidated	
	Six months ended 30th June, 2003 (Unaudited)	HK\$'m	Six months ended 30th June, 2003 (Unaudited)	HK\$'m	Six months ended 30th June, 2003 (Unaudited)	HK\$'m	Six months ended 30th June, 2003 (Unaudited)	HK\$'m	Six months ended 30th June, 2003 (Unaudited)	HK\$'m	Six months ended 30th June, 2003 (Unaudited)	HK\$'m	Six months ended 30th June, 2003 (Unaudited)	HK\$'m	Six months ended 30th June, 2003 (Unaudited)	HK\$'m
Segment revenue:																
Sales to external customers	6.0	91.1	11.8	11.1	35.5	109.8	323.0	467.2	17.6	9.2	2.2	4.9	-	-	396.1	693.3
Intersegment sales	0.5	13.3	-	0.6	9.8	1.7	0.1	0.2	-	-	4.1	7.2	(14.5)	(23.0)	-	-
<b>Total</b>	<b>6.5</b>	<b>104.4</b>	<b>11.8</b>	<b>11.7</b>	<b>45.3</b>	<b>111.5</b>	<b>323.1</b>	<b>467.4</b>	<b>17.6</b>	<b>9.2</b>	<b>6.3</b>	<b>12.1</b>	<b>(14.5)</b>	<b>(23.0)</b>	<b>396.1</b>	<b>693.3</b>
Segment results	39.2	26.7	8.9	8.7	7.2	5.2	8.0	82.5	(3.9)	(7.2)	2.8	(4.4)	-	(2.4)	62.2	109.1
Interest income and unallocated non-operating and corporate gains															343.1	16.2
Unallocated non-operating and corporate expenses, net															(45.6)	*(89.9)
Profit from operating activities															359.7	35.4
Finance costs															(149.8)	(344.1)
Share of profits less losses of jointly controlled entity	(0.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.1)	-
Associates	-	-	-	-	-	-	(0.5)	(0.2)	-	-	(1.5)	3.5	-	-	(2.0)	3.3
Profit/(Loss) before tax															207.8	(305.4)
Tax															48.9	3.5
Profit/(Loss) before minority interests															256.7	(301.9)
Minority interests															26.4	102.2
Net profit/(loss) from ordinary activities attributable to shareholders															283.1	(199.7)

\* Inclusive of a write back of provision against a loan receivable amounting to HK\$19.1 million (note 6).





(b) Geographical segments

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

**GROUP**

	Hong Kong		Canada		Mainland China		Eliminations		Consolidated	
	Six months ended 30th June, 2003 (Unaudited) HK\$m	2002 (Unaudited) HK\$m	Six months ended 30th June, 2003 (Unaudited) HK\$m	2002 (Unaudited) HK\$m	Six months ended 30th June, 2003 (Unaudited) HK\$m	2002 (Unaudited) HK\$m	Six months ended 30th June, 2003 (Unaudited) HK\$m	2002 (Unaudited) HK\$m	Six months ended 30th June, 2003 (Unaudited) HK\$m	2002 (Unaudited) HK\$m
Segment revenue:	346.2	636.0	32.2	48.0	17.7	9.3	-	-	396.1	693.3
Sales to external customers										

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

	<b>Six months ended 30th June, 2003 (Unaudited)</b>	<b>Six months ended 30th June, 2002 (Unaudited and restated)</b>
	<b>HK\$'million</b>	<b>HK\$'million</b>
Loss on disposal of listed investments	–	(55.9)
Loss on disposal of unlisted investments	–	(1.6)
Loss on sale of properties	–	(35.6)
	<u>          </u>	<u>          </u>

#### 4. Discontinued Operation

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

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

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



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

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

## 5. Other Revenue

Other revenue includes the following major items:

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
Interest income	3.4	9.2
Gain on deemed disposal of the Group's interest in a listed subsidiary company*	<u><u>337.4</u></u>	<u><u>–</u></u>

\* As more fully explained in the Company's 2002 audited consolidated financial statements, the Group completed certain share swap agreement (the "Share Swap Agreement") on 31st December, 2002, pursuant to which the Company acquired the beneficial interest in the entire issued ordinary share capital of Almighty International Limited ("Almighty") for a nominal consideration. At the time the Share Swap Agreement was completed, Almighty acquired from certain vendors 3,450.0 million convertible preference shares of PHL (the "Paliburg Convertible Preference Shares") (convertible into the ordinary shares of PHL on a 1-for-1 basis), satisfied by Almighty issuing 13,800.0 million exchangeable preference shares (the "Exchangeable Preference Shares") which are exchangeable into the Paliburg Convertible Preference Shares (or ordinary shares of PHL if so converted) on a 4-for-1 basis (the "Exchange Rights"). During the period, 1,460.0 million Paliburg Convertible Preference Shares held by Almighty were converted into a same number of ordinary shares of PHL. As the Paliburg Convertible Preference Shares, or ordinary shares of PHL if so converted, held by Almighty are subject to the right to exchange by the holders of the Exchangeable Preference Shares, they are not treated as beneficially owned by the Company. As a result of the conversion, the beneficial interest in the ordinary share capital of PHL held by the Company (excluding those held by Almighty) was diluted from 59.2% to 36.3% as at 30th June, 2003, resulting in a profit on deemed disposal of HK\$337.4 million. However, on the bases that Almighty remains a wholly-owned subsidiary company of the Company and the voting rights attributable to those ordinary shares of PHL held by Almighty are vested with the Company until the Exchange Rights are exercised by the holders of the Exchangeable Preference Shares, the total voting rights in PHL held by the Company (including those held by Almighty) represented 72.3% interest in the issued ordinary share capital of PHL as at 30th June, 2003. Accordingly, PHL continued to be consolidated as a subsidiary company of the Group during the period under review.

## 6. Other Operating Expenses, net

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

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited and restated)
	HK\$'million	HK\$'million
Depreciation	21.7	28.4
Amortisation of goodwill	7.2	-
Loss on disposal of long term listed investments	-	2.2
Loss on disposal of long term unlisted investments	-	1.6
Loss on disposal of ordinary shares in a listed subsidiary company	-	53.7
Loss on deemed disposal of the Group's interest in a listed subsidiary company	4.6	-
Loss on disposal of investment property	-	35.6
Write back of provision against a loan receivable	-	(19.1)
Write back of provision for impairment against properties	(39.6)	-
	<u>          </u>	<u>          </u>



## 7. Finance Costs

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
Interest in respect of:		
Bank loans and overdrafts	108.0	137.8
Other loans, exchangeable bonds and convertible bonds wholly repayable within five years	38.7	199.5
	<u>146.7</u>	<u>337.3</u>
Interest capitalised in respect of property development projects and construction contracts	(0.4)	–
	<u>146.3</u>	<u>337.3</u>
Amortisation of deferred expenditure	3.5	6.7
Other loan costs	–	0.1
	<u>149.8</u>	<u>344.1</u>

## 8. Tax

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

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

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

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

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



## 9. Transfer from Other Reserves

In the prior period, an amount of HK\$1.7 million was transferred from reserves to accumulated losses.

## 10. Earnings/(Loss) Per Share

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

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$283.1 million (2002 - net loss of HK\$199.7 million, as restated) and on the weighted average of 3,816.8 million (2002 - 3,505.3 million) shares of the Company in issue during the period.

### (b) Diluted loss per share

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

No diluted loss per share was presented for the period ended 30th June, 2002 as no diluting events existed during that period.

## 11. Dividend

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

## 12. Long Term Investments

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





### 13. Debtors, Deposits and Prepayments

Included in the balance is an amount of HK\$36.9 million (31st December, 2002 - HK\$79.3 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	28.8	72.4
Between 4 to 6 months	3.7	2.5
Between 7 to 12 months	4.5	2.4
Over 1 year	18.8	19.8
	<hr/>	<hr/>
	55.8	97.1
Provisions	(18.9)	(17.8)
	<hr/>	<hr/>
	36.9	79.3
	<hr/> <hr/>	<hr/> <hr/>

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

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

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



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

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

#### Credit Terms

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

#### 14. Creditors and Accruals

Included in the balance is an amount of HK\$81.5 million (31st December, 2002 - HK\$100.7 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK\$'million	HK\$'million
Outstanding balances with ages:		
Within 3 months	66.4	82.8
Between 4 to 6 months	3.9	12.4
Between 7 to 12 months	6.5	1.3
Over 1 year	4.7	4.2
	<u>81.5</u>	<u>100.7</u>



## 15. Related Party Transactions

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

	Six months ended 30th June, 2003 (Unaudited)	Six months ended 30th June, 2002 (Unaudited)
	HK\$'million	HK\$'million
Advertising, promotion and information technology service fees (including cost reimbursements) paid to an associate	3.1	5.7
Interest on loans to associates	–	3.8
Guarantees given in respect of a banking facility granted to a jointly controlled entity	<u>2,359.0</u>	<u>2,310.0</u>

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

## 16. Pledge of Assets

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

## 17. Contingent Liabilities

- (a) At 30th June, 2003, corporate guarantees in the amount of HK\$2,359.0 million (31st December, 2002 - HK\$2,310.0 million) had been given by the Group in respect of banking facilities granted to a jointly controlled entity. The amount drawn against these facilities attributable to the Group at the end of the period amounted to HK\$2,114.9 million (31st December, 2002 - HK\$1,938.4 million).



- (b) At the balance sheet date, certain employees of the Group had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments upon termination of their employment. The Group is only liable to make such payments where the termination falls within the required circumstance specified in the Ordinance. If the termination of such employees falls within the circumstances required by the Ordinance, the Group's liability at the balance sheet date, after deducting the attributable asset balance of the employer's contribution to the Mandatory Provident Fund, would have increased by approximately HK\$17.2 million. No provision has been made for this amount in the condensed consolidated financial statements.
- (c) As described in note 13 to the condensed consolidated financial statements, the RHIHL Group entered into the Disposal Agreement with respect to the disposal of its hotel interests in the United States of America in 1999.

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

## 18. Operating Lease Arrangements

- (a) As lessor

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

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

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

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



(b) As lessee

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

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

	30th June, 2003 (Unaudited)	31st December, 2002 (Audited)
	HK\$'million	HK\$'million
Land and buildings:		
Within one year	8.0	9.5
In the second to fifth years, inclusive	27.6	27.6
After the fifth year	11.5	15.0
	<u>47.1</u>	<u>52.1</u>
Other equipment:		
Within one year	–	3.6
In the second to fifth years, inclusive	–	0.6
	<u>–</u>	<u>4.2</u>
	<u>47.1</u>	<u>56.3</u>



## 19. Commitments

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

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

## 20. Post Balance Sheet Events

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

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



## 21. Share Options

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

### Share Options Granted by Paliburg Holdings Limited

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

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

Date of grant of share options	Name or category of participant	Number of ordinary shares under share options**			Vesting period*/ Exercise period of share options	Exercise price of share options ** HK\$
		At 1st January, 2003	Lapsed during the period	At 30th June, 2003		
22nd February, 1994	<b>Directors</b>					
	Mr. Lo Yuk Sui (Note 2)					
	Vested:	3,650,000	–	4,106,250	Note 3	10.40
	Unvested:	912,500	–	456,250		
	Mr. Kenneth Ng Kwai Kai					
	Vested:	800,000	–	900,000	Note 3	10.40
	Unvested:	200,000	–	100,000		
	<b>Other Employees</b>					
	Employees, in aggregate					
	Vested:	3,800,000	–	4,275,000	Note 3	10.40
	Unvested:	950,000	–	475,000		
		10,312,500	–	10,312,500		



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

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

\*\* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the share capital of PHL.





**Notes:**

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

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

3. Vesting/Exercise Periods of Options:

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

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

5. Vesting/Exercise Periods of Options:

<b>On Completion of Continuous Service of</b>	<b>Initial/Cumulative Percentage Vesting</b>	<b>Initial/Cumulative Percentage Exercisable</b>
(a) Exercisable at any time	PHL Options were granted as vested options under the PHL Option Scheme for those PIHL Options already vested under PIHL Option Scheme (see Note 1)	Exercisable until 10 years after Original Grant Date
(b) 3 years after Original Grant Date	1/8 x 100%	1/8 x 100% upon vesting (exercisable until 10 years after Original Grant Date)



(c) 4 years to 9 years after Original Grant Date	Cumulative 2/8 x 100% to 7/8 x 100% (with 1/8 x 100% additional percentage vested each subsequent year (commencing from 4 years after Original Grant Date))	Cumulative 2/8 x 100% to 7/8 x 100% (with 1/8 x 100% additional percentage exercisable each subsequent year (commencing from 4 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(d) 9½ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)
6. Vesting/Exercise Periods of Options:		
<b>On Completion of Continuous Service of</b>	<b>Initial/Cumulative Percentage Vesting</b>	<b>Initial/Cumulative Percentage Exercisable</b>
(a) 2 years after Original Grant Date	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after Original Grant Date)
(b) 3 years to 9 years after Original Grant Date	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after Original Grant Date))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(c) 9½ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)
7. In the absence of a readily available market value, the directors of PHL are unable to arrive at an accurate assessment of the value of the options granted.		

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



### Share Options Granted by Regal Hotels International Holdings Limited

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

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

Date of grant of share options	Name or category of participant	Number of ordinary shares under share options**			Vesting period*/Exercise period of share options	Exercise price of share options** HK\$
		At 1st January, 2003	Lapsed during the period	At 30th June, 2003		
5th August, 1993	<b>Other Employees</b>					
	Employees, in aggregate					
	Vested:	1,230,000	–	1,380,000	Note 1	1.1083
	Unvested:	150,000	–	–	Note 1	
		<u>1,380,000</u>	<u>–</u>	<u>1,380,000</u>		
22nd February, 1997	<b>Other Employees</b>					
	Employees, in aggregate					
	Vested:	540,000	–	648,000	Note 1	2.1083
	Unvested:	540,000	–	432,000	Note 1	
		<u>1,080,000</u>	<u>–</u>	<u>1,080,000</u>		
	<b>Total:</b>	<u><b>2,460,000</b></u>	<u><b>–</b></u>	<u><b>2,460,000</b></u>		

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

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



**Notes:**

## 1. Vesting/Exercise Periods of Options:

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

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

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

**22. Comparative Amounts**

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

